

Polycentric development projects in Latvia as an instrument of spatial development

PhD.cand. MSc.proj.mgmt. Emils Pulmanis



*ENECON – ESPON Evidence in
a North European Context*



- ❑ The economic potential of all regions of the European Union (EU) can only be utilized through the further development of a more polycentric European settlement structure. Municipalities present several types of economies but effects are not limitless, diseconomies might arise.

- ❑ Polycentric approach to development of region territories is one of the ways how to move EU finance resources to investments of infrastructure and establish attractive environment both for inhabitants and investors.



spatial-functional integration

into wider socio-economic context of the country, as incorporated in the modernisation and growth pole strategy

endogenous development

“from below”



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- ❑ region's own perception & knowledge by active involvement of stakeholders
- ❑ resource inventory from the lowest level gradually aggregating to macro levels
- ❑ from generalized statements to more abstract, systematic and interlinked analysis of underlying causes, constraints and emerging opportunities

- ☐ Natural endowments
- ☐ Settlements pattern
- ☐ Infrastructure
- ☐ Production costs e.g. labour costs
- ☐ Human resources
- ☐ Innovation capacity
- ☐ Quality of the services
- ☐ Local institutions
- ☐ Regional identity
- ☐ Etc.

- ❑ EUR 275 million has been allocated to priority “Polycentric development” representing 7% of total ERDF and Cohesion Fund funding, however this is a first step.
- ❑ The biggest part or EUR 263 million has been allocated to 16 municipal authorities to support their city development while the newly created activity to support complex growth in amalgamated municipalities



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- ❑ There is little evaluation done so far for the period 2007-2013. There are two studies commissioned by managing authority concerned with management and control procedures that have been finished.



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- ❑ CBA is most commonly used for *public decisions* – policy proposals, programs, and projects, e.g., dams, bridges, traffic circles, riverfront parks, libraries, drunk driving laws, and anything else the government might fund.
- ❑ For Major projects the EC requires Member States to submit a Cost-Benefit Analysis (CBA) and then takes a specific co-financing decision.
- ❑ The applicant should show to the EC that, after a suitable CBA, the **project's economic net present value is positive**, if negative, the project will be immediately rejected.

1 € in hand today is worth more than a promise of 1 € in the future!

Because:

- money can be used in the meantime (i.e. for earning interest or with alternative investments)
- inflation may lower real value of money
- unforeseen circumstances may prevent you receiving the money you have been promised

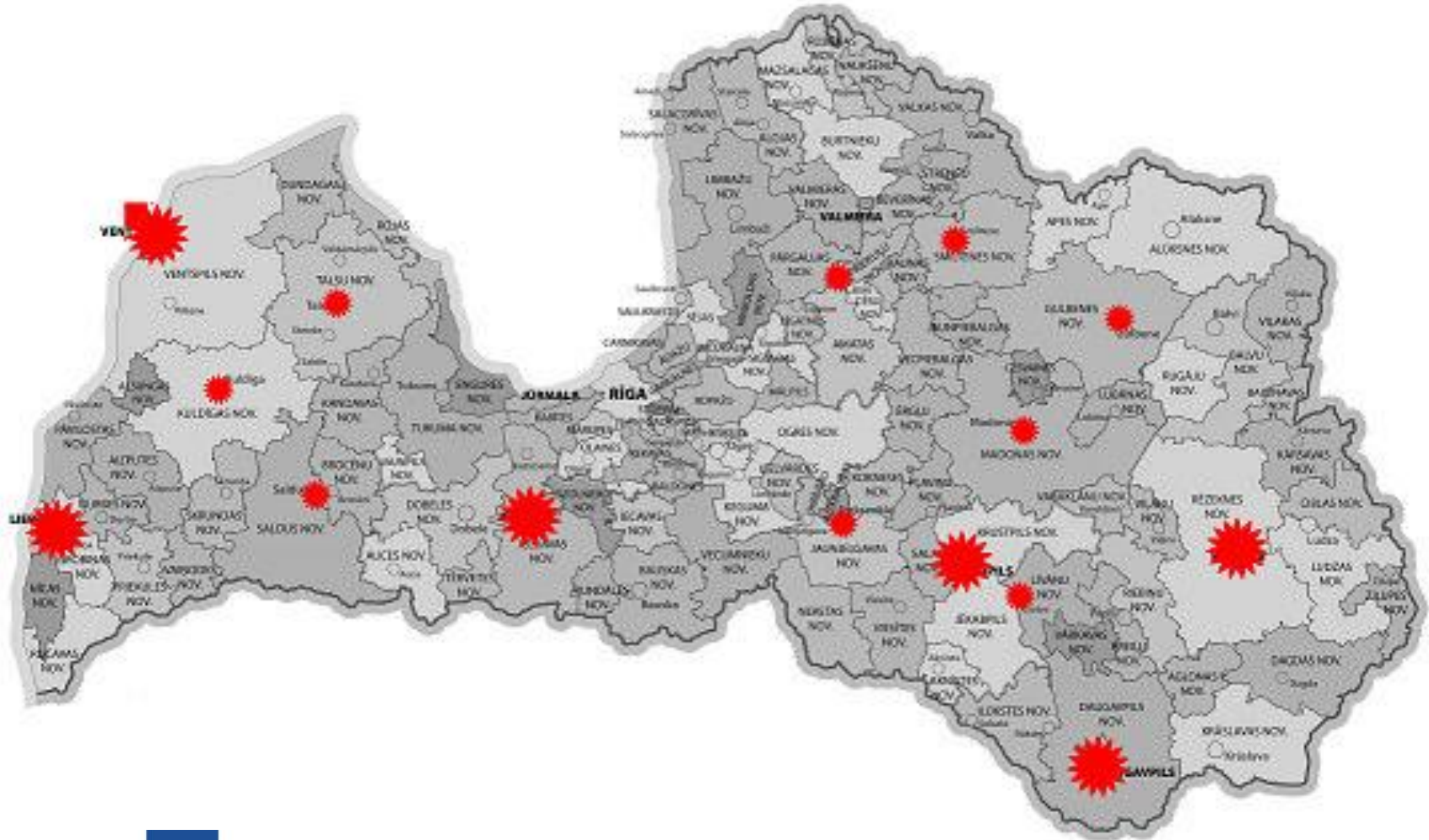
**„You may forget some critical factors,
but they will not forget you.“**

(Torn Gilb, 1988)

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National and regional polycentric development centres in Latvia



The possible benefits from project implementation in the frame of project life cycle in which were identified benefits in amount of LVL 301 986 680 instead of investment amount of LVL 162 294 117. Social economical analysis shows that cost benefit ratio (B/C ratio) for whole polycentric development program is 1.86.



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Cost – benefit analysis as polycentric development evaluation tool

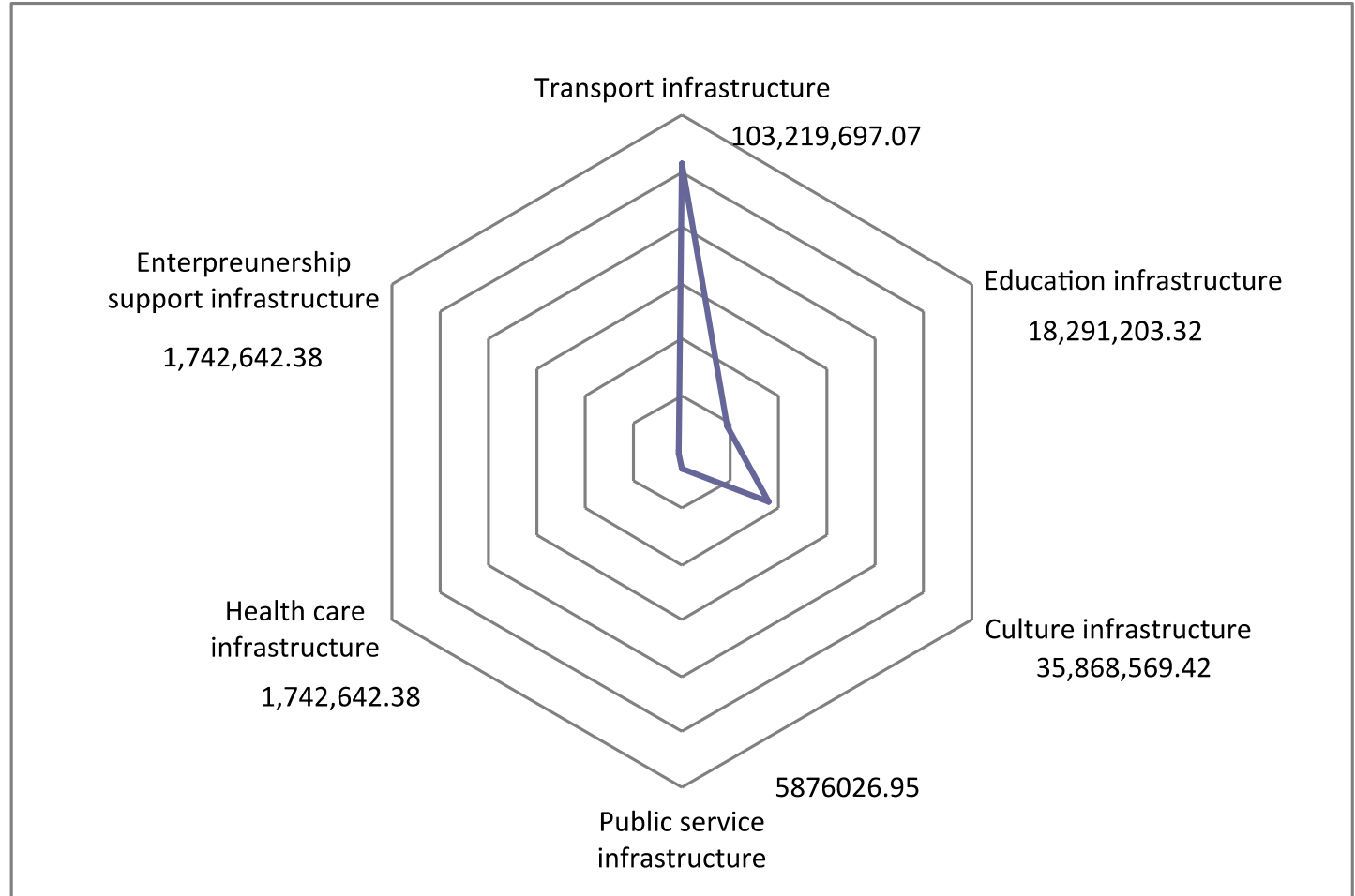
No.	Polycentric development program beneficiaries, national and regional development centres	Available Financial instruments, LVL	Resources allocated on 31.08.2012, LVL	Social-economical impact, LVL	Total B/C	Impact Rank
1	Aizkraukle	6,419,410	5,745,499.61	12,620,947	2.20	3
2	Cēsis	10,163,250	8,493,103.64	14,947,862	1.76	7
3	Daugavpils	22,408,905	21,191,005.05	36,872,349	1.74	8
4	Gulbene	4645605	3390496.52	3,452,558	1.02	16
5	Jelgava	18058545	16309171.28	32324777.48	1.98	5
6	Jekabpils	13415125	9511040.64	13949526.27	1.47	12
7	Kuldīga	6419410	5389791.14	9135695.982	1.70	9
8	Liepāja	21670255	21008004.33	31175878.43	1.48	11
9	Līvāni	6,419,410	5,913,648.08	11587822.84	1.96	6
10	Madona	4645605	4645604	12790896.35	2.75	2
11	Rezekne	16334570	16316490.82	34074271.66	2.09	4
12	Saldus	6,419,410	5,685,583.81	8263048.471	1.45	12
13	Smiltene	4645605	4614372.45	5721821.838	1.24	15
14	Talsi	6419410	6419409	9136958.81	1.42	14
15	Valmiera	13415125	12492808.14	39994832.92	3.20	1
16	Ventspils	16334570	15168088.95	25937432.1	1.71	9
Total			162,294,117.46	301,986,679.87	1.86	

The biggest allocation has been given to Daugavpils city which is second biggest city in Latvia. Analysed the social - economical impact for the Daugavpils city author reveals that city has only the 8th place between cost/benefit ratio, the first place got Valmiera city which has cost/benefit ratio 3.2 and monetary benefits of LVL 39 994 832.92 compare to invested resources of 12 492 808.14.

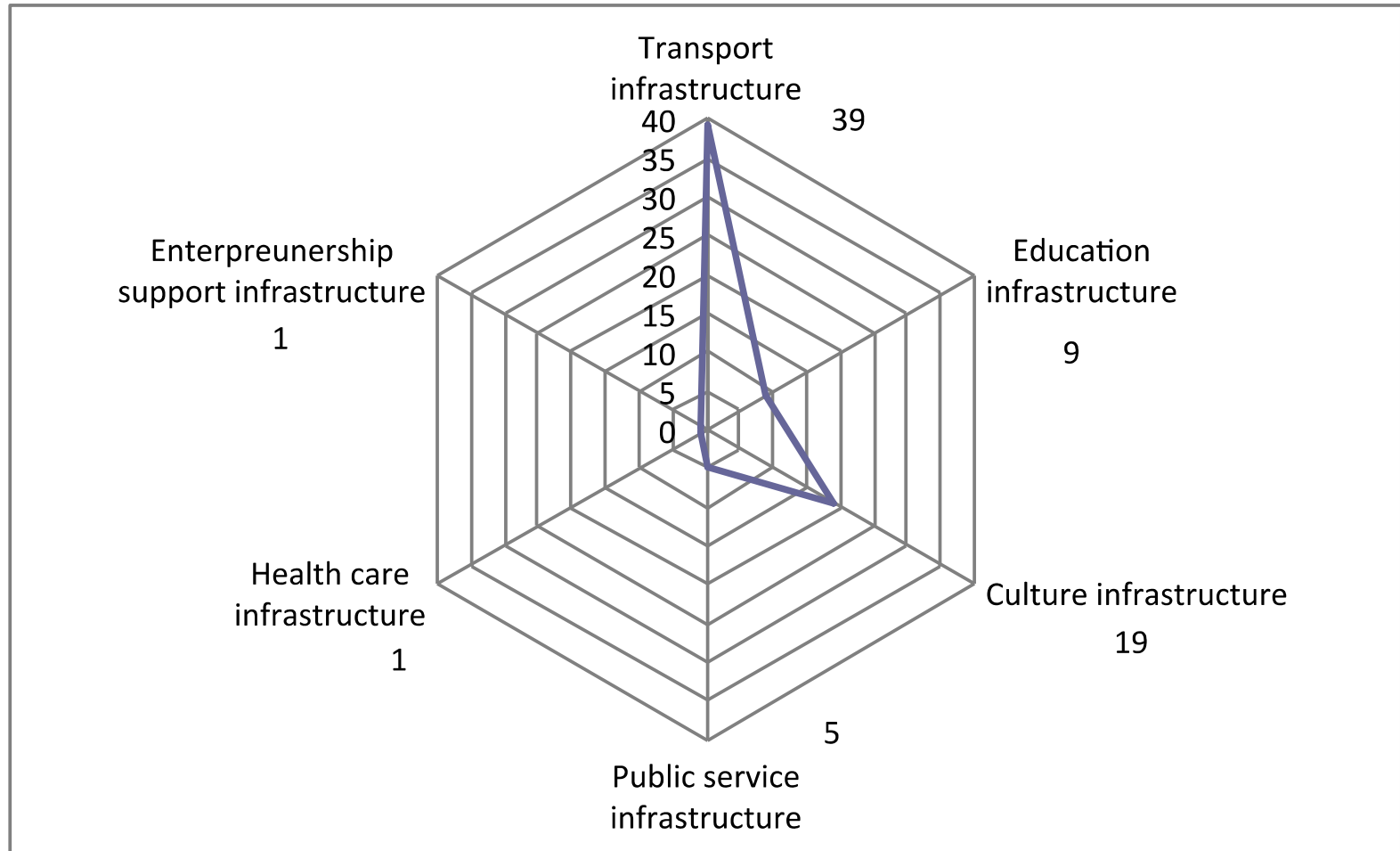
It's important to separate the benefit and support areas. As the main support areas author has defined transport infrastructure, education infrastructure, culture infrastructure, public service infrastructure and support for entrepreneurship.



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Cost – benefit analysis as polycentric development evaluation tool



Latvia has state and EU support programs for:

- ☐ Local municipalities Long term development strategies and development programs elaboration
- ☐ Support for local municipalities territory planning document elaboration

.... But problems still arise



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- ❑ The development of a CBA procedure able to deal with different and yet undefined policy programs has to be dynamic in nature and be able to adapt as more specific information about the specific need of the policy maker becomes available.
- ❑ Still, it is important to define the social and economic benefit of implementation of the projects based on definition of social and economic analysis and potential benefits.
- ❑ At the same time, the implementation of such projects is important to ensure the municipalities can carry out their functions defined by the legislation.



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Conclusion II

- ❑ The role and significance of CBA in the decision-making process for infrastructure and construction project financing, as it is important that investment is made with the financial input most appropriate given the planned benefit to come from the project's implementation.
- ❑ Latvia has several methodological documentations to evaluate the possible benefits from infrastructure but still there is need for improvements as the only clear defined methodology is for transport sectors and those which have been provided by the European commission, but not always have been practically used in local municipalities' project evaluations.
- ❑ Lack of local municipality capacity (lack of appropriate human resources)





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