

INTERIM NOTES
FOR
THE PROJECT¹ OF CIVIL SOCIETY INSTITUTE
SUPPORT OF THE EUROPEAN UNION: IMPLEMENTATION EFFECTIVENESS

The total requested sum of the applications selected for the support of the EU structural funds amounts to LTL 1.541 billion within the period from the accession of Lithuania to the European Union to the end of May 2005. This constitutes 36 per cent of the total sum of funds allocated for Lithuania in 2004-2006 by the Single programming document.

Appropriation of the structural funds of the European Union (EUSF) until now has revealed anticipated issues of Lithuania, namely, the lack of strategic thinking, insularity of the operation of state institutions, and the mistrust of the society into the governmental decisions.

For the first period of utilising EU structural funds (2004-2006), the Lithuanian Government has prioritised the areas for support with regard to the fields where funds can be appropriated without special effort, that is, the funds were allocated among sectors instead of allocating them for the overcoming of the most urgent national problems.

- Decisions regarding the financing of certain projects are poorly argued to public, their long-term impact on the development of the society and economy is not described;
- In the majority of cases, it remains unclear how the projects that have been successfully supported will contribute to the implementation of the EU structural funds purpose, that is, reducing the economic gaps among the individual national regions and social classes, and between Lithuania and the original EU members. The prevailing allocation of EUSF support for the production and countryside sectors only reveals that the support actually increases the social differentiation of the society as the majority of investment is assigned to the stronger and the bigger, that is, to the large instead of small and medium businesses.
- The allocation of the EUSF funds is still affected by the lack of clear strategic and complex attitude towards the development of knowledge society, national countryside, education and economy.

1. Lack of effective supervision system.

Informational computerised management and supervision system of the EU structural funds and the EU Cohesion Fund was **introduced** in Lithuania **with delay**, therefore, the data are fed in manually. This encumbers the administration, information exchange and transparency of procedures. The issues of monitoring, accountability and data transmission will necessarily emerge in future because of this delay. The experience of other states shows that untimely assurance of smooth functioning of information system makes this action much harder in future. Modernisation of supervision system is crucial to Lithuania. So far the financial monitoring has been addressed most vastly, while the monitoring systems covering not only financial but also productive progress data should be improved.

2. No consistent adherence to the partnership principle.

¹ The project is being implemented in cooperation with the following partners: National Development Institute, Lithuanian Free Market Institute and Transparency International Lithuanian Chapter.

The involvement of social partners, NGOs and local interest defenders into the support programming and project selection process is in most cases only formal. The procedures of the ministries, which are intermediary institutions conducting EU support administration, are too insular. The Documents regulating the selection of programming period of 2004-2006 (2004-2006 Single programming document, and Order No. 1K-204 issued by the Minister of Finance on 31 May 2004) only recommend to the ministries, the intermediary institutions conducting EU support administration, to invite social and regional partners and NGOs to participate in selection process, thus, the authorities are not obliged to do that. The regulation allowing the ministries to form the constitution of their selection committee on their own makes one presume that only organisations favourable to the authority are invited to join in. The transparency of decision-making could be enhanced if social and regional partners were delegated to the selection committees by the organisations that unite and represent these entities.

3. Lack of publicity and information.

There also exists the lack of information on the appropriation instances and methods of funds allocated for the spreading of information on the EUSF support. The sum exceeding LTL 11,500,000 (EUR 3,307,587.4) is allocated for these information and publicity measures within the period of 2004-2006. The presence of the information on the EUSF clearly does not coincide with the amounts of funds spent for this purpose and, before the detailed report on the fund utilisation is made public, serious doubts as to their effective appropriation arise.

Other EU member states, both original and new ones, provide much more concentrated information on the structural funds and the opportunities to use their support. The majority of states run individual specific Websites designed for the provision of information on structural funds. In the meantime, the provision of information is fragmented in Lithuania because it is usually provided in the Websites of the responsible intermediary and implementing institutions. Given the experience of other states, special Websites should be developed in Lithuania to contain all required information in structured fashion. These pages could publicise strategic documents of the upcoming programming periods, with the option to provide feedback, as well as research, studies and articles pertaining to the specific field. Support beneficiaries would also find useful the online forums in these Websites where they could share experiences, exchange information, ask questions and receive replies from responsible institutions. At the end of the 2004-2006 programming period, these pages should publicise most successful projects as it is the practice in other EU member states. Special information services providing free information on the support should also be established.

The implementing institutions should also introduce the system that would enable the applicants and beneficiaries to track the process of their applications and projects as well of those submitted by other applicants/beneficiaries in order to ensure the transparency of project administration. The Websites of implementing institutions should regularly inform about the status of the project processing by providing such information as whether the application is assessed, the number of points assigned, whether the application is approved, received, analysed, whether the payment request has been received, whether the funds have been paid, etc. Thus, the beneficiaries could make sure whether other projects are not granted unreasonable priorities in terms of time, while the bureaucracy of "paper communication" between the administrating institution and beneficiary would be reduced, which in its turn would cut down the costs incurred by the state. The Websites of the implementing institutions should also contain regularly updated and detailed information about approved projects (short description of each project approved for support, support amount, arguments for the decision to grant the support, and planned impact). At the moment, the Websites of the Lithuanian Business Support Agency and the Central Project Management Agency provide only short descriptions of the projects (in a couple of sentences) without indicating their planned impact.

The issue of the information shortage faced by the applicants and beneficiaries could be solved in the following methods:

- by supplementing the Guidelines to the applicants;
- by developing a special Website for spreading information on structural funds;
- by introducing the system enabling the applicants and beneficiaries to track the process of their applications and projects as well as of those submitted by other applicants/beneficiaries.

4. Fair project competition is not ensured.

The public does not receive enough information on the importance and exceptionality of projects of national significance supported by exception, and no selection criteria applied to them are clarified. There exist no clear criteria for determining that projects are of national significance. There are fields where competition is not allowed at all. For example, the Lithuanian Exchange is registered as the only institution that may implement “Training of Employment Capabilities” projects (they are assigned 28% of the total priority funds for the Human Resources Development).

SME and large enterprises compete to receive the same funds but on unequal conditions. SME submit substantially more applications for the support than the large businesses: according to the data of February 2005, SME have submitted 78% of the total applications, yet the majority of support was allocated for the large businesses. To avoid this unfair competition, SME should be allocated an individual measure in the programming document. Alternatively, SME and small rural farms could be provided with more free consulting services and assistance in the drawing up of the projects as this would provide them with better opportunities to compete with the projects drafted by the large enterprises.

Introduction of new project evaluation system would be purposeful, too. After each call for tenders, the submitted tenders should be divided into two (or more) groups of large projects and small-scale projects. More extensive evaluation period could be determined for the assessment of large projects, while the team of project evaluators and Project selection commission could be made stronger by involving more economic and social partners, regional agents and required experts. However, the application of different evaluation terms would be meaningful only if large and small projects did not compete in-between, i.e. if the procedure of continued support granting was applied and if the support to SME and large companies was separated.

Regional aspect is not taken into account at the evaluation of the projects. At the moment, identification of areas of concern takes into account only one indicator, that is, the unemployment rate. The motives for identification of areas of concern determined by the Ministry of Economy are not clear either. Therefore, the number of criteria for the identification of areas of concern should be increased and these areas should be rated. This would facilitate better justified allocation of the EU support to regional projects.

Competition of the projects should be enhanced in the project selection process. To create competition of the projects, which would allow only the best projects to pass the selection process, it would be logical to distribute the total support sum for a certain measure according to the planned calls for tender. Thus, in case of limited support sum during a certain period of the calls for tender, only the projects with highest ratings would reach the Project selection committee.

5. Lack of orientation towards strategic development priorities of both Lithuania and the European Union.

The new EU support appropriation strategy should be more consistent with national priorities of Lithuanian modernisation, and clear development strategies of knowledge society, national

economy, education and countryside than that set forth in the 2004-2006 Single programming document.

For this end, conditions should be provided for the open discussion on the Lithuanian priorities where all those willing to contribute constructively to the discussion of priorities and to submit proposals should be allowed to do that. So far, it seems that the procedure for setting priorities and forming certain fields for the appropriation of the EU funds resembling to that of the development of the Single programming document will be chosen. Institutional interests of the responsible ministries and the need to complete this process as soon as possible could prevail in this procedure. Delays in the drafting of the national strategy for the financial period of 2007-2013 means that its public discussion in great detail and with a critical approach will be impossible due to the shortage of time. It is also doubtful whether required efforts will be made for the identification of the most urgent Lithuanian priorities by conducting the assessment of preliminary impact and other necessary investigations.

Institutionally, the discussion of priorities should be arranged not according to individual sectors but based on the horizontal priorities. Certainly, in specifying measures for financing, there will inevitably occur the issues of choosing between different institutions and sectors, yet the relation between the financed fields and the addressed issues relevant for the entire society should be retained.

The assessment of preliminary impact of the chosen priorities should be carried out. The assessment of this kind could be conducted by external experts. The information they would generate could become a source for discussions among responsible institutions and the public. Furthermore, external experts should be involved in all stages of national strategy and its implementation.