



40Ready - Strengthening SME capacity to engage in Industry 4.0

ACTION PLAN

LITHUANIA

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1. INTRODUCTION

Manufacturing is the largest sector of the Lithuanian economy, generating 22% of national gross domestic product. Moreover, the manufacturing sector is a major contributor to growth of the Lithuanian economy, since manufactured goods account for over 80% of total exports of national goods and services. Currently, the Lithuanian manufacturing sector is enjoying a period of prolonged expansion, which is mainly driven by expanding sales in foreign markets. Since the end of the global financial crisis, the production of Lithuania manufacturing has expanded by 55%.¹

The 40Ready project is an additional and natural continuation of Lithuanian policy, given that the country is active in development of the Industry 4.0 concept. Consequently, project activities were relevant and met interest of various stakeholders, who ensured their active participation and involvement. Several Lithuanian policy tools can be addressed in the context of Industry 4.0:

The Lithuanian Industry Digitization Roadmap 2020-2030.² This document is the output of a project funded by the European Commission, but it became significant in the whole Lithuanian policy making scheme. The Roadmap describes both EU and National perspectives regarding industry digitization, digitization ecosystem, benchmark analysis with the selected EU countries, the most influential technologies and integration into international value chains. Based on this analysis, Lithuanian industry vision 2030 was developed, identifying strengths and weaknesses of the Lithuanian industry. Finally, it includes strategic pillars supporting the vision and strategic actions.

National industry digitalisation platform “Pramonė 4.0”. This platform was established to create links between different actors and to facilitate the flow of ideas, investments, and knowledge across all institutions. It seeks to achieve competitiveness and productivity in industry, as well as promoting integration of digital solutions and new technologies in industry. It serves as a venue for the early stage and active involvement of major stakeholders at various levels. In this way, it helps to create active dialogue between industry, research, education, and governmental institutions, helping to anticipate change, adapt to future needs, and propose efficient solutions for industry digitization.

The platform unites all the major stakeholders: Engineering Industries Association of Lithuania (LINPRA), the Lithuanian Confederation of Industrialists (LPK), the Information and Communication Technologies Association (INFOBALT), Vilnius Gediminas Technical University (VGTU) and Kaunas University of Technology (KTU), The Ministry of the Economy and Innovation of the Republic of Lithuania. There are also thematic working groups that work in the areas of digital manufacturing, services promoting digitization, standardization and legal regulation, human resources, and cyber security. Over 80 experts from business, industry, academia, and public sector are involved in the platform through working groups.

Lithuanian Smart Specialization Strategy is the output of a series of working groups, Industry 4.0 round table debates and analysis of technological foresights. After this, working groups agreed on the technologies that will have the biggest impact on the digitization of Lithuanian industry up to 2030.

¹ Lithuania Industry digitalization roadmap 2019-2030. Anex I. Analytical report.

² Revised edition. Initial edition - Lithuania Industry digitalization roadmap 2019-2030.

Lithuania already has 18 **Digital Innovation Hubs'** (DIH), which are participants of the Smart Specialization Platform.

Open access centers. Currently Lithuania is equipped with 25 open access centers. The services of these centers are available to both Lithuanian and foreign companies, which create products based on innovations and new technologies.

In addition, **the Operational Programme for the European Union Funds' Investments in 2014-2020** pays considerable attention to activities related to Industry 4.0:

1st Thematic objective. Strengthening research, technological development and innovation. Actions that are supported:

- Enhancing research and innovation (R&I) infrastructure and capacities to develop R&I excellence, and promoting centers of competence, in particular those of European interest.
- Promoting business investment in R&I, developing links and synergies between enterprises, R&D centers and the higher education sector. This promotes investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialization. It supports technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities, in particular in key enabling technologies and diffusion of general-purpose technologies.

3rd Enhancing the competitiveness of small and medium-sized enterprises (SMEs). Actions that are supported:

- Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators.
- Developing and implementing new business models for small and medium-sized enterprises (SMEs), regarding internationalization.
- Supporting the capacity of SMEs to grow in regional, national, and international markets, and to engage in innovation processes.

9th Thematic objective. Promoting sustainable and quality employment and supporting labor mobility. Actions that are supported:

- Initiatives dealing with the improvement of qualifications and competence of human resources for strengthening the access to qualifications and competence development for company employees, in particular for employees of SMEs.
- Support for competence and professional development of human resources from investing companies and companies engaged in RDI (research, development and innovation) activities.
- Support for projects of apprenticeship and the acquisition of sectoral competences, including development of a sub-system for qualifications obtained in the working environment.

2. GENERAL BACKGROUND FROM 40READY

The 40Ready project promotes cooperation at interregional level to reach an overall aim: to prepare SMEs for the I4.0 revolution. The partner recognised that digital competencies and skills must be developed to assist companies in the creation, adoption and implementation of digitalisation solutions. This is essential for the creation of new jobs and the preservation of old ones. Thus, it is important to ensure that workforce competencies are constantly improved and in line with the latest business developments, and that the training and retraining measures in place are appropriate.

During the 40Ready project exchange stage (Phase 1), two analysis were conducted and analysed at interregional level (see also details below in Section 3).

1 - Analysis on the needs for competencies of Lithuanian small and medium-sized enterprises was performed to prepare for and overcome the challenges of Industry 4.0. It determined what competencies will be needed by SME employees working in the main Lithuanian industrial sectors (food, chemical, furniture, wood, machinery, and equipment) over the next ten years to meet the challenges of Industry 4.0.

2 - Analysis of projects for capacity building among SME employees funded by the ESF for the 2014–2020 programming period, to assess how companies are preparing for Industry 4.0 and what competencies they prefer to develop. The analysis covered projects implemented by SMEs working in the main Lithuanian industrial sectors.

The result of these helped to assess the directionality of investments and the necessary changes.

40Ready project conducted effective learning and exchange of experiences addressing topics requirements for, among others, distant learning, promotion of education of low and medium skilled employees, training in the form of apprenticeship, requirements and priorities in calls for proposals for SMEs. A process of **policy learning** was carried out through several means, as follows:

- **Workshops** with national stakeholders, within which the needs of beneficiaries were discussed (particularly concerning beneficiaries implementing projects under measures “Competence LT” and “Trainings for employees of foreign investors” or potential SMEs, which are the priority applicants in the measure “Human recourse Invest LT+”, announced in autumn 2021);
- **Discussions** with Ministry of Economy and Innovation (MoEI) and other stakeholders (Lithuanian innovation center, Association of Industrialists of Lithuania and others), in order to identify and improve training policies in Lithuania;
- **Exchange of good practices** with 40Ready projects partners, building on selected experiences in their region on policy instruments successfully supporting SMEs to adapt to i4.0.;
- **Peer review meetings** with 40Redy projects partners carried out to gain information and knowledge related to topics of interest and their impact for SMEs in ESF financed projects.

As a result, 2 key actions were identified in Lithuania:

- ✓ Modified project-financing conditions for ongoing and new projects, to ensure better investment in competencies for future SME employees and removing limitations to distance learning training.

- ✓ Modified project financing conditions for new projects for better investment in competencies for future SME employees, through enhancement of financial support based on company size and to training of low-qualified workers.

Indirect benefits of the project outcomes were also identified:

- ✓ The results of the analysis conducted during the project were used for planning new investments.
- ✓ The network of interinstitutional cooperation has been developed and expanded and new strong contacts made with partners over Europe.
- ✓ Broader understanding of SMEs needs and their better reflection in project financing conditions.

The purposefully implemented steps and exchange of partners experience led to achieve planned goal of the project and reached entrepreneurs, owners, managers, and staff at all levels.

3. POLICY CONTEXT FOR THE ACTION PLAN

Name of the Policy Instrument(s) addressed:

Operational Programme, Priority Axis no 9

Type of policy instrument

Investment for Growth and Jobs programme	YES
European Territorial Cooperation programme	NO
Other regional development policy instrument	NO

Details on the regional context: 40Ready analysis on competencies

A detailed analysis of the future qualification needs of employees to prepare and overcome the challenges of Industry 4.0 in Lithuania had not been performed before participating in the 40Ready project. The needs for future human resource competencies affected by the Industry 4.0 revolution and the opportunities to acquire / provide the required competencies have not been fully analyzed and explored. Answers were missing on:

What are the possible directions of movement of people in the labor market influenced by I4.0?

What skills/professions will be more/less necessary in every education level (low, medium, higher) according to I4.0 impact?

What are the most effective possibilities to reskill the people to the extent needed in Lithuania and what is missing?

There was also a lack of information about priority competencies for SMEs operating in the main sectors of the Lithuanian manufacturing industry. Moreover, concerning ESF funding under Operational Programme 2014-2020 targeted to the future Industry and SMEs needs, there was no data on its level of accessibility and its effectiveness.

To answer to these questions, the analyzes “The needs for competencies of Lithuanian small and medium-sized enterprises in order to prepare for and overcome the challenges of Industry 4.0” and “ESF-financed projects for small and medium-sized business employees for the 2014–2020 programming period analysis” were carried out within 40Ready. The results of these surveys were used as a basis for the two actions included in this Action Plan.

The 2 analyses identified key competencies related to Industry 4.0 that will be relevant to all industrial sectors over the next decade, namely technical skills (especially relevant to low- and medium-skilled workers). They also emphasizes that, due to constraints of project funding conditions, most funding instruments did not provide training for top managers and managers directly accountable to them, as well as personal competencies such as team building,

organisational culture, personal effectiveness training (e. g. conflict resolution, stress management, communication, motivation, time planning, emotional intelligence, leadership, positive thinking, creativity and etc.).

The researchers demonstrated that it is necessary to consider a relevant forecast for competencies of employees of Lithuanian SMEs. This predicts that, by 2030, the need for managers in various fields will grow and create conditions for increased leadership competencies. This is especially relevant to SMEs, given that innovative, technological and other changes begin and depend on the knowledge and attitude of the manager.

The analysis showed that investments of the EU structural funds create conditions for a wide range of competence development. However, in view of the changing industrial situation and the transition to digitalisation of production, alternative forms of competence development should be introduced or training adapted to the increasingly relevant form of teleworking.

Moreover, the implementation of the apprenticeship concept in Lithuania is still rather slow, due in part to the relatively low involvement and participation of employers in the implementation of apprenticeship programmes. Most companies do not have the knowledge and resources to implement apprenticeship activities on their own. Educational institutions are not able to attract enough employers to participate in apprenticeship programmes run by educational institutions.

Background to both Actions and Early Policy Improvement

The policy instrument addressed by the present Action Plan is the Operational Programme for the European Union Funds' Investments in 2014-2020, Priority Axis 9. ESF support within Priority Axis 9 supports various measures addressed to SMEs, with the overall objective to support employees' qualification and training. Conditions for employees to acquire specific competences and to adapt to changes in the economy are also supported.

The first Action (Modified project financing conditions for ongoing projects for better investment in competencies for future SME employees, removing limitations to distance learning training) aims to enhance several measures under Priority Axis 9 (*see details in Action 1 below*).

A policy improvement for Action 1 was achieved in Phase 1 of the 40Ready project (*as reported to the Programme in Progress Report 3*).

ESFA worked with the Ministry of Economy and Innovation of the Republic of Lithuania (EIM) to update the Project Financing Conditions of two calls: measure No. 09.4.3-ESFA-T-846 "Training for employees of foreign investors", and measure No. 09.4.3-ESFA-K-814 "Competences LT". The following objectives were pursued:

- to reduce training restrictions in PFCs, in order to help SMEs to learn quickly, especially during the health emergency;

- to reduce the administrative burden for companies implementing EU financed projects, especially in organising distant learning.

The existing requirements and restrictions that affected difficulties to train employees on-line or during remote work were specified and the number of requirements was reduced. The new PFCs directly impact on previously approved projects, affecting absorption of EU funds and project results, by increasing possibility to use more distant learning methods in trainings and decreasing the cost of agile training.

Initial changes in PFCs were approved in January 2021, by the Minister of Economy and Innovation. Following the first improvement, the PFCs of 3 additional calls were updated in February 2021.

The pre-existing requirements limitations were reduced to eliminate:

- maximum cost ratio of distance learning to overall eligible project costs;
- compulsory combination of distance learning with classroom consultations (video, audioconferences) and interactive discussions;
- compulsory intermediate monitoring, testing and evaluation of participants' progress.

Through the implemented criteria, employees are facilitated to learn new subjects and get new competencies after work (flexibility to reconcile work, learning and family obligations). The change reduces cost of distance learning and limits are removed. The only remaining requirement is to provide the connection data to the system in the schedule of planned events for ESFA that ESFA could perform remote checks on the spot.

The second Action (Modified project financing conditions for new projects for better investment in competencies for future SME employees, through enhancement of financial support based on company size and to training of low-qualified workers) aims to enhance the financing measure No. 09.4.3-ESFA-K-805-02 "Human resources Invest LT+" second call.

The objective of the measure is to promote foreign direct investment by creating conditions for improving qualifications, knowledge and skills of investors' employees. PFCs and priority criteria are reviewed and renewed in order to reach a larger number of SMEs, foster the use of apprenticeships in the learning process, promote trainings of low-qualified employees, encouraging skills development for employees in SMEs newly operating in Lithuania.

The goal of such changes is to strengthen companies in preparing for the Industry 4.0 revolution, affecting projects financing management, such as a process of the cost verification and applications evaluation. Changes will also increase effectiveness of projects activities implementation.

ACTION 1

Modified project financing conditions for ongoing and new projects, to ensure better investment in competencies for future SME employees, removing limitations to distance learning training.

Policy Need	Typology of Policy Improvement
<p>The overall policy need addressed by this action is to support availability and flexibility of SMEs training.</p> <p>The 40Ready policy exchange process identified the need to adapt project-financing documents, in order to better address requirements in terms of competencies for training SME employees and to simplify administrative burden related to participation in publicly funded training measures.</p> <p>Excessive or ineffective restrictions in project financing conditions include too many requirements and limitations hindering distance training for employees. Heavy administrative burden to organise trainings on-line and the conception of remote work/on-line training as risky also limits on-line training in most SMEs projects. Thus, preventing more flexible, varied, cheaper and more attractive forms of learning. The Covid-19 epidemic complicated this situation severely.</p>	<p>Type 2 – New or updated funding programmes, through change in the management of the policy instrument.</p>

Description of the proposed Action			
<p>The 2 analyses carried out at the beginning of 40Ready (<i>detailed above</i>) showed that investments of the EU structural funds create conditions for a wide range of forms of competence development: traditional training, apprenticeship training, competence vouchers and internships. However, in view of the changing industrial situation and the transition to the digitalisation of production, alternative forms of competence development, such as virtual reality and on-line training should be introduced, and training adapted to the increasingly relevant form of teleworking.</p> <p>Since 2015, possibilities for companies to train employees on-line have been included in project financing conditions under several measures of European Social Fund, as listed in the table below:</p>			
	Name of the measure	No of the measure	Focus of the policy measure
1	“Competence LT”	09.4.3-ESFA-K-814-01	Provision of special training for enterprises to develop their sectoral competencies.

2	“Competence LT”	09.4.3-ESFA-K-814-02	Training developing sectoral competencies for enterprises.
3	“Competence LT”	09.4.3-ESFA-K-814-03	Trainings to provide competencies required to start working in professions, who require high professional qualifications and whose staff is in short supply in the Republic of Lithuania.
4	“Human recourses Invest LT+”	09.4.3-ESFA-K-805-01	Training and professional development of employees of foreign investors investing in production and (or) services in Lithuania, including on-the-job training.
5	“Trainings for employees of foreign investors”	09.4.3-ESFA-T-846-01	Training and professional development of employees of foreign investors investing in production and (or) services in the territory of Lithuania, including on-the-job training.
6	“Trainings for employees of foreign investors”	09.4.3-ESFA-T-846-02	Training and qualification of employees of foreign investors investing in production and (or) services in Lithuania or provision of a new qualification, including the organisation of on-the-job training.

However, many strict requirements were set for on-line training, which was perceived as risky, unreliable, possibly insufficient and allowing discrepancies. This prevented companies from choosing this form of training during project implementation. These requirements included:

- limits to the costs of distance learner (max 10% or 30% of eligible costs, depending on the measure);
- necessity to combine distance learning with classroom consultations (with classroom expenditure included in the cost of distance learning);
- necessity to define a dedicated assessment procedure;
- technological limitations, such as necessity to create a separate online password for each trainee and to provide access to distance learning system to the Implementing Agency.

Work within 40Ready led to identify 2 main findings relevant for contracted calls:

1. It was necessary to search for other teaching forms (instead of classroom learning) and to use less restrictions on the form of training in the projects financing conditions, in order to better meet their needs to learn quickly, especially responding to the current health situation.
2. It is necessary to reduce the administrative burden for companies implementing EU financed projects, especially in organising distant learning.

The above-mentioned findings led to the **overall objective of Action 1** – to facilitate forms of training, thus making online training more attractive and giving SMEs employees more possibilities



to build their capacities, through modifying project financing conditions for ongoing projects for better investment in competencies for future SME employees.

This led to an improvement of the PFCs of 3 measures (6 calls) for funding:

1. Measure No. 09.4.3-ESFA-T-846 “Training for employees of foreign investors”;
2. Measure No. 09.4.3-ESFA-K-814 “Competences LT”;
3. Measure No. 09.4.3-ESFA-K-805 “Human recourses Invest LT+”.

Initial changes in PFCs were approved in January 2021 by the orders of Minister of Economy and Innovation of Lithuania:

1. Order No. 1 and No. 2 on measure “Trainings for employees of foreign investors (18/01/21, No.4-39, code 2021-00725 / No.4-40, code No. 2021-00726) both went into force on 19/01/21;
2. Order No. 1 on measure “Competence LT” (21/01/21, No. 4-50, code 2021-01040) went into force on 22/01/21).

Further changes were approved in February 2021 by the orders of Minister of Economy and Innovation of Lithuania:

1. Order No. 1 and No. 2 on measure “Competences LT” (11/02/2022, No.4-105, code 2021-02672; 18/02/21 No. 4-125, code No. 2021-03089) both went into force respectively on 12/02/2021 and 19/02/21,
2. Order No. 1 on measure “Human recourses Invest LT+” (08/02/21, No. 4-91, code 2021-02394) went into force on 09/02/21).

The updated criteria achieved the reduction of restrictions to online training, easing the administrative burden for SMEs implementing distance training, lowering of costs in comparison to standard training offer. In this way, online training is used to a wider extent, allowing SMEs to be readier and more flexible in adapting to the Covid-19 epidemic, thanks to the creation of more opportunities for employees to build their capacities.

Building on this policy change, Action 1 monitors progress and considers how to ensure further improvements to future calls.

Background: regional and interregional inspiration

Regional / National input, including input from Stakeholder Groups

The stakeholder group was formed to promote open discussion on how to help SMEs to overcome the challenges of I4.0. Stakeholders participated in policy learning discussions on how to change the policy in Lithuania to improve SMEs on-line training aspects. Discussion with regional stakeholders looked at identified risks and obstacles concerning faster employ of funds and needs of project implementers. The present action was defined in cooperation with this group, which is composed of:

	<ul style="list-style-type: none"> • Ministry of Economy and Innovation of the Republic of Lithuania; • Ministry of Education, Science and Sports of the Republic of Lithuania; • Ministry of Finance of the Republic of Lithuania; • Ministry of Social Security and Labour of the Republic of Lithuania; • Vocational training, business, science and innovation organisations. <p>During Semester 1, the analysis on the needs for competencies of Lithuanian SMEs to prepare and overcome the challenges of Industry 4.0 was performed (<i>as described above</i>). A demand forecast for the main occupations of the Lithuanian industrial sectors until 2030 was also undertaken. Digital competences were foreseen among the most necessary and profitable ones. On June 30th 2020, the results of the analysis were presented to and discussed with stakeholders.</p> <p>During Semester 2, the second analysis was performed. Projects financed by the ESF for the 2014–2020 programming period were analysed to assess how companies were preparing for Industry 4.0 and what competencies they preferred to develop. More digitalised training forms were among the most requested. On January 28th 2021, the results of the analysis were presented to and discussed with the stakeholder group.</p>
<p>Transfer of Good Practices (interregional input)</p>	<p>The regional work with stakeholders was fed by the interregional exchange with the 40Ready partners, and vice versa.</p> <p>Building on conclusions from the analyses and stakeholder input, relevant interregional Good Practices were sought using the project level matching analysis form. Sharing of GPs with projects partners was a key elements to define policy changes. A number of examples of regional policy instruments successfully addressed different on-line training issues or used on-line training tools.</p> <p>GPs exchanges were carried out with 40Ready partners during autumn/winter 2020. In Semester 3, ESFA gathered input from GPs shared by Tuscany and Navarra. On 10/12/20, a group exchange was held with Navarra and Tuscany on Itinerarios4.0/Catalogue on qualified services and on 17/12/20 with Tuscany on Training vouchers. Differences in PFCs were discussed, which revealed that these countries do not promote such detailed, specific, aggravating restrictions to distance learning. Material shared by partners was translated and examined to compare the PFCs.</p> <p>Subsequently, a peer review meeting with ESFA was organised on 18/06/2021. 40Ready partners and their stakeholders from Navarra, Wallonia, Silesia and Tuscany jointly discussed specific aspects of</p>



interest to AP development, to gather additional information related to on-line training requirements and their impact for SMEs in ESF financed projects. This session confirmed that partner regions did not apply such stringent restrictions for on-line training.

Intercepted good practices from 40Ready partnership were matched to Lithuanian policy instruments and SMEs needs. It was proposed to eliminate limitations that the costs of distance learning may not exceed 10-30% of eligible project costs. It was also agreed that distance learning must not be combined with classroom consultations (video, audio conferences) and interactive discussions any longer. A system for monitoring and assessing intermediate learning outcomes, criteria for assessing employees' progress, a test of knowledge at the end of the course were abolished. Several technical requirements were also proposed for elimination.

ELABORATION of the Action

Work carried out in Phase 1

Activities carried out at regional level to develop the Action Plan

Steps undertaken to ensure that the lessons learned from the project were adapted to the regional policy context and needs, in order to elaborate Action 1:

- During Semester 1 **the analysis on the needs for competencies of Lithuanian small and medium-sized enterprises** to prepare and overcome the challenges of Industry 4.0 was performed.
- During Semester 2, the **second analysis was performed**. Projects financed by the ESF for the 2014–2020 programming period were analysed, in order to assess how companies are preparing for Industry 4.0 and what competencies they prefer to develop.
- Presentation of analysis results to stakeholders took place on **30/06/2020** and **28/01/2021**. The results of the analyses were presented to the representatives of MoEI the Ministry of Education, Science and Sports of the Republic of Lithuania, vocational training, science and innovation organisations as well as sectoral and business associations. Contacts for integrating the analysis result and future cooperation were made.

Activities carried out at interregional level

Steps undertaken to gain content and understanding on approaches to Industry 4.0 in 40Ready regions to feed into the regional policy context and needs, in order to elaborate Action 1:

- Presentation of analysis results for 40Ready partners **22/09/2020**, **15/10/2020** and **28/01/2021**. Updating partners with Lithuanian activities and results, seeking for common ground in strengthening SMEs. Preliminary search for good practices.

- Several bilateral and small group meetings and discussions held virtually with project partners (*for details see background section*) between December 2020 and January 2021, in order to exchange Good Practices of interest and deepen relevant points to improve policy instruments. Peer review meeting held with partners from Navarra, Silesia, Wallonia and Tuscany in June 2021. The aim of the virtual exchange was to address specific needs related to policy improvement opportunities. Documentation on PFCs from the partnership was exchanged (*for details see background section*).
- On 18 October 2021, at the Interregional Workshop in Bucharest, the first drafts of the regional Action Plans were presented to 40Ready partners and compared. Suggestions and insights were exchange concerning specific sections, with the goal to prepare a complete version.

IMPLEMENTATION of the Action		
<i>Phase 1 (activities carried out)</i>		
Activity No.	Activity Description	Timing
1.	To agree on PFCs to be changed (in order to identify PFCs which includes restrictions on distance learning).	December, 2020
2.	To discuss new PFC regulations with stakeholders. To prepare the proposal to MoEI.	December 2020, January 2021
3.	To make changes in 6 PFCs by the orders of the MoEI. The existing 5 requirements for distance learning were specified and the number of requirements was reduced.	January – February 2021
Phase 2 (activities planned)		
4.	<p>To develop an impact assessment methodology for monitoring the Action 1 implementation and for assessing the effect generated by 40Ready project in the Phase 1.</p> <p>The methodology should include a description of the criteria needed to assess the impact of the action, goals and targets of the assessment, by whom, how and in what terms will the evaluation be carried out, how will the evaluation sample be selected, what will be the other expected volumes in the evaluation.</p> <p>The situation of SMEs with regard to the limitations of distance learning before Phase 1 changes and the impact of Phase 1 upgrades on SMEs will be described. The impact, benefits and the effect of the Phase 1 changes and a summary of the results and conclusions of the evaluation will be listed and made public.</p>	Ongoing until January 2023

5.	<p>To organize a discussion with project beneficiaries evaluating actions impact .</p> <p>The aim of the discussion is to share insights and impact evaluation plans, as well as to select appropriate and tested impact measurement tools.</p> <p>The discussion would also help to gather useful experience and insights from partners that would enrich the evaluation process and potentially provide input to interregional partners.</p>	Ongoing until February 2023
6.	<p>To perform SFMIS (Information management and monitoring system for EU structural assistance) data analysis to assess the extent of scope.</p> <p>Data analysis will help identify companies that have applied distance learning since the policy changes in the Phase 1. They will comprise the list of companies to be interviewed about the benefits of Phase 1 changes in training policy. The method of training (remote or live) selected in the project will be determined from the documents submitted with the payment claims, the quantity, frequency, number of participants of on-line training will be compared with the data of the respective period before the Phase 1 changes.</p>	March 2023
7.	<p>To conduct a survey of beneficiaries, affected by the Phase 1 changes, to assess the benefits of improved PFCs and carried out activities in Phase 1.</p> <p>The purpose of the survey is to find out how, to what extent the changes made in Phase 1 affected the quality, progress, speed, scope of the projects, number of participants, their involvement and satisfaction with the Phase 1 policy changes in added value.</p>	March 2023
8.	<p>To prepare an impact assessment report, based on feedback retrieved, concerning changes made in Phase 1 and insights for future calls to promote and to strengthen SMEs abilities and effectiveness to implement the projects and to share those findings and the results with MoEI and other interested parties.</p>	May 2023

Stakeholders involved	
Name of Organisation	Role in Action Plan
Ministry of Economy and Innovation	Responsible for approving policy instrument, launching the calls, organising work group meetings when preparing

	PFCs, evaluation of the policy change impact on the results.
European social fund agency	Responsible for managing the process of funding the ESF, approving applications, administration of the projects.
Lithuanian innovation centre	It is planned that the stakeholder that has a significant impact on industry innovations in Lithuania and cooperates with many SMEs will contribute to the widest and most efficient dissemination of the results of this project among Lithuanian SMEs.
Lithuanian industrialist association	It is planned that the stakeholder uniting many members will contribute to the largest and most efficient dissemination of the results of this project among Lithuanian SMEs.

Risk and Contingency Plans (related to monitoring of Policy Change)

Description of Risk	Level of probability	Description of Contingency Plan
Low response to Monitoring questionnaires	Low	SMEs will be contacted personally
Lack of data due to systemic shortages (SFMIS)	Medium	Systematic decisions will be made
The monitoring survey will take longer than planned	Low	Preparation work has already begun and the timing allows for some delays, while still being able to complete in time to provide input to new policy changes.

Costs and funding sources

Costs	Funding Sources
The salary incurred by the MoEI and ESFA employees in adjusting the descriptions of the projects financing conditions were financed from the state budget and ESF programme. 6 of 6 PFCs have already been improved and confirmed.	
Funding allocated through the calls.	
Initial changes (reported in 40Ready Semester 3) will have an impact to 112 projects (1242 enterprises).	

No. Of measure	Project sum (total)	Project sum (already spent, declared for EC)	Percent of already spent expenses	Rest of the sum (still be spent)
09.4.3-ESFA-K-814-01	12 792 298,36	8 798 867,85	68,78%	3 993 430,51
09.4.3-ESFA-T-846-01	45 001 770,80	22 090 676,89	49,09%	22 911 093,91
09.4.3-ESFA-T-846-02	3 642 992,26	826 357,99	22,68%	2 816 634,27
Total				29,6 mln Eur.

Further changes (reported in 40Ready Semester 4) will have an impact to 72 projects (more than 200 enterprises).

Number of measure	Total amount, Eur	Amount declared to EK (till 31/01/2021), Eur	Percent declared to EK (till 31/01/2021), %	Remaining amount, Eur
09.4.3-ESFA-K-805-01	14 287 535,53	12 307 360,00	86%	1 980 175,71
09.4.3-ESFA-K-814-02	9 235 531,48	2 739 284,00	30%	6 496 247,19
09.4.3-ESFA-K-814-03	1 989 767,24	15 762,87	1%	1 974 004,37
Total:				10 450 427,27

Monitoring		
Self-defined Performance Indicators		
Indicator	Target	Means of Verification
Number of supported enterprises	269	269 SME (from 35 projects) could use used distance learning as consequence of Action 1 and improvement of 6 PFC. Indicator is verified form IT system SFMIS data.
Number of measures with training activities related to Industry 4.0	3	3 measures (6 PFC) that have training activities related to Industry 4.0. Mean of verification – approved documents.
Output Indicators		
Indicator	Target	Means of Verification
Number of official documents released	6	1. Measure No. 09.4.3-ESFA-T-846 “Training for employees of foreign investors”, PFC of the first call. 2. Measure No. 09.4.3-ESFA-T-846 “Training for employees of foreign investors”, PFC of the second call. 3. Measure No. 09.4.3-ESFA-K-814 “Competences LT” PFC of the first call.

		<p>4. Measure No. 09.4.3-ESFA-K-814 “Competences LT” PFC of the second call.</p> <p>5. Measure No. 09.4.3-ESFA-K-814 “Competences LT” PFC of the third call.</p> <p>6. Measure No. 09.4.3-ESFA-K-805 “Human resources Invest LT+” of the first call.</p>
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ACTION 2

Modified project financing conditions for new projects for better investment in competencies for future SME employees, through enhancement of financial support based on company size and to training of low-qualified workers.

Policy Need	Typology of Policy Improvement
<p>The overall policy need addressed by this action is the difficulty in training a workforce that can quickly and adapt efficiently to necessary technological changes imposed by the Industry 4.0 revolution.</p> <p>The impact of i4.0 will mostly affect SMEs and low-qualified workers. Therefore, a specific needs concern availability and intensity of funding measures based on company size. A second is to support opportunities to update qualification and competences according to Industry4.0 changes in the market, including soft and horizontal skills.</p> <p>This means expanding the concept of specific competencies, reducing restrictions to apprenticeships, introducing new priority criteria to promote trainings of low-qualified employees and promoting SME participation in calls for funding for training.</p>	<p>Type 1 - Implementation of new projects</p> <p>Type 2 – New or updated funding programme, through change in the management of the policy instrument.</p>

Description of the proposed Action
<p>Analysis showed that investments of the EU structural fund had insufficiently reached the final target group (SME employees) of the manufacturing sector, had not sufficiently broadened the scope of trainings, nor sufficiently encouraged the apprenticeship learning method in the manufacturing sector, despite it proving very effective in other countries. The manufacturing sector is a major contributor to employment in Lithuania, with most employees working in the processing industry. As such, significant investment in this sector can positively impact number of employees in the sector. The need of low or medium skilled employees' qualifications were not singled out and often such workers did not receive sufficient skills development.</p> <p>Based on such considerations and thanks to the experience exchanged with 40Ready partners, it was identified the goal to develop new PFCs to support alternative forms of skills development and various qualifications' improvement for SMEs' workers.</p>



As the 2014-2020 period of funding is ending, the project affects changes in partial constraints. However, it can be considered a pilot action to be extended in the future. The policy instrument selected for improvement is financing measure 09.4.3-ESFA-K-805-02 “Human recourses Invest LT+” under the ESF Operational Programme, Priority Axis 9.

The aim of the measure is to promote direct foreign investment creating conditions for investors to develop their employee’s qualification, knowledge, and abilities. The activities supported are trainings and development of qualification (including organisation of trainings in the certain workplace) of employees of foreign investors, which invest into production and/or services in the Republic of Lithuania.

2.6 million € of ESF funds is foreseen for this call, which opened in October 2021.

Previous requirements for this PFC were very simple and only foreign investor’ enterprises could participate in this Call. The applicant could not be a company with financial difficulties and no priority points were awarded is another method of competition was chosen. In the first Call, continuous applications were selected and now it will be a competition form.

The above-mentioned findings led to the overall objective of Action 2, namely to provide support to new projects, for better investment in achieving competencies of SME employees for manufacturing and service providers. Operatively this will be obtained through modifying project financing conditions for the call 09.4.3-ESFA-K-805-02 “Human recourses Invest LT+. The action should ensure that a larger number of SMEs in the manufacturing sector access public funds for training, achieve broader competences and qualifications for low-qualified employees and access a reinforced apprenticeship offer for manufacturing.

The updated PFCs are aimed to assign higher evaluation points to a number of specific criteria and higher intensity of funding accordingly. Priority is thus recognised to SMEs, to projects training a larger number of low/medium-qualified workers and to training in manufacturing provided in the form of apprenticeship.

Evaluation criteria should favour applicants according to the Description of Lithuania’s qualification structure, approved by Lithuanian Government decree No. 535 on 04/05/2010. The more employees with the lowest qualification level I-V enrolled into the training project, the higher score is given. Moreover, if an applicant is not an SME, additional score is not awarded. The status of SME should be evaluated according to its definition in the law of Development of small and medium business’ in the Republic of Lithuania. It is also to assess whether the trainings planned in the project are intended for the acquisition of qualification of engineering industry employees by means of an apprenticeship, resulting in priority scores. Similarly, specific and differentiated funding intensities are reserved upon companies’ size.

Building on this policy change, Action 1 will monitor progress and consider how to ensure further improvements to future calls (new programming period).

<p>Regional / National input, including input from Stakeholder Groups</p>	<p>The stakeholder group for Action 2 is as per Action 1, above.</p> <p>Based on the data of the performed analysed “The analysis of the 2014–2020 programming period ESF financed projects for SMEs’ competencies” (<i>detailed above</i>) further discussions were inspired and several meetings with regional and national stakeholders were organised. Throughout the discussions with stakeholders group, particular attention was given to the needs of SMEs and low-qualified workers, given their higher susceptibility to the technological transformation. During these meetings, the need to change the policy instrument became apparent. Besides stakeholder meetings, the project team was also involved in working groups addressing the changes of policy instrument and this served as an extension of stakeholder involvement process.</p> <p>As for Action 1, on January 28th 2021, results of the analysis were presented to and discussed with the regional stakeholder group. The most relevant needs to be tackled were identified in the necessity to support workforce adaptation to technological change dictated by i4.0, also in terms of soft and horizontal skills.</p> <p>On 8 and 22 February 2021, the project team had a meeting with MoEI and Invest Lithuania considering the best financing alternatives for improving staff skills. There were discussions on how to develop the competencies of employees related to the improvement of special, professional knowledge, especially in the manufacturing sector using the form of apprenticeship training, or by supporting the competencies of low-skilled workers, who are performing a routine work. Other issues concerning availability and intensity of funding in supporting SMEs were also discussed.</p> <p>On 12 of April 2021, the Agency had a follow-up meeting with MoEI and Invest Lithuania. Invest Lithuania shared their analysis of the qualification level of employees, provided interesting insights into attracting foreign investors who are successfully planning to establish their companies in Lithuania in the next three years, and additional funding significantly facilitates the employment of employees or professional development of existing employees.</p>
<p>Transfer of Good Practices (interregional input)</p>	<p>The exchange with 40Ready partners was useful to identify several learning experiences and to get a deeper understanding of the needs and approaches of Industry 4.0.</p> <p>40Ready project good practice exchange meetings were organised, in order to compare successful experiences, during which also PFCs specificities in other regions were compared. On 10th of December 2020, an on-line meeting with Navarra and Tuscany was held about</p>

the subject of “Itineraries 4.0/Catalogue for qualified services” (relevant to Action 1 and Action 2).

On 17th of December, 2020 a meeting on the subject of “Training vouchers” was held virtually. Differences in PFCs were discussed, which revealed that other countries, especially Navarra and Tuscany, do not promote such detailed, specific, aggravating but not effective restrictions soft skills trainings, teambuilding, stress control trainings and etc.), as those still used in Lithuanian PFCs. More precisely, restrictions for top managers training or for soft/general skills acquiring for the employees do not exist. From the discussion sessions, the ESFA included in the PFC the different ways of learning as apprenticeships, in order to promote soft skills and to stay in working place.

Bilateral consultations with Navarra and Tuscany were organised, during, following which their PFCs were translated and thoroughly examined. Their Good Practices were proposed to MoEI and discussed with project stakeholders to identify possible formulations of policy change, possible risks etc. The experience of partners was great inspiration for changes made in policy instruments.

On 18th of June, 2021 a peer review meeting with partners from Navarra, Silesia, Wallonie and Tuscany was held. Specific questions regarding Action 2 were posed to and answered by partners, to receive insights and share best experiences. On that occasion, partners indicated that in their regions there is no dedicated funding for training of the foreign investor's employees. However, it was stressed that different funding intensities are allocated according to the size of the companies to favour specific beneficiaries. Different calls or intensities of funding are reserved to small, medium and large businesses. The Government of Navarra shared documentation showing that companies size affects minimum budget (i.e. bigger companies can submit bigger budgets), intensity of the aid (i.e. smaller companies receive higher contribution) and different evaluation of the project (i.e. smaller large receive higher evaluation points). The discussion covered also the issue of soft skills. It emerged that in Tuscany soft and horizontal skills are supported by regional funds, as long as they are coherent with a specific catalogue, identifying precise eligibility requirements.

The experience of partners was of great inspiration to changes made in policy instruments.



<p>Other input from the project (interregional input)</p>	<p>On 19 March 2021, ESFA participated in the webinar “Workplace training: successful initiatives” hosted by the Policy Learning Platform of Interreg Europe on the topic of workplace training. During the second session, ESFA gained a deeper view of how organisations in two different countries (Norway and Ireland) were overcoming the challenges of involving young workers to the working places and how the collaboration between public and private sector could reap benefits to both sites. The close cooperation between education and business inspired the inclusion of a new form of learning in the manufacturing sector as an apprenticeship, which is finding its way in Lithuania. Mutual understanding so that employees acquire the specialties that are sorely needed in business now brings the greatest benefits.</p>
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<p>ELABORATION of the Action <i>Work plan within Phase 1</i></p>	
<p>Activities carried out at regional level</p> <p>Steps undertaken to ensure that the lessons learned from the project were adapted to the regional policy context and needs, in order to elaborate Action 2:</p> <ul style="list-style-type: none"> • On 12th of August 2020, an on-line meeting with representatives from the MoEI was organised. The conclusions of the 2 analyses were discussed, The issue of future project applicants was covered in relation to regional needs and priorities. SMEs were identified as priority applicants for the measure “Human recourses Invest LT+”, planned to be announced in autumn 2021). The need to make changes related soft skills training, including different learning ways, was raised. • In October 2020, December 2020 and February 2021 meeting with representatives from different stakeholders, who are aware of and represent the needs of industrial SMEs and their human resources and who are directly interested in new financing conditions. At these meetings, conclusions from research carried out the project, as well as 40Ready partners’ experiences, were discussed. • On 1st of May 2021, ESFA participated in the meetings with MoEI, Invest in Lithuania to explore the views of the stakeholder, Lithuanian Business Support Agency and to get full information from the business market, to find out existing problems in the industry and educational institutions related improving low-qualified employees competencies. <p>Activities carried out at interregional level</p> <p>Steps undertaken to gain content and understanding on approaches to i4.0 in 40Ready regions to feed into the regional policy context and needs, in order to elaborate Action 2:</p> <ul style="list-style-type: none"> • As for Action 1, several bilateral and small group meetings and discussions were held virtually with project partners (for details see background section) between December 2020 and January 	

2021, in order to exchange specific Good Practices of interest and deepen relevant points to improve policy instruments

- Peer review meeting held with partners from Navarra, Silesia, Wallonia and Tuscany in June 2021. The aim of the virtual exchange was to address specific needs related to policy improvement opportunities. Documentation on PFCs from the partnership was exchanged (for details see background section).
- On 18 October 2021, at the Interregional Workshop in Bucharest, the first drafts of the regional Action Plans were presented to 40Ready partners and compared. Suggestions and insights were exchanged concerning specific sections of the document, with the goal to prepare a complete version.

The policy learning process carried out in parallel at regional and interregional level led to the opportunity to modify PFCs of a new call for funding focusing on training projects implemented by foreign investors. The objective of supporting low-qualified employees in SMEs was the priority.

IMPLEMENTATION of the Action

Phase 1 (activities carried out)

Activity Number	Activity Description	Timing
1	To send a proposal on how to change the PFCs of the new call “Human recourses Invest LT+” to MoEI, to present good practice from 40Ready, related improving employee’s soft skills, general competencies, highlighting that among many technical skills, improvement should also be focused on horizontal and soft skills.	February 2021
2	To make decision (MoEI together with stakeholders) to organise a new call for measure 09.4.3-ESFA-K-805-02 “Human recourses Invest LT+”, including a new selective criterion such as the training, designed for the qualification of engineering industry employees through apprenticeships.	February 2021
3	To organize a follow-up meeting with MoEI and Invest Lithuania about the made analysis showing that funding should contribute to increase the low skilled employees’ capacities for preparation for Industry digitalisation, to retain employees and motivate them to improve their work skills.	April 2021
4	To organize final meeting with MoEI, Invest Lithuania to validate the presented selection criteria’s for the new PFC (Human recourses Invest LT+”).	May 2021

5	To organize peer review meeting with partners from Navarra, Silesia, Wallonie and Tuscany. To discuss the questions related with Action 1 and Action 2.	June 2021
6	To approve new PFC for measure No. 09.4.3-ESFA-K-805 “Human recourses Invest LT+” (2 nd call)	September 2021
7	To launch a call for the measure No. 09.4.3-ESFA-K-805-02 “Human recourses Invest LT+”	October, 2021
8	To receive applications for measure No. 09.4.3-ESFA-K-805-02 “Human recourses Invest LT+” and evaluation process	November 2021, December - January 2022
9	To sign grant contracts for measure No. 09.4.3-ESFA-K-805-02 “Human recourses Invest LT+”	February 2022
<i>Phase 2 (activities planned)</i>		
10	To participate in project monitoring committee initiated by Ministry of Economy and Innovation. The purpose of these meetings is to overview the funds allocated and the problems faced by the projects beneficiaries.	Quarterly from August 2022 to August 2023
11	To develop an impact assessment methodology for monitoring the Action 2 implementation and for assessing the effect generated by this project in the Phase 1. The methodology should include a description of the criteria needed to assess the impact of the action, goals and targets of the assessment, by whom, how and in what terms will the evaluation be carried out, how will the evaluation sample be selected, what will be the other expected volumes in the evaluation. The situation of SMEs with regard to the apprenticeships training will be monitored. Impacts, benefits and the effect of the Phase 1 changes will be listed and made public, together with a summary of the results and conclusions of the evaluation.	Ongoing until January 2023
12	To organize a discussion with project beneficiaries evaluating actions impact . The aim of the discussion is to share insights and impact evaluation plans, as well as to select appropriate and tested impact measurement tools.	Ongoing until February 2023

	The discussion would also help to gather useful experience and insights from stakeholders that would enrich the evaluation process and potentially benefit interregional partners.	
13	<p>To perform SFMIS (Information management and monitoring system for EU structural assistance) data analysis to assess the extent of scope.</p> <p>Data analysis will help identify the SMEs who implemented the projects and that can be interviewed about the benefits of training.</p> <p>The method of training (apprenticeships or regular), the number of low skilled employees selected in the project will be determined from the documents submitted with the payment claims.</p> <p>Quantity, frequency, number of participants of training will be compared with the data of the first Call of Proposal of the same measure.</p>	March 2023
14	<p>To conduct a survey of beneficiaries to assess the benefits of change of PFCs and carried out activities.</p> <p>The purpose of the survey is to find out how, to what extent the changes made in Phase 1 affected the quality, progress, speed, scope of the projects, number of participants, their involvement and satisfaction with the Phase 1 policy changes, in terms of added value.</p>	March 2023
15	To prepare an impact assessment report and insights for future calls and to share the results with MoEI and other interested parties.	May 2023

Stakeholders involved	
Name of Organisation	Role in Action Plan
Ministry of Economy and Innovation	Responsible for approving policy instrument, launching the call, organising work group meetings, evaluation of the policy change impact on the results.
European social fund agency	Responsible for managing the process of funding the ESF, approving applications.
Invest in Lithuania	Disseminate the results of project, share information about accomplished analysis.

Risk and Contingency Plans		
Description of Risk	Level of probability	Description of Contingency Plan
Lack of the time for project implementation	Medium	Since there is a strict time for the implementation of the projects (end of August 2023) results and activities will be monitored quarterly.
Low response to questionnaires for monitoring	Low	SMEs will be contacted personally
Lack of data for monitoring due to systemic shortages (SFMS)	Medium	Systematic decisions will be made
The monitoring survey will take longer than planned	Low	Preparation work has already begun and the timing allows for some delays, while still being able to complete in time to provide input to new policy changes.

Costs and funding sources	
Costs	Funding Sources
The salary incurred by the MoEI and ESFA employees in adjusting the descriptions of the projects financing conditions were financed from the state budget and ESF programme.	
Amount of support granted to the SME's (2 companies)	184.615 Eur

Monitoring		
Self-defined Performance Indicators		
Indicator	Target	Means of Verification
Number of SME employees whose knowledge / skills will be improved	265	Indicator is verified form IT system SFMIS data.
Amount of support granted to the SME's	184 615	Indicator is verified form IT system SFMIS data.
Output Indicators		
Indicator	Target	Means of Verification



Number of official documents released	1	Official document identifying the PFCs of measure 09.4.3-ESFA-K-805-02 "Human recourses Invest LT +"
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Date *24/05/2022*
Name of the organisation(s) *European Social Fund Agency*
Signatures of the relevant organisation(s) *[Signature]*

