

Ex Ante Evaluation of the Lithuanian Operational Programmes 2007- 13

Final ex-ante evaluation report

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Centre for
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Services LLP**



UAB "Ekonominės konsultacijos ir tyrimai"

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EX-ANTE EVALUATION – COMMON PART

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1.1 Final report – introduction

This document contains the final ex-ante evaluation report of the Lithuanian Structural Fund Programmes for 2007-13. The work was carried out between May and November 2006 by the *Centre for Strategy and Evaluation Services (CSES)* and *UAB „Ekonominės konsultacijos ir tyrimai“ (EKT)*.

The document contains:

- A common part – which outlines aspects of the evaluation work of relevance across the 3 operational programmes
- Key findings and recommendations from the ex-ante evaluation of the Human Resource Development OP, the Economic Growth OP and the Cohesion OP respectively

Ex-ante evaluation is a statutory requirement under the draft General Regulation on Structural Funds 2007-13 (Council Regulation (EC) No 1083/2006 of 11 July 2006).

The main purpose of ex ante evaluation, as defined in European Commission guidelines, is twofold, namely to:

- Optimise the allocation of Structural Fund resources
- Improve the quality of programming

More widely, ex-ante evaluation should help improve the efficiency and effectiveness of Structural Funds and ensure value and accountability for public money – both EU and national.

1.2 Methodological approach

The ex-ante evaluation team has undertaken a number of key tasks as part of the assignment, including:

- Reviewing the **baseline assessment and SWOT** outlined in the OP and checking that this reflects the actual situation (Working Paper 1)
- Analysing and commenting on whether the **intervention logic** is appropriate and whether proposed Priorities and sub-Priorities are an appropriate means of tackling the socio-economic development problems identified in the baseline (Working Paper 2)
- Reviewing the **‘internal coherence’** of the strategy and of individual priorities (Working Paper 2)
- Reviewing the **‘external coherence’** of the overall strategy and of individual priorities with the EU, national and regional policy frameworks (Working Paper 3)
- Advising on the **indicator system** and on the **quantification of objectives** i.e. target setting (Working Paper 4)
- Reviewing and advising on proposed **management and implementation arrangements** (Working Paper 5)
- Ensuring that the **horizontal themes** are adequately taken into consideration in programme documentation (Working Paper 4 and 5)

The methodological approach adopted to carrying out these tasks involved a combination of desk and field research. With regard to the desk research element, ex-ante has:

- Reviewed lessons from previous experience (in particular the 2004-06 programmes)
- Reviewed a number of different versions of the Operational Programme documents
- Reviewed a number of different versions of the indicator tables provided by Line Ministries

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- Produced a series of Working Papers, together with an inception report
- Prepared interim and final reports in respect of each OP
- Prepared an overarching final evaluation report which includes a common part as well as OP-specific parts

To ensure that the evaluation process was interactive and participative, the ex-ante evaluation team has:

- Held a series of bi-lateral meetings with Line Ministries to discuss the OPs in detail
- Organised a number of seminars to discuss key elements of ex-ante e.g. the SWOT and baseline, monitoring and indicators, a seminar for regional stakeholders to address territorial/regional dimension.
- Made presentations both to the ex-ante Steering Group as well as to the Commission which presided over the preparation of the 3 OPs and of the National Strategic Reference Framework

1.3 Lessons from past experience

A key task of ex-ante evaluation was to undertake a review of lessons from past experience in respect of the implementation of Structural Funds in Lithuania. This was of particular relevance for Working Paper 4 (monitoring and indicators) and Working Paper 5 (management/ implementation arrangements).

Lessons from previous experience in respect of **monitoring indicators** are summarised below:

- Clear definitions of indicators are needed to avoid differences in approach to calculating outputs and results at the project level
- There is a need for core indicators to be included in monitoring systems. However, these should be kept to the minimum to ensure the indicator system is workable
- A problematic core indicator in 2004-06 was the number of people trained. There was a lack of a formal definition from the outset of the programme as to what constituted ‘a person trained’ – did this refer to the number of people enrolled on the training programme or instead the number of people completing training courses?
- While estimating ‘jobs created’ is relatively straight forward, a better understanding is needed amongst those involved in monitoring at the project level with regard to concepts such as ‘jobs safeguarded’, ‘temporary/permanent’ jobs and the question of how to measure the ‘durability’ of permanent jobs.
- Distinctions between ‘part-time’ and ‘full-time’ jobs, ‘jobs created directly/indirectly’, and job quality are also needed.

Turning to lessons relating to **management and implementation arrangements**, two relevant evaluation studies were examined by the ex-ante team:

- The thematic evaluation of the Lithuanian Objective 1 SPD 2004-06 (January 2006, Ministry of Finance by EKT/ ESTEP). This includes a detailed review of the effectiveness of implementation systems
- An evaluation of Structural Fund efficiency in Lithuania 2004-06 – an administration perspective (September 2006, Civil Society Institute, Alex Gibb).

The *Thematic evaluation of the Lithuanian Objective 1 SPD 2004-06*, included a detailed review of the 2004-06 implementation system. Below a summary of key findings is provided.

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- Having a three-level implementation system has proved too bureaucratic. The duplication of some tasks by both Implementing Agencies and Intermediate Bodies (particularly with regard to the evaluation process and the checking of payments) were identified as contributing factors in slowing down the decision making and implementation processes
- A need was identified for further administrative capacity building amongst institutions responsible for the management and implementation of EU structural funds in order to improve the efficiency and effectiveness of the system
- Human resource levels in institutions responsible for Structural Funds management and implementation were regarded as inadequate particularly in some Implementing Agencies. High staff turnover was a particular problem. In some cases, employees had limited practical experience and staff training systems needed further development.
- Project selection criteria were not defined precisely enough in the SPD Complement or in the guidelines for applicants. This led to confusion and delays in project pipeline development and time lags during the grant approval process due to appeals by unsuccessful applicants
- Structural Funds applicants have faced a disproportionately large administrative burden in 2004-06. Problems have included the time consuming application process and delays in the selection process. Guidance for applicants was also often issued later than announced
- On some occasions, evaluation committee reports prepared by Implementing Agencies have been of insufficient quality for Implementing Bodies to make a final selection decision. This has led to delays in project selection decisions as well as appeals by applicants
- The horizontal themes have been somewhat neglected in programme implementation. This can be attributed to various factors including a general lack of understanding as to how to 'mainstream' issues such as equal opportunities into guidance for applicants, the project evaluation phase, and in the implementation of projects. There is a need for practical guidance on how to integrate these themes into the programmes at the programme and project levels
- The proportionality principle has not been applied in monitoring systems between large and small or between "hard" and "soft" projects. Excessive checking of expenditure claims and 100% spot checks (ESF) have resulted in delays in expenditure being disbursed

Source: Ex-ante synthesis of thematic evaluation of implementation systems in the 2004-06 period

The second piece of literature examined was a paper on *Evaluating Structural Fund efficiency in Lithuania 2004-06 – an administration perspective* (September 2006, Civil Society Institute, Alex Gibb). This considered key issues relating to Structural Funds management and implementation and highlighted ways in which the efficiency and effectiveness of Structural Funds could be improved in 2007-13.

The paper identifies a number of challenges encountered in 2004-06. These include:

- The lack of involvement of Implementing Agencies (IAs) in the programming process linked to the fact that some IAs were newly established immediately prior to the 2004-06 period
- There is a risk in 2007-13 that IAs will again be insufficiently involved in inputting to the development of the operational programme documents. This is a missed opportunity in that IAs have a lot to contribute given that they deal directly with project beneficiaries on a daily basis and have good insights into what works/ what doesn't work well etc.
- There is a need to strengthen the regional dimension of the funds - both in relation to the programming process and in respect of management and implementation. To achieve this, some degree of decentralisation to allow local and regional actors to play a greater role in determining needs would be helpful. This should help improve participation in the funds at

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regional level and strengthen the sense of ownership

- Regional councils should play a major role in this regard. In order to ensure that they are able to fulfil their role effectively, they should be equipped with the necessary human and financial resources backed up by support for capacity building
- There is a need to strengthen partnership working with social partners, civil society and the third sector in the implementation of the funds throughout the SF implementation lifecycle (and particularly in the developmental stages of the programming process). This should help increase ‘stakeholder ownership’ in the funds
- There is a need to streamline administrative procedures to eliminate unnecessary duplication and to improve the efficiency and effectiveness of the implementation of the funds
- With regard to duplication, a clearer distinction is needed between the role of IBs and IAs. IBs currently play not only a strategic role in determining sectoral development priorities, they are also closely involved in operational aspects of programme implementation, such as project selection, preparing guidelines for applicants etc.
- In 2007-13, IBs should concentrate on playing a more strategic role in setting sectoral development priorities, monitoring the implementation of the funds and assessing the policy implications
- IAs should play a greater role in preparing and in finalising procedural manuals and guidance for applicants. At present, IBs play the lead role in this regard which has caused problems in 2004-06 with guidance for applicants being inconsistent in some cases and lacking clarity or containing wrong information in others. Currently, guidance for applicants has to be signed off by a Minister which is inappropriate since politicians do not have an operational understanding of measures and the reality of implementation on the ground
- Difficulties were experienced in retaining talented staff and knowledge capital within Implementing Bodies (IBs). This was linked to the lack of flexibility in civil service pay scales. Some IAs have also experienced very high staff turnover leading to morale/administrative capacity problems
- Audit procedures are unnecessarily administratively burdensome, particularly for ESF, where a typical project often involves checking large numbers of relatively small invoice claims. Checking each and every invoice using the ‘four eyes’ control principle together with ESF Article 4 checks has a major human resource implication
- Similarly, 100% spot checks are carried out in some IAs. Again, is this an efficient working practice? There should be a reduction in the number of audits undertaken. ‘Quality control should be about spending more time on quality and less on control, which will lead to higher levels of effectiveness and efficiency’
- The lack of a comprehensive management information system (MIS) that tracks the entire Structural Fund process from start to finish has been a hindrance to implementation, monitoring and transparency during 2004-06.
- Application forms should be simplified and made more user friendly
- The evaluation phase is too administratively cumbersome. Currently this involves three separate phases (an administrative eligibility check, a check to see whether applicants are eligible for financial support and an assessment of project quality). Could these processes be combined more efficiently, perhaps in a single phase?
- Responsibility should be devolved to IAs for project selection in the case of projects under a certain size threshold. This would help eliminate duplication in project selection processes

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It is important that these lessons are taken into account in the planning and implementation of the funds in 2007-13. The research has shaped the ex-ante evaluation particularly with regard to the formulation of recommendations in respect of management arrangements for 2007-13.

1.4 Management and implementation arrangements

1.4.1 Regulatory requirements – the management and implementation of Structural Funds

Council Regulation (EC) No 1083/2006 of 11th July 2006 sets out general provisions on the *European Regional Development Fund, the European Social Fund and the Cohesion Fund*. Title VI of the General Regulations deal with management, monitoring and control systems.

Article 58 sets out general principles in respect of management and control systems - specifically which aspects of Structural Funds management and implementation Member States are responsible for in relation to the implementation of Operational Programmes. Key responsibilities are summarised below:

- a) the definition of the functions of the bodies concerned in management and control and the allocation of functions within each body;
- b) compliance with the principle of the separation of functions between and within such bodies;
- (c) procedures for ensuring the correctness and regularity of expenditure declared under the Operational Programme;
- (d) reliable accounting, monitoring and financial reporting systems in computerised form;
- (e) a system of reporting and monitoring where the responsible body entrusts the execution of tasks to another body;
- (f) arrangements for auditing the functioning of the systems;
- (g) systems and procedures to ensure an adequate audit trail;
- (h) reporting and monitoring procedures for irregularities and for the recovery of amounts unduly paid.

1.4.2 Proposed management and implementation arrangements 2007-13

LR Vyriausybė 2006 m. kovo 14 d. nutarimu Nr. 252 nustatė ES struktūrinės paramos administravimo principus. Pastebima tendencija, kad siekiama pratęsti 2004-2006 m. ES struktūrinės paramos administravimo sistemos sąrangą ir užtikrinti veiksmingesnį ES 2007–2013 m. struktūrinės paramos administravimą¹. Iš principo nutarimas aiškiai deklaruoja LR Vyriausybės poziciją, kad Finansų ministerija ir naujajame 2007-2013 m. programavimo periode turėtų vykdyti VP, įgyvendinančių Lietuvos 2007–2013 m. ES struktūrinės paramos panaudojimo strategiją, vadovaujančiosios institucijos ir sertifikuojančiosios institucijos funkcijas. Taip pat šiuo nutarimu buvo suformuota nauja institucija – LR Vyriausybės Europos Sąjungos struktūrinės paramos komitetas 2004–2006 m. ir 2007–2013 m. ES struktūrinės paramos klausimams spręsti, sudaryta iš ministro pirmininko, vyriausybės kanclerio bei Tarpinių institucijų vadovų.

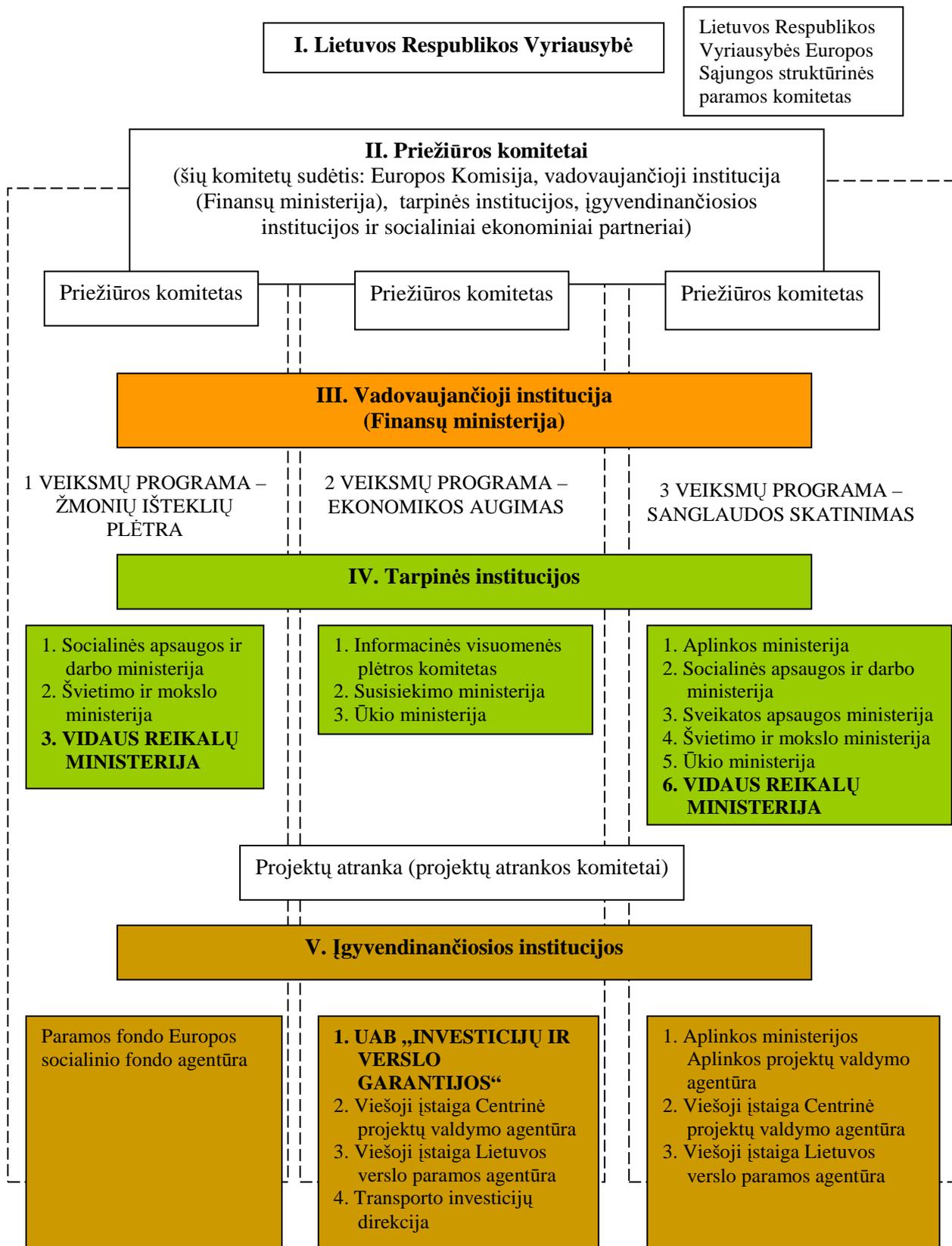
Žemiau lentelėje pateikiame siūlomą penkių lygių administravimo ir funkcijų paskirstymo principinę schemą:

¹ Finansų ministerijos interneto svetainė www.finmin.lt

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While management and implementation arrangements for Structural Funds in 2007-13 in Lithuania have yet to be finalised, a number of key propositions have been put forward by the Ministry of Finance. Proposed implementation structure will not change radically compared with the current 2004-06 period. In summary:

- The Ministry of Finance will have overall responsibility as the Managing Authority (MA) for the management and implementation of the 3 OPs
- As in the current 2004-06 period, there will be a single centralised Managing Authority, Certifying Authority and Audit Authority so as to comply with Article 59 of the General Regulations for 2007-13 ('the designation of authorities').
- The eligibility check and project monitoring will be carried out by Implementing Agencies under the guidance of the MA, as in 2004-06
- The Ministry of Interior will be designated as an Intermediate Body to reflect its role in respect of Priority 4 of the HRD OP and Priority 1 of the Cohesion OP
- UAB „Investicijų ir verslo garantijos“ (INVEGA) will become a new Implementing Agency to reflect its role in administering risk capital and micro credits schemes under the Economic Enhancement OP
- Intermediate Bodies and Regional Councils will retain decision making responsibility in respect of project selection. It is envisaged that considerably more projects will be selected on a non-competitive tendering basis than in 2004-06 so as to ensure that Structural Funds are implemented in accordance with national long term strategic planning priorities
- Regional Councils will assume responsibility for prioritising lists of projects to be supported at local/ regional levels and will play an important co-ordination role particularly where co-operation is needed between two or more municipalities wishing to pool together finance so as to support larger projects, for example in the health and transport sectors
- There will be a single PMC which will assume responsibility for monitoring the implementation of all 3 Operational Programmes and the National Strategic Reference Framework in 2007-13

Further information on proposed implementation arrangements is provided below:

Tarpinės institucijos

Naujajame 2007-2013 m. programavimo periode ES Struktūrinių fondų valdymo ir administravimo sistemoje yra numatytos šios Tarpinės institucijos:

1. Socialinės apsaugos ir darbo ministerija;
2. Švietimo ir mokslo ministerija;
3. Vidaus reikalų ministerija;
4. Informacinės visuomenės plėtros komitetas prie LR Vyriausybės;
5. Susisiekimo ministerija;
6. Ūkio ministerija;
7. Aplinkos ministerija;
8. Sveikatos apsaugos ministerija;

Lyginant 2004-2006 m. ir 2007-2013 m. ES Struktūrinių fondų valdymo ir administravimo sistemas, pastarojoje numatyta keletas pasikeitimų:

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1. Naujajame programavimo periode nebeliko vienos iš tarpinių institucijų – Žemės ūkio ministerijos, kuri yra atsakinga už ES bendrosios žemės ūkio politikos ir bendrosios žuvininkystės politikos finansinių priemonių įgyvendinimą Lietuvoje;
2. Nors Tarpinių institucijų skaičius nepadidėjo, tačiau Vidaus reikalų ministerija tapo naująja tarpine institucija, atsakinga už 2 prioritetų priemonių įgyvendinimą dviejose VP.

Principinėje ES struktūrinės paramos administravimo sistemoje LR Vyriausybė Tarpinėms institucijoms deleguoja tokias funkcijas²:

1. Nustatyti investicijų prioritetus ir siūlyti priežiūros komitetui atitinkamus atrankos kriterijus;
2. Rengti sektorinius trimečius viešųjų investicijų planus pagal priežiūros komiteto patvirtintus atrankos kriterijus, teikti juos tvirtinti LR Vyriausybei;
3. Spręsti lėšų viešiesiems projektams skyrimo klausimus pagal nustatytus lėšų limitus;
4. Rengti privačių projektų konkursų sąlygas pagal priežiūros komiteto patvirtintus projektų atrankos kriterijus, atrinkti projektus ir skirti paramą;
5. Planuoti nacionalinio bendrojo finansavimo lėšas (pagal tarpinės institucijos kompetenciją) ir derinti su Finansų ministerija jų šaltinius;
6. Atlikti ir užtikrinti ES reglamentų nustatyta tvarka pavaldžių įgyvendinančiųjų institucijų veiklos kokybės kontrolę;
7. Vykdyti administruojamų priemonių viešinimą;
8. Atlikti mokėjimus arba šią funkciją perduoti įgyvendinančiajai institucijai.

Igyvendinančiosios institucijos

Naujajame 2007-2013 m. programavimo periode ES Struktūrinių fondų valdymo ir administravimo sistemoje yra numatytos šios Įgyvendinančiosios institucijos:

1. Paramos fondas Europos socialinio fondo agentūra;
2. Uždaroji akcinė bendrovė „Investicijų ir verslo garantijos“;
3. VšĮ Centrinė projektų valdymo agentūra;
4. VšĮ Lietuvos verslo paramos agentūra;
5. Transporto investicijų direkcija;
6. Aplinkos projektų valdymo agentūra.

Lyginant 2004-2006 m. ir 2007-2013 m. ES Struktūrinių fondų valdymo ir administravimo sistemas, pastarojoje numatyta keletas pasikeitimų:

1. Naujajame programavimo periode nebeliko vienos iš Įgyvendinančiųjų institucijų – Nacionalinės mokėjimo agentūros, kuri tapo ES bendrosios žemės ūkio politikos ir bendrosios žuvininkystės politikos finansinių priemonių įgyvendinimo Lietuvoje įgyvendinančiaja institucija;
2. Nors Įgyvendinančiųjų institucijų skaičius nepadidėjo, tačiau Uždaroji akcinė bendrovė „Investicijų ir verslo garantijos“ tapo naująja įgyvendinančiaja institucija;

Principinėje ES struktūrinės paramos administravimo sistemoje Įgyvendinančiosioms institucijoms numatoma deleguoti tokias funkcijas:

1. Atsakyti už projektų atitiktį priežiūros komiteto nustatytiems atrankos kriterijams, taip pat ES ir LR teisės aktų reikalavimams;
2. Analizuoti, vertinti joms pateiktus projektus, šių projektų parengimo kokybę ir teikti išvadas tarpinei institucijai;

² LR Vyriausybės 2006 m. kovo 14 d. nutarimas Nr. 252.

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3. Konsultuoti pagal kompetenciją institucijas (pareiškėjus) projektų rengimo klausimais;
4. Kontroliuoti projektų, kuriems skirta parama, įgyvendinimą, tikrinti jų deklaruojamas išlaidas;
5. Užtikrinti veiklos viešumą ir viešinimą.

Programme Monitoring Committee

Article 63 of the General Regulations deals outlines the requirement to set up a Programme Monitoring Committee (PMC) to monitor the implementation of the Operational Programmes. In the current 2004-06 period, there is a single PMC which has responsibility for monitoring the implementation of the Objective 1 SPD. In the new 2007-13 period, as noted earlier, the proposition is for Lithuania to have a single PMC covering all 3 Operational Programmes.

This approach seems appropriate in the view of ex-ante to ensure effective co-ordination in monitoring the implementation of the Funds. However, it will nevertheless be important to ensure that PMC sub-groups are set up to ensure that the performance of each OP is monitored effectively.

Article 65 of the Regulations set out the Tasks of the PMC. These include:

- Monitoring the effectiveness and quality of the implementation of OPs
- Examining the results achieved through implementing OPs, particularly reviewing progress towards quantitative targets set in each OP and evaluations studies;
- Considering and approving the annual and final reports on implementation (also being informed of the annual control report)
- Proposing any revisions or examinations of the OP if these are considered necessary in order to increase the likelihood of achieving the Funds' objectives
- Considering and approving any proposal to amend the content of the Commission decision on the contribution from the Funds.

The role of the PMC will not change fundamentally between programming periods. However, given that Lithuania will make the transition from a single national Single Programming Document to having 3 Operational Programmes, clearly, this will have administrative implications and there will be a need for close co-ordination to ensure that the PMC plays an effective monitoring role in appraising the performance of the programmes overall.

In 2007-13 PMCs will however play a more important role in assessing ongoing evaluation needs during programme implementation than in previous periods, when time-based evaluation was carried out linked to the mid-term stage in the programming period.

Principinėje ES struktūrinės paramos administravimo sistemoje numatyta, kad veiksmų programų priežiūros komitetai vykdys tokias funkcijas³:

- Tvirtins projektų atrankos kriterijus, kuriuos siūlys tarpinėms institucijoms pagal savo kompetenciją veiksmų programos lygmeniu;
- Tvirtins Vadovaujančiosios institucijos pateiktus programos pakeitimus ir metines ataskaitas

1.4.3 Regional implementation structures

In 2004-06, Lithuania implemented a national Single Programming Document which pursued a 'growth pole' approach to economic development, based around Lithuania's major urban conurbations.

When implementation structures were planned, there were only very weak structures in place at regional level with regional implementation units having only recently been set up. Capacity

³ LR Vyriausybės 2006 m. kovo 14 d. nutarimas Nr. 252.

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weaknesses at regional level influenced the decision to adopt a national implementation system for Structural Funds in 2004-06.

While some Implementing Agencies decided to put in place a regional implementation structure, such as the Lithuanian Business Support Agency (LVPA), others, such as the European Social Fund Agency did not.

With regard to the extent of partnership working at regional level in the Structural Funds programming process and in the implementation of the funds in 2004-06, according to a recent assessment by the Civil Society Institute, the fact that municipalities were competing with one another for funding compromised partnership working and lessened engagement in and the fostering of a sense of ownership in the funds.

In 2007-13, while many elements of Structural Funds management and implementation systems will remain centralised, there will be some degree of decentralisation and a much greater emphasis on the regional dimension. This will be manifested both in terms of the structure for programme implementation and in the allocation of resources.

This seems appropriate given the need to promote balanced social, territorial and economic cohesion across Lithuania and to ensure that less economically prosperous urban and rural areas also benefit, not just the more developed areas, which have tended to dominate in 2004-06 in obtaining funding.

In 2007-13, a key proposition is that the Regional Councils will play a significant role in helping to implement Structural Funds working in close co-operation with the Ministry of Interior, which will become a new Intermediate Body. Amongst the main functions of the Regional Councils will be to:

- Facilitate co-operation at regional level between key actors involved in Structural Funds particularly municipalities that will receive financing support through the Cohesion OP
- Play an important role in prioritising list of projects for support based on local and regional identified needs
- Facilitate co-operation and dialogue with key regional stakeholders - social partners, the third sector, civil society etc., in accordance with the ‘partnership principle’ (one of the guiding principles of Structural Funds)
- Help foster a stronger sense of ‘ownership’ at local and regional levels of Structural Funds
- Make a final decision on which public infrastructure development projects should be financed

The thematic evaluation of the Objective 1 SPD found that administrative capacity building needed to be strengthened at regional level to ensure that the potential benefits of Structural Funds at different governance levels were maximised. Ex-ante supports this recommendation.

We agree it seems appropriate to build on the existing institutional framework rather than to create new structures, such as regional branches of Implementing Agencies, although staff from Implementing Agencies could work together with staff from the regional councils and other regional stakeholders on an outreach basis in order to help develop improved capacity and know-how with regard to Structural Funds and to ensure quality in project pipeline.

It is worth noting that the PHARE 2000 ESC programme was implemented in 4 counties on a pilot basis: Utena, Marijampole, Klaipeda-Taurage. The county governor’s administrations have been developing administrative capacities both in programming process, management and implementation. These human resources that are in place at county governor’s administration could be efficiently involved in project selection process, etc.

In parallel with the intention under the Cohesion OP to give a greater role to the Regional Councils, it will be important that financing available for administrative capacity building under the HRD OP (Priority 4) is utilised to ensure that the Regional Councils develop the capacity to fulfil their role effectively.

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Given that Lithuania's economy has performed well at national level over the 2004-06 period, evidently, in 2007-13, there is a need to build capacity at regional level both to ensure that the funds benefit all Lithuanians and as part of efforts to improve the economic and social vitality of the regions, which have experienced significant population loss over the past five years, both as a result of labour market emigration (particularly to the UK and Ireland) but also due to people moving to the cities and consequent problems in terms of brain drain, ageing demographics etc.

1.4.4 Conclusions and recommendations – management and implementation arrangements

Ex-ante conclusions and recommendations in relation to proposed management and implementation arrangements for Structural Funds in Lithuania in 2007-13 are tentative. Discussions are ongoing within key institutions that will be involved in the implementation of the Funds and final proposed arrangements have yet to be formalised in writing. It is envisaged that this will be done over the period November 2006 – January 2007.

Conclusions – administrative structures

- *The proposed institutional set-up for the management and implementation of Structural Funds in 2007-13 largely represents continuity with the previous 2004-06 period.* There will be a single Managing Authority, the Ministry of Finance, which will assume responsibility for the implementation of the 3 OPs supported by two further institutional tiers - Intermediate Bodies (Line Ministries) and Implementing Agencies (with responsibility for day to day operational management).
- *Ex-ante can see advantages in retaining key elements of the current administrative system given the short duration of the 2004-06 programming period and the ongoing challenge of strengthening administrative capacity.* There would be risks in adopting a radically different structure in 2007-13
- *However, there is a need to streamline administrative procedures so as to improve the efficiency and effectiveness of Structural Funds management and implementation.* In particular, there is a need to eliminate unnecessary duplication and to ensure a clear distinction is maintained between the tasks and responsibilities of Intermediate Bodies and Implementing Agencies respectively.
- *The current three-tier system is regarded by some stakeholders as overly hierarchical and duplicative which has impeded the efficient implementation of the funds.* Consequently, in some areas of the Objective 1 SPD, in 2004-06 there have been financial absorption bottlenecks resulting from duplication in administrative procedures such as double checking claims, the involvement of two tiers of institutions in the evaluation process etc.
- *Duplication could be eliminated if Intermediate Bodies were to take a step back from operational management and to concentrate on their important policy making and strategic role in setting sectoral development priorities, ensuring that Structural Funds resources are used in alignment with national strategic policy priorities and monitoring the efficient and effective use of the funds at the Programme Monitoring Committee (PMC) level.* Line Ministries currently assume responsibility for both strategic and operational aspects of Structural Funds management and implementation. It is questionable whether IBs should be so closely involved in operational aspects, such as making final project selection decisions (especially in the case of smaller projects), preparing guidelines for applicants etc.
- *Responsibility for operational matters could instead be decentralised to Implementing Agencies.* Under this approach, steps should of course be taken to ensure that IAs ultimately remain accountable to IBs and to the Managing Authority for successful delivery. This approach would have administrative capacity implications. In particular, IAs would need additional human resources to take over some of the responsibilities that IBs currently carry out. One option would be to have a single Secretariat for each OP which would combine the IA and IB roles and could also take on some delegated Managing Authority tasks such as evaluation, and reporting to the PMC.

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- *A key unresolved question for 2007-13 is whether the Ministry of Finance as Managing Authority for the 3 OPs should delegate some technical functions to a new government agency or to an independent programme secretariat. These might include technical tasks relating to co-ordinating and monitoring the implementation of the funds as well as evaluation. This could be an opportunity to develop a dedicated centre of excellence in Structural Funds management, enjoying some independence from (but still responsible to) the Ministry of Finance.*
- *A new government agency or an independent secretariat would need to be equipped with appropriate resources (financial, human) to help attract and retain staff. In particular, any new agency would have ability to offer more attractive contractual terms and conditions and an enhanced professional career structure*
- *While a new institution will in likelihood cost more to operate (especially in the short term), it may demonstrate value for money over the medium – long term. For example, if the new institution is not confined to civil service pay scales, this could help reduce the high staff turnover that has characterised the 2004-06 period and in so doing help retain knowledge capital*
- *An alternative approach would be to consider delegating the technical responsibilities of the Ministry of Finance directly to new OP Secretariats which combine the current IA and IB roles – such a model would reflect the system adopted in some other Member States, such as the UK.*
- *There are risks however inherent in making the transition from the current system to a new institutional structure. These include the danger of key staff from the Ministry of Finance moving elsewhere rather than to any new institution at the point of restructuring leading to a loss of administrative capacity, risks associated with the transition of responsibility from the Ministry to a new entity resulting in time delays in the smooth implementation of the funds etc. Moreover, it is unlikely whether there will be sufficient time to set up and ‘operationalise’ a new institution prior to the 2007-13 programmes commencing. The introduction of any new structures would need to be carefully designed to avoid duplication of roles, procedures and to ensure absorption efficiency.*
- *The regional dimension was given insufficient attention in the 2004-06 programming period – albeit for justifiable reasons. These included the implementation of a national SPD which covered the whole country rather than regional OPs which were not appropriate given Lithuania’s size, the lack of institutional capacity at regional level to deliver Structural Funds etc.*
- *Institutional maturity to manage the funds has grown rapidly at national level. 2007-13 therefore provides an excellent opportunity to ensure that the regions play a more active role in the programming process and in the implementation of the funds. This is a positive development that will help address one of the main weaknesses in 2004-06 - the lack of attention paid to the regional dimension. Regional actors will play a significant role in prioritising local and regional needs (especially in the Cohesion OP) in accordance with national long-term strategic planning principles*
- *The Regional Councils (working in liaison with county level administrations) will be the main vehicle for co-ordinating the implementation of Structural Funds at regional level. They will work closely with the Ministry of Interior in prioritising projects and in encouraging partnership working. It seems appropriate to build on the existing institutional framework at regional level – rather than to create new structures. However, there will be a need to ensure that regional councils are equipped with appropriate resources (human/ financial) and capacity building support to carry out their role effectively. Regional capacity building should start early on in the process, using TA funds, and harness the experience gained from existing IAs.*
- *Structural Funds in 2004-06 have helped promote increased partnership working, particularly at national level. The composition of the thematic working groups working for the preparation of the 2007-13 Operational Programmes has included representatives from key social partner organisations including Trade Unions, the Lithuanian Chamber of Commerce, business associations etc.*

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- *However, engagement in Structural Funds and the extent to which partnership working is taking place at the regional level is less impressive. There is scope for partnership mechanisms to be improved, in particular ensuring the active participation and ‘buy in’ of regional as well as national stakeholders to the operational programmes in 2007. This will be important in promoting social, economic and territorial cohesion. IA’s should develop active strategies to include social partners using TA budgets to roll out capacity in the regions in parallel with TA support to the Regional Councils.*
- *The proposition to have a single Programme Monitoring Committee (PMC) rather than separate OP-specific PMCs appears sensible. This should ensure more effective co-ordination in monitoring the implementation of the programmes. Notwithstanding, to ensure effective monitoring and co-ordination, OP-specific sub-divisions of the monitoring committee could be set up. Remits would need to be clear for these sub-committees to ensure they do not place additional/excessive demands on the IA/Secretariats since these could create inefficiencies and inhibit absorption capacity.*
- *The cross-cutting dimension of the 2004-06 Objective 1 programme was to some extent neglected. In the new period there is an opportunity to address this weakness through the setting up of working groups on the different horizontal themes – equal opportunities, sustainable development, the information society/ knowledge economy etc. A gap in the current proposed implementation system is the lack of an institutional framework for ensuring that the ‘horizontal themes’ are adequately taken into account in programme implementation. Review of good practice in Lithuania and elsewhere should be undertaken to produce guidance explaining in practical terms the different design features that different types of projects have adopted to facilitate horizontal benefits.*
- *Difficulties have been experienced in retaining talented staff and knowledge capital within IBs and IAs. Some IAs and IBs have experienced high staff turnover leading to administrative capacity problems and low morale. This was viewed as being linked to the lack of flexibility in civil service pay scales, combined with more attractive opportunities to work in the private sector. There is a need to ensure that knowledge capital is not lost and that administrative capacity continues to develop. Elsewhere in Europe independent Secretariats provide management and implementation services. Their independence from mainstream civil service conditions allows them to control their own contractual terms and conditions. However, the selection of independent Secretariats generally requires authorisation via public procurement regulations.*

Recommendations – administrative structures

- 1. The Ministry of Finance should remain as the Managing Authority of Structural Funds in Lithuania with strategic responsibility for co-ordinating the implementation of the 3 Operational Programmes in 2007-13.**

There are advantages in maintaining continuity in 2007-13, at least until the mid-term stage in the programming process. In our view it is too late to transfer responsibility over to a new entity prior to the start of the 2007-13 period

- 2. However, consideration could be given medium term to delegating some of the Ministry of Finance’s technical responsibilities for Structural Funds management and implementation either to a new government agency having dedicated secretariats for each OP, or to an independent programme secretariat.**

Any new entity should be staffed initially by secondees or permanent staff currently working in Structural Funds management within the Ministry of Finance. Over time a new agency or independent secretariat could develop into a centre of excellence in Structural Funds management and implementation.

- 3. Management and implementation arrangements for Structural Funds in 2007-13 should be simplified wherever possible.**

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There should be a clearer division of responsibilities between Intermediate Bodies and Implementing Agencies so that duplication is eradicated from the implementation system. IBs should play a more strategic, policy-oriented role while IAs should focus on the technical / administrative aspects of programme management. IB inputs into programme management during implementation should be concentrated at PMC level.

4. Responsibility for operational matters – including the project selection process (perhaps with the exception of very large sized projects) and the preparation of guidance for applicants - should be decentralised to Implementing Agencies.

IAs have developed much greater administrative capacity than was the case when planning the 2004-06 programmes making the decentralisation of operational responsibilities now logical. This approach would have resource implications in that IAs would need additional human resources to take over some of the responsibilities that IBs currently carry out

5. Regional Councils should be the primary mechanisms through which the regional dimension of Structural Funds is implemented.

Their functions should include helping to prioritise projects at local / regional levels, acting as a co-ordinator to enable groups of municipalities to work together on joint projects etc., facilitating partnership working with regional actors including the social partners at regional level and more generally, ensuring better accountability for the use of Structural Funds in the regions

6. The Regional Councils should be equipped with the necessary resources (human / financial) - and receive training from officials from national institutions - to ensure that they have sufficient capacity to carry out these functions.

Support should be programmed within the TA budgets and be designed to complement development work being funded through the HRD OP's Priority 4 for strengthening administrative capacity.

7. A single Programme Monitoring Committee (PMC) should be established and PMC sub-groups should be set up for each of the three Operational Programmes

In our view, having a single PMC would be sensible from a co-ordination perspective.

8. Notwithstanding, 3 PMC sub-groups should also be set up to ensure sufficient attention is paid to monitoring the implementation of each OP.

Their role should be to scrutinise the performance of each OP in greater depth and to report back on key findings to the wider PMC.

9. Working groups on the horizontal themes should be set up to monitor the integration of the cross-cutting themes into the operational programmes.

The following groups should be established:

- **Equal opportunities** working group, to be co-ordinated by the Ministry of Labour and Social Affairs. This group should be comprised of representatives that reflect the broader scope of equal opportunity objectives than in the previous programming period – e.g. not just gender.
- A working group on **'The Information Society and the knowledge economy'**. This could be co-ordinated by the Lithuanian Information Society Committee and involve the participation of wider stakeholders such as the Knowledge Economy Forum. This aspect of the programmes is critical given its importance from the perspective of the Lisbon agenda
- A working group on **environmental and sustainable development issues**, co-ordinated by the Ministry of Environment

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The role of these groups will be to:

- Ensure that the horizontal themes are given appropriate consideration in the implementation, monitoring and evaluation of the programmes.
- Play a practical role in producing and disseminating advice and guidance on the integration of the horizontal themes into programme and project planning and implementation.

Guidance needs to be very pragmatic e.g. “practical ways how to incorporate horizontal themes in SF projects” about what horizontal themes are and should achieve. Examples are available of good practice guidance e.g. from Wales, UK. An effort should be made to ensure that these groups not only include representation from different government Ministries but also include wider participation from social partners, NGOs, civil society etc. since firstly this is in keeping with the ‘partnership principle’ and secondly wider stakeholders will provide useful inputs as to how to ‘mainstream’ horizontal elements into the implementation and monitoring of the operational programmes.

Conclusions - Structural Funds implementation

We now turn to issues relating to the implementation of the funds including: the application process, project selection procedures, management information systems and monitoring and evaluation arrangements.

Application process and project selection procedures

- *There is a consensus that wherever possible the application process should be simplified and made more user-friendly for applicants.* The thematic evaluation of the SPD identified various problems in the 2004-06 period including long and complex application forms and a time-consuming and lengthy application process. These problems could be addressed through a variety of steps, as outlined in our recommendations section
- *Likewise, there is broad agreement that ‘guidance for applicants’ could be improved, in particular by involving Implementing Agencies more closely in the preparation and finalisation of such documents.* The current system has resulted in problems including the lack of involvement of staff from Implementing Agencies involved at the ‘sharp end’ of implementation in drafting the guidance and the late issuance of guidance for applicants
- *While a maximum time limit for the evaluation phase of 6 months was set in 2004-06, in practice, this was often exceeded in part due to administratively burdensome selection procedures.* In some cases, the selection process from application submission through to informing successful applicants exceeded 12 months. Consequently, some financial absorption bottlenecks occurred
- *Alternative options with regard to organising the evaluation process could be considered in the 2007-13 programming period.* Currently, before projects are submitted to a project selection committee, they are appraised by two evaluators who give each application a score for quality.
- *An alternative approach – reflecting best practice in the UK is the use of expert evaluation panels whereby decisions and justifications are agreed via consensus for all applications (large and small).* This could help improve the quality of evaluation decisions and provide a more detailed justification for the recommendations which in turn may help reduce the number of appeals by unsuccessful applicants
- *In 2007-13, a key proposition is that more financing will be allocated through non-competitive funding procedures i.e. on a priority list basis.* There are both advantages and disadvantages in placing an increased emphasis on non-competitive funding with pre-selected priority lists of projects rather than through open competitive tendering.
- *Advantages include the potential for improving financial absorption rates and aligning Structural Funds interventions more closely with national long-term strategic policy priorities and helping ensure that all areas of Lithuania benefit from funding.* The thematic evaluation of the Lithuanian

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Objective 1 SPD for 2004-06 found that under competitive tendering procedures in 2004-06, a ‘relatively large share of support was concentrated in the Vilnius, Kaunas and Klaipeda regions and not in the lagging areas’

- *However, potential disadvantages include the risk of the politicisation of the selection process if priority lists of projects are determined at national and regional levels. Additionally, there will be a need to ensure that project quality is maintained. Competitive tendering arguably helps foster project quality by encouraging a competitive tendering environment in which applicants strive to differentiate their application from those of others.*

Recommendations – Structural Funds implementation

Application process and project selection procedures

10. Institutions involved in Structural Funds implementation should try and simplify the application process wherever possible.

Different means of speeding up the application process should be considered. Examples include the development of online application submission tools which are now used in some other Member States. Also of relevance here is recommendation 3 – the needed for a clearer separation of functions between IAs and IBs to eliminate duplication

11. The project evaluation process should be streamlined into a two tier system differentiating between smaller and large projects to improve its efficiency and effectiveness.

For smaller projects under a certain size threshold, (this would vary depending on the sort of project, funding source etc.) Implementing Agencies could be delegated responsibility for making the project selection decision. For large projects, especially those of national strategic importance, it may still be appropriate for Intermediate Bodies to be involved in the final selection decision, a process which as in 2004-06 could be facilitated by IAs

12. The maximum timeframe of 6 months for the project selection process set during the current 2004-06 period should be adhered to.

In 2004-06, delays frequently occurred and the agreed timeframe within which applications would be processed was often exceeded.

13. Expert evaluation panels should be established to replace the current system in most IAs whereby two evaluators score projects to improve the quality of the evaluation process and to enhance decision-making transparency.

In expert evaluation panels, decisions and justifications are agreed via consensus which provides more detailed justification for recommendations and less disputable feedback to applicants if the decision has been agreed by a group of experts. This should help reduce the number of appeals. Expert panels should evaluate all grant applications and provide recommendations to the decision making bodies.

1.5 Financial absorption

1.5.1 Rules on decommitment in 2007-13

The automatic decommitment feature of Structural Fund management is often referred to as the N+2 or the so-called ‘Berlin Profile’ rule. The rule was agreed to ensure that Structural Fund Programmes are managed in a disciplined way, with spending being linked to planned annual expenditure profiles.

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The new Structural Fund General Regulation (Reg 1083/2006⁴) reinforces the Berlin Profile rules and explains the procedures for the automatic decommitment of funds. Article 93 sets out the basic principles of N+2 which are mandatory for all Programmes. It also introduces a new N+3 rule for years 2007-2010 which will apply in 12 countries including Lithuania. This allows some Member States an extra 12 months to spend Structural Fund resources than was possible under the N+2 rules.

Article 97 sets out the procedure for effecting an automatic decommitment of Structural Funds from an Operational Programme's budget. The amount of **funds at risk** can be calculated using the approach below:

1. start with the amount committed in 2007;
2. deduct the amount of any advance payments made in the N+2 or N+3 period;
3. deduct the amount of any interim reimbursements made in the N+2 / or N+3 period;
4. deduct the amount of any interim reimbursements requested by the N+2 or N+3 deadline but not yet paid;
5. if there is still a balance on the commitment 2007 then this amount is proposed for decommitment; but
6. some other exceptions are allowed in Articles 94-96.

The N+3 rule in Lithuania will become active from **2010**. The N+3 rule emphasises the importance of **Programme expenditure**, as opposed to **Programme commitment**. It is not national commitment of funds that counts directly towards each annual N+3 target but EU advances paid or national payment reimbursements sought, which are based on Programme expenditure (disbursements).

Commitments at national level remain very important to the overall fund absorption capacity of a Programme and facilitates the declaration of expenditure. However, only **fully defrayed expenditure** can be entered into a claim report for funds from Paying Authorities and the EU.

Since only defrayed expenditure, that have passed from a grant recipient's bank account to the payee, can contribute to Berlin Profiles it remains extremely important for all stakeholders in the Structural Fund management process to ensure smooth expenditure of funds as well as smooth processing of expenditure to fulfil the agreed annual N+3 targets.

What this means in practice is carefully managing project and Programme management processes using tools and techniques to avoid expenditure bottlenecks and strengthen project abilities to spend.

1.5.2 Common Expenditure Bottlenecks

Expenditure bottlenecks can occur at different levels including at the project level and at the institutional level (Implementing Body level, Managing and Paying Authority levels).

Project level bottlenecks

Expenditure delays at project level are often caused by **avoidable failures within project management systems**.

Inadequate preparation often creates delays in project implementation and associated project expenditure. Common **project preparation errors** occur:

- when pre-planning works have not been completed properly
- when the full financial package has not been put in place; or

⁴ [http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2007/general/ce_1083\(2006\)_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2007/general/ce_1083(2006)_en.pdf)

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- when cost estimates have been so significantly wrong that delays have resulted due to request for additional finance.

Incomplete pre-planning work on infrastructure projects can lead to particularly acute expenditure bottlenecks. Infrastructure projects involve large capital costs and so can provide useful contributions to Berlin Profile targets when activities occur as planned. However, adversely expenditure delays generate “chunky” gaps in Programme expenditure forecasts.

Other expenditure bottlenecks are caused at project level by **administrative delays** within the grant and financial claim processing system. **Final claims** can be particularly problematic due to complex audit and project closure factors. These make it difficult to predict the timescale for completing final claims and processing final expenditure on projects.

Institutional bottlenecks

Delays have occurred both in committing and disbursing expenditure in 2004-06, particularly under some Priorities. While there are many explanatory reasons, some of the most important factors are highlighted below:

- Expenditure bottlenecks within IAs and IBs have been caused in part by the amount of time required to carry out the different accountability checks involved in processing grant claims. While audit requires the cross-checking of financial payments, excessive duplication can delay expenditure claims.
- The project selection process for some Priorities has taken much longer than anticipated due to the duplication of some tasks where both Intermediate Bodies and Implementing Agencies are involved e.g. project selection, payments etc.
- The lack of clarity in setting out selection criteria in the SPD Programme Complement and in guidance for applicants has also led to delays in the project selection process and has encouraged appeals from unsuccessful applicants
- The lack of sufficient human resources, staff continuity problems and the need for ongoing staff training in some Implementing Agencies and Line Ministries has made financial absorption problems worse
- Staff related issues have been exacerbated in some new Member States by the politicisation (rather than professionalisation) of staff which can lead to major turnovers in administration staff and loss of capacity /institutional memory when there is a change in government.
- The absence of quarterly absorption plans to help monitor the expenditure profile and to take remedial action where necessary

1.5.3 Conclusions - financial absorption

Conclusions in respect of financial absorption are set out below:

- *Various difficulties were encountered in 2004-06 in relation to financial absorption particularly for ESF.* According to the thematic evaluation of the Objective 1 SPD, expenditure bottlenecks were caused in part by duplication in the selection process and by the need to carry out different accountability checks involved in processing grant claims
- *The project selection process for some Priorities has taken longer than anticipated due to the duplication of some tasks where both Intermediate Bodies and Implementing Agencies are involved e.g. project selection, payment authorisations etc.*
- *Selection criteria in the SPD Programme Complement were insufficiently clear in 2004-06 in some cases. Consequently, problems developed subsequently in preparing clear ‘guidance for applicants’.* This led to delays in the project selection process which has encouraged appeals from unsuccessful applicants

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- *The lack of sufficient human resources, staff continuity problems and the need for ongoing staff training in some Implementing Agencies and Line Ministries has made financial absorption problems worse*
- *More robust management systems are needed to monitor financial absorption. The thematic evaluation identified an absence of quarterly absorption plans to help monitor the expenditure profile. Quarterly reporting is a useful management tool to ensure that absorption is monitored and actively managed and has been used in other Member States as a means of improving absorption rates in line with the ‘Berlin profile’. The introduction of quarterly reporting would help identify absorption problems early enough to allow remedial action to be taken where necessary*
- *Evidence from EU 15 Programmes indicates that the most significant absorption bottlenecks are caused by slippage at the project implementation level caused by deficiencies in project planning or project management rather than any problems linked to the SF management procedures. Lithuania should prepare precautionary strategies to address this risk.*

1.5.4 Recommendations – financial absorption

We recommend the following steps are taken to minimise the risk of financial absorption problems emerging in 2007-13:

1. Each OP should have a dedicated N+3 Strategy.

The Managing Authority should play an important role in monitoring financial absorption across the programmes as a whole. It should then delegate responsibility for monitoring the implementation of N+3 strategies to those responsible for overseeing the implementation of each OP.

2. As an integral part of the N+3 strategy, the Managing Authority should produce a quarterly financial absorption plan for each Priority (and sub-Priority) in each OP.

Quarterly reporting will help the Managing Authority, (with the support of the PMC) identify absorption problems and where remedial action is needed to address this. Reporting could be made more regularly during the period leading up to the annual expenditure deadline. Absorption Action Groups could be established comprising representatives from each OP and chaired by the Managing Authority. The AAG would meet regularly throughout the year (minimum 6 times) to monitor progress and identify actions to enhance absorption or tackle bottlenecks.

3. Absorption Action Groups could be established comprising representatives from each OP and chaired by the Managing Authority.

The AAG would meet regularly throughout the year (minimum 6 times) to monitor progress and identify actions to enhance absorption or tackle bottlenecks.

4. There should be a clearer delineation of tasks and responsibilities between Intermediate Bodies and Implementing Agencies. In particular, steps should be taken to eliminate duplication

The thematic evaluation of the 2004-06 SPD identified evidence of duplication in some of the tasks, functions and responsibilities of Intermediate Bodies and Implementing Agencies which slowed down the decision making and implementation processes. Unless steps are taken to simplify administrative structures, systems and processes, delays in financial absorption could reoccur in 2007-13.

5. Consideration should be given to placing greater emphasis on non-competitive tendering procedures in 2007-13.

A greater proportion of financing should be allocated to pre-selected ‘priority’ projects. This would have the advantage not only of improving financial absorption levels but also better aligning Structural Funds with national strategic policy priorities, as recommended in the thematic evaluation of the SPD 2004-06.

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6. Strict expenditure milestones and decommitment conditions should be included in grant awards to ensure that projects proceed as proposed

Evidence from other MS indicates risks that fund holders can become complacent about implementation timetables once funds are allocated to their project

7. Financial control systems should be reviewed with more streamlined systems being tested to assess compliance with EU regulations, applicant satisfaction and absorption efficiency.

Streamlining could include limiting audit requirements on financial claims to the final claim and shifting from compulsory checks on procurement compliance for all project approvals to random checks during monitoring visits. Penalties for failing to comply with procurement and audit requirements would remain but the responsibility should shift to the grant recipients rather than SF staff to ensure projects compliance. This reflects good practice in the EU 15 and would mark a move away from a bureaucratic control culture to a project based audit culture.

1.6 Indicators and target setting

A number of tasks have been undertaken as part of the ex-ante evaluation work in relation to indicators and target setting. These have included:

- Reviewing and assessing their appropriateness of proposed indicators and quantified targets at the level of each Priority and each Operational Programme
- Making suggestions with regard to core ESF and ERDF indicators drawing on Commission guidance
- Undertaking a 2nd review of indicators and targets and holding bi-lateral meetings with Line Ministries to help finalise the indicator system
- Producing Working Paper 4 on monitoring and indicators

The need for monitoring indicators to be quantified so as to be able to measure the impact of Structural Funds interventions has long been a legal requirement in the Implementing Regulations on Structural Funds. The process of quantifying targets on key indicators is an important means of quality checking whether the indicators included in the indicator system are appropriate and workable.

A number of Articles in the *General Regulations on Structural Funds for 2007-13* (Council Regulation (EC) No 1083/2006 of 11 July 2006) relate to monitoring and indicators. Article 37(c) sets out requirements for Structural Funds programming content (including indicators). It states that:

‘Operational programmes relating to the Convergence objective shall contain, amongst other aspects ‘information on the priority axes and their specific targets. Those targets shall be quantified using a limited number of indicators for output and results, taking into account the proportionality principle. The indicators shall make it possible to measure progress in relation to the baseline situation and the achievement of targets at the priority axis’.

In Working Paper 4, ex-ante made suggestions with regard to the different elements needed in an indicator system, namely ‘**context**’ indicators, ‘**core**’ indicators (i.e. those that can be aggregated across the programmes as a whole) and **programme indicators** to capture ‘physical’ outcomes i.e. **outputs, results and impact** indicators.

Suggested context indicators are set out below:

Suggested Context Indicators	Data type
Increase in GDP/ capita	Quantitative
Unemployment rate	Quantitative
Number of people in employment (workforce) and sectoral distribution	Quantitative

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New jobs created (across economy as whole)	Quantitative
Number of new businesses created (across economy as whole)	Quantitative
Level of entrepreneurship (SMEs per 1,000 of the population)	Quantitative
SME survival rates	Quantitative

We emphasised the importance of including ‘core’ indicators in the monitoring system so as to be able to aggregate indicators across different Priorities and between programmes. One of the main weaknesses relating to monitoring identified in the 2004-06 programming period was the difficulty in aggregating monitoring data between Priorities.

Suggestions made by ex-ante in respect of core indicators drawing on Commission guidance are outlined on the next page:

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Financial	<u>Outputs</u>	<u>Comment</u>
Rate of financial absorption	<ul style="list-style-type: none"> Percentage of financial allocations that have been committed to projects/disbursed 	This needs to be monitored separately for the ERDF and ESF and is important for assessing cost-effectiveness of physical outcomes ('efficiency')
Physical Outputs	<u>Outputs</u>	<u>Results and Impacts</u>
All interventions (apart from ESF)	<ul style="list-style-type: none"> Number of (gross) new jobs created <p><u>Comment:</u> Employment creation is a key indicator from the perspective of Lisbon. There is also a need to assess job quality but only the number of 'direct jobs' should be collated as a 'core' indicator</p>	<p><u>Impact</u> Net employment created</p>
Physical infrastructure/transport	<ul style="list-style-type: none"> Amount/type of new business sites and premises developed (square metres) Amount/type of new transport infrastructure developed (kilometres) 	<p><u>Results</u> indicators should include: Number of businesses accommodated in new sites and premises/occupancy rates Increased passenger and freight traffic volumes</p>
Business support	<ul style="list-style-type: none"> Number of individuals provided with assistance to start up a new business Number/type of existing businesses provided with assistance 	<p><u>Results</u> indicators should include: number/type of start-ups still trading after 3 years; new jobs created and/or existing jobs saved; and increased turnover in existing businesses assisted (survey-based estimate). <u>Impact</u> indicators should include: % survival rate of new business after 18/36 months Net employment created</p>
Human resource development	<ul style="list-style-type: none"> Number/type of employees/businesses benefiting from training/skills development schemes Number of unemployed people/other groups benefiting from training/skills development schemes 	<p><u>Results</u> indicators should include: number/proportion of individuals completing courses/gaining new qualifications; proportion of previously unemployed people gaining jobs.</p>
Other thematic areas	<ul style="list-style-type: none"> Number of projects supported 	<p><u>Results</u> indicators could include: number of users of infrastructure</p>

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While the Commission has provided guidance for 2007-13 on core ERDF indicators, no guidance has as yet been drawn up on ESF indicators. The ex-ante team instead drew on good practice experience from Scotland, UK and suggested that the following ESF indicators should be adopted as ‘core’ indicators.

<i>Output indicators</i>	<i>Indicator sub-sets</i>
Number of employed people trained	Gender
Number of jobless trained	Gender, disabled, youth unemployed, long-term unemployed
Number of companies helped through ESF	Industry type, NACE code classification system to assess contribution of ESF to improving ‘job quality’
<i>Results indicators</i>	<i>Indicator sub-sets</i>
No. of beneficiaries obtaining vocational qualifications as a result of ESF training	Gender, disabled, youth unemployed, long-term unemployed. Also different levels of vocational training qualifications awarded through ESF could also be monitored
ESF training outcomes The destination of ESF trainees after 6 months split into: - Full-time/ part-time employment - Self-employment - Further education and vocational training	Gender, disabled, youth unemployed, long-term unemployed.

A summary of key ex-ante findings in relation to proposed indicators and targets in respect of each OP is provided in the OP-specific sections of this document (i.e. sections 2-4). More detailed comments on indicators were made during the process of preparing the programmes. These are set out in particular in Working Paper 4 and in the appendices of the OP-specific final reports.

Practical examples of the way in which the horizontal themes have been incorporated into indicator systems in other countries (particularly Scotland) were provided in Working Paper 4. Ex-ante suggestions in this regard are set out in section 1.9 which concerns the integration of the horizontal themes into the programmes, including indicators.

1.7 The ex-ante quantification of objectives

One of the key tasks of ex-ante evaluation is to carry out an independent assessment of the projected impacts of the implementation of each Operational Programme as well as of the programmes overall.

Commission guidance for 2007-13 on ex-ante evaluation states that the assessment of impacts should focus mainly on ‘core’ indicators and that:

‘Depending on the objectives of the programme, this could include an estimate of the likely impact in terms of the number or quality of jobs created or improved employment opportunities’.

Another dimension of the impact assessment is to review the extent to which each OP is likely to contribute towards the Lisbon objectives, the promotion of economic and social cohesion, the narrowing of regional convergence disparities and other major EU policy priorities, such as the European Employment Strategy. Here, Commission guidance states that:

‘The evaluator should appraise the potential impact of the strategy on the achievement of the Lisbon objectives as defined in the integrated guidelines and the objectives of the Community in the fields of education and training, increased labour market participation and combating social exclusion’.

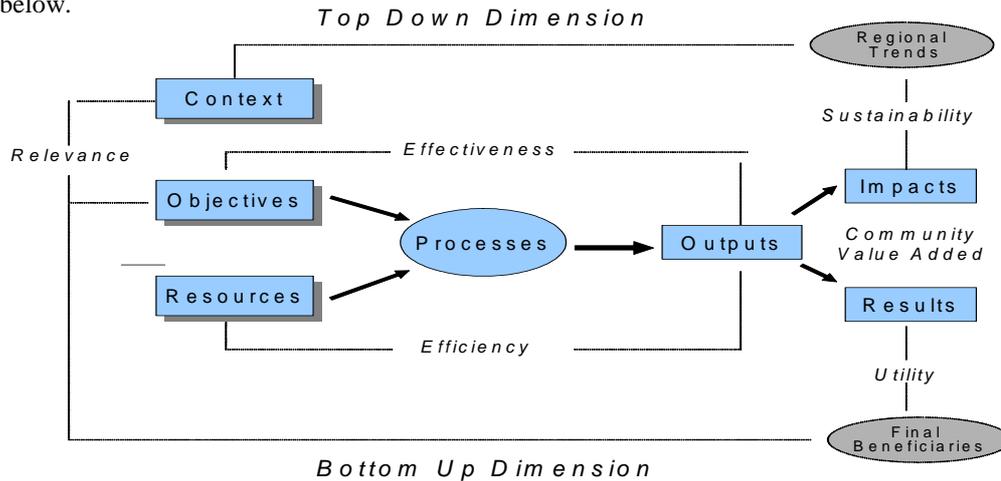
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1.7.1 Methodological approach – ex-ante quantification of outcomes

There are essentially two methods of quantifying the outcomes of Structural Fund interventions. The first is to make estimates based on a ‘top-down’ approach – looking at projected changes in key macro-economic indicators while the second, the ‘bottom-up’ approach, is based on an aggregation of output estimates at Priority level. Key aspects of the two respective approaches are set out in the diagram below.



Top down dimension: the ‘top-down’ aspect involves using key indicators such as unemployment rates, GDP per capita, employment structure, productivity, and other indicators to assess trends. The advantage of the ‘top-down’ approach is that it captures the overall impact and net effect of Structural Fund interventions. The disadvantage is that given the varying influence of other policies and trends, it is difficult to isolate particular effects that can be attributed solely to the operational programmes (i.e. the question of causality) or to assess added value by linking these effects to changes in overall trends.

Bottom up Dimension: the ‘bottom-up’ dimension is more empirical and involves obtaining feedback from programme managers, project partners, and (if possible) final beneficiaries on the anticipated effects of Structural Fund interventions. This approach overcomes some of the disadvantages of a purely ‘top-down’ method since it enables the specific impacts attributable to the operational programmes to be identified. The collection of monitoring data is clearly an integral part of the bottom-up dimension.

Ideally, these two dimensions should be combined to provide a comprehensive assessment of the likely outcomes of Structural Fund interventions. Top-down estimates for some key impact indicators have been made through economic modelling work undertaken by the fiscal policy department at the Lithuanian Ministry of Finance. However, the existing model has limitations and is only able to make projections of up to 3 years. Comments on the macro-economic modelling work are provided later in this sub-section.

1.7.2 Bottom Up Quantification of Impacts

The Commission has produced a Working Paper for 2007-13 on monitoring and indicators. This includes guidance on the quantification of objectives which states that the role of the evaluators should be to ‘verify the appropriateness of the structure and hierarchy of objectives and the indicators identified as well as the proposed quantification, on the basis of past experience and appropriate benchmarks’.

Previous experience suggests that while outputs and results are relatively straightforward to quantify, impacts are more difficult to assess since these are subject to external variables and there is a need to establish the extent to which a given outcome can be attributed to Structural Funds as opposed to wider factors, such as changes in the macro-economic environment.

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In the absence of reliable benchmark data at national level through which to carry out an independent quantification of the outcomes that might be expected through the implementation of the operational programmes, ex-ante has instead:

- Aggregated quantitative targets at the level of each Priority and across the OPs based on the final versions of indicator tables included in the draft operational programmes
- Reviewed whether proposed quantitative targets at the level of each Priority (and at aggregate level) across the OPs seem reasonable

ESF

In summary, the ex-ante bottom-up quantification of objectives suggests that ESF financed activities are likely to generate the following outcomes:

- There will be approximately 385,000 beneficiaries of ESF training assistance. These will be sub-divided between formal vocational training (56,500), non-formal training (218,500) and those benefiting from active labour market policies (65,000)
- Of these ESF training beneficiaries, up to 45,000 will receive formal vocational training qualifications and circa 200,000 will successfully complete non-formal training courses
- Approximately 2,000 companies will benefit from ESF training support
- 10,000 students, researchers and scientists will also benefit from ESF support (through Priority 3 – strengthening the capacity of researchers)
- 25,000 civil servants will be trained as a result of ESF support for public sector capacity building
- While direct job creation is not normally measured in ESF, it is expected that Priority 3, (support for strengthening the capacity of researchers) of the Human Resource Development OP will create 375 new jobs

Quantified targets in respect of anticipated ESF outcomes seem to us to be reasonable. Discussions have been held with Line Ministries as to whether such a high number of beneficiaries could be assisted. However, it has been made clear that in many cases, an individual may benefit from ESF training support several times (through short training courses).

ERDF

Turning to ERDF-financed activities, the ex-ante quantification of objectives suggests that the following outcomes will be achieved:

- An estimated 2,400 gross jobs will be created
- Approximately 5,000 firms are likely to receive support divided between business start-ups and existing SMEs
- Circa 1,200 kilometers of new roads will be built and around 200 kilometers of rail network will be developed linked to the trans-European transport network

In ex ante's view, the proposed indicator system currently has some deficiencies particularly in terms of the lack of 'core' ERDF indicators so that outcomes can be more easily quantified across the programmes.

For example, the amount of new business space created (through the development of new / renovation of existing incubators/ science parks) is typically a core indicator but was not included in the list of indicators. Similarly, while 'direct gross jobs' was an indicator under some Priorities in the Economic Growth OP, this has now been eliminated as an indicator in spite of its importance.

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Employment Effects

Commission guidance emphasises that employment effects are one of the most important outcomes of Structural Funds programmes. The Commission is interested in measuring both new job creation as well as job quality. The number of ‘jobs created’ is regarded as a key indicator which serves as a proxy for wider economic and social benefits.

Different types of jobs will be created through the implementation of the operational programmes. These include **direct jobs** (measured in terms of full-time equivalent) linked directly to the project and **other employment effects** resulting from **multiplier** and **indirect effects**. Indirect jobs result from purchases with suppliers and induced jobs are the knock-on effect of income and consumption. Good practice suggests that construction jobs should be assessed separately from other jobs created through Structural Funds due to their short term nature.

Below we review the way in which the implementation of the operational programmes might contribute both to employment creation as well as to ‘better jobs’ one of the Lisbon objectives:

The job creation potential of the Lithuanian operational programmes 2007-13

- *Human resource development OP* – ESF interventions do not create jobs directly but training measures for the unemployed have an effect in ‘redistributing’ jobs. Direct jobs will however be created under Priority 3 (support for strengthening the capacity of researchers)
- *Economic growth OP* – direct gross jobs will be created through Priority 1 (investment in research and development) and Priority 2 (through provision of risk capital for SMEs, innovation and business support services etc.). Temporary construction jobs will also be created through infrastructure investment in Priority 3, 4 and 5 – although no decision has been made with regard to whether monitoring data on temporary jobs will be created
- *The Cohesion OP* will also promote new employment through Priority 1 (support for economic diversification in rural areas and in regional urban centres, support for the development of tourism infrastructure and to preserve natural and cultural heritage). Temporary construction jobs will be created through Priority 2 (investment in modernising public infrastructure)

Ex-ante comments in relation to the quantification of employment effects in the operational programmes as they currently stand are summarised below:

- Gross job creation estimates significantly under-estimate the employment creation potential of the Structural Funds when compared with experience elsewhere
- This reflects the fact that in 2007-13, the Lithuanian authorities have decided to focus their efforts on improving job quality rather than job creation given labour supply shortages
- Notwithstanding, it would in our view be appropriate to look again at these estimates and to revise job creation estimates upwards.
- Currently, the indicator ‘temporary jobs created’ has not been included in the indicator system. However, experience elsewhere suggests that in operational programmes in which there will be significant infrastructure investment, it is important not to neglect temporary jobs as a factor in determining impact given potential wider multiplier and supply chain effects
- Once a revised estimate in respect of gross job creation (including temporary employment effects) has been provided, ex-ante will then provide calculations of indirect job creation, taking into account factors such as displacement and indirect effects

In addition to quantitative impacts, there is a need to consider the qualitative impact of Structural Funds. This will be particularly relevant in 2007-13 given the strong focus in the operational programmes on strengthening human resource development and on improving job quality. To this end,

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ex-ante has produced a short review of the likely qualitative impacts of the programmes. The results are set out in the OP-specific sections of this document i.e. sections 2-4 (see quantification of objectives).

1.7.3 'Top-down' quantification of objectives

As part of the evaluation work, the ex-ante team has undertaken a review of macro-economic modelling projections⁵. Specifically, we have:

- Commented on the macro-economic model used by the Ministry of Finance in 2004-06, drawing on the thematic evaluation of the Objective 1 SPD (2005), which, amongst other aspects, reviewed the effectiveness of the model.
- Reviewed the macro-economic projections produced by the Ministry of Finance's macro-economic model in relation to the 2007-13 period and commented on these
- Compared 'top-down' projections produced through the macro-econometric model with ex-ante's bottom-up' projections which were produced based on quantified targets included in the indicator tables in the operational programmes

Macro-economic projections in relation to the impact of Structural Funds assistance for 2007-13 were made available to the ex-ante team by the fiscal policy unit with the Ministry of Finance. It should be noted the macro-economic modelling tool currently being utilised has some limitations. In particular, projections can only be made for a maximum of 3 years and not the full 7 year programming lifecycle.

Vertinant skaičiavimams taikyto makroekonometrinio modelio adekvatumą retrospektyviai yra pagrindas manyti, kad pats modelis yra pakankamai adekvatus empiriniams duomenims. Kaip rodo *Būsimų Europos Sąjungos Struktūrinių fondų paramos sričių vertinimo* ataskaitos prieduose pateiktas modelio daugiažingsnių prognozių tikslumo vertinimas, modelio pateiktos prognozės gana neblogai aproksimavo faktinius duomenis, o reakcijos į impulsus funkcijos atitinka ekonominę logiką. Tačiau atsižvelgiant į tai, kad jau keletą metų yra vykdomas projektas *Lietuvos ekonomikos matematiniai modeliai* (LEMM), ateityje būtų tikslinga pasinaudoti šia patirtimi išplečiant ES SF poveikiui vertinti skirtą makroekonometrinių modelių.

Taip pat pastebėtina, kad *Būsimų Europos Sąjungos Struktūrinių fondų paramos sričių vertinimo* ataskaitoje pateikti rezultatai rėmėsi ankstesnėmis Finansų Ministerijos skelbtomis ekonomikos raidos 2006-2008 m. prognozėmis, kurios, vertinant pagal pirmojo 2006 m. pusmečio rezultatus, atrodo kiek konservatyvios. Taip pat atkreiptinas dėmesys į tai, kad finansiniai atskiroms intervencijų sritims tenkančių lėšų svoriai ir bendrosios ES SF apimtys pasiketė (nors galutiniai skaičiai tam tikrais atvejais dar nėra galutinai patvirtinti). Todėl kiekybinis *Būsimų Europos Sąjungos Struktūrinių fondų paramos sričių vertinimo* ataskaitoje pateiktas ES SF poveikio vertinimas Lietuvos bendrajam vidaus produktui turėtų būti tikslinamas atsižvelgiant į minėtus pasikeitimus.

Nepaisant to, *Būsimų Europos Sąjungos Struktūrinių fondų paramos sričių vertinimo* ataskaitoje pateiktas makroekonominio modeliavimo metu gautos kokybinės išvados neturėtų iš esmės pasikeisti ir išlieka aktualiomis. Galima būtų pabrėžti tokias pagrindines modeliavimo išvadas:

- šiuo metu Lietuvos ūkis funkcionuoja ant pakankamai įtemptos ribos, kai paklausa yra palyginti didelė, gamybiniai pajėgumai ir darbo jėga yra gerai išnaudojami, o sėkmingam tolimesniam ekonomikos augimui būtinos investicijos, padedančios atpalaiduoti darbo jėgos trūkumą bei išigyti konkurencingas technologijas. Svarbiau būtų siekti sukurti ilgalaikius gamybos pajėgumus didinančius pasiūlos efektus. Atliktas modeliavimas parodė, jog pasireiškus vien tik paklausos efektams per 2007-2015 m. laikotarpį ES SF indelis į BVP būtų tik apie 1.14 karto didesnis nei bendra ateinanti paramos apimtis, kai visiškai efektyvus

⁵ It should be noted that the terms of reference do not require ex-ante to carry out independent macro-economic projections.

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panaudojimas su pasiūlą paskatinančiais ilgalaikiais efektais šią sumą galėtų padidinti beveik 2.5 karto per tą patį laikotarpį;

- jei paklausą skatinanti ES SF lėšų įtaka dominuos, greta paklausos padidėjimo sąlygote trumpalaikio BVP išaugimo poveikio pasireiškė struktūrinis atviro (į eksportą orientuoto) sektoriaus išstūmimo, darbo jėgos atitraukimo ir investicijų išstūmimo iš našesnio privataus sektoriaus efektai, neigiamai paveiksiantys ilgalaikės ūkio augimo perspektyvas. Todėl itin svarbu siekti, kad investicijos į viešąjį sektorių būtų kuo efektyvesnės ir turėtų ilgalaikį visuminę pasiūlą skatinantį (gamybos pajėgumų apribojimus atpalaiduojantį) poveikį;
- esant gerai lėšų panaudojimo priežiūros sistemai, užtikrinančiai efektyvų tikslinį jų įsisavinimą, didesnę svarbą išlaidose verta skirti investicijoms sritims, susijusioms su žmogiškųjų išteklių skatinimu ir MTEP. Jei priežiūros sistema negali užtikrinti efektyvaus tikslinio lėšų įsisavinimo, sąlygosiančio pasiūlos pusės efektų pasireiškimą, gali būti tikslinga didinti infrastruktūrai skiriamų lėšų dalį, užtikrinant pakankamą statybos paslaugų importą, kad kuo mažiau pasireikštų privačių investicijų išstūmimo efektas dėl statybas vykdančių organizacijų gamybinių pajėgumų apribojimo;
- žinių visuomenės veiksmų programai priklausančios intervencijos sritys, Tiesioginės paramos MTEP ir inovacijoms, Energijos tiekimo tinklų, Kaimo diversifikavimo ir Švietimo institucijų intervencijos sritys yra prioritetingos.

1.7.4 Recommendations – quantification of objectives

Ex ante recommendations in relation to the quantification of objectives are that:

- Employment effects should be quantified much more extensively across the operational programmes than is currently the case
- Temporary employment effects should be collated or at the least, provision should be made to estimate the multiplier effects of these (using ‘top-down’ econometric modelling)
- Other ‘core indicators’ – such as the amount of new business space created – should also be quantified

1.8 Monitoring and evaluation arrangements

As part of ex-ante evaluation, a review was undertaken of:

- Regulatory requirements in respect of the evaluation and monitoring of Structural Funds for the 2007-13 period
- Proposed evaluation arrangements and Lithuania’s National Evaluation Plan
- Proposed monitoring arrangements including management information systems to collate quantitative data on financial and physical indicators
- Lessons from 2004-06 in relation to monitoring systems and evaluation arrangements (see Working Paper 4)

1.8.1 Regulatory requirements – evaluation and monitoring

National Evaluation Plan

Council Regulation (EC) No 1083/2006 states that in accordance with the principle of subsidiarity (Article 13), Member States have responsibility for monitoring Operational Programmes and for carrying out on-going evaluation activities. National Evaluation Plans provide a framework for these tasks to be undertaken. The purpose of these Plans is defined in the Regulation as being to:

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“Provide an overall framework for the on-going evaluation and ensure that it is effectively used as an integrated management tool during the implementation phase. To this end, an evaluation plan defines the links between monitoring and evaluation as well as the overall periodicity/regularity of these two exercises.”

The Regulation gives national authorities flexibility to identify areas where evaluations might be necessary, as well as to decide on their thematic scope and timeframe. Commission guidance suggests that some Member States might find it useful to include other elements in their National Evaluation Plans such as evaluation capacity-building.

Compulsory evaluation

As in 2000-06, some types of evaluation, namely ex-ante and ex-post, will remain compulsory in 2007-13. Article 47 sets out general provisions in respect of evaluation, Articles 48 and 49 set out the role of the Member States (ex-ante evaluation as well as managing ongoing evaluations) and of the European Commission (co-ordinating ex-post evaluation) respectively.

On Going Evaluation

Council Regulation (EC) No 1083/2006 provides for a shift from a concept of mid-term evaluation driven by regulatory imperatives towards a more flexible, demand-driven approach to evaluation during the programming period (‘on-going evaluation’). On-going evaluation is defined as being:

“A process taking the form of a series of evaluation exercises. Its main purpose is to follow on a continuous basis the implementation and delivery of an operational programme and changes in its external environment, in order to better understand and analyse outputs and results achieved and progress towards longer-term impacts, as well as to recommend, if necessary, remedial actions.”

The Commission’s Working Paper 5 ‘Indicative Guidelines on Evaluation Methods: Evaluation during the Programming Period’ (October 2006) describes in more detail what approach should be adopted to on-going evaluation activities in the 2007-13 period. There are a number of key points.

Firstly, there are two specific situations in which Member States should carry out an evaluation – ‘where the monitoring systems reveal a significant departure from the goals initially set’ and, secondly, if and when ‘operational programme revisions are proposed’. These changes could arise from financial considerations (e.g. if financial absorption lags behind targets), or be content-related or linked to an OP’s implementation (Article 48[3]).

Secondly, a distinction is made (Article 47[2]) between evaluations of a strategic nature (‘in order to examine the evolution of a programme or group of programmes in relation to Community and national priorities’) and evaluations of an operational nature (‘in order to support the monitoring of an operational programme’).

Thirdly, as laid down in the Regulation, there are four main principles that govern on-going evaluation: proportionality (evaluation activities should be ‘in proportion to the scale and resources of an operational programme or ‘potential risk areas’ associated with its implementation’); independence (‘evaluations shall be carried out by experts or bodies - internal or external - that are functionally independent of the certifying and audit authorities’); partnership (‘essential for planning, designing and carrying out evaluation. It relies on consultation and participation of stakeholders and provides a basis for learning, openness, and transparency during the whole process’); and transparency (‘it is good practice to publish evaluation reports in the interests of transparency, and in order to stimulate public debate on evaluation findings’).

Monitoring

Articles 63-68 of the General Regulations on Structural Funds deal with monitoring aspects of the programmes. Article 63 sets out requirements in relation to setting up the Programme Monitoring

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Committee within 3 months of the Programmes commencing. Article 64 provides guidance on the composition of the Monitoring Committee and Article 65 defines its principle tasks.

Article 66 sets out arrangements for monitoring, and emphasises that the managing authority and monitoring committee are responsible for ensuring the quality of the implementation of Operational Programmes including monitoring data on financial and physical outcomes. Article 67 sets out requirements in respect of the submission of an annual and final report on the implementation of OPs and emphasises the role of indicators and quantified targets in helping to assess progress made in implementing the Operational Programmes.

Last but not least, Article 68 deals with the Commission's responsibility in terms of examining the quality of annual and final implementation reports and progress towards objectives in the implementation of OPs.

1.8.2 Lithuania's National Evaluation Plan 2007-13

Lithuania's National Evaluation Plan provides a strategic framework for carrying out evaluation work in the 2007-13 programming period. It contains a detailed 16 page overview of planned evaluation activities. This includes the following elements:

- A review of **evaluations undertaken in 2004-06** as well as of efforts to strengthen evaluation capacity
- A summary of the main **regulatory requirements** in the General Regulations on Structural Funds and **national needs** for 2007-13
- A review of **evaluation activities planned for 2007-13** relating to EU structural funds in Lithuania including a summary of aims and objectives
- An assessment of the different types of evaluation (*strategic, operational, vertical and horizontal*)
- An overview of **evaluation management arrangements** foreseen in 2007-13 including an outline of the **institutional set up** for overseeing the carrying out of evaluation work
- A table outlining measures of national evaluation plan, together with the **budgetary provision and anticipated timeframe**

Section 1 contains a review of evaluation activities carried out in 2004-06. In particular, the Plan highlights progress made in managing, carrying out and utilising the results of Structural Funds evaluation and in further developing evaluation capacity. It points out that in addition to undertaking mandatory evaluation (*ex-ante, mid-term, contributing to the Commission's ex-post*), Lithuania commissioned a *thematic evaluation* looking at lessons learned from the implementation of the funds in 2004-06. This focused in particular on the efficiency and effectiveness of administrative systems.

Turning to progress on strengthening evaluation capacity in 2004-06, the Plan highlights a project financed by the Ministry of Finance in 2005 which involved various activities to develop evaluation capacity including producing separate guides on evaluation and monitoring respectively, training for civil servants and a conference on strengthening evaluation capacity. The project was designed to boost evaluation capacity on both the demand and supply sides.

In Section 2, the National Evaluation Plan moves on to define Lithuania's evaluation requirements in 2007-13. The Plan distinguishes between **strategic (policy-oriented) evaluation** and **operational evaluation** which seek to assess programme performance. A distinction is also made in the Plan between '**vertical**' evaluation on different cross-cutting thematic aspects of the programmes such as R&D and innovation, employability, education, life-long learning, economical infrastructure, business environment/SME development and '**horizontal**' evaluation to evaluate the horizontal themes included in the General Regulations, i.e. equal opportunities and the environment/ sustainable development. The approach adopted is in close accordance with the Commission's Working Paper 5

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'Indicative Guidelines on Evaluation Methods: Evaluation during the Programming Period' (October 2006),

Section 3 of the Plan sets out a vision statement, key aims and objectives and highlights evaluation activities in detail. The vision is to strengthen evaluation capacity in respect of EU Structural Funds and to ensure that evaluation work carried out is utilised to help improve the efficiency and effectiveness of the funds. It also states that evaluation activities will need to address both strategic and operational challenges in implementing the Funds at national level. The achievement of the vision will be underpinned by two strategic aims:

- Objective 1 – to strengthen evaluation capacity of EU Structural Funds in Lithuania
- Objective 2 – to organise, to carry out and to utilise Structural Funds evaluation work (*ex-ante, mid-term and ex-post*) in order to improve Operational Programmes and their management;

These objectives are in turn supported by concrete measures linked to defined targets, mainly qualitative, but some quantitative.

Taking the first strategic objective, various activities are foreseen including:

- Establishing an appropriate institutional framework to facilitate Structural Funds evaluation work in 2007-13;
- Increasing the number of staff in the Evaluation Unit from 3 to 4 or 5;
- Setting up an Evaluation Management Group to co-ordinate evaluation work;
- Establishing a new national legal framework for carrying out SFs evaluation work in 2007-13
- Providing support for carrying out evaluation training at least once a year; and
- Updating the monitoring and evaluation guides produced in 2005.

The timeframe within which these activities should be carried out is stipulated as a performance indicator. For example, 'by the first quarter of 2007, an Evaluation Management Plan will have been prepared and approved and 'by the second quarter of 2007, an Evaluation Management Group will have been established'.

Turning to the second strategic objective, the main activities envisaged include organising and carrying out 10 strategic evaluations (5 between now and 2010 and an additional 5 between 2010 and 2015).

In Section 4, an explanation of the various types of evaluation that will be carried out in 2007-13 (mandatory/ non-mandatory, strategic (policy-oriented)/ operational, centralised/ decentralised etc.) is then provided. This includes scope for carrying out thematic evaluation work, for example, in respect of the implementation of the horizontal themes in the programmes.

With regard to evaluation activities linked to programme performance, Commission guidance indicates that evaluation activities should be triggered when the monitoring systems reveal a significant departure from the goals initially set, the suggestion being that 'significant departure' should be defined as a deviation from targets of between 10 and 20%.

Section 5 addresses evaluation management issues in 2007-13. It explains that these were set out in a Lithuanian government decree on management and implementation arrangements on March 14th, 2006. An explanation is provided in the Plan of the role of stakeholders at various levels in Structural Funds programme evaluation in 2007-13. In summary, this includes:

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- **Ministry of Finance** - as Managing Authority of the 3 OPs in 2007-13, the Ministry will continue to assume overall responsibility for the evaluation management function.
- **Line Ministries** – these will play an important strategic role in carrying out evaluation through their participation in an inter-ministerial Evaluation Management Group
- **Other social partners, evaluation experts** – the Plan mentions that social and economic partners and evaluation experts will also play a role in evaluations (this could be expanded)
- **European Commission** – responsible for ex-post evaluation and for reviewing the annual and final implementation reports submitted by the Lithuanian government on progress in implementing the operational programmes in 2007-13

Financing evaluation activities in 2007-13

Turning to the budgetary allocation for evaluation activities, the National Evaluation Plan states that not less than 10m LTL will be spent in the 2007-13 programming period on evaluation (in practice, evaluation activities relating to the 3 operational programmes will continue until 2015). This amounts to about 0.05% of total EU Structural Funds expenditure. With regard to how the financial allocation will be divided between these various activities:

- 1,4 mln. LTL will be spent on strengthening evaluation capacity
- 5,5 mln. LTL will be spent on ongoing strategic evaluations of Structural Funds expenditure
- 3,1 mln. LTL will be spent on ongoing evaluations to assess the operational performance of the 3 OPs

National Evaluation Plan - ex-ante comments and recommendations

The Plan is consistent with Commission guidance on evaluation and monitoring in 2007-13. The Plan has broadly adopted the suggested structure and content suggested for National Evaluation Plans in the Commission's Working Paper 5 'Indicative Guidelines on Evaluation Methods' (October 2006).

The number and type of ongoing evaluations envisaged in the National Evaluation Plan seems appropriate. A good balance is foreseen in 2007-13 between strategic (policy oriented) evaluations and those to assess operational performance. Similarly, an appropriate distinction is made in the Plan between vertical and horizontal evaluations.

While mid-term evaluation is not obligatory in 2007-13, it would be helpful to undertake one in order to assess progress towards objectives at the mid-point in the programming period. The mid-term evaluation would need to combine the results of on-going evaluation undertaken up to that point. Its objectives would be to assess preliminary results and impacts and to identify whether any programming changes might be needed.

Recommendation 1: a mid-term evaluation should be undertaken reporting back on the implementation of the 3 operational programmes to the Managing Authority and PMC

Proposed evaluation management arrangements seem appropriate. The Evaluation Unit within the Ministry of Finance will continue playing the lead in organising, managing and overseeing evaluations. The Evaluation Management Group will also have an important role to play in helping to co-ordinate evaluation work.

It will take time to strengthen evaluation capacity at institutional level. For example, the Evaluation Unit was only set up in 2005 and has only just recruited two additional staff members (it now has 3 in total). It therefore needs time to further develop capacity.

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The Managing Authority and the Evaluation Management Group will have a key role to play in institutionalising evaluation amongst all organisations involved in SFs management and implementation. It is appropriate that efforts to develop capacity be initially concentrated within the Managing Authority itself. This should subsequently however be extended to include Intermediate Bodies, Implementing Agencies and social and economic partners including those at regional level.

While there is a useful description of the role of the Evaluation Management Group with regard to the evaluation management function, the role of other key actors in facilitating high quality evaluation could be further explored. In particular, the role that Implementing Agencies and the socio-economic partners might play in facilitating evaluation work should be addressed.

Recommendation 2: The role of key actors (besides the Evaluation Unit and the Evaluation Management Group) in Structural Funds evaluation could be explored in more detail.

The focus on strengthening evaluation capacity is highly relevant. While a project supported in 2005 to improve demand and supply side capacity made an important contribution towards institutionalising a culture of evaluation in public sector institutions involved in SFs in Lithuania, further investment will be needed in 2007-13 to raise awareness about the role of evaluation in improving efficiency and effectiveness and to ensure that evaluation results are systematically integrated into policy making.

Measures planned to strengthen evaluation capacity seem appropriate. These include investing in further developing the Evaluation Unit (which plans to increase its staffing) and providing training to civil servants in order to help institutionalise an evaluation culture across all organisations involved in Structural Funds management and implementation. This includes social partners and others involved in delivering programmes where, as a minimum, there needs to be a greater appreciation of the importance of accurate monitoring so that the information required for evaluations is available.

The level of financing to support evaluation work in 2007-13 seems reasonable when compared with the number of planned evaluation assignments. In total, about 10m LTL will be devoted to evaluation activities. This should be sufficient for around 12 evaluation studies and other activities which is an increase on the current level of evaluation activity.

Commission guidance on evaluation activities linked to programme performance indicates that evaluations should be triggered when monitoring systems reveal a significant departure from the goals initially set. A ‘significant departure’ might be defined as being a deviation from the target of between 10 and 20%. In the Lithuanian National Evaluation Plan there are as yet no indicators defined.

Examples of indicators being used to trigger evaluations in National Evaluation Plan elsewhere may be helpful for the Lithuanian authorities. In Malta, for example, in addition to monitoring financial absorption rates, and progress towards impact targets, a number of key physical indicators will be used to trigger evaluation exercises, as summarised below:

Key indicators for triggering evaluation exercises

- Number of jobs created and saved
- Number of businesses receiving assistance
- Square meters of space, km of roads, etc, developed or improved
- Number of urban regeneration schemes successfully completed
- Participation rates in post-secondary education, number of post-graduates
- Rates of unemployment and number of training beneficiaries obtaining jobs
- Number of employees benefiting from training and skills development
- Female and other disadvantaged groups’ participation rates in labour market

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Recommendation 3: Criteria to assess programme performance (and in turn to establish when and whether ad hoc evaluations should be triggered) should be clearly set out in the National Evaluation Plan.

In addition to monitoring financial absorption rates, progress towards targets in respect of key physical indicators (outputs and results) should be used to trigger evaluation exercises.

The Evaluation Management Group in liaison with the Programme Monitoring Committee should annually review key performance indicators and if these highlight a ‘significant departure’ from targets, then consider whether an evaluation exercise should be undertaken.

In addition to financial and physical indicators, monitoring data and feedback of a more qualitative nature on the performance of the three Operational Programmes should be undertaken in order to decide whether an evaluation exercise is needed.

Monitoring arrangements - ex-ante comments and recommendations

While monitoring arrangements have not yet been finalised, these are expected to be broadly similar to those adopted in the 2004-06 programming period. It is envisaged that the SFMIS national monitoring system will be modified and adapted in the new 2007-13 period.

Recommendation 1: Monitoring arrangements should be finalised in detail as soon as possible. The proposed approach should then be commented on by ex-ante.

Recommendation 2: Due consideration will need to be given to the implications of making a transition from a Single Programming Document to three national thematic operational programmes from the perspective of i) monitoring data collation and ii) management information systems needed to capture this data

Our assessment of monitoring arrangements in 2004-06 suggests that the current SFMIS monitoring system is functioning satisfactorily. Key issues in relation to 2007-13 include: can the present system be extended so that it is used for all 3 operational programmes? Will the MIS system enable cross-programme comparisons to be made and for data on core indicators to be aggregated across the programmes overall?

The monitoring system will need to ensure that monitoring data on both financial and physical outcomes can be collated. The importance of collating data on each of these is examined below:

- **Monitoring financial absorption** – data on financial indicators will shed light on whether absorption targets are likely to be met or whether action is needed to speed up the contracting and disbursement of SFs expenditure (or alternatively the reprogramming of funds)
- **Physical indicators** – monitoring data on physical outcomes (outputs, results) should be regularly fed back to the Evaluation Management Group and Programme Monitoring Committee since a ‘significant departure’ from targets will need to trigger evaluation work

The current management and information system (MIS) could potentially be developed into a more comprehensive management tool. In Scotland, for example, comprehensive MIS tools has been developed to facilitate Structural Funds management and administration, the DCS ([https://sedsh10.sedsh.gov.uk./](https://sedsh10.sedsh.gov.uk/)) and TESA systems. These are both web-based systems whose benefits include reducing paperwork, simplifying and improving the speed of transactions and enabling more time to be spent on project and programme management. Programme secretariats manage user accounts on the web-based system and provide helpdesk facilities. Training for all users is provided through e-learning modules and online manuals.

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Recommendation 3: Consideration should be given to developing a more comprehensive Management Information System in Lithuania.

Ideally, rather than developing a new system from scratch we suggest using “off the shelf “ technology that already exists and can be adapted to meet Lithuanian requirements. Another possibility would be to adapt the existing SFMIS system so that this is more comprehensive

There will be a need to ensure that the monitoring and evaluation functions are closely linked given the importance of monitoring data in 2007-13 in helping to determine when ad hoc evaluations are needed. Appropriate references will need to be included in the National Evaluation Plan with regard to the close inter-relationship between the evaluation and monitoring functions.

Recommendation 4: Appropriate performance criteria should be set out in the National Evaluation Plan to identify under-performance in respect of financial or physical indicators against targets which in turn would trigger an ad hoc evaluation.

Recommendation 5: Linked to this, appropriate arrangements need to be put in place to ensure that monitoring data is regularly scrutinised by the PMC and Evaluation Management Group to assess instances of under-performance.

1.9 Horizontal themes

1.9.1 Regulatory requirements

In the 1994-99 and 2000-06 programming periods, there was a requirement in the General Regulations to implement a number of horizontal or ‘cross cutting’ themes into Structural Funds programmes, namely: **equal opportunities, the environment and sustainable development** and the **information society**. In the General Regulation on Structural Funds for 2007-13 (Council Regulation EC (No 1083/2006 of 11 July 2006) the importance of ensuring that the Programmes are implemented in accordance with these principles is again emphasised.

Below we examine the legal framework for the inclusion of the cross-cutting themes in the programmes.

Equal opportunities

Article 16 addresses the issue of equality between men and women and of non-discrimination more widely. It states that:

‘The Member States and the Commission shall ensure that equality between men and women and the integration of the gender perspective is promoted during the various stages of implementation of the Funds. They shall (also) take appropriate steps to prevent discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation during the various stages of implementation of the Funds and, in particular, in the access to them. In particular, accessibility for disabled persons shall be one of the criteria to be observed in defining operations co-financed by the Funds and to be taken into account during the various stages of implementation’.

Sustainable development

Article 17 of the General Regulation deals with sustainable development. It states that:

‘The objectives of the Funds shall be pursued in the framework of sustainable development and the Community promotion of the goal of protecting and improving the environment as set out in Article 6 of the Treaty’.

Article 3 of the Regulations is also relevant in relation to the horizontal themes. This sets out the overall objectives of the Funds in 2007-13 and emphasises the role of Structural Funds in protecting and improving the quality of the environment.

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Information society

In the new Regulations, there is a focus not only the information society but also on innovation and knowledge to reflect the Lisbon strategy.

The horizontal themes have been addressed through the work of ex-ante in various ways.

- A review has been undertaken of the treatment of the horizontal themes in programme documentation in the 3 OPs
- Working Paper 4 included advice on the integration of the horizontal themes into indicator systems
- Working Paper 5 included recommendations with regard to what institutional arrangements should be put in place to ensure that the horizontal themes are given due attention in programme planning and implementation

With regard to the treatment of the horizontal themes in programme documentation, general ex-ante comments are that:

1.9.2 Horizontal themes and programme documentation

Below we examine the way in which the horizontal themes have been addressed in programme documentation.

Human resource development OP

Section 2.8 of the HRD OP deals with the horizontal themes. In particular, it sets out how these will be taken into account during programme implementation at the level of each Priority. As might be expected, given the types of interventions that will be supported, the focus is mainly on equal opportunities. However, other themes, including the information society, sustainable development and territorial cohesion / regional development are also addressed.

An assessment is provided below of the treatment of the horizontal themes both overall and at the Priority level.

Equal opportunities

- A reference is included in the text to the need to prevent discrimination (and to promote equal access to participation in Structural Funds) on the grounds of gender, race, ethnic origin, religion, disability, age or sexual orientation.
- It is important that equal opportunities are not seen solely in terms of ensuring equality of opportunity between women and men but that a more holistic approach is adopted.
- Priority 1 - some activities will be targeted at individuals from disadvantaged social groups facing difficulties in accessing the labour market through the „social inclusion“ activity group. A proportion of resources will be dedicated to activities that help promote gender equality.
- Priority 2 - will promote equal opportunities in early learning, promoting the integration of the socially excluded and of people with special educational needs to improve their educational attainment levels, encouraging more active participation in vocational training (especially amongst girls), decreasing the number of people leaving the educational system early (especially men), promoting higher participation in life long learning for all social groups.
- Priority 3- several measures envisaged will have an equal opportunities dimension. For example, there will be support to encourage the participation of women in science and technology and to encourage young people to pursue a career as a research or scientist.
- Priority 4 - the assessment points out that there is a need to tackle both horizontal and vertical segregation within Lithuania’s civil service. Under this Priority, therefore, there will be a

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particular emphasis on promoting equal opportunities for women in the civil service.

- Innovative actions will also play an important role in promoting equal opportunities. Support is foreseen for 'EQUAL' type activities, particularly under the social inclusion activity group (Priority 1) where there will be support for activities that foster innovative solutions to social problems as well as for transnational co-operation. Under the 2nd priority, innovative actions will be supported for people with special learning needs as well as for the socially excluded.

Information society

- The HRD OP will promote the information society in various ways. **Priority 1** - IT training will be provided for workers in enterprises under employability type measures. **Priority 2** - ICTs will also play an important role in the Lifelong Learning priority, for example, ICTs will be used to develop new learning tools and more flexible forms of learning. IT training will also be provided to teaching staff in order to improve their ICT competences. **Priority 3** - will also have an information society dimension with measures to improve the ICT skills of scientists and researchers as well as to promote the greater use of ICTs as a learning tool.

Sustainable development

- The assessment points out that sustainable development principles apply not only to infrastructure projects but also more widely to social, economic and environmental aspects of the programmes
- Illustrations are provided of ways in which particular Priorities will contribute to sustainable development principles. For example, Priority 2, the development of lifelong learning, will contribute towards poverty reduction and the prevention of social exclusion, which are included in Lithuania's national sustainable development strategy as key aims

While the text on the horizontal themes is generally very good, there are a number of ex-ante recommendations with regard to how this sub-section could be improved in the HRD OP.

1. **Equal opportunities (i)** - some short introductory text could be added to provide appropriate contextual background e.g. 'ESF interventions have strong potential to help promote equal opportunities both between women and men and in respect of individuals from social groups at risk of social inclusion in the labour market'. The EU policy context including any key legislation could briefly be mentioned. For example, in respect of equal opportunities, Article 13 of the EC Treaty could be cited. This outlaws discrimination on the grounds of gender, race, ethnic origin, religion, disability, age or sexual orientation.
2. **Equal opportunities (ii)** - while there is a good explanation of specific vertical measures to help foster equal opportunities, it could be **made clearer how equal opportunities will be promoted horizontally**. The current text simply states that no-one will be excluded from applying for support. However, could a more active approach be adopted to encourage applications from particular social groups? Additional points could be given during the evaluation process for example to applicants from particular social groups
3. **Information society** - references to the EU policy framework would be helpful. In particular, the Commission's i2010 strategy and linkages between the information society as a cross-cutting theme and the Lisbon strategy could be highlighted. The role of ICTs in promoting social inclusion and greater accessibility could be further accentuated. Here, the Commission's e-Inclusion strategy targeting people who are disadvantaged due to limited resources or education, age, gender, ethnicity... as well as the e-Accessibility strategy for people with disabilities and the elderly.

Economic Growth OP

Section 2.7 of the EG OP deals with the horizontal themes. An assessment is provided below of the

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treatment of the horizontal themes overall.

Pagal 2004–2006 m. Pirmojo tikslo BPD teminį vertinimą, horizontaliosioms sritims nebuvo skiriama pakankamai dėmesio programos įgyvendinimo metu. Nurodyta, kad taip atsitiko dėl praktinių rekomendacijų, kaip integruoti horizontaliąsias sritis – nustatant projektų atrankos kriterijus, vertinant projekto paraiškas ir įgyvendinant projektą – stokos.

Naujuoju laikotarpiu egzistuoja galimybė išspręsti šią problemą. Tai galėtų būti atliekama kuriant naujus institucinius mechanizmus integracijai skatinti (darbo grupės kelioms horizontaliosioms sritims – lygioms galimybės, darniai plėtrai, informacinei visuomenei/žinių ekonomikai ir t.t.), parengiant praktines rekomendacijas dėl horizontaliųjų sričių įgyvendinantiems ir prižiūrintiesiems projektų įgyvendinimą bei vertinimo darbą (teminius tyrimus), skirtus nustatyti remiamų projektų, kuriuose buvo atsižvelgiama į horizontaliąsias sritis, pavyzdžius.

Turėtų būti įsteigtos horizontaliųjų sričių darbo grupės, kurios prižiūrėtų horizontalių temų integravimą į 2007–2013 m. veiksmų programų planavimą ir įgyvendinimą.

Turėtų būti įsteigtos trys darbo grupės, kurios dėmesį sutelktų į:

- lygiąsias galimybes,
- informacinę visuomenę ir, plačiau, žinių ekonomiką,
- aplinkos apsaugos ir darnios plėtros klausimus.

Nacionaliniame vertinimo plane turėtų būti numatyta nuostata dėl specialaus (angl. *ad hoc*) vertinimo darbo, skirto horizontaliosioms sritims nagrinėti programos įgyvendinimo metu, atlikimo. Pirmiausia turėtų būti peržiūrėti projektai, remiami pagal 2004–2006 programą ir akcentuojami tie projektai, kuriuose buvo numatyti horizontaliųjų sričių tikslai, o projekto paraiškų pateikėjai turėtų būti raginami pateikti konkrečių atvejų tyrimus, siekiant paskatinti kitus atsižvelgti į šias sritis projekto parengimo etape, taip pat pateikti praktinius to, ką galima pasiekti, pavyzdžius.

Iškyla būtinybė geriau suprasti potencialią atsižvelgimo į horizontaliąsias sritis tiek strateginiu, tiek veiklos lygmeniu naudą. Dažnai horizontalios sritys laikomos grynai formaliais „priedais“, kurie padeda įvykdyti Briuselio reikalavimus, o ne suteikia realią pridėtinę vertę (galbūt išskyrus tvarios plėtros principus, kurie laikomi suderinamai su nacionalinės politikos prioritetais dėl aplinkos kokybės pagerinimo).

Taip pat reikėtų atsižvelgti į pavidimą išorinei organizacijai parengti praktines rekomendacijas įgyvendinantiems projektus dėl to, kaip integruoti skersines sritis projekto lygmeniu. Pirmiausia turėtų būti akcentuojama praktinė horizontaliųjų sričių integravimo į struktūrinius fondus nauda.

2007–2013 m. programavimo laikotarpiu lygių galimybių atžvilgiu kyla būtinybė atspindėti išplėstą teisinę bazę, susijusią su nediskriminavimo ir lygių galimybių principo skatinimu. Reikia įtraukti ne vien tik lyčių lygybę, bet ir platesnį lygybės spektrą, numatyta Sutarties 13 straipsnyje: rasinę ar etninę kilmę, religiją ar šitikinimus, negalią, amžių ir seksualinę orientaciją. Ši sustiprinta teisinė bazė atspindi naujų Bendrųjų reglamentų dėl struktūrinių fondų formuluotėje.

Cohesion OP

Section 2.8 of the Cohesion OP deals with the horizontal themes. The same headings are included as in the HRD OP, i.e. equal opportunities, the information society, sustainable development and territorial cohesion / regional development. An assessment is provided below of the treatment of the horizontal themes both overall and at the Priority level.

Equal opportunities

- An assessment is provided in respect of each Priority of its potential contribution to equal opportunities. The main emphasis in the text is on how interventions will promote social cohesion by promoting the integration of vulnerable social groups into the community

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- For example, for Priority 2, equal opportunities will be promoted indirectly through infrastructure investment since this will benefit sectors like education and social services, which are important tools in promoting social cohesion
- There are no references however to Lithuania's national equal opportunities strategy or to the legal basis for the prevention of discrimination. Also, none of the grounds of discrimination covered by Article 13 of the EC Treaty are mentioned in the analysis

Information society

- The Cohesion OP will promote the information society in various ways. **Priority 1** – this should impact positively on reducing the digital divide between major cities in Lithuania and those that are less developed as well as between people living in urban and rural areas. **Priority 2** – as part of the process of modernising infrastructure, investment in ICTs will be made, especially in the healthcare sector in order to improve the quality and efficiency of service provision, in particular through investment in monitoring systems and databases. **Priority 3** – investment will be made in environmental management and information systems
- While it is clear how each Priority will promote the information society, brief references to key EU strategies in this area would be helpful. For example, under Priority 1 and 2, reference could be made to the Commission's e-Inclusion strategy and the development of an Information Society for all

Sustainable development

- Illustrations are provided of the way in which each Priority will contribute to the achievement of the aims set out in Lithuania's national sustainable development strategy
- Priority 3 in particular will be particularly important in promoting sustainable development

Territorial cohesion

- The analysis points out that the Priorities in the Cohesion OP should make a significant contribution to the promotion of social, economic and territorial cohesion in Lithuania
- There are references to how this Priority will help achieve national regional policy objectives
- including the development of regional economic growth centres as identified in the Lithuanian Regional Policy Strategy 2013
- Priority 3 should will contribute to promoting more balanced regional development by 'levelling the playing field' in terms of the quality of environmental infrastructure

There are a number of ex-ante recommendations with regard to how the horizontal themes could be improved in the Cohesion OP.

- **All horizontal themes** - references should be made to key EU strategies and policies where appropriate. The tendency is to mention the policy framework at national level but not to mention key EU documents which provide a useful wider strategic context
- **Equal opportunities** - the EU policy context including any relevant legislation should be mentioned. Article 13 of the EC Treaty could be cited which outlaws discrimination on the grounds of gender, race, ethnic origin, religion, disability, age or sexual orientation as well as a short reference to national legislation on non-discrimination and equal opportunities

1.9.3 *Horizontal themes and indicators*

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Ex-ante provided recommendations on the treatment of the horizontal themes in the indicator system in Working Paper 4. We highlighted the two main ways in which the horizontal themes can be incorporated into monitoring indicators:

- Data sub-sets on the characteristics of beneficiaries can be kept – e.g. no. of younger / older workers, disabled, national minorities etc.; and/ or
- Specific horizontal indicators can be incorporated into the indicator system – such as the number of projects supported involving the cleaning up of disused or polluted territories, whether projects had a positive, neutral or negative impact looked at from an equal opportunities or environmental sustainability perspective

Ex-ante suggested the following approach should be adopted

- The horizontal themes should be integrated wherever possible into the main indicator system through the collation of data-subsets, especially in the case of ESF. For example, information should be kept on the gender and age of ESF training beneficiaries etc.
- This approach would be in keeping with the Commission’s emphasis in 2007-13 on not having too many indicators
- A limited number of horizontal indicators should also be included, such as the number of hectares of land reclaimed (through the cleaning up of industrial sites), the number of projects supported to enhance business efficiency through environmental improvements, the number of training beneficiaries from ‘disadvantaged’ social groups, etc.

1.9.4 Institutional mechanisms for mainstreaming the integration of the horizontal themes

According to the thematic evaluation of the 2004-06 Objective 1 SPD, the horizontal themes have been somewhat neglected during programme implementation. This has been attributed to the lack of practical guidance on how to integrate the horizontal themes at various levels – in setting project selection criteria, in scoring project applications and in project implementation and in evaluation and monitoring.

In the new period there is an opportunity to address this weakness. This could be achieved through the setting up of new institutional mechanisms to promote mainstreaming (working groups on the different horizontal themes – equal opportunities, sustainable development, the information society/ knowledge economy etc.) with dedicated representatives on the PMC, producing practical guidance⁶ for those implementing and monitoring projects.

There is a need for improved understanding amongst programme stakeholders with regard to the potential practical benefits of taking the horizontal themes into account both at the strategic and operational levels. Often the cross-cutting themes are seen as a tokenistic ‘add-on’ that helps meet Brussels requirements rather than provides real value added (perhaps with the exception of sustainable development, which is compatible with national policy priorities to improve the quality of the environment as outlined in Lithuania’s Sustainable Development Strategy).

Recommendations – institutional mechanisms for mainstreaming the horizontal themes

- The National Evaluation Plan should include provision for evaluation work/ thematic studies to be undertaken to identify, for demonstration purposes, good practice examples of projects supported that have taken the horizontal themes into account (this has already been done).
- Working groups should be set up to monitor the integration of the horizontal themes into the

⁶ Examples from elsewhere in this regard include two good practice publications from Scotland - http://www.esep.co.uk/esepnews_susdevpt_doc.html (mainstreaming sustainable development in regional development) and http://www.esep.co.uk/download/eqopps/equality_practice.pdf (equal opportunities, equality in practice – making it work)

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planning and implementation of the 2007-13 operational programmes.

- Three working groups should be established focusing on: a) equal opportunities, b) the information society and the knowledge economy more widely c) environmental and sustainable development issues.
- Each working group should have a dedicated representative sitting on the Programme Monitoring Committee (PMC).
- A review of projects supported in the 2004-06 Programme should be undertaken in order to identify and highlight those projects which advanced the horizontal themes.
- Project beneficiaries that placed a particularly strong emphasis on one or more of the horizontal themes should be invited to present case studies to future applicants to encourage others to consider the themes at the development stage of the project and to provide practical examples of what can be achieved.
- Consideration should be given to commissioning an external organisation to produce practical guidance for project applicants on how to give consideration to the cross-cutting themes both at the application stage and in project implementation. In particular, the practical benefits of ‘mainstreaming’ the horizontal themes into Structural Funds should be highlighted
- In 2007-13, there is a need to reflect the extended legal base in respect of the promotion of non-discrimination and equal opportunities principles. There is a need to go beyond gender equality alone to reflect the broader range of equality strands covered by Article 13 of the Treaty: racial or ethnic origin, religion or belief, disability, age and sexual orientation.

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Below, we provide a summary of key findings from the ex ante evaluation of the Human Resource Development operational programme for 2007-13. Final recommendations are also outlined where appropriate.

2.1 Baseline Assessment and SWOT

1. *The baseline contains all the basic elements required by the Commission including an assessment of the main labour market trends over a five year period as well as of human resource development issues more widely. An assessment of key disparities vis-à-vis particular social groups in the labour market such as the disabled, older workers, women etc. as well as of inter-regional disparities on key employment trends is provided*
2. *The baseline addresses other issues of relevance to ESF in 2007-13 including lifelong learning, the extent to which flexible working practices are being adopted by Lithuanian employers and equal opportunities issues in the labour market (gender equality in particular).*
3. *Other issues covered through the baseline include a review of problems relating to the quality and supply of scientists and researchers and an assessment of administrative capacity levels in the public sector. The latter will be a new feature of ESF in Lithuania in 2007-13.*
4. *Each new sub-section in the baseline assessment begins with a table which contains a summary of key messages. This provides a very helpful overview.*
5. *With regard to the situation in respect of gender equality in the Lithuanian labour market, the baseline highlights a mixed picture. While there are relatively high activity rates compared with the EU average among both women and older workers (i.e. those over 55), labour market indicators show that there are inequalities in terms of pay levels, as well as evidence of vertical and horizontal segregation in the labour market*
6. *Other aspects relating to equality are dealt with in the sub-section dealing with social exclusion and poverty. This considers the position in the labour market and in wider society of other social groups including older workers, the disabled, the Roma, etc.*
7. *A weakness in the baseline is perhaps the lack of mention of the baseline situation in respect of national minorities in Lithuania in the labour market. National minorities (mainly Polish, Russians and Belarussians), account for approximately 15% of the population. A study undertaken for the EC Delegation to Lithuania pre-accession drawing on research from academics in the field found that some minorities – especially the Russian population – typically had higher unemployment levels than average. While not suggesting that discrimination is a particular problem in Lithuania particular support may be needed to facilitate the labour market integration of different social groups*

Recommendation 1: Some short text on the baseline situation in respect of national minorities in the labour market should be added in the section on social exclusion and poverty, even if comprehensive research in this area may be lacking

We now review some of the key messages highlighted in the baseline assessment of the HRD OP.

- *Employment rates have grown markedly in Lithuania over the past 5 years. Between 2001 and 2004, for example, they rose from 57.5% to 61.2%. However, there remain problems relating to economic inactivity rates which have remained stable between 2001-04 despite high GDP and employment growth*
- *Unemployment has been significantly reduced in the past five years. However, there remain problems relating to long-term unemployment and social exclusion amongst particular groups e.g. the disabled, the young, those living in rural areas*
- *While the workforce is highly educated compared with the EU average, there are problems relating to low labour productivity. Encouragingly, however, labour productivity has been increasing rapidly albeit from a low base*

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- *There is a need to better match skills and qualifications to labour market needs*
- *The demographic challenges faced by Lithuania in 2007-13 are twofold – high labour market emigration and the ageing of the population. Attracting Lithuanians working abroad back to Lithuania, particularly the highly skilled but also low skilled workers and manual labour, is a key strategic priority*
- *Indicators for lifelong learning in Lithuania are amongst the lowest in the EU (approximately twice lower than the EU average)*
- *There is a need to promote flexible forms of working more widely. At present, part-time jobs are often low paid and menial*
- *There has been a major growth in demand for skilled labour from Lithuanian employers. Skills requirements are changing rapidly across the economy*
- *Human resources in the field of science and research do not correspond well to labour market needs (low number of researchers, ageing base of scientists and researchers, low % working in private sector research)*
- *Various issues need to be tackled in terms of improving administrative capacity in the public sector. There is similarly an ongoing need for public sector reform*

8. *Ex-ante has helped improve the baseline in a number of ways. Examples include recommending that more up to date statistics should be used to reflect the fast-changing nature of Lithuania's labour market. For example, while youth unemployment remains a problem, its incidence is lower than anticipated due to fast economic growth and limited labour supply. We also suggested that a deeper analysis of employer skills needs should be included drawing on employer skills surveys and any other available research.*
9. *Turning to the SWOT analysis, this highlights the strengths, weaknesses, opportunities and threats relating to human resource development and the labour market in Lithuania in 2007-13. In our view it provides a good reflection of the main issues highlighted in the baseline assessment which precedes it.*
10. *Given the range of issues covered in the SWOT, ex-ante suggested an alternative approach would be to present priority-specific SWOTs to reflect the fact that each Priority addresses quite different – though in some cases inter-related - areas of human resource development. However, it was agreed that the integrated SWOT approach had the merit of keeping the programme document length shorter*

2.2 *Vision, rationale, objectives and internal coherence*

11. *The vision in the operational programme is to strengthen human resource development with an emphasis on improving labour productivity in order to facilitate the development of the economy, employment and the transition to a knowledge-based society. The vision seems appropriate to ex-ante. Given the lack of labour supply, it is appropriate to focus on improving labour productivity and on strengthening human resource development so as to improve job quality rather than on new job creation, given low unemployment and high levels of labour market emigration*
12. *The HRD OP is underpinned by quantitative targets such as increasing labour activity rates and increasing the average labour market exit age of older workers. However, structurally, it would be helpful if it were made clearer that the vision and high level objectives in the HRD OP are underpinned by quantitative objectives that seek to help achieve - and in some cases go further than - the Lisbon employment objectives.*

Recommendation 2: Include a table with quantified objectives immediately after the text on the vision and high-level objectives for the HRD OP.

13. *The priorities identified in the HRD OP are coherent with the high-level objectives relating to human resource development set out in Lithuania's National Strategic Reference Framework.*

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Human resource development is one of three priority sectors identified as national priority sectors in Lithuania for 2007-13 (alongside research and development and innovation)

14. *The ‘intervention logic’ and ‘internal coherence’ of the HRD operational programme have been examined as part of ex-ante.* This has included a review of the relationship between different priorities including the potential contribution of each priority to achieving key objectives at the programme level.
15. *A clear ‘hierarchy of objectives’ can be identified between high level programme objectives and the aims and objectives set out at the priority level.* Key findings from this assessment are set out in Appendix B (internal coherence was addressed in Working Paper 2)

As regards the specific areas of intervention prioritised in the HRD OP:

16. *The emphasis in the HRD OP on ‘productive’ human resource development demonstrates strong intervention logic.* Labour productivity rates in Lithuania are significantly below the EU average, albeit increasing
17. *The focus on ‘job quality’ in Priority 1 is appropriate since the labour market situation has changed markedly since Lithuania prepared the previous 2004-06 Objective 1 programme.* The focus on job quality reflects the policy priority of shifting activities up the value chain to more knowledge driven activities in accordance with the Lisbon strategy which emphasises ‘better’ as well as ‘more’ jobs. It also reflects the reality of reduced labour supply in Lithuania linked to labour market emigration, strong economic growth and ageing demographics
18. *‘Adaptability’ oriented measures will enable beneficiaries to update their skills and competences and to strengthen human resource development so that employees are able to perform ‘better quality’ jobs.* This should help not only strengthen the human resource potential and competitiveness of Lithuania’s labour force but also strengthen competitiveness in enterprises
19. *‘Employability’ type measures (including active labour market policies) to re(integrate) the unemployed back into the labour market are appropriate both in tackling social exclusion and in addressing labour supply shortages.* While unemployment in Lithuania has declined significantly over the past 5 years – particularly amongst youth – it remains a problem in economically deprived urban and rural areas and amongst some disadvantaged social groups in the labour market.
20. *There is a renewed emphasis in 2007-13 on active labour market measures to get the unemployed back into employment, particularly those from disadvantaged social groups - e.g. the long-term unemployed, youth unemployed and those aged over 50.* The focus on ALMP should help increase labour activity rates as well as prevent social exclusion
21. *The focus on lifelong learning in the HRD OP is appropriate.* There is an emphasis both on boosting demand for lifelong learning through support for non-formal and formal training (Priority 1) as well as on tackling supply side capacity constraints (Priority 2) to encourage formal education institutions to improve their capacity to provide client-centred learning solutions. This would encompass bespoke company training courses at vocational and non-vocational levels as well as extended guidance and support tailored to meet the individual needs of beneficiaries and target groups.
22. *The strategy also places an emphasis on flexible forms of work organisation to attract and retain talent in the workforce.* New forms of work organisation will be particularly important in 2007-13 in Lithuania in the context of limited labour supply
23. *The focus on strengthening the capacity of researchers (Priority 3) is also appropriate and there are clear linkages between the baseline and proposed activities under this Priority.* A key problem identified in the baseline was the difficulty in retaining qualified researchers and scientists in Lithuania.

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24. *There is also good internal coherence in terms of linkages between priorities.* Reference is made to linkages between Priority 3 of the HRD OP and Priority 2.1 of the Economic Growth OP which will provide support for investment in improving research infrastructure, laboratories and scientific institutes etc.
25. *The emphasis on strengthening administrative capacity in the public sector (Priority 4) is fitting.* While significant progress has been made in reforming the public sector since Lithuania's independence, the baseline identifies a number of areas in which further work is needed to reform, modernise and train the civil service to equip it for tomorrow's challenges
26. *The only concern from a coherence perspective is that quite a large variety of activity streams will be supported within this Priority - these vary considerably in their nature and scope.* This will have management implications which will need to be carefully addressed (see recommendation in sub-section on management and implementation arrangements)
27. *With regard to the overall programming structure, the main ex-ante comment on the HRD OP was to question whether Priority 1 should remain as a single priority or be divided into separate priorities.* A wide range of interventions ranging from 'employability' measures for the unemployed, 'adaptability' measures for workers in enterprises and measures to promote social inclusion..
28. *However, the Ministry of Labour decided that a single Priority with three sub-Priorities would firstly be simpler to implement and secondly would follow the intervention logic that all measures supported are part of an 'employment continuum'.* It was also felt that this structure would provide the most flexible structure to respond to the rapidly changing circumstances and be a more dynamic model.
29. *Turning to the question of 'internal coherence', ex-ante has considered linkages between the HRD OP and the other OPs. It is important that each Priority takes into account the aims and objectives of Priorities in other OPs and is designed to enhance strategic linkages so that all ESF activities add value to ERDF interventions.* In most cases, there is already a good assessment of linkages and synergies but in some instances, this could still be improved
30. *Examples of Priorities where this is a need for close linkages and synergies are provided below:*
- **Tourism infrastructure development** under Priority 1 of the Cohesion OP should be supported by tailored training interventions (under both the employability and adaptability strands) of the HRD OP to support the sector's development
 - **Public sector infrastructure development** under the Cohesion OP (Priority 2) will be supported by support for administrative capacity building for public sector employees under Priority 4 of the HRD OP
 - **Learning Infrastructure projects** supported under Priority 2 of the Cohesion operational programme will lend support to supply side capacity building under Priority 2 of the HRD Programme

Recommendation 3: At the next stage in planning the detail of activities at the Priority and sub-Priority level, there is a need to go into more depth in terms of how in concrete terms linkages will be ensured – for example, could sector-specific training schemes be developed to support the tourism sector's development in synergy with tourism infrastructure activity under Priority 1 of the Cohesion OP?

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2.3 Financial allocation

31. *The ESF financial allocation – 16% - is lower than originally proposed – but broadly comparable with other new member states where ex-ante has been able to obtain benchmark data. Ex-ante’s Working Paper 2 contained an assessment of the financial allocation for the operational programmes. Our research suggests that the ESF allocation in Lithuania in percentage terms is broadly in the middle of the range of benchmarks obtained from other new member states. In Estonia 13.0% will be devoted to HRD while in the Czech Republic, the proportion will be 17.5%*

Recommendation 4: The Lithuanian authorities should provide the Commission with a clear justification as to the rationale for the reduction in the ESF allocation.

This justification should set out the reasoning for priority investment in infrastructure development at this stage (in particular to ensure that Lithuania can stem the flow of labour to other Member States) but should make clear that over the longer term, investment in HR Development will increase, to add value to these investments and ensure their long term sustainability.

2.4 External coherence

32. *Working Paper 3 addressed the issue of ‘external coherence’ coherence’ i.e. the extent to which proposed activities within each Priority are coherent with national and EU policy priorities. The ex-ante assessment found that the HRD OP demonstrates strong coherence with EU and national policy frameworks.*
33. *At the end of each Priority description in the HRD OP, there is a short sub-section on compatibility with EU supported measures which explains the way in which each Priority demonstrates external coherence with key EU policies*
34. *There is a close alignment between the main priorities identified in the HRD OP and the employment policy objectives identified in key EU policy documents particularly the Community Strategic Guidelines 2007–2013 and the Integrated Employment Guidelines 2005-08*
35. *The Priority descriptions in the HRD OP also demonstrate coherence with national employment policy priorities and strategies for strengthening human resource development. For example, there is a strong coherence between Lithuania’s National Lisbon Reform Programme – which advocates strengthening investment in human capital, tackling structural unemployment and the need to increase labour market participation rates and the interventions prioritised under Priority 1 of the HRD OP*
36. *There are adequate references in the Priority descriptions to national strategies and policy priorities. For example, under Priority 1 (the social inclusion activity group in particular), reference is made to a number of relevant national strategies including: the National Anti-Discrimination Programme for 2006–2008, the National Demographic Strategy 2005–2007 and the Lithuanian National Strategy on Child Welfare Policy*

2.5 Monitoring and indicators

37. *Working Paper 4 dealt with monitoring and indicators – as well as target setting (see next sub-section). This provided guidance on ‘core’ indicators for ESF drawing on good practice from the UK Structural Fund programmes. It also contained an assessment of the appropriateness of proposed indicators and quantified objectives. Final ex-ante comments on proposed ESF indicators and on targets are provided in Appendix D.*
38. *Amongst the main ex-ante findings from the initial review of indicators were that there was a need to define core indicators, the overall number of indicators should be reduced and data sub-sets on the characteristics of ESF trainees should be collated to improve the quality of ESF monitoring data. Guidance was also provided on how to ensure that the horizontal themes - particularly ‘equal opportunities’ – were addressed in the indicator system*
39. *An appropriate set of core indicators accompanied by common definitions is needed before the indicator system can be finalised. Although core indicators have now been defined for ESF, it is*

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very important that common definitions are also drawn up since in 2004-06 there were problems with regard to quantifying outcomes in respect of core indicators and in aggregating these. Examples from the UK will be provided to the relevant IBs

Recommendation 5: it is very important that core indicators are included in the indicator system

It is also imperative that short common definitions are drawn up for all indicators so as to ensure that final beneficiaries and those involved in collecting monitoring data are clear with regard to the way in which project outcomes should be measured. This will help avoid problems with regard to the quality and comparability of monitoring data

40. *In 2007-13, there should arguably also be a focus on assessing qualitative outcomes attributable to ESF interventions, known as ‘soft outcomes’ as well as on ‘physical outcomes, such as the number of ESF trainees, the number of qualifications obtained.* While soft outcomes are not part of the ‘quantitative’ monitoring system, they are nevertheless likely to be important in 2007-13 in Lithuania, especially for the social inclusion activity group

41. *In this regard, we would make reference to the level of non-completers of ESF training in the 2004-06 programme (i.e. those that enrolled but did not complete the course).* Clearly this means that the impacts of ESF interventions may be under-estimated if ‘soft’ as well as ‘hard’ outcomes are not taken into account.

Recommendation 6: In the new Programme, targets should be set which take account of the fact that a proportion of ESF training beneficiaries will drop out as ESF projects learn to improve their retention methods. In the meantime, it would be worth building into the targets a high number of beneficiaries and factor in the proportion who will not complete the course (or will move to another, more appropriate support project)

Recommendation 7: Thought should be given as to whether ‘soft outcomes’ relating to ESF interventions could be assessed qualitatively in 2007-13, given that the ‘distance travelled’ by ESF training beneficiaries can be as important an outcome as physical outcomes particularly for social inclusion type activities. Pilot initiatives to test different methodologies to improve targets could be developed over time.⁷

42. *A review of the appropriateness of quantified targets was also undertaken. As part of this assessment, ex-ante questioned whether such high numbers of ESF training beneficiaries could be supported and similarly whether it was realistic for large numbers of individuals to receive career guidance and counselling support.*

43. However, the Ministry of Labour made clear that these numbers could be achieved especially given that an individual may receive several types of training support for example progressing from training under the social inclusion activity group through to training under an employability measure. The number of training beneficiaries at the output level may perhaps also be justifiable – given that there are relatively high levels of drop-outs on some training courses.

2.6 Quantification of objectives

44. *Ex-ante has reviewed the quantified targets in the draft operational programmes.* The bottom-up quantification of objectives will be addressed in more detail in the ‘common part’ of the final integrated ex-ante evaluation report.

⁷ However, we would not suggest including such indicators in the formal monitoring system since at the programme level soft outcomes are difficult to measure in a uniform way. Rather, targets in respect of soft outcomes could be set within the context of each measure and could be used to guide applicants on the structure and content of their applications.

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45. The bottom-up calculations suggest that ESF financed activities are likely to generate the following outcomes:

- There are likely to be approximately 385,000 beneficiaries of ESF training assistance. These will be sub-divided between formal vocational training (56,500), non-formal training (218,500) and those benefiting from active labour market policies (65,000)
- Of these ESF training beneficiaries, up to 45,000 will receive formal vocational training qualifications and circa 200,000 will successfully complete non-formal training courses
- Approximately 2,000 companies will benefit from ESF training support
- 10,000 students, researchers and scientists will also benefit from ESF support

46. *Ex-ante is currently in the process of verifying these targets using benchmark data from the earlier 2004-06 programmes and from programmes elsewhere. This information will be set out in the final version of Working Paper 4*

47. *During the ex-ante process we have however questioned whether the targets are realistic. In particular, the numbers suggested for "non-formal" training are very high - which is not, in itself, a problem - but this figure could benefit from further break down – since the total figures of ESF training beneficiaries will include company specific and bespoke training for highly skilled workers but will also include early interventions for socially excluded individuals*

48. *It would be better to break down these figures to show that there is a clear view with regard to expectations of what level of training will apply to the different groups. In particular, there is a need to show that informal training will add value in terms of meeting the needs of the labour market and companies – while there should not be too many indicators, without data disaggregation on the types of ESF beneficiaries, the outcomes could be perceived as the mass delivery of short training initiatives of not especially high quality*

49. *The implementation of the Human Resource Development OP should have various positive qualitative impacts, as set out below:*

- P1 - Adaptability measures should help strengthen human resource development and improve the quality of the workforce. The emphasis on 'better jobs' will help strengthen competitiveness and is in line with the Lisbon strategy which emphasises the importance of promoting knowledge intensive jobs
- P1 - Measures supported under the social inclusion activity group should help reduce social exclusion in accordance with the EU's social inclusion agenda as well as promote increased labour market participation. This is critical given limited labour supply/ ageing demographics
- P1 - Employability measures should help get the unemployed back into employment and promote increased labour market participation rates
- P2 - The focus on lifelong learning should help make Lithuania's workforce more competitive and flexible and better able to adapt to economic change.
- P3 – The focus on strengthening the capacity of researchers should help Lithuania to strengthen its research base and to make the transition to a more knowledge driven economy. It should also help towards achieving the ambitious Lisbon objective of spending 3% of GDP on R&D (2% in Lithuania but from a lower baseline)
- P4 – Support for strengthening administrative capacity should help enable the Lithuanian civil service to undertake the necessary reforms to improve its capacity
- All measures will contribute towards strengthening human resource development. Priority 1 in particular should contribute towards equal opportunities by targeting groups

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at risk of social exclusion in the labour market

2.7 Programme management and implementation

50. Programme management and implementation systems were addressed in detail by ex-ante in Working Paper 5. This included a review of lessons from past experience from the Objective 1 programme in 2004-06 and an analysis of the policy implications for 2007-13. Many of the comments raised apply across the 3 OPs and are not specific to the HRD OP. These will be set out in the ‘common part’ of the final evaluation report
51. With regard to programme management arrangements for the HRD OP, the proposed approach to ESF implementation will not change in respect of the first 3 priorities in the HRD operational programme. Strategic responsibility for Priorities 1-3 will remain divided between two Intermediate Bodies (MoSSL and MoES) with responsibility for day to day operational management being delegated to the ESF Agency in their capacity as the Implementing Agency for human resource development interventions
52. The implementation of Priority 4 however, (administrative capacity building and increasing the efficiency of public administration), will be carried out by a new Intermediate Body, the Ministry of Interior. Its responsibilities will include implementing Priority 4 of the HRD OP as well as implementing parts of Priority 1 of the Cohesion OP.
53. The implementation of Priority 4 of the HRD will require extensive cross-governmental collaboration between different Ministries. A large variety of activities – ranging from training civil servants through to projects to improve administrative efficiency in accordance with ‘better regulation principles’ will be supported. There is a question mark as to whether the Ministry of Interior as the new Intermediate Body will have the capacity to implement such a complex Priority without capacity building support

Recommendation 8: The Ministry of Interior should be provided with Technical Assistance support and extra human resources to ensure that they can effectively fulfil their role as an Intermediate Body in 2007-13.

54. The ex-ante review of lessons from the 2004-06 Objective 1 programme suggested that audit procedures were too administratively burdensome and should be streamlined, particularly for ESF. Checking each and every invoice using the ‘four eyes’ control principle together with ESF Article 4 checks has had major human resource implications.
55. There needs to be a recognition that ESF Projects are fundamentally different from ERDF projects in terms of audit trails and the procedure for checking projects must be designed to reflect this. ERDF checks should not be imposed on ESF but rather ESF procedures should evolve to take account of lessons from the previous programme – in particular for staffing costs and apportioned costs.
56. Notwithstanding the need to prevent fraud and to ensure sound financial management, current administrative procedures risk jeopardising financial absorption targets for 2007-13. They also tie up too great a proportion of human resource time on audit and control issues rather than on assessing project quality.

Recommendation 9: Financial control systems should be reviewed with more streamlined systems being implemented tested to ensure compliance with EU regulations and sound financial management on the one hand but absorption efficiency and applicant satisfaction on the other.

Guidance should be reviewed and revised to ensure that areas which were problematic in the 2004-6 Programme are highlighted and addressed through improved direction to applicants.

Streamlining could involve limiting audit requirements on financial claims to the final claim and shifting from compulsory checks on procurement compliance for all project approvals to regular random checks during monitoring visits.

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57. Currently, 100% spot checks are carried out on ESF projects. This has led to delays in meeting expenditure profile targets under the N+2 rules. There should be a reduction in the number of monitoring visits undertaken so as to improve administrative efficiency. For example, monitoring visits in Scotland are not undertaken on all projects. Rather, they are selected "randomly" (using a risk assessment system to ensure that the most risky projects are checked). All projects can therefore be monitored at any time and the threat of a possible spot check is usually sufficient to keep grant recipients operating within the rules. The same approach could potentially be adopted in Lithuania⁸

Recommendation 10: Procedures for checking claims and for on the spot checks should be simplified to free up time to concentrate on ensuring project quality rather than on audit and compliance.

There should be a clear separation of checks so that with each claim submitted, a list of the transactions which make up the claim is provided. The first stage in the checking procedure would be to check a representative sample of invoices from the transaction list. The next stage in the checking process might involve a monitoring visit conducted by staff from the ESF Agency. All projects would remain subject to the possibility of secondary checks during monitoring and verification visits which would be programmed via a risk assessment procedure⁹.

58. With regard to 'state aids', it is not envisaged that there will be any state aid schemes under the HRD OP. Ex-ante is waiting for a list of proposed state aid schemes to be provided. We understand this is currently under development

⁸ A note of caution: problems can arise when grant recipients aren't fully aware of the rules and how they will be interpreted. Grant recipients may think they are operating within the rules but in fact they may not be. The Scottish system places the responsibility for ensuring compliance with the rules on grant recipients

⁹ The ESF Agency has gained experience of risk assessment in the 2004-06 Programme. In 2007-13, they should now be in a better position to review risk assessment so that this is less administratively burdensome – they will know which organisations are high and low risk and will be able to take account of these factors into the procedure

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Below, we provide a summary of the main findings from the ex ante evaluation of the Economic Growth Operational Programme for 2007-13. Final recommendations are also outlined where appropriate. In the appendices, the various tasks undertaken by ex-ante are set out in more detail and a review is provided of the extent to which previous recommendations have been taken into account.

3.1 Socio-Economic Baseline and SWOT

1. *The baseline assessment was comprehensively conducted.* The analysis of the current socio-economic baseline in Lithuania and its development prospects is divided into the following proposed priorities: scientific research and technological development and innovation, information society development, transport network, and power supply networks.
2. *Attention was correctly drawn to the fact that Lithuania's growth is mainly based on cheap resources and benefit from markets available in the EU.*

Recommendation 1: In our opinion, the socio-economic baseline should indicate that Lithuania's economic growth was achieved not only through cheap resources and market restructuring. After the macroeconomic situation has been put under control, the economic growth has been strongly influenced by higher domestic consumption and increased borrowing. These factors further strengthen the opinion that in order to maintain rapid growth, companies should be encouraged to become even more competitive, particularly by increasing labour productivity.

3. *It is properly emphasised that low-tech business requiring low-skilled labour force prevails in Lithuania.* There is a weak R&D base, low adaptability of researchers in business, and very low expenses for R&D activities in general.

Recommendation 2: It is important to note that besides the dominance of low technologies in Lithuania and a poor situation in respect of innovation and R&D, attention should be paid to the businesses called "traditional industries" (wood industry, food sector) which lag behind other countries in terms of labour productivity. Seeking to improve Lithuania's labour productivity indicators and achieve the level of some of the old EU countries (which is determined as Lithuania's strategic economic objective), we have to understand that, first of all, we should improve the situation in relation to efficiency in those economy sectors which have a great impact in the structure of gross domestic product.

4. *The ex-ante experts indicated that when analysing the economic situation in Lithuania, first of all low productivity of Lithuanian business should be analysed.* Low investments in core capital, particularly in state-of-the-art equipment, and small-scale application of modern management methods. These comments were taken into account during the work process, and the situation of economy productivity was described and a comparison with the situation in other countries was added.
5. *It was usefully indicated that the financial support instrument system is under-developed in Lithuania.* Venture capital investments are very small, if compared to other countries.

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6. *Undoubtedly, technically and morally outdated energy networks and the country's high dependence on Russia are those issues that are particularly relevant to Lithuania, which does not have its own natural resources.*

Recommendation 3: We would propose that the SWOT analysis mentioned the fact that the Lithuanian public sector is becoming weaker partly due to employee emigration and weak implementation of reforms in this area, particularly in the health care and education system.

7. *Lithuania's situation is properly emphasised in the field of attracting foreign direct investments, where Lithuania is among the last in Europe.*

Recommendation 4: In addition to the fact that Lithuania loses the competitive struggle for the attraction of foreign capital, we would indicate that during recent years another phenomenon can be observed, namely capital leakage from Lithuania, when entrepreneurs choose other EU countries, including neighbouring countries and the new EU countries – Bulgaria and Romania, instead of investments and reinvestments in Lithuania.

3.2 Vision, Objectives, Intervention Logics and Internal Coherence

8. *The vision of the Operational Programme – to achieve parity with some of the old EU countries in terms of development by 2015 – is sufficiently ambitious and compatible with the EU requirements to reduce development disparities between countries.*
9. *The growth vision is planned to be implemented by switching from competition based on “cheap labour” to competition based on “more efficient work, knowledge and innovation”. The respective targets are to enhance business productivity and to develop R&D by improving the business environment and scientific research infrastructure.*

Recommendation 5: the ex-ante team recommended that the priorities be interchanged by setting the business productivity objectives, which would help to improve labour productivity indicators during the short-term period, as the first economic priority and to emphasize the orientation of R&D and business towards the high-tech field which would improve efficiency indicators during the long-term period as the second priority. The priorities were not interchanged; however, the problem of low business productivity was properly emphasised under the second economic growth priority and an incentive was set for increase in this productivity.

10. *The internal logics of intervention measures is co-ordinated in such a way that higher productivity may be achieved through investments in higher technologies, including information technologies, and innovation. For this purpose, the country's core infrastructure must be inevitably improved, “critical mass of scientific research” must be created, and qualified human resources must be prepared (linkage with the first Operational Programme).*
11. *The logics of priority classification is clear: the first priority is related to R&D, the second – to business productivity and business environment, the third – to the*

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information society, and the remaining priorities are intended for infrastructure measures, excluding transport and energy fields.

This is related to particular intervention areas which are given priority in the Economic Growth OP.

12. *Under the second priority, there still remains direct support to companies intending to upgrade their capital in order to achieve better labour productivity indicators.*

Recommendation 6: We would encourage that direct support to business enterprises be maximally reduced in order to avoid competitive distortions by perceiving at the same time that state intervention must be conducted through business environment measures rather than directly allocating budget funds to particular business entities. When allocating direct support to enterprises, our recommendation would be to link this support with capacities of these enterprises intended for export markets, thus avoiding potential competitive distortions in the domestic market. At the same time, this would help to improve Lithuania's export indicators which should be better for a country of Lithuania's size.

13. *Under this priority, it is correctly stipulated that it is necessary to promote investments in Lithuania, i.e. to restructure polluted and little-used territories and to prepare their infrastructure.*
14. *In addition, attention was drawn to financial engineering measures which should facilitate the formation and development of venture capital funds as well as the establishment of innovative enterprises which could have an effect on the existing economy structure and encourage reliance on high-tech businesses.*
15. *The R&D development priority includes both intervention measures for R&D infrastructure and activity promotion measures.*

Recommendation 7: We agree with the opinion that the R&D infrastructure should be strengthened when encouraging business organisations to apply innovation in their activities. This would be the baseline for the development of scientific research and application. At the same time, we would recommend that R&D infrastructure objects were joint rather than separate departmental ones, belonging only to the single organisation. Joint scientific research centres, where specialised training could be provided to specialists and applied research works could be performed by using results for the development of at least several business sectors, would be more effective and would last in the long-term perspective, even after the EU support scheme has been completed.

16. *Under the priority of information society development, it is provided to pay greater attention to the development of electronic services and content. This should also indirectly contribute to an increase in productivity.*

3.3 Financial allocation

17. *Ex-ante's Working Paper 2 contained an assessment of the financial allocation for the operational programmes. The major increase in financial allocation to*

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Priority 2.1 in the latest version of the financial tables mainly reflects the fact that resources to support investment in public R&D infrastructure have been transferred from the Cohesion OP to the Economic Growth OP.

18. *In our view, there is a strong rationale in transferring these funds to a single Priority that deals with investment in research and development on the basis that R&D has been prioritised as a key priority for 2007-13 by the Lithuanian government. In many respects, investment in improving R&D infrastructure sits better within the Economic Growth OP than it does within the Cohesion OP.*
19. *However, financial absorption issues in relation to innovation, research and development and technology transfer will need to be carefully considered. The Lithuanian government has taken a strategic decision to increase the proportion of Structural Funds devoted to R&D, innovation, knowledge transfer etc. to 10% of the total financial allocation as part of its policy commitment to achieving the transition to a knowledge economy in Lithuania.*

Recommendation 8: While ex-ante team supports the emphasis in the OPs on these areas, we would recommend taking into consideration the increased risk of financial absorption problems emerging. R&D activity is currently under-developed in Lithuania, particularly in the private sector, with only limited numbers of firms currently investing in R&D and key priority sectors such as biotechnology, lasers having relatively limited numbers of firms specialising in these areas nationwide. Moreover, national R&D investment priorities have yet to be defined although some preparatory work has been undertaken to develop national R&D programmes.

20. However, our discussions with the Ministry of Economy suggest that a large part of the additional resources allocated to the EG OP will be invested in improving R&D infrastructure (scientific and research institutions). Given that it is much easier to disburse expenditure on infrastructure than on soft measures, this allays many of the concerns ex-ante team initially had. There remains a question mark, however, with regard to the capacity to absorb expenditure on soft R&D measures, particularly those targeted at companies, given the low baseline of investment by the private sector in R&D.
21. A question mark remains, however, with regard to expenditure on soft R&D measures. In particular, there has been a significant increase in financial allocation to investment in direct support for businesses in R&D from circa 200 mln. LTL to 442 mln. LTL. Requests for support for as much as 60 mln. LTL / year have already been received in the 2004-06 period from private firms to invest in R&D.

Recommendation 9: Given a seven-year programming period, additional arguments are needed on how the increase in support up to 442 million LTL for investments into business in R&D is going to be absorbed, where the demand was only for the amount of 60 million LTL during the last period.

22. A key difference compared with the earlier period – with an implication from an absorption perspective – is that money allocated under category 4, “R&D activities” can be used in 2007-13 for joint R&D projects between the public /

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private sectors. In the 2004-06 period, public sector partners were not allowed to apply for financing under a similar measure. Again, this should help in terms of absorption.

3.4 External coherence

23. *Working Paper 3 addressed the issue of ‘external coherence’. The ex-ante assessment found that the EG OP demonstrated strong coherence with the EU and national policy frameworks. In particular, there is a close alignment between the priorities identified in the EG OP and the employment policy objectives identified in the Community Strategic Guidelines “Cohesion Policy in Support of Growth and Jobs” (2007–2013), the Integrated Employment Guidelines for 2005-08 and Lithuania’s National Lisbon Strategy Implementation Programme.*
24. *At the end of each Priority description in the EG OP, there is a short sub-section on compatibility with EU supported measures. This provides an assessment of the way in which the Priority demonstrates external coherence with key EU policy priorities.*

3.5 Monitoring and indicators

25. *As in other Operational Programmes, ex-ante experts advised to significantly reduce the number of impact, results and output indicators and distinguish the core indicators.*

Recommendation 10: *In our view, the most significant strategic context indicators are the following: export, labour productivity, investment, public electronic service level, general expenditure for R&D, and number of researchers in business.*

Recommendation 11: *Specific programme implementation indicators would be the following: number of developed or expanded industrial parks/zones, number of attracted private investments and established technological integrated centres of interaction between business, science and studies (poles, valleys, etc.), number of established and functioning scientific research centres, and other indicators that are characteristic of specific activity groups.*

3.6 Programme Management and Implementation

26. *Programme management and implementation systems were addressed in detail in Working Paper 5. This included a review of lessons from past experience from the Objective 1 programme in 2004-06 and an analysis of the policy implications for 2007-13. Many of the comments raised apply across the 3 OPs and are not specific to the EG OP. These will therefore be addressed in more detail in the ‘common part’ of the final evaluation report.*
27. *With regard to the implementation of the Economic Growth OP, responsibility for its delivery will be divided between several Intermediate Bodies. The Ministry of Economy will be a key Intermediate Body assuming a sole responsibility for the implementation of Priority 2 and sharing responsibility for the implementation of Priority 1 and Priority 4 with Ministry of Education and Science and Ministry of Transport and Communications respectively.*

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28. *The Information Society Development Committee will bear a sole responsibility for Priority 3 while the Ministry of Transport and Communications – for Priority 5.*
29. *These arrangements seem broadly appropriate.* In respect of Priority 1, it is important that close liaison should take place between the Ministry of Education and Science and the Ministry of Economy, which both will assume responsibility for R&D measures.

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COHESION OP

4

Below, we provide an executive summary of the main findings from the ex ante evaluation of the Cohesion operational programme for 2007-13. Final recommendations are also outlined.

4.1 **Baseline Assessment and SWOT**

1. *The Cohesion operational programme provides a comprehensive assessment of the baseline situation in respect of social, economic and territorial cohesion in Lithuania. The baseline contains a review of the socio-economic situation at regional level and in rural areas and includes an assessment of inter-regional disparities which is supported by statistical data*
2. *Other key issues examined in the baseline include the quality and accessibility of public services in the health, education and social services fields and the quality of the environment.*
3. *The baseline addresses all the main priorities that will be tackled through the Cohesion OP. In our view, there are no major gaps in the baseline assessment.*

Below some of the key messages highlighted in the baseline are outlined:

While Lithuania's economy has grown rapidly since 2000, regional development disparities have worsened. While there are a number of 'growth poles' – fast-growing urban centres - Vilnius, Kaunas, Klaipėda (and to a lesser extent Šiauliai and Panevėžys), other areas have experienced much less robust economic growth, particularly regional economic centres, 'problematic territories' and rural areas

A number of areas in Lithuania are classified in the Law on Regional Development as 'problematic territories'. These are characterised by high unemployment, low levels of investment and depopulation due to high levels of labour market migration to larger towns and cities in Lithuania as well as abroad.

Business infrastructure is lacking in many regional economic centres such as commercial centres, business incubators etc. These are needed in order to tackle the problem of low levels of business start-ups and SMEs in regional economic centres (and equally in rural areas)

There are considerable disparities with regard to the quality and accessibility of public infrastructure and services between rural and urban areas of Lithuania. The accessibility of public services has been made worse by negative demographic trends which make service provision in rural and in sparsely populated areas less cost-effective

There are considerable problems in respect of the quality of housing (particularly blocks of flats) in regional economic centres and in rural areas. These need significant investment both in terms of general maintenance and in minimising energy wastage

With regard to the socio-economic situation in rural areas, although the percentage of people employed in agriculture has decreased it continues to account for a high share of employment. There is a need for diversification into alternative economic activities in rural areas to reduce dependency on traditional agriculture. This process is already underway – with growth being seen in new more profitable areas of agriculture as well as in rural tourism, arts and handicrafts

Ageing demographics is a problem in rural areas with many young people choosing to leave to work in towns and cities elsewhere in Lithuania or to emigrate abroad to find better paid employment opportunities.

4. *Ex-ante has contributed to improving the baseline in a number of ways. Examples include recommending that an analysis should be undertaken of additional means of economic diversification in rural areas over and above tourism and handicrafts, suggesting that statistics on the numbers of tourists and on their country of origin in rural areas and the regions should be provided, and questioning the importance of Foreign Direct Investment as a success factor in Lithuania's tourism industry*

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5. *The SWOT analysis highlights the strengths, weaknesses, opportunities and threats relating to the achievement of social, economic and territorial cohesion in 2007-13. The SWOT reflects the main tendencies identified in the baseline*
6. *In Working Paper 1, we argued that the coherence of the SWOT could be further improved. While all Priorities / sub-Priorities will contribute to the achievement of cohesion, the operational programme encompasses quite differing types of interventions ranging from measures to promote economic development and economic diversification to infrastructure development in the public sector to investment in upgrading environmental infrastructure. Although the individual strengths, weaknesses, opportunities and threats identified generally seem appropriate, the SWOT does not appear well-integrated*
7. *A possible solution would be to produce three different SWOT tables, the first focusing on local and regional development (including rural and urban development, cultural heritage and tourism), the second on the quality of (and accessibility to) public services and the third focusing on the quality of the environment.*
8. *An alternative would be to have a single integrated SWOT but to divide each heading e.g. ‘opportunities’ into a number of sub-headings making it clearer which aspect of the baseline the comments relate to e.g. local and economic development, the environmental situation etc.*

Recommendation 1: Improve the coherence of the SWOT either by including separate SWOT tables or at least including sub-headings so it is clearer which area different aspects of the SWOT are intended to address

While this was suggested, it has not yet been taken into account

4.2 Vision, rationale, objectives and internal coherence

9. *The vision of the Cohesion operational programme is to promote cohesion and to ensure that all Lithuanians enjoy a similar standard of living, quality of life and quality of the environment irrespective of where they live. Ex-ante supports the vision statement which reflects the areas prioritised in the Priority descriptions of the Cohesion operational programme document.*
10. *With regard to the coherence between the vision statement and the overarching strategic framework set out in the National Strategic Reference Framework (NSRF), the third objective of the NSRF is to strengthen social, economic and territorial cohesion and to improve the quality of life for Lithuanian citizens. This evidently accords with the aims and objectives set out in the NSRF, whose third development objectives prioritises three goals relating to cohesion: i) exploiting local and regional economic development potential (including in respect of rural areas); ii) providing high-quality public services and improving their accessibility; and iii) improving the quality of the environment. The vision in the Cohesion OP is therefore consistent with the priorities set out in the NSRF*
11. *The ‘internal coherence’ of the Cohesion operational programme has also been examined as part of ex-ante. This has included a review of the relationship between different priorities including the potential contribution of each priority to achieving key objectives at programme level.*
12. *A clear ‘hierarchy of objectives’ can be identified between high level programme objectives and the aims and objectives set out at the priority level. Key findings from this assessment are set out in Appendix B (and in Working Paper 2 which addresses the question of ‘internal coherence’ in more detail)*

Turning to the rationale and objectives of some of the specific areas of intervention prioritised in the Cohesion OP:

13. *The emphasis on reducing regional disparities in Priority 1 demonstrates sound intervention logic. It is evident from the baseline that inter and intra-regional disparities have increased over the past five years, a trend which has accelerated since Lithuania’s accession to the EU. These disparities must be tackled since Lithuania cannot achieve economic Convergence at national level with the EU at the expense of social and economic cohesion in the regions.*

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14. *Under Priority 1, infrastructure investment will be made in rural areas to improve the productive environment, for example, through setting up business incubators in order to promote entrepreneurship and to create new jobs.* This seems appropriate given that the baseline highlights the low level of new business start-ups in rural areas compared with urban areas. While the total number of SMEs in rural areas is increasing, it is doing so at a slower pace than in urban areas
15. *Close linkages will be needed between Priority 1 of the Cohesion OP and economic diversification measures being supported through the European Agricultural Fund for Rural Development (EAFRD) which will run in parallel with Structural Funds in rural areas.*
16. *The emphasis in Priority 1 on sustainable tourism and on better utilising Lithuania's natural and cultural heritage for economic and social benefit is welcome.* This is in keeping with sustainable development principles and should help encourage economic diversification in rural areas and in the regions building on the growth in rural tourism that has occurred over the past few years referred to in the baseline
17. *Turning to Priority 2, the emphasis on modernising public service infrastructure is highly appropriate.* The renovation and modernisation of infrastructure in the health, education and social services sectors is urgently needed to improve the quality of and accessibility to public services, particularly in regional economic centres, so-called 'problematic territories' and in rural areas. Investment in infrastructure should help create the necessary framework conditions to improve human resource development over the long term and also help attract and retain committed workers in key 'frontline' public services
18. *Interventions under Priority 2 will also be utilised to help rationalise and improve the efficiency of public services.* Rationalisation in the provision of healthcare, education, further education and vocational training and in social services is needed so as to reflect changing demographic trends (depopulation is occurring both in regional economic centres and in rural areas) and more generally to improve the efficiency of public service provision
19. *Ex-ante welcomes some of the areas of intervention proposed in Priority 2 such as providing support to set up national sector-specific vocational training centres and the idea of setting up regional education centres to help improve access to educational provision (including pre-school education) for people living in rural and less populated areas).* These measures will help improve efficiency in public service provision as well as improve the accessibility of public services
20. *The focus in Priority 3 on improving environmental infrastructure - particularly investment in basic infrastructure in rural areas - seems sensible.* While progress has been made in 2004-06 in developing basic environmental infrastructure – water supply and more efficient waste management systems etc., there is a need for further investment in infrastructure in sparsely populated areas which have yet to benefit from SFs support. This should aid economic development in those areas of Lithuania that have not previously been able to access basic services
21. *There is also a focus under Priority 3 on improving energy efficiency and on investment in renewable energy sources.* This seems appropriate given the important potential environmental benefits from investment in these areas to help Lithuania reduce its greenhouse gas emissions. These areas of intervention are clearly in keeping with sustainable development principles
22. *Turning to the question of 'internal coherence', explicit references are included in the Priority descriptions to linkages and potential synergies between priorities identified in the Cohesion OP and those outlined in other operational programmes.* For example, under Priority 1 the text states that there are linkages between this Priority and measures foreseen in the human resource development OP and economic growth OP respectively that will contribute towards the promotion of integrated urban development
23. *However, in other areas of the Cohesion OP, ex-ante found that more explicit linkages were needed to maximise the effectiveness of SFs support.*

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Recommendation 2: In some instances, linkages need to be better developed to demonstrate internal coherence i.e. how interventions supported through the Cohesion OP will lend support to activities being supported in other OPs and vice versa.

For example, Priority 1 of the Cohesion OP provides support for tourism infrastructure development. There is a need to ensure that there are appropriate linkages with the adaptability and employability measures under Priority 1 of the HRD OP so as to facilitate the tourism sector's development. For example, ESF financed tourism management courses could be developed as well as more basic training in customer service skills etc.

4.3 Financial allocation

24. *The financial allocation for the Cohesion OP is 38.7%. While this is several percentage points lower than earlier versions of the financial tables, the reduction is primarily cosmetic. The main change that has taken place has been the transfer of investment in publicly financed research infrastructure (scientific and research institutions) from the Cohesion OP to the Economic growth OP. This also reflects the prioritisation by the Lithuanian government of Structural Fund investment in research and development*
25. *While broadly speaking the financial allocation for the promotion of cohesion seems appropriate, there is an issue with regard to the allocation to the environmental sector. Discussions with the Ministry of Environment suggested that it could potentially absorb additional funds on environmental infrastructure projects over and above what has been allocated. There is a need to ensure that the allocation to the environmental sector as well as to other sectors reflects demand based on identified needs*

4.4 External coherence

26. *Working Paper 3 addressed the issue of 'external coherence' i.e. the extent to which proposed activities within each Priority are coherent with national and EU policy priorities.*
27. *While the Cohesion OP contains ample references to national strategic documents, particularly the Lithuanian Sustainable Development Strategy and the National Lisbon Reform Programme, further references to key EU policy documents could be included in some Priority descriptions. Ex-ante commented that references could for example be included in the Priority description to JESSICA, (Joint European Support for Sustainable Investment in City Areas), an initiative to promote sustainable investment in urban areas and in the case of the environmental sector to the revised European Sustainable Development Strategy. These suggestions appear to have been taken on board in the latest versions of the OPs*
28. *The external coherence of the strategy could also perhaps be improved if a standardised approach were to be adopted with regard to the way in which coherence with the EU policy framework is examined. In the HRD OP, for example, at the end of each Priority description, there is a short sub-section entitled 'compatibility with EU measures'. This approach has also been adopted for Priority 2 of the Cohesion OP but not for the other priorities. Instead, references to key EU and national strategic documents have been inserted in the main text.*

Recommendation 3: The approach to dealing with external coherence should ideally be standardised between Priorities

4.5 Monitoring and indicators

29. *Working Paper 4 dealt with monitoring and indicators – as well as target setting (see next subsection). It contained an assessment of the appropriateness of proposed indicators. Final ex-ante comments on indicators for the Cohesion OP are provided in Appendix D.*
30. *Amongst the main findings from our initial review of indicators in the Cohesion OP were that: further efforts should be made to differentiate correctly between outputs, results and impacts, targets should be set for indicators that have not yet been quantified and consideration should be given to measuring the number of new jobs and businesses created under Priority 1 (economic diversification aspects) since these are core indicators that can be aggregated at programme level*

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31. While some of these comments have been taken on board, such as differentiating correctly between outputs, results and impacts, others have yet to be incorporated. For example, further thought is needed on core indicators that could be included in the Cohesion OPs, particularly gross job and temporary job creation (Priority 1, 2) and the amount of new business space created (Priority 1, Objective 2). If not enough core indicators are included in the indicator system, there will consequently be difficulties in aggregating outcomes between Priorities
32. In our most recent review of indicators, we emphasised that in the health sector, it was not appropriate for impact indicators to state whether an ‘increase’ or a ‘decrease’ was anticipated. Rather impact indicators should be neutral. For example, rather than measuring the ‘increase in average life expectancy’, the indicator should simply be ‘average life expectancy’. Ex-ante also identified a need for some baseline information to be collected that was missing
33. With regard to Priority 2, we suggested that for the health, education and social services sectors the results indicator ‘the number of users of new/ modernised infrastructure’ should be used, since this reflects Commission guidance. There was a debate as to how useful this information will be, particularly since funding will also be used to rationalise infrastructure meaning that the number of users of infrastructure may actually decline in some cases. However, there were difficulties in identifying suitable alternative results indicators
34. Bi-lateral meetings were held in October and November 2006 to try to improve and finalise the indicator system. The final version of the indicator system will be seen shortly by ex-ante and will also need to be reviewed.
35. An appropriate set of core indicators is needed before the indicator system can be finalised. Although core indicators have been defined in some Priorities/ sub-Priorities, there is a need to ensure that they are included in others.
36. It is also very important that short definitions of all indicators are drawn up. In 2004-06, there were problems in quantifying outcomes in some measures due to the absence of clear definitions and measurement methodologies in the programme complement. It is vital that these are provided at the programme outset otherwise those at the project level responsible for providing monitoring data will experience difficulties in quantifying outcomes

Recommendation 4: Line Ministries involved in the Cohesion OP should ensure that core indicators are included in the indicator system – otherwise it will be difficult to undertake the bottom-up quantification exercise or to include aggregate data in the annual and final implementation reports.

Recommendation 5: It is also imperative that short common definitions are drawn up for all indicators so as to ensure that final beneficiaries and those involved in collecting monitoring data are clear with regard to the way in which project outcomes should be measured. This will help avoid problems with regard to the quality and comparability of monitoring data

37. While recognising that the Priority in Lithuania is to improve job quality rather than to create new jobs (in the context of limited labour supply), it is important in ex-ante’s view that information on the employment effects of Structural Funds is collated. Employment effects (permanent as well as temporary) are widely regarded as an integral part of monitoring the outcomes from Structural Funds interventions and are seen as a proxy for assessing wider outcomes.

Recommendation 6: Notwithstanding methodological and practical difficulties in data collation experienced in 2004-06, given the high level of infrastructure spending under the Cohesion OP, data on temporary jobs (mainly in the construction sector linked to infrastructure projects) should be collated.

Otherwise there is a risk that the outcomes of Structural Funds interventions – not just jobs but the wider macro-economic impacts resulting from increased spending in local economies as a result of infrastructure projects (through indirect and multiplier effects) will be under-estimated.

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4.6 Quantification of objectives

38. *Ex-ante has reviewed the quantified targets set out in the draft operational programmes. The bottom-up quantification of objectives will be addressed in more detail in the ‘common part’ of the final integrated ex-ante evaluation report. A summary of our findings is provided below:*
39. *Only a limited number of core indicators have been included in the Cohesion OP making it difficult to aggregate targets from the ‘bottom up’. Notwithstanding, the indicator tables suggest that the following outcomes are likely to be achieved:*

500 full time equivalent (FTE) jobs will be created (excluding temporary jobs collected through infrastructure projects - which are not included in the estimates)

50m euros of private sector investment will be attracted

40. *The lack of indicators that can be aggregated across Priorities has impeded the bottom up quantification exercise. A key ex-ante task before the indicator tables and targets are finalised will be to encourage Line Ministries to include additional core indicators in the indicator system*
41. *We have also undertaken an assessment of potential qualitative impacts. The implementation of the Economic growth OP should have various positive qualitative impacts, as set out below:*

Priority 1 - First objective (local and regional economic development) - the improved competitiveness of regional urban centres and of rural areas, the improved quality of housing in regional urban centres, improved levels of business start-up rates in rural areas linked to investment in business incubation facilities and in business centres

Priority 1 - Second objective (cultural heritage) - the improved attractiveness of rural areas and of less economically developed urban areas particularly from a tourism and leisure perspective, improved capacity to protect cultural heritage sites

Priority 1 - Third objective (tourism promotion) - increased numbers of tourism visitors in Lithuania’s regions and in rural areas, improved competitiveness in the tourism sector

Priority 1 - Fourth objective (the conservation of natural resources) – impacts will be multifaceted with a number of different activity types foreseen. The overall impact will be the improved use of natural resources in Lithuania, the protection of biodiversity, the implementation of environmental protection systems leading to better long-term environmental management capabilities

Priority 2 – investment in modernising and rationalising infrastructure in the health, education and social services sectors should have positive long term impacts and lend support to human resource development investment over the long term

Priority 3 – improved quality of environmental infrastructure particularly in rural areas (e.g. modern waste management systems, water supply and waste water treatment systems will be implemented). This should help reinforce the long-term economic sustainability of rural communities and stimulate development. Other types of interventions should lead to improvements in air quality and through the increased use of energy renewables improve energy efficiency

4.7 Programme management and implementation

42. *Programme management and implementation systems were addressed in Working Paper 5. These included a review of lessons from past experience from the Objective 1 programme in 2004-06 and an analysis of the policy implications for 2007-13. Many comments applied across the 3 OPs and were not specific to the Cohesion OP. These will therefore be addressed in more detail in the ‘common part’ of the final evaluation report*
43. *With regard to the implementation of the Cohesion OP, responsibility for its delivery will be divided between several Intermediate Bodies. The Ministry of Interior (a new Intermediate Body*

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in 2007-13) will assume responsibility for the implementation of some aspects of Priority 1 including local and rural economic development and investment in housing. The department of tourism within the Ministry of Economy will assume responsibility for tourism and cultural heritage aspects of Priority 1.

44. *The Ministry of Environment will be responsible for the natural heritage aspects of Priority 1 and for Priority 3. Responsibility for Priority 2 will be shared between the Ministry of Health, Ministry of Education and Science and the Ministry of Labour respectively depending on the type of infrastructure in question. The department of energy within the Ministry of Economy will assume responsibility for the renewable energy dimension of Priority 3.*
45. *These arrangements seem workable given that this largely represents continuity with the 2007-13 period. However, as outlined in Working Paper 5, possibly a more effective approach would be to set up dedicated secretariats for each OP, either through the establishment of independent programme secretariats or through the setting up of a government agency under the aegis of the Ministry of Finance.*
46. *In respect of Priority 1, it is important that close liaison should take place between the Ministry of Interior and the Ministry of Agriculture. While the former will have responsibility for local and regional development and for housing, the latter will assume responsibility for economic diversification measures in rural areas financed through the European Agricultural Fund for Rural Development (EAFRD).*
47. *There are evidently potential synergies between the two funds. For example, productive investment will be supported through the Cohesion OP to fund the setting up of incubators to stimulate entrepreneurship in rural areas. This will be complementary to economic diversification measures supported through the EAFRD. This is recognised in the Cohesion OP which states that this activity under Priority 1 will aim to ‘complement the measures set out in the Rural Development Plan with a view to facilitating the creation of jobs outside agriculture in rural areas’.*
48. *There will be a need for linkages here too between productive investment to improve the business environment in rural areas supported through Priority 1 of the Cohesion OP and Priority 2 of the Economic Growth OP under which support will be available for business and innovation support services.*

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Below, we provide a summary of key findings from the ex ante evaluation of the Technical Assistance Operational Programme 2007-13. Where appropriate, recommendations are also made.

5.1 Institutional arrangements for the implementation of Structural Funds in Lithuania and SWOT analysis

1. *The TA Operational Programme provides an assessment of administrative arrangements for managing and implementing Structural Funds in Lithuania. This addresses both the 2004-06 period and also looks ahead to the 2007-13 programming period*
2. *The SWOT analysis identifies some of the strengths and weaknesses, opportunities and threats for the TA OP and for the management and implementation of SFs in Lithuania in 2007-13. In particular, it emphasises the need for further capacity building to consolidate the progress already made in developing SFs management know-how as well as measures to improve staff retention*

Recommendation 1: Some of the problems identified in relation to Structural Funds administration in the SWOT analysis – in particular those relating to staff retention - should be explored in further depth

5.2 Vision, objectives and Priority description

3. *The vision and strategic objectives identified in the TA OP are appropriate and demonstrate internal coherence.*
4. *There will be a single Priority within the TA OP. This seems appropriate given the need to avoid an overly complex programming architecture in 2007-13*
5. *The types of activities that will be supported through TA are coherent with activities eligible under Article 45 of the General Regulations on Structural Funds 2007-13*

5.3 Strengthening administrative capacity

6. *The SWOT analysis highlights the difficulties which have been experienced in retaining talented staff and knowledge capital within Implementing Agencies and Intermediate Bodies. This was attributed to various factors including the lack of flexibility in civil service pay scales and more attractive employment opportunities in the private sector.*
7. *Given this, there needs to be a stronger focus on staff retention to ensure that administrative capacity in SFs management continues to develop.*
8. *TA funding will therefore need to be made available through the Technical Assistance OP to develop capacity in relation to the management and implementation of Structural Funds.*
9. *It should be noted that support will also be available for public sector administrative capacity building under Priority 4 of the HRD OP.*

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Recommendation 2: There will be a need to ensure that ESF support for capacity building complements rather than duplicates capacity building support financed through TA (also see Recommendation 3)

10. *Capacity building will also need to be extended to the regional level given the increased role of the regions in the next period in prioritising funding and in project selection for certain Priorities (particularly the Cohesion OP).*

Recommendation 3: Capacity building with Regional Councils and county level administrations should start as early in the new programming period as possible

As at the national level, there should be a clear delineation of which types of capacity building activities will be supported at regional level through the TA OP as opposed to Priority 4 of the HRD OP.

5.4 Administrative arrangements, management and control

11. *The proposed administrative system for managing Structural Funds in 2007-13 largely represents continuity with the system put in place for the 2004-06 period.*

12. *It is appropriate to retain a broadly similar administrative structure in our view given the short duration of the 2004-06 period and the consequent ongoing challenges of strengthening administrative capacity and the need to let administrative structures and systems mature further before considering alternative approaches*

13. *The proposition of having a single Programme Monitoring Committee (PMC) rather than 3 OP-specific PMCs appears sensible. This should ensure more effective co-ordination in monitoring the implementation of the OPs.*

Recommendation 4: In addition to having an overarching PMC, OP-specific PMC sub-groups, financed through TA, should be set up to ensure that more detailed monitoring of the performance of the OPs during their implementation can be monitored effectively. The results of their work will need to be regularly fed back to and discussed amongst the wider PMC

14. *With regard to the regional dimension, institutional maturity to manage the funds has grown rapidly at national level. The new 2007-13 programming period therefore provides an excellent opportunity to ensure that the regions play a more active role in the programming process and implementation of the funds.*

15. *The Regional Councils (working in close liaison with county administrations) will be the main vehicle for co-ordinating the implementation of Structural Funds at regional level. They will need to work closely with the Ministry of Interior in prioritising projects and in encouraging regional partnership working.*

16. *The Regional Councils should be equipped with the necessary resources (human / financial) - and receive training from officials from national institutions - to ensure that they have sufficient capacity to carry out these functions.*

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Recommendation 5: Support should be programmed within the TA budget to support regional capacity building. As mentioned earlier, there needs to be a clear delineation between capacity building activities that will be supported through the TA OP and those that will be supported through Priority 4 of the HRD OP (which also seeks to increase the administrative capacity of the public sector through training activities, etc.)

17. In relation to the partnership principle, there is a need to provide a more detailed explanation as to how partnership will be adhered to in practice, not only in relation to the work of the Programme Monitoring Committee, but more widely

Recommendation 6: Further text should be added on the importance of the partnership principle and the way in which this will be respected through the implementation of the funds.

18. Some financial absorption bottlenecks occurred in 2004-06. In part this was due to duplication in administrative procedures such as double checking claims, the involvement of two tiers of institutions in the evaluation process etc.

19. In 2007-13, there is a need to consider how administrative procedures might be streamlined to improve the efficiency and effectiveness of Structural Funds management and implementation.

Recommendation 7: A clearer differentiation is needed between the tasks and responsibilities of Intermediate Bodies and Implementing Agencies respectively to avoid the duplication of tasks which has occurred in some areas in 2004-06.

Recommendation 8: Consideration should be given to decentralising responsibility for operational matters including project selection (with the exception of very large projects) and the preparation of guidance for applicants to Implementing Agencies.

20. No major changes are foreseen in respect of audit and control systems compared with the earlier 2004-06 period. Broadly similar arrangements will operate in 2007-13. Different departments within the Ministry of Finance will continue to fulfil their role as the Certifying and Audit Authority respectively. Implementing Agencies will again be responsible for checking expenditure at the project level

Recommendation 9: There is a need to ensure that a clearer description is included in the TA OP of the role of the Managing Authority, Certifying Authority and Audit Authority respectively in particular how a clear separation of functions is ensured within the Ministry of Finance in relation to these.

21. According to the thematic evaluation of the Objective 1 SPD, some expenditure bottlenecks occurred in 2004-06 resulting in part from the requirement to carry out different accountability checks involved in processing grant claims

Recommendation 10: Financial control systems should be reviewed and where possible streamlined so that these are less administratively burdensome in order to improve efficiency and financial absorption.

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Streamlining could include limiting audit requirements on financial claims to the final claim and shifting from compulsory checks on procurement compliance for all project approvals to random checks during monitoring visits. Penalties for failing to comply with procurement and audit requirements would remain but the responsibility should shift to the grant recipients rather than SF staff to ensure projects compliance. This reflects good practice in the EU 15 and would mark a move away from a bureaucratic control culture to a project-based audit culture.

5.5 Evaluation and monitoring (including management and information systems)

22. Lithuania has prepared a National Evaluation Plan in accordance with the General Regulations on SFs. This provides a strategic framework for planning evaluation activities in 2007-13 and set out in detail the thematic evaluations that will be undertaken.
23. It would be helpful, however, if the TA OP itself included more of the detail of the National Evaluation Plan. At present, the description of evaluation activities in the OP relates more to regulatory requirements and to evaluation management processes than to detailed evaluation activities.

Recommendation 11: A couple of paragraphs of further explanation could be included on the specific evaluation activities that have been included in the NEP. This could be supplemented by a table listing planned evaluations together with indicative timings.

24. Monitoring data should be regularly scrutinised by the PMC in the 2007-13 period to assess progress towards implementation.

Recommendation 12: Appropriate arrangements need to be put in place to ensure that monitoring data is regularly fed back both at the level of each OP as well as across the programmes overall. The Ministry of Finance should retain its role in assessing monitoring data

Recommendation 13: Mechanisms will also need to be put in place in the National Evaluation Plan to ensure that under-performance in achieving financial or physical outcomes –identified through monitoring systems - triggers ad hoc evaluation work. The objective of such evaluations will be to identify where problems lie and to suggest appropriate remedial action.

25. The baseline mentions that Lithuania has already set up a management information system – SFMIS – through which monitoring data is collated. This system appears to be working reasonably effectively.
26. A key issue in 2007-13 will be the extent to which the management information system used in 2004-06 can be adapted and customised to meet new information requirements. In particular, there will be a need to manage the transition between programming period from a national SPD to implementing 3 thematic OPs.
27. Another important issue will be the extent to which IT systems are inter-operable. In ex ante's view, a single integrated monitoring system collating data across the OPs would be more effective than having separate IT systems for each OP

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Recommendation 14: Rather than reinventing the wheel, the existing SFMIS system should be customised to meet the needs of the 3 OPs in the new programming period.

Recommendation 15: The MIS system must ensure it is possible to aggregate monitoring data across the 3 OPs so that performance can easily be assessed at the level of each OP and across the programmes overall

5.6 Information and communication strategy

28. *The strategy is appropriate and incorporates a range of target groups including the general public, the media, socio-economic partners and those working directly in SFs.*

29. *In our view, if implemented effectively, the strategy should ensure that EU SFs have high visibility in Lithuania during the 2007-13 period.*

Recommendation 16: The strategy should also include regional stakeholders as an explicit target group of the Information and communication strategy. There is a need to ensure that the regions are kept well informed about EU Structural Funds, given their increasingly important role in 2007-13.

5.7 Horizontal themes

30. *A description of the horizontal themes (equal opportunities, the information society, sustainable development and the regional dimension) is provided. However, the role of the TA OP in promoting greater consideration of these cross-cutting issues will be integrated into the programmes should be further explored*

Recommendation 17: Institutional arrangements to monitor the implementation of the horizontal themes in the programmes in 2007-13 should be outlined in the TA OP. In particular, three working groups should be set up on the horizontal themes. Their main objective would be to monitor the integration of the cross-cutting themes in the operational programmes:

An **equal opportunities** working group, to be co-ordinated by the Ministry of Labour and Social Affairs. This group should be comprised of representatives that reflect the broader scope of equal opportunity objectives than in the previous programming period – e.g. not just gender.

A working group focusing on the **Information Society and Lithuania's transition to a knowledge economy**. This could be co-ordinated by the Lithuanian Information Society Committee and involve the participation of wider stakeholders such as the Knowledge Economy Forum. This aspect of the programmes is critical given its importance from the perspective of the Lisbon agenda

A working group on **environmental and sustainable development issues**, co-ordinated by the Ministry of Environment

31. *The role of the horizontal working groups will be to:*

- Ensure that the cross-cutting themes are given appropriate consideration in the implementation, monitoring and evaluation of the programmes

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- Play a practical role in producing and disseminating advice and guidance on the integration of the horizontal themes into programme and project planning and implementation. Guidance will need to be very pragmatic e.g “practical ways how to incorporate horizontal themes in SF projects”
32. *An effort should be made to ensure that these working groups are comprised of a diverse range of stakeholders in accordance with the partnership principle. As well as involving representatives from different Line Ministries, membership could be extended to include participation from social partners, NGOs, civil society etc.*
33. *This approach would firstly be in keeping with the ‘partnership principle’ and secondly, the input of wider stakeholders will be helpful in spreading good practice about how to go about mainstreaming in practical terms*
34. *Further information should be provided on how the TA OP will support the implementation, monitoring and evaluation of the horizontal priorities under each of the three thematic OPs. This is currently missing. Rather, the current text addresses how the TA OP will ensure compatibility with the horizontal theme principles.*

3.8 Implementing Provisions

Administrative arrangements and controls

35. *A more detailed overview of administrative arrangements in respect of the management and implementation of Structural Funds in Lithuania is provided in the Annex, which sets out implementing provisions.*

Recommendation 18: The explanation of the administrative set-up in relation to the management and implementation of Structural Funds in Lithuania should provide clarity in respect of how the separation of functions within the Ministry of Finance will be ensured between the Managing Authority, Certifying Authority and Audit Authority respectively. The different departments that play a role in carrying out each of these tasks should be explicitly stipulated

36. *The bodies that will carry out both system and sample audits should also be specified in more detail. In particular, the functions that will be delegated by the Audit Authority within the Ministry of Finance should be specified*

Synergy and Co-ordination with other OPs

37. *There is a need to ensure greater clarity in relation to ensuring synergy and effective co-ordination with the 3 other thematic OPs. There is a need in particular to delineate those areas which are common to each OP and can be supported through the TA OP as opposed to those which are OP-specific, particularly in areas such as evaluation and computerised monitoring systems*

EX-ANTE RECOMMENDATIONS

– COMMON PART

A

In this section, we provide a review of the main recommendations made during the ex-ante evaluation of the Lithuanian Operational Programmes 2007-13.

Ex-ante recommendations of relevance to all 3 thematic OPs

In the tables below we set out recommendations of relevance across all 3 operational programmes. These summarise what recommendations have been made by the ex-ante team and any actions taken as a result. We have categorised actions taken using the following key:

<i>Key:</i>	<i>Symbol</i>
<i>Yes</i>	√√
<i>Yes, to some extent</i>	√
<i>No</i>	N
<i>Don't know</i>	?
<i>Recommendation will need to be considered later on during programming process</i>	→

Management and implementation arrangements

<i>No.</i>	<i>Recommendation</i>	<i>Taken into account?</i>	<i>Action</i>
1	The Ministry of Finance should remain as Managing Authority of Structural Funds in Lithuania with strategic responsibility for co-ordinating the implementation of the 3 Operational Programmes in 2007-13.	√√	Recommendation accepted
2	Consideration should be given medium term to delegating some of the Ministry of Finance's technical responsibilities for Structural Funds management and implementation either to a new government agency having dedicated secretariats for each OP, or to an independent programme secretariat.	→	Still under discussion
3	Management and implementation arrangements for Structural Funds in 2007-13 should be simplified wherever possible.	→	This will need to be considered at the detailed planning stage
4	Responsibility for operational matters should be decentralised to Implementing Agencies. Examples of activities that could be decentralised include the project selection process (perhaps with the exception of very large sized projects) and the preparation of guidance for applicants	→	This will need to be considered at the detailed planning stage

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5	Regional Councils should be equipped with the necessary resources (human / financial) - and receive training from officials from national institutions - to ensure that they have sufficient capacity to carry out these functions.	→	ESF support for capacity building will be used to support partnership
6	A single Programme Monitoring Committee (PMC) should be established and PMC sub-groups should be set up for each of the three Operational Programmes 3 PMC sub-groups should also be set up to ensure sufficient attention is paid to monitoring the implementation of each OP.	√√	This approach is advocated in the TA OP
7	Working groups on the horizontal themes should be set up to monitor the integration of the cross-cutting themes into the operational programmes.	→	Still under discussion
8	Institutions involved in Structural Funds implementation should try and simplify the application process wherever possible.	→	This will need to be considered at the detailed planning stage and in drawing up 'guidance for applicants'
9	The evaluation process should be streamlined into a two tier system differentiating between smaller and large projects to improve its efficiency and effectiveness.	√	Still under discussion
10	The maximum timeframe of 6 months for the project selection process set during the current 2004-06 period should be adhered to.	→	Still under discussion
11	Expert evaluation panels should be established to replace the current system in most IAs whereby two evaluators score projects to improve the quality of the evaluation process and to enhance decision-making transparency.	→	Still under discussion

Recommendations – financial absorption

No.	Recommendation	Taken into account?	Action
12	Each OP should have a dedicated N+3 Strategy. As an integral part of this strategy, the Managing Authority should produce a quarterly financial absorption plan for each Priority (and sub-Priority) in each OP	→	Still under discussion

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13	Absorption Action Groups could be established comprising representatives from each OP and chaired by the Managing Authority	→	Still under discussion
14	There should be a clearer delineation of tasks and responsibilities between Intermediate Bodies and Implementing Agencies. In particular, steps should be taken to eliminate duplication	→	Still under discussion
15	Consideration should be given to placing greater emphasis on non-competitive tendering procedures in 2007-13.	→	Still under discussion
16	Strict expenditure milestones and decommitment conditions should be included in grant awards to ensure that projects proceed as proposed	→	Still under discussion
17	Financial control systems should be reviewed with more streamlined systems being tested to assess compliance with EU regulations, applicant satisfaction and absorption efficiency.	→	Still under discussion

Recommendations – quantification of objectives

No.	Recommendation	Taken into account?	Action
18	Employment effects should be quantified much more extensively across the operational programmes than is currently the case	?	No info at this stage – only post-negotiations
19	Temporary employment effects should be collated or at the least, provision made to estimate the multiplier effects of these using 'top-down' econometric modelling	?	No info at this stage – only post-negotiations
20	Other 'core indicators' – such as the amount of new business space created – should also be quantified where appropriate	?	No info at this stage – only post-negotiations

Recommendations – evaluation and monitoring

No.	Recommendation	Taken into account?	Action
21	A mid-term evaluation should be undertaken reporting back on the implementation of the 3 operational programmes to the Managing	→	Still under discussion

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	Authority and PMC		
22	The role of key actors (besides the Evaluation Unit and the Evaluation Management Group) in Structural Funds evaluation could be explored in more detail	→	Still under discussion
23	Appropriate performance criteria should be set out in the National Evaluation Plan to identify under-performance in respect of financial or physical indicators against targets which in turn would trigger an ad hoc evaluation	→	Still under discussion
24	Linked to this, appropriate arrangements need to be put in place to ensure that monitoring data is regularly scrutinised by the PMC and Evaluation Management Group to assess instances of under-performance	→	Still under discussion
25	Monitoring arrangements should be finalised in detail as soon as possible. The proposed approach should then be commented on by ex-ante	→	Still under discussion
26	Due consideration will need to be given to the implications of making a transition from a Single Programming Document to three national thematic operational programmes from the perspective of i) monitoring data collation and ii) management information systems needed to capture this data	→	Still under discussion, monitoring arrangements need finalising
27	Consideration should be given to developing a more comprehensive Management Information System in Lithuania	→	Still under discussion

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Ex-ante recommendations – HRD Operational Programme

In the table below we outline final recommendations made by ex-ante on the version of the HRD OP sent to the European Commission. These highlight ways in which programme documentation could still potentially be improved.

Final recommendations

No.	Recommendation	Taken into account?	Action
1	Short text on the baseline in respect of national minorities in the labour market should be added in the section on social exclusion and poverty	??	No info
2	Include table with quantified objectives immediately after text on vision and high-level objectives for the HRD OP to make clear that key strategic goals are supported by quantified targets	??	No info
3	At the next stage in planning detailed activities at Priority level, there will be a need to set out in more detail how linkages between Priorities and between OPs will be ensured For example, could sector-specific training schemes be developed to support the tourism sector's development in synergy with tourism infrastructure activity under Priority 1 of the Cohesion OP?	√	This will need to be addressed at detailed programme planning stage
4	The Lithuanian authorities should provide the Commission with a clear justification as to the rationale for the reduction in the ESF allocation.	√	Justification will be provided during the negotiation process
5	Common definitions should be drawn up for indicators so as to ensure that final beneficiaries and those involved in collecting monitoring data are clear with regard to the way in which project outcomes should be measured.	??	No info
6	In the new Programme, targets should be set to take account of the fact that a proportion of ESF training beneficiaries will drop out as ESF projects learn to improve their retention methods.	√√	Done
7	Thought should be given as to whether 'soft' ESF outcomes could be assessed qualitatively in 2007-13, given that the 'distance travelled' by training beneficiaries can be as important as physical outcomes, particularly for social inclusion type activities. Pilot initiatives to test different methodologies to improve targets could be developed over time.	√	MoSSL agreed with ex-ante that this issue will be considered during programming process
8	Ministry of Interior should be provided with		This will need to be considered

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	Technical Assistance to ensure that they can effectively fulfil their role as an Intermediate Body in 2007-13.		by the Ministry of Finance in planning TA support
9	Financial control systems should be reviewed with more streamlined systems being tested to ensure compliance with EU regulations and sound financial management on the one hand but absorption efficiency and applicant satisfaction on the other.	??	This will need to be considered by Line Ministries
10	Procedures for checking claims and for on the spot checks should be simplified to free up time to concentrate on ensuring project quality rather than on audit and compliance		This will need to be considered by Implementing Agencies and by the Ministry of Finance
11	Working groups on horizontal themes should be set up to monitor the integration of cross-cutting themes into the planning and implementation of the 2007-13 operational programmes.		Management & implementation arrangements still being developed. Institutional arrangements should be summarised in the TA OP
12	A review of projects supported in 2004-06 should be undertaken highlighting those projects which advanced the aims of the horizontal themes.		Thematic evaluation on horizontal themes envisaged in National Evaluation Plan
13	Consideration should be given to commissioning an external organisation to produce practical guidance for project applicants on how to give consideration to the cross-cutting themes		Thematic evaluation on horizontal themes envisaged in National Evaluation Plan

In the following tables, we highlight recommendations made by ex-ante during the process of evaluating the HRD OP and then provide an assessment of whether or not these have been taken into account or not to date. It should be noted that only the main recommendations are included since ex-ante has made large numbers of recommendations during the ex-ante process as programme documentation has evolved.

Baseline and SWOT

No.	Recommendation	Taken into account?	Action
14	A review should be undertaken to ensure that statistical data is as up to date as possible. For example, statistics may show that youth unemployment is no longer as significant a problem as it was 12+ months ago;	√	Done
15	Even if the approach to the OPs in 2007-13 is thematic rather than sectoral, where possible, a qualitative analysis should be included		PARTIALLY DONE SUBJECT TO DATA AVAILABILITY

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	identifying skills areas and sectors in which there are currently shortages		
16	Additional info should be added with regard to the skills needs of employers. What is the nature of their current recruitment needs? If such data is not available – how can it be ensured that a proper structure is put in place to collate and maintain information on skills needs?		PARTIALLY DONE – A REFERENCE IN BASELINE HAS BEEN INCLUDED TO EMPLOYER SKILLS SURVEYS There are difficulties in obtaining this baseline information
17	Forward-looking projections of skills needs should be included where appropriate. Ideally this analysis would include both general and specific skills needs (while it is not realistic to include a long description of sector-specific training needs for each and every sector, evidence is needed that thought has been given to specific as well as general training needs)		NO INFO AVAILABLE TO MINISTRY OF LABOUR ON GENERAL / SPECIFIC SKILLS NEEDS. FURTHER RESEARCH COULD BE UNDERTAKEN IN THIS AREA USING TECHNICAL ASSISTANCE IN 2007-13
18	A short summary of regional-specific variations in skills needs (in so far as information is available) should be included. Interventions relating to reskilling and upskilling should be responsive to local and regional labour market needs which will require a more detailed analysis of regional labour market dynamics. An assessment of skills levels (what proportion of low skilled, intermediate and graduate) in the regions could be provided		DISCUSSIONS HELD WITH MINISTRY OF LABOUR'S TECHNICAL ASSISTANCE ADVISORS. THERE ARE ONLY RELATIVELY SMALL VARIATIONS BETWEEN REGIONS IN TERMS OF SKILLS NEEDS
19	The baseline should explore in greater depth public sector capacity weaknesses with regard to policy formulation and strategic planning		DONE PARTIALLY
20	The SWOT could be made more coherent by grouping together particular areas of the SWOT.	N	INTERMEDIATE BODY TOOK DIFFERENT VIEW FROM EX-ANTE
21	While there is some supporting analysis after the main SWOT, there is no explanation of 'adaptability'. This is important given that one of the key objectives is to promote 'better quality jobs'.		DONE

Improving rationale of strategy

No.	Recommendation	Taken into account?	Action
22	The programming structure of the HRD Programme needs further justification particularly in relation to Priority 1.		DISCUSSED WITH MINISTRY OF LABOUR BUT AN INTEGRATED APPROACH TO PRIORITY 1 WAS

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			PREFERRED
23	As an alternative, consideration could be given to splitting Priority 1 into two separate Priorities		DISCUSSED WITH MINISTRY OF LABOUR BUT AN INTEGRATED APPROACH TO PRIORITY 1 WAS PREFERRED
24	<i>Overall, the document would be further enhanced through better synergies between ESF and ERDF interventions (drawing on evidence from how this aspect worked in the operation of the 2004-6 Programme).</i>		DONE PARTIALLY – REFERENCES TO LINKAGES TO OTHER PRIORITIES ARE INCLUDED IN THE PRIORITY DESCRIPTIONS TRAINING TO SUPPORT DEVELOPMENT OF TOURISM SECTOR COULD STILL BE FURTHER ELABORATED

Internal coherence and consistency

No.	Recommendation	Taken into account ?	Action
<i>Priority 1: Recommendations - Employability</i>			
25	A distinction should be made between support for general versus specific skills.		NOT DONE. RESEARCH NOT CURRENTLY AVAILABLE ON THIS THOUGH THIS COULD BE COMMISSIONED EARLY ON IN THE 2007-13 PROGRAMMES USING TECHNICAL ASSISTANCE MONEY
26	There is a need to maximise potential synergies between ESF and ERDF with explicit references to the need for such linkages in the text.		DONE PARTIALLY
27	More links should be made between investment in human resource development and maximising the contribution of the Structural Funds programmes in 2007-13 to the Lisbon Strategy.		DONE
28	A more comprehensive skills needs assessment is needed in the baseline including a rigorous analysis of employer skills needs.		REFERENCES TO EMPLOYER SKILLS SURVEYS ADDED
29	Further thought should be given in the strategy as to the criteria which will determine how ESF funding is prioritised in the next period.		THIS WILL BE ADDRESSED AT THE PROGRAMME COMPLEMENT STAGE
30	To ensure synergies between ESF and ERDF,		THIS WILL BE

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	explicit signposting should be made at project level for those that have received ERDF investment – either for infrastructure, business development or innovation support		ADDRESSED AT THE PROGRAMME COMPLEMENT STAGE
31	It would be helpful if the adaptability sub-priority was informed by an update of the situation with regard to the development of a <i>National System of Work-Based Qualifications</i>		UPDATE PROVIDED
32	The description of Priority 1 could be made clearer in respect of <i>how</i> Structural Funds will be used to attract people back to Lithuania.		DONE PARTIALLY
<i>Recommendations - Adaptability</i>			
33.	Explicit reference should be made to ESF interventions that will link strategically to ERDF activities and Regional Priority Projects – making people ‘job-ready’ to fill forecast vacancies. An example here is Priority 1, Cohesion OP (tourism infrastructure) and Priority 1, HRD OP.		NO SECTOR SPECIFIC TRAINING MEASURES ARE ENVISAGED AT THIS STAGE
34.	An assessment is needed with regard to the value of training from a labour market needs perspective. A requirement could be introduced to require applicants to demonstrate clearly how value for money will be achieved.		THIS WILL BE ADDRESSED IN SETTING SELECTION CRITERIA
35.	Consideration should be given as to whether sectoral entry training schemes for the unemployed could be developed in areas such as tourism, construction etc. where there are known to be skills shortages.		NO SECTOR SPECIFIC TRAINING MEASURES ARE ENVISAGED AT THIS STAGE
<i>Recommendations - Social inclusion</i>			
35.	Specific reference should be made with regard to how ESF projects will link in with ERDF activities supported under the 2004-6 Programme.		DONE PARTIALLY
36	Further, detailed information on disadvantaged groups at a Regional Level is required to justify the range of projects and types of intervention.		NO INFORMATION
<i>Priority 2 - Recommendations</i>			
37.	References should be made to projects that are currently being delivered in 2004-06 and the potential impact that these will have on the evolving delivery of activities envisaged under the Lifelong Learning priority in the 2007-13 Programme.		DONE
<i>Priority 4 - Recommendations</i>			

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38.	More detail is required on the specific scope points of this Priority.		DONE PARTIALLY
39.	There is a need to describe in greater detail what sort of capacity building initiatives will be needed at local and regional levels. What support will Regional Councils receive to further develop their capacity so that they can play a positive role in working with national government in helping to determine local and regional priorities and in prioritising Structural Funds projects accordingly?		Ministry of Interior is in process of finalising the position
40.	The types of support envisaged to improve governance structures should be made clearer.		NO INFO AVAILABLE
41.	Active consideration should be given to peer-based skills training using trainers from organisations that have already gained practical experience of using ESF funds during the 2004-2006 period.		NO INFO AVAILABLE

Horizontal themes

<i>No.</i>	<i>Recommendation</i>	<i>Taken into account?</i>	<i>Action</i>
42.	Some introductory text could be added on Equal opportunities to provide contextual background e.g. 'ESF interventions have strong potential to help promote equal opportunities both between women and men and in respect of individuals from social groups at risk of social inclusion in the labour market'.		Done
43.	The EU policy context and relevant legislation could be mentioned. For example, in respect of equal opportunities, Article 13 of the EC Treaty could be cited. This outlaws discrimination on the grounds of gender, race, ethnic origin, religion, disability, age or sexual orientation.		Not yet done – being considered
44.	Equal opportunities (ii) - while there is a good explanation of how specific vertical measures will help foster equal opportunities, it could be made clearer how equal opportunities will be promoted horizontally. The current text simply states that no-one will be excluded from applying for support. However, could a more active approach be adopted to encourage applications from particular social groups?		Not yet done – being considered

Linkages between HRD OP and other OPs

45.	Under P1 of the Cohesion OP, there is a sub-		NOT YET DONE – THIS
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	priority for investment in tourism. Here, here there is a need to ensure appropriate linkages with the adaptability and employability measures under Priority 1 of the HRD OP so that the tourism sector's development is supported through investment in tourism management and similar skills sets.		COULD HOWEVER BE DONE AT A LATER STAGE IN PLANNING DETAILED MEASURES
46.	Linkages will also be needed between 'soft' support for lifelong learning in the HRD OP (Priority 1 – demand side, Priority 2 – supply side) and hard support for modernising education and vocational training infrastructure under Priority 2 of the Cohesion OP.		GOOD REFERENCES ARE NOW MADE IN PRIORITY DESCRIPTION TO LINKAGES BETWEEN THESE PRIORITIES

External coherence

No.	Recommendation	Taken into account?	Action
47.	Priority 2 - The assessment of external coherence could be improved. A short explanation could be added as to why the programmes supported under the Integrated Programme on Lifelong Learning are important		
48	Priority 2. An explicit reference should be made to linkages between the 2nd Priority on lifelong learning and the Education and Training 2010 framework.		
49.	<i>Priority 3.</i> Two or three sentences should be added explaining what the <i>Seventh Framework Programme for R&D</i> is and what its main objectives are. This would help support the existing text		
50	<i>Priority 4.</i> References to other EU policies and programmes should also be included where appropriate. For example, there are linkages between some of the activities supported under this Priority and the EU policy focus on better policy making, through the Better Regulation initiative and simplification		NO INFO
51	<i>Priority 4.</i> A contextual reference could be included explaining that ESF support for strengthening administrative capacities has been included for the first time in the ESF Regulations for 2007-13. Administrative capacity building support is targeted in particular at (and was requested by) the new		NO INFO

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	member states, where strengthening public sector administrative capacities was identified as a particular priority for 2007-13		
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Monitoring and indicators

No.	Recommendation	Taken into account?	Action
52	The number of indicators could be reduced.		DONE – EX-ANTE RECOMMENDED HAVING A LIMITED NUMBER OF ESF INDICATORS WITH DATA SUB-SETS BEING COLLATED
53	Where appropriate, some ‘results’ indicators should be reclassified as impact indicators where these cannot be directly attributable to Structural Funds. Examples are provided in the Priority-specific comments DONE		
54	More appropriate results indicators should be defined. For example, under Priority 1, the number (and level) of qualifications gained is normally a core ESF results indicator but isn’t included in the current indicator system DONE.		
54	A small number of core ESF indicators should be included in the monitoring framework		
55	As in the 2004-06 period, data sub-sets on the characteristics of ESF trainees should again be collated		DONE
56	There is a need to incorporate horizontal issues into the indicator system		DONE PARTIALLY
57	In respect of equal opportunities, specific indicators could be developed to assess whether a given project is <i>positive, neutral or negative</i> from an equality perspective.		INTERMEDIATE BODY PREFERRED USING DATA SUBSETS TO INTEGRATE AN EQUALITY DIMENSION IN THE PROGRAMMES

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Ex-ante recommendations – Economic Growth Operational Programme

In the table below we outline final recommendations made by ex-ante on the version of the Economic Growth OP. These highlight ways in which programme documentation could still potentially be improved.

Final recommendations

No.	Recommendation	Taken into account?	Action
1	In our opinion, the socio-economic baseline should indicate that Lithuania's economic growth was achieved not only through cheap resources and market restructuring. After the macroeconomic situation has been put under control, the economic growth has been strongly influenced by higher domestic consumption and increased borrowing. These factors further strengthen the opinion that in order to maintain rapid growth, companies should be encouraged to become even more competitive, particularly by increasing labour productivity.	√√	DONE
2	It is important to note that besides the dominance of low technologies in Lithuania and a poor situation in respect of innovation and R&D, attention should be paid to the businesses called "traditional industries" (wood industry, food sector) which lag behind other countries in terms of labour productivity. Seeking to improve Lithuania's labour productivity indicators and achieve the level of some of the old EU countries (which is determined as Lithuania's strategic economic objective), we have to understand that, first of all, we should improve the situation in relation to efficiency in those economy sectors which have a great impact in the structure of gross domestic product.	√√	DONE
3	We would propose that the SWOT analysis mentioned the fact that the Lithuanian public sector is becoming weaker partly due to employee emigration and weak implementation of reforms in this area, particularly in the health care and education system	N	NOT TAKEN INTO ACCOUNT
4	In addition to the fact that Lithuania loses the competitive struggle for the attraction of foreign capital, we would indicate that during recent years another phenomenon can be observed, namely capital leakage from Lithuania, when entrepreneurs choose other EU countries, including neighbouring countries and the new EU countries – Bulgaria and Romania, instead of investments and reinvestments in Lithuania	N	NOT TAKEN INTO ACCOUNT
5	The ex-ante team recommended that the priorities be interchanged by setting the business productivity	√	PARTIALLY DONE

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	objectives, which would help to improve labour productivity indicators during the short-term period, as the first economic priority and to emphasize the orientation of R&D and business towards the high-tech field which would improve efficiency indicators during the long-term period as the second priority. The priorities were not interchanged; however, the problem of low business productivity was properly emphasised under the second economic growth priority and an incentive was set for increase in this productivity.		
6	We would encourage that direct support to business enterprises be maximally reduced in order to avoid competitive distortions by perceiving at the same time that state intervention must be conducted through business environment measures rather than directly allocating budget funds to particular business entities. When allocating direct support to enterprises, our recommendation would be to link this support with capacities of these enterprises intended for export markets, thus avoiding potential competitive distortions in the domestic market. At the same time, this would help to improve Lithuania's export indicators which should be better for a country of Lithuania's size.	N	NOT TAKEN INTO ACCOUNT
7	We agree with the opinion that the R&D infrastructure should be strengthened when encouraging business organisations to apply innovation in their activities. This would be the baseline for the development of scientific research and application. At the same time, we would recommend that R&D infrastructure objects were joint rather than separate departmental ones, belonging only to the single organisation. Joint scientific research centres, where specialised training could be provided to specialists and applied research works could be performed by using results for the development of at least several business sectors, would be more effective and would last in the long-term perspective, even after the EU support scheme has been completed	√√	DONE
8	While ex-ante team supports the emphasis in the OPs on these areas, we would recommend taking into consideration the increased risk of financial absorption problems emerging. R&D activity is currently under-developed in Lithuania, particularly in the private sector, with only limited numbers of firms currently investing in R&D and key priority sectors such as biotechnology, lasers having relatively limited numbers of firms specialising in these areas nationwide. Moreover, national R&D investment priorities have yet to be defined although some preparatory work has been undertaken to develop national R&D programmes	√	PARTIALLY DONE
9	Given a seven-year programming period, additional	→	UNDER

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	arguments are needed on how the increase in support up to 442 million LTL for investments into business in R&D is going to be absorbed, where the demand was only for the amount of 60 million LTL during the last period		CONSIDERATION
10	<i>In our view, the most significant strategic context indicators are the following: export, labour productivity, investment, public electronic service level, general expenditure for R&D, and number of researchers in business</i>	√√	DONE
11	<i>Specific programme implementation indicators would be the following: number of developed or expanded industrial parks/zones, number of attracted private investments and established technological integrated centres of interaction between business, science and studies (poles, valleys, etc.), number of established and functioning scientific research centres, and other indicators that are characteristic of specific activity groups.</i>	√√	DONE

In the following tables, we highlight recommendations made by ex-ante during the process of evaluating the Cohesion OP and then provide an assessment of whether or not these have been taken into account or not to date. It should be noted that only the main recommendations are included since ex-ante has made large numbers of recommendations during the ex-ante process as programme documentation has evolved.

Pradinės situacijos įvertinimas ir SSGG analizė

<i>Eil.Nr.</i>	<i>Rekomendacijos</i>	<i>Atsižvelgta?</i>	<i>Veiksmas</i>
1	The statements provided as the main ones in separate sub-sections are negotiable or not so significant as to be included into the main statements.	→	UNDER CONSIDERATION
2	Some indicators could be supplemented or replaced by other indicators which would better reflect the phenomena being commented. Some wordings in sentences are too simple and do not fully reflect the peculiarities of the situation	√	PARTIALLY DONE
3	The findings regarding the low level of entrepreneurship and the SME role in Lithuania could be supplemented with statistics on self-employed people and people working under patents	√√	DONE
4	Despite the fact that Lithuanian small and medium-sized companies generate about 60% of GDP, but SME labour productivity is lower than that of large companies	√√	DONE

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5	<p>On the basis of the arguments set out above, we would think that the main purpose of small and medium-sized business development is to reduce the unemployment rate and to increase employment. However, currently, Lithuania's unemployment levels have decreased drastically, and the country faces the opposite problem – the lack of qualified workers and workforce in general. Besides, seeking to ensure the development of Lithuania's economy and a better competitive position in global markets during the long-term period, the objectives related to productivity enhancement, which are more efficiently achieved not through SME but through large companies and change in the structure of the economy, are important. Therefore, in our opinion, the objectives of entrepreneurship promotion must be attributed to secondary objectives and not be given prominence</p>	√√	DONE
6	<p>When analysing public infrastructure for the service sector (business information centres, incubators, scientific and technology parks, innovation centres, etc.), major attention is focussed on small and medium-sized companies and enhancement of the entrepreneurship level. Returning to our previous comment, if we identified the low level of productivity as the main problem of Lithuania's economy, then the baseline analysis practically does not describe public infrastructure for all business services. If SME can use the mentioned public service infrastructure, then other (the remaining) business practically is left with a very limited public service infrastructure. Public institutions of this nature are very poor in their resources and they perform narrow and frequently overlapping functions. In comparison with other EU Member States, the quality of public service infrastructure in Lithuania is, in our view, very low</p>	→	UNDER CONSIDERATION
7	<p>We would not attribute the following to the main statements: "There is a small number of international companies of local origin in Lithuania" and "Industry is the most energy-intensive sector of the country's economy". Most probably, nowadays business origin is not so important in the global business world, as the competitiveness and ability of this business to apply innovations faster than its competitors. Also, it is natural and obvious that industry is the most energy-intensive sector because of its nature</p>	→	UNDER CONSIDERATION
8	<p>The baseline pays little attention to the situation of productivity in Lithuanian business and export development. Although Lithuania's economy is growing at a rapid pace, but this growth, as indicated in the aforesaid analysis, is conditioned by favourable markets and high consumption in the domestic market.</p>	√√	DONE

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	In our opinion, these factors are not sustainable during the long-term period, and in order to achieve higher competitiveness of Lithuania's economy on an international scale, it is important to take into consideration business productivity. Besides, since Lithuania is a small country, its economic power is closely related to the business capacity to penetrate into foreign markets and increase exports		
9	According to EUROSTAT data for 2003, the ratio of generated value added to the number of employees in manufacturing is about 7 times lower in Lithuania than the EU-25 average. In the wood industry, this indicator is 8-10 times lower than that in Great Britain, Denmark or Germany and 2 times lower than that in Latvia, Estonia, Czech Republic, and Poland	√√	DONE
10	In Lithuania, the export to GDP ratio accounted for 58% in 2005, whereas this ratio was equal to 65-84% in the states of a relatively similar size, such as Slovakia, Czech Republic, Holland and Estonia	√√	DONE
11	We recommend that the pace of earnings growth be compared to productivity or GDP, on the basis of applicable prices. The statement that earnings were growing more rapidly than productivity is negotiable. In addition, we would propose to revise productivity measurement, which is now given in PPS/h, it could be measured in EUR/h. When commenting on energy intensity and pollution level, we recommend that measurements units be revised – on the basis of prices affecting GDP or comparative prices. Is the comparison made on the basis of the 2000 prices?	→	UNDER CONSIDERATION
12	The existing problems identified in the baseline (which will be resolved with the help of intervention measures under the priority "Information Society for All") are not classified, therefore, it is hard to understand which are the most important and should be addressed first, and which require follow-up actions	√√	DONE
13	The given SWOT analysis is sufficiently comprehensive and linked with the statements and analysis elaborated in the text; however, our main comment would be to analyse the statements slightly deeper and to distinguish the main statements from secondary and less important ones, which could be excluded from the SWOT analysis. Also, we would recommend that the statements were listed in descending order of importance	√	PARTIALLY DONE
14	The main strengths of Lithuania's economy should include the stable macroeconomic situation, rapid economic growth during recent years, increasing	√√	DONE

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	resident consumption, company upgrading and development, export growth, expansion and development of new economic relations with the EU Member States, and constantly upgraded infrastructure, including its better developed public mobile telephone services than in other countries		
15	Such statements as “a relatively high number of residents with high or higher educational attainment level...”, “accumulated scientific potential...”, in our opinion, could be attributed to opportunities rather than to strengths, as they are not or are very little used in the economy, and therefore, they are not strengths	→	UNDER CONSIDERATION
16	The statement “municipal heat planning creating preconditions for the retention and modernisation of centralised heat supply systems...” is too detailed to be included into the SWOT analysis of Lithuania’s economy	→	UNDER CONSIDERATION
17	We would recommend that the list of weaknesses was shortened (by grouping together some of them) and classified starting with the most important ones, such as low level of economic productivity, insufficient export dynamics, insufficient investments in technical upgrading in companies, low level of innovation and research implementation in companies, inability to attract investments to high and mid-high technology sectors, high level of workforce emigration conditioning the lack of workforce in the economy and weakening of the public sector, dependence of the energy sector on the sole supplier from Russia and the absence of links with the EU system, etc	→	UNDER CONSIDERATION
18	We would propose grouping together such statements as “low innovation indicators of Lithuanian businesses”, “very low business investments in scientific research and technology development...”, “lack of co-operation between business and science...”, “underdeveloped environment for the dissemination of knowledge and scientific results...” Also, we could group together the statements regarding the road, ITC and energy infrastructure. We would delete such statements as “bad connection with other EU countries through Poland” (this object does not fall within our competence). The statements on energy dependence on Russia are mentioned twice: “There is high dependence on Russia’s energy and other basic resources. Natural gas is supplied by the sole supplier...” and “Natural gas is supplied to Lithuania by the sole supplier – Russia...”	→	UNDER CONSIDERATION
19	We would recommend revising the statements on opportunities and threats respectively. Besides, the	→	UNDER CONSIDERATION

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	opportunities are well enumerated. In addition to the specified threats, we would add capital leakage from Lithuania and decrease in reinvestment in Lithuania as well as the weakening of the public sector due to emigration phenomena		
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Logika, uždaviniai ir vidinis suderinamumas

Eil.Nr.	Rekomendacijos	Atsižvelgta?	Veiksmas
1	When formulating Lithuania's vision until 2015, attention is drawn to the supporting arguments that in recent years high economic growth rates in Lithuania were largely determined by growing domestic consumption. However, a rapid economic growth during the long-term depends on international competitiveness of the economy, which, in its turn, is first of all based on high productivity of sectors of the economy and changes in the structure of the economy, with sectors creating and employing high technologies forming an increasingly larger part of it. These statements form the foundation for the economic development vision and the Economic Growth Operational Programme. They are duly mentioned and emphasised in this programme but, in our view, the emphases may be changed	√	PARTIALLY DONE
2	The emphases should be interchanged between “the change of the structure of the economy” and “enhancement of productivity of all sectors in general or of the existing sectors”.	√	PARTIALLY DONE
3	The overall modernisation of the economy by setting a target to increase the level of productivity, starting with the traditional sectors, is of relevance, and this should ensure continued stable economic growth in the country. Under the second target, it should be emphasised that it is important to change the structure of the economy by switching from low-tech to high-tech sectors.	√	PARTIALLY DONE.
4	We would recommend that direct support to science and technological parks, incubators, scientific research and innovation centres and of networks of co-operation between science and business as well as technological platforms was directed towards promoting the implementation of technologies enhancing productivity in export-oriented companies and supporting the implementation of innovative technologies.	√√	DONE
5	As the level of innovativeness is quite low in Lithuania, support directed towards awareness enhancement in the field of innovation and taking good practice from other European countries is praiseworthy	√√	DONE
6	The key objective of Lithuanian economy is not reduction of unemployment or creation of jobs but to	√	PARTIALLY DONE

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	the contrary enhancement of productivity and creation of highly qualified jobs. These aims are more easily achieved through industrial-type businesses rather than through small companies because the latter usually do not ensure required productivity levels due to a small scale of their business. Therefore, we think that the measures promoting entrepreneurship could be reduced in the Economic Growth Operational Programme and, specifically, in Priority 1		
7	enhancement of the overall management level in companies and application of advanced management methods, such as quality management methods (ISO, EFQM, etc.), flexible production (<i>Lean, Toyota, etc.</i>), increase in labour productivity and process optimisation (<i>Goldrat system</i>), and advanced management systems (<i>Six Sigma</i>) constitute important pre-conditions for productivity and can be deemed a praiseworthy business environment measure. Based on different comparisons of the management level in our companies with the analogous situation in other countries, this field is dominated by a narrow and day-to-day perspective which companies themselves still are not able to overcome. Therefore, provision for individual measures to be implemented in this field could bridge this gap and create pre-conditions for higher productivity to be achieved	√√	DONE
8	the level of success in achieving the Priority objectives should be measure not by an indicator of the entrepreneurship level (number of companies per thousand inhabitants) because the productivity indicator and other secondary indicators directing towards productivity should be more important for us. Foreign direct investments per capita is a good indicator, when we have in mind industrial zones, but more concrete indicators, such as the indicator of investment in industrial, could help us avoid classifying investments into foreign and local and polemics that we distract investment from other European countries	√√	DONE
9	The proposed intervention measures are oriented towards the R&D infrastructure and activities by financing the base of scientific research institutions and strengthening the services provided by them. In general, we have the impression that one of logical linkages under this Priority is as follows: “to strengthen scientific institutes, and when they have what to offer, businesses will start applying innovation and technologies which will cause an increase in the value added of traditional sectors, and there will be more businesses using high technologies and the sectors such as pharmaceutical industry, manufacturing of precision optical devices or radio, television and communications equipment will be created/strengthened. While agreeing with this	√	PARTIALLY DONE

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	statement, we would think that the strengthening of the R&D infrastructure and activities should mainly improve the innovation capacity of traditional sectors, which, in our opinion, is an important priority.		
10	The change in the structure of the economy by switching from low to high technologies and the emergence of new production in the field of high and mid-high technology sectors are impossible without specialist training in this field (compatibility with Priorities 1.1 and 1.3.) and well-developed R&D infrastructure. However, international corporations and their decisions to develop businesses in certain territories of the world subject to economic conditions and international conjuncture have the greatest impact on changes in the structure of the economy. Therefore, the compatibility with the measures set under Priority 2.2., such as the development of infrastructure for industrial parks, development of science and technology parks and innovation centres, are expected to create conditions for international corporations to develop high and mid-high technology businesses in Lithuania.	→	UNDER CONSIDERATION
11	we would propose orienting more support toward the aforementioned measures, which, in our view, are “business environment” or “indirect” measures, as support is provided not directly to companies, but to scientific institutions or for a company’s scientific-research activities. The present directions under the Economic Growth OP Priority 1 are mainly oriented toward direct support for companies, including support related to R&D and innovation. As the absorption of EU assistance during the previous period has shown, when providing direct support, market distortions and negative effects on competition could not be avoided. In addition, support administration was particularly complicated and time-consuming	→	UNDER CONSIDERATION
12	Seeking to avoid competition distortions in the local market, the acquisition of technologies may be filtered by the export criterion, i.e. support should be provided only for those technologies which will allow developing goods and services for the export market. In the general analysis, we drew attention to the fact that Lithuania’s economic development depends on increase in exports which are not sufficient at present	√√	DONE
13	The analytical part of the National Overall Strategy, attention is drawn to the fact that when creating a competitive economy such a small country as Lithuania, which is not very rich in natural resources, should focus on businesses based on employee qualifications and knowledge and information. Targets set on the basis of information society development should be much higher than the EU average or the results achieved of larger European countries in this field, such as for instance Lithuania’s current situation	→	UNDER CONSIDERATION

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	in the field of public mobile communications.		
14	Logically, taking into consideration international practice, the following two actions groups are distinguished: namely the development of electronic services and content, and infrastructure development. In addition, attention is drawn to the volume of Lithuanian content, which should expand opportunities for Lithuanian users to use ICT and ensure the preservation of the Lithuanian language	√√	DONE
15	Logically, together with the aims set in the Strategy for the Use of EU Structural Support and the objectives of a competitive economy, the first objective under this Priority could be the development of electronic services and content, which would help enhance economic productivity. Support measures in the field of e-government services and e-health services are praiseworthy. It seems that it would be expedient to reallocate funds in such a way that the major portion would be allocated for the development of electronic services and content, whereas a smaller portion would be provided to ICT infrastructure. Also, it must be admitted that the development of the information society is usually sufficiently integrated and almost at the same time both content and infrastructure measures are implemented, as the ICT sector is developing particularly rapidly and measures tend to change very fast	√√	DONE
16	Skiriamą tiesioginę paramą mokslo įstaigoms, gali būti sukurtos ir išplėtos pavienės mokslo tiriamosios bazės, kurios vėliau konkuruos tarpusavyje bei jų apkrovimo lygis nebus pakankamas. Todėl geriau būtų finansuoti jungtinius mokslo centrus, kurių bazė tarnautų kelių mokslo įstaigų projektams vykdyti ir būtų orientuojamasi į specifines, naujas ir inovatyvias sritis, kurios kaip rodo kitų šalių praktika yra kelių tradicinių mokslo bei praktikos kūrybinės sintezės pasekmė	√√	DONE

Priežiūra ir rodikliai

Eil.Nr.	Rekomendacijos	Atsižvelgta?	Veiksmas
1	In our view, there are too many indicators and their number could be reduced. A large number of indicators hinders analysis and measurements process	√√	DONE
2	Indicators may be rated according to importance by distinguishing between the most important ones in respect of the set aims and objectives and indicators of secondary	√√	DONE

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	importance, which highlight the situation in specific fields. We would recommend setting those indicators showing the situation regarding increase in business productivity, transition to business creating high value added in the long-term, implementation of innovation and productivity-enhancing technologies, and creation of highly-qualified jobs as the most important indicators determining economic growth according to the set aims		
3	Some indicators are outdated or insufficiently reflect the situation because timely or any measurement is hardly possible. For instance, indicators reflecting the unemployment situation are outdated and the unemployment problem has become reverse for us, i.e. it is the problem of lack of workforce. Practically, the statistics on emigration and the level of entrepreneurship is unreliable	√	DONE
4	For Lithuania, a comparison with the countries of relatively similar size and level of development such as neighbouring countries Latvia, Estonia, Czech Republic, Slovakia and to some extent Poland, is of relevance	√	PARTIALLY DONE
5	Some qualitative indicators are missing. As statistics cannot measure quality processes, and sometimes measurement is quite complicated, therefore, we can also rely on qualitative data obtained from various surveys. This information would provide more insight into emigration processes. We would recommend finding indicators reflecting business confidence – they are quite important when planning investment and consumption level flows	→	UNDER CONSIDERATION
6	Some specific indicators highlighting the situation in narrow and relevant fields are necessary. For example, indicators reflecting the number of highly qualified jobs, productivity level in particular sectors, dynamics of export of Lithuanian origin, etc	→	UNDER CONSIDERATION
7	We would recommend that an even base of comparison would be used between several indicators, for example, when GDP and dynamics of wage growth, GDP and energy intensity, or GDP and pollution dynamics are compared. In this case, we would recommend	→	UNDER CONSIDERATION

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	using the even base, if pollution is measured in physical units, then GDP is calculated on the basis of the then prices. Accordingly, if real growth in wages is measured, then GDP should be compared on the basis of respective prices		
8	We have doubts as to whether statistics (GDP, direct foreign investment per capita) according to different counties of Lithuania is really necessary, if Lithuania is deemed a single region in respect of the EU, and also if the second Operation Programme does not provide for any direct (we could find indirect) actions aimed at reducing regional economic disproportions	→	UNDER CONSIDERATION
9	We would recommend setting the labour productivity indicator as the most important one, as the aim of the Programme is to increase productivity. We would measure the overall productivity of the economy on the basis of the value added of sales created by one employee per working hour, measuring according to purchasing power standards or percentage and compare with the EU-15 average. Next to this indicator, in our opinion, the same productivity is relevant, only measured in manufacturing and calculated in euro – according to EUROSTAT, in 2003 the ratio between the value added and the number of workers in the manufacturing industry was approx. 7 times lower than the EU-25 average. The aim is to reduce this gap by half.	√√	DONE
10	Percentage of export of goods and services (except for refined oil products) on total production sold	√√	DONE
11	Percentage of investment in the formation of capital base on GDP. We would recommend achieving about 30% from the 22.3% level achieved in 2005	√√	DONE
12	Also, we would like to go back to at least one qualitative indicator of those proposed in our previous documents. If the overall aim of this Programme is to improve environment for business, which would allow increasing the productivity of Lithuania's economy, it would be expedient to introduce "business confidence" index, which would be measured by way of surveys and would accumulate	→	UNDER CONSIDERATION

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	different attitudes of businessmen to changes in the business environment		
13	We would recommend using the entrepreneurship indicator as a secondary one, given that enhancement of entrepreneurship is not the objective of primary importance in Lithuania's economy	√√	DONE
14	Growth in gross earnings per worker in businesses that have received direct assistance, 2 years after the end of the project (% of the gross earnings per worker in such business at the moment of submission of application). The proposed indicator level of 25% seems easily achievable. We think that the implementation of the project from the moment of submission of application until its completion takes at least 2 years (in fact, in some cases during the previous programming period the decision to provide support would take the same period of time). Therefore, it should be quite easy to achieve a 25% increase in gross earnings per worker in 3-4 years. We would think that the ambitious aim would be to encourage seeking at least 10% every year, i.e. 30% after 3 years. Also, this figure, in our view, looks close to the productivity increase indicator proposed by you, which is planned to be raised from 42% to 65% across the entire country, which is also slightly over 50%. Also, we think that measurement should be made from the moment of submission of application, which would encourage implementing the project as soon as possible, because the "delayed" project has little use under competition conditions	→	UNDER CONSIDERATION
15	We would think that the indicator "Survival rate of businesses that have received direct assistance after 2 years (%)" be replaced by another indicator which would be more oriented towards effectiveness. Frequently, survival, especially in small developing countries, is achieved due to different reasons: a small company is a form of self-employment, also a business is not closed down because the procedure of its closure is very complicated, etc. On the other hand, we are interested in business efficiency rate rather than in its stagnation. In investment-financial activities, the most common indicators are annual rates of return on	N	NOT TO BE TAKEN INTO CONSIDERATION

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C

	investment, which are usually sought by any investor, including investors in venture capital funds. Therefore, we would recommend seeking that overall return on investment after 5 years from investments would be not less 50%, let us say, 10% every year		
16	We have already recommended in our previous documents that the proposed output indicator “volume of investments attracted“ should be more linked with direct actions under the Programme, i.e. if polluted territories will be cleaned and prepared for special investors, than the indicator could be “volume of investments attracted to reconstructed territories”	√	PARTIALLY DONE
17	The proposed indicator on jobs should be modified by emphasising “qualified jobs” because if there is a lack of workforce, which does not change in Lithuania, the number of jobs may decrease but they should be better paid and at the same time more productive. One of the proposed indicators would be “number of newly created qualified jobs” by clarifying that “a qualified job is the job where the wages fund exceeds the current average statistical wages in Lithuania by 1.5 times”.	→	UNDER CONSIDERATION
18	As this Programme provides for funds for science and technology parks and other institutions of a similar nature, we would think that there should be an indicator measuring activities of science parks and these organisations whose purpose is to promote the establishment of new innovative businesses and their development. We would measure this activity by the number of newly established companies carrying on their activities in science and technology parks and by the number of researchers and scientific workers employed in these companies	√√	DONE
19	As the aim of this Programme is to change the structure of the economy in order to increase the share of high and mid-high technology sectors, in our opinion, the primary indicator should be the one which would measure the respective change of this structure. The current level – the 16% share of high and mid-high technology sectors in manufacturing in 2005 could be changed into	→	UNDER CONSIDERATION

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	22%, having in mind that the annual growth rate of the manufacturing industry stands at about 15% per year		
20	The indicator “Scientific publications” is, in our view, less important as scientific publications are not directly related to increase in the share of high value added business and to business growth in general. Also, it should be more clearly defined what is meant by a scientific publication	√√	DONE
21	The target number of applications submitted to the European Patent Bureau could be reduced to 30 units, as there are no traditions of such activity in Lithuania	→	UNDER CONSIDERATION
22	Quantitative indicators are quite well defined; however, it would be good to have at least one effectiveness promoting indicators which would measure, for instance, scientific research centres are not only established/built but also are efficiently functioning, generate income and provide services to business. Thus, the typization of achievements could specify such indicators as the share of services provided to business by these centres in total budget (income), the value of implemented projects in business, etc.	→	UNDER CONSIDERATION
23	The main objectives of this Priority include development of electronic services and expansion of their use, and further improvement of the ICT infrastructure in order to reduce digital exclusion, however, it would be expedient with the first Operation Programme to improve the public’s capacities to use electronic technologies;	??	NO INFORMATION ON WHETHER THIS RECOMMENDATION IS UNDER CONSIDERATION IS AVAILABLE
24	Priority 3 does not provide for any measurement indicators, therefore, we will be able to present broader comments later, after these indicators have been set	√√	DONE
25	In the indicator “Harbours for small boats constructed”, the unit of measurement “spaces -500” is doubtful; it is recommended that a minimum number of spaces would be defined – not less than ... spaces.	√√	DONE, BUT IT WAS DECIDED TO DELETE THIS INDICATOR
26	Priority 4 includes objectives to implement traffic safety engineering measures and to reduce transport accident rates under Priority 5. The outputs of these measures should be	??	NO INFORMATION ON WHETHER THIS RECOMMENDATION IS UNDER CONSIDERATION

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C

	the change of the situation in traffic accident statistics, which could be measured and compared with that of other EU countries. For example, the change in the number of traffic accidents or heaviness of consequences		IS AVAILABLE
27	The use of the indicator of increase in Ro-Ro cargo flow in the Klaipėda Seaport as the indicator fully measuring a better use of the Klaipėda Seaport potential is also doubtful. A more precise indicator in terms of efficiency would be changes in the total number of reloaded cargo tonnes and serviced passengers	N	NEATSIŽVELGTA
28	The restriction of traffic intensity in TEN-T network (up to 40%) is hardly understandable, if this is an expected interval, then it could be, e.g. 32-40%.	√√	DONE, BUT IT WAS DECIDED TO DELETE THIS INDICATOR
29	The main objectives under this Priority comprise the actions of development of electricity systems, heating systems, gas systems, and power transmission networks. The system of indicators should consistently comprise these fields of actions, and the quantity of indicators should reflect distribution of expenses according to priority themes, i.e. by allocating a larger number of them to the action group of transmission network	√	PARTIALLY DONE
30	Under this Priority, there is an objective to increase reliability and safety of energy supply; however, there is no indicators set. It could be measured by the indicator of consumer interruption frequency or average consumer interruption duration	√√	DONE
31	Taking into consideration this proposal, the Ministry of Economy proposes to introduce the indicators of reduction in momentary average interruption frequency per consumer per year in the distribution networks (Momentary Average Interruption Frequency index – MAIFI) (%) and energy intensity. The indicator – 100 units of modernised power facilities in transmission and distribution networks – is hardly acceptable, as the category of energy facilities is unclear. It would be expedient to divide this indicator according to transmission and distribution networks	√√	DONE, BUT IT WAS DECIDED TO DELETE THIS INDICATOR

EX-ANTE RECOMMENDATIONS – ECONOMIC GROWTH OP

C

32	The reasonableness of the indicator of newly connected electricity consumers (300 units) is unclear. Currently, the number of newly connected consumers is about 15-20 thous. per year. Based on available data, the number of consumers who did not have any possibilities of connecting to the distribution networks is 250-260	√√	DONE, BUT IT WAS DECIDED TO DELETE THIS INDICATOR
33	The impact indicator of reduction in energy intensity by 10% in 2013 is not sufficiently ambitious as it is expected that along with the development of the country's economy energy consumption will not grow at an analogous pace, and this will be achieved not due energy generation and consumption efficiency but due to the overall economic growth	√√	DONE, BUT IT WAS DECIDED TO DELETE THIS INDICATOR

EX-ANTE RECOMMENDATIONS – COHESION OP

D

Ex-ante recommendations – Cohesion Operational Programme

In the table below we outline final recommendations made by ex-ante on the Cohesion OP. These highlight ways in which programme documentation could still potentially be improved.

Final recommendations

<i>No.</i>	<i>Recommendation</i>	<i>Taken into account?</i>	<i>Action</i>
1	Improve the coherence of the SWOT either by including separate SWOT tables or at least including sub-headings so it is clearer which area different aspects of the SWOT are intended to address	N	No action
2	In some areas, linkages need to be better developed to demonstrate internal coherence i.e. how interventions supported through the Cohesion OP will lend support to activities being supported in other OPs and vice versa.	→	This will need to be considered at detailed programming stage
3	Line Ministries involved in the Cohesion OP should ensure that core indicators are included in the indicator system – otherwise it will be difficult to undertake the bottom-up quantification exercise or to include aggregate data in the annual and final implementation reports.	√	Some core indicators have been included, however this should be more systematic, for example for jobs created
4	Short common definitions should be drawn up for all indicators	→	This will need to be considered at detailed programming stage
5	Notwithstanding methodological and practical difficulties in data collation in 2004-06, given the high level of infrastructure spending under the Cohesion OP, data on temporary jobs (mainly in the construction sector linked to infrastructure projects) should be collated.	→	Still under discussion

In the following tables, we highlight recommendations made by ex-ante during the process of evaluating the Cohesion OP and then provide an assessment of whether or not these have been taken into account or not to date. It should be noted that only the main recommendations are included since ex-ante has made large numbers of recommendations during the ex-ante process as programme documentation has evolved.

Baseline and SWOT

<i>No.</i>	<i>Recommendation</i>	<i>Taken into account?</i>	<i>Action</i>
6	The analysis on economic diversification into alternative activities in the regions and in rural	√	Some further information added

EX-ANTE RECOMMENDATIONS

– COHESION OP

D

	areas should be deepened.		
7	Statistics on the numbers of tourists and their country of origin should be provided.	?	No info
8	It would be helpful to know the extent to which different regions have benefited from an increase in rural and eco- tourism.	√√	Some further information added
9	We do not think there is a causal link between competitiveness in the tourism sector and levels of FDI in the hotel and restaurant trade. This statement should be removed	√√	EMPHASIS ON FDI DOWNPLAYED COMPARED WITH ORIGINAL PROGRAMME DOCUMENTATION
10	There are problems relating to the <i>overall coherence</i> of the SWOT.	N	NOT DONE, SWOT could still be made more coherent

Improving rationale of strategy

No.	Recommendation	Taken into account?	Action
11	Further thought should be given as to how economic diversification promotion strategies could best be tailored to meet local and regional needs?	√	Some further information added
12	In relation to housing, reference to the JESSICA programme being run by DG Regio and the European Investment Bank should be added	√√	References to JESSICA are now included
13	The potential role of public private partnership in financing tourism and leisure-oriented projects under this Priority could be further explored	√√	PRIVATE SECTOR INVESTMENT IS NOW ENVISAGED – PRIVATE SECTOR INVESTMENT ATTRACTED IS INCLUDED AS A RESULTS INDICATOR

Internal coherence and consistency

No.	Recommendation	Taken into account?	Action
14	Under Priority 1 of the Cohesion OP, support is provided for tourism development. There is a need to ensure that this measure is closely integrated with the HRD OP.	→	This will need to be considered at detailed programming stage
15	Linkages need to be made more explicit between efforts to promote lifelong learning under the HRD and the objective of strengthening local and economic development potential and improving social cohesion under the Cohesion OP	√√	References are included to linkages between the OPs in this regard
16	Is it appropriate from a coherence perspective to include the protection of natural resources	N	NO CHANGE – IT WAS FELT THESE ACTIVITIES FITTED

EX-ANTE RECOMMENDATIONS

– COHESION OP

D

	within this Priority - it would perhaps be more coherent if these activities are integrated with Priority 3 (environmental infrastructure)		BETTER WITH PRIORITY 1 THAN 3
17	Appropriate references need to be made to linkages between efforts to strengthen environmental management and protection capacity in the Cohesion OP and Priority 4 of the HRD OP, which will provide support for administrative capacity building across a range of different public services	?	No info available

Horizontal themes

No.	Recommendation	Taken into account?	Action
18	There are no references however to Lithuania's national equal opportunities strategy or to the legal basis for the prevention of discrimination. Also, none of the grounds of discrimination covered by Article 13 of the EC Treaty are mentioned in the analysis	N	This still needs doing
19	While it is clear how each Priority will promote the information society, brief references to key EU strategies in this area would be helpful. For example, under Priority 1 and 2, reference could be made to the Commission's e-Inclusion strategy and the Information Society for all	√√	Done

External coherence

No.	Recommendation	Taken into account?	Action
20	FURTHER REFERENCES COULD BE ADDED IN THE COHESION OP TO KEY EU POLICIES WHERE APPROPRIATE	√√	DONE
21	For example, a reference could be included under the 1st Priority (objectives 1 and 2) to the EU's social inclusion agenda.	√√	DONE
22	Additional information on coherence with the national policy framework should be added in respect of Priority 2 (4 th objective) - encouraging socially excluded people and people at risk of exclusion integration into the labour market and into society	?	No info available
23	Evidence should be provided as to how Priorities within the Cohesion OP correlate with measures to tackle poverty and social exclusion planned for the next five – ten years Currently they focus too much on the National Action Plan 2004-06 for Combating Poverty	?	No info available

EX-ANTE RECOMMENDATIONS – COHESION OP

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	and Social Exclusion, which will shortly end		
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Monitoring and indicators

<i>No.</i>	<i>Recommendation</i>	<i>Taken into account?</i>	<i>Action</i>
24	An attempt should be made to differentiate correctly between outputs, results and impact indicators	√√	Indicator tables revised
25	Targets should be set for indicators in the 3 rd OP that have not yet been quantified (particularly Priority 1).	√√	Indicators quantified
26	Consideration should be given to measuring the number of new jobs created and the number of new businesses created	√	DONE PARTIALLY – FURTHER CONSIDERATION SHOULD BE GIVEN TO MEASURING TEMPORARY JOBS
27	The approach to core indicators needs to be reviewed. Appropriate indicators, such as the number of jobs created, amount of new business space created should be added	N	A thorough review of core indicators should be undertaken

EX-ANTE RECOMMENDATIONS

– TA OP

E

Ex-ante recommendations – Technical Assistance Operational Programme

<i>Recommendation</i>	<i>Action</i>
Some of the problems identified in relation to Structural Funds administration in the SWOT analysis – in particular those relating to staff retention - should be explored in further depth	
There will be a need to ensure that ESF support for capacity building complements rather than duplicates capacity building support financed through TA	UNDER DISCUSSION
Capacity building with Regional Councils and county level administrations should start as early in the new programming period as possible	TO BE CONSIDERED DURING EARLY IMPLEMENTATION STAGES
As at the national level, there should be a clear delineation of which types of capacity building activities will be supported at regional level through the TA OP as opposed to Priority 4 of the HRD OP	UNDER DISCUSSION
In addition to having an overarching PMC, OP-specific PMC sub-groups, financed through TA, should be set up to ensure that more detailed monitoring of the performance of the OPs during their implementation can be monitored effectively. The results of their work will need to be regularly fed back to and discussed amongst the wider PMC	YES
Support should be programmed within the TA budget to support regional capacity building. As mentioned earlier, there needs to be a clear delineation between capacity building activities that will be supported through the TA OP and those that will be supported through Priority 4 of the HRD OP (which also seeks to increase the administrative capacity of the public sector through training activities, etc.)	TO BE CONSIDERED DURING EARLY IMPLEMENTATION STAGES
Further text should be added on the importance of the partnership principle and the way in which this will be respected through the implementation of the funds	NOT YET
A clearer differentiation is needed between the tasks and responsibilities of Intermediate Bodies and Implementing Agencies respectively to avoid the duplication of tasks which has occurred in some areas in 2004-06	NOT YET
Consideration should be given to decentralising responsibility for operational matters including project selection (with the exception of very large projects) and the preparation of guidance for applicants to Implementing Agencies	STILL UNDER DISCUSSION
There is a need to ensure that a clearer description is included in the TA OP of the role of the Managing Authority, Certifying Authority and Audit Authority respectively in particular how a clear separation of functions is ensured within the Ministry of Finance in relation to these	NOT YET
Financial control systems should be reviewed and where possible streamlined so that these are less administratively burdensome in order to improve efficiency and financial absorption	NOT YET
A couple of paragraphs of further explanation could be included on the specific evaluation activities that have been included in the NEP. This could be supplemented by a table listing planned evaluations together with indicative timings	NOT YET
Appropriate arrangements need to be put in place to ensure that	UNDER DISCUSSION

EX-ANTE RECOMMENDATIONS

– TA OP

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monitoring data is regularly fed back both at the level of each OP as well as across the programmes overall. The Ministry of Finance should retain its role in assessing monitoring data	
Mechanisms will also need to be put in place in the National Evaluation Plan to ensure that under-performance in achieving financial or physical outcomes –identified through monitoring systems - triggers ad hoc evaluation work. The objective of such evaluations will be to identify where problems lie and to suggest appropriate remedial action	UNDER DISCUSSION
Rather than reinventing the wheel, the existing SFMIS system should be customised to meet the needs of the 3 OPs in the new programming period	UNDER DISCUSSION
The MIS system must ensure it is possible to aggregate monitoring data across the 3 OPs so that performance can easily be assessed at the level of each OP and across the programmes overall	UNDER DISCUSSION
The strategy should also include regional stakeholders as an explicit target group of the Information and communication strategy. There is a need to ensure that the regions are kept well informed about EU Structural Funds, given their increasingly important role in 2007-13	NOT YET
Institutional arrangements to monitor the implementation of the horizontal themes in the programmes in 2007-13 should be outlined in the TA OP. In particular, three working groups should be set up on the horizontal themes. Their main objective would be to monitor the integration of the cross-cutting themes in the operational programmes	NOT YET
The explanation of the administrative set-up in relation to the management and implementation of Structural Funds in Lithuania should provide clarity in respect of how the separation of functions within the Ministry of Finance will be ensured between the Managing Authority, Certifying Authority and Audit Authority respectively. The different departments that play a role in carrying out each of these tasks should be explicitly stipulated	NOT YET