

OVERVIEW OF THE RESULTS OF 2007–2013 EU STRUCTURAL FUNDS' IMPACT EVALUATION ON THE COMPETITIVENESS OF LITHUANIA

Topic	Description
Objective of the evaluation	The aim of the evaluation was to assess the impact of 2007–2013 EU Structural Funds investment on the competitiveness of Lithuania.
Concept of the competitiveness used while conducting the evaluation	<i>A competitive economy can be considered an economy</i> where the State creates an environment in which productive enterprises can operate and are capable of producing better quality products and services at lower prices for long-term growth and the welfare of citizens. Taking into account this conception of the competitiveness, information of Lithuanian programming documents and recommendations of World Economic Forum, the model of the competitiveness of the State's economy was elaborated. This model combines direct (micro) and indirect (macro) factors influencing the competitiveness of the State. Changes in macro-level factors are related to measures implemented at the national level and the impact of the international business environment, whereas changes in micro-level factors may also be affected by investments made by the EU Structural Funds. Using this model, the measures aimed at increasing the competitiveness of Lithuania were evaluated.
Object of the evaluation	In 2007–2013, <i>75 measures of the Operational Programme for Economic Growth (OPEG), the Operational Programme for Promotion of Cohesion (OPPC) and the Human Resources Development Operational Programme (HRDOP)</i> were aimed at improving competitiveness. While conducting the evaluation, these measures were divided into three categories: 1) measures devoted to promote high value-added business (creation of research and development infrastructure, research capacity building, promotion of innovation in enterprises and diffusion of innovation); 2) measures aimed at increasing business productivity and improving business environment (labour productivity in enterprises, high-quality professional development, investment attraction, improvement of business financing conditions); 3) measures devoted to improve economic infrastructure (transport, energy, information and communication technologies).
Methodology of the evaluation	Because of the complexity of the competitiveness concept the evaluation was conducted at three levels by analysing the impact of EU assistance on competitiveness indicators of the State (<i>macro-level</i>), industry (<i>mezzo-level</i>) and enterprises (<i>micro-level</i>). A total of <i>29 competitiveness indicators were taken into consideration</i> , including business and government funds for research and development, export of goods and services, labour productivity, foreign direct investment, gross domestic product per capita, number of researchers in the country, employment rate, etc. In order to measure the impact of the assistance on indicators of competitiveness, three approaches of evaluation were combined, namely, theory based impact evaluation, sectorial case study and macroeconomic modelling.
Relevance and coherence of measures aimed at increasing competitiveness	Interventions aimed at increasing competitiveness of Lithuania in 2007–2013 m. were <i>quiet appropriate but standard therefore the implementation process had a great importance</i> . The implementation of these measures not always ran smoothly (lack of institutional leadership, inappropriate decisions regarding the administration of the measures). Besides, in the previous programming period has not being paid enough attention to the EU Structural Funds coherence of EU interventions with other national – level measures (regulatory, tax), though this external coherence is often more important than the internal compatibility of EU-funded measures.
Financial allocations	In 2007–2013, <i>Lithuania has invested EUR 3.9 billion</i> under measures of operational programmes aimed at increasing competitiveness, <i>of which EUR 3.7 billion came from</i>

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devoted to increase competitiveness	<p>EU funds. The assistance aimed at increasing competitiveness formed 51 % of all EU Structural Funds investments in Lithuania in 2007–2013. 57 % of the EU investments for competitiveness were set to improve economic infrastructure (transport, energy, ICT). The largest share of these funds was channelled to improving technical and safety parameters of transport infrastructure. The smallest share of the EU funds for competitiveness (17 %) was aimed at promoting high value-added business. About 73 % of EU funds devoted to increase competitiveness were transferred to other economic entities (providers of goods and services, contractors) by project implementers. The EU investment allocation by sector of suppliers has revealed that the vast majority of all allocations (74 %) eventually went to economic entities from the construction sector. Considering the fact that a large part of the EU-financed projects in the period of 2007–2015 was designed to develop or improve infrastructure and the main provider of these services is the construction sector, this allocation of funds seems natural.</p>
Effectiveness of measures aimed at increasing competitiveness	<p>In 2007–2013, all target indicators of EU-funded measures aimed at increasing competitiveness were achieved or exceeded. It is important to note that there was a gap between objectives of the measures and strategic context indicators. Most of the projects have not been implemented on such a scale that could change the strategic context in the country and prompt structural changes in the area of competitiveness.</p>
Impact of measures aimed at increasing competitiveness	<p>EU investments for competitiveness had a positive impact on many competitiveness indicators and improved the situation in the country, but the impact of the exogenous factors (e. g. economic crisis, demand changes in foreign markets, business climate, tax reliefs, and regulatory environment) was much more evident. EU investments did not encourage structural changes to improve competitiveness. This may be explained by structural reasons – a low-value-added economy and quite scarce state’s capacity. Lithuania had further focused on the export of medium- and lower-level industrial products (such as mineral products, food products, machinery and equipment, chemical products, etc.). The share of exports of high- and medium-high technology goods which increase the competitiveness of the country has remained rather low. Innovation indicators show that Lithuania’s position has also not changed among the EU Member States. In 2007–2013, the largest investments were allocated to facilitating competitiveness by developing infrastructure rather than directly promoting competitiveness-related areas. Therefore in 2014–2020 the main attention should be paid to the effective use of this infrastructure in order to provoke qualitative changes.</p>
<i>Impact at macro-level</i>	<p>EU investments in the field of competitiveness had a major impact on investments in fixed capital formation, foreign direct investment, gross domestic product, and broadband network penetration, digitalisation of public services, employment and unemployment rates and average wage at the country level.</p> <p>70 % of the funds for the improvement of Lithuania’s competitiveness reached the country’s economy through public and private capital investments in tangible fixed assets when implementing infrastructure projects. As a result, the greatest impact of EU support was on investments in fixed capital formation. In 2007–2015, EU investments for the improvement of competitiveness have increased investments in gross fixed capital formation in Lithuania by EUR 209 billion. In the long-term perspective this impact will intensify and in 2020 investments in gross fixed capital formation will be EUR 3.7 billion higher in comparison to the situation where the funds were not allocated. EU investments increased Lithuania’s gross domestic product (GDP) by EUR 5.7 billion. In subsequent years, the effects are yet to intensify and in 2020 GDP will be EUR 9.1 billion higher in comparison to the situation where the funds were not allocated. EU funds contributed to attracting foreign direct investment. EU funds for competitiveness increased the ratio of foreign direct investment to GDP. It was 16% higher compared to the situation without the funds in 2007–2015. Lithuania has implemented targeted policies to attract foreign investors and combined infrastructure interventions with</p>

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	<p>individual incentives for investing enterprises. EU funds were used to finance the increase of broadband network penetration and digitalisation of public services.</p> <p>EU funds had less impact on such indicators as exports of goods and services, exports of high- and medium-high technology goods. In the short-time period the exports of goods and services were influenced by demand changes in foreign markets, but in the long-time perspective the increase of investments in fixed capital formation will improve country's exports opportunities in foreign markets, and Lithuanian exports will increase. Exports of high- and medium-high technology goods were more influenced by external factors, such as the rapid growth of other economic sectors after the crisis, as well as the decline of almost all high- and medium-high technologies' areas (except pharmaceuticals) after the crisis. EU-funded measures aimed at increasing competitiveness had the positive impact on employment situation in Lithuania. As a result of EU investments in 2007–2015, the employment rate in Lithuania increased by 0.3 %, while the unemployment rate decreased by 1 %.</p>
<i>Impact at mezzo-level</i>	<p>After evaluating the impact of EU Structural Funds on competitiveness indicators in different economic sectors at mezzo-level (the impact of EU structural assistance was analysed in four sectors that received most of the EU funds – construction, energy, industry and transport), it has been noticed that <i>the impact on the construction sector was short-term and existed only during the project implementation process</i> (the construction sector is the main service provider in the implementation of EU-funded projects). Most of the jobs created in this sector are also temporary. <i>The key long-term beneficiaries of EU support are industrial and transport sectors</i> in which the impact on added value creation, job preservation, attraction of investments and increase of goods and services export was much more substantial.</p> <p>A case study and analysis of one of the engineering industries (<i>computer, electronic and optical products manufacturing</i>) has determined that the EU structural assistance significantly increased the industry's investments and spending on research and development. <i>Enterprises supported by the EU maintained and even slightly increased their volume of exports. Their added value at factor cost also grew.</i> EU funds enabled enterprises to maintain and increase their investments in tangible fixed assets and contributed to the reduction of the negative impact of the economic crisis on export (export of enterprises supported by the EU slightly increased, although exports of other enterprises dropped). Due to support from the EU Structural Funds for research and development, Lithuanian enterprises had a growth in their sales not only in the foreign market, but also in the Lithuanian market as Lithuanian research institutions were able to acquire their products.</p>
<i>Impact at micro-level</i>	<p>EU assistance had a positive impact on the competitiveness of enterprises. The vast majority of the EU-supported enterprises indicated that the funds received encouraged them to invest in research and the use of research results. EU support helped enterprises to produce new products or provide new services, introduce new technologies and optimise their business processes, create new jobs and improve the quality of goods or services, increase labour productivity. It also helped to learn about new export markets and find foreign partners.</p>
Sustainability of the results achieved by implementing competitiveness measures	<p><i>Results of EU-funded interventions for competitiveness will be long lasting</i> and evident after the implementation of projects. In 2020 the impact of EU Structural Funds on various competitiveness indicators will be greater (e. g. investments in fixed capital formation, exports of services and goods). The impact on other indicators (e. g. the ration of foreign direct investment to GDP, average wages, GDP per capita, labour productivity, and employment rate) will be positive as well, but in the long-time perspective this influence will decrease.</p>

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Utility of the evaluation	<p>Results of this evaluation are useful because of four reasons:</p> <p><i>First of all</i>, the model of the competitiveness of the State's economy was elaborated in order to identify and classify all EU-funded measures that could have been influencing the competitiveness of Lithuania in 2007–2013. Besides, groups of different measures have been visualized combining problems, supported activities, planned results and impact on competitiveness indicators. This model could be used while comparing interventions implemented in Lithuania with measures for competitiveness carried out in other EU Member States.</p> <p><i>Second</i>, analysis of financial allocations aimed at increasing competitiveness was carried out. Results of this analysis could be used with the purpose of accountability as well as seeking comparability with other Member States.</p> <p><i>Third</i>, after conducting the impact analysis of competitiveness measures, the dynamics of competitiveness indicators has been investigated and visualized. The impact of EU funds and other factors has been analysed separately. This analysis will be useful while evaluating changes occurred in Lithuania in the period 2007–2013, preparing reports for various conferences.</p> <p><i>Fourth</i>, quantitative evaluation of EU Structural Funds impact has been carried out applying the method of macroeconomic modelling. This method allowed to assess the aggregated impact of EU-funded measures taking into account the reciprocity of different measures and indirect effects. Results of modelling could be used with the purpose of accountability as well as seeking to inform the society about the use of EU Structural Funds.</p> <p><i>Fifth</i>, for the first time there has been conducted a comprehensive evaluation of the impact of EU Structural Funds on the competitiveness of concrete industry sector (carried out a case study on the EU-funded measures impact on the competitiveness of computer, electronic and optical products manufacturing sector). In accordance with the methodology of this case study, the impact of EU assistance on other industry sectors could be analysed. While conducting this case study, some methodological challenges have been identified and appropriate solutions proposed. Sectorial cases studies based on quantitative micro-level data of concrete sector are very important for the improvement of quantitative impact assessment methodology (it could be an alternative to macroeconomic modelling which is close to counterfactual impact evaluation).</p>