



Executive summary of the public audit report

IMPLEMENTATION OF MEASURES OF THE PROGRAMME FOR ECONOMIC DEVELOPMENT AND COMPETITIVENESS ENHANCEMENT

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DEFINITIONS AND ABBREVIATIONS

Tourism Programme: Lithuanian Tourism Development Programme 2014-2020.

SDT or Department: State Department of Tourism.

Key (target) inbound tourism markets¹: European countries, from which more than 94 percent of all tourists came to visit Lithuania over the past 10 years.

Complex marketing²: development, presentation, advertisement and promotional measures (sales promotions, personal sales, direct marketing, public relations and image development) of tourism products and services.

¹ Resolution No. 238 of 12-03-2014 of the Government of the Republic of Lithuania on the Approval of the Lithuanian Tourism Development Programme 2014-2020, para.40.

² Ibid, para. 45

SUMMARY

When shaping the national policy of the enhancement of competitiveness, the Ministry of Economy implements the Programme for Economic Development and Competitiveness Enhancement, coordinates and controls its implementation.

The Programme for Economic Development and Competitiveness Enhancement encompasses: shaping the business environment, promoting investment and export, introduction of innovation, expansion of tourism and resort areas, shaping policies of procurement procedures carried out by state-owned enterprises as well as public procurement policies. In 2015, a total of 15 establishments and institutions participated in the implementation of the programme³. A total of 198,315.8 thousand euros or 81.5 percent of all appropriations allocated to the Ministry of Economy were spent on the implementation of the Programme for Economic Development and Competitiveness Enhancement.

When performing strategic study of the national economy and market control, the National Audit Office identified the following risk factors: inadequate coordination of implementation of tourism marketing measures, failure to ensure proper control of the use of funds allocated to investment promotion.

To determine whether the funds spent on the development of competitive tourism products and investment promotion contributed to the increased visibility of Lithuania, improving its image and attracting direct foreign and local investment, the following issues were addressed over the course of the audit:

- whether proper planning of tourism marketing measures and coordination of their implementation is being ensured;
- whether the selected assessment criteria allow identifying contribution made by the specific institution and benefits to direct beneficiaries of the programme;
- whether the selection system for the media representatives and tour operators for the educational tours around Lithuania has been set up;
- whether the state-owned public tourism infrastructure is used to perform the functions of the ministry;
- whether the funds allocated for the measure (organising investment promotion activities), which is directly linked to the implementation of the measure, have been allocated and spent in a lawful manner.

Audited entities:

- Ministry of Economy, because it is the manager of appropriations and administrator of the Programme for Economic Development and Competitiveness Enhancement, implementing its measures;

³ Ministry of Economy of the Republic of Lithuania, State Department of Tourism under the Ministry of Economy, Department of Enterprise Bankruptcy Management under the Ministry of Economy, State Non-food Products Inspectorate under the Ministry of Economy, Lithuanian Metrology Inspectorate, National Accreditation Bureau under the Ministry of Economy, Lithuanian Standards Board, Agency for Science, Innovation and Technology, Public Institution Lithuanian Business Support Agency, Investicijų ir verslo garantijos, UAB, Public Institution CPO LT, Public Institution Versli Lietuva, Public Institution Invest Lithuania, Governance Coordination Centre for State-owned Enterprises.

- State Department of Tourism under the Ministry of Economy, because it is responsible for the planning and coordination of tourism marketing measures, and implementation of measures provided for in the programme;
- Public Institution Invest Lithuania, because it implements the programme measures developed to attract and promote investment.

We assessed individual programme measures, thus we are not presenting conclusions on the results and achievement of goals and objectives of the entire Programme for Economic Development and Competitiveness Enhancement.

The audit covered the year 2015. Data from the previous periods (2013–2014) were used for the analysis of changes.

The following public audit conclusions and recommendations were drawn up upon the assessment of the audit findings.

CONCLUSIONS

The tourism marketing and investment promotion measures implemented had a positive impact on the activities in the tourism sector; however, their contribution could have been greater, if the tourism marketing measures were planned, implemented and coordinated more responsibly and reliably, and the funds spent on the investment promotion were used to achieve the current year's results:

1. State Department of Tourism failed to perform the function assigned to it by the Law on Tourism, i.e. draw up a Lithuanian tourism marketing plan and adequately coordinate the activities of national and municipal institutions implementing the tourism marketing measures. Failure to properly plan and coordinate tourism marketing measures implemented by different institutions leads to failure to make use of every opportunity to make Lithuania more visible and improve its image. As the Ministry of Economy has decided that it is inexpedient to draw up a Lithuanian tourism marketing plan, it is necessary to take other measures to ensure coordination among the institutions (Subsection 1.1).
2. Some of the assessment criteria (change of revenues from tourism and the number of tours taken by foreign tourists) used to assess the tourism results fail to reflect direct contribution of the Ministry of Economy and the State Department of Tourism, since other national and municipal institutions also contribute to the achievement of these results. Moreover, values of the assessment criteria are potentially inaccurate, since different calculation methods and principles are applied, different information sources are used; therefore, they do not allow properly assessing the results of both the programme and the entire tourism sector (Subsection 1.2).
3. State Department of Tourism does not have any clear selection system of the media representatives and tour operators; therefore, information about tourism possibilities and products in Lithuania is being inconsistently disseminated (Subsection 1.3).
4. The Ministry of Economy managing and maintaining state-owned property entrusted to it, i.e. buildings and infrastructure located in the geographical centre of Europe, performs functions that are not usual to it. The property has not been transferred to the central asset manager or rented, while its maintenance costs are borne by the ministry. If no decisions regarding

further asset management will be taken, in the future, the need of funds for the maintenance and upkeep of the property will increase due to natural wear and tear (Subsection 1.4).

5. The Ministry of Economy failed to make sure whether the Public Institution Invest Lithuania used the appropriations received from the state budget, allocated for the implementation of the measure for organisation of the investment promotion activities, to cover the current year's expenses only (Section 2).

RECOMMENDATIONS

To the Ministry of Economy of the Republic of Lithuania:

1. For the purpose of determining how the Ministry of Economy and the State Department of Tourism contribute to making Lithuania more visible and improving its image as that of a tourist-friendly country, to adjust the assessment criteria so that it is possible to evaluate the level of achievement of the programme goals and objectives (Conclusion 2).
2. When deciding on the issue of assets entrusted to the Ministry of Economy, but not necessary for the performance of the ministry's functions, to take additional measures for the management of the geographical centre of Europe and its infrastructure (Conclusion 4).

To the State Department of Tourism under the Ministry of Economy:

1. For the purpose of making Lithuania more visible and improving its image, as well as ensuring consistent implementation of tourism marketing measures, to revisit the issue of the need of a Lithuanian tourism marketing plan and take measures to ensure planning and coordination of the tourism marketing planning (Conclusion 1).
2. To define the selection criteria for the media representatives and tour operators so that the information on the tourism possibilities and products in Lithuania is disseminated in a consistent manner (Conclusion 3).

Changes Made during the Audit Period

The State Department of Tourism has approved:

1. By its Order No. V-165 of 8 August 2016, the selection criteria for the foreign journalists and bloggers for educational tours around Lithuania.
2. By its Order No. V-175 of 30 August 2016, the selection criteria for the representatives of foreign tour operators and travel agencies to participate in educational tours around Lithuania.

These selection criteria will have a positive impact on the handling of issues listed in Conclusion 3.

Measures and time frames for the implementation of the recommendations are presented in Annex 1, 'Plan for Implementing Recommendations'.

