

SUMMARY

According to the Resolution of the Government of the Republic of Lithuania, 17 October, 2007 No 1139 “On the distribution of responsibilities and functions between the institutions implementing the European Union structural assistance strategy and action programs, 2007-2013” (hereinafter – Rules of Distribution of Responsibility and Functions) the Ministry of Internal Affairs of the Republic of Lithuania (hereinafter – the Ministry of the Interior) is coordinating planning and distribution of EU funds to be allocated to regional projects.

According to the Rules of Distribution of Responsibility and Functions, the Ministry of the Interior participates in the monitoring of action programs, prepares and submits information required for annual action programs and final reports to the managing authority (the Ministry of Finance).

The Ministry of the Interior is responsible for the implementation of the first investment priority of Cohesion Promotion Action Programme “Urban infrastructure of municipalities; diversifying of activities in rural areas; heritage/tourism”. The second task of the investment direction is to provide conditions for more rapid diversification of economic activity in rural areas. The success of the task is measured by the index “Attracted private investments (million Euros)”. In this case, private investments are the investments that do not fall into the category of agricultural production development and supporting investments. Implementation of the task will be evaluated by the volume of attracted private investments in the areas, which will receive ES structural funds due to the task 2 of priority of “Urban infrastructure of municipalities; diversifying of activities in rural areas; heritage/tourism” and where the number of population is not more than 3 thousand people. It is planned that 50 million Euros of private investments will be attracted in the rural areas.

The current assessment must be carried out according to the requirements, set by the Council Regulation (EC) No 1083/2006 of 11 July, 2006 and needs of institutions that participate in the action programmes the assessment plan is approved in order to ensure the proper assessment of EU structural funds due to the Order of the Minister of Finance of the Republic of Lithuania No 1K-018 of 15 January, 2008. According to this plan the Ministry of the Interior is responsible for calculation of the base index “Attracted private investments (million Euros)”, preparation of implementation of monitoring of the index and reporting on change assessment.

By implementing the contract of the Ministry of the Interior No 1VL-223 of 30 April, 2009, JSC “EKT group” has prepared the Methodology for calculation of the Index of Cohesion Promotion Action Programme 1st Priority 2nd task “Attracted private investments (million Euros)” (hereinafter – the Index). The Methodology is prepared by implementing the project funded by the European Regional Development Fund and the Republic of Lithuania due to the requirements of Council Regulation (EC) No 1083/2006 of 11 July, 2006 laying down general provisions on the European

Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999.

Methodology **object** – the volume of attracted investments in the Project implementation areas.

Methodology **purpose** – calculation of the Index “Attracted private investments in the Project implementation areas”.

Methodology **tasks** are the following:

1. To assess the starting situation – to calculate the volume of private investments in the Project implementation areas in 2006.
2. To assess the volume of attracted investments in the Project implementation areas during the period of 2007-2013.

Main terms, used in the Methodology:

Private investments mean funds and tangible, intangible and financial assets by the subjects of private property law of the Republic of Lithuania and foreign states, assessed in the manner prescribed by laws and other legal acts, invested in order to obtain profit (income), social result (in education, culture, science, health and social security as well as other similar spheres) from the object of investment or to ensure the implementation of state functions.

Project implementation areas – areas, where projects are funded by the Programme VP3-1.2-VRM-01-R “Faster diversification of economic activities in rural areas promotion”.

The main assumption of the Index calculation is that the difference between the volume of investment in the Project implementation areas during the assessed year and the volume of investment in the Project implementation areas in 2006. The difference is observed due to the funding by the Programme VP3-1.2-VRM-01-R “Faster diversification of economic activities in rural areas promotion”. The total attracted volume of investment is calculated as the sum of the differences since 2007 till 2015 as it is shown in the formula below:

$$PPI = \sum_{m=2007}^{2015} (PPI_m - PPI_{2006}) = \sum_{m=2007}^{2015} (PI_m \times n_m - PPI_{2006}) = \sum_{m=2007}^{2015} \left(\frac{PI_m}{N_m} \times n_m - PPI_{2006} \right), \text{ kur}$$

PPI – attracted private investments in the Project implementation areas

PII – average private investments by one company in Lithuania, except city municipalities

PI – private investment volume in Lithuania

N – number of private companies in Lithuania, except city municipalities

n – number of private companies in the Project implementation areas

m – year of assessment

Remarks:

1. City municipalities are municipalities of Alytus, Kaunas, Klaipėda, Šiauliai, Panevezys and Vilnius.
2. If the difference is negative, it is considered to be 0.
3. The Index is calculated in national currency (LTL) and then recalculated in EUR by the official exchange rate: 1 EUR = 3,4528 LTL

The algorithm of the calculations and the source of information is provided in the table below.

Index		Remarks
Private investment volume in Lithuania, except city municipalities	PI_m	<i>Data source:</i> Department of Statistics
Number of private corporate in Lithuania, except city municipalities	N_m	<i>Data source:</i> Department of Statistics
Average private investment by one company in Lithuania, except city municipalities	PII_m	Calculated by the formula: $PII_m = \frac{PI_m}{N_m}$
Number of private companies in the Project implementation areas	n_m	<i>Data source:</i> State Enterprise Centre of Registers
Private investment volume in the Project implementation areas in the assessment year	PPI_m	Calculated by the formula: $PPI_m = PII_m \times n_m$
Private investment volume in the Project implementation areas in 2006	PP_{2006}	Calculated in this project: $PP_{2006} = 191\,105\,747$
Additional attracted private investments in the Project implementation areas	PPI	Calculated by the formula: $PPI = \sum_{m=2007}^{2015} (PPI_m - PP_{2006})$

By using the formula, private investment volume during the basic year 2006 was calculated – it makes 191 105 747 LTL. Additional private investments which were attracted in 2007 due to the future EU structural funds support in the 2007-2013 period were calculated – it makes 86 256 491 LTL or 24 981 606 Euros.