



CPD ARENDUSKESKUS



Estonia-Latvia Programme 2014-2020 Ex-ante Evaluation

EVALUATION REPORT



This Ex-ante evaluation is implemented by the following Consortium:

CPD (Estonia)

Safege Baltija (Latvia)

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Introduction

This report reflects the ex-ante evaluation process for the Estonia-Latvia 2014-2020 programme that was commissioned by Enterprise Estonia to a consortium of CPD Ltd and Safege Baltija Ltd and carried out during the period March 2013 – May 2014. During this period, the evaluators (as well as the experts responsible for the Strategic Environmental Assessment) participated in all meetings of the Joint Programming Committee (JPC), as well as in intermediate working sessions on technical issues, such as indicators. For most of the JPC meetings, presentations on intermediate findings were made. Also, during these meetings, the evaluators were frequently asked for immediate feedback on issues such as intervention logic.

The evaluation process took place in an interactive way, in parallel with the programming process. The first draft of the evaluation report was prepared by 27 March 2014 and presented to the JPC members for commenting. On the basis of feedback received, as well as more detailed programming information made available after this date, a final draft version of this report was presented by the beginning of June 2014.

1. Programme strategy

1.1. Consistency of programme objectives

The Estonia – Latvia Programme 2014-2020 (hereinafter ‘the Programme’) aims at strengthening the cooperation within the programme region with the specific focus on achieving the following strategic goals:

- Active and attractive business environment;
- Clean and valued living environment;
- Better network of harbours;
- Integrated labour market.

These goals have been derived from the identified needs of the region and are in line with 4 thematic objectives: enhancing the competitiveness of SMEs (TO3); protecting environment and promoting resource efficiency (TO6); promoting sustainable transport and removing bottlenecks in key network infrastructures (TO7); promoting employment and supporting labour mobility (TO8). In the draft programme document, the reasoning for the selected objectives (incl. specific objectives) of the Programme and thematic objectives has been provided by the description of the bottlenecks and development needs of different sectors.

Enhancing the competitiveness of SMEs (TO3)

When looking at the status of the business sector (SMEs particularly) in the programme area, the programme document stresses the need to foster entrepreneurship in the region (e.g. promote business start-up, business support services, development, raising competence and capacity) and cross-border business cooperation. Those issues have also been raised within the stakeholder seminars. Moreover, the mentioned bottlenecks – e.g. lack of knowledge about market, product development, financing possibilities, strategic business development, and business environment; a need for more information about business opportunities in other regions; lack of motivation for cross-border cooperation – have been addressed by several strategic documents. For example, the EUSBSR Background and Analysis¹ states that there should be increased and more effective support for entrepreneurship and SME development, as well as strengthened co-operation between business support institutions.

Promoting employment and supporting labour mobility (TO8)

Within the objective ‘Integrated labour market’, one of the main challenges for the programme area is to improve supply of competent human capital (currently the available skills and qualifications do not match the labour market needs) and increase possibilities to access jobs in general (especially across the border). The main problems highlighted during the stakeholder seminars include the lack of enough skilled workers in the region, mismatch of skills (incl. language skills) and job requirements, and lack of jobs, vacancies and work

¹The European Union Strategy for the Baltic Sea Region, Background and Analysis (May 2010)

places in the regions. Also, low qualification and skills of entrepreneurs, lack of business incubating centres and insufficient support for start-ups in the regions have been mentioned which in turn are in line with the bottlenecks in business sector. The existence of the problems is well verified by several strategic documents. For instance, the EUSBSR Action Plan² indicates that the modern labour market in many countries suffers a range of problems connected both with lack of qualified personnel and with insufficient competence of already available labour force.

Promoting sustainable transport, removing bottlenecks in key network infrastructures (TO7);

In the context of the Programme, some of the bottlenecks of transport sector have a very strong influence on the development of labour market. Namely, a major hindrance for the programme area to serve as a functioning region is the lack of cross-border public transport connections inside the region having negative impact on developing an integrated labour market in the programme area. Estonia 2020 states that the level of transport infrastructure has been relatively weak for Estonia, especially as regards the level of cross-border connecting routes, “Estonia and Latvia future cooperation report” and “Estonian national and regional territorial cooperation needs analysis” sees one of the main topics for cooperation to be the integration of road network in South Estonia and North Latvia. In addition, the need to develop a network of small multifunctional harbours around the Gulf of Riga was recognized during the stakeholder seminars. This is again well confirmed by “Estonian national and regional territorial cooperation needs analysis” which considers important within international cooperation to create an opportunity to join network of cruise ships and network of Baltic Sea small ports.

Protecting environment and promoting resource efficiency (TO6)

In the sector of environment, the main focus of the Programme lies on the sustainable use of natural and cultural heritage and on raising the environmental awareness and efficient use of resources. Those issues have also been raised in EUSBSR Action Plan which for example deems necessary to promote the natural and cultural heritage and notices that by highlighting the common cultural and natural heritage and history, tourism cooperation could link economic benefit with the perception of the region as a shared reference point in the identity of the inhabitants of the region. In addition, the document stresses the need to use less raw material and reduce waste through recycling and turning waste from one process into raw material in another industrial process. “Estonian national and regional territorial cooperation needs analysis”³ brings out the need to focus among other things on finding energy efficient solutions in construction sector (also to elaborate energy efficient measures in renovating blocks of flats).

In conclusion, the programme objectives have quite a clear connection with and take into account the needs of the programme area (described in several strategic documents and stakeholder seminars). Therefore, when achieving the objectives, the Programme has likely an important contribution in removing the bottlenecks inherent for the programme region.

²The European Union Strategy for the Baltic Sea Region, Action Plan (February 2013)

³Estonian national and regional territorial cooperation needs analysis. University of Tartu, 2013

1.2. Coherence

External coherence

The Partnership Agreement (Estonia, hereinafter PA) includes five general objectives:

- Education is of high quality, accessible, and meets the needs of students and society;
- High employment rate and quality of work life;
- Knowledge-intensive and internationally competitive economy;
- Clean and diverse natural environment and efficient use of resources;
- Sustainable connections and movement options satisfying the population's needs and supporting entrepreneurship.

The Partnership Agreement with Latvia includes six general objectives:

- Raising the quality level of economic productivity, innovation and scientific research
- Sustainable and efficient transport infrastructure
- Sustainable management of natural and cultural resources
- High level of employment in an inclusive society
- High quality and effective education system
- Balanced and sustainable territorial development

Although the Estonia-Latvia programme does not specifically focus on education sector, the coherence of the programme's objectives with the Partnership agreement can be considered quite clear at a general level. When looking at the development needs described in the PAs, then these are clearly much wider as compared to what will be addressed by the Estonia-Latvia programme.

In the business sector, both PAs cover not only entrepreneurial activity, but considers important for the economy to be more knowledge-based and to increase the impact of research and development in Estonia and Latvia. In the field of business activity, PAs recognize the need to raise the share of export-oriented enterprises. The coherence between the PA and the programme in the environment sector is rather high since the PA pays a considerable amount of attention to resource and energy efficiency. The only exception is the topic of cultural heritage, which is not in the focus of the Estonia's PA, but it is one of priority areas for Latvia, namely, sustainable management of this resource.

For transport sector, both the PAs and the programme aim at improving the connectivity. While the programme mainly focuses on the cross-border aspect of connectivity (to make the cross-border movement easier), the PA emphasises the need to decrease the environmental impact of transport sector and to raise the share of public transport. In the context of the Estonia-Latvia programme, improving the connectivity is also a substantial pre-requisite for an integrated labour market, which is one of the objectives of the programme. High employment rate is the goal both the PAs and the programme aspire. In addition to the aim to decrease the mismatch between skills and labour market needs (also considered important by the programme), the PA focuses on special target groups such as young people, elderly and disabled.

In general, both the Estonia-Latvia programme and the PA serve a similar purpose, while the programme focuses more upon region-specific topics and cross-border cooperation.

Labour market issues, which are among the priorities of the Programme, are found also in the EU Common Strategic Framework (CSF) and EU country specific recommendations for Estonia and Latvia. While the cross-cutting policy objectives of the CSF stress the need to enhance job opportunities in general, the EU country specific recommendations highlight the need to strengthen activation measures to facilitate the return to the labour market of the long-term unemployed and people receiving disability benefits and significantly increase the participation of the low skilled in life-long learning. Also, the recommendations encourage continuing efforts to improve the labour-market relevance of education and training systems.

In the sector of environment, the EU country specific recommendations take mainly notice of the energy sector, specifically energy efficiency (in particular in buildings and transport) and cross-border energy connections. A need to strengthen environmental incentives concerning vehicles and waste is highlighted. As the Estonia-Latvia Programme focuses mainly on cultural and natural heritage and resource efficiency in general, the connection between the Programme and the recommendations is less significant in the sector of environment compared to the labour market.

During the ex-ante evaluation it was also important to analyse the possible overlaps and synergy of the Programme with the Central-Baltic Programme 2014-2020 (hereinafter CB Programme) and the Operational Programmes (OP) for Cohesion Policy Funding (Estonia) (hereinafter OP for CPF) and the Operational Programme for Cohesion Policy Funding for Latvia (hereinafter OP Latvia). During evaluation of coherence, the following aspects were analysed: if activities complement each other and help to achieve the same result and objective, synergy is considered to exist; if, however, activities are too similar, is it a sign of inefficiency and excessive overlap. In case of a potential for overlap, it was recommended to establish a clear division of work between the programmes to avoid the overlap.

While the programme area of CB is larger, it still includes several regions that are part of the Estonia-Latvia programme area. Therefore, potential overlapping of activities between the two programmes was addressed. When analysing the coherence of the Estonia-Latvia Programme with the CB Programme, then several similarities could be detected between the programmes. The analogy starts already with the selected thematic objectives – three (TO3, 6 and 7) out of four are the same for both programmes. The main difference regarding the TOs - the Estonia-Latvia Programme has chosen to focus on employment and labour mobility (TO8), but CB focuses on investing in education, skills and lifelong learning (TO10).

At the level of priority axes, a certain degree of potential overlapping could be noticed between almost all priority axes of the programmes as they both promote entrepreneurship, sustainable use of resources, sustainable transport connections and social inclusion. When looking at the sub-objectives and activities under the entrepreneurship-related priority axes, then both programmes aim at supporting creation of new businesses and increasing cooperation between existing companies (trainings, networking, business advice). Also, service and product development is supported. In the CB Programme, one of the sub-

objectives emphasises youth entrepreneurship. Thus, in the area of business environment, there is a potential for synergy since some activities and target groups are different, however the programmes could work together in order to avoid overlapping. For instance, the programmes could decide to exchange information on calls for proposals, agree on a certain division of topics, accents or themes, as well as information on the evaluation of project applications. In addition, there could be a regular (e.g. semi-annual) coordination in terms of what the focus of calls will be or has been.

In the field of environment, synergy can be achieved as well, but there is also a risk for inefficiency as both programmes support sustainable use of natural and cultural resources. Same applies to the transport related priority axes, where sub-objectives focus on developing small harbours and their services. Such overlap of objectives between the two programmes could cause problems and should be avoided (e.g. one programme could concentrate on investments and other on trainings). There is a high potential for synergy between the programmes in the field of matching the work opportunities with skills. While the Estonia-Latvia Programme mainly aims at improving access to the information and support systems for cross-border employment services and labour market, then CB Programme focuses on vocational education and training.

When comparing the Estonia-Latvia Programme with OP for CPF (Estonia), then it should be kept in mind that the programme has a strong cross-border cooperation aspect while the OP for CPF is a country level programme. Therefore, the risk for overlapping is not highly present. However, the potential for synergy should be considered. The supported themes of the OP for CPF that fall into similar categories with the programme include for example qualifications and skills meeting the needs of the labour market, growth-capable entrepreneurship, development of SMEs, resource efficiency and sustainable transport. The similarity of topics confirms that those issues need to be addressed in the programme area. Although the areas in some cases seem to overlap, there is a difference in supported activities, target groups or some other aspects. For example, in terms of labour mobility, the OP for CPF (Estonia) considers important to promote mobility in order to diminish unemployment in rural areas, while the Programme supports mostly the cross-border mobility. In the field of transport, the Programme focuses on small ports and reconstruction of roads, which support cross-border traffic, but the OP for CPF (Estonia) aims at improving transport connections of both people and goods.

The OP for Latvia also include similar themes as included in Estonia-Latvia Programme, like development of SMEs, promotion of export potential entrepreneurship, improvement of labour force skills and qualifications and ensuring better link with labour market needs and sustainable transport. The risk of overlapping is rather moderate as indicative actions, expected results and target groups differ. E.g. under the OP for Latvia support for large ports is envisaged, but the Estonia-Latvia Programme focuses on creation of network of small harbours. The highest potential overlap between OP and Estonia-Latvia Programme might be related to protection and promotion of cultural and natural heritage, where both Programmes are aiming at promotion of heritage and related services. The risk of overlapping could be minimized through more specific articulation of expected actions and results (type of services) under the intervention logic of Estonia-Latvia Programme.

Justification of selection of thematic objectives (TO)/ investment priorities (IP)

Programme region is described adequately in the Programme document. Regional analysis is considered good. It contains adequate descriptions concerning the regions' population, education, economic development, ICT, labour market, accessibility, transport and environment. Regional analysis also includes the presentation of some key problems, challenges and opportunities related to labour market, business development, transport and environment forming justification for selection of thematic objectives (TOs) and investment priorities (IPs).

The Estonia Latvia programme has chosen four thematic objectives. The thematic objectives have been translated into four programme priority axes (Priorities) which include six specific objectives (SOs). The selection of TOs and IPs is to be based on the region's characteristics and the identified needs and challenges that may potentially be solved via cross-border cooperation. The following figure from draft Programme illustrates the chosen thematic objectives and how these are converted into the priority axes. During the ex-ante evaluation process, the evaluators made observation and recommendations on the connection between development needs and programme objectives under preparation. Since this examination was ongoing during the programming process, observations were made at several phases of this process.

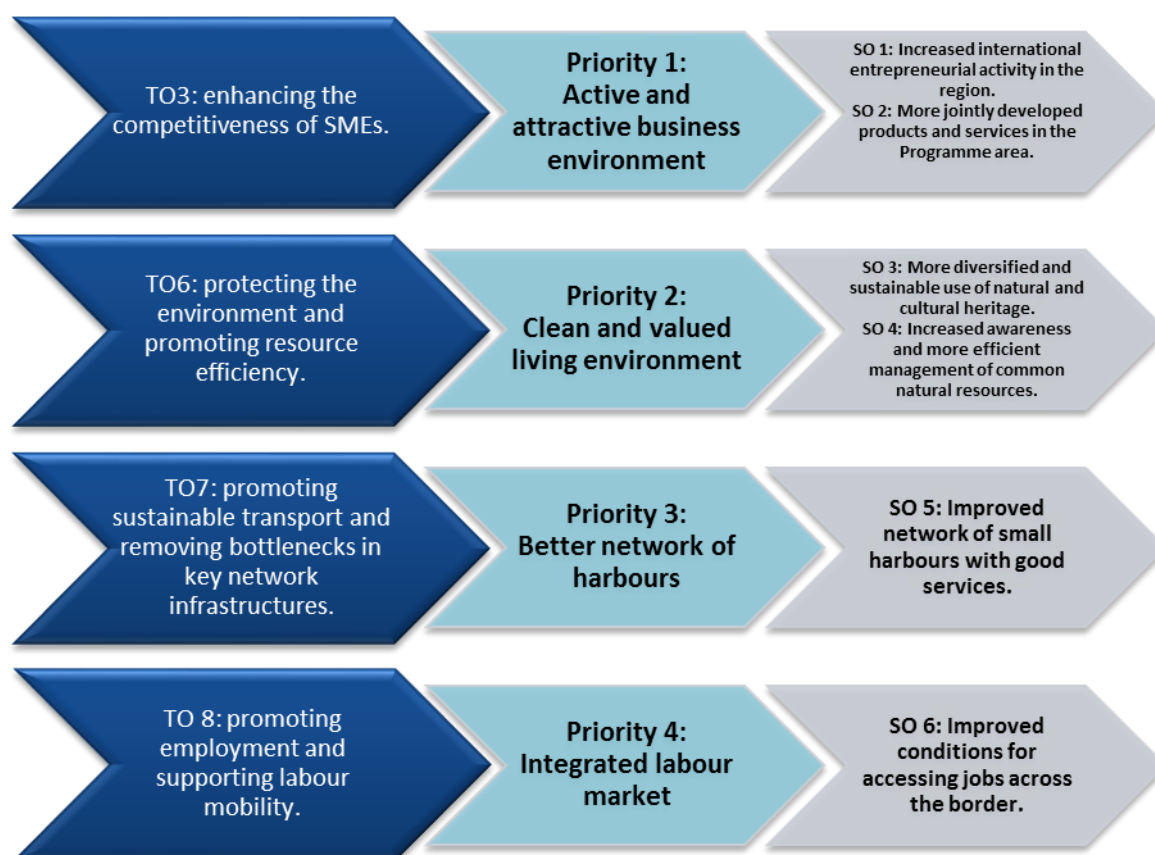


Figure 1. Programme's thematic objectives, priority axes and specific objectives

Programme Priorities and specific objectives in general reflect the main challenges and opportunities highlighted in analysis section. Selection of TOs and IPs is sufficiently justified by the analysis of the programme area and the Programme text mostly demonstrate adequate links between stated problems, identified opportunities and selected TOs. Programme's text provides quite a clear connection between the programme objectives and the needs of the programme area, yet not all issues are supported by the same amount of detail e.g. existing innovation capacity of SMEs, estimated impact of current road infrastructure to the labour mobility.

Internal coherence

The consistency between selected TOs, IPs and SOs is good in the Programme. The TOs of all Priority axes transfer consistently into IPs and SOs and the linkage in detail is reviewed in the next section.

The comparative assessment of interaction between the Programme specific objectives (SOs) demonstrate that there exist relatively high level of synergy. SO1 *Increased international entrepreneurial activity in the region*, SO2 *More jointly developed products and services in the Programme area*, and SO6 *Improved conditions for accessing jobs across the border* can be characterized as *strategic objectives*, showing a high potential for influencing other objectives, while also being more sensitive and conditional to others. These SOs are also closer linked to each other and can be seen as complimentary.

SO5 *Improved network of small harbors with good services* can be characterized as *objective with a higher degree of influence*, possessing higher capacity for exerting influence on other objectives, while being comparatively lesser influenced by others. SO5 is most closely linked with SO2 and can positively influence its achievement. Therefore during implementation stage it would be strategic to foster SO5 implementation in order to achieve higher impact also under SO2.

SO4 *Increased awareness and more efficient management of common natural resources* and SO3 *More diversified and sustainable use of natural and cultural heritage* can be characterized as *neutral objectives*, as these SOs has lower capacity for exerting influence on other objectives as well as are less sensitive. Sustainability is the issue that links both SOs.

1.3. Linkage between supported actions, expected outputs and results

During the programme writing process the members of the JPC, as well as the programme writers, have provided extensive efforts to construct the intervention logic of the new programme. The ex-ante evaluation team has commented the intervention logic both in written and orally on various occasions, providing feedback and the intervention logic has been considerably improved.

The ex-ante evaluation has followed the theory of change approach evaluating linkage between supported actions, expected outputs and results. Logic models depicting intervention logic of each of the SO please find in annex of this report.

SO1 Increased international entrepreneurial activity in the region

- The intervention logic of SO1 can be characterized as sound and logic.
- The Specific objective is consistent with TO and IP, although SO and IP are representing slightly different theoretical constructs. SO (and the whole intervention logic) is more targeted to preparedness for cross border cooperation, but IP more reflect promotion of entrepreneurial activity in general.
- There is strong internal linkage between supported actions, expected outputs and results.
- Identified Actions are complimentary. Output indicators are clearly linked with actions and measuring the same theoretical construct.

SO2 More jointly developed products and services in the Programme area

- The intervention logic of SO2 can be characterized as sound and logic.
- The Specific objective is consistent with TO and IP.
- There is strong internal linkage between objectives, results and actions.
- Identified Actions are complimentary to each other. Output indicators are linked with just one of identified actions.
- Output indicators are entirely measuring dimension related with final beneficiaries (entrepreneurs), but two out of three actions are targeted to facilitators – public support structures. As a result, there is long causal link between most of identified actions and output indicators.

SO3 More diversified and sustainable use of natural and cultural heritage

- The intervention logic of SO3 can be characterized as sound and logic.
- The Specific objective is consistent with TO and IP.
- There is comparatively less strong internal linkage between objectives level and results level, as Result indicator is too narrow, focused on target group level.
- There is strong internal linkage between supported actions and expected outputs.
- All but one Identified Actions are clearly linked with corresponding Output indicators.

SO4 Increased awareness and more efficient management of common natural resources

- The intervention logic of SO4 can be characterized as coherent and logic.
- The Specific objective is consistent with TO and IP. The Specific objective is focused on two different issues and address specific (narrow) areas of the IP.

- There is strong internal linkage between SO, results and actions.
- Some of Identified Actions are complimentary to each other. Output indicators are linked with all identified actions.

SO5 Improved network of small harbors with good services

- The intervention logic of SO5 can be characterized as coherent.
- The Specific objective is addressing specific (narrow) area of the IP and covering one specific element of mobility on the sea – network of small harbours.
- Result indicator is clearly linked with SO.
- There is strong internal linkage between expected results, identified actions and output indicator.
- All but one Identified Actions are linked with corresponding Output indicator.

SO6 Improved conditions for accessing jobs across the border

- The intervention logic of SO6 can be characterized as very complex but coherent.
- The Specific objective is consistent with TO and IP reflecting mainly the mobility issue.
- Result indicator is clearly linked with SO.
- There is strong internal linkage between identified actions and expected results.
- Identified Actions are complimentary to each other and clearly linked with Output indicators.

1.4. Horizontal principles

The horizontal principles that have been discussed in the Programme document include sustainable development, equal opportunities and non-discrimination, and equality between men and women. Although there is a description of the principles provided in a separate section of the Programme document, it is not sufficiently clear how and to what extent the Programme will adhere to the horizontal principles on priority axes level. The possible impact of the proposed activities on the principles have not been analysed thoroughly enough. A common standpoint to be followed by the Programme is that projects with a direct negative impact on any of the horizontal principles will not be funded.

Concerning the sustainable development, then several objectives and activities have an expected positive contribution on that aspect. Activities to be funded under the priority axis 'Clean and valued living environment' directly follow the principles of sustainable development by investing in sustainable use of natural resources, promoting sustainable nature tourism, and raising public awareness about efficient management of resources. Although the programme document states that other priority axes address the principle of

sustainability as well, but yet the connection has not been specified. Still, it could be said that, for example, by improving the conditions and services of small harbours within the priority axis of 'Better network of harbours', a potential for more sustainable regional and local mobility will be created. For the remaining priority axes ('Active and attractive business environment' and 'Integrated labour market'), the contribution to the sustainable development will likely be less insignificant and indirect. It is positive that one of the aims in supporting entrepreneurship is to use regional and local resources in a more efficient and sustainable way. However, it is recommended to provide a more thorough analysis in the Programme document on the impact chains through which the activities proposed under priority axes will support sustainable development.

The Estonia-Latvia Programme foresees that guaranteeing equal opportunities and preventing any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation are important principles in all programme stages. The Programme also claims that there are no particular target groups identified at Programme level, which may have a reduced access to support or are at risk of discrimination. Still, the link between the activities of the priority axis and the principle of equal opportunities and non-discrimination has not been sufficiently described in the document. However, it can be said that the horizontal principle of 'equal opportunities...' will be potentially positively affected by some of the planned activities. For instance, as one of the aims of 'Integrated labour market' is to bring back more people to labour market, it is likely that among others vulnerable groups such as long-term unemployed will be positively affected. Although the labour market activities do not specifically focus on young people, they are considered to be among the target group, meaning there is a possible impact on youth employment as well. It is important to notice that promoting smart and flexible working methods increases social inclusion by expanding working possibilities for less competitive people who have a limited access to jobs (e.g. people with disabilities, people with duty to take care of close ones). In terms of the entrepreneurship related priority axis, special attention is paid on coastal and rural areas meaning that people in these areas, who often have a rather limited access to attractive jobs (e.g. due to challenges related to seasonality) will be positively affected as well. Investing in small ports might improve the mobility options for those living in these areas and also increase the employment rate. Regarding the measures related to increasing the awareness on efficient use of resources and sustainable way of everyday life, it should be ensured that all target groups have an equal access to the knowledge provided (e.g. non-Estonians).

It is stated in the Programme document that the horizontal principle of gender equality will also be considered in programme implementation. Special attention will be given to the aspects that could help to overcome the problem of wage gap between the genders. However, the analysis of existing differences (based on gender) provided in the Programme document could be more specific. Concerning the measures under the entrepreneurship, for example, it should be provided that both men and women have an equal opportunity to receive business development support, advice and training. The same applies also to the labour market related priority axis – both men and women should have an equal access to the measures (e.g. trainings) supported under this priority axis.

Overall, it is recommended that the relationship between the supported areas and horizontal principles would be more thoroughly described in the Programme document.

2. Indicators, monitoring and evaluation

2.1. Relevance and clarity of the proposed programme indicators

The result and output indicators of the Programme have been commented both in written and orally by the evaluation team on various occasions. For instance, the evaluation team has participated in 3 working sessions specifically aimed at the improvement of indicators. The most important suggestions and recommendations made during this process have been the following:

- There is a need to define the result indicators at the level of the programme area. Result indicators to be measured at the level of the target groups and/or participants to the projects to be funded should be avoided. An example of an indicator at the target group level as opposed to the programme area level is: *“Increased nr of users at improved cultural and natural heritage sites”*;
- Indicators should be made more measurable (thinking of how exactly data in relation to them will be collected and interpreted) and they should not be a mere reformulation of the objectives they are supposed to measure. An example of an indicator of which the way it will be measured is not entirely clear is: *“Increased share of entrepreneurs carrying out joint product or service development”*. The question in this case is how to define a joint product;
- Indicators have to provide *sufficient coverage* of the objective, i.e. they will have to be sensitive enough to provide information on whether the objective is being achieved. This is an issue of *relevance* of the indicators. In earlier versions of the Programme, for instance, the evaluators provided feedback on the indicator “Number of functioning professional networks” for the specific objective (as it was formulated in earlier Programme versions): “more jointly developed products and services in the Programme area”, stating that this indicator is not sensitive (i.e. relevant) enough to the specific objective.

At the time of compiling this evaluation report, more than a year into the programming process, the set of indicators has been considerably improved. The members of the JPC, as well as the programme writers, are commended for the extensive efforts taken to discuss the indicators as a specific part of the intervention logic of the new programme. On both the Latvian and Estonian sides, there was a real will to invest time and energy into formulating indicators in such a way that they will provide useful feedback on the implementation of the programme.

Below, we present more specific feedback on the set of indicators as per the version of 16 May 2014 of the Programme. For most of the specific objectives (SO), the result indicators are (at least partly) relevant and measurable. However, we note the following issues that could still be addressed, either while drawing up the final version of the Programme or when compiling a plan for the measurement of the indicators as part of the monitoring system:

- For *SO1 “Increased international entrepreneurial activity in the region”*, the result indicator “Increased preparedness of new companies to do business across the border” is likely to be sensitive enough. However, there is likely to be some discrepancy between preparedness and actual activity of entrepreneurs. The evaluators recommend asking entrepreneurs in a survey both about their preparedness and their actual behavior. This will not raise the cost of the survey substantially but still enable tracking differences between attitudes and actions;
- Probably the only remaining somewhat serious issue in terms of indicators relates to *SO3 “More diversified and sustainable use of natural and cultural heritage”*. The proposed indicator “Increased number of users of improved cultural and natural heritage sites” has all three problems identified above: it has the risk of being measured only in the framework of projects to be funded (and not at the level of the programme area), the way in which it will be assessed whether a site has been improved is somewhat unclear, and an increase of the number of users does not necessarily mean that heritage is more diversified and more sustainably used (and in fact, it can be quite the opposite).

The quality of the output indicators has been at least satisfactory throughout the development of the Programme and raises no need for specific observations or recommendations from the side of the evaluators.

2.2. Quantified baseline and target values

The final draft version of Programme (dated on 16 May 2014) does not contain any identified baseline values yet. The final draft version of Programme contain identified target values for all but one output indicator. The identified target values are based on data from Estonia Latvia programme 2007-2013, project database of Enterprise Estonia and information from stakeholder seminars and calculated on basis of indicative price per output indicator measurement unit and planned financial allocation per priority axis.

Ex-ante evaluators analysed identified output indicator target values from two perspectives: i) measurability of target value calculation and ii) timing. Measurability of output indicator target value is based on simplicity of unit price calculation, timing is based on time needed for achievement of output and its complexity.

Some of output indicator target values are easy measurable and their estimation is based on traceable evidence from previous similar projects (e.g. price per participant at project event, price per jointly organized event, price per km of reconstructed road multiplied by average number of similar outputs achieved during previous period). Such simple calculated indicative unit prices are used mainly for calculation of output indicator target values identified for SO1, SO2, SO5 and SO6.

Some of output indicators represent more complex theoretical constructs with higher degree of uncertainty and the calculation logic cannot be simply traced and proved from similar previous projects (e.g. service based on cultural or natural heritage, joint management

initiative). Such indicative unit prices are used for calculation of output indicator target values identified for SO3 and SO4.

Achievability of identified target values of output indicators also vary depending from the time needed for getting the output. Some of identified outputs can be achieved relatively fast not requiring complex activities. Such easy achievable outputs are mostly identified for SO1. Some outputs are of more complex nature and require comparatively longer time for reaching the output (e.g. creation of joint products and services in the framework of single project, service created based on cultural or natural heritage). Such outputs are identified for SO2, SO3 and SO4.

During the process of identification of target values we would like to encourage to pay attention also to the potential activity of target groups, especially under SO2, where achievement of a number of target values are highly dependent from activity of entrepreneurs.

Generally, identified target values are appropriate, realistic and achievable. Calculations done by the programme writers show that the logic of identification of target values is understandable and that these values are based on the unit cost calculation or the experience gained during the previous programming period.

2.3. Suitability of milestones

The final draft version of Programme (dated on 16 May 2014) contain also identified milestones for all output indicators. As explained by programme writers calculation of milestones are made on basis of experience from previous programming period, in particular the potential progress of programme implementation in 2018 (compared with similar progress in 2011). Most milestone values are set at 25% of the final target value except estimated number of new and/or improved services for job seekers and/or job providers (50%), total length of reconstructed or upgraded roads (48%), public campaigns targeted at environmentally friendlier behaviour (40%) and small harbours with improved services (0%). Such higher milestone values can be explained by the small number of particular output target values.

Similar approach is applied calculating milestone values of financial indicators, where target values are set at 20% of the final target. Such calculation approach may be relevant and appropriate in a number of cases, especially when output indicator values are easy measurable, simple by nature and easy achievable (e.g. number of participants at project events, number of jointly organized events, km of reconstructed road). In cases where output indicators represent more complex theoretical constructs with higher degree of uncertainty we would like to recommend to take into account also timing and complementarity issues (e.g. for milestones *(Sets of) services created based on cultural or natural heritage, Joint management initiatives, New and/or improved services for job seekers and/or job providers*) and to increase the financial indicator milestone value. Our analysis of programme intervention logic shows that under a number of SOs (SO2, SO4 and SO6) some of Identified Actions are complimentary and/or conditional to each other. As a result also the expected output indicators can reach their target values later, depending on type of action they are

assigned to. E.g. under SO6 some of Actions and output indicators address users (end beneficiaries), but some facilitators (service providers). During the process of identification of milestones it should be taken into account that Outputs related to users could be achieved later than those related to facilitators (timing).

If comparing milestone values for output indicators and financial indicators it is evident that calculation is balanced only for Priority axis 1. In case of priority axis 2 total sum of milestone values 1,5 times exceeds amount of financial indicator, in case of priority axis 3 – 2,4 times. Such imbalance may indicate that some of sets milestone values shall be reconsidered.

2.4. Administrative capacity, data collection procedures and evaluation

Administrative structures

The administrative set-up of the programme is satisfactory at least in general. There will be relatively few changes in terms of the denomination, structure and – most likely – staff of both the Managing Authority (MA) and the Joint Secretariat (JS). On the basis of observing the discussions during Joint Programming Committee (JPC) meetings on the topic of programme implementation, the evaluators find that the JPC members already have a quite clear idea of many administrative issues, in some cases even in a more elaborated form than would be required in this stage of programme preparation.

It is commendable, for instance, that the programme stakeholders have already identified the main guiding principles to be observed for selection of operations, as well as for their generation and implementation. Apart from the fact that the order of presentation would be somewhat more logical if the description would start with generation, followed by selection and implementation, these principles make sense, even if not all of this description will eventually end up in the OP. The positive element here is the fact that a clearer idea about project selection and implementation has helped formulate a more realistic intervention logic for the specific objectives, which do not remain simple, high-level, strategic statements, but in fact an approach of which practical aspects have been thought-through.

The only aspect of the administrative set-up which deserves more attention in the eyes of the evaluators is related to the bodies carrying out control tasks (and more specifically, first-level control, below: FLC). Both from previous evaluations and from additional discussions by the evaluators at beneficiary level on experiences from the current programme. Especially the time needed by this control level for checking reports and supporting documents was considered to be overly inhibiting. In addition, from the beneficiary side the impression developed that there was distrust about their use of project funds, necessitating a repeated need for explaining the contribution to project objectives of various, and sometimes very small, cost items. Also, the need to print very large amounts of paper – as opposed to accepting digitally signed documents – was considered to be hindering smooth implementation. Together, these factors led to a high administrative burden in addition to a negative cooperation experience. It is positive to see that programme writers and JPC members have understood the necessity for changes in this respect, given the discussion on possible alternatives for the designation of this role. In any case, the evaluators recommend designing the FLC systems in both countries in such a way that the beneficiary experience will be improved (this means: shorter handling times for documents, a more client-oriented

approach by controllers and a lower administrative burden, e.g. in terms of paper to be produced). The MA is advised to take the above considerations into account when commenting on the FLC descriptions submitted by the Member States.

The current plans for the set-up of second-level controls seem straightforward and logical. The only suggestion to be made by the evaluators in this respect is the fact that, in addition to the separation of functions within the Audit Authority (on the Estonian side), this also needs to be addressed in case of the Latvian members of the Group of Auditors, even if there are no indications that this is likely to be an issue.

There are some concerns relating to the budget reserved for technical assistance. Initial allocations for the collection of monitoring data at result indicator level, as well as mid-term evaluation have been under consistent pressure during the last number of JPC meetings. Although the drive to keep the administrative cost of running the programme low is commendable in principle, this should not be done at the detriment of the sound financial management of the programme (including the capacity to make important strategic decisions during its implementation, which requires monitoring and evaluation outputs of sufficient quality).

Administrative burden

In addition to the issues raised above in relation to the FLC, the evaluators wish to point out the necessity of taking the simplification of administrative procedures in the programme a step further as compared to the current programming period. The discussions held by the evaluators at beneficiary level lead to believe that there is a certain hesitation among potentially strong applicants whether to invest a large amount of (administrative) energy into applying for support and implementing the corresponding project. In this respect, it is positive to note that the possibilities for pre-financing of projects have already been widened during the current programming period, as this has been an important issue for beneficiaries, especially in combination with a high administrative burden, which has meant delays in reimbursement of costs incurred for them. The same goes for the introduction of a flat-rate approach to administrative costs, where this programme is even used as an example for other Structural Fund programmes of how to initiate simplification. Also, the larger flexibility in project implementation (e.g. for budget re-allocations) has already been a step in the right direction. However, the evaluators do feel that the new Programme does not take this development further to a sufficiently significant extent. Simply stating that there is “potential for further reduction of the administrative burden” has little value on its own and without a clear commitment from all sides (Member States, MA, JS etc) there is a risk that the positive trend initiated during the second half of the current programming period will not be continued.

Monitoring and evaluation system

Final draft Programme contains a number of references to the monitoring and evaluation functions. Monitoring is mainly mentioned in relation to programme management and control system and in particular as one of functions to be performed by the Monitoring Committee, in relation to the use of Technical assistance and in relation to the e-monitoring system. Previous programme implementation has not highlighted any concerns related to

performing of monitoring function, but in the new period significant changes are planned as monitoring function will be ensured using the new e-Monitoring system. Final draft Programme shortly describes e-Monitoring as one of simplification measures, that potentially will reduce administrative burden. Yet from the perspective of potential applicants and beneficiaries this information is too limited. It is understood that detailed guidance will be provided in the Programme Manual as well as during the first programme call. Taking into account the importance of smooth functioning of the new system and in order to foster expected positive effects, more detailed, targeted and clear communication towards potential applicants and beneficiaries is needed.

Evaluation in the final draft Programme is mentioned mainly referring to ex-ante evaluation input during the programme writing phase as well as referring to programme mid-term evaluation as important source for findings and recommendations on reduction of administrative burden. We would like to point the attention of Programme authorities and Monitoring Committee in particular towards evaluation and monitoring as important tools for learning, decision making, gathering of information, ensuring transparency and improving of programme. Some discussions during the programme preparation phase questioning necessity of mid-term evaluation, as well as consistent pressure during the last JPC meetings to reduce technical assistance allocations for mid-term evaluation and indicator surveys are creating concerns.

Importance of monitoring and evaluation shall be also seen in the light of the specific concentration on results in the new programming period. Monitoring and evaluation system is largely based on established set of output and result indicators. If information on output indicators will be mainly collected from projects and their reports, measurement and follow up of result indicators require additional, specific data collection that will be mainly done via indicator surveys before the programme (baseline), in the middle (2018) and at the end of the programme (2022). In order to ensure expected learning effect and to use this monitoring information for decision making, a specific monitoring plan integrating both output and result indicator levels, indicating their interrelationships, sources of information as well as necessary resources for data collection should be elaborated by MA. Results of different research activities provided within the projects (e.g. specific studies, reports etc.) also should be integrated in this system.

3. Consistency of financial allocations

The consistency of the financial allocations is part of ex ante evaluation, where contribution of the planned financial allocations towards achievement of the objectives and results of the programme is evaluated. Evaluation of consistency of the financial allocation is closely linked with analysis of programme theory of change and is based on key ratios approach emphasising the cost element of the intervention.

The division of the funding by the priority axis has been introduced and discussed within a number of meetings of Joint Programming Committee. The latest proposal included in the final draft Programme is shown below.

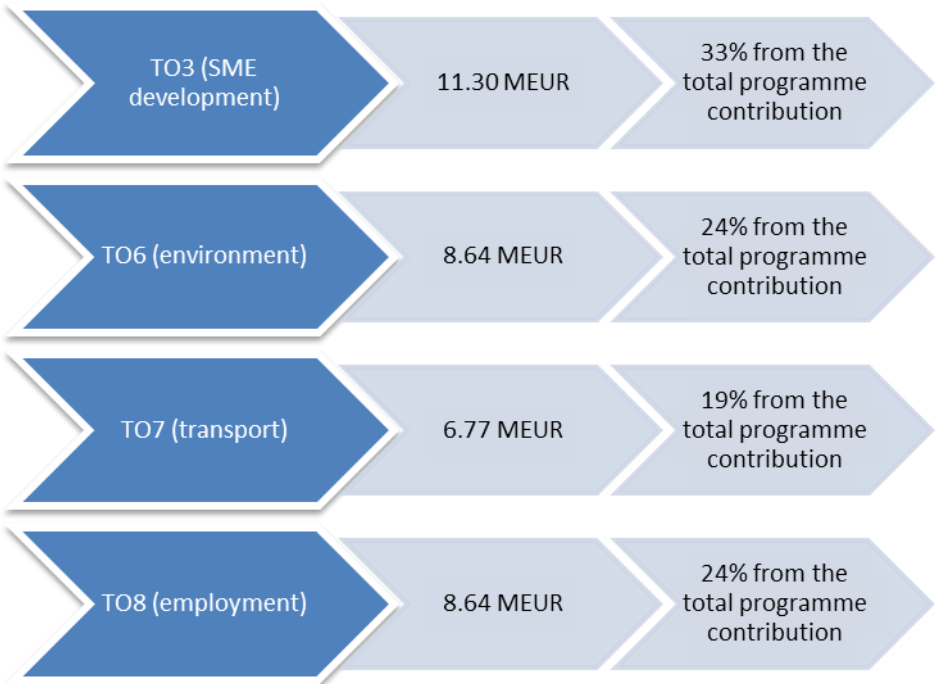


Figure 2 Division of programme budget, Final draft Programme 16.05.2014

The largest share of financing is allocated to the Priority axis 1 (33% from the total programme contribution), priority axis 2 and 3 have similar share (24%) and priority axis 4 has the smallest share (19%). The approach used for existing financial division among TOs can be considered as reasonable and logic, as it is based partly on strategic priorities and financial commitments from Latvian and Estonian sides (top-down) and partly on calculations of target values of output indicators and average project budget (bottom-up).

Generally, the proposed division of programme financing effectively balanced different strategic priorities and can be considered as financially feasible allowing achievement of set objectives, results and indicators under each of priority axis. The information provided in the final draft Programme is properly designed with appropriate level of detail.

Yet we would like to point out also the issue of absorption capacity that is specially related to the activity of potential target group (entrepreneurs) under the Priority axis 1. Priority axis 1

has the largest share of financing (11.3 MEUR or 33% from the total programme contribution). According to indicative calculation of average project size under Priority axis 1 in total 21 projects can be supported (5 under SO1 and 16 under SO2). Our analysis of support for similar type of activities under the previous programme period shows that in total 13 projects (5 similar to current SO1 and 8 similar to current SO2) have been supported.

Taking into account significant increase of programme funding for SME cooperation projects targeted at development of joint products and services, we would like here to point to the risks related to potential lack of qualitative project applicants and programme funding absorption capacity. Results of our analysis on entrepreneurship support provided during the previous programme period (submitted as separate research note) demonstrated that Estonia-Latvia program in general is not oriented towards majority of SMEs acting in program area, but rather towards SME support organisations. If such significant increase of funding for SME cooperation projects is envisaged, then much more efforts should be provided for reaching the target audience.

Budget reserved for Technical Assistance (TA) was heavily discussed during the last number of JPC meetings and discussions are still ongoing therefore evaluators are not in a position to comment this question at this stage. Generally, the proposed division of Technical assistance budget among budget lines do not significantly differ comparing with previous programming period. The proposed budget may allow achievement of set objectives, results and indicators. The information provided in the final draft Programme is properly designed with appropriate level of detail. However the overall share of TA financing for Estonia Latvia programme differs from other Programmes of similar type and size (is higher). Also the share of national co-financing differs significantly among Member states, therefore consultations among programme authorities shall be continued.

Cost efficiency

Based on the type of actions and investments priority axis can be divided as ones supporting more “soft” or intangible actions, ones supporting both “soft” actions as well as small scale capital investments and ones supporting actions with capital investments.

Priority axis 1 requires the largest financial proportion (33%) of the programme’s contribution. Yet, both investment priorities under this priority axis foresee support for different type of “soft” or intangible actions as training, consultations, coaching, networking, experience exchange, process development, capacity building, joint marketing, development of common products and services. Such actions cannot be considered as investment intensive therefore taking into account the required contribution from the programme and financial scale of such type of actions, adequate activity of target group is conditional to ensure feasible performance of the defined result indicators.

Priority axis 2 requires one quarter (24%) of the programme’s contribution. This priority axis includes two types of actions and respective investment requirements. One is rather similar to the type of actions supported by priority axis 1, which comprises awareness raising, promotion activities, marketing, design and development of services, training, networking on better management and other actions. Though, this priority axis includes actions with

relatively small-scale capital investments into improvement of natural and cultural heritage sites and pilot capital investments into other actions related to promotion of resource efficiency that shall give the considerable benefit for achieving the specific objectives and results defined. In general, this Priority axis demonstrates financially feasible and consistent balance between the objectives, results and the contribution of the required programme.

Priority axis 3 requires the smallest financial proportion (19%) of the programme's contribution. Nevertheless, this priority axis is the most investment intensive which encompasses the actions with capital investments to improve the services of small harbours and harbours itself as well as soft activities related to joint networking and marketing. In general, the priority axis 3 is considered as balance between the financial contribution proposed and the maximum benefit for achieving objectives. However specific actions to be supported by this priority axis are the least detailed comparing with other priority axis.

Priority axis 4 similarly to Priority axis 2 requires 24% of the programme's contribution. This priority axis also includes two types of actions and investment requirements: intangible actions and capital investment actions. "Soft" actions include training, networking, experience exchange, capacity building, joint marketing, development of joint services and local employment actions. Capital investments include road construction works for improvement of mobility and these costs compare the largest share of the priority axis. Assuming the required contribution from the programme and financial scale of such type of actions, the performance of the result indicators defined is considered as feasible and consistent with the planned contribution from the programme under the given priority.

Rationale for the form of support

The final draft Programme contains reference that guiding principles for the selection of operations under all IPs will be described in detail in the Programme Manual, except for priority axis 3 "Better network of harbours" and road construction projects under priority axis "Integrated labour market", where support will be provided in the form of directly financed projects (sometime in the text referred also as strategic projects).

At the current stage the rationale for the form of support may be assessed on basis of indicative lists of actions supported under each TO showing indicatively the allocation of programme support. Under each SO also indicative list of target group and potential applicants are mentioned. Generally, indicated actions seem to be suitable for the types of beneficiaries and SOs, taking into account the general level of detail of identified actions. The rationale for the proposed form of support is suitable for the types of beneficiaries and the specific objectives of the programme.

4. Contribution to Europe 2020 strategy

The Programme's priority axes and their sub-objectives generally contribute to the achievement of the three objectives – smart, sustainable and inclusive growth – of the 'Europe 2020' strategy. As described earlier, the priorities are in line with 4 selected thematic objectives related to competitiveness of SMEs, environmental protection and resource efficiency, sustainable transport, and labour mobility. As it is recognized in 'Europe 2020', smart growth requires above all improving the quality of education, promoting innovation and knowledge transfer, and ensuring that innovative ideas can be turned into new products and services. But there also has to be a connection with entrepreneurship. Although, the emphasis of the smart growth is on education and knowledge, there is still quite a connection between the Programme and smart growth as the first priority axis (Active and attractive business environment) and its sub-objectives focus on increasing the entrepreneurial activity and product and service development. Concerning the sustainable growth, then the Programme has a direct contribution on this aspect as the second priority axis (Clean and valued living environment) of the Programme aims at promoting the sustainable use of natural and cultural heritage as well as at promoting sustainable resource management. Those activities are well in line with the investment priorities of the 'Europe 2020' strategy. The third priority axis (Better network of harbours) of the Programme is rather specific and targets at improving services in the harbours in the programme area and promoting the Gulf of Riga area as an attractive destination for visitors. Therefore it can be deemed that this particular priority has a less substantial contribution to the sustainable growth in the context of 'Europe 2020' compared to other priorities of the Programme. Then again, the fourth priority axis (Integrated labour market), is directly related to the objective of inclusive growth of the strategy as labour mobility is one of the factors that is considered important in building a cohesive society.

When comparing the five targets of 'Europe 2020' strategy and the Programme's result indicators presented in Table 2 (Overview of the investment strategy of the cooperation programme), then clearly, the Programme indicators are more specific and do not strictly coincide with the targets. However, the Programme and its activities will likely contribute to a certain extent to the achievement of those targets. For example, the priority axes of entrepreneurship and labour market are conducive to the employment- and poverty-related targets as increased entrepreneurial activity and improved conditions for accessing jobs will probably affect positively the employment rate and hence also improve social inclusion in the area. Also, there is a high potential to contribute to the target related to climate change and energy by using natural resources more efficiently and in a sustainable way as foreseen by the Programme. The weakest link between the Programme seem to be in the area of education as none of the priority axes aim at reducing school drop-out rates or raising the level of completing third level education among 30-34 – year-olds. Also, the Programme's contribution to the R&D and innovation-related target is probably rather insignificant, although the programme does invest in product and service development.

5. Strategic Environmental Assessment

In the environmental assessment report it is identified that the Programme impact is associated with two environmental aspects, which are: environmental quality and sustainable use of natural and cultural heritage.

The programme aims to support sustainable development-oriented projects. To implement it, there is expected introduction of new technologies, creation of innovative products, environmental solutions and services, raising public awareness of environmental issues and daily sustainable use of resources. Therefore programme's environmental quality impact (surface water quality, air quality, introduction of separate waste collection, climate change and other criteria) is assessed as positive or neutral, long-term impact.

Within the programme, the need was emphasized to further more efficient use of natural and cultural heritage in formation of local products and services, simultaneously maintaining the balance between protection of natural and cultural values by raising the total identity, recognition in the cross-border context and significance of local governments. This programme aspect is likely to have a direct, positive, long-term impact on natural and cultural values.

In the assessment, taking into account the level of detail of the program, the significant impacts are described at the regional level covering the whole programme area. The assessment concludes that during implementation of the programme via projects, the programme impact will become apparent at the local level.

Within the Environmental report there is also an assessment of summary, cumulative and cross-border impacts. The programme implementation is not expected to have essential negative environmental impacts. Therefore, solutions to reduce negative impacts and compensation measures are not necessary. However, during implementation of the programme the projects will be developed, including measures and solutions not assessed in this Environmental report. Therefore proper precautions are recommended to avoid possible environmental risk: assessment of draft environmental impact aspects and elimination of environmental risk at the stage of implementing the draft, environmental impact procedures, compliance with thematic plans of the area of environmental and nature conservation, following the provisions on use and development of local governments' area as well as environmental monitoring.

6. Table of recommendations

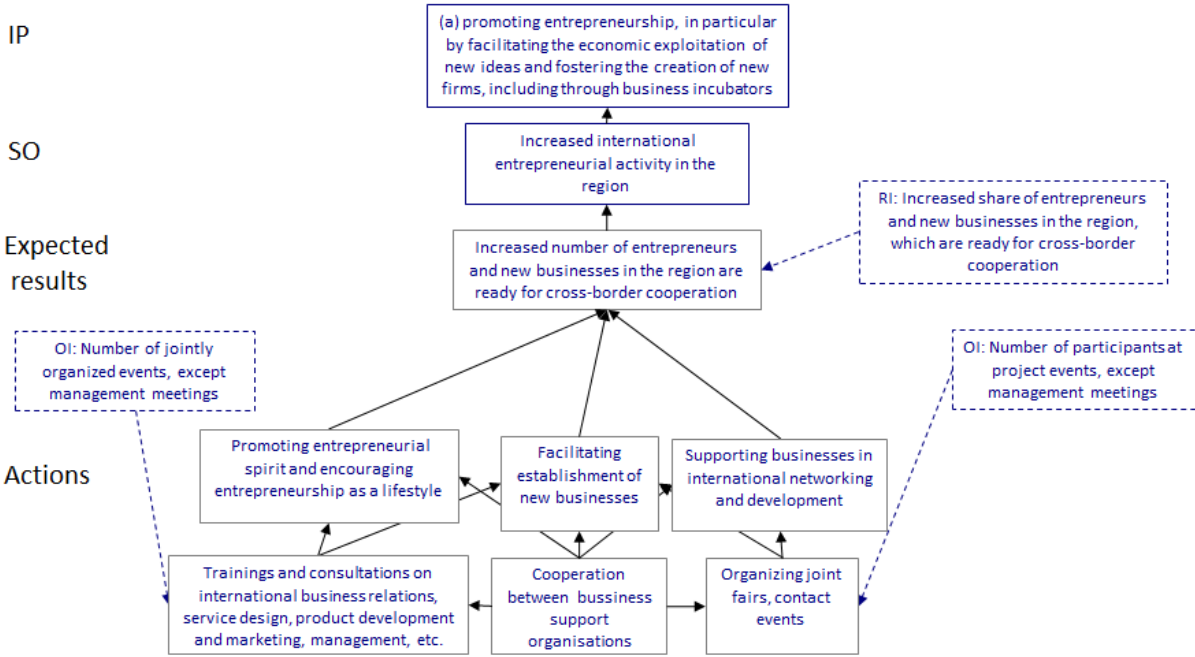
Recommendation	Addressee	Timing
Agree with the CB programme to exchange information on a regular basis on calls for proposals, agree on a certain division of topics, accents or themes, as well as information on the evaluation of project applications. In addition, there could be a regular (e.g. semi-annual) coordination in terms of what the focus of calls will be or has been	Managing Authorities of Est-Lat and Central Baltic	From the start of programme implementation
Provide a more thorough analysis in the Programme document on the impact chains through which the activities proposed under priority axes will support sustainable development	Managing Authority	In the Programme Manual
During implementation stage it would be strategic to foster SO5 implementation in order to achieve higher impact also under SO2.	Technical Secretariat, Managing Authority	From the start of programme implementation
The relationship between the supported areas and horizontal principles should be more thoroughly described	Programme writer, Technical Secretariat, Managing Authority	By the time the first call will be launched
For the result indicator “Increased preparedness of new companies to do business across the border”, entrepreneurs should be asked (in a survey) both about their preparedness and their actual behavior in relation to international activity	Programme writer, Technical Secretariat, JPC	By the time baseline values will be measured
Reconsider the result indicator “Increased number of users of improved cultural and natural heritage sites” and include sites that have not been included in Est-Lat projects.	Programme writer, Technical Secretariat, JPC	By the time baseline values will be measured
Programme should include quantified baseline values.	Programme writer, Technical Secretariat, JPC	By the time of preparation of final Programme version
Additional efforts should be provided on specifying quantified baseline and target values, taking into account potential activity of target groups, timing and complementarity issues	Programme writer, Technical Secretariat, JPC	By the time of preparation of final Programme version
Taking into account significant increase of funding for SME cooperation projects much more efforts should be provided for reaching the target audience.	Technical Secretariat, Managing Authority	From the start of programme implementation
Take concrete steps to further reduce the administrative burden for applicants and beneficiaries, along the lines already described as „possible actions“ in the OP. Agree on significantly shorter periods for first-level controls	Managing Authority, JPC	By the time of launching the first call
More detailed, targeted and clear communication towards potential applicants and beneficiaries on	Technical Secretariat, Managing Authority	From the start of programme

use of e-Monitoring system is needed		implementation
Specific monitoring plan integrating both output and result indicator levels, indicating their interrelationships, sources of information as well as necessary resources for data collection should be elaborated and used	Managing Authority, Technical Secretariat	From the start of programme implementation

Annex 1 - Models of Program intervention logic (final draft Programme 16 May 2014)

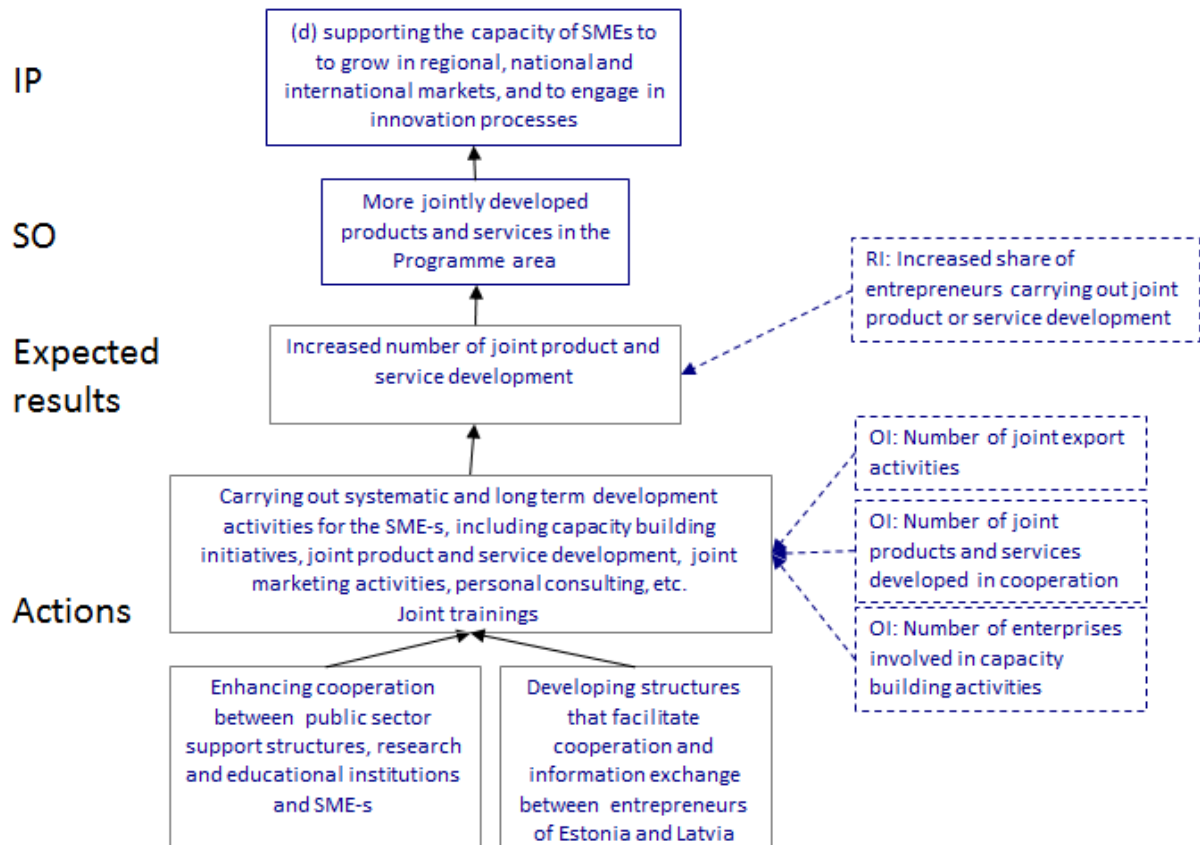
Priority axis 1: ACTIVE AND ATTRACTIVE BUSINESS ENVIRONMENT

TO 3: enhancing the competitiveness of SMEs



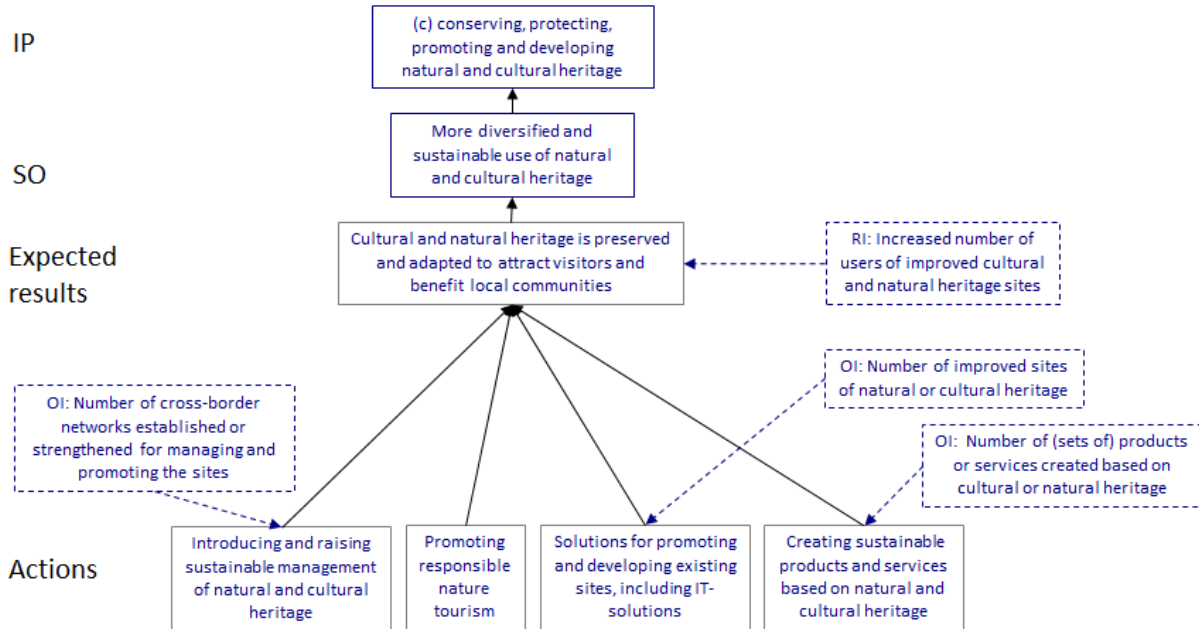
Priority axis 1: ACTIVE AND ATTRACTIVE
BUSINESS ENVIRONMENT

TO 3: enhancing the competitiveness of SMEs



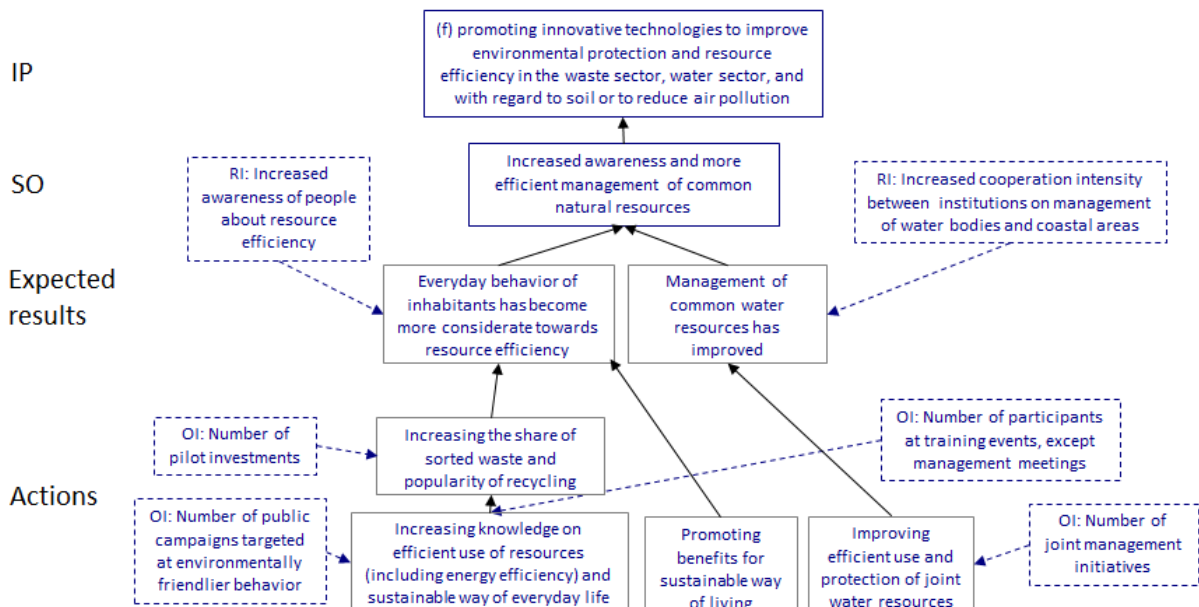
Priority axis 2: CLEAN AND VALUED LIVING ENVIRONMENT

TO6: protecting the environment and promoting resource efficiency



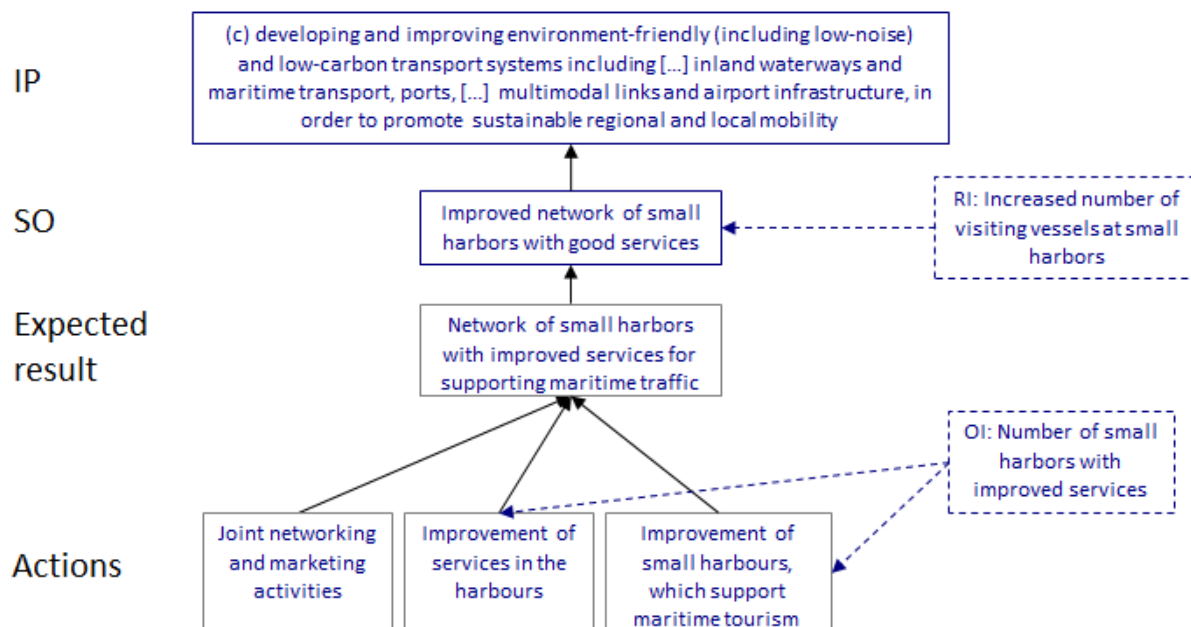
Priority axis 2: CLEAN AND VALUED LIVING ENVIRONMENT

TO6: protecting the environment and promoting resource efficiency



Priority axis 3: BETTER NETWORK OF HARBOURS

TO 7: promoting sustainable transport and removing bottlenecks in key network infrastructures



Priority axis 4: INTEGRATED LABOUR MARKET

TO8: Promoting sustainable and quality employment and supporting labour mobility

