

Project “Ongoing evaluation of the indicators set in the Operational Programmes implemented under the Lithuanian Strategy for the use of European Union Structural Assistance for 2007-2013”

ONGOING EVALUATION OF THE INDICATORS SET IN THE OPERATIONAL PROGRAMMES IMPLEMENTED UNDER THE LITHUANIAN STRATEGY FOR THE USE OF EUROPEAN UNION STRUCTURAL ASSISTANCE FOR 2007 -2013

SUMMARY OF THE REPORT

JULY 2010

Evaluation carried out by Public Policy and Management Institute under the evaluation contract No. 14P-336 with the Ministry of Finance of the Republic of Lithuania

Purpose, object and methodology of the evaluation

The purpose and object of the evaluation

In order to assess how efficient is the use of the EU structural assistance, there is a necessity for a well-functioning monitoring system. Therefore, the *main purpose* of this evaluation is to improve the use of indicators set in the Operational Programmes implemented under the Lithuanian Strategy for the use of the European Union Structural Assistance for 2007-2013 while assessing their specificity, sufficiency and compatibility. The *object* of the evaluation includes single indicators (of all types and levels) set in the Operational Programmes and their Measures as well as the system of monitoring indicators.

„Horizontal“ (basic) and „vertical“ (complex) modes of monitoring indicator analysis

The scope of evaluation is very large – it covers almost 1000 indicators in different public policy areas (R&D, environmental protection and sustainable growth, social integration, etc.). Therefore, the assessment of the indicators was organised “horizontally” and “vertically”. “Horizontal” evaluation refers to the basic assessment of nearly 1000 monitoring indicators based on “SMART” methodology, while “vertical” assessment refers to in-depth analysis of about 428 indicators based on the case studies. The case studies address the following topics:

- Adequacy of monitoring indicators set in the Operational Programmes and their Measures under the conditions of economic downturn and integration of Support for Economic Development Plan to the Operational Programmes;
- Adequacy of a current indicator system to measure the implementation of horizontal priorities (equal opportunities, sustainable growth, information society and regional development).
- Adequacy of monitoring indicators set in the Operational Programmes and their Measures to measure the progress in the area of R&D.

Evaluation background of single indicators

Four “SMART” criteria were applied to assess the quality of each indicator:

- **Specific** (this criterion indicates whether a monitoring indicator is consistent with the aims and objectives whose implementation it is designed to measure).
- **Measurable** (this criterion requires an indicator to be quantifiable; its baseline and target values should be clearly defined).
- **Ambitious** (this criterion requires performance targets to be ambitious, but realistic).
- **Reliable** (this criterion supposes clearly defined, unambiguous, easily interpreted definition of a monitoring indicator, correct methodology for its calculation, reliable and clear data sources).

Evaluation background of monitoring indicator system

The evaluation of the monitoring indicator system was carried out following the four main evaluation questions:

- Whether the monitoring indicator system corresponds to the allocation of financial resources;
- Whether the monitoring indicator system is cohesive;
- Whether the monitoring indicator system is well-balanced;
- Whether the scope of the monitoring indicator system is optimal.

Methods of data collection and analysis

In addition to “SMART” methodology and the case studies, the following methods of data collection and analysis were applied in the evaluation:

- Interview programme with representatives of the ministries responsible for the administration of the EU structural assistance;
- Two expert panels (the first one dedicated to monitoring indicators and their system in the European Social Fund intervention area, and the second – to monitoring indicators and their system in the area of financial support under the European Regional Development Fund and Cohesion Fund);
- Thorough analysis of primary and secondary sources of information.

Structure of the report

The evaluation report consists of three parts and annexes:

- *The first part* of the report introduces methodology of the evaluation;
- *The second part* of the report examines the quality and cohesion of the monitoring indicator system;
- *The third part* of the report examines single monitoring indicators based on "SMART" methodology.

The annexes include the following information:

- *Annex 1.* The analysis of the monitoring indicators set in the Technical Assistance Operation Programme and technical assistance priorities of each Operational Programme;
- *Annex 2.* Summarised results of the analysis of relevance of the monitoring indicators;
- *Annex 3.* The case study on the adequacy of the monitoring indicators measuring progress in R&D;
- *Annex 4.* The case study on the adequacy of the current monitoring indicator system to measure the implementation of horizontal priorities;
- *Annex 5.* The case study on the adequacy of monitoring indicators set in the Operational Programmes and their Measures under the conditions of economic downturn and integration of Support for Economic Development Plan to the Operational Programmes.

The analysis of monitoring indicators

The results of the analysis suggest that monitoring indicators set in the Operational Programmes and their Measures do not always match the aims and objectives whose implementation they should measure. However, the number of non-specific monitoring indicators does not exceed 6 percent of the total number of indicators. Moreover, according to the results of the analysis, the quality of indicator descriptions and methodology for their calculation is not sufficient: e.g. some indicators are not appropriate and useful, unreliable data or incorrect methodology is used to calculate performance targets.

Specificity of monitoring indicators

Monitoring indicators were assessed to be insufficiently specific under the following conditions:

- They indicated target groups which do not correspond to the target groups provided in specific Measures and (or) Programme objectives;
- They expressed products/ services/ results which do not have any impact on the aims or the objectives;

- Programme-specific indicators reflected very general aims or objectives of a Programme. However, they were inappropriate to measure specific activities or measures to achieve these aims (objectives);
- The descriptions of core indicators lacked explanation what concrete measures are intended to be implemented (type of the projects, subjects and target groups of a training programme, etc.).

Measurability of monitoring indicators

Although all of the indicators are quantifiable, their baseline values and performance targets are clearly indicated (or planned to be indicated by surveys), some of the following problems related to measurability of monitoring indicators were noticed:

- Inaccurate methodologies for the calculation of indexes;
- Methodologies for the calculation of indicators are not adequate to their definitions (i.e. description of an indicator provides methodology for the calculation of products or services that is incompatible with the products or services implied to be measured by the definition of this indicator);
- Some indicators measure processes which are ambiguous and difficult to measure quantitatively;
- Undefined conditions under which performance targets should be considered achieved.

Reliability of monitoring indicators

Nearly 88 percent of all the monitoring indicators were assessed as unreliable or partially reliable. Reliability of the indicators is reduced by:

- Inconsistent definitions of the monitoring indicators;
- Unclear (or insufficiently clear) concepts used to explain monitoring indicators, unequal treatment of similar concepts;
- Insufficiently explained methodologies for the calculation of indicators;
- Non-standardised definitions and calculation methodologies of the core indicators;
- Not indicated (or inaccurate if indicated) sources of performance information;
- Calculation of indicators at an inappropriate level (e.g. long-term impact indicators are calculated at the project level).

Likelihood of achieving performance targets

The results of the case studies as well as an expert opinion survey showed that a large part of the performance targets will be achieved. However, all targets will be achieved under neither priority.

The major risks of achieving performance targets are the following:

1. Unfavourable market conditions;
2. Lower demand for particular Measures than expected due to changes in the applicants' financial situation;
3. Redistribution of the Operational Programme funds due to the changes of national priorities.

It is also worth to note factors that mitigate the risk of not achieving the performance targets. They include:

- Unambitious planning of the performance targets;
- The possibility of changing performance targets during the programme implementation;
- Absence of standardised methodologies to calculate core indicators and other indicators of "common denominator" (thus, there is a risk that in order to achieve better performance results the treatment

and interpretation of particular indicators as well as methodologies for their calculation may vary).

The analysis of monitoring indicator system

Scope of the indicator system

The analysis suggests that most of the Programme aims and objectives are formed without a clear intervention logic that would support the relations among monitoring indicators. Therefore, any changes in the scope of the monitoring indicator system should be accompanied by the specification of an intervention logic and the introduction of clear hierarchical relations among the different aims and objectives.

According to the results of the expert opinion survey, the scope of the monitoring indicator system is optimal. Although the number of monitoring indicators is large, this can be justified by different purposes of performance information: to report to the European Commission (external use) as well as to make sound national decisions in view of improving the management of the structural assistance and accounting to political authorities and the society (internal use). However, performance monitoring is a resource-intensive process. Therefore, an extensive performance monitoring system may be too expensive. Also, such system reduces possibilities to enact thorough and constant quality control as well as significantly increases administrative burden. All in all, there is a need to review the scope of the monitoring indicator system in view of keeping only the indicators with a clear purpose for reporting or decision-making. This review is especially important in the case of national programme-specific indicators.

The analysis of adequacy and sufficiency of the monitoring indicators has helped to identify intervention areas where monitoring indicators are missing. The key categories of missing indicators are as follows:

- *Firstly*, there is a lack of monitoring indicators which measure the delivery of public services (for instance, indicators of the quality, diversity and accessibility of educational, social and health care services, e-services). A wider application of such monitoring indicators is particularly important under the second priority of Cohesion Promotion Operational Programme that aims at improving the quality and accessibility of health care, educational and social services. Furthermore, as direct beneficiaries of public services are citizens, there is a need to enlarge the number of indicators measuring citizen satisfaction with services provided, changes of their attitude, awareness, etc.;
- *Secondly*, the monitoring indicator system lacks cost-effectiveness indicators, which show how effectively inputs (financial, human, time resources, etc.) are used to produce specific products or results (e.g., the average number of Measures per employee, average wage, number of employees per one executive, etc.). Furthermore, such indicators would enable comparative analysis of the EU structural assistance management in different intervention areas;
- *Thirdly*, although the monitoring indicator system covers all horizontal priorities (equal opportunities, sustainable development, information society and regional development) to a certain extent, the coverage of these horizontal priorities in the system is uneven. The influence of interventions on the development of information society is measured insufficiently. Furthermore, there is a lack of indicators which measure

the influence of R&D and economic infrastructure on horizontal priorities. In addition, the system is not suitable enough to monitor the implementation of horizontal priorities in an integrated way (where there are no Measures specific to particular horizontal priorities). This is particularly important in the case of equal opportunities as well as of economic dimension of sustainable development;

- *Lastly*, the current system of monitoring indicators lacks coherence and consistency across the indicators of a different level:
 - Part of the product and result indicators actually measure inputs;
 - Although formally there are no impact indicators in the system, a considerable part of the result indicators measure long-term influence of interventions.

This suggests the necessity of introducing additional categories of indicators for the next programming period of 2014-2020.

Consistency with the allocation of resources

In order to achieve more efficient use of the EU structural assistance, there is a need to expand performance monitoring of the priority areas of interventions (i.e. the areas with the largest share of funding). Besides, in accordance with the principles of accountability and transparency, the implementation of priority Measures should be monitored not only by national (additional) indicators, but also by Operational Programme indicators, which constitute the basis of accountability. However, as the findings shown, some Measures have especially extensive performance monitoring systems taking into account their levels of funding (e.g. the implementation of VP2-1.4-UM-01-K Measure „INOKLASTER LT“, whose funding exceeds 26 mln. LTL, is monitored by 9 indicators). In contrast, the monitoring indicator systems of some priority Measures (e.g., VP1-4.2-VRM-03-V Measure „The development of the system of public administration subjects“, whose funding amounts to nearly 112 mln. LTL) are not sufficient enough as they do not include any Operational Programme indicator.

Unbalanced purpose of indicators

The analysis suggests that the purpose of monitoring indicators is not sufficiently balanced. The main purpose of performance monitoring is external accountability to the European Commission. However, the use of monitoring data for internal (national) needs (e.g. to develop the content of Operational Programmes and Measures, to improve their management, to account to national authorities and the society, to learn and share a good practice, etc.) is insufficient. In order to enhance the application of performance data for internal needs and its functionality, it would be useful to expand some already mentioned spheres of monitoring:

- Customer satisfaction and service quality;
- Cost-effectiveness of the use of structural assistance;
- Implementation of horizontal priorities.

Also, taking into account that the current system is dominated by quantitative indicators (i.e. indicators calculated by using data of departmental information systems, accounting systems, etc.), it is necessary to improve the balance between quantitative and qualitative indicators (i.e. indicators calculated by using surveys, applied research, etc.). Finally, it would be useful to enhance the use of indicators measuring price, quality, time consumed to design a product and other similar characteristics in view of counterbalancing monitoring indicators that show the amount of products, services, projects, etc.

Coherence of the monitoring system

The system of aims and objectives established in the Strategy, Operational Programmes and Measures lacks causal (logical) relations. The most common problem – an ambition to attain the overall Programme's aim by implementing a single Measure. Due to the lack of a clear intervention logic, the indicators of a different level often lack causal relations.

Furthermore, the monitoring indicator system is relatively more complex than the system of aims and objectives since it contains more levels of measurement (e.g. the attainment of Measure's aims is measured by result and product indicators). Accordingly, there is a high risk of mixing monitoring indicators and attributing them to an inappropriate level. This risk was not avoided and in many situations the attainment of Measure's aims is measured on the basis of result indicators which actually measure long-term impact.

Weaknesses of the monitoring indicator system regarding its coherence are the following:

- *Firstly*, within each Operational Programme at least 1,4 per cent of monitoring indicators are presented at an inappropriate level (some result indicators actually measure impact; some product indicators express result and vice versa);
- *Secondly*, in certain Measures the relationship between product and result indicators is not based on a logical model;
- *Thirdly*, the indicators which measure the implementation of Operational Programme objectives are not reflected in the monitoring indicator systems of the Measures aimed to implement these objectives. This is particularly important since Operational Programme indicators (at the Programme's objective level) are calculated on the basis of the bottom-up principle. The core indicators established at the Programme's priority level are well-integrated in the monitoring indicator systems of Programme objectives and Measures. However, they may lack reliability since methodologies for their calculation differ depending on a Measure or Programme objective. The examples are differing methodologies for the calculation of private investment attracted due to interventions or jobs created.

The analysis and application of performance information

According to the results of the expert opinion survey, the main purpose of monitoring is to report to the European Commission. However, its use for internal needs is insufficient. Such a situation is largely determined by the lack of some basic conditions for better using performance data in decision-making: the analysis of physical and financial data and tracking performance targets is not carried out on a regular basis. Therefore, there is a need to conduct deeper and more regular analysis of monitoring data in the institutions responsible for the administration of the EU structural assistance (e.g., by appointing servants, whose main responsibility would be performance monitoring and evaluation, improving their knowledge and competences, etc.). In addition, a better dissemination of good practice and organisational learning is important. The former condition may be satisfied by establishing inter-departmental working group chaired by the Ministry of Finance that would consist of officials responsible for monitoring indicators and performance monitoring. Regular meetings of the working group, participation of socio-economic partners and experts in its activity

would be particularly important considering the upcoming programming period of 2014-2020.

Recommendations on improvement of monitoring indicators and their system

No.	Recommendation
1.	To improve descriptions of monitoring indicators (in accordance with written and verbal instructions of the Ministry of Finance).
2.	To improve and harmonise the descriptions of core indicators and methodologies for their calculation.
3.	In order to enhance the application of performance data for internal needs and its functionality, the expansion of the following spheres of monitoring would be useful: <ul style="list-style-type: none"> - Customer satisfaction and service quality; - Cost-effectiveness of the use of structural assistance; - Implementation of horizontal priorities.
4.	To define conditions under which changes of monitoring indicators and performance targets would be considered valid
5.	To strengthen monitoring capacities in the institutions responsible for the administration of the EU structural assistance
6.	To introduce new monitoring indicator system with product, result and impact indicators and with better separation of product and input indicators (recommendation relevant for upcoming programming period of 2014-2020)
7.	To form monitoring indicators on the basis of intervention logic. Logical models may be constructed at the level of both Operational Programme (its aim/ priority/ objective/ measure) and monitoring indicators (recommendation relevant for upcoming programming period of 2014-2020).