

Summary

Title: The evaluation of planning and implementation efficiency of the EU structural assistance for the road sector

Contracting authority: Ministry of Transport and Communications of the Republic of Lithuania.

The evaluation implemented by UAB „BGI Consulting“ in 2012–2013.

Purpose, objectives, scope, methodology of the evaluation and information sources

Purpose – to improve the absorption of EU structural assistance into the road sector by evaluating the relevance of planning, the achievement of aims and objectives, efficiency and impact.

Objectives:

- Evaluate the relevance of the aims and objectives established for the investment into the road sector, measures and planned projects considering the changes of economic situation.
- Evaluate the sufficiency of the implemented projects (in terms of physical extent and financial amounts) while achieving the stated aims and objectives and the efficiency of assistance allocated for the projects.
- Evaluate the impact of the EU structural assistance into the road sector on the society, economy and business.
- Provide the examples of good practices in foreign countries while planning and implementing the EU structural assistance for road sector's projects (eg. types of financial allocations, procedures of implementation, etc.).
- According to the results of the evaluation provide recommendations on priorities and measures of the road sector development in 2014–2020.

Scope :

Measures under the Operational Programme for Economic Growth for 2007–2013 were evaluated:

- VP2-4.3-SM-01-V „Improvement of road and railway by improving traffic safety and reducing negative impact of transport“
- VP2-4.4-SM-01-V „Improvement on technical parameters in roads and railways of state importance“
- VP2-4.4-SM-02-R „Modernisation and development of municipal transport infrastructure“
- VP2-5.1-SM-01-V „Increase of Trans-European road transport infrastructure throughput and improvement of technical parameters“
- VP2-5.4-SM-01-V „implementation of traffic safety infrastructure, construction of bypass roads“

Methodology of the evaluation and information sources:

The evaluation questions were classified according to the evaluation criteria such as relevance, effectiveness, efficiency, sustainability and impact.

Considering the changes of economic situation the relevance of the aims and objectives stated for the investment into the road sector, measures and planned projects were evaluated. Two different aspects of relevance were evaluated: relevance considering the changes of social and economic situation and relevance considering the changes in strategic agenda for road sector. The coherence of intervention logic was analysed as well.

The analysis of relevance of the allocation of the EU structural assistance procedures greatly focused on project ideas identification process. Furthermore, the analysis of the other countries' experience in identifying project ideas and appraising projects of the road sector was carried out.

The evaluation according to the effectiveness criteria enabled to find out whether the expected results were achieved. The sufficiency of the allocations for the projects was assessed using the results of effectiveness evaluation. The financial data and monitoring indicators were broadly used when measuring the effectiveness.

The efficiency criteria was applied in order to measure whether the aims and objectives were achieved at the lowest cost and whether better results could be achieved with the same volume of allocations. Relative indicators as the average price of one unit were calculated and compared with the respected other countries' indicators. The data of Latvia, Hungary, Poland and Czech Republic were used for comparison. Public procurement data were analysed in order to identify the competition level among the services providers and conditions for the lowest prices.

The sustainability of the results is understood in terms of usage of the results in the future and social-economic benefits remained after the implementation of the programme.

The macroeconomic modelling based on baseline scenario (counterfactual situation) was applied assessing the impacts of the investment. A widely appreciated model HERMIN which is applied in the studies for the European Parliament and European Commission was used. The results of the macroeconomic modelling were supplemented with the results of the ex-post cost-benefit analysis of the completed projects.

The information of the interviews with the Ministry of Transport and Communications, the Transport Investment Directorate and the Lithuanian Road Administration under the Ministry of Transport and Communications supplemented the information sources used.

Main results of the evaluation

Relevance. The aims of the investment for the road sector are long-term therefore the changes mostly determined by the economic recession do not affect significantly the relevance of the aims and do not settle new needs for the sector. Investments for the improvement of the road infrastructure, increase of throughput remain relevant. High numbers of road accidents and roads deaths is one of the most important problem and challenge in the sector. Even though the progress in decreasing the number of road accidents and road deaths could be noticed, this progress is still insufficient. Road safety issues remain critical.

The analysis of intervention logic coherence proved that aims, objectives, measures and projects were planned appropriately.

The planning and project selection mechanism applied enables to combine national and EU strategic agenda for the road sector and monitoring data of road infrastructure present condition (road safety, traffic intensity, road cover condition and etc.). Such mechanism ensures selection of relevant projects.

The analysis of experience from Ireland, Germany and Scotland reveals that project ideas are generated according to strategic goals for the road sector and main issues of the network. Consequently national strategic agenda for road sector is considered and problems of the road network are analysed. Similar project planning and selection process is applied in Lithuania. Other methods applied by foreign countries in project selection process are cost-benefit analysis and multi-criteria analysis.

Effectiveness. The planned volume of EU structural funds assistance for the 5 measures of the road sector was 3.2 billion LT. The total volume of planned projects reaches 3.9 billion LT. At the end of 2012 contracted agreements amounted to 99.4 percent of planned allocations. Monitoring data of contracted agreements and implemented projects indicate that output indicators for measures VP2-4.3-SM-01-V „Improvement of road and railway by improving traffic safety and reducing negative impact of transport”, VP2-4.4-SM-01-V „Improvement on technical parameters in roads and railways of state importance“, VP2-4.4-SM-02-R „Modernisation and development of municipal transport infrastructure“ could have been planned more ambitious. The volume of financial allocations for achievement of the output indicator of measure VP2-5.1-SM-01-V „Increase of Trans-European road transport infrastructure throughput and improvement of technical parameters” was slightly (8 percent) too low. The allocations for measure VP2-5.4-SM-01-V „Implementation of traffic safety infrastructure, construction of bypass roads” were sufficient.

The achievement of output and result indicators was assessed as well. The achievement of output indicators at the end of 2012 is considered as positive. Actual implementation of measures shows higher than planned values of output indicators except for measure VP2-5.1-SM-01-V „Increase of Trans-European road transport infrastructure throughput and improvement of technical parameters”. The output indicators of this measure will be achieved; however this requires up to 11 percent more of allocations (the percentage could be lower if any allocations are saved during the implementation).

Some difficulties in achieving the result indicator “Journey time saved using reconstructed roads” of the measure VP2-4.4-SM-01-V „Improvement on technical parameters in roads and railways of state importance“ could be noticed. Projects implemented under the measure are already closed however planned result indicators could remain not achieved (the results of 8 projects have not been measured yet; such conclusion is based on contracts signed). Moreover, still it is not clear whether the result indicators of the measures VP2-5.1-SM-01-V „Increase of Trans-European road transport infrastructure throughput and improvement of technical parameters” and VP2-5.4-SM-01-V „Implementation of traffic safety infrastructure, construction of bypass roads” will be achieved. Some corrections for the planned result indicators of these measures are suggested in the study prepared by Vilnius Gediminas Technical University.

The allocations for projects of road sector were sufficient though the financial plan could not be identified as a reason for the underachievement of the results. However the achievement of result indicators is determined by other external factors such as economic situation of the country, situation of export markets and etc.

Efficiency. The efficiency of the investment for the road sector is considered as positive in comparison with other countries such as Latvia, Poland, Hungary and Czech Republic. In most cases of measures the planned aims and objectives are achieved at relatively lower costs. For example, roads of state importance are reconstructed and gravel roads (out of TEN-T network) are paved under the measure VP2-4.4-SM-01-V „Improvement on technical parameters in roads and railways of state importance“. The price for paving 1 km of gravel road seeks 0.3 million EUR and the price of 1 km of road reconstruction is 0.9 million EUR. It is complicated to provide precise examples of other countries identical according to investment parameters. Nevertheless, existing examples from Latvia, Hungary, Poland and Czech Republic presents that the average prices for 1 km of road reconstruction and new road construction vary from 1 million up to several million EUR.

However complex projects are relatively more expensive than in the analysed countries. Essential to have in mind that international comparison is limited due to the differences in technical parameters of investments and methodology which bases principles of defining a project and measuring investment kilometres.

According to information of Lithuanian Road Administration, the average number of proposals submitted for public procurement for projects of roads of state importance in 2009-2011 was 2.975. Higher average number of proposals submitted was estimated in public procurement for projects of roads of regional importance (3.9). A relatively lower number of proposals submitted for public procurement of roads of state importance projects could be explained in terms of large-scale scope of works, complexity of objects as usually the projects of regional importance are smaller. Sufficient competition among service providers is a prerequisite for efficient absorption of investment to road sector. Therefore the competition level should be observed and analysed regularly in public procurement.

Impact. GDP as a commonly accepted welfare indicator and other indicators of national accounts such as productivity, employment or wage rate highly reflects long-term social and economic effects and benefits of the investment. The results of macro econometric modelling shows that additional GDP created in 2007-2020 due to investment into the road sector exceeds the amount of investment (from all financing resources as a percentage from GDP) 2.3 times. That means benefits of the investment into the road sector overweight the costs. The impact caused by demand side (construction companies while reconstructing the roads gain incomes, buy materials, pay salaries, employs subcontractors thus the added value of construction and other related sectors and consumption increase) dominates while the programme is under implementation. Long-term impact caused by supply side remains after the implementation of programme because of improved road infrastructure (international competitiveness of Lithuanian companies increases due to lower cost of transportation and volumes of production grow as well). In 2010 when the financial injection peaked, GDP level was 1.9 percent higher that it would have been without the investment due to the impact of demand side. After the termination of the programme the impact remains modern though long-term as GDP level remains 0.4 higher comparing with the baseline scenario without investment.

Other increasing economic indicators reveal positive effects of investment on society, economy and business as well. Benefits for the society are evident on higher employment level and wage rate if comparing to the baseline scenario without investment. The impact on employment peaked at 2010 (as the financial injections were at maximum) and reached 22.5 thousand of employed more than it would have been without investment. Long-term effects determined by supply side remain after the termination of demand side impact in 2015 and seek 1.7 thousand of employed. The average annual

number of persons employed due to the investment was 6930 in the period of 2007-2015. The biggest impact on wage level was in 2011 as it was 2.36 percent higher due to the investment in comparison to the situation without investment. The impact on business in the long-term could be noticed through decreasing transportation costs and growing productivity which boost international competitiveness of Lithuanian companies' and volumes of production as well.

Recommendations

Such recommendations were provided:

- It is recommended to prioritize the road sector projects creating the highest social and economic benefits.
- It is recommended to allocate investment for innovation and R&D in the road sector for the period 2014–2020 (intellectual transport systems and services, innovation related to road cover, researches on system optimisation, etc.)
- It is recommended to continue investment into the road safety in 2014–2020 focusing on changing the behaviour of drivers and other organisational measures as well.
- In order to prepare appropriately for the period of 2014-2020 and ensure sufficient preparation of the projects, it is recommended to launch the preparation of technical and other documentation for the possible projects and solve property issues in advance. Nevertheless the preparation level of the projects should not become a crucial factor when deciding to finance a project as it is essential to ensure the project's relevance with the strategic agenda of road sector as well.
- On purpose to strengthen the identification process of the most relevant projects, it is recommended to improve or/and update the existing system of road cover management which would contribute in identifying the road sections necessary to improve more precisely.
- It is recommended to strengthen the economic reasoning of regional road projects.
- When planning the schedule of new road sector projects, it is recommended to consider changes in the rules of construction completion procedures and plan the schedule of projects completion respectively.
- It is recommended to observe and analyse the competition level in public procurement regularly. Having noticed negative tendencies, it is recommended to revise the qualification requirements for service providers and the practice of procurement objects formation.
- Developing measures of road sector for 2014-2020, it is recommended to define clearly and announce the methodology for measuring monitoring indicators in advance. On purpose to measure indicators at projects level according to common basis, it is recommended to introduce the methodology for measuring indicators to project applicants.
- It is recommended to consider the possibilities for 2014-2020 to apply result indicators depending more on the investment such as “time saved of a vehicle”, “average changes in speed”, “changed throughput of a road” and etc. instead of “increase in quantity of transported cargo on roads”.