

MANAGEMENT AND RESPONSIBILITIES SYSTEM OF THE MINISTRY OF AGRICULTURE

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SUMMARY

Relevance of the audit

The agricultural sector performs significant economic, social, environmental, and ethno-cultural functions and is a particularly important branch of the country's economy¹. In Lithuania, this sector together with forestry and fisheries accounted for 4 % of gross domestic product in 2022². At the end of 2022, 1732 legal and 147092 physical managers of agricultural holdings were registered in the country, who jointly managed 152 732 agricultural holdings covering an area of 2 894 535.61 ha³. The competitiveness of Lithuania's agricultural, food, and fisheries sectors is lagging in comparison with the European Union. According to Eurostat, Lithuania's value added per hour worked in agriculture, forestry, and fisheries is 11 positions lower than the EU average⁴. In these sectors, there is a lack of implementation of the principles of a sustainable bioeconomy and the short supply chain system is ineffective⁵.

Programme and the National Progress Plan 2021-2030 of the 18th Government of Lithuania include strengthening the added value and competitiveness of agriculture and food, developing sustainable agriculture, aquaculture, and food production systems, and increasing rural attractiveness. The Ministry of Agriculture is responsible for the implementation of these initiatives, and shapes, organises, coordinates, and controls the state policy in the fields of rural development, agriculture, and food. The effectiveness of policy-making in the areas of state administration, organisation and control of its implementation depends on the operation of information management, allocation of responsibilities, operational planning, execution

¹ Internet access: https://lithuania.representation.ec.europa.eu/strategija-ir-prioritetai/pagrindines-es-policy-direction-casts/zemes-ukis_lt (accessed on 8 December 2023).

² Internet access: [GDP | Bank of Lithuania \(lb.lt\)](https://www.bankoflithuania.lt/en/gdp) (accessed on 14 December 2023).

³ State Enterprise Agricultural Data Centre information.

⁴ The Agriculture and Food, Rural Development and Fisheries Development Programme of the Ministry of Agriculture, the Manager of the Development Programme 2022-2030, approved by Government Resolution No 148 of 23 February 2022.

⁵ Ibid.

organisation, and reporting systems.

Objective and scope of the audit

The objective of the audit is to assess whether the system of management and responsibilities of the Ministry of Agriculture makes it possible to ensure effective performance and results.

Key audit issues:

- ✓ whether Ministry's strategic management ensures the achievement of national objectives;
- ✓ whether Ministry's policy-making is carried out efficiently and is results-oriented;
- ✓ whether the Ministry's organisation of policy implementation is appropriate.

The audited entity is the Ministry of Agriculture, which formulates the state policy in the fields of rural development, agriculture, food, and other areas⁶.

During the audit, we collected information from the National Paying Agency, the Agricultural Data Centre, and the Ministry of Finance. We spoke with representatives of the Office of the Government of the Republic of Lithuania, the Ministry of Economy and Innovation, and the Central Project Management Agency. We interviewed employees of municipal agricultural divisions, agricultural associations, and the Ministry of Agriculture.

The audit period covers 2020-2022. In some cases, we used historical and 2023 data to assess trends and developments.

The audit was carried out in accordance with international standards of supreme audit institutions. The scope of the audit and the methods used are described in more detail in Annex 2, 'Audit Scope and Methods' (page 40).

Key audit results

The implementation by the Ministry of Agriculture of changes in strategic management and continuous performance objectives, more targeted measures to reduce administrative burdens and a greater involvement of the social partners in policy-making would ensure more effective and efficient activities of the Ministry.

1. Strategic management in the Ministry needs to be improved

- ✓ The Ministry did not reach on average one-fifth⁷ of the set 2020-2022 continuous performance goals indicators⁸, and the reasons were not reported in almost one-third of cases⁹.

⁶ It also shapes policy in the field of the quality of food products and their raw materials, the production of organic agricultural and food products, the competitiveness of products produced in Lithuania on the international market, the use and control (supervision) of fisheries (except inland fish) resources, land reclamation, improvement of landholding structures and the reduction of abandoned agricultural land, monitoring of land resources and veterinary medicine.

⁷ The internal 10 % tolerance threshold of the Ministry of Agriculture applies.

⁸ In 2020, 24 (out of 69) result and output indicators were not implemented: The actual value of 10 indicators was 90-99 %, of 10 was 50-89 %, of 4 was 0-49 %. 26 (out of 99) were not implemented in 2021: the actual value of 10 indicators was 90-99 %, of 7 was 50-89 %, of 9 was 0-49 %. 51 (out of 140) outstanding in 2022: the actual value of 14 indicators was 90-99 %, of 21 was 50-89 %, of 16 was 0-49 %. 2 (out of 9) impact indicators were not implemented in 2020 and 4 in 2021.

⁹ In 2022, 28 % of the indicators not implemented were not reported as reasons for non-implementation (with a tolerance threshold of 10 %). The reasons are set out in the reports on the implementation of the SOP indicators generated in SIS.

Without analysing the reasons for the non-implementation of the indicators, the Ministry cannot eliminate them and ensure that the planned values of the indicators will be achieved next year. In addition, the impact indicators set out in the Ministry's Strategic Action Plan 2023-2025 are not sufficient to measure the achievement of the continuous performance objectives, as the impact indicators demonstrating their implementation do not measure all the activities mentioned in the objective (sub-section 1.2, page 14).

- ✓ The implementation of the main initiatives of the Government Programme includes one action¹⁰ for the Ministry – in order to encourage agricultural entities to participate in risk management measures, to ensure publicity of these measures (their benefits), to revise existing legislation, or to prepare new legislation if necessary. One of the most damaging meteorological risks to the agricultural sector in Lithuania is natural drought, but only small areas of crops and plants are insured against it, while a decreasing trend has been observed since 2021¹¹, which amounted to 0.74 % in 2022. 39 % (16 out of 41) of agricultural associations indicated that the Ministry's training or advice on crop and plant insurance was insufficient or partly sufficient. As extreme weather events increase, it is important to advise farmers on insurance to avoid potential losses to farmers and costs to the state budget (sub-section 1.3, page 17).

2. The Ministry could be more efficient and effective

- ✓ Monitoring of legal regulation is important to assess the practice of the application of legal acts and to identify the positive or negative consequences of the operation of legal regulation¹². Since 2014, there has been no monitoring of legal regulation in the Ministry (regulatory impact assessment). The Ministry does not systematise the submissions/proposals received on the problems of this regulation and is not in a position to assess the need for legislative review. 44 % (18 out of 41) of agricultural associations surveyed reported that they had made legislative proposals for review but they were not taken into account. Without monitoring, it is not possible to carry out the regulatory impact assessment on time and make informed decisions on its improvement (sub-section 2.1, page 19).
- ✓ Two-thirds of the already approved implementing rules for support measures under the Lithuanian Rural Development Programme were amended 2 times in 2022, while 11 % of the rules were amended 3 or 4 times in 2022. The Ministry points out that in many cases the changes were corrective and did not affect the beneficiaries or administrators. The auditors consider that the changes should take place before the start of the application collection process, as this has a negative impact: it complicates the planning of farm development and increases the workload of municipal agricultural specialists (sub-section 2.1, p. 21).
- ✓ The auditors noted that several methodological assistance activities were carried out at a distance for municipalities, although they would like the training to be organised live. Two-thirds of municipalities indicated that the methodological assistance provided to them in the administration of agricultural support measures was only partially sufficient or insufficient. The following shortcomings were identified: seminars are not always organised on time, and there is a lack of practical training. Therefore, municipalities are not in a position to provide relevant information to applicants and to avoid errors in the

¹⁰ Programme of the Eighteenth Government, approved by Resolution No XIV-72 of the Seimas of 11 December 2020, p. 5.9.4.

¹¹ 20 129.8 ha in 2020; 13 805.8 ha in 2022.

¹² Public Management Improvement Programme 2012-2020 approved by Government Resolution No 171 of 7 February 2012, p. 13.1.2.

administration of support (sub-section 2.1, page 23).

- ✓ The Ministry receives proposals from associations, organisations on the reduction of administrative burdens provided for in the rules on support measures but does not collect or systematise this. 69 % of municipalities and 88 % (36 out of 41) of agricultural associations surveyed claim that the administrative burden is too high or partly excessive. The Ministry is taking measures to reduce this burden¹³, although it does not assess it. Without compiling and systematising the information received, it is difficult to select appropriate measures to address the problems (sub-section 2.2, page 24).
- ✓ The number of self-declaring farmers is increasing by 0.1-0.2 pps annually. In 2020-2023 less than 5 % of all applicants declared agricultural land and crops independently (via the e-government portal). The Ministry has not carried out an assessment to identify the difficulties in the declaration and does not take steps to improve this system, which would encourage farmers to declare crops independently and would help to reduce the administrative burden (sub-section 2.2, page 26).
- ✓ In the context of the Common Agricultural Policy, the EC has developed indicators that are the same for all EU countries to quickly collect comparable information. In the opinion of the auditors, the indicators formulated in the Lithuanian Rural Development Programme 2014-2020 and the Strategic Plan for Agriculture and Rural Development 2023-2027 are focused on quantitative rather than qualitative assessment of the situation (e.g. measuring the amount of aid granted (EUR), the number of farmers supported). Moreover, no impact assessment of the Rural Development Programme has been carried out, so it is not known whether the objectives have been achieved and what impact the 9-year EU support had on Lithuanian agriculture (sub-section 2.3, page 27).
- ✓ The Ministry does not make public an up-to-date list of existing working groups on policy making and their activities: In December 2023, only 22 of the 42 working groups in place at the time, and minutes of only 4 of them were published on the Ministry's website. 38 % (16 out of 42) representatives of the social partners are included in the working groups on policy-making set up by the Ministry. There are no criteria in the Ministry as to when and what social partners are to be involved in working groups. 49 % (20 out of 41) of the associations who participated in the survey consider that the process of legislative alignment with the social partners is not ongoing, while 46 % (19 out of 41) of respondents indicated that the process has shortcomings (e.g. failure to inform timely on draft legislation, not properly prepared meetings, failure to send documents in advance, etc.). In this way, the social partners are not sufficiently involved in the legislative process and making proposals at all stages (sub-section 2.4, page 30).
- ✓ There were no qualitative performance indicators established for the bodies subordinate to the Ministry for Fisheries in 2020-2023 and for the State Plant Service¹⁴ in 2020-2021. In the absence of these indicators, the qualitative characteristics¹⁵ of the activities of institutions are not shown. In the cases identified, the Ministry did not provide feedback to the subordinate bodies on the assessment of the draft annual activity plans and activity reports carried out by the responsible units of the Ministry and did not submit conclusions. The State Plant Service was not informed of the results of the assessment of its 2022 activity report. This does not ensure that subordinate bodies take performance improvement

¹³ Administrative burden resulting from the conditions laid down in the rules on support measures

¹⁴ In 2022 and 2023, the State Plant Service had only one such indicator.

¹⁵ Implementation of business processes of institutions and timely achievement of results, compliance with the needs of consumers or society, etc.

actions (sub-section 2.5, page 32).

Recommendations

To the Ministry of Agriculture

1. To ensure that the Ministry's operational objectives were met in full, to analyse annually the reasons for non-achievement of the indicators (key audit result 1);
2. To increase the number of farmers who manage their own risk of losses caused by weather events, take measures to encourage farmers to insure their crops (key audit result 1);
3. To ensure quality administration of support measures, identify the lack of tools (training or other form of methodological support) available to municipal professionals administering and providing support measures (key audit result 2);
4. To improve the management of the administrative burden of support measures, define a process for their assessment (key audit result 2);
5. To increase the number of self-declarants, Improve the system of declaration of agricultural land and crops (key audit result 2);
6. To ensure that the Ministry's cooperation with the social partners in policy-making is open and proactive:
 - ✓ establish criteria for working groups to be dedicated to policy-making and to which the social partners would be invited;
 - ✓ establish and periodically update a list of the Ministry's working groups related to policy-making and make it publicly available (key audit result 2).
7. To improve the efficiency of the bodies subordinate to the Ministry:
 - ✓ establish qualitative performance indicators for the implementation of the Ministry's programme measures for the subordinate bodies (State Plant Service and Fisheries Service);
 - ✓ provide annual feedback to all subordinate bodies on the results of their performance evaluations (key audit result 2).

We submitted written proposals¹⁶ to the Ministry regarding the improvement of the organisational structure, the management of operational risks, the requirements for good agricultural and environmental condition, the consistency and publicity of monitoring.

The measures and deadlines for the implementation of the recommendations, the expected impact of the audit, and the indicators for assessing changes are presented in the report under the heading 'Plan for the Implementation of the Recommendations' (page 34). Relevant information on the state of implementation of recommendations, results, and changes that have taken place is published in open data on the National Audit Office website <https://www.valstybeskontrole.lt/LT/AtviriDuomenys>.

¹⁶ Letter of 30 January 2024 from the National Audit Office ref. SD-(220-9.3.1-E-6189)-95 on Public Audit "Management and Responsibilities System of the Ministry of Agriculture".