

## 2. SUMMARY

The following aspects were analysed in the evaluation and these conclusions made:

*The effectiveness and impact of measure „Providing conditions for more rapid diversification of economic activity in rural areas” during 2007–2013 EU assistance programming period*

The effectiveness of measure might be evaluated as significant because improvement of the public environment in rural areas was completed almost by 80 % despite share of completed projects was about the third, and according to the signed contracts a number of the projects, aimed at development of rural integrated infrastructure for local communities and public needs and for improvement of business environment and employment, was twice comparing to planned for measure. There is expecting that the measure will make the positive impact on provision of conditions for more rapid diversification of economic activity in rural areas because planned infrastructure is already improved or under improvement, this should lead to improvement of living conditions in rural areas, to the provision of conditions for poverty risk decrease. Chosen activities under the measure were appropriated and did not dominate in any project, implemented in particular region of country. Some integrated activities or expenditure were missing among eligible activities and expenditures under this measure, this could not ensure the complexity, completeness and full use of public infrastructure for public and local communities' needs. Monitoring indicators for measure were chosen appropriated in part. Measure's result indicator „A number of rural areas, where public infrastructure was improved“ is appropriate, because data according this indicator could be collected very easy and after the completion of the project, there is a clear linking with project activities, and demonstrate well the scale of measure's input into achievement of Cohesion OP aim „To provide all prerequisites necessary for strengthening and revealing local development potential“ and to the aim of OP's priority „Local and urban development, preservation of cultural heritage and protection of nature and its adaptation to development of tourism” – to provide conditions for more rapid diversification of economic activity in rural areas. Though measure's product indicator „Private investments attracted, in million litas“ reflects qualitative changes in social and economic environment well, but such indicator suits better as context indicator, directly not related with project activities or achieved products in completed projects. Attraction of private investments

depends on complex of other factors, which are not under control of beneficiaries. Measure's product indicator "A number of rural areas, where public infrastructure was improved" estimates the changes in rural areas development very a little, does not reflect the scale of measure implementation or the scale of benefit to target groups because in the same project one or many objects of infrastructure, one or many rural areas infrastructure may be developed or improved. This indicator also fits into the hierarchic structure of interventions, objectives, aims and inputs not very well and might be used as product indicator better than as result indicator because is linked with project products created. Appropriate project selection way was chosen for the measure – planning of regional project – enabled to concentrate and focus EU structural funding on target groups' needs without excess of administrative costs. Allocation of EU structural funds were distributed according to the selection criteria, which are appropriate in part only – criteria "Employees in agriculture" and "A share of agriculture land, scored by 32 and less" are not worth for further use because inhabitants of rural areas are involved in agriculture less and less every year.

Allocation for measure was estimated as sufficient and demand for funding under the measure for 2014–2020 was identified as not less and in similar amount as for 2007–2013. The main factors and reasons, affected an achievement of measure's results, were related with funding absorption rate and implementation duration (technical design and planning problems, too long public procurement procedures, too long application appraisal and approval of amendments in implementing agency, too high bureaucracy, too much paper copies instead of electronic versions), with funding (lack of funding for own input into the project, too many ineligible expenditures, too many integral and necessary activities were set up as ineligible and should be funded by municipalities).

#### *Sustainability of measure and opportunities for higher impact for 2014–2020*

The measure would have the most input into achievement of Europe 2020 priority "Inclusive growth – a high-employment economy delivering economic, social and territorial cohesion" via ERDF investment priority "Support for physical and economic regeneration of deprived urban and rural communities" because measure may targeting to reduce poverty risk in rural

areas, where poverty risk is 2,4 times higher than in urban areas (2011). Therefore objective of measure and monitoring indicators should be linked with reducing of poverty risk by improvement of living conditions in rural areas and small towns, by improving public and local communities' infrastructure, by exploitation its' social, cultural and nature potential for sustainable living environment development.

The synergy and high additionality to the measure implementation and use of products created has demonstrated support from European Fund for Agriculture and Rural Development, especially support to local communities initiatives, small-scale infrastructure in rural areas, therefore more distinguish demarcation lines are needed for new programming period of 2014–2020 in terms of funding, activities, size of areas (ERDF funded activities might cover areas with population of 1-6 thousands). During implementation of the projects under this measure many municipalities suffered from over-burdening of co-financing of many projects under other measures too, the most of municipalities has taken loans for co-financing and amortization of loans will last all next programming period. Due to too many integral activities and expenditures, set up by EU structural funds assistance planned institutions as ineligible, municipalities were burden with additional funding of ineligible, but necessary for projects activities and expenditures. This determines the necessity to reduce a level of minimal co-financing of the project for 2014–2020 and set up it not higher than 5%.

### **Evaluation recommendations**

The evaluation results and conclusions led to the following recommendations provided:

- to continue the implementation of the measure for 2014–2020 programming period and apply measure for areas with 1-6 thousands inhabitants, except the centres of municipalities, and to foresee some exceptional cases, when improving object is located in territory both of the municipality centre and areas with 1-6 thousands inhabitants;
- to add the measure with new activities – to permit acquire equipment for local communities' needs, to fund improvement of engineering network (water supply, sewage, electricity network, lightening, paths, streets, small-scale roads etc.), to

fund a part of commonly used buildings/facilities, to allow a construction of new buildings/facilities, and seeking to achieve more complexity and additionality – to permit municipalities to decide what activities from the list could be funded in particular project;

- to avoid the artificial disintegration of the projects and do not limit the maximum of project value, and to set up the minimum project value at 2,5 million litas;
- to continue an application of projects selection way – regional projects planning in combination with integrated, trans-sectorial projects or projects groups (URBAN type initiatives), to cooperate more closely with Regional Development Boards at setting up the list of regionally planned projects;
- to simplify administration of the projects, to withdraw from over-regulation, over-control and over-use of paper copies, to apply simplified costs justification methods, to do not require the deep cost-benefit analysis, applicable to major projects only;
- to continue the same selection criteria for distribution of EU structural funds allocation among regions of country with different weighting („employees in agriculture“ and „a share of agriculture land, scored by 32 and less“ with less weight, and criteria „average of income of household per person“, „a share of rural inhabitants in region“ and „new business birth rate“ – with higher weight) or apply the same selection criteria, except criteria „employees in agriculture“ and „a share of agriculture land, scored by 32 and less“. Introduction of new criterion „a number of customers of improved public and local communities‘ infrastructure“ might be considered;
- to refuse the use of measure indicator „private investment attracted, million litas“ because this is context indicator (at programme level) and to apply the measure’s result indicator „A number of rural living areas, where public environment was improved“ as national indicator or to modify this indicator and split into different indicators according forms of infrastructure (open/ outdoor area or building/facility/indoor area, new or improved/modernised);
- to set up the minimum of municipality input into the project co-financing not higher than 5%.