



Project no. CIT1-CT-2004-506392

## **NEWGOV** **New Modes of Governance**

Integrated Project  
Priority 7 – Citizens and Governance in the Knowledge-based Society

**Case Study: The National Paying Agency in Lithuania**  
reference number: 17/D14

Due date of deliverable: October 2006  
Actual submission date: 6 December 2006

Start date of project: 1 September 2004

Duration: 48 months

Organisation name of lead contractor for this deliverable:  
**Instytut Spraw Publicznych. Author: Rita Stafejeva**

<b>Project co-funded by the European Commission within the Sixth Framework Programme (2002-2006)</b>		
<b>Dissemination Level</b>		
<b>PU</b>	Public	
<b>PP</b>	Restricted to other programme participants (including the Commission Services)	
<b>RE</b>	Restricted to a group specified by the consortium (including the Commission Services)	X
<b>CO</b>	Confidential, only for members of the consortium (including the Commission Services)	

## Summary

The focus of this paper rests on the analysis of the new modes of governance with reference to the rural development policy, with particular consideration given to the programmes making use of the EU funds. The study offers an evaluation of task performance in the context of rural development and the allocation of the EU funds, taking into account the policy implemented during the accession period. The paper is based on the field research conducted in Lithuania in summer 2006. The research was concerned with the institution responsible for the realization of the rural development policy, namely, the National Paying Agency (*Nacionalinė mokejimo agentūra*; further in the text referred as the NPA). The paper concentrates on the new modes of governance introduced in the discussed institution. Also of key importance here is the analysis of the influence of methods related to the allocation of the EU funds. The research focused on the analysis of changes in the functioning of policy implementing institution and the effectiveness in the context of the European and national policies. The important part of the research comprised an analysis of the social participation, i.e. the influence the social partners exert on the functioning of the Agency.

## Contents

<b>I. INTRODUCTION</b> .....	<b>3</b>
<b>II. METHODOLOGY AND THE SCOPE OF THE RESEARCH</b> .....	<b>4</b>
<b>III. AGRICULTURE SECTOR IN LITHUANIA: A BRIEF OVERVIEW</b> .....	<b>4</b>
<b>IV. NATIONAL PAYING AGENCY - NACIONALINĖ MOKĖJIMO AGENTŪRA</b> .....	<b>7</b>
IV.1 A BRIEF OVERVIEW .....	7
IV.2 RECRUITMENT OF THE EMPLOYEES .....	8
<b>V. EUROPEANIZATION - THE INSTITUTIONAL CHANGES</b> .....	<b>9</b>
V.1 THE INFLUENCE OF EUROPEANIZATION ON THE FUNCTIONING AND ORGANISATIONAL STRUCTURE OF AGENCY .....	10
<b>VI. THE GOVERNMENT CONTROL OF THE AGENCY: AUTONOMY, POLITIZATION, AGENCY CAPTURE</b> .....	<b>13</b>
VI.1 GOVERNMENT CONTROL .....	13
VI.2 INTEREST GROUPS .....	14
VI.3 AGENCY CAPTURE? .....	16
<b>VII. SOCIAL PARTICIPATION</b> .....	<b>19</b>
<b>VIII. CONCLUSIONS</b> .....	<b>22</b>
<b>IX. ANNEXES</b> .....	<b>25</b>
IX.1 LIST OF THE INTERVIEWED PERSONS .....	25
IX.2 BIBLIOGRAPHY .....	25

## I. Introduction

The present report is a part of the project “Democratization, Capture of the State and New Forms of Governance in CEE Countries” conducted by the Institute of Public Affairs within the research consortium “New Modes of Governance”.

This paper is focused on the analysis of the new modes of governance with reference to the rural development policy, with particular consideration given to the programmes making use of the EU funds. The study offers an evaluation of task performance in the context of rural development and the allocation of the EU funds, taking into account the policy implemented during the accession period. In other words, the focus of this report targets the process of Europeanization of the executive agency implementing the EU agricultural and rural development policy in Lithuania.

The paper is based on the field research conducted in Lithuania in summer 2006. The research was concerned with the institution responsible for the implementation of the rural development policy, namely, the National Paying Agency (*Nacionalinė mokejimo agentūra*; further in the text referred as the NPA). The paper concentrates on the new modes of governance introduced in the discussed institution. Also of key importance here is the analysis of the influence of methods related to the allocation of the EU funds. The research focused on the analysis of changes in the functioning of policy implementing institution and the effectiveness in the context of the European and national policies. The important part of the research comprised an analysis of the social participation, i.e. social dialogue that is carried between the agency and the social partners.

The main questions the research is targeted to answer in this report are:

- Whether the Europeanization of the agricultural policy implementing agency in Lithuania corresponds to the paradigm of the new modes of governance or, on the contrary, the process of the Europeanization strengthens the traditional, hierarchical modes of administration?
- What is the influence of the Europeanization of the Agency on the changes in the administrative and political culture, including the politicization of the administration?
- What is the influence of the process of the Europeanization of the Agency on the formation of the model of the state? Whether the process strengthens the modes of governance typical for the administrative state or the process of the Europeanization breaks these traditions and builds background for the network state?

Within scope of the research, the Europeanization process within the National Paying Agency was analyzed along the following dimensions:

1. Departure from traditional, hierarchical modes of governance to the new modes of governance (including decentralization, networking, social dialogue, etc.).
2. Government control exerted on the Agency, phenomenon of politization of the Agency as well as the scope of the Agency's autonomy.
3. Agency capture - the scope of this phenomenon (if any) within the Agency.
4. Social participation – cooperation patterns between the Agency and the social partners.

For the purposes of the research, the complex methodology was employed. The main sources of the information for the purposes of the research were the standardized interviews with the employees and the 'clients' of the Agency as well as the analysis of the documentation and series of the official reports.

## II. Methodology and the Scope of the Research

For the purpose of this study, there were two qualitative research methods employed. First of all, there was a field research conducted in July and August 2006 that contained seventeen in-depth interviews with major actors of the National Paying Agency at present and since its establishment, the representatives of the Ministry of the Agriculture of Lithuania, the members of the Rural Policy Committee of the Seimas of Lithuania (the Parliament) and the representatives of the social partners, i.e., the most numerous and the most active the farmers' organizations and associations. In addition, the representatives of the consulting companies that deal with the preparation of the applications and business plans that would qualify for the funding from the EU Structural Funds allocated for Lithuania were interviewed within scope of the research.

The choice of the interviewed persons was aimed to reflect the whole range of different and often controversial opinions and views on the functioning of the National Paying Agency. By comparing and opposing these controversial opinions, it was possible to build a more complex picture of the role the NPA plays in the national rural policy, to recreate a mechanism of the NPA functioning as well as reflect the complexity of the EU funds administration at the national level.

Furthermore, the second crucial source of the information for the researcher was the material provided by the National Paying Agency. These included several annual reports, informational materials, press releases and a periodical *Artojas* that targets the farmers and is published by the NPA. In addition, the information from the web pages of the NPA, the Ministry of the Agriculture and the social partners were used for this study.

Finally, in order to reflect the opposing and controversial opinions on the functioning of the NPA, the publications in the most popular Lithuanian daily newspapers, among others – *Lietuvos rytas*, *Ekstra*, *Kauno diena*, *Verslo žinios*, *Respublika*, *Ūkininko patarėjas* – covering the activities of the NPA were analyzed for the purposes of the research.

The paper is organized as follows: the short presentation of the agriculture sector in Lithuania and the National Paying Agency is followed by the analysis of the influence of the processes of Europeanization on the functioning and organizational structure of this institution. Next part is dealing with the issues of the government control of the agency as well as the issue of the agency capture. The following part covers the issues of social participation within functioning of the NPA. The report closes with conclusions.

## III. Agriculture Sector in Lithuania: A Brief Overview

Agriculture in Lithuania comprises a significant part of national economy – Lithuania is traditionally held to be an agricultural country. From the total area of 6,5 million ha, utilized agricultural land represents 3,9 million ha, or 60,6% of the total. This is about the average share of cultivated land for all EU candidate countries and above the average level in the European Union (40,6%).<sup>1</sup>

Forests occupy almost one-third of the territory in Lithuania. Forestry and the forest industry hold considerable importance for the economy of Lithuania. The country's export of wood and wood products amounts to 10% of total export value. The forest sector also plays signifi-

---

<sup>1</sup> Lithuania. Agriculture in Overall Economy. Available:  
[http://ec.europa.eu/agriculture/publi/peco/lithuan/summary/sum\\_en.htm](http://ec.europa.eu/agriculture/publi/peco/lithuan/summary/sum_en.htm)

cant social role, especially in rural areas. About 12% of the territory in Lithuania is under protection as National Parks.<sup>2</sup>

Until 1990, the great bulk of land belonged to the state-run collective farms, although small plots of land were parceled out for private use. Private farming can be said to have begun in 1989, with the passage of legislation providing for the establishment of privately managed (but not yet owned) farms. Land restitution and privatization of State and Collective farms and farm assets were initiated at the same time in 1991 and encouraged the development of family farms. As of mid-1997, the restitution process had only resulted in ownership of less than 50% of agricultural land.<sup>3</sup> Privatization also has a direct impact on the development of the land market, since only registered land can be sold.

By 1990, several thousand farmers had begun private farming. After the re-established independence, the agricultural sector had to undergo a change from state-owned farming to private farming taking into account the market forces. The agricultural reform was aimed at the creation of a strong and competitive agricultural sector, based on private farming. The government proceeded with a restitution campaign in 1991, which insured the eventual return of proprietary rights of the lands to the former owners or their successors. Before the independence there were about 1200 collective and state farms, which cultivated about 80% of land. Now, while special purpose breeding and research farms owned by the state cultivate only 0,5% land, farmers make use of 16% of agricultural land, other natural persons 74%, and agricultural enterprises and other legal persons 9,5%.<sup>4</sup>

The loss of markets in the former Soviet Union, the fall in domestic consumption and the adjustment to the new economic environment, not to mention the complex process of land reform, all combined to cause Lithuanian agricultural production to shrink by 50% during the transition period.<sup>5</sup>

Since the start of transition, individual farms have increased their share continuously from 1% to over 60% of land. In 2002, there were 555 700 private landowners. In 2002 altogether 29 630 farms were registered. So far, Lithuanian farms are not specialized, on average 80% of farmers are engaged in mixed agricultural production, 12% in grain production and 4% in cattle breeding. According to the data of the Ministry of Agriculture of Lithuania, the average size of a farm is 17,2 ha.<sup>6</sup>

During the early years of independence, however, the already existing overproduction increased as the Eastern markets were closed and the Western European markets could not be entered due to quality and certificate reasons. Although this did not result in large losses of jobs, it is widely believed that a lot of “hidden unemployment” exists in the Lithuanian agricultural sector. Today, over 238 000 people, or 16,9% of the country’s workforce, are officially employed in agriculture and forestry.

In terms of contribution to GDP, according to the data provided by the Lithuanian Department of Statistics, the share of agriculture has decreased from almost 15% in the beginning of 1990s to 7% in 2002, although the EU-average is only about 2% of GDP. In 2004 the farm-

---

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> See: Rural Development Plan 2004-2006 Lithuania. Available: <http://www.zum.lt/min/failai/lithuanianrdpfinaleJuly15th2005.pdf>

steads and land users of private farms produced 81,2% of gross agricultural production, while agricultural enterprises accounted for 18,8%.<sup>7</sup> The volume of production of agricultural enterprises has been gradually decreasing, which is contrary to the development in the production volumes by private farmers.

According to the Directorate-General for Agriculture of the European Commission<sup>8</sup>, the following aspects characterize the future development of farm structure in Lithuania:

- The decline in the number of agricultural companies will continue, 50% of those currently operating are likely to dissolve.
- Strengthening of the individual farm segment, and
- Consolidation of land and operation in those household production units, which are the most profitable. However, this type of farm will decline in number, either enlarging to become family farms or exiting due to age and other factors.

According to the experts, there are the following problems in the structural adjustment of farms:

- Slow consolidation of farm operations,
- Underdeveloped farm credit system (retail banking) which limits access to financial services,
- Legal ownership issues like land ownership to legal entities,
- Slow rural development process and limited off-farm income generation opportunities, and
- Limited migration to the cities due to the demographic structure of the population (aging), low skills, lack of training and re-training opportunities.<sup>9</sup>

The situation in Lithuania's food processing reflects the structure which emerged in the Soviet period and consisted of large medium-size state-owned concentrated enterprises mainly oriented towards dairy and meat processing. The major problems are over-capacity and lack of capital. Many of the processing facilities are obsolete, with low hygienic standards. Privatization failed to give the necessary incentive for the restructuring and in many cases it was more appropriate economically to construct a new enterprise rather than to restructure an old one.

The main instruments of agricultural policy can be divided into two groups according to their primary objectives. The first group consists of price and income support measures. The second group includes structural measures and measures that improve the production base. Until the establishment of the National Paying Agency these were administrated by the Rural Support Fund that was funded from the state budget. The Rural Support Fund was highly centralized institution, under strict control of the Ministry of Agriculture as well as the Ministry of Finance. The direct payments were executed through the territorial units in the following

---

<sup>7</sup> See: Lietuvos Statistikos departamentas, available at:  
[http://www.balticdata.info/lithuania/micro\\_economics/lithuania\\_micro\\_economics\\_industries\\_agriculture\\_summary.htm](http://www.balticdata.info/lithuania/micro_economics/lithuania_micro_economics_industries_agriculture_summary.htm)

<sup>8</sup> See: Lithuania. Agriculture in Overall Economy. Available:  
[http://ec.europa.eu/agriculture/publi/peco/lithuan/summary/sum\\_en.htm](http://ec.europa.eu/agriculture/publi/peco/lithuan/summary/sum_en.htm)

<sup>9</sup> Pietarinen, I. Agriculture and Food Industry. Available at:  
[http://www.balticdata.info/lithuania/micro\\_economics/lithuania\\_micro\\_economics\\_industries\\_agriculture\\_summary.htm](http://www.balticdata.info/lithuania/micro_economics/lithuania_micro_economics_industries_agriculture_summary.htm)

manner: the application for funding was processed in the territorial unit, and then sent to the Financial Department of the Ministry of the Agriculture, that in turn applied to the Ministry of Finance for funds transfer to the territorial units of the Rural Support Fund. Since year 2002 the National Paying Agency gradually undertook the administration of the financial support measures of the agriculture within the national agriculture and rural development policy in Lithuania.

## **IV. National Paying Agency - *Nacionalinė mokėjimo agentūra***

### **IV.1 A Brief Overview**

In order to administrate the funding for the agriculture from the funds of the Lithuanian government and the EU, in 1999 the government of Lithuania established the National Paying Agency at the Ministry of the Agriculture<sup>10</sup>. The agency is a sovereign executive budget institution that functions within administrative system of the Ministry of the Agriculture.

The objective of the Agency's activity is the implementation of the measures under the National Agricultural and Rural Development Policy in accordance with the procedure established by the laws of the Republic of Lithuania and other legislation.

Starting from its establishment the main objective of the Agency was the administration of the SAPARD support. In November 2001 the European Commission adopted the Decision accrediting the National Paying Agency as well as other related bodies of the Republic of Lithuania to independently manage SAPARD support funds. In Lithuania the SAPARD support funds were distributed according to the following measures, foreseen in the National Agricultural and Rural Development Policy:

- Investments in Agricultural Holdings,
- Improving the Processing and Marketing of Agricultural and Fishery Products,
- Development of Rural Infrastructure,
- Vocational Training,
- Forestation of Agricultural Land and Development of Forestry Infrastructure,
- Technical Support, Information and Publicity,
- Agrarian Environment Protection.

After Lithuania became a member of the European Union, the Agency became responsible for the implementation of the support measures of the National Agricultural Policy, aimed at the improvement of the European Union agricultural products' competitiveness on domestic and foreign markets, ensuring sufficient standard of living of agricultural workers, attempting to retain stable agricultural revenues, integration into the environmental objectives, assistance in development of additional or alternative sources of income and employment possibilities in rural areas. In December 2004, Kazimiera Prunskiene, the Minister for Agriculture, by her order granted accreditation to the National Paying Agency under the Ministry of Agriculture to administer the measures of the Guarantee Fund of the European Agricultural Guidance and Guarantee Fund (EAGGF).

Being the only Lithuanian institution, responsible for the implementation of the National Agricultural Policy measures, the National Paying Agency under the Ministry of Agriculture

---

<sup>10</sup> Nacionalinė mokėjimo agentūra: Apie mus. Available at: <http://www.nma.lt/index.php?-937176081>

administers the following measures: direct payments for livestock, crops, milk production quotas, dry fodder quotas, flax fiber quotas, potato starch production quotas, Rural Development Plan measures and Single Programming Document measures, trade mechanisms and intervention measures.

## **IV.2 Recruitment of the Employees**

The NPA is structured as follows:

- Management
- 9 departments
- 1 independent unit (Risks Assessment and Management Unit).

Since the establishment of the Agency the number of employees grew immensely - initially there were 12 persons working, while in year 2005 the number of employees is 705, out of which 290 persons are employed in the territorial units.<sup>11</sup> The number of the employees increased especially before the execution of the Structural funds program that implied the formation of new departments and growth of number of employees.

The Agency is a budget institution which means that employees are considered to be within status of state employee. The procedures of employment, skills and education requirement and salaries regulations of state employees are regulated by the Law of State Employees.<sup>12</sup> Comparing to the other EU policy executing agencies, the NPA differs in this respect, since other agencies have public institution status which means that they have more freedom in their salaries regulations.

Potential candidates for recruitment in the NPA are obliged to pass a competition - the basic requirements are higher education, good knowledge of foreign language and good computer skills. According to the NPA Annual Report for year 2005, the average age of Agency's employees is 34 years.<sup>13</sup>

Furthermore, the agency organizes a training course for all new employees and ensures the further professional development: organizes seminars, courses, and conferences.

As the interviewed representatives of the social partners admit, the basic problem with the employees of the Agency is that not all of them have professional knowledge about the agriculture which sometimes causes misunderstandings in relation to the clients. Part of the Agency employees lacks the practical understanding of the farmers' situation that sometimes causes misunderstandings and even conflicts between the NPA employees and the Agency's clients. Such a situation influences the strengthening of the negative image of the Agency among the farmers.

However, the job in the Agency is considered to be quite prestigious and makes the employees to be very sought on the labour market, since they are considered to have a good experience of working in an institution with the European standards. The fluctuation of the NPA employ-

---

<sup>11</sup> Nacionalinės mokėjimo agentūros 2005 metų veiklos ataskaita. [National Paying Agency Annual Report 2005]. Available at: <http://www.nma.lt/index.php?740971064> P.76.

<sup>12</sup> Lietuvos Respublikos Valstybės tarnybos įstatymas. [Law on Public Administration] Žin., 1999, Nr. 66-2130. Available at: [http://www3.lrs.lt/pls/inter2/dokpaieska.showdoc\\_l?p\\_id=281296](http://www3.lrs.lt/pls/inter2/dokpaieska.showdoc_l?p_id=281296)

<sup>13</sup> Nacionalinės mokėjimo agentūros 2005 metų veiklos ataskaita. [National Paying Agency Annual Report 2005]. Available at: <http://www.nma.lt/index.php?740971064> P.76.

ees is quite high because of the higher salaries in private companies, and they are sought employees for many companies.

## **V. Europeanization - the Institutional Changes**

The National Paying Agency is an institution that was established specially for the execution for the EU rural policy – it is, thus, an executive agency that is dependent on the government policy, especially on sectoral policy of the respective ministry. Therefore, an executive agency is under strict control of the government. In addition, the structure of the executive agency is highly hierarchical, where territorial units are under strict control of the central office.

In the beginning within competence of the NPA was the administration of the SAPARD program, later, with the necessity to administrate the support from the Structural Funds the organizational structure was gradually expanded.

It must be noted that the NPA was an institution of a completely new type that had no equivalent before. During Soviet period, the rural policy execution was within the prerogative of the Ministry of the Agriculture and the Committee of Rural Policy was responsible for the financial aspect of the policy. Within the auspices of the Ministry of the Agriculture there was the Commission on Rural Development that administrated rural affairs. The NPA was not meant to be its continuation. Hence, the NPA had not connections with any similar structures that functioned during the Soviet period and was founded as an institution based on the European administrative model.

With the preparation to access the EU and within the perspective of the adaptation to the EU rural policy there was a need to create an institution that would act as an agent for the implementation of the EU rural policy in Lithuania. The NPA was an institution that had to be created from the scratch. The works were started in the Ministry of Agriculture with a group of experts of 10 persons. The experience of the creating and practical knowledge about the functioning of such type of the institution was lacking. As the respondents claim, of the great help there were consultations with the European Commission experts and acquaintance with the similar functioning institutions in the old EU member states, in particular, Finland, Germany and Ireland. Although, the knowledge about the practical functioning of these institutions was very useful, the models could not be directly undertaken for the reasons of the administrative, cultural and political differences. In this respect, the creation of the Agency required a certain level of “creativity” on the national level.

According to the respondents, much time and efforts were devoted to the discussions with the politicians and some government members in order to convince them about the necessity of such an institution and especially about gaining the financing for its establishment and effective functioning. The decision about the expansion of the agency was followed by intense debates with politicians that were treating such developments very skeptically, namely, preferring the incorporation of a new institution in already existing structures, limiting its independence, etc.

Since the NPA founding, there was need to acquire and to adjust to the new administrative methods not only for the employees of this institution but also for the supervisors, including government, and “clients”, especially, the social partners that lacked knowledge both about possibilities of funding from the EU funds and possibilities of support through NPA. The NPA, thus, had not only its direct tasks to perform, but also a function of information distribution for the society. In some respect, the agency had to legitimize its existence for the public.

Furthermore, preparatory activities for the execution of direct payments implied the expansion of the NPA structure, creation of new departments and employing new employees. Again, the experience of the EU old member states was followed, although it was not implemented directly.

The Agency acts as a highly centralized institution, which means that all contacts with EC representatives and institutions are carried out by the Agency's central office in Vilnius. The territorial units (there are 10 of them, each in every administrative region of Lithuania) are mainly serving as the documents collecting bodies that also carry out the inspection of the submitted data. However, the decision about the direct payments is undertaken by the central office in Vilnius. The territorial units have no direct contacts with the EU institutions, except for the occasional visits of the European Commission audit missions.

The NPA maintains contacts with the similar agencies in other EU countries. The management of the Agency participates regularly in the international meetings and conferences, however, mainly from the central office. The cooperation of the agency with the equivalent institutions in other EU member states is quite well developed.

In 2005 the agency started participation in the Twinning project that is based on the idea of cooperation between new and old EU member states. The new member states acquire practical knowledge about formation and implementation of the national administration models from the old member states. Within the Twinning project, the NPA cooperates with the similar agency in Finland.

In addition, the representatives of the NPA participates in annual meetings of the Baltic States agencies of the EU funds administration that take place in different country.

Furthermore, the NPA is a member of the Association of the Paying Agencies PANTA RHEI<sup>14</sup> (unofficial association of the paying agencies of the EU member states that organizes biannual meetings to discuss current issues) that gives the opportunities to communicate with the similar institutions of the EU member states, participate in annual conferences.

It should be mentioned that the international communication and cooperation is carried out through the NPA central office in Vilnius, which means that the territorial branches are involved in the international cooperation to a much lesser degree.

### **V.1 The influence of Europeanization on the Functioning and Organizational Structure of Agency**

While preparing to establish a paying agency and later to accredit it for administration of selected programs, it was necessary to adjust to the requirement and recommendations of the European Commission. It required certain changes in the national legislature, acknowledgement and implementation of the certain administration principles, training of the personnel, and information distribution about the necessity of such an institution.

In general, the requirements and recommendations of the European Commission were very general - the EC required transparency and effective execution of the tasks conveyed to the Agency. The prevention of the corruption was of a high priority, thus, the implementation of relevant principles (e.g. a “four eyes” principle) was strictly controlled. Otherwise, the regulations were created by the founders of the agency themselves, i.e. persons distinguished for this task by the Ministry of the Agriculture, with the help of the EU old member states experi-

---

<sup>14</sup> More on PANTA RHEI organization see:

[http://www.mmmtike.fi/en/index/international\\_activities/permanent\\_forms/informal\\_co-operation.html](http://www.mmmtike.fi/en/index/international_activities/permanent_forms/informal_co-operation.html)

ence and mainly with the assistance of the employed international audit company Price Waterhouse Coopers Lithuania that helped to create the controlling mechanism.

The procedures and regulations were created also reflecting the experience of the old member states. The founders were under pressure and extreme responsibility, as they claim: in case of failure, the Lithuanian agency might not be accredited as ready for granting support from SAPARD and later SF as well as the national budget by the Ministry of Finance of Lithuania as a competent authority. Therefore, there were a lot of efforts put into creation of procedures that would be satisfactory on the European level and would qualify the agency for the accreditation. As a result, the regulations and procedures created turned to be more complicated than it would be necessary and in some cases, thus, conflicting with the practical situation. As respondents all claim, the created procedures in many respects are bulky, overcomplicated and excessive. In addition, the representatives of the agency informally suggest this was because of the “Brussels fear”, i.e. of willingness to adapt to the requirements; the regulations of the agency were consciously “overdone”.

In this respect, there can be two main problems distinguished:

- The agency requires an applicant (beneficiary) to submit various certificates and papers that could easily be obtained from the institutions or producers/dealers of goods by the agency itself (for example, information about regular social security payments, the prices for the agricultural technique, the information about the agricultural technique distributing companies, etc.);
- The complicated procedures imply that farmers are to address the consulting companies. In fact, that means that from SAPARD and Structural Funds benefit not only farmers as it was meant to be but also indirectly several business branches. The consultation companies profit quite a lot<sup>15</sup>; according to the respondents unofficially they charge at least 10% of the whole projects value. In the beginning of the SAPARD program execution it was a booming business that also attracted some corrupted companies that also contributed to the negative opinion about the consultants. On the other hand, the SAPARD and later Structural Funds increased the prices for other goods and services, too. For example, respondents claim that the dealers of the agricultural technique increased the prices for the machines up to 50% for the reason that the half of the prices will be compensated from the EU funds.

As the agency representatives admit, the procedures were created rather complicated not only in order “to please” the European Commission but also to preclude the possible instances of misuse of funding, corruption and violation of procedures. As an interviewed agency employer said:

“If we had created procedures that would be more liberal, there certainly would be persons that would strive to abuse them. This is still a very viable feature of the post communist mentality. Therefore, we deliberately opted for a more complicated version of the procedure, thus to prevent any misbehavior of the applicants”.

While creating the procedures, the agency was quite independent of the government and Ministry of the Agriculture - the main consultations were carried out between the Agency and the European Commission; however, of most importance were the informal consultations, since

---

<sup>15</sup> See for example: Gaižauskas, V. “Europos fondų žinovus maitina ūkininkai”. In *Verslo žinios*, 2005 m. liepos 29 d.

the formal consulting procedure would be too time consuming. In addition, the agency was able to force some necessary legislation - the “Brussels argument” was very effective to speed up the necessary amendments of national legal acts by the Seimas (the Parliament). The politicians were simply threatened by the perspective that slow legislation changing procedures might also slow down the country's accession to the EU.

The greatest difficulties were with the persuasion of the politician that the agency was meant to be a new type of institution which meant the transformation of the administration methods and the changes in understanding of the role of the agency and its relationship with the client. In general, as the respondents representing the Agency admit that the beginning was difficult both for the Agency and the beneficiaries that lacked the knowledge and understanding about the Agency's functions.

So far as the modes of governance are concerned, the Agency was changing gradually. In the very beginning of its existence of the NPA, the Europeanization process mainly affected the principles and procedures of the projects management. The greatest attention was paid to the assurance of transparency, effectiveness in distributing the allocated funds and general effectiveness as far as the implementation of the national and European agricultural policy is concerned. However, speaking about the modes of governance in the initial state of the functioning of the Agency, there were little noticeable changes in employed modes of governance as compared to the Soviet period – the Agency was created as very centralized institution, there was almost no social consultancy with social partners, there were serious difficulties in communication between the Agency and the clients. In addition, the accessible information for the farmers about the possibilities of funding from the EU funds was insufficient.

Fortunately, the management of the Agency realized the necessity for the changes of the administrative methods: although the structure and the very setup of the Agency as a highly centralized institution did not change, the Agency focused on increased cooperation with the social partners and improving communication with the clients. The changes in the relation to the social partners were due primarily to the unavoidable implementation of the EU requirement of the social dialogue and cooperation with the social partners. Implementation of this requirement resulted in a very high number of applications as compared to the first round of the applications' collecting in the very beginning of the functioning of the Agency. Because of the information campaigns and intensifying discussions with the social partners, the farmers were more aware about the possibilities of funding that the NPA is responsible for.

In addition, as secretaries of the Ministry of the Agriculture point out, that ten new EU member states as compared to the old member states were in a very favorable position regarding the creation and development of the Agency. They used actively the experience of the old member states and could develop an optimal solution under the conditions of a particular country. In other words, many mistakes could be avoided.

Mainly, the transfer of the EU administration methods was rather “soft”, however, in cases of some procedures there was a need of a “hard” adoption of some legal regulations – as it was mentioned in this paper already, the “European pressure” was very useful in ensuring the quick legislation process in such cases. The influence of the European Commission most often targeted the procedures of the project management, rather than organizational structure or statute of the Agency. The latter was left for the Lithuanian representatives. The visits of the representatives of the European Commission were rather of advisory nature – they would react to primary proposals of the Lithuanian representatives and submit their suggestions.

To conclude, the transfer of the EU administration methods was predominantly soft one - adapting to the national realities and using the experience of the old EU member states. How-

ever, that did not preclude from the only partial implementation of the new modes of governance, especially, in the initial stage of the Agency's existence. The administrative culture of the NPA was changing gradually towards increasing openness and intensifying communication with the social partners and clients of this institution.

## **VI. The Government Control of the Agency: Autonomy, Politization, Agency Capture**

During their visit in 2005 the representatives of the European Commission claim that in comparison to other new EU member states, the financial support in Lithuania is administrated very successfully.<sup>16</sup> The sum of all inappropriately allocated funds comprises only 0,03% of all funds, while in other EU member states incorrectly allocated funds comprise from 3 up to 5% of all the funds allocated for the country.<sup>17</sup>

In order to prevent possibility of misuse of funds or corruption, the NPA has created the internal control system that aims to eliminate any degree of subjectivity during the application evaluation stage, in spite of the final decision – whether it would be positive or negative. All materials are available for the representatives of the Ministry of Agriculture and Ministry of Finance. In addition, the NPA cooperates with the legal institutions. The NPA activities are controlled by the supervising institutions – that is the international audit company contracted by the Ministry of Finance and the State Control institution.

The internal NPA audit system is independent from all control procedures on all levels. The internal audit is responsible for assuring that the management of the NPA gets objective information about the functioning of all departments and other interrelated institutions, possible risks and the state of the inner control system. Furthermore, it supervises the administration of the state and EU funds usage, effectiveness and purposes.

In year 2005 there were 34 audits conducted that were targeted at the activities of the agency, administration of various programs and administration of funding. According to the agency, the audits allow to make a conclusion that the system of internal control functions successfully.<sup>18</sup>

The activities of the agency are constantly controlled by the EU institutions that check the allocation of the EU funds is matching the EU regulations. In year 2005 there were five external audit missions conducted (three of the European Commission Agriculture and Rural Development Department and two of the European Audit Chamber). During those missions there were the administration of various programs controlled and some proposals regarding the enhancement of the effectiveness of the administrative procedures expressed. In addition, auditors recognized that the agency assures the transparent and effective use of the EU fund due to the detailed and well functioning procedures.<sup>19</sup>

### **VI.1 Government Control**

As it was mentioned earlier, the National Paying Agency is functioning under the auspices of the Ministry of the Agriculture of the Republic of Lithuania. The Ministry is the founder and

---

<sup>16</sup> Nacionalinės mokesčių agentūros 2005 metų veiklos ataskaita. [National Paying Agency Annual report 2005]. Available at: <http://www.nma.lt/index.php?740971064> P. 64.

<sup>17</sup> Ibid. p. 65

<sup>18</sup> Ibid., p. 66.

<sup>19</sup> Ibid., p. 68.

the supervising institution of the NPA. All decisions concerning the functions of the NPA are taken by the Minister of Agriculture.

The Ministry of the Agriculture is responsible for the creation and renewal of the legal basis (legislature) for the functioning of the NPA, while procedures of the funding administration were mainly within prerogatives of the NPA.

Most importantly, the Ministry together with the NPA and the social partners prepare the National Rural Development Plan for a four-year period. Although the government has a final say in the priorities of the rural development for the nearest future, the social partners and the NPA bring their proposals for discussion.

In addition, the Ministry of the Agriculture has to carry the financial control of the NPA. Following the decision of the Ministry, the NPA directly reports to the government its financial and functional condition. In addition, the independent audit company is recruited in order to control the financial status of the NPA. The NPA has also its own audit department that is controlled by the Audit department of the Ministry of the Agriculture. Its duty is to check 5% of the applications for the funding from the Structural Funds.

In addition, the NPA is regularly checked by the European Commission Audit missions that control the administration of the funding from the Structural Funds.

Politization as a phenomenon can be observed not so much in the very NPA, as in the Ministry of the Agriculture, since it is the Ministry that is responsible institution for the NPA functioning. This means, thus, that important political decisions are rather taken within Ministry, rather than the NPA itself. For example, the setting priorities for the rural policy involve harsh political debates and on this level the most political influence is being exerted. As some members of the Rural Policy Committee admit, the promotion of primarily political but also of private interests is very visible in this case. For example, recently the promotion of the interests of the big agricultural companies over the interests of the small farmers is prevailing. According to the respondents, this is due both to the active lobbying of the Lithuanian Agricultural Companies Association and interests that some politicians vest in the Association.

However, it should be noted that the government's influence on the functioning of the NPA is predominantly carried out through the formation of the National Rural Development plan that highlights the braches of the agriculture as priorities; accordingly, these braches receive bigger quotas of funding from the EU Structural Funds. This decision of the government is of obligatory nature to the NPA. In addition, the government has control on the budget of the Agency. The Ministry of the Agriculture also chooses the candidate for the director of the Agency. On the contrary, the inner procedures of the implementation of the tasks of the Agency, the mechanisms are relatively beyond control of the government – the Agency forms them independently. To conclude, the government (the Ministry of the Agriculture) has a limited influence on the very functioning and administration of the Agency.

In general, the influence and control of the government on the NPA can be defined as the formation of the priorities and financial control. The government does not interfere to the administrative modes within the Agency, hence, in this respect the Agency is quite independent and free to define the administrative procedures that are adopted within this institution.

## **VI.2 Interest Groups**

From the interviews conducted, there is no obvious evidence for a claim that the NPA is capture or on the target of capture of some group of political or private interests. The respondents firmly deny any influence of the political parties or private interests on the functioning of the

NPA. On the other hand, this issue was very unfavorably discussed and in general the respondents tried to omit it which would suggest that the respondents were careful about the possible negative aspects or impressions that would harm the image of the Agency.

However, in private some of the respondents admit that there are attempts of the pressure on the NPA; however, they did not want to disclose more details on this issue. Neither wanted them to define precisely the groups representing private interests/ political parties/ organizations, etc. The members of the Seimas Committee on Rural Affairs admit that during the sessions concerning the issue of the NPA functioning, they witnessed cases of the pressure making or some for an interviewer unidentified interests' promotion in the NPA, however, the information on this issue was too scarce. This information is rather insufficient to claim the fact of the pressure, not mentioning the phenomenon of the agency capture, by the particular interests groups or political parties.

It is beyond any doubt, though, that there is immense willingness of some interests groups (be those political parties, large farmers' associations, private interests or criminal groups) to exert influence on the Agency and through that to ensure "the permanent access" to the huge funds (in context of Lithuania where agriculture forms a very important pillar of state economy) that the Agency administrates. The effectiveness in the process of implementation of the EU agricultural policy and successful administration of the funds does not exclude the possibility of the agency capture. The implementation of the EU norms within the inner procedures of the NPA is targeted mainly at the elimination of the cases of the corruption and misuse of the allocated EU funds; however, this does not exclude the potential intentions and attempts of some groups/parties/formations to exert influence or pressure on the Agency.

For example, Lithuanian media covered several cases in which the family members or relatives of the Minister of Agriculture or the member of the Seimas Committee applied for funding from the SF and were granted with the funding for further modernization of their (already modern and huge) farms.<sup>20</sup> The media presented such cases as the example of possible corruption or cases of nepotism. On the other hand, those persons followed due procedures for the application, therefore, corruption claims are difficult to prove. Noteworthy, in such cases the Agency undertakes the defensive position – claiming that the Agency is only an executor of the adopted procedures and does not have mechanism to eliminate among the applicants the potential criminal/unfair intentions. To quote of the former directors of the NPA: "We cannot dismiss an applicant only for the reason that his or her father is working in the Ministry of the Agriculture."

One of the major critiques is that the NPA have granted funding for the companies that later bankrupted or that were controlled or created mainly for the reasons to get the funding of the EU with for criminal purposes. The NPA was accused by media of inability of the control of such applicants.<sup>21</sup> To these accusations the management of the NPA answers that it is not within their competences to control the applicant for the criminal behavior, there are other institutions that care for such cases. However, the fact that such cases happen and get to the media harms agency's image to a significant extent: for the public opinion the NPA functions as an institution that carries no efficient control of the criminal intentions of the applicants.

---

<sup>20</sup> See for example: "Struktūrinė parama - į tas pačias kišenes?" in *Valstiečių laikraštis*, 2005 m. balandžio 23 d.; Gudavičius, S. "Teisėsauga bando pričiupti ES pinigų grobstytojus" in *Kauno diena*, 2006 m. balandžio 6 d.; Kvedaras, V. "ES parama kaimui - išrinktųjų klanui" in *Ekstra*, 2005 m. rugsėjo 12-18 d.; "Ministrės sūnaus šeimai – milijoninė parama". Available at: <http://www.info.lt/index.php?page=naujienos&view=naujiena&id=71368>,

<sup>21</sup> See for example: "Abejonių dėl ES paramos lieka". In *Lietuvos rytas*, 2005 m. birželio 8 d.

Another case of a typical “cheating the Agency” and successful acquisition of the funding from the EU funds is based on the submission of several projects for one agricultural company. In other words, one big project is split into smaller ones in order to assure the eligibility to the funding and successful outcome. This is quite a typical trick for huge agricultural companies some of them owned by the important political actors (leaders of the political parties<sup>22</sup>). The NPA was also criticized by the National Audit Office of Republic of Lithuania for not being able to stop funding for the beneficiaries that do not reach the planned indicators and finally bankrupt. For example, in year 2005 two agricultural companies that were granted funding of 5,6 m. Lt bankrupted.<sup>23</sup> The NPA indeed has and employs mechanisms to detect the criminal intentions of the applicants, however, from the interviews and media publications one could draw a conclusion that these mechanisms are not (successfully) applied in case of the rich farmers or agricultural companies.

Even the very fact of the media publications on this topic was perceived very negatively by the respondents who consider the media to be a servant of some private interests groups that aim to build and strengthen the negative image of the Agency. The truth is that except for media one would have difficulties to acquire any information on incidents that present “the dark side” of the Agency’s functioning. This shows then that the Agency is not yet fully open and still strives to hide the problematic issues from the public opinion.

In other words, some groups/interests have developed mechanisms to misuse the funds administered by the Agency – as media publications show – mainly, for their criminal intentions. In addition, as it might be concluded from the interviews (and the unwillingness of the respondents to discuss the topic the Agency’s politization), political parties also attempt to exert pressure on the Agency.

### VI.3 Agency Capture?

Agency capture phenomenon refers to the situation when particular interests undertake control over agency and thus, impeach the successful implementation of the public policies. There can be three kinds of interests groups behind agency capture phenomenon: (1) beneficiaries of the public agency services; (2) agency employees; (3) political actors that supervise the agency and try to use their position for personal or their political grouping benefit as well as striving to influence their electorate.<sup>24</sup>

Since the very establishment of the Agency the managing staff of the NPA have a status of civil servants and so far the persons in responsible for the management of the Agency were not connected to any of the political groupings. A director is selected in the process of a competition organized by the Ministry of the Agriculture. Till year 2006 the Agency was led by three directors.

The management of the Agency denies any possibility of the employment because of the political influence or political pressure. They claim that the political changes do not affect the employment policy of the agency: after the elections or change of the government there were no significant changes of the employees of the NPA.

---

<sup>22</sup> “Darbo partijai - skaudūs teisėsaugos kirčiai”. In *Kauno diena*, 2006 m. gegužės 20 d.; “V.Uspaskicho kodas: “Ekstra” atskleidžia ES paramos užvaldymo schemą”. In *Ekstra*, 2005 m. gegužės 30 d.

<sup>23</sup> “Valstybės kontrolė ragina stiprinti ES paramą gaunančių subjektų kontrolės mechanizmą”. Available: <http://www.vkontrolė.lt/pranesimas.php?234>

<sup>24</sup> Grosse, T.G. “Agencies and Agency Systems”. Background Paper.

However, an interesting phenomenon in the context of the Lithuanian agricultural policy implementing Agency is relatively frequent change of the directors and especially, the circumstances in which two previous directors resigned from the office. As it was mentioned earlier, since year 2000 the Agency was lead by three directors with an average time of two years in the office. It seems to be a strange situation, especially, having in mind the allegedly successful functioning of the Agency as assessed by the representatives of the European Commission as well as the Lithuanian government.

Moreover, the reasons for such a relatively frequent change of NPA director was an issue the respondents, especially, the representatives of the Agency and Ministry of Agriculture did not want to discuss overtly. Claiming that the changes were not connected to politics or criminal issues, the respondents tried to simplify or underestimate that issue. The researcher experienced difficulties while investigating this issue as could not acquire the direct information from the respondents and had to rely on the media publications.

Noteworthy, according to the publications in press and media, both previous directors left the office under unclear circumstances. The first one was accused of illegal/corruptive decision in favor of the formally correct project prepared by non-existent poultry business owners that planned to pocket 200 000 Lt under SAPARD program.<sup>25</sup> He also admitted to have contacts with the politicians that applied for the funding, although denied the corruption claims. After investigation of the case, the director was forced to resign from the office.<sup>26</sup>

The second director was not accused with corruption; however, the reason for his leave from the NPA office was allegedly political pressure he could not withstand<sup>27</sup>. The official reason for his resignation was a job offer from one of the biggest retail companies in Lithuania. He did personally acknowledge claims of the exerted political pressure on him during the interview.

It is of interest that the present director of the NPA was also reported in media to have alleged relations with criminal gangs – these gangs under the coverage of the agricultural farms applied for big funds (about 2-4m. LTL) and were granted the money, although in fact they were not eligible for funding.<sup>28</sup> The director claims the whole affair to be fabricated by the forces that strive to remove him from the office.

It seems that there exists a trend to associate every managing director with some scandal – even if in all the cases the scandals are rather a media issue than accusations proved by the judiciary institutions, the management of the NPA seems to be prone to the pressure of political groups and criminal gangs.

The accusations of corruption were also presented to some other important employees of the NPA<sup>29</sup> which shows that the adopted administrative procedures do not eliminate the incidents of corruption associated with high employees of the Agency.

---

<sup>25</sup> See [http://www.balticbusinessnews.com/newsletter/060405\\_bbn\\_newsletter.pdf](http://www.balticbusinessnews.com/newsletter/060405_bbn_newsletter.pdf)

<sup>26</sup> “Buvęs NMA vadovas prisipažino kalbėjęs su V. Uspakichu apie paramą žemės ūkiui”. Available at: <http://www.sekunde.lt/content.php?p=read&tid=169119>

<sup>27</sup> Bagdanavičiūtė, V., Kmieliauskas L. “Ponui Miltieniui nusibodo spaudimas”. In *Verslo žinios*, 2005 m. kovo 2 d.

<sup>28</sup> See “NMA vadovas įtariamais ryšiais su Pasvalio gauja”. Available at : <http://www.valstybes.lt/naujienos.php?news=993>, Stanišauskas, G. “Milijardai dangstomi slaptumo skraiste”. In *Kauno diena*, 2006 m. sausio 16 d.

<sup>29</sup> Gudavičius, S. “Teisėsauga bando pričiupti ES pinigų grobystojus”. In *Kauno diena*, 2006 m. balandžio 6 d.

Nevertheless, the fact that every director was linked to some unclear circumstances leading to the resignation from office is one of the most puzzling issues while analyzing the functioning of the NPA. This issue was very negatively perceived by the respondents - they did not want to analyze the potential reasons of such a situation. It can be said that the general attitude of the respondents was the denial or unwillingness to admit the existence of the problem. It seems that if the issue turned to be media speculations, respondents would try to name the forces that stand behind such a situation and aim to create a negative image of the Agency that did not happen during the interviews. However, it is beyond any doubt that some sort of pressure is regularly released towards the managing person of the NPA. Moreover, that pressure seems to be quite effective - every director's position so far was quite shaky.

Another paradox that attracted the attention of the researcher was the contrast in the evaluation of the NPA as an executive institution of the EU rural policy by the European Commission officials (or foreign evaluation) and agency's evaluation in Lithuania (in local context). Namely, the European Commission evaluates the effectiveness of the NPA as very high and its percent of discrepancies as extremely low as compared to the old member states.<sup>30</sup> That means also that the agency is functioning correctly, according to the prescribed rules and procedures, and the cases of (possible) corruption are extremely low. This is the strongest argument that also Ministry of Agriculture uses for support of the NPA.

Keeping this in mind it is even stranger that image of the NPA in media is rather negative.<sup>31</sup> Not only because of the lack of professionalism of some employees of the Agency or the overcomplicated procedures for application for funding. Quite often the critical attitude towards the NPA is based on the assumption that it is a corrupted institution that is responsible of the distribution of huge financial funds with basically no effective means to exert the control over the status of applicants and their intentions as well as the money spending. In media the beneficiaries are claimed to be rich agricultural companies and persons (not always farmers as such) that use the EU funds to increase their welfare.<sup>32</sup>

These claims cannot automatically be held as true, however, the discrepancy between the external, i.e. of the EU, and internal evaluation of the NPA as an institution as its effectiveness is surprising and puzzling. However, the reasons for this phenomenon are difficult to detect. There is no doubt that as an institution the NPA is perceived as useful and necessary, however, its functioning and decision making process in particular, is perceived as prone to corruption and lacking transparency. In addition, procedures and regulations are claimed to be more accessible to the more affluent applicants because they have more information and better financial possibilities to apply for the EU funding.

In order to improve its image the NPA recently launched an intense informational campaign that would present the Agency as effective and open institution serving its clients. Although the management of the NPA claims that the aim of the campaign is rather an informational one than promotional, the respondents admit that there is a need to start building a definitely positive image of the NPA.

To summarize, it would be difficult to claim the agency capture phenomenon is observable in case of the Lithuanian agricultural policy implementing institution, since it is difficult to name

---

<sup>30</sup> See NPA Annual report 2005. Available at: [http://www.smm.lt/es\\_parama/docs/2004-preliminarus\\_BPD\\_02.pdf](http://www.smm.lt/es_parama/docs/2004-preliminarus_BPD_02.pdf)

<sup>31</sup> See for example: "Abejonių dėl ES paramos lieka". In *Lietuvos rytas*, 2005 m. birželio 8 d.

<sup>32</sup> See for example: Kvedaras, V. "ES parama kaimui – išrinktųjų klanui". In *Ekstra*, 2005 m. rugsėjo 12-18 d., "Struktūrinė parama - į tas pačias kišenes?" In *Valstiečių laikraštis*, 2005 m. balandžio 23 d.

the actors that would strive to capture the agency to serve their interests. On the other hand, analysis of the media publications allows claiming that the NPA cannot resist the pressure of the political forces and criminal groups. It seems that there are groups that strive to manipulate the Agency – both political interests as well as private, criminal interests. In this respect, in spite of adopted European administration methods, the NPA still lacks mechanisms and strength to resist the pressure.

## **VII. Social Participation**

According to the NPA Annual Report for year 2005 and as confirmed by the respondents during the interviews, the Agency maintains relations with governmental institutions, business and non-profit organizations and cooperates with social partners. In all regions of Lithuania the NPA organizes seminars seeking to inform farmers about possibilities of funding offered by the EU Structural Funds. In year 2005 there were around 200 such informational meetings organized.<sup>33</sup>

In addition, the representatives regularly participate in radio and television programs and provide information for media. The NPA publishes informational materials: leaflets, newsletters, articles in the most popular Lithuanian dailies. There are advertisements about NPA activities and possibilities of funding from the EU funds that are regularly presented in the national and local press, radio and television.

Moreover, the NPA regularly organizes the discussions (round table meetings) with the social partners; these are mostly the largest farmers' organizations in Lithuania. The representatives of the Agency and the Ministry of the Agriculture overtly admit that social dialogue was an EU requirement that had to be implemented in the newly created institution in Lithuania. The NPA presents the protocols of such meetings on its web page and also indicates the decisions of the Agency concerning the proposals of the social partners.

The discussions with social partners are mainly targeted on to the improvement of the NPA functioning, on elimination of the potential discrepancies between the regulations and their practical application. The social partners are mainly unsatisfied with the complexity of the regulations, the problems with keeping the deadlines and, last but not least, with the behavior of the NPA employees. In this respect, the NMA seems to keep some of the old administrative modes, namely, creating unnecessary bulky requirements and procedures, not being able to keep the deadlines for decision making and poor communication with applicants.

The social partners complain about the procedures of the application being too complicated and in some cases unnecessary overloading the potential applicants (for example, the applicant has to submit the documents that could be easily obtained by the NPA itself or there is no necessity of such documents at all). Although as social partners admit, much has been changed, there are still rules and procedures that could be corrected to make the application process smoother.

Another sphere where the social partners cooperate with the NPA is within the Project Evaluation Committee. The Committee that comprises the representatives of the Ministry of Agriculture, the NPA, invited experts and social partners is aimed to revise the selected projects that attracted the Committee's attention, for example, these were applications for a big funding, there were suspicions of the submission of the incorrect data by the applicant, etc.

---

<sup>33</sup> Nacionalinės mokejimo agentūros 2005 metų veiklos ataskaita. [National Paying Agency Annual report 2005]. Available at: <http://www.nma.lt/index.php?740971064> P.

The Committee cannot dismiss a project; rather it acts as the controlling body of the activities of the employees responsible for the project evaluation in the NPA.

It is of interest that the social partners do not have a right to vote in this committee; they act only as observers. On the one hand, they claim this situation does not limit the possibilities for the social partners to express their opinion and their proposals. Nevertheless, the fact that the social partners do not have the same position as other members of the committee, i.e. representatives of the Agency and the government, makes one to draw a conclusion that in this case the cooperation with the social partners was rather formally implemented to adopt to the EU requirements rather than from the wish to really react to the proposals of the representatives of the farmers' associations.

This is reflected in the mode of the selection of the social partners - the social partners for cooperation were selected by the the National Paying Agency itself. Among them there are the largest farmers' associations and organizations, for example, the Chamber of Agriculture of the Republic of Lithuania (*Lietuvos Respublikos Žemės ūkio rūmai*) that unites more than 100 farmers territorial and branch organizations<sup>34</sup>, Lithuanian Farmers' Union (*Lietuvos Ūkininkų sąjunga*)<sup>35</sup>, the Association of the Agricultural Companies (*Lietuvos žemės ūkio bendrovių asociacija*)<sup>36</sup>. Altogether there are about 30 partners invited for cooperation. They represent various branches of agriculture – traditional agriculture, ecological agriculture, forestry, etc. To repeat, the social partners are the largest and the most important farmers' organizations in Lithuania, that also closely cooperate with the Ministry of the Agriculture.

Since 2005 the cooperation with the social partners became regular, which means that there are organized the round table meetings (so far there were six such meetings organized) with the social partners where they discuss the procedures employed by the NPA for the funds administration. As a consequence of such meetings, the protocols are prepared, there is a person responsible for each issue and a deadline for decision set. Later, the partners are informed about the progress and final outcome. All this information is available on the agency web page.<sup>37</sup>

In addition, the NPA and the representatives of the social partners also meet on the local level, i.e., during various meetings, presentations, seminars that take place in the provinces of Lithuania. Such form of cooperation has rather a social function, which means that it helps to build and to maintain relationship between social partners and the NPA representatives. They meetings also play a function of a formal (and informal) informational campaign.

The implementation of the EU regulations definitely influenced the intensity of the contacts of the NPA with the social partners. The cooperation with the social partners is one of the EU requirements towards the Agency and it must be noted that it is implemented consequently. Social partners admit that the cooperation with the NPA became more intense when the NPA started to administrate the direct payments to the farmers.

The cooperation with social partners follows two directions: first, as for the general state agricultural policy and, consequently, programming the Agency activities within that sphere, the social partners are involved in the debates under the leadership of the Ministry of the Agricul-

---

<sup>34</sup> See *About us*. Available at: [http://www.zur.lt/main.php?page\\_name=today&zur\\_lang=en](http://www.zur.lt/main.php?page_name=today&zur_lang=en)

<sup>35</sup> See *About us*. Available at: <http://www.lus.lt/>

<sup>36</sup> See *About us*. Available at: <http://www.lzuba.lt/eng.php>

<sup>37</sup> See for example, “Socialiniam partneriams pristatytos paramos administravimo naujovės“ [The news on funding administration were presented to the social partners]. Available at: <http://www.nma.lt/index.php?-1494601620>

ture and the Committee of Rural Affairs of the Parliament of Lithuania. During the debates the social partners bring up their proposals concerning the priorities setup for the national agricultural policy, second, the issues concerning the very implementation of the activities are discussed in the meetings organized by the NPA. Theoretically, thus, the social partners have an opportunity both to influence the guidelines of the national agricultural policy and the Agency's action while implementing the policy. On top of that, the implementation of the policy on the level of the NPA can be evaluated by the social partners during the social participation mechanisms within the Agency.

On the other hand, it took some time for the management of the Agency to fully acquire rules of the cooperation with the social partners. As the interviewed representatives of the social partners pointed out in the beginning the NPA was rather inaccessible for the social partners and even potential beneficiaries of the Agency. According to an interviewed leader of the large farmers' association, in the beginning of its functioning the institution looked rather hostile and mysterious and inaccessible for the representatives of farmers' organizations, not to mention an ordinary applicant. Later the agency gradually became more open to the social partners, which might be explained also by the implementation of the EU standards.

However, the social participation in the context of the NPA should not be overestimated. The social partners do not have as much influence, power and impact as to exert pressure to change some regulations of the projects administration by the NPA. Most importantly, the Ministry of the Agriculture and, consequently, the NPA are the principal actors that undertake the major decisions. The social partners can be consulted but the consultations are not of such a character as to cause the significant changes if both the Ministry of the Agriculture and the Agency do not plan those changes.

The underestimation of the social partners and their role on the functioning of the NPA was especially visible in the first period of the functioning of the Agency: social partners were rather left aside, since the belief in the importance of the social dialogue was rather weak. To quote a former director:

“The social partners should understand the limitations of their role. They were involved [in the functioning of the Agency] as much as their involvement was necessary. They had to understand that we have our regulations and procedures and social are not able to change them.”

In addition, the social partners also are involved in the promotion of the usage of the EU funding, taking part together with the representatives of the Ministry of Agriculture and the NPA in the informational campaign targeted for the farmers in order to enhance their interest in the EU funding.

In order to answer a question if social partnership enhances or slows down the effectiveness of the Agency functioning, one should realize the role of the social partners undertake. Indeed, the social partners do take an active role in promoting the NPA activities, in works of the Projects Evaluation Committee, and in discussions of the guidelines of the national agricultural policy for the next period, etc. To continue, the social partners are very active in preparing proposals for the possible changes in the NPA application procedures. It might be stated that the social partnership enhances the effectiveness of the NPA by bringing up issues that, when solved, would ensure better projects administration and agricultural policy implementation. The social participation does not impeach the effectiveness of the NPA, since it is the agency that has a bigger say on the form and regularity of the social cooperation – in a way the NPA exerts some sort of control on the social dialogue.

In spite of the some critique, in general, the social partners are very supportive to the NPA. It might be the effect of the common understanding that the EU funding is an unique and very significant chance for the Lithuanian farmers to improve their capacities on the Lithuanian and European market. In this case, the social partners also play a role of the actor that supports and at the same time legitimizes in some respect the agency in the eyes of the farmers. The social cooperation in this case presupposes some mutual benefits: for the NPA the cooperation with the social partners is as important as for the farmers' organizations to collaborate with the agency. In the former case, the partners build a relation between the agency and the farmers, while in the latter case the social dialogue ensures the flexibility of the funds and projects administration, meaning the simplification of the regulations and procedures.

At the same time, one should not overestimate the role of the social partners. In fact, the social partners play just a role of advisors – nothing more than that. The Ministry of the Agriculture and the Agency itself do not articulate the necessity take the decisions to introduce some (significant) changes, the social partners cannot exert any significant impact on the functioning of the Agency.

## VIII. Conclusions

The NPA acts as the executive agency implementing the EU agricultural and rural development policy in Lithuania. As it was mentioned in the beginning of this paper, the National Paying Agency in Lithuania was founded as a completely new type of public tasks administering institution that undertook the governance patterns from the similar institutions in the old EU member states. However, because of the political and cultural difference, the transfer of the new administration modes was a soft one – meaning by this that the principles and regulations had to be adapted to the Lithuanian realities.

Since its establishment in 1999, the NPA proved to be an efficient institution that is successfully administering the national and European support programs for the agriculture in Lithuania. The functioning of the agency was many times appraised by the representatives of the European Commission that make regular control visits to the NPA. The Agency is effective in executing rural policy in a mode that is claimed to be transparent and efficient, i.e. efficiency understood as the distribution of the allocated funds. The social cooperation with the social partners that is aimed at the possible improvement of the regulations and general functioning of the agency progressed significantly as compared to the starting point when the social dialogue was very weak.

Within scope of the research, the Europeanization process within the National Paying Agency was analyzed along the following dimensions:

1. Departure from traditional, hierarchical modes of governance to the new modes of governance (including decentralization, networking, social dialogue, etc.) - although the NPA is strictly hierarchical institution and thus, is similar to the old “pre-EU” institution, some elements as, for instance, networking, social cooperation introduced within processes of Europeanization as well as formal policy administration and implementation requirements undertaken by the NPA demonstrate that the Agency is an institution that acquired in its functioning some elements of the new modes of governance.
2. Government control exerted on the Agency, phenomenon of politization of the Agency as well as the scope of the Agency's autonomy – government control remain high as to the the results of the policy implementation is concerned, however, in its inner functioning the NPA reserves a considerable degree of autonomy. The phenomenon of politization is

difficult to prove in case of the NPA, however, there is some evidence that political groupings attempt to exert pressure on the NPA.

3. Agency capture - the scope of this phenomenon (if any) within the Agency – as mentioned above, the research did not prove the existence of the agency capture phenomenon in case of NPA, however, there is some evidence that some groups/interests have developed mechanisms to misuse the funds administrated by the Agency – as media publications show – mainly, for their criminal intentions.
4. Social participation – cooperation patterns between the Agency and the social partners – although the social partners do not exert any significant influence on the policy priorities implemented by the NPA, the social cooperation proved to be quite efficient, especially, regarding the information spreading to the potential NPA beneficiaries as well as modifying the procedures of the EU funds administration by the NPA. It is beyond any doubt that at present the NPA is more sensitive to suggestions of the social partners as compared to the initial period the Agency functioning.

To conclude, the report was meant to provide answer to the following question:

- Whether the Europeanization of the agricultural policy implementing agency in Lithuania corresponds to the paradigm of the new modes of governance or, on the contrary, the process of the Europeanization strengthens the traditional, hierarchical modes of administration?

In case of Lithuanian National Paying Agency, the Europeanization process mainly affected the project administration regulations. However, the administrative modes do resemble rather the traditional hierarchical modes employed during the socialist period. As it was demonstrated in the paper, the NPA is highly centralized institution with strictly defined hierarchy. In addition, the cases of corruption claims and frequent change of the Agency's directors because of the pressure of political or private interests groups show that the Agency is prone to the satisfaction of interests of some groups, thus, the NPA is close to the situation that is described under “agency capture” phenomenon.

However, there are features that show the emergence of new modes within the NPA: (1) the NPA has quite a high degree of autonomy from the Ministry of Agriculture mainly regarding inner regulations and functioning of the NPA - although the NPA is functioning under the auspices of the Ministry of the Agriculture, the Agency reserves quite a high level of independence in developing its procedures and regulations; (2) the NPA cooperates with social partners regularly; and (3) the NPA participates in the European agency system network.

- What is the influence of the Europeanization of the Agency on the changes in the administrative and political culture, including the politicization of the administration?

The Europeanization of the Agency has impact not only on the projects administration regulations that were tailor-made following the pattern of the administrative modes in the EU old member states, therefore, aiming to limit the possibility of corruption and misuse of the funds.

In addition, as it was noted earlier in this paper, the intensifying social dialogue and active communication with the similar agencies in other EU countries has a very positive impact on the administrative culture within the Agency that is visible through increasing flexibility of the Agency administration and sensitivity to the suggestions of the social partners.

- What is the influence of the process of the Europeanization of the Agency on the formation of the model of the state? Whether the process strengthens the modes of

governance typical for the administrative state or the process of the Europeanization breaks these traditions and builds background for the network state?

As mentioned above, at present the Agency still possess features that could be interpreted as the governance typical for the old administrative modes: centralized and hierarchical structure, lacking resistance to the pressure of some interests groups, finally, inclination to what can be called agency capture – all these features show that the Agency, even though founded under the European standards, in reality is under target of the local weak state pathologies. In other words, the socialist legacy (common to other CEE countries) can still be traced in case of the NPA in Lithuania, too.

At the same time, the relatively high level of autonomy from the government, growing cooperation with the social partners, implementation of such new administration modes as negotiation and bargaining, flexibility in its procedures, i.e. self-regulation mechanisms, finally, the intense cooperation with the European agency system network would prove that in case of Lithuania there is a perspective for a growing tendency of gradual implementation of the new modes of governance as well as the beginning of the network state formation.

## **IX. Annexes**

### **IX.1 List of the Interviewed Persons**

1. Saulius Silickas, Director of the National Paying Agency.
2. Laima Smolskienė, the Director of the Kaunas Territorial Unit of the National Paying Agency.
3. Lukas Lukošius, Head of the Reports and Coordination Unit of the Finance and Accounting Department of the National Paying Agency.
4. Evaldas Zigmantas Čijauskas, Deputy Director of the Information and Agriculture Business Support Centre, former director of the National Paying Agency.
5. Valentinas Miltienis, Commercial Director of UAB Palink, former director of the National Paying Agency.
6. Dalia Miniataitė, Under-secretary of the Ministry of Agriculture of Lithuania.
7. Petras Grušauskas, Under-secretary of the Ministry of Agriculture of Lithuania.
8. Edvardas Makelis, Director of Baltic Agrobusiness Institute, former Minister of Agriculture.
9. Jonas Jagminas, Chairman of the Committee on Rural Affairs of the Seimas of Lithuania.
10. Jonas Ramonas, member of the Committee on Rural Affairs of the Seimas of Lithuania.
11. Petras Gražulis, member of the Committee on Rural Affairs of the Seimas of Lithuania.
12. Sigitas Puodžiukas, Managing Director of the Information and Agriculture Business Support Centre.
13. Vilmantas Tovenskis, Managing Director of the Lithuanian Agricultural Advisory Service.
14. Genutė Staliūnienė, Chairperson of the Lithuanian Farmers Union.
15. Bronius Markauskas, Director of the Lithuanian Chamber of Agriculture.
16. Jonas Sviderskis, Managing Director of the Lithuanian Association of the Agricultural Companies.
17. Valdas Kvedaras, “Ekstra” journalist.

### **IX.2 Bibliography**

#### **Documents and legal acts**

- Lietuvos bendrasis programavimo dokumentas 2004 – 2006. [General Programming Document for Lithuania 2004-2006] Available at: [http://www.smm.lt/es\\_parama/docs/2004-preliminarus\\_BPD\\_02.pdf](http://www.smm.lt/es_parama/docs/2004-preliminarus_BPD_02.pdf)
- Lietuvos Respublikos Valstybės tarnybos įstatymas. [Law on Public Administration] Žin., 1999, Nr. 66-2130. Available at: [http://www3.lrs.lt/pls/inter2/dokpaieska.showdoc\\_l?p\\_id=281296](http://www3.lrs.lt/pls/inter2/dokpaieska.showdoc_l?p_id=281296)
- Nacionalinės mokėjimo agentūros 2005 metų veiklos ataskaita. [National Paying Agency Annual report 2005]. Available at: <http://www.nma.lt/index.php?740971064>
- SAPARD paramos įgyvendinimo Lietuvoje ataskaita. [Report on Implementation of SAPARD program in Lithuania]. Available at: <http://www.nma.lt/index.php?740971064>

**Press publications**

- “Abejonių dėl ES paramos lieka”. In *Lietuvos rytas*, 2005 m. birželio 8 d.
- “Bus panaudota visa SAPARD finansinė parama”. In *Respublika*, 2004 m. gruodžio 13 d.
- “Buvęs NMA vadovas pripažino kalbėjęs su V. Uspakichu apie paramą žemės ūkiui”. Available at: <http://www.sekunde.lt/content.php?p=read&tid=169119>
- “Darbo partijai - skaudūs teisėsaugos kirčiai”. In *Kauno diena*, 2006 m. gegužės 20 d.
- “Dilema parlamentinei komisijai”. In *Kauno diena*, 2005 m. birželio 8 d.
- “Lietuvos NMA dirba daugiau nei kaimynai”. In *Valstiečių laikraštis*, 2005 m. balandžio 26 d.
- “Ministrės sūnaus šeimai – milijoninė parama”. Available at: <http://www.info.lt/index.php?page=naujienos&view=naujiena&id=71368>
- “Socialiniams partneriams pristatytos paramos administravimo naujovės”. Available at: <http://www.nma.lt/index.php?-1494601620>
- “Struktūrinė parama - į tas pačias kišenes?” In *Valstiečių laikraštis*, 2005 m. balandžio 23 d.
- Bagdanavičiūtė, V., Kmieliauskas L. “Ponui Miltieniui nusibodo spaudimas”. In *Verslo žinios*, 2005 m. kovo 2 d.
- Bielskytė, G. “SAPARD lėšų voratinklis”. In *Atgimimas*,
- Gaižauskas, V. “Europos fondų žinovus maitina ūkininkai”. In *Verslo žinios*, 2005 m. liepos 29 d.
- Gudavičius, S. “Teisėsauga bando pričiupti ES pinigų grobstytojus”. In *Kauno diena*, 2006 m. balandžio 6 d.
- Kvedaras, V. “ES parama kaimui - išrinktųjų klanui”. In *Ekstra*, 2005 m. rugsėjo 12-18 d.
- “KGB generolo žentas skirsto ES milijonus”. In *Ekstra*, 2003 m. spalio 27 d.
- “V.Uspaskicho kodas: “Ekstra” atskleidžia ES paramos užvaldymo schemą”. In *Ekstra*, 2005 m. gegužės 30 d.
- Pečeliūnienė, L. “Rusija siekia pasisavinti Lietuvai teikiamą ES paramą - SAPARD lėšas”. In *Valstiečių laikraštis*, 2003 m. liepos 28d.
- Stanišauskas, G. “Milijardai dangstomi slaptumo skraiste”. In *Kauno diena*, 2006 m. sausio 16 d.
- Širvinskas, M. “Planus griauna lėti SAPARD apsisukimai”. In *Verslo žinios*, 2003 m. rugpjūčio 29d.