

Project „Evaluation of the EU structural assistance and evaluation capacity building in Lithuania in 2009” is financed under Technical Assistance Operational Programme for 2007-2013

EVALUATION OF RELEVANCE AND EFFICIENCY OF THE NON-COMPETITIVE SELECTION OF PUBLIC PROJECTS, IMPLEMENTING OPERATIONAL PROGRAMMES IN 2007- 2013 AND PLANNING THE EU FUNDS

SUMMARY

28 January 2010

Evaluation of relevance and efficiency of the non-competitive selection of public projects, implementing operational programmes in 2007-2013 and planning the EU funds commissioned by the Ministry of Finance of Lithuania (Contract No. 14P-223 of 9 July 2009) was conducted by Public Policy and Management Institute

Evaluation object

In the period of 2007–2013 the large part (almost 67,5 %) of the EU structural assistance for Lithuania will be allocated to the public projects on the non-competitive basis, according to the documents of the national strategic planning system. Therefore, the object of the evaluation of relevance and efficiency of the non-competitive selection of public projects, co-financed from the ES structural funds in 2007–2013, was the strategic planning system of Lithuania and the measures of the 2007–2013 Operational Programmes implemented on the non-competitive basis (only national/sectoral public sector projects with regional/local projects falling outside the scope of this evaluation).

The aim and objectives of evaluation

The evaluation was aimed at improving the application of the non-competitive selection of public projects to implement the 2007–2013 Operational programmes and plan and absorb the EU structural assistance for Lithuania.

The main objectives of the evaluation were:

- 1) to evaluate the efficiency of the strategic planning system of Lithuania, focusing on the planning of public projects co-financed from the EU structural funds on the non-competitive basis;
- 2) to evaluate the impact of procedures of the non-competitive selection of public projects on the efficiency of implementing the Operational Programmes.

Systemic analysis as analytical framework for evaluation

The purpose of the non-competitive allocation of the EU structural assistance is to compose a list of public projects on the basis of national strategic documents. The non-competitive selection of public projects is related to both the management system of the EU structural funds and the national strategic planning system. Therefore, for this evaluation the analytical framework of systemic analysis, which enables assessing the components of the non-competitive selection system, their links and the environmental influence, was applied. Evaluation of the process of non-competitive selection of public projects co-financed from the EU structural funds covered the relevance of the system of non-competitive selection of public projects in Lithuania to the following conditions of efficient non-competitive allocation of the ES structural funds:

- *well-prepared strategic documents*: relevant strategic aims, objectives and monitoring indicators, action/projects plans allows defining public projects, which are eligible for co-financing from the EU structural assistance;
- *appropriate procedures of the non-competitive selection*: well-organised process of the non-competitive selection contributes to the efficient allocation of the EU structural funds;
- *administrative capacities of public institutions and their civil servants*: programme/project portfolio management capacities, analytical skills, close inter-institutional co-operation are important for the successful non-competitive selection of public projects;
- *relevant model of policy implementation*: this condition is important because the methods of project selection depend on the common logic of implementation in a certain policy area.

Evaluation methods and sources of information

To ensure reliability and quality of the results and conclusions of evaluation, various evaluation methods were employed: literature review, analysis of legal acts, interviews with the civil servants involved in the process of non-competitive selection of public projects, survey of the EU-10 member states, methods of policy analysis, the case studies of non-competitive selection in Lithuania, Ireland and Portugal, focus group.

Effective and fast absorption of the EU funds is the most important aim of the non-competitive selection of public projects

The evaluation of relevance and efficiency of the non-competitive selection of public projects, co-financed from the EU structural funds in 2007–2013 found that the most important aims of wide-scale application of the non-competitive selection of public projects in Lithuania were effectiveness and efficiency (especially in terms of time) of the absorption of the EU structural funds. However, these aims have not been fully achieved. The process of contracting public projects, co-financed from the EU structural funds on the non-competitive basis, is relatively slow with significant differences among the intermediate bodies and their areas of investment. Although in other EU countries the processes of planning and allocating the ES structural funds and other national budget expenditure were subject to integration to increase effectiveness and efficiency, these processes still remain parallel in Lithuania.

Lack of qualitative strategic documents determines a 'bottom-up' approach for the non-competitive selection of projects

A relatively slow absorption of the EU structural funds and certain deficiencies of effectiveness are associated with the insufficiently efficient operation of the strategic planning system. The non-competitive selection of projects is more successful in the fields of public policy, where high-quality strategic documents have been prepared (for example, the Long-term Strategy (until 2025) of Lithuanian Transport System Development with a short-list of potential projects prepared by the Ministry of Transport and Communications) or where competent institutions of public administration are determined by the legal acts (for example, the Law on Employment Promotion defines expertise of the Lithuanian Labour Exchange and its local offices). However, since the quality of the strategic planning documents is frequently insufficient, a 'bottom-up' approach rather than a 'top-down' approach based on the strategic documents is mostly used during the process of non-competitive selection. Accordingly, the need for a rapid distribution of the EU structural assistance under the non-competitive selection procedure becomes the basis for developing or improving strategic documents. However, this process is long and creates a continued risk of losing EU funds.

Non-competitive selection of projects is properly regulated, but the practice is different

The non-competitive selection of projects in the intermediate bodies is regulated by the description of non-competitive selection procedures, but the actual application of the procedures is quite varied: from the planning based on strategic documents (such as in the Ministry of Transport and Communications and in the Ministry of Social Security and Labour) to the application of quasi-tenders in the selection process (such as in the Ministry of Education and Science and in the Ministry of Economy). Obviously, the non-competitive selection 'from the top' is more efficient both in terms of financial absorption and potential effectiveness. However, in the absence of the high-quality documents with short-lists of potential projects or sufficient capacities of policy implementing agencies in many fields of public policy, the non-competitive selection procedure of 'bottom-up' nature was applied in the intermediate bodies: the projects were selected during the

process on the basis of needs of the potential applicants as well as the pre-selection procedures were organised.

Lack of flexibility in the non-competitive selection process

Compared to other EU Member States the non-competitive allocation of the EU structural support in Lithuania is insufficiently flexible. Although the procedures of non-competitive selection provided an opportunity to compose short-lists of public projects for one or several years, most intermediate bodies decided to draw up short-lists of projects for all 2007–2013 period (with an exception of the annual evaluation plans of the EU structural assistance). In comparison, in Portugal public projects used to be selected on the basis of 'first come, first served'. Project planning for a shorter period helps avoid a mismatch between the short-lists of public projects and changed political priorities, this contributing to a faster distribution of the EU structural assistance.

Inadequate administrative capacities limit the effectiveness of the planning

Inadequate capacities (project management, analytical skills, professional knowledge) of the public institutions and their civil servants negatively influence the development of strategic documents and public projects. The analysis shows that there is a lack of capacity to prepare and update strategic documents, which could be the basis for identifying public projects, in a timely and qualitative way. In addition, the Lithuanian institutional framework lacks capable policy implementing agencies (particularly in the fields of public administration, education and science), for which the EU structural support could be allocated on the non-competitive basis. The foreign experience shows that the delegation of large-scale integrated projects, which financed under the EU structural assistance, to policy implementing agencies ensures efficient utilisation of the EU structural assistance. In Ireland and Portugal such institutions are also entrusted with the functions of the intermediate bodies, enabling their development as 'centres of excellence'.

Recommendations for improving the non-competitive selection of projects

Given the results of the evaluation, the recommendations for improving the non-competitive selection of public projects were formulated in the evaluation report. The recommendations set three main areas of improving the non-competitive selection:

- *improvement of the strategic planning system* in order to increase the quality of strategic planning documents, to reduce their number, to initiate the preparation/updating of key strategic documents in view of preparing for the 2014–2020 programming period of the EU structural assistance (recommendation No. 1);
- *improvement of the non-competitive selection process* in order to simplify the non-competitive selection of public projects on the basis of 'bottom-up' approach, to ensure an optimal choice of the selection method for projects financed under the EU structural funds as well as flexibility to compose short-lists of public projects, to strengthen the institutional capacities to plan public projects (recommendations No. 2-6);
- *improvement of the institutional framework* through integration of the EU structural assistance and national budget expenditure planning and strengthening a link of policy implementing agencies and its consolidation with the implementing agencies of the EU structural assistance (recommendations No. 7 and 8).