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Evaluation of the Progress Made in EU Funds for Integrated Territorial Development for the Period 2014-2020

Summary (short)

28 July 2018

The evaluation was commissioned by the Ministry of Interior of the Republic of Lithuania and conducted by the experts of UAB “ESTEP Vilnius” under Agreement No 1S-28 of 24 January 2018.

The aim of the evaluation – to assess the relevance, effectiveness and progress of the implementation of integrated territorial development programs and specific thematic priorities of the OP related to the integrated territorial development.

Objectives of the evaluation:

- 1) To assess the effectiveness of the aims, objectives and measures implemented in integrated territorial development programs by addressing the challenges of urban and regional development and local needs identified in the Partnership Agreement and the Operational Programme and its relevance in the light of changing external factors.
- 2) To assess the progress of the implementation of integrated territorial development programs and to submit proposals for improving their implementation (monitoring, cooperation, evaluation criteria etc.).
- 3) To prepare the methodology for calculating the monitoring indicator “Attracted additional tangible investments into target territories” and determine its value.

Evaluation object (scope):

- 1) **15 integrated territorial development programs** (hereinafter referred to as ITDP) for the implementation of ITI in Lithuania: 5 ITDPs of 5 major cities (7 target territories – parts of the major cities) and 10 ITDPs of 10 regions (43 target territories: 23 small and medium towns – 2014-2020 target territories and 20 towns – target territories of the transitional period).
- 2) **Measures of the Operational Programme for EU Funds Investments in 2014-2020, related to the implementation of the ITDP** (hereinafter referred to as OP measures), i.e. measures for financing the implementation of actions planned in the ITDP: a total of 35 measures, of which 8 were designed for the sole purpose of implementing ITDP. At the time of the evaluation, only under 28 (of 35) measures projects were being implemented or had been already completed (including all 8 measures, which were designed for the sole purpose of implementing ITDP and under 20 of other OP measures). During the evaluation it was analysed what requirements were applied to the projects funded under these measures and how the monitoring indicators of the ITDPs and their target values matched the monitoring indicators and the target values of these OP measures.

Evaluations methods:

- 1) **Analysis of secondary sources:** academic literature, relevant studies and evaluations; regional policy planning documents and legal acts (Guidelines for the preparation and implementation of ITDPs, the Law on Regional Development, etc.); 2014-2020 EU funds investments planning documents (Partnership Agreement, OP, the measures implementation plans of OP thematic priorities); information on the progress of the implementation of the 2014-2020 EU funds investments (strategic reports, annual reports); ITDPs and their implementation reports.
- 2) **Collection and summarization of primary quantitative data (statistical, monitoring and other administrative).**
- 3) **Collection and summarization of primary qualitative data** by conducting semi-structured interviews with the representatives of ministries, municipal administrations and employees of territorial subdivisions of the Regional Development Department under the Ministry of the Interior (hereinafter referred to as RDD under the MoI).
- 4) **ITDP case studies.** During the evaluation, all ITDPs were grouped into three categories: ITDPs of the major cities, ITDPs of the “major” regions and ITDPs of the “small” regions. For a more detailed analysis, one ITDP was selected from each category (ITDP of the Kaunas city, ITDP of the Kaunas region and ITDP of the Utena region).

During the evaluation, a detailed **analysis of the ITDP content** was conducted: the aims and objectives of ITDP were assessed, the information on measures and actions planned in individual ITDPs was summarized, the lists of ITDPs impact, result and output indicators were prepared, their

actual values were determined and compared with the baseline and target values, the links of ITDP indicators with the OP indicators were assessed, proposals for improvement of ITDP indicators were made. Information on the content of the ITDP in a summarized form was not available prior the evaluation.

EVALUATION OF THE ITDP RELEVANCE

The relevance of the ITDP was evaluated based on two aspects: 1) according to whether the planned ITDP interventions remain relevant in changing external environment (evaluation of the continuing relevance of the ITDP); 2) according to whether the aims, objectives, actions and indicators of the ITDP are aligned with each other (compatibility and consistency of ITDP intervention logic).

Continuing relevance of ITDP. It was determined that in 2014-2017 significant economic, social, demographic or environmental changes that would require amending the ITDP content (its aims, objectives and actions) did not occur. The relevance of some SWOT factors specified in the ITDP has slightly changed, however, these changes were minor ones and essentially do not affect the content of the ITDP. The most significant changes occurred in the political environment after the elections. Due to the changes in the municipal political authorities, after the 2015 municipal council elections, in some target territories changes to planned actions were made. After the 2016 Seimas elections, a new Government has initiated certain changes that could affect the content and the implementation of the ITDP (especially after 2020). At the national level, the political agenda placed more emphasis on the issues of regional policy and reduction of negative demographic effects. Legal acts implementing the Regional Policy White Paper and 2018-2030 Demographic, Migration and Integration Policy Strategy could become a basis for reviewing the actions planned in the ITDP. When allocating the performance reserve ITVP could be more clearly linked to the implementation of the provisions of national strategies (for example, functional regions, public service accessibility standards) and to the aims of these strategic documents (for example, the reduction of emigration) as well as their target indicators.

Compatibility and consistency of ITDP intervention logic. During the evaluation, it was determined that the aims and objectives of the ITDP in many ITDPs are mutually compatible, but ITDP actions, impact and result indicators are not sufficiently aligned. It was determined that ITDPs are dominated by investment interventions (measures), while organizational and administrative interventions are very limited. Hence, during the development of the ITDP the need and value of non-investment type of interventions were not adequately taken into account. During the evaluation the actions planned in the ITDPs were categorised in 7 large and 23 smaller investment areas and during this analysis it was determined that ITDPs are dominated by actions related to three areas of investment: the complex renewal of public spaces in urban areas, with a greater focus on recreation and leisure zones (parks, green zones, areas near water bodies) and central squares of the towns; the development of public services (especially culture and education) and renewal of the relevant infrastructure; the preparation and implementation of sustainable mobility plans, renewal and development of urban streets. Only 33 of the planned 608 ITDP actions relate to development of infrastructure directly relevant to business and investment.

By comparing ITDPs' aims, objectives, actions, impact and result indicators, it was determined that the ITDP interventions are not based on a clearly defined and unified theory of change. Opinions on how the interventions should be planned in order to stimulate the economic development and the growth of employment in the target territories are distinguished by different types of stakeholders (such as local authorities, independent experts, community and business representatives): there are opinions that municipalities should take care of the attractiveness of the living environment and the provision of public services rather than promotion of business, but there are opposing ones, arguing that it is impossible to maintain the population and ensure the attractiveness of the local areas without business and investment.

The analysis of academic literature does not provide an unambiguous answer to this question. However, the opinion that all dimensions (economic, social, environmental and governance; the European Commission in the context of sustainable urban development distinguished 5 dimensions:

economic, social, demographic, environmental and climate change) are important for the balanced development of the territories is dominant.

While preparing the ITDP, the MoI has focused on ensuring that the ITDP would become a development program with clear and measurable aims, objectives and indicators, rather than a list of projects to be implemented in the target territories. It is important that such approach is maintained during the implementation of the ITDP as well, also while assessing the progress and results of its implementation and while planning for 2021-2027 EU fund investments in target territories.

EVALUATION OF THE PROGRESS OF IMPLEMENTATION (EFFECTIVENESS) OF THE ITDP

The progress of the implementation of the ITDP was evaluated in terms of the implementation status of the planned ITDP actions (1) and the extent to which the target values of the ITDPs impact, result and output indicators are achieved (2) as well as to what extent the intermediate and final values the monitoring indicators of OP measures, under which only ITDP actions could be implemented, are achieved (3).

Separate analysis was made to evaluate the consistency between ITDP output indicators and the OP indicators. It has been determined that 67 of the 77 ITDP output indicators are OP indicators, however with a slightly different definitions. The definitions of ITDP output indicators should be aligned to the definitions of OP indicators to avoid confusion and to easy such evaluations as this one.

Status of the implementation of planned ITDP actions. According to the ITDPs, it was planned that 516 out of 591 actions financed by the EU funds would be launched in 2014-2017. However less than half of all actions to be funded by the EU funds were actually launched or completed. There were 248 actions under implementation, 19 actions – completed and 209 not only were not being implemented, but their applications for EU funding were not even prepared. ITDPs were approved in a period of 2015 – beginning of 2016, while the first project financing agreements (hereinafter referred to as PFAs) for the implementation of the ITDP actions were signed during the period of March 2016 – January 2017. On average, 333 days (almost a year) and in some cases, even more than a year, have passed since the approval of the ITDP to the first PFA signing. The implementation of ITDP is delayed for various reasons, such as: the lengthy preparation of technical projects and public procurement procedures, unapproved project financing conditions for OP measures, or changes to them, the need to adjust the ITDP and the information provided in the project proposal prior to the submission of the application, the need to modify ITDP and lengthy coordination of changes to ITDP etc. Lack of administrative capacity and shortage of human resources in institutions responsible for the preparation of project documentation and evaluation of project proposals, applications and ITDP changes (RDD under the MoI, ministries, implementing agencies) are also important factors.

Achievements of ITDP indicators (effectiveness of ITDP implementation). During the evaluation, data were collected on the actual values of the ITDP impact and result indicators (a total of 67 indicators). Actual values of 50 (out of 67) indicators were determined (of which the newest value of one indicator was for 2015, 25 indicators for 2016, 11 indicators for 2017 and 13 indicators for the year 2018). The assessment of the effectiveness of ITDP implementation was made in the following way: the actual value was compared with the target value of the relevant year indicated in the ITDP. It has been found that 32 (of 50) indicators for the respective year were achieved and 18 indicators were not (of which in 16 cases (indicators) actual values changed to the opposite direction compared to the target).

Comparing the actual values of the indicators with the ITDP target values for 2023, it has been established that the targets of 23 ITDP impacts and result indicators have already been achieved, another 16, taking into account current trends, most probably will be achieved by 2023, while 11 (demographic, urbanization, employment and migration) will not. The achievement of 17 ITDP impact and result indicators' targets could not be evaluated due to the lack of data on actual indicator values.

The evaluation of the achievement of ITDP output indicators is complicated as there is no technical feasibility to automatically link the information provided in the ITDPs and monitoring information (SFMS data on projects and indicators). In order to determine the extent to which the values of ITDP output indicators are achieved, it is necessary to determine which ITDP output indicators correspond to the monitoring indicators of the OP and to link the ITDP information on target values with SFMS information on planned and actual values of corresponding indicators. As a result of these restrictions, during the evaluation, only 6 of the 77 ITDP output indicators were identified as having actual values, which revealed that only 1 out of 6 ITDP output indicators achieved the intermediate target value. According to the data provided in the ITDPs, it was planned that at the time of the evaluation 51 actions should be already completed, however in practice 32 out of those actions were not even started. For this reason, it is too early to assess the achievement of ITDP output indicators.

Achievement of OP indicators (effectiveness of the OP implementation). 14 indicators have been identified for monitoring of the 8 OP measures under which only actions planned in the ITDP could be funded. During the evaluation, target values of all 14 indicators and actual values of 6 indicators were known (4 of them are OP indicators and 2 are national).

Planned effectiveness. After comparing the target values set by the OP/MIP and the planned values set in PFAs it is determined that the expected effectiveness of the OP is sufficient in 3 out of 4 indicators (successful implementation of all projects lead to 2 indicators not only being achieved, but exceeded). The planned MIP effectiveness is satisfactory in 6 out of 6 indicators (successful implementation of all projects lead to 3 indicators not only being achieved, but exceeded).

Actual effectiveness. Comparison of the actual SFMS and the target values set by the MIP showed that the actual effectiveness of the MIP, according to 4 out of 6 indicators is very low. One of the main reasons is that the actual values of the indicators are recorded only at the end of the projects (and only 8 of them, according to the mentioned 8 OP measures were completed at the time of the evaluation). Successful implementation of all projects that are in the implementation stage would lead to the achievement of 2 out of 4 OP indicators and 2 out of 2 national indicators.

PROPOSALS FOR IMPROVING THE CONTENT AND IMPLEMENTATION OF THE ITDP

Essential changes to the ITDP content (aims, objectives, measures) for the period 2014-2020 can adversely affect the effectiveness of ITDP and OP implementation. In order to improve the consistency of the ITDP intervention logic, interoperability and efficiency of the investment and the impact of investments in the target territories, it is proposed to: improve the ITDP impact and result indicators (by distinguishing contextual indicators, by unifying the definitions of indicators used in different ITDPs and setting more indicators related to the performance, which would correspond to the OP result indicators); to strengthen the coordination of the ITDP and CLLD implementation, to monitor and evaluate jointly the progress of ITDP and CLLD implementation at the level of the individual target territories / municipalities; in order to create conditions for investment and business development and increase the employment and economic activity, while planning the use of 2014-2020 EU investment funds performance reserve, relevant institutions should give a clear priority for actions aimed at development and/ or renewal of infrastructure for attracting investment and businesses as well as to renewal and restoration of abandoned territories. While preparing the EU funds investment planning documents in target territories for the new period (2021-2027), it is recommended to focus more on the coordination of investments with other types of interventions.

Strategic proposals and recommendations:

- 1) **With regards to the content of ITDPs and their implementation in 2014-2020:** while preparing for the use of 2014-2020 performance reserve, it is recommended to prioritise actions aimed at development and/or renewal of infrastructure for attracting investment and businesses; to take measures that would enable key projects for the target territories to be implemented in a more integrated manner, without artificially decomposing them under OP measures, sources of funding, form and (or) implementation territory (for example, to create

- and pilot a fund for local development projects); to strengthen an integrated approach to the implementation, monitoring and evaluation of the ITDPs and local development strategies (part of CLLD).
- 2) **With regards to the number and the content of regional development planning documents after 2020:** to prepare one planning document for regional development in each region and on the basis of it to plan both investments and other types of interventions not only in the target, but also in other territories of the region; to include branch ministries and planned regional development agencies in the preparation of regional development plans.
 - 3) **With regards to the improvement of the ITDP impact and results indicators, monitoring of their actual values and linkages with ITDP actions:** to distinguish between strategic and performance indicators; while setting strategic indicators, to prioritise indicators from the official statistics (the Lithuanian Statistics Department) and the indicators that could be compared between different territories; for the evaluation of performance, to foresee more performance indicators that should correspond to the result indicators of OP objectives and measures under which ITDP actions are funded; to centralise the monitoring and publishing of information on the actual values of strategic indicators.
 - 4) **With regards to the regulation of ITDPs monitoring and evaluation:** to supplement the Guidelines on the preparation and implementation of the ITDP with a separate chapter dedicated to the regulation of ITDP monitoring and evaluation (to separate the provision for ITDP monitoring from the provisions for ITDP implementation); to set an obligation, at least once during the implementation period, to conduct separate and independent impact evaluation of each ITDP; to foresee that a summarized information on the progress of implementation of all ITDPs would be compiled and published (at www.lietuvosregionai.lt), also determining the form, extent and regularity this information should be published.
 - 5) **With regards to the implementation of ITDPs monitoring and the publicity of the monitoring information:** to ensure that the provisions of the Guidelines for the preparation and implementation of the ITDP related to the ITDPs monitoring are properly implemented; to compile and publish a list of interactive maps of the target territories and associated territories created by municipal administrations; to compile and publish a common list of actions planned in the ITDPs and ensure that the information on the progress of the actions is regularly updated; to clearly link ITDP output and result indicators with monitoring indicators of the OP.

METHODOLOGY FOR THE CALCULATION OF THE INDICATOR AND ITS VALUES

After assessing the various alternatives (4 alternatives have been evaluated, which differ according to the level at which the values of the monitoring indicator are calculated (municipalities or target territories) and according to the variable used for distributing tangible investments in municipal territories (three alternative variables were considered¹) of calculating the 2014-2020 OP result indicator “Attracted additional tangible investments into target territories”, it was proposed to calculate the monitoring indicator by distributing the tangible investments within the municipalities (target territories) according to the distribution of the operating economic entities using a linear regression method. The Lithuanian Statistics Department calculates the tangible investment indicator only at municipal level and does not record a detail “address” of the investments, hence a variable, that would have an address and would strongly correlate with the investments in tangible fixed assets was needed. Additional investment was determined as other investment, not the public investment as part of the projects, financed in the target territories under the 8 OP measures, under which only actions planned in the ITDP could be funded. Public investments under these OP measures were removed, while calculating the final value of the indicator.

It was determined that the actual value of the indicator for 2015-2016 in all target territories was 5.780 billion Eur (estimated according to preliminary tangible investment data of 2016). It makes up 46 percent of all tangible investments in Lithuania. For comparison, in target territories in 2016, 47

¹ The population of the targeted territory; the number of building permits in the target territory and the number of operating economic entities in the target territory.

percent of all operating entities were operating; hence the distribution of tangible investments corresponds to the distribution of economic entities.