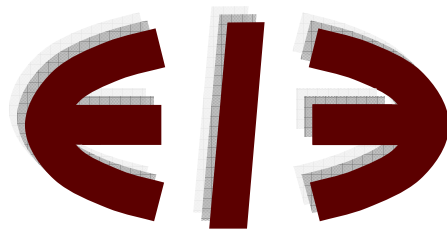


**Efficiency of European Funds in the Accession Countries:
The Case of Transport Infrastructure Investment in Latvia**

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Abstract

A transport infrastructure investment as any kind of transport initiative has an impact on the monetary cost, time cost, efficiency and quality of transportation of goods and people. Prior to launching a transport initiative, all such initiatives are subject to cost benefit analyses at the national and EU level to know whether the present value of total net benefits including environmental impacts exceeds the cost. However, several important welfare issues are not sufficiently addressed in standard evaluation procedures. One issue is whether the so-called direct measurement of user benefit, which consists in quantifying changes in surplus of the users of the transport system, captures all welfare generated in the economy. Another issue is how the gains (or possibly losses) of a transport initiative are distributed among regions. The goal of this paper is to improve the understanding of the impact of transportation policies on short- and long-term spatial development in the new EU member states, which we achieve by performing a systematic and quantitative analysis of socio-economic and spatial impacts of alternative transport investments by carrying out scenario simulations. The scenario simulation results suggest that investments in railroad projects are more efficient in terms of regional welfare than road project investments.

Keywords: EU structural funds, economic integration, CGE.

JEL classification: F12, F15, R12, R23.