

# The ministry of Economy of the Republic of Lithuania

## Evaluation of the EU funding impact for tourism sector and development opportunities

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### *Summary of Final Evaluation Report*

October 2013



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## Purpose, objectives and methods of the evaluation

**The main purpose of the evaluation** is to improve the use of EU structural support in the field of tourism by evaluating the impact, expedience of the support, and investment priorities for the programming period 2014–2020.

### Evaluation objectives:

1. Evaluate efficiency, effectiveness of EU support for tourism sector in 2007–2013 and impact on tourism growth.
2. Develop the most attractive tourist routes for local and foreign tourists in the regions with the highest tourism potential highlighted in the National Tourism Development Programme.
3. With regard to the developed tourist routs, propose tourism related measures, supported activities and support forms by each measure for 2014–2020.

Quantitative and qualitative **evaluation methods** were used to evaluate the impact of the European Union support on the Lithuanian tourism sector and the development opportunities:

**1. Analysis of information from primary and secondary sources.** Analysis of information from primary and secondary sources is a qualitative evaluation method which was used to determine the cause-effect relations and understand the context better. The documents and data that were analysed included Lithuanian and EU strategic documents, data of SFMIS and Statistics Lithuania, project financing and implementation documents and data from the Department of Cultural Heritage, Ministry of Economy, LBSA and other institutions administrating EU support.

**2. Interview.** Interviews (a qualitative assessment method) were carried out with the responsible authorities working in the field of tourism and management of the EU support in order to find out their opinion on various issues related to the Assessment. Data gathered in the interviews was used to prepare the answers to the evaluation questions, prepare the conclusions and recommendations.

**3. Survey.** It is a quantitative data collection and analysis method, during which two groups of respondents were surveyed: beneficiaries and organisations and institutions operating in the tourism sector (tourist information centers and tour operators). Surveys were carried out in order to collect data about the completeness of tourism objects financed from the EU funds and their adaptability for tourism, also to find out the opinion of the respondents regarding the issues related

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to the funding measures and to project implementation, possible solutions and conformity of actions planned with the public needs.

**4. Case studies.** The case study method was used to perform a detailed analysis of individual cases (projects) supported by EU funds identifying the best practice examples. Two best practice examples of tourism projects financed by EU funds were analysed.

**5. Impact assessment model.** The impact of EU support for the Lithuanian tourism sector was assessed based on the developed impact assessment model.

**6. Expert assessment.** This qualitative method was used in preparing the evaluation conclusions, recommendations and answering the evaluation questions.

## Summary of Evaluation Results

In 2007-2013 the EU structural funds support for the Lithuanian tourism sector is provided through the measures of the Operational Programme for Promotion of Cohesion 2007–2013. In accordance with the first priority of this Programme “Local and urban development, preservation of cultural heritage and nature as well as its adaptation for development of tourism”, group of measures “Promotion of incoming and local tourism by using natural resources and cultural heritage as well as by creating conditions more favourable to active recreation”, support was mostly provided to public legal persons. However, a part of the funds was also distributed in the private sector. In total, LTL 867 million was allocated for project implementation. The support allocated according to the six measures was distributed for the development and improvement of the public tourism infrastructure, adaptation of public immovable cultural heritage objects for tourism, promotion of tourism, tourism products, business tourism and tourism marketing, dissemination of information about tourism opportunities in Lithuania and promotion of private investments into tourism.

In order to evaluate the use of EU structural support in the field of tourism and improve it, an evaluation of the use of EU support 2007-2013 for the Lithuanian tourism sector was performed. Furthermore, most attractive tourist routes were developed, measures were proposed for the financing of projects in the field of tourism in 2014-2020 programming period along with supported activities and forms of support. The conclusions and recommendations prepared regarding the routes, measures and activities to be financed were reconciled with the tourism planning documents, such as the general plan of the territory of the Republic of Lithuania, the national tourism development programme 2010–2013, the special plan of auto tourism routes and water tourism routes, etc.

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### **Evaluation of the effectiveness of EU support in the area of tourism**

Until October 2013, 74% of the estimated financing was disbursed and 80% of planned projects were implemented in tourism sector. The support disbursement rate and scope according to most of the measures are sufficient in order to use all the expected financing on time and it is forecasted that the number of projects planned to be implemented will be exceeded. Due to a higher number of projects than planned, there were more new tourist attractions constructed or the present attractions renovated than it was set forth in the annex to the Operational Programme for Promotion of Cohesion. The indicator of new (direct) jobs created that was pointed out in the annex to the Operational Programme for Promotion of Cohesion is also expected to be exceeded. According to the evaluation results this indicator has already been mainly achieved – about 97% of the planned jobs were created. Although the indicators of new (direct) jobs and built or renovated tourist attractions will be achieved or exceeded, due to the large number of projects, a major diffusion of support is expected, as a result of which renovation of a part of the objects may be non-integrated.

### **Evaluation of the efficiency of EU support in the area of tourism**

The efficiency of the utilization of EU support funds was evaluated taking into account the number of attracted tourists and the scope of support used to attract them. Although the EU support utilization efficiency indicators differ depending on the measure, in general, according to all measures, more tourists than planned were attracted to the objects financed from EU funds, and less than planned funds were spent to attract them. The efficiency of the utilization of EU support in the tourism sector may be increased by enhancing the complexity of the management of tourist objects. Due to a significant dissemination of support, fewer tourists are attracted to individual objects; the indicators of the utilization efficiency of the funds are declining. And on the contrary: the efficiency of the utilization of EU support is higher when the investments are made not in separate geographically remote tourism objects, but when the territories with high tourism potential are managed in a complex way. Moreover, in order to increase the efficiency of EU support in the tourism sector, the instruments should be focused on a full adaptation of objects for tourism, not on individual activities, the funding of which does not ensure complexity. The conditions to increase the efficiency of the utilization of EU support (both as regards investments and attracted tourists) would also be created by strengthening cooperation among the project operators (e.g. municipalities of different districts) and by strengthening cooperation of the public sector entities implementing projects with business representatives. This would result in an increased supply of services in the tourism objects and improvement in their quality.

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### **Evaluation of the impact of EU support on the area of tourism**

In 45 municipalities out of 53, where at least one project was implemented, the planned tourism measures had a neutral effect. It is likely that the positive impact is not noticeable because of the high project geographical diffusion and because the planned measures are not focused on complex tourism development. Another reason for the unnoticeable effect may be related to the specifics of project activities: activities of a part of the implemented projects were directed not at the development of attractive tourism products in order to contribute to tourism development and attract more tourists, but at the preservation of the object and renovation of individual infrastructure elements.

Renovation of an individual object, although not complex, may have a positive social impact if the object constructed or renovated with the EU support funds is used for the local community needs. Social consequences of the planned tourism measures are also displayed through the reduction of unemployment. In the municipalities where relatively higher investments were planned for the construction of new or renovation of the existing tourism objects, the changes in the unemployment level were the most significant, i.e. the unemployment level either decreased or did not increase as much compared to the other municipalities.

The impact of tourism on the economy is expressed through collected taxes, direct and indirect business revenues and indirectly increasing income of the residents. The impact of the planned tourism measures on the economy is lower than it could be if the expenses of tourists increased. Currently, the number of tourists is decreasing not in proportion with the tourist expenses, which shows a tendency that tourists spend less money on tourism related services or goods.

In order to enhance the positive impact of EU support on the tourism sector of Lithuania, more focus should be placed on project implementation at the locations of the highest tourism potential, the tourism potential of specific locations and the already existing infrastructure should be used in an integrated way.

### **Evaluation of the adaptability of objects financed from EU support funds for tourism**

The annex to the Operational Programme for Promotion of Cohesion sets forth that upon the implementation of the measures in the tourism area financed from the EU support funds, 85 tourist attractions will be newly built or renovated. Until October 2013, more than 130 projects were implemented and more than 190 tourist attractions were newly constructed or renovated. Taking into account that the planned value of this indicator has already been reached and a part of the projects are still under implementation, the total number of objects adapted for tourism will be

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several times higher than planned. More than 70 % of all financed objects have already attracted tourists; therefore, it may be stated that the majority of objects are at least partly adapted for tourism. However, due to the high number of implemented projects and geographic diffusion of EU support, the project adaptability for tourism may suffer, i.e. renovation and adaptation of tourist attractions for tourism may only be partial due to the lack of funds. During the survey it was established that 26.7% project operators think that the object under their administration is not sufficiently adapted yet for tourism and state that if the planned measures were focused on full completion and adaptability of objects, and the allocated support was more concentrated, the objects would be better adapted for tourists and would attract more visitors.

### **Complex tourist routes and financed and financeable tourism objects**

As a result of the tourism sector analysis, 14 most attractive complex routes in the territories (regions) with the highest tourism potential were developed:

- ▶ Vilnius – Kernavė;
- ▶ Vilnius – Trakai;
- ▶ Vilnius – Medininkai;
- ▶ Druskininkai – Liškiava – Merkinė;
- ▶ Merkinė – Marcinkonys;
- ▶ Klaipėda – Palanga (Šventoji) – Kretinga;
- ▶ Klaipėda – Nida;
- ▶ Klaipėda – Šilutė – Rusnė;
- ▶ Kaunas – Rumšiškės – Birštonas;
- ▶ Kaunas – Raudondvaris – Jurbarkas;
- ▶ Kaunas – Zapyškis – Gelgaudiškis;
- ▶ Plateliai – Plungė;
- ▶ Molėtai – Anykščiai;
- ▶ Ignalina – Zarasai.

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Priority tourism products by locations:

- ▶ Cultural tourism (including auto tourism infrastructure): Vilnius–Trakai–Kernavė–Medininkai, Klaipėda–Palanga (Šventoji)–Kretinga–Neringa–Šilutė–Rusnė, Kaunas–Jurbarkas, Plungė–Plateliai;
- ▶ Bicycle tourism: Vilnius–Trakai, Druskininkai–Merkinė, Pajūrio bicycle track, Panemunė bicycle track (Kaunas–Zapyškis–Kulautuva–Raudondvaris–Kaunas);
- ▶ Water tourism: Baltic Sea, Curonian and Kaunas lagoons, Plateliai and Galvė lakes, national water tourism routes: Neris, Nemunas, Aukštaitija (Upper Lithuania) lakes, Šventoji tourist route (with Antalieptė lagoon and Sartai lake), Merkys;
- ▶ Ecological tourism: Dzūkija National Park (attractive location Marcinkonys), Curonian Spit National Park (tourist attraction area Neringa), Nemunas Delta Regional Park (attractive locations Ventė and Rusnė), Žemaitija (Samogitian) National Park ((attractive location Plateliai);
- ▶ Active winter recreation (Anykščiai and Ignalina);
- ▶ Wellness tourism (Vilnius, Trakai, Druskininkai, Neringa, Palanga, Šventoji, Kaunas, Birštonas, Ignalina, Anykščiai);
- ▶ Business (conference) tourism (Vilnius).

### Financeable tourism products

The Lithuanian tourism products that match the new EU tourism policy and the national tourism planning priorities: cultural tourism, active recreation, wellness tourism, business (conference) tourism. During the interviews and surveys it was established that the most attractive tourism products are cultural tourism and active recreation tourism. The highest tourist flows are attracted by the cultural heritage and museums. Cultural and natural resources: objects (locations) recognised by UNESCO, cultural heritage of national importance, most visited museums, protected territories and unique countryside.

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There are 7 priority tourism development regions identified in the National Tourism Development Programme:

- ▶ Littoral;
- ▶ Samogitian highlands;
- ▶ Lower Nemunas;
- ▶ Eastern Aukštaitija lakes;
- ▶ Vilnius;
- ▶ Southern Dzūkija forests;
- ▶ Resorts and resort territories (Anykščiai and Birštonas).

The performed tourism sector analysis revealed that the most attractive regions for international tourism are Littoral, Vilnius and Southern Dzūkija forest regions, national Lower Nemunas, Eastern Aukštaitija lakes, Samogitian highlands and resort territories of Anykščiai and Birštonas). The highest tourist potential regions are more attractive to the local, not incoming tourism.

The highest tourist potential territories where the priority is given to the cultural tourism development are planned in 4 regions: Littoral, Vilnius, Samogitian highlands and lower Nemunas. The EU support in the period of 2007-2013 for the adaptation of public and private cultural heritage objects for tourism was extended by way of state and regional project planning or selection by tender. Upon the evaluation of the geographic distribution of immovable cultural heritage objects financed by the support funds of the EU structural funds, it was established that the major part of cultural heritage objects (~60%) adapted for tourism were located in the priority tourist locations; however, a large part of these objects were not completely finished, integrated tourism services were not provided, more funds were invested in the infrastructure, but not in the quality improvement. Pakruojis manor, Kurtuvėnai manor, Užutrakis manor could be mentioned as examples of good practice. In order to ensure rational use of the EU support for cultural tourism development and its contribution to the improvement of incoming and local tourism, the tourist routs of national importance should be developed on the territories with the highest tourist potential taking into consideration the national tourism priorities and completeness of the tourism projects implemented with the EU funds. Only the cultural heritage objects that are fully renovated (buildings, services, parks, access roads, signs, etc.) and adapted to provide complex services to tourists would create centres of tourist attraction, enable leisure recreation, the events organised therein would increase the tourist attractiveness of the area and generate tourist flows (Medininkai castle, Panemunė castle, Sapiegos palace, etc.). The most important role is assigned to the implementation of public private partnership projects (example of Pakruojis manor).

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The territories with the highest tourism potential where the priority is allocated to the development of active recreation are planned in all 7 regions. All of these locations have the most important Lithuanian natural resources and include the main protected territories. However, it should be noted that products of active tourism are mostly seasonal and get the attention of tourists in May-September. The priority types of active recreation are bicycle, water, ecological (cognitive) tourism and active winter recreation. Active recreation infrastructure is related to the water, bicycle and pedestrian routes, skiing infrastructure. The major Lithuanian cities, resorts and protected territories have the largest tourism potential. The EU support in the period of 2007-2013 for active recreation development projects was allocated through state and regional project planning. The majority of the active tourism projects were implemented in the regions with the highest tourism potential. The evaluation of the projects implemented with the EU funds showed that the set infrastructure of the water and bicycle tourism routes is fragmented; there is a lack of institutional cooperation and implementation of the solutions of the national tourism planning documents. The examples of good practice are the Snow Arena, Lithuanian Winter Sports Centre, and Cold War Museum. There is a lack of initiatives and implementation of such projects as the littoral bicycle route or Nemunas water route. In order to ensure that the EU support is used based on the sustainable tourism principles, the tourist routes of national importance should be developed in the territories with the highest tourism potential (the general plan of the Republic of Lithuania, the special plan of the national water tourism routes); therefore, the priorities of active recreation are infrastructure of the international EuroVelo 10 and 11 routes, national water tourism routes, active winter recreation infrastructure. The key role is assigned to cooperation projects.

The highest tourist potential territories where the priority is given to wellness tourism development are planned in 5 regions (except for Plungė – Telšiai and Eastern Aukštaitija lakes). Wellness tourism products reduce the impact of seasonality on tourism and attract tourists all year round. Most projects in the period of 2007-2013 were initiated and implemented by business undertakings where the projects were selected through a tender process. The majority of wellness tourism related projects was implemented in Druskininkai and the littoral region (Klaipėda and Palanga). In order to facilitate export of wellness tourism services and improve the service quality instead of infrastructure, the major focus should be placed on the promotion of cooperation in the tourism sector by supporting thematic networks and clusterisation processes. The priority wellness tourism attraction areas are resorts and major Lithuanian cities.

The priority for the business (conference) tourism development is only planned in Vilnius region. However, the EU support in the period of 2007-2013 is allocated not only to Vilnius, but also to the littoral region and Druskininkai resort. With the funds of the EU, small conference rooms are set in

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hotels, cultural heritage objects, etc.; however, there is a shortage of large congress (conference) centres that could host 3000-5000 participants (including accommodation and catering services). In order to promote export of conference tourism services and improve service quality instead of infrastructure, focus should be placed on the promotion of cooperation in the tourism sector by supporting thematic networks and clusterisation processes. Based on the assessment of the accessibility and the level of tourism service development, in the future the priority conference tourism areas could be not only Vilnius, but also the resorts and Kaunas, Klaipėda.

In the period of 2014-2020 the main tourism development objectives related to cultural and active recreational tourism should be directed at the preservation of cultural and natural heritage, presentation of traditions and modern cultural activities, connection to the European tourist routes (EuroVelo routes, parks, pilgrims, etc.). In the selection of financeable tourism objects it is recommended to focus on the objects that match the national tourism development priorities, are included in the state programmes, are close to the national auto tourism, water tourism and bicycle tourism routes, and the development of which is set forth in the municipal general, strategic plans or park maintenance plans.