

# The impact of the Lithuanian Rural Development program 2014–2020 on the promotion of social inclusion, poverty reduction and economic development in rural areas

Summary of the final study report

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EUROPOS ŽEMĖS ŪKIO FONDAS KAIMO PLĖTRAI:  
EUROPA INVESTUOJA Į KAIMO VIETOVES



LIETUVOS RESPUBLIKOS  
ŽEMĖS ŪKIO MINISTERIJA

## Summary

The Lithuanian Rural Development Program draws up the provisions to influence the promotion of social inclusion, poverty reduction and economic development in rural areas. It is especially important to reduce social tensions formed due to increased unemployment rates in rural areas and increased social exclusion, as well as to create proper conditions to establish small businesses, ensuring their territorial distribution, to introduce various services and products and make them more accessible to people living distantly from the country's bigger cities, where the economic development is relatively low or non-existent.

By implementing the measures, areas of activity and activities analyzed in the Study, the aim is to increase the employment rates in rural areas, reduce the level of poverty, strive for the growth of GDP per capita of the rural citizens, and increase the attractiveness of rural areas. To achieve these results, measures, areas of activity and activities directly contribute to Priority 6 – "Promoting social inclusion, poverty reduction and economic development in rural areas".

Most of the measures, areas of activity and activities analyzed in the Study (6 units) contribute to the 6B focus area – it is aimed at diversifying activities in rural areas. To 6A focus area contribute 5 measures, areas of activity and activities analysed in the Study which are set to encourage the establishment and development of new small enterprises and the creation of jobs. 6C focus area is being supplemented by 1 area of activity analyzed in the Study – the implementation of it will contribute to the development, use and quality improvement of ICT in rural areas. Taking into account the products, the results and the impact generated by the measures, areas of activity and activities analyzed in the Study, it is assessed that the planned interventions are appropriate to achieve the focus areas of Priority 6.

The goal of the focus area 6A, which aims at diversifying activities, establishment and development of small businesses and facilitation in job creation, is measured by the numbers of jobs created during the implementation of supported projects. It is anticipated in the program that, following the implementation of measures contributing to focus area 6A, 2,555 jobs should be created by the end of the year 2023. 926 jobs were created or 25.09 percent of the values of the planned target, based on the data provided by the National paying agency. The indicators measuring the implementation of Focus area 6A reflect the objective of this area – diversification of activities, establishment and development of small enterprises, and facilitation of job creation – are sufficient to assess the contribution to the P6 objectives.

To measure the implementation of focus area 6B oriented towards the promotion of local development in rural areas, three objective indicators are set up, two of them already achieved at the time of the preparation of the Study. The indicator related to the rural population towards which development strategies has already been applied, was reached and exceeded in 2016. It was planned in the program that in 2023 at least 14.26 percent of rural population would use better services / infrastructure (150 thousand rural citizens). The indicator of this objective is being achieved by implementing the activity areas of the measure M07, which are intended for the replacement of asbestos roofs, construction or reconstruction of local roads, development of broadband communication infrastructure, investments in rural cultural and natural heritage, landscape. After the implementation of projects under these activities, almost

266 thousand people use better services / infrastructure – the indicator envisaged in the program was exceeded by 77 percent. The third indicator relates to the implementation of measure M19. At the time of the implementation of the measure and contributing to the focus area 6B, 463 jobs were created during the preparation of the Study. Given that the financial implementation rate of measure M19 is 52 percent, it is likely that the target will be reached. The indicators measuring the implementation of Objective 6B are considered to reflect the objective of this area – to promote local development in rural areas – but are only partially sufficient to assess the contribution to the P6 objectives.

To measure the implementation of Objective 6C, which aims to increase access to ICT, promote their usage and improve their quality in rural areas, one target indicator is set: the percentage of the rural population using new or advanced services / infrastructure (ICT). The program anticipates that this possibility should be provided for 1.9 percent or 20 thousand rural citizens. Following the implementation of the project for the development of broadband infrastructure in rural areas, access to better services / infrastructure (ICT) was provided to 79 thousand people or 7.5 per cent. At the end of the project in 2019, the target indicator was reached and exceeded almost 4 times. The indicators measuring the implementation of focus area 6C reflect the objective of this area of increasing access to, promoting and improving the use of ICT in rural areas and are sufficient to assess the contribution to the P6 objectives.

In all cases, applicants must comply with the general eligibility conditions and requirements set out in the Program when assessing the requirements. In addition, there are additional activity-specific criteria for each measure (e.g. applicants must be entitled to engage in knowledge transfer and information activities in the context of M01 training activities). Meanwhile, the detailed conditions for the provision of support are set out in the implementing rules of the measure, made publicly available, with updated rules for the implementation of the measures and previous versions of the rules. Many of the selection criteria for the measures are easy to assess (e.g. applicants' age, gender or duration of residence in a rural area). The remaining criteria are in line with the specificity of the measure and are considered necessary. The establishment and evaluation of project selection criteria, despite prolonging the project selection process, is a necessary part of project selection process, ensuring that support is provided to eligible applicants, thus enabling the effectiveness of the support.

When assessing the efficiency and transparency of support administration, it was identified that the efficiency of the process is increased by the operation of the Ministry of Agriculture and the improvement of the competencies of NPA staff as well as the involvement of external experts. Meanwhile, the validity of uniform application evaluation standards, on-the-spot checks, control of the use of funds, application of the “4-eyes” principle, involvement of external experts, implementation of the NPA corruption prevention program and the activities of the NMA Trust Line contribute to ensuring the transparency of the process. The process of administration of support is assessed as sufficiently transparent and efficient, however, in order to further increase efficiency, it is recommended to allocate funds for the improvement of the information system of Ministry of Agriculture of the Republic of Lithuania and to encourage the electronic submission of applications and requests. Other measures of the Program may also contribute to the implementation of the objectives and tasks of Priority 6, even when their direct impact is not foreseen in the Program. 3 such measures and their areas

of activity have been identified: measure “Investments in the development of forest areas and improvement of forest vitality” activity area “Investments in forestry technologies”, measure “Payments related to Natura 2000 and Water Framework Directive”, measure “Exceptional temporary support farmers and SMEs particularly affected by the COVID-19 crisis”. The implementation of these measures creates and / or maintains jobs, improves the economic results of economic entities operating in rural areas, creates opportunities for the development of the tourism sector, therefore the measures are assessed as contributing to the implementation of Priority 6 goals and objectives.

The Study assessed the contribution of all Program measures that directly and indirectly contribute to the implementation of Priority 6 to the main objectives of the CAP and the Europe 2020 strategy. All measures of the Program were found to have contributed to at least one objective. The contribution of the programme's measures was relevant to all 3 objectives of the CAP and 4 of the 5 objectives of the Europe 2020 strategy. The only goal that was not directly affected by the measures of the Program, was related to education (less than 10 percent of early school leavers (Lithuania's national target is less than 9 percent), and at least 40 percent of 30–34-year-olds having a higher education (Lithuania 's national target – 48.7 percent). Although the measures are assessed as having contributed, a broader analysis of the impact, data of the measures shows that their impact on increasing the employment rate in rural areas and for the citizens between the ages of 20 and 64 years old as well as in promoting technological development and innovation is estimated as not significant. Given the scale and nature of the investments, it was found that measures directly and indirectly contributing to the implementation of Priority 6 were important in reducing the level of poverty in rural areas, and without the application of the Program the level of poverty would be higher than it is. The measures of the program also contributed to the balanced territorial development of the rural economy and communities: measure M19 supported community-initiated rural development, the implementation of measure M07 provided access to better infrastructure and services for the citizens, measures M06, M08 and M19 created more than 1.6 thousand jobs.

The horizontal principles have been followed in the implementation of the Program. There are no restrictions on applicants' gender, racial or ethnic origin, religion, belief, disability, age or sexual orientation when applying for support. Thus, it is assessed that although the distribution of applicants by gender did not correspond to the general gender proportion in Lithuania, the principles of gender equality and non-discrimination were still ensured. The principle of sustainable development was ensured by promoting responsible agricultural activities, maintenance of biodiversity, reduction of pollution, development of RES and risk prevention.

The impact of interventions depends on the nature of the interventions. In cases where investments increase the productivity of the economy, contribute to the creation and maintenance of jobs, allow for the expansion of economic activities and continue to generate additional income after the end of the support, the effects are likely to be long-lasting. While support under the Programme's measures simply compensates certain losses incurred by farmers, it is likely that no significant changes will be recorded at the end of the support period. In the study, measures M01, M02, M06, M07, M08 and M19 were identified as creating long-term effects. M01 and M02 provide knowledge that can be used in the future, and farmers can share it with each other without the need for additional investment. Measures M06, M07, M08

and M19 provide opportunities to invest in infrastructure and create businesses in rural areas that promote economic development not only in agriculture, but also in tourism, catering and other services, and thus the impact of interventions on employment, poverty, economic development, business creation, etc. in rural areas should be long-term.

It is assessed that measures to encourage the establishment of new businesses in rural areas, to improve the quality of services provided and to increase diversity remain relevant. The implementation of these activities contributes to the creation of jobs in rural areas, the creation of opportunities to diversify and generate higher incomes, and the creation of micro and small businesses.

In order to achieve the vitality of rural areas and generational change, one of the main target groups remains young farmers, whose attraction and encouragement to start / continue activities in rural areas requires the continuation of financial interventions specifically for this group.

One of the important factors contributing to the productivity and success of farms is the knowledge of farmers, which allows them to take into account the specifics of the arable land and the crops or animals grown, to choose the most appropriate techniques and materials. Therefore, in order to increase the efficiency of the use of support and to encourage farmers to take an interest in the latest agricultural trends, it is recommended to award additional evaluation points to farmers who have participated in knowledge acquisition or competence development activities (seminars, conferences, demonstration projects, etc.) during the 3 years prior to the application.

- In the period of 2014–2020, the measures analysed in the study are implemented by allocating grants to projects. When analysing the statistics of the measures (number of applications received and approved, funding for the implementation of the measures, funding requested by the applicants and funding for the implementation of the projects), it is assessed that this form of support is attractive to the beneficiaries. However, considering: that the funds allocated for the implementation of the measures do not meet the need, out of 18 measures, areas of activity and activities analyzed in the Study, in 9 of them, the amount of support requested exceeded the funds for the implementation of measures;
- in the period 2021–2027, the EU spends on rural development support is 15.3 percent smaller compared to the 2014–2020 period;
- that the use of financial instruments is encouraged to support underfunded investments,

in the future, it is recommended to consider the use of financial engineering for measures that potentially implement financially viable projects. However, it must be borne in mind that the Programme's measures are targeted at rural areas, to promote rural development, increase employment, the quality and diversity of services provided and that in many cases the beneficiaries are farmers, micro and small enterprises, community-based organizations and may not be economically strong, therefore the use of financial engineering instruments may reduce the demand for the Program 's measures, and the pursuit of national and international goals, respectively. Against this background, it is proposed to apply financial engineering

instruments not in full, but in combination with grants. The use of financial engineering instruments would make it possible to provide support to a larger number of beneficiaries and to make a greater contribution to the desired results. Renewable financial engineering instruments could create greater added value.