

# EFFICIENCY OF THE EU STRUCTURAL SUPPORT AND ITS EFFECTS ON THE COUNTRY'S PROGRESS

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*The article deals with the main method used by the European Union (hereinafter called the EU) to reduce the discrepancies in the economy of Lithuania – structural support for the country's development and progress. The article analyses the economic, social, environmental, innovative and other indices of the economies of Lithuania and EU countries; the difference of particular indices of Lithuania and EU countries is assessed in marks. The progress of the Lithuanian economy in implementing the Lisbon strategy is evaluated according to eight groups of indices. The present study assesses the factors that correspond to the national implementation programme of the Lisbon strategy and the factors that influence the individual indices on the national progress.*

**Keywords:** EU structural support, Lisbon strategy, progress indices.

## 1. Introduction

Of late years, changes in the social-economic situation in Lithuania are fast, however, according to separate macroeconomic indices this country still significantly behind the EU average. The Lithuanian GNP makes only 52% of the EU average; unemployment has decreased rapidly during the recent years, but the efficiency of employees is only 52.5% of the EU average and the people employed in agriculture, hunting and forestry account for 13.9% of all labour force versus the EU average of 5.8%. It has been provided in the EU Treaty that the European Community must try to decrease differences in the development level of different regions and the backwardness of less developed regions. To decrease these gaps, the EU regional policy has been designed. This po-

licy is financed from the structural funds which are based on the principles of programming, concentration, partnership and complementarity. In 2004–2006, Lithuania assimilated the structural support according to the Single Programming Document (SPD) for 2004–2006 and its Annex. This support and the support of the next programming period have to contribute to a faster implementation of the Lisbon strategy which will facilitate becoming “the world's most dynamic, competitive knowledge-based economy”. However, as the research of macroeconomic indices shows, the implemented measures and actions of the regional policy do not make a major impact on the country's progress and Lithuania still lags significantly behind the EU average: within two years Lithuania rose from the 20<sup>th</sup> to the 12<sup>th</sup> position among the 25 EU and its progress indica-

tor has increased by 0.26 points, whereas some new member states have achieved a greater progress, e.g., Slovakia by 0.5 points and the Czech Republic by 0.38 points.

The objective of this work was to assess, whether the EU regional policy is being implemented in Lithuania and the policy's financial instruments are targeted at the priority sectors that make the greatest impact on the country's

progress. The study object is the use of the EU structural support and its impact on the progress of the Lithuanian economy. The authors have a many-year experience in the field of handling the EU support, and the methods included systematic, comparative, logical and documentary analysis of the literature, employing the multicriterial model of assessing the progress of the EU countries.

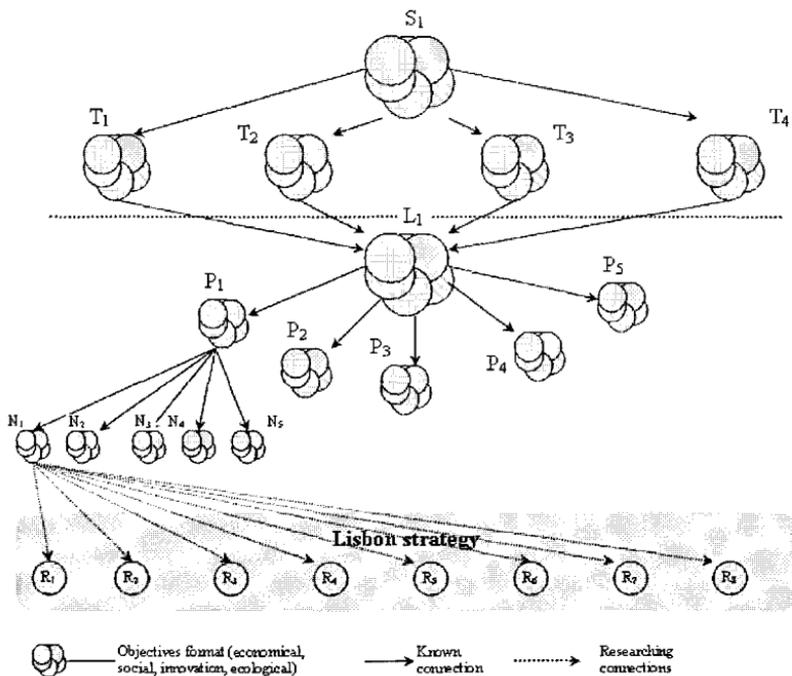


Fig. 1. Structure of the “molecule” of development objectives and relations with progress indices of Lisbon strategy

$S_1$  – goal of EU regional policy,  $T_1, \dots, T_4$  – objectives of EU structural funds,  $L_1$  – goal of Single Programming Document (SPD) for Lithuania for 2004–2006,  $P_1, \dots, P_5$  – objectives of SPD financing strategies (priorities),  $N_1, \dots, N_5$  – objectives of measures for separate priority,  $R_1, \dots, R_8$  – progress indices of Lisbon strategy implementation

## 2. EU Regional Policy, Structural Funds and Their Tasks

In order to assess the impact of the EU structural support on the country's progress, first of all it is important to understand the tasks of the EU regional policy, assigning of structural funds and the measures used to implement these tasks in Lithuania. The goals of the EU regional policy, EU structural funds, the Single Programming Document (SPD) for Lithuania and its financing strategies (priorities) could be depicted as a *Molecule of Development Objectives* in which every atom is pictured according to the existing structure and demonstrates complex relations among these atoms. Figure 1 displays the relation between the EU support use strategies planned by Lithuania and the indices of the Lisbon strategy implementation progress. With reference to this scheme, the authors try to reveal the effectiveness of the EU structural support in Lithuania and the impact of this support on the country's progress.

**EU Regional Policy and Its Objectives.** EU regional (Latin: *regio* – country, land, vicinity) policy is the second largest EU policy in terms of budget (after the EU Common Agricultural Policy). The regional policy budget accounted for 213 billion Lt in 2000–2006. The EU regional policy emerged due to a huge gap between the richest and the poorest EU states (social and economic justification of the EU regional policy). E.g., in 2000 the GDP per capita between 10% of the richest and the poorest EU-15 member states regions differed 2.6 times. In 2004, after new membership accession, this difference increased by nearly 4.5% and in 2007, after Bulgaria and Romania joined, even up to 6 times (Lietuvos 2007–2013 ..., 2006).

*The goal of the EU regional policy is a consistent reduction of social and economic differences among the regions and promotion of the even development of the entire EU (in Fig. 1 this goal is*

indicated as S<sub>1</sub>). The overall goal the EU regional policy is social and economic cohesion.

The EU regional policy is directed to: a) supporting *economic* development in EU regions, establishing the required long-term development conditions (*long-term objectives*); b) formation of infrastructure following social, economic and environmental requirements (*material and non-material investments in long-term assets, human resources*); c) reduction of differences in the living, economic, cultural and educational situation among the EU regions (Nekrošis, 2003).

The EU Regional Policy is characterized by a combination of the following main features: i) regionalization (based on the central authorities and management “from top to bottom”); ii) regionalism (based on the management method “from bottom to top” as well as territorial integration); iii) decentralization of regional authorities (internal redistribution of national tasks for regional subdivisions) (Nekrošis, 2003).

**Structural Funds.** To implement the objectives of the EU regional policy, EU member states receive financial support from four structural funds and the Cohesion Fund. The general objectives of the structural funds are as follows: a) support to development of poorer regions with the main focus on investments in production sector and even development; b) support to economic and social restructuring problem fields; c) support to education, upgrade of skills, training and retraining.

The objective of the EU Regional Development is to reduce regional differences among the regions and to promote their sustainable development. The objective of the European Social Fund is support of human resources and promotion of employment. The objective of the European Agricultural Guidance and Guarantee Fund is support to the Common Agricultural Policy and development of agricultural structures. The objective of the Financial Instruments for Fis-

heries Guidance is a sustainable management of resources and creation of competitive structures (Objectives of the EU Structural Funds are indicated as  $T_1, T_2, T_3, T_4$  in Fig.1).

**Objectives of EU Support in Lithuania.** In 2004–2006, the EU structural support was used according to the Single Programming Document (SPD). The Single Programming Document is a general document for planning investments allotted by the EU to a country. The document prescribes an appropriate development strategy, it presents description of priorities and tasks and a preliminary financial plan. It was planned that with the help of this Programming Document the structural fund investments will help improving the economic–social state of the country and enable Lithuania to use favourable GDP growth indicators and the progress directed at achieving macroeconomic stability by developing the necessary structural reforms.

The main *goal* of the Lithuanian SPD for 2004–2006 was to increase preconditions of the long-term competitiveness of the national economy, accelerate transition to knowledge economy which is characteristic of the growth of GDP and a high indicator of population employment, strengthen the development of knowledge economy which determines a higher level of life and wellbeing of all Lithuanian population (Lietuvos Respublikos Vyriausybės 2004m. rugpjūčio 2 d. nutarimas..., 2004) (in Fig.1 the main goal of SPD is indicated as  $L_1$ , SPD priority objectives as  $P_1, P_2, P_3, P_4, P_5$ , and the measure objectives of an individual priority as  $N_1, N_2, N_3$ ). A more detailed description of SBPD financing strategies (priorities) and their measures is presented in Table 4.

The objectives of the EU support and their implementation actions strengthen each other, promote the competitiveness of the Lithuanian economy, increase employment, economic and social integration, i.e. they are harmonized with the EU regional development objectives.

The Lithuanian strategy of using the EU structural support for 2007–2013 is based on and continues coherently the strategic vision formed by the Lithuanian SPD for 2004–2006 that in 2015 Lithuania will reach the social–economic level of some old EU member states. The *goal* of using the EU structural support for Lithuania in 2007–2013 is a fast improvement of investing, working and living conditions in Lithuania to achieve the benefits of economy growth for all Lithuanian population (Lietuvos 2007–2013 m. Ekonomikos ..., 2006; Lietuvos 2007–2013 Europos Sąjungos ... 2006).

The objectives of using the EU structural support for 2007–2013 will be reached by several priority directions which will hopefully give the maximum effect and allow speeding up of the Lithuanian economy development (compared with 2004–2006 these priorities decreased in number as the support to rural development and agriculture will be distributed according to another programming document). Priority directions of the EU structural support use in 2007–2013, are as follows: i) productive human resources for knowledge society; ii) competitive economy; iii) life quality and cohesion. While preparing the EU structural support use strategy for 2007–2013, the EU horizontal level priorities, needs of different public policies, financing of application of the EU legal provisions and the principle of partnership are followed as well as the results and lessons of the programmes for 2004–2006 are taken into account.

Thus, the EU regional policy is distinguished by the ambition to reduce social and economic differences among the regions and promote even progress of the entire EU. The main instrument used in regional policy development is structural funds. Their general objectives are support of the development of poorer regions with the main focus on investments in the production sector and even development, support of economic and soci-

al restructuring in problem fields and support of education, upgrade of skills, training and retraining. In 2004–2006, in Lithuania the EU structural support was used with reference to the Single Programming Document, its purpose being to increase preconditions of the long-term competitiveness development of the national economy, accelerate transition to knowledge economy and strengthen its development which determines a higher level of living and wellbeing of all Lithuanian population. The Lithuanian strategy of using the EU structural support for 2007–2013 is based on the strategic vision that in 2015 Lithuania will reach the level of social and economic development of some old EU member states.

Priority directions of the EU structural support use in 2007–2013 are productive human resources for knowledge society, competitive economy and living quality and cohesion. With the help of the support from the EU structural support funds Lithuania anticipates establishing a strong, competitive economy, training qualified labour force and promoting social and economic cohesion at the same time. However, the question is whether Lithuania has chosen the priorities of the EU support use for 2004–2006 and 2007–2013 that would enable reaching the planned declaratory objectives and have the greatest impact on the country's progress. Three years have passed since the beginning of the EU structural support assimilation, but there is no major progress in the country (Estonia, Slovenia and Slovakia had similar starting positions but now are significantly ahead by separate indices of progress leaving Lithuania behind together with the EU outsiders such as Poland and Latvia). Therefore, the article continues in trying to answer the questions whether the Lithuanian support measures for 2004–2006 are harmonized with the Lisbon strategy and whether these measures have any impact on the country's progress.

### **3. Lisbon Strategy and Lithuania's Progress in Reaching Its Goals**

**Lisbon Strategy.** The Council of the European Leaders approved the Lisbon Strategy in 2000, and Lithuania as the EU member state must reach the long-term goal of the EU to become "the world's most dynamic, competitive knowledge-based economy" by speeding up its technological progress, creating a knowledge society, implementing the necessary economic reforms and decreasing social disjuncture by 2010. The integrated Lisbon strategy guidelines are implemented by realizing the guidelines of the common economic policy and employment strategy, and each EU member state prepares a national reform programme which presents specific measures ensuring the economic growth and overall progress of the country. The Lisbon strategy implementation consists of 24 Guidelines (such as guaranteeing the economic stability for sustainable growth; safeguarding economic and budgetary sustainability, a prerequisite for more jobs; promotion of an efficient allocation of resources, which is geared to growth and jobs; strengthening the consistency of macroeconomic, structural and employment policies; increasing and improving investments in research and development, in particular in the private sector; facilitating all forms of innovation, etc.).

The National (Lithuanian) Lisbon Strategy Implementation Programme provides for the basic goal of the economic strategy – to minimize the backwardness of economic development levels in comparison with the average of all of the EU countries. This goal is being implemented via four major activity directions – the macroeconomic stability, structural labour market reforms, encouraging competitiveness and ensuring stability of the financial sector (this will ensure an even rate of real convergence with the EU States and a stable macroeconomic environment). The

strategy preparation process for the use of structural support by Lithuania in 2007–2013 was harmonized with the priorities, objectives, tasks and measures of the Lisbon strategy implementation, which need the support of structural EU funds to be implemented. It is planned to use part of structural support of 2007–2013 for implementation of the Lisbon strategy. The following priority directions will be financed: research and technology development, innovations and business; information society; transport; environmental protection and risk prevention; improvement of adaptability of workers and enterprises, increasing possibilities of employment and maintaining labour market, etc. It is planned to use somewhat more than a half of all Community support for the years 2007–2013 will be used for the implementation of the Lisbon strategy objectives. A conclusion can be made that about a half of the investment activities financed from the EU structural support will not contribute to the implementation of the Lisbon strategy and will have no direct influence on the country's progress.

**Research of the EU Countries' Progress.**

The European Commission announces the list of EU countries' progress reforms in implementing the Lisbon strategy. The methodology of this research is as follows: the generalized progress

index is calculated by eight subindices each of which is composed of additional criteria (Fig. 2). The information (criteria values) is taken from two main sources: the values of quantitative subindices are taken from statistical databases (EUROSTAT, etc.); and the values of qualitative subindices are taken from the World Economic Executive Opinion Survey (EOS) in which the world business leaders from over 100 countries present their opinion on different indices whose quantitative values cannot be identified (e.g., quality of education system, etc.). The last EOS Report was prepared in the spring of 2006.

The subindex values are taken while evaluating their significance (weight) coefficient in different categories. The qualitative subindices are assessed under a mark system in which fixed mark values range from 1 to 7, 1 being the minimum and 7 the maximum value. The values of different subindex categories are added and then divided by the total number of the subindex groups to derive the mean generalized progress index R).

$$R = \frac{\sum_{i=1}^8 R_i}{8} \quad (1)$$

An analogous methodology of progress assessment was employed in 2004 and 2006, therefore, it is easy to compare the results obtained in different years.

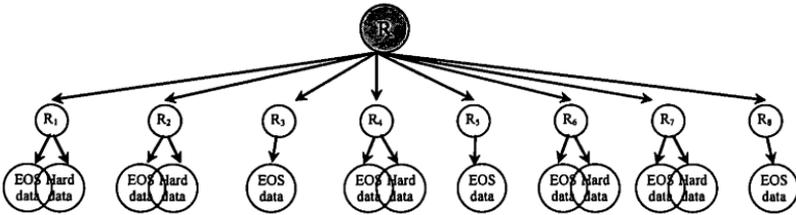


Fig. 2. Structure of Progress Index

Table 1 presents the composition of the progress subindices and their significance, each subindex accounting for 1/8 of the total generalized index R and the value of each subindex consisting of quantitative and qualitative criteria the significance of which is presented in the table.

In 2004, Lithuania was in the 7<sup>th</sup> position with 4.05 marks among potential new countries (21<sup>st</sup> position in the total list of all EU member states and new potential members). The greatest Lithuania's progress was observed according to the subindices of Network Industries and Finan-

Table 1. Groups of progress subindices and their weight

Subindices	Weight
<b>Information Society (R<sub>i</sub>)</b>	<b>1/8</b>
Survey (EOS) data (information and communication technologies; government programmes promoting the use of ICT; laws relating to the use of information technology, etc.)	2/3
Hard data (internet users per 10.000 inhabitants; personal computers per 100 inhabitants)	1/3
<b>Innovation and Research and Development (R<sub>i</sub>)</b>	<b>1/8</b>
Survey (EOS) data (the country's level of technological readiness; scientific research institutions in the country; business collaboration with local universities, etc.)	2/3
Hard data (utility patents granted per million population; gross tertiary enrolment rate)	1/3
<b>Liberalization (R<sub>i</sub>)</b>	<b>1/8</b>
Survey (EOS) data (competition in the local market, local suppliers in the country, the quality of local suppliers, standards on product/service quality, energy and other regulations, anti-monopoly policy, etc.)	3/3
Hard data	–
<b>Network Industries (R<sub>i</sub>)</b>	<b>1/8</b>
Survey (EOS) data (new telephone lines, mobile or cellular telephones, general infrastructure, roads and railroads, passenger air transport, the quality of electricity supply, etc.)	3/4
Hard data (mobile connection per 100 inhabitants, telephone lines per 100 inhabitants)	1/4
<b>Financial Services (R<sub>i</sub>)</b>	<b>1/8</b>
Survey (EOS) data (protection of proprietary rights, know-how level of finance market, security level of banks, activeness of stock-market, level of financial audit and financial accountability, etc.)	3/3
Hard data	–
<b>Enterprise (R<sub>i</sub>)</b>	<b>1/8</b>
Survey (EOS) data (business initiation procedure, conditions of obtaining bank credit, conformity to set standards, country's tax level, level of business informativeness, etc.)	1/2
Hard data (number of administrative procedures when starting business, number of days required for starting business, etc.)	1/2
<b>Social Inclusion (R<sub>i</sub>)</b>	<b>1/8</b>
Survey (EOS) data (method of paying employees, conditions of equal opportunities, children's protection, adaptability of education system to market needs, quality of education system, level of business investments in education, government efforts to decrease poverty and income unevenness, etc.)	8/9
Hard data (level of unemployment)	1/9
<b>Sustainable Development (R<sub>i</sub>)</b>	<b>1/8</b>
Survey (EOS) data (stringency level of environmental regulation, consistency of environmental regulation, environmental policy of enterprises processing natural resources)	3/3
Hard data	–

cial Services (4.67 and 4.51 marks, respectively). The smallest progress was achieved in Information Society and Innovation Development sectors (only 3.36 and 3.57 marks, respectively).

In the research of 2006 Lithuania took the 20<sup>th</sup> position. Lithuania is advised to strengthen the system of scientific research and development and to increase the state expenditure in this field significantly. Lithuania also needs additional efforts to increase the supply of qualified labour force, promote regional movement of employees and the further education of oldish employees. Data on the Lithuanian progress in 2004 and 2006 are presented in Table 2.

As one can see, the greatest change was achieved in the sectors of Information Society and Financial Services. Changes in the development of Information Society are present, however, Lithuania is still among the outsiders (18<sup>th</sup> position among the EU-25 countries). Neither the abundant support from the EU structural funds or the implemented active state programme of the information society development helped to achieve a notable progress. For comparison Estonia could be mentioned, which took the 5<sup>th</sup> position among the EU-25 countries, despite the fact that it had been in a similar position as Lithuania after the restitution of independence.

The least noticeable progress was achieved in Liberalization and Sustainable Development

sectors, although attention had been focused on these sectors during the EU structural support period 2004–2006 (to increase competitiveness and to implement environmental measures). In this respect, the most advanced countries are Denmark, Finland and Sweden. Ireland belongs to the three best countries in creating the most favourable business environment according to business establishment and credit obtaining conditions. Lithuania is significantly behind another Baltic country Estonia which took the 12<sup>th</sup> position in the general progress research. The Lithuanian neighbour Latvia was in the 22<sup>nd</sup> position.

As one can see in Fig. 3, the Lithuanian progress indices are considerably lower versus the average of the EU countries and much more below the average of the USA and East Asian countries. Lithuania is best assessed by separate business development criteria (Lithuania achieved 4.57 marks out of 7 and was positioned 13<sup>th</sup> among the 25 EU countries). This index was assessed by the following criteria: the procedure of establishing a new enterprise; a possibility to obtain a bank loan by only submitting a business plan; the number of procedures required to start business; the number of days necessary to establish an enterprise; the country's tax level; the number of procedures required to arrange a contract, etc.

The worst situation in Lithuania according to the subindices under analysis is related with

Table 2. Lithuanian progress results in 2004 and 2006

Subindices	Score 2004	Score 2006	Variation
Information society $R_1$	3.36	3.97	+0.61
Innovation and R&D $R_2$	3.57	3.69	+0.12
Liberalization $R_3$	4.10	4.18	+0.08
Network industries $R_4$	4.51	4.86	+0.35
Financial services $R_5$	4.67	4.96	+0.29
Enterprise $R_6$	4.38	4.57	+0.19
Social inclusion $R_7$	3.69	3.95	+0.26
Sustainable development $R_8$	4.17	4.26	+0.09
<b>Final Index (R)</b>	<b>4.06</b>	<b>4.31</b>	<b>+0.25</b>

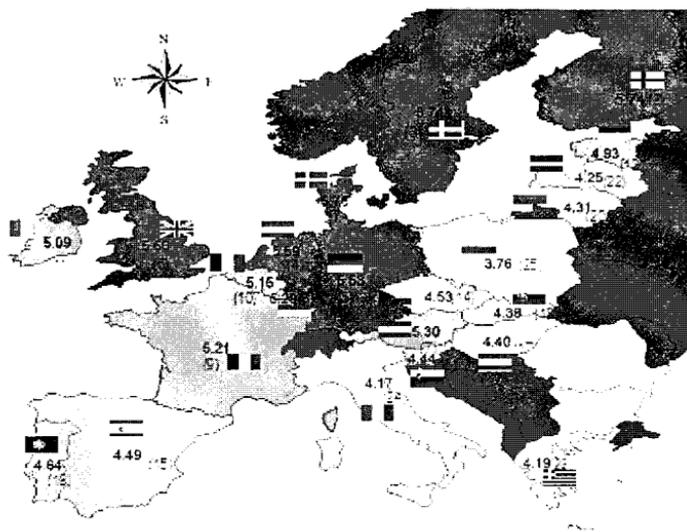


Fig. 3. EU countries' progress indicators (position according to progress index is given in brackets)

the Liberalization subindex (4.18 marks and the 24<sup>th</sup> position in EU-25). The progress is not visible in Lithuania in the fields of Social Inclusion and Sustainable Development (20<sup>th</sup> and 21<sup>st</sup> positions in the EU-25 respectively), either. There is no major progress in Lithuania in employees' efficiency, payment to employees, equal opportunities, lifelong learning, education, improvement of researchers and other spheres.

Compared with the other EU countries, Lithuania is also lagging behind in the field of innovation development due to the prevailing orientation of economic entities to traditional technologies and markets.

As we see from the research of the Lithuanian progress in implementing the Lisbon strategy, Lithuania's greatest progress in 2004–2006 was achieved in the sphere of Information Society ( $R_1$ ), though it did not exceed the 4.0 mark threshold. As

compared with 2004, of the least advanced fields in 2006 only the social sector developed faster, mostly due to the rapid growth of emigration and the decreasing average of unemployment. Therefore, there was no essential break-through in the economy development in 2004–2006 as compared with the other EU-25 countries, in spite of the fact that the country's economy was growing fast and Lithuania was allotted considerable support from the EU structural funds to reduce discrepancies.

#### 4. Harmonization of EU Structural Support Use with Lisbon Strategy and Effects on Country's Progress

It is early days yet to speak about the effects of the EU structural support on the Lithuanian economy development as only part of the projects

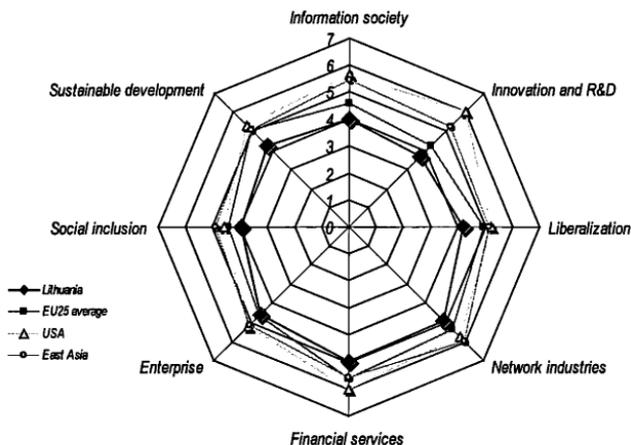


Fig. 4. Analysis of progress indices of Lithuania, EU, USA and East Asian countries

are being implemented at the moment and only slightly more than 50 percent of support to separate sectors for the period 2004–2006 has been allowed. However, certain economy development sectors do not achieve the planned results and do not contribute to the overall economy development, although their financing is substantial. Therefore, it is vital to reconsider whether the EU structural support has been targeted to the sectors (right priorities chosen) that determine the fast progress of the economy and a lower level of unevenness among the EU countries. This research could be an impetus for further investigations of the efficiency of using the EU structural support.

The priority objectives of SPD for Lithuania for 2004–2006 were analysed. The objectives of SPD for 2004–2006 were chosen in order to give a detailed description of the situation and to reveal a possible impact on the progress indices, as the programming documents for 2007–2013 are still under preparation; they may be changed by the Eu-

ropean Commission, and the specific investment directions are not yet clearly known. In the coming period, the priority directions will remain similar, therefore, the study results should be also similar. The study also establishes whether the objectives of these priorities are harmonized with the national implementation programme of the Lisbon strategy. Here three types of assessment are possible: a) fully harmonized (actions correspond to the programme objectives, measures and resources are provided for to implement these actions, institutional support is ensured); b) partly harmonized (actions partly (indirectly) contribute to the implementation of the programme objectives); c) not harmonized (actions do not correspond to the national programme objectives). Then, it is established how much influence the priority actions provided for will have on the progress subindices  $R_1, R_2, \dots, R_3$ . The effect of these actions on the progress subindices is assessed in marks as well (1 mark – minimum impact, 5 marks – maximum impact). This impact was assessed taking into ac-

count the following criteria: the nature of actions (a capital grant of income grant), the size of the group, the support budget for the period, support administration and payment, the effect on the overall country's development, the strength of the effect of separate actions on the progress subindices (e.g., Measure 3.4 of SPD exerts effects on three progress subindices, but its effect is little; e.g., the

development of information services is supported, but the support payment for this activity is notably minimal and the effect on the progress subindices is equal to zero).

The results revealed during the research of the efficiency of the EU structural support and its effects on the country's progress are presented in Table 4.

*Table 4. Efficiency of EU Structural Support for Lithuania in 2004–2006 and Its Effects on Country's Progress*

Priority / Measure	Investment directions	Harmonization with national programme of implementing Lisbon Strategy	Impact on Progress Subindices (R <sub>1</sub> , ... R <sub>n</sub> )	Impact on Progress Subindices (marks)
<b>Priority 1 "Social-economic infrastructure"</b>				
1.1 Improvement of accessibility of transport infrastructure and its service quality	Transport infrastructure, environmental protection and traffic safety, passenger terminals, transport development	Partial	R <sub>1</sub> , R <sub>8</sub>	5
1.2 Ensuring energy supply stability, accessibility and increased efficiency	Environmentally friendly incineration equipment, renovation of boiler houses, energy networks, environmental measures, new technologies	Partial	R <sub>1</sub> , R <sub>8</sub>	2
1.3 Improvement of environmental quality and prevention of environmental damage	Water supply and waste water, polluted territories, NATURA 2000, landscape, environmental management systems	Full	R <sub>8</sub>	5
1.4 Development and upgrading of health care institutions	Health care service infrastructure, cardio healthcare, technical documentation	Partial	R <sub>7</sub>	2
1.5 Development of infrastructure of labour market, education, vocational training, research and study institutions and social services	Lifelong learning, education infrastructure, infrastructure of labour exchanges, vocational guidance, social services	Full	R <sub>7</sub>	3
<b>Priority 2 "Human resource development"</b>				
2.1 Development of employability	Labour market policy measures, "mini" labour exchanges in companies, research, services for jobseekers	Full	R <sub>2</sub> , R <sub>7</sub>	3
2.2 Development of labour force competence and ability to adapt to changes	Upgrade of skills, training and retraining of employees, social partnership, ICT literacy	Full	R <sub>1</sub> , R <sub>7</sub>	5

<b>Priority / Measure</b>	<b>Investment directions</b>	<b>Harmonization with national programme of implementing Lisbon Strategy</b>	<b>Impact on Subindices (R<sub>1</sub> ... R<sub>8</sub>)</b>	<b>Impact on Subindices (marks)</b>
2.3 Prevention of social exclusion and social integration	Vocational guidance, adjustment of study programmes, distance learning, vocational rehabilitation of the disabled	Full	R <sub>1</sub> , R <sub>7</sub>	4
2.4 Development of conditions for lifelong learning	System of qualifications, knowledge and competence assessment system, development of innovative training methods, teacher training system	Full	R <sub>2</sub> , R <sub>7</sub>	4
2.5 Improvement of human resources quality in scientific research and innovations	Studies in priority areas of R&D, training of researchers, training of experts, R&D quality management, an increase of knowledge and skills in areas innovations	Full	R <sub>1</sub> , R <sub>2</sub> , R <sub>7</sub>	5
<b>Priority 3 "Productive sector and services"</b>				
3.1 Promotion of industrial and business development	Creation of new products, implementation of innovations, development of electronic business, modernization of facilities, implementation of IT methods, creation of databases, research, quality management systems, corporate internationalization, implementation of standards	Full	R <sub>1</sub> , R <sub>2</sub> , R <sub>3</sub>	5
3.2 Improvement of industrial and business environment	Development of services to business, development of a physical business infrastructure, development of innovations, science and technology parks, industrial zones	Full	R <sub>1</sub> , R <sub>2</sub> , R <sub>3</sub> , R <sub>4</sub>	5
3.3 Development of information services	Information source systems, development of electronic public services, development of Internet, data transmission networks	Full	R <sub>1</sub> , R <sub>2</sub>	5
3.4 Development of tourism infrastructure	Use of natural resources for tourism, active tourism infrastructure, development of public heritage assets, development information services	Partial	R <sub>3</sub> , R <sub>4</sub> , R <sub>8</sub>	1

Priority / Measure	Investment directions	Harmonization with national programme of implementing Lisbon Strategy	Impact on Progress Subindices (R <sub>1</sub> , ... R <sub>8</sub> )	Impact on Progress Subindices (marks)
<b>Priority 4 "Productive sector and services"</b>				
4.1 Investment in agricultural holdings	Modernization of production processes, improving of product quality, improvement of environment quality, diversification of activities	Full	R <sub>2</sub> , R <sub>3</sub> , R <sub>8</sub>	3
4.2 Setting-up of young farmers	Support to young farmers, adaptation of new technologies. Improvement of demographic situation in rural areas	Full	R <sub>2</sub> , R <sub>7</sub>	1
4.3 Improvement of processing and marketing of agricultural products	Rationalization of marketing channels, development of product preparation and delivery, reduction of waste, new technologies, sustainability	Full	R <sub>2</sub> , R <sub>3</sub> , R <sub>8</sub>	3
4.4 Promoting the adaptation and development of rural areas	Improvement of conditions to live and work for residents, development of rural infrastructure, economic and social development, development of employment, diversification of services	Full	R <sub>2</sub> , R <sub>3</sub> , R <sub>7</sub>	4
4.5 Forestry	Balanced development of forests, preservation of forest resources, increase of forest covered areas	Partial	R <sub>2</sub> , R <sub>8</sub>	2
4.6 Leader+ type activities	Development of institutional framework, competence building of rural residents	Full	R <sub>7</sub>	2
4.7 Training	Provision of theoretical and practical knowledge, transfer of environment, economics, computer, etc. related knowledge	Full	R <sub>1</sub> , R <sub>7</sub>	4
4.8 Other (fisheries-related) activities	Improvement of infrastructure, preservation of fish resources, implementation of innovations, implementation of environmental measures	Partial	R <sub>2</sub> , R <sub>3</sub> , R <sub>8</sub>	2

One can see that about 70 percent of the actions using the EU support in 2004–2006 corresponded to the measures of the national programme for implementing the Lisbon strategy. The greatest potential of contributing to the im-

plementation of this programme is related with the measures of SPD Priority 2 "Human Resource Development". At the beginning of accepting applications the applicants applied rather unwillingly under these measures, however, later even

some competition was observed in certain branches, but it is too early to decide on the efficiency of support under these measures as due to the lack of administrative capabilities the support is allotted with great difficulties and the effect can be smaller than anticipated.

The least contribution to the measures of the national programme for implementing the Lisbon strategy is related with the measures of Priorities 1 and 4 as, e.g., in this programme very little attention is paid to the agribusiness and rural development sector, and the measures of SPD Priority 4 in fact only indirectly contribute to the implementation of the Lisbon strategy.

The greatest impact on the progress indices was made by measures 2.5; 3.1; 3.2; 3.4; 4.1; 4.3 and 4.4 of the Lithuanian SPD for 2004–2006. They finance the activities of increasing competitiveness, human resources and social inclusion, the development of information technologies and introduction of new technologies (innovations). The least effect on the progress indices is made by the SPD measures that are oriented to one particular activity (e.g., measure 4.6. was mainly targetted at skill improvement (however, the support reached the consultants but not the community members) and some approved pilot strategies will not have any more significant impact on community development).

In summary, it can be stated that Lithuania benefited from the substantial EU structural support in 2004–2006 allocated for decreasing the economic, social, innovative, environmental and other discrepancies. The research showed that two thirds of the EU support distribution measures (in accordance with the Single Programming Document) follow the objectives and actions of the national programme for implementing the Lisbon strategy, but few of these measures exert complex effects on the progress indices. The least effect on the country's economy is made by the measures oriented to "narrow" sectors of activi-

ties (e.g., healthcare, agriculture, etc.). However, although these sectors do not bear a significant part of the progress, they are usually sectors of "political will" and must also be developed with the help of the EU structural support. While preparing the programmes for 2007–2013 and coordinating them with the EU Commission, a better harmonization of the EU support use measures with the national programme for implementing the Lisbon strategy is necessary, and the measures should be implemented in a complex manner, i.e. both economic-social and innovations related, environmental and other objectives of the economy development should be achieved; e.g., in the agribusiness sector both the projects solely increasing the productivity of an economy entity and those increasing also the possibilities of export, creating new workplaces, introducing innovations and contributing to the implementation of environmental, hygienic, veterinary and other standards should be supported. Only in this case the Lithuanian progress will be fast and the discrepancies compared with the EU countries will not be so huge and obvious, and the benefits of economy growth will reach all citizens of Lithuania.

Data of the present research could be applied in more detailed investigations to establish the expedience of the EU structural support and its impact on different economic-social indices.

## 5. Conclusions

Analysis of the peculiarities of the Lithuanian and the EU economy development, a review of measures applied for decreasing the discrepancies, and an assessment of the EU countries' progress indices and of the effects of the EU structural support on these indices suggest the following formulation of the conclusions:

1. The Lithuanian and the EU countries' main economic, social, environmental and other indices show that Lithuania is still markedly behind

the EU countries' average, and the EUROSTAT forecasts show that in 2008 this backwardness will not be reduced substantially. To decrease these discrepancies, the EU allots Lithuania a structural support which ensures a faster development and progress of its less developed regions.

2. The EU structural support for Lithuania in 2004–2006 was distributed through the Single Programming Document. The influence of this support on the country's economy development is already traceable (a greater impact will be obvious from 2008 after the complete assimilation of the support), however, it is not sufficient for a rapid progress of the country. Lithuania is only in the 20<sup>th</sup> position among the EU countries according to the generalized progress index, whereas Estonia is in the 12<sup>th</sup> position, despite the fact that both countries had similar starting positions. The Lithuanian progress is least in the sectors of market liberalization, sustainable development and social inclusion.

3. The research of the use of the EU support and its effects on the country's progress has shown that about two thirds of the measures follow the national programme of implementing the Lisbon

strategy, however, few indicators have a complex influence on the progress indices. E.g., none of the measures influence the *Enterprise* group indices, although they are the indices that directly influence attraction of investments to our country. The greatest impact on the progress indicators is made by of capital (investment) grants and of human resource development.

4. While preparing the programmes of using the EU support for 2007–2013 and coordinating them with the EU Commission, a better harmonization of the support use measures with the national programme of implementing the Lisbon strategy is necessary, and the measures should be implemented in a complex manner, i.e. both economic and social and innovations related, environmental and other objectives of the country's economy development should be achieved and the horizontal compatibility of the measures maintained. It is also necessary to implement the actions that at least partially influence the progress subindices of all groups (e.g., to provide soft loans for new enterprises, etc.). A greater share of the structural support for 2007–2013 should be also spared for the implementation of the Lisbon strategy objectives.

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## EFFICIENCY OF THE EU STRUCTURAL SUPPORT AND ITS EFFECTS ON THE COUNTRY'S PROGRESS

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### Summary

Of late years, changes in the social-economic situation in Lithuania are fast, however, according to separate macroeconomic indices Lithuania is still significantly behind the average of the EU countries. To decrease these discrepancies, the EU grants a structural support the use of which is anticipated to establish a strong and competitive economy, to train qualified labour force and stimulate social and economic cohesion. The efficient and expedient use of the EU support would enable Lithuania to implement the national Lisbon strategy programme and contribute to the implementation of the Lisbon strategy guidelines. However, investigations showed that the use of the support is not efficient enough to secure the due progress of the country.

The article analyses the aspects of the EU regional policy financing and the expected results of implementing the Lisbon strategy actions; it analyses the

economic, social, environmental, and other indices of the economies of Lithuania and the EU countries and assesses the result of the country's progress in implementing the Lisbon strategy. A research of the expedience of using the EU structural support and its impact on the country's progress was carried out.

The research has shown that about two thirds of the measures correspond to the national programme for implementing the Lisbon strategy, but only few indicators have a complex influence on the progress indices. Therefore, while preparing the programmes of the EU support use for 2007–2013 and coordinating them with the EU Commission, a better harmonization of this support use measures with the national programme for implementing the Lisbon strategy is necessary, and the measures should implemented in a complex manner, as well as the horizontal compatibility of the measures should be maintained.

## ES STRUKTŪRINĖS PARAMOS PANAUDOJIMO EFEKTYVUMAS IR POVEIKIS ŠALIES PAŽANGAI

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### Santrauka

Pastaraisiais metais šalies socialinės-ekonominės situacijos pokyčiai yra spartūs, tačiau pagal atskirus makroekonominius rodiklius Lietuva vis dar ženkliai atsilieka nuo bendro ES šalių vidurkio. Šiems netolygumams mažinti ES skiria struktūrinę paramą, kuria pasinaudojant tikimasi sukurti stiprią, konkurencingą ekonomiką, išugdyti kvalifikuotą darbo jėgą, kartu skatinti socialinę ir ekonominę sanglaudą. Efektyvus ir tikslingas ES paramos panaudojimas leistų Lietuvai sparčiai įgyvendinti nacionalinę Lisabonos strategijos programą ir prisidėti prie pačios Lisabonos strategijos gairių įgyvendinimo. Tačiau atlikti tyrimai parodė, kad paramos panaudojimas nėra pakankamas efektyviai šalies pažangai užtikrinti.

Straipsnyje analizuojami ES regioninės politikos finansavimo aspektai, numatomi Lisabonos strategijos veiksnių įgyvendinimo rezultatai, analizuojami

Lietuvos ir ES ūkių ekonominiai, socialiniai, ekologiniai ir kiti rodikliai bei įvertinamas šalies pažangos, įgyvendinant Lisabonos strategiją, rezultatas. Atliktas ES struktūrinės paramos panaudojimo tikslingumo ir poveikio šalies pažangai tyrimas.

Is atlikto ES paramos panaudojimo ir poveikio šalies pažangai tyrimo matyti, kad apie du trečdalius priemonių atitinka nacionalinę Lisabonos strategijos įgyvendinimo programą, tačiau tik keletas rodiklių turi kompleksinę įtaką pažangos rodikliams. Todėl rengiant ir derinant su ES Komisija 2007–2013 metų ES paramos panaudojimo programas, būtina labiau šias priemones suderinti su nacionaline Lisabonos strategijos įgyvendinimo programa ir įgyvendinti kompleksiskai, taip pat turi būti išlaikytas horizontalus priemonių suderinimas.

*Įteikta 2006 m. spalio mėn.*

*Priimta spausdinti 2007 m. vasario mėn.*