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INTERIM (PROGRESS) EVALUATION OF THE IMPLEMENTATION OF THE REGIONAL DEVELOPMENT PROGRAMME FOR 2022–2030

EVALUATION SUMMARY

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MINISTRY OF THE INTERIOR OF THE REPUBLIC OF LITHUANIA

The service contract is financed by the European Social Fund +. The evaluation was commissioned by the Ministry of the Interior of the Republic of Lithuania.

EVALUATION PURPOSE, OBJECTIVES AND SUBJECT

The **purpose of the evaluation** is to determine the relevance, adequacy, and expected impact of regional progress measures and the progress measures of regional development plans (*hereinafter* – ***RDPs***), with the aim of improving interventions and the system for planning regional progress measures within national development programmes.

In pursuit of the main objective of the evaluation, five **evaluation objectives** are set:

1) to assess the relevance and adequacy of the regional progress measures provided for in the Regional Development Programme [1] (*hereinafter* – ***RDP***) in achieving Strategic Objective 7 of the National Progress Plan [2] (*hereinafter* – ***NPP***) and the regional development objectives set out in the RDPs;
2) to assess the relevance and adequacy of the progress measures of the RDPs in achieving Strategic Objective 7 of the NPP and the regional development objectives of the RDPs;
3) to assess the expected impact of the investments planned in the RDPs on the scale of regional development problems identified in the RDP;
4) to provide conclusions and recommendations on appropriate directions for future investments in regional development (after 2027);
5) to assess the relevance of the system for planning regional progress measures in national development programmes in addressing the regional development problems identified in the RDP.

The **subject of the evaluation** is the RDP for 2022–2030 and the documents related to its implementation.

The RDP is intended to implement Strategic Objective 7 of the 2021–2030 NPP, "To develop the territory of Lithuania in a sustainable and balanced manner and reduce the regional divide." In order to achieve the objectives, set out in the RDP, the scope and conditions of investments in specific public policy areas are defined in regional progress measures, while specific interventions (projects) are planned within the progress measures of the RDPs.

Investments under evaluation: projects included in the 10 RDPs as of 1 May 2025, through which activities planned under 14 regional progress measures are to be implemented. The investments are financed under the 2021–2027 EU Funds Investment Programme (*hereinafter* – ***the Investment Programme***), as well as from EU funds, the state budget, and municipal budgets.

EVALUATION METHODS

The evaluation applies a **theory-based approach**. To assess the relevance and adequacy of planned intervention areas and specific investments in achieving the objectives of the NPP and the RDP, **models of economic growth, the reduction of poverty and social exclusion, and environmental sustainability** were used, based on the analysis of academic literature and international organizations' documents. These models are described using specific socio-economic indicators, on the basis of which **indices** were

[1] Resolution No. 713 of the Government of the Republic of Lithuania of 29 June 2022, "On the Approval of the Regional Development Programme for 2022–2030."
[2] Resolution No. 9987 of the Government of the Republic of Lithuania of 9 September 2020, "On the Approval of the 2021-2030 National Progress Plan."

constructed. The values of these indices reflect the current situation of the regions and regional disparities across various aspects important for the development of economic growth, social cohesion, and environmental sustainability. The indices calculated for each region include **the most relevant indicators describing the situation in specific areas, even though some of them reflect areas that are not directly financed under the 2021–2027 regional progress measures**. It is assumed that, despite the fact that the content of investments is limited by the requirements set out in the regional progress measures, allocating greater funding to regions facing more complex situations is one of the preconditions for reducing regional disparities.

In order to assess the relevance of regional progress measures in addressing issues important to municipalities, as well as the involvement of regional-level representatives in the planning of the RDP and related documents, **surveys** were conducted among representatives of municipal administrations, administrations of the Regional Development Councils, and socio-economic partners of the latter. To deepen the data collected through the surveys and to better understand specific cases, additional **semi-structured interviews** were conducted with representatives of national, regional, and municipal-level institutions.

The expected impact of the planned interventions on the achievement of the indicators of the NPP and the RDP was assessed using **macroeconomic modelling**.

MAIN EVALUATION RESULTS

RELEVANCE OF REGIONAL PROGRESS MEASURES IN ACHIEVING GREATER REGIONAL COHESION

The 2022–2030 RDP was prepared to implement Strategic Objective 7 of the NPP – to develop the territory of Lithuania in a sustainable and balanced manner and reduce the regional divide. The RDP identifies three main regional development problems to be addressed through investments: *differing economic growth potential and uneven economic development across regions; higher poverty risk and social exclusion in certain regions; and an insufficiently sustainable environment negatively affecting regional attractiveness.*

The regional progress measures thematically cover all three problems identified in the RDP and therefore formally align with the logic of NPP Objective 7 and contribute to addressing the established tasks. However, the breadth and complexity of the problems identified in the RDP are linked not only to numerous municipal autonomous and state functions, but also depend on other factors – national policy, geopolitical situation, etc. Therefore, the current set of regional progress measures is appropriate for addressing specific municipal-level problems, but not sufficient in all cases.

In the field of **economic growth**, when comparing the regional situation and the funds planned in the RDPs both overall and across specific dimensions – physical business and tourism infrastructure, promotion of entrepreneurship, and innovation – **the allocation of funds across regions is relatively proportionate to existing conditions. However, the content of investments is only partially oriented towards the creation of economic value.** The largest share of investments planned in the RDPs for economic growth is allocated to the development of public tourism infrastructure (EUR 329 million from all sources, accounting for about 70% of all investments planned under the economic growth objective). These investments will generate short-term economic stimulus and contribute to expanding alternative employment opportunities for residents, but will not create sufficient preconditions for reducing regional economic disparities, except in individual municipalities with significantly higher tourism potential. Investments in the development of industrial and commercial zones and the establishment of co-working centres in municipalities (EUR 116 million from all sources, accounting for about 25% of total investments planned under the economic growth objective) better correspond to the need to increase regional competitiveness and will contribute to attracting investment and fostering local entrepreneurship, thereby increasing the potential for job creation.

In pursuing the objective of reducing poverty and social exclusion, the largest investments (from all sources, across all RDPs) are planned[3] in education (EUR 409 million), social protection (EUR 359 million), and mobility (EUR 288 million). In terms of **reducing disparities in social inclusion[4] between regions, the per capita investment volumes in individual regions correspond quite well to the situation at the time of investment planning**[5] – that is, regions with a higher share of people experiencing poverty or social exclusion invest more overall in the areas related to this objective. However, when comparing the situation **in specific thematic areas** important for social inclusion and the investments planned in those areas (based on the constructed social inclusion index), this **balance is not maintained in all cases**. Investments in social protection and, partly, mobility most closely correspond to the existing regional situation, with more challenged regions investing more. In other thematic areas important for enhancing social inclusion, the volume of planned investments rarely depend on the existing regional conditions. According to municipalities, the conditions established in the funding guidelines for regional progress measures largely correspond to their needs and enable investment in infrastructure most relevant to reducing social exclusion. Relatively more restrictions apply in the fields of education and mobility, and there are no regional progress measures specifically dedicated to the development of relevant sports or cultural services.

To reduce regional disparities in the field of **environmental sustainability**, the largest amounts (from all sources, across all RDPs) are planned[6] for drinking water supply and wastewater treatment (EUR 310 million), ecosystem maintenance and development (EUR 75 million), and waste management (EUR 53 million). The **investments** foreseen in the RDPs **on average correspond to existing regional disparities** in environmental sustainability and will make a limited contribution to reducing regional differences. Compared to regional progress measures in other areas, this is partly due to relatively detailed requirements established for eligible activities, which in some cases reflect sectoral ministries' intention to invest EU funds where they will be used more efficiently and have a greater impact (reach a larger target group, contribute more effectively to national-level objectives, etc.). From the regional perspective, requirements related to the population size, density, and other characteristics of localities where investments may be implemented, have limited the implementation of certain potential projects in the field of environmental sustainability.

EXPECTED IMPACT OF INVESTMENTS IN ADDRESSING REGIONAL DEVELOPMENT PROBLEMS AND INCREASING REGIONAL COHESION

The RDP establishes target values for the following **regional policy impact** indicators in the regions:

- Employment rate of the population (aged 15–64) (%);
- Annual value added at factor cost per employee for non-financial corporations (thousand EUR);
- Persons at risk of poverty or social exclusion (%).

[3] Including funds allocated under regional progress measures of sectoral ministries and the regional progress measures administered by the Ministry of the Interior No. 01-004-07-02-01 (RE) and No. 01-004-07-01-01 (RE).
[4] RDP impact indicator "Persons at risk of poverty or social exclusion".
[5] RDP impact indicator "Persons at risk of poverty or social exclusion, %", using 2020 baseline values.
[6] Including funds allocated under regional progress measures of sectoral ministries and the regional progress measure administered by the Ministry of the Interior No. 01-004-07-02-01 (RE).

The results of macroeconomic modelling show that the investments planned in the RDPs are allocated relatively appropriately, with a larger share of investments directed to regions facing more difficult economic conditions. In the 2025–2028 period, **significant additional GDP growth is projected** in these regions, particularly in the Utena, Tauragė, Marijampolė, and Alytus regions. In the long term (2029–2040), the impact will remain positive, although smaller. Overall, over the entire analysed period (2025–2040), due to the investments, GDP in the Utena region is projected to increase by an average of 1.97% per year, in the Alytus region by 1.61%, in the Marijampolė region by 1.59%, and in the Tauragė region by 1.56%. A smaller impact is projected in the Šiauliai, Telšiai, and Panevėžys regions, where nominal GDP is expected to increase by 0.82%, 0.85%, and 1.01% respectively. The smallest average annual impact on GDP is projected in the Vilnius (0.12%), Kaunas (0.36%), and Klaipėda (0.51%) regions.

Investments will also **stimulate employment growth, particularly in regions where relatively more investment is made**. It is projected that during the 2025–2040 period, the number of employed persons will increase on average annually by 0.43% in the Tauragė region, 0.39% in the Utena region, 0.34% in the Marijampolė region, and 0.31% in the Alytus region. In these regions, a **relatively greater impact of investments on labour productivity** is also projected – about 1.57% annually in the Utena region and around 1.2% in the other regions. A moderate productivity impact (about 0.6% annually) is projected in the Telšiai, Šiauliai, and Panevėžys regions, while the smallest impact is expected in the Klaipėda, Kaunas, and Vilnius regions (0.34% or less).

However, the analysis of investment efficiency shows that although the investments planned across regions are broadly similar from a macroeconomic perspective, **capital is used more efficiently in more economically developed regions** due to higher technological levels, denser business ecosystems, and a greater concentration of human capital. In the Šiauliai region, one euro invested will generate EUR 5.91 in value by the end of 2040 and, in the Vilnius and Kaunas regions one euro invested will generate EUR 5.75 and EUR 5.79 respectively. In regions with weaker economic indicators, investments are more strongly oriented towards the development of basic infrastructure, where the marginal productivity of capital is lower.

When assessing the impact of the investments planned in the RDPs, it is also important to note that **these investments will directly contribute to addressing certain issues related to the accessibility of public services.** Due to the availability of indicators, the impact of investments was analysed in more detail in the areas of access to social housing, the implementation of the deinstitutionalisation of care, pupil transportation, the adaptation of educational infrastructure for persons with disabilities, road safety, and the availability of wastewater collection infrastructure. In these areas, the contribution of investments is clearly measurable and, in some cases, significant. Investments will make a substantial contribution to reducing the shortage of group living homes and supported living services across all regions. A positive impact can also be observed in increasing the availability of social housing for large families and persons with disabilities in certain regions (Utena, Šiauliai, and Alytus regions), although the systemic shortage of social housing will remain at the national level, and the distribution of investments between regions is not always proportional to the scale of existing demand. Some regions will significantly improve the availability of pupil transportation services (notably the Utena region), although at the national level the overall impact will remain limited, as some regions do not plan to purchase school buses in their RDPs. Investments will also make an important contribution to increasing the number of general education schools that are accessible for persons with different physical abilities to enter and move around independently (funding is planned for 75 schools). However, even after the planned investments are implemented, the overall share of schools accessible to persons with disabilities in the country will still be around 20%.

GOVERNANCE OF REGIONAL POLICY PLANNING

During the 2022–2030 period**, regional policy planning in Lithuania is based on a multi-level model** involving institutions at the national, regional, and municipal levels. Formally, this system is consistent and follows the sequence of document preparation established in the Strategic Management Methodology. First, **national development programmes are prepared, which include regional progress measures that are integrated into the RDP**, while the RDPs are prepared once investment directions and funding allocations have already been approved. However, the practical functioning of this system reveals governance shortcomings.

The directions, eligible activities, and financial allocations of regional progress measures are defined at the national level **without ensuring sufficient representation of regions**, thereby limiting their potential role at the initial planning stage. Although regional representatives (the Regional Development Councils) are more actively involved during the preparation of funding guidelines for regional progress measures, their ability to substantially influence investment directions remains limited, as the **main decisions have already been taken** by sectoral ministries and agreed with the European Commission (during the preparation of the Investment Programme).

Certain governance shortcomings are also evident in the preparation of the RDP. Although the RDP should, according to legislation, define the conditions for implementing regional policy, in practice the manager of the RDP (the Ministry of the Interior of the Republic of Lithuania) prepares it after regional progress measures developed by other sectoral ministries have already been approved. As a result, the **RDP partly integrates separate regional progress measures** rather than forming an independent regional policy strategy. In addition, regions and municipalities, when preparing the **RDPs, are not required to follow the financial allocation proportions assigned to individual regional progress measures in the RDP or the target indicator values associated with their implementation**. This system allows municipalities to allocate investments to the needs most relevant to them (within the scope of regional progress measures), but the portfolio of investments planned in the RDPs does not correspond to the investment structure planned in the regional progress measures, the RDP, and the Investment Programme.

During the preparation of the RDPs, regions and municipalities have greater discretion to select specific activities and allocate the funds received under the RDP. However, the current system limits the possibility of a strategic approach to the region as a unified socio-economic entity, as **EU funds preliminarily allocated to regions under the RDP are later distributed by the Regional Development Councils to municipalities according to selected indicators**. Moreover, the Regional Development Council boards that approve the RDPs consist only of municipal representatives, and therefore **municipal interests** naturally **dominate** within them.

MAIN EVALUATION CONCLUSIONS

All existing regional progress measures are suitable for addressing specific municipal problems. However, their relevance and impact on regional development objectives are uneven and limited. The problems identified in the RDP – *uneven regional economic growth, social exclusion, and an insufficiently sustainable environment* – are complex and broad, while regional progress measures cover only part of the possible solution areas and represent only a portion of all investments allocated to municipalities during the 2021–2027 investment period. Therefore, their **contribution to the systemic reduction of regional disparities is partial**.

In some areas, fewer investments were dedicated in the RDPs than initially planned by ministries when preparing the regional progress measures. Since regions and municipalities were able to choose relatively freely among activities financed under regional progress measures, without following the proportions of funding allocated to individual measures in the RDP, more investments were planned in education, social services, improvement of the living environment, waste management, and the development of public tourism infrastructure, while fewer were planned in the remediation of contaminated sites, ambient air monitoring, long-term care services and infrastructure development, and sustainable mobility. The lower-than-planned use of funds in some areas was partly influenced by **funding conditions** established in the guidelines for regional progress measures that **were less favourable** for municipalities. However, investment choices also indicate that **municipalities in some cases prioritise areas different from those proposed by ministries**. Opportunities to invest in activities not foreseen in regional progress measures prepared by sectoral ministries were created through regional progress measures approved by the Ministry of the Interior, under which various public service infrastructure can be financed in regional centre cities, the suburbs of major cities, and functional zones.

As investments are planned almost exclusively at the municipal level, with funds preliminarily distributed among municipalities according to indicators selected by the Regional Development Councils, **regional-level prioritisation and strategic concentration of resources become limited**. The RDPs tend to justify the investment decisions chosen by municipalities rather than form a comprehensive regional development strategy, and the documents often identify only those problems and their causes that correspond to the projects planned for funding.

The lack of alignment between national and regional-level documents, as well as the focus of regional strategies on the individual needs of municipalities, also stems from the **current regional planning and EU funds programming system, which is not balanced to consistently ensure the formulation and implementation of regional policy objectives.** Regional progress measures are mainly developed at the ministerial level with limited involvement of regions, thus restricting the real implementation of the "bottom-up" approach. Meanwhile, Regional Development Councils lack sufficient financial and strategic leverage to prioritise regional-level solutions, even if such solutions could produce greater regional impact in the medium to long term compared to investments planned and implemented individually by municipalities.

Recognising the need and opportunities to address socio-economic problems involving more than one municipality, investments are also financed through functional zone strategies (*hereinafter* – ***FZ strategies***). However, the **practical implementation of FZ strategies has shown uneven effectiveness**. Although some good examples of projects exist, in some cases FZ strategies have been used more as a formal instrument for justifying investments rather than as a genuine mechanism for cooperation and service optimisation. The potential of FZ strategies has been limited by differing interpretations of requirements, uneven municipal engagement, large distances between municipalities, and limited incentives to ensure the real use of shared services.

Exploring new operational models is also important because **demographic, environmental, geopolitical, and technological trends may create new regional development challenges** in the future. Population ageing, extreme climate events, security threats, digitalisation, and the need for green transformation will increase the importance of regional resilience and adaptive capacity.

As shown by the results of the macroeconomic modelling, the **investments planned in the RDPs create conditions for faster regional economic development.** However, the largely identical investment profile across regions means that **investments do not fully reflect regional differences and therefore do not fully address the underlying causes of regional disparities.** Consequently, in the long term, investments in economically weaker regions are relatively costly and do not always generate the highest possible value added for the level of investment made. While investments will accelerate economic growth in regions with weaker economic conditions, the absolute contribution of the Vilnius and Kaunas regions to the national economy will remain large, and a fundamental breakthrough in regional convergence will not be achieved during the analysed period.

MAIN EVALUATION RECOMMENDATIONS

To ensure consistent and strategically oriented implementation of regional policy, it is recommended to **strengthen the role of the RDP** by enabling it to be planned as an independent document that integrates regional needs and national strategic objectives, rather than as a compilation of regional progress measures prepared by individual ministries.

It is proposed to move towards a clearer, results-based planning logic. When preparing the RDP and planning investments, it is recommended that sectoral ministries and regional representatives **agree on specific, measurable objectives and indicators, with funding linked to their achievement**. Once concrete, measurable results to be achieved through investments are defined, **regions and municipalities should be given greater discretion in selecting specific activities and technical solutions**.

As regions assume responsibility for achieved results, it is recommended to **avoid including excessive restrictions in documents regulating the use of EU funds that are not established in national or EU legislation**.

To improve the possibility of concentrating at least part of the investments where they would generate the greatest regional impact, it is proposed to discuss **alternative approaches for strengthening the planning of supra-municipal initiatives** that would allow regional strategies to integrate not only the individual interests of municipalities but also broader regional priorities.

To increase the effectiveness of investments in the future, it is recommended to promote municipal cooperation and the integration of public services in various areas.

FZ should be more oriented towards real changes in service organisation rather than only infrastructure financing, while responsibility for achieving joint results should more clearly defined. It is recommended to establish clear cooperation outcomes and allocate a certain share of funding in advance for their achievement. It is relevant to **enable the creation of FZs not only at the county level but also based on other territorial linkages**.

To achieve a greater long-term and comprehensive impact of investments on regional economic growth, it is important to **consider the specific strengths of regions, their growth potential, and to diversify the economic growth investment package**. It would also be appropriate to **consider concentrating a larger share of investments in a limited number of economic centres** that could later generate spatial spillover effects in neighbouring territories.

Finally, to increase the impact of investments on regional development, it is important to **expand the scope of ESF+ type measures**. Currently, almost all funding in the RDPs is directed towards infrastructure, although regional challenges are often related to capacity building, improving service quality, promoting entrepreneurship, digitalisation, or crisis preparedness. It is recommended to create opportunities for greater investment in activating infrastructure and strengthening human capacities.