

## INFLUENCE OF THE EUROPEAN UNION STRUCTURAL FUNDS TO SUSTAINABILITY OF THE COUNTRY'S REGIONAL DEVELOPMENT

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**Abstract:** The article analyses the realization of the support from the EU structural funds in the regions of Lithuania. It has been investigated, in which areas and regions the funds have been most and least successfully assimilated. Socio-economic development of the Lithuanian regions has been analysed in the period of 2008–2011 and the influence of the assimilated EU support. Similarly, debatable questions of the region, its development and conception of regional politics have been studied. Statistical data from Eurostat, the Department of Statistics of Lithuania under the Government of the Republic of Lithuania and the Ministry of Finance of the Republic of Lithuania have been used in the research.

**Keywords:** regional and socio-economic politics, sustainable development, EU structural funds, gross domestic product, direct foreign investments, unemployment, and average gross salary.

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### 1. INTRODUCTION

Irregularities of economic-social development in the regions of Lithuania are a relative problem, prompting to investigate and analyse territorial economic-social differences between the regions and find ways to reduce them. The regions are states, like economic-social systems and sub-systems. Even economic development depends on the optimal integration of these sub-systems into a united national system. Attention to regions is an essential part of the social and economic politics of the EU countries. Reduction of differences between the regions is one of the main goals of the EU. In order to achieve this goal, the EU created regional politics, the main instruments of which are structural funds. Using the support of the structural funds of the EU as one of the means for regional development, Lithuania strives to reduce the gap between separate regions, thus it is very im-

portant to analyse the development of which field of activity contributes most to the reduction of this gap.

Overall value of support from the structural funds in the period of 2004–2006 was allocated to Lithuania by the European Commission. Distribution of funds for individual means and activities was established by the Lithuanian institutions. While preparing the Single Programming Document (SPD), overall situation in Lithuania was analysed, however, little regard was made to the regional situation. At the moment Lithuania receives structural support according to the budget of the years 2007–2013. Thus differences of the regions of Lithuania have been analysed in the complex context of partway utilization of the EU structural funds in the years 2007–2013.

**Aim of research** is to analyse the effect of the EU support to sustainability of regional development in Lithuania.

**Tasks of research:**

- To analyse theoretical questions of regional politics;
- To assess distribution of the support from the EU structural funds in the regions of Lithuania;
- To perform analysis of the EU structural support and development of the regions of Lithuania;
- To provide conclusions and recommendations concerning refinement of the utilization of the EU structural funds.

**Methods of research:** scientific literature analysis, comparison, grouping, search for analogies, graphic, regionalism and correlative analysis.

## 2. THEORETICAL QUESTIONS OF REGIONAL POLITICS

### 2.1. Concept of regional politics

When researching the regions, their problems and development, it is essential to reveal the concept of a region. Scientists recognize that when seeking for sustainable development, the region of development becomes the main territorial unit of realization of regional politics and important factor on both national and international levels. Although regional development has been widely discussed in Lithuania, there is no unanimous opinion about what should be called a region. In scientific literature and practice such concepts as “territory”, “region”, “district” and others have been used like synonyms. In the Dictionary of International Words (2003) a region is defined as a big, distinctive territorial unit. V. Baršauskienė (2005) defines a region as a territory characterized by certain specific environmental, demographic, social and economic conditions, which characterize and distinguish it from adjacent territories. The term “region” may define territorial formations not only within the country but also a global region (for example, European Union). A region is usually understood as territorial administrative units of a country differing in area, population, political, social-economic or cultural importance. In Lithuania a territory of a district is considered to be a region.

The word *politics*, when translated from Greek, means the art of management of a country. Thus it means that regional politics is the art of management of a region. The law of regional development (2002) defines a region as an integral part of the state territory where

national regional politics is being implemented. This law defines regional politics as an objective activity of state institutions and other subjects that make differentiated influence to social and economic development of the country's regions seeking to reduce social and economic differences between the regions as well as development discrepancies inside each region, to encourage even and sustainable development in the territory of the whole country. A similar definition of the regional politics is provided by D. Bertašiūtė (2001), who defines it as territorially and taxonomically differentiated social-economic-ecological development of the country and control of regional management seeking to use the peculiarities of local conditions and to even disproportions of regional quality of life. G. Mačys (2006) indicates that regional politics is a purposive activity, by which, applying legal, economic and administrative means, a differentiated influence is made to social and economic development of individual regions of the country, aiming to reduce social and economic differences between the regions and inter-sectorial disproportions inside the regions, promote even and balanced development in the territory of the country as a whole.

According to another concept (Pass, Lowes, Davies 1997) regional politics is politics related to elimination of important violations of balance between the percentage of unemployed residents of economic regions and the level of income per person. The main viewpoint is that it is necessary to expand industry in the districts in order to avoid unemployment and decline of capital resources in a weak region and their surplus in stronger regions. Regional politics emphasizes that the regions with declining industry shall be supported by encouraging the establishment of new companies and industries as well as increasing investments.

Two major types of politics are distinguished: *economic politics* (financial support of the country, attraction of local organizations as well as private capital, etc.) and *social politics* (supply of employment and accommodation, social welfare, security of social safety, etc.). The nature of regional politics is chosen in respect to current economic and social situation of the country. While the country is in a phase of economic decline, applied regional politics is oriented towards regional development in order to reach a certain level of economic growth. Having reached the desired level, regional politics is diverted for reducing differences of development between the

regions. Usually the type of regional politics can be implemented according to one of the models of the regional politics depending on the nature of the government of the country:

1. *Regionalization* refers to central government and management “from top to bottom”. The goal is to modernize the administrative system because of complex economic and social structure. This model is called “regional government”.

2. *Regionalism* refers to management “from bottom to top”. Regionalism is based on territorial integration. Identity of the community is the most important in it. The term describing this model is “regional government”.

3. *Decentralization of regional government* is internal redistribution of national management functions to lower regional subdivisions. Decentralization of regional government may be defined as dispersal of government in areas of society planning, management and decision-making, and transmission to sub-national levels. The model of decentralization of regional government sort of joins the first two models by integrating their main advantages.

As a summary it is important to note that the most important task of the regional politics is to utilize regional resources as effectively as possible, to promote economic and social progress of the regions and to make sure that this progress will be accompanied by the advancements in other areas, what would help reduce social and economic differences between the regions and would encourage sustainable development of the whole country.

## **2.2. Regional politics of the European Union and Lithuania**

**Regional politics of the European Union.** Regional politics of the European Union is based on the postulates of the discussed concept of the regional politics. It is aimed towards the reduction of differences between lagging and prosperous regions by providing structural support to the more impoverished regions of the European Union and in such way reducing social and economic differences between them as well as providing advantages to lagging regions against prosperous regions, and, finally, by pursuing sustainable development of the whole European Union.

Regional politics of the European Union seeks:

➤ To help each region use its whole potential;

➤ To improve competitive abilities and employment in the regions by investing into the areas of great growth opportunities;

➤ To increase as soon as possible the living standard up to the average of the EU in the countries that joined the EU in 2004 and later.

Regional politics of the European Union and Lithuania, as its member, is grounded on five interdependent principles:

1. *Programming principle* means that the support of the EU structural funds is allocated for the implementation of integrated, long-term development programs that correspond to the guidelines of the EU.

2. *Concentration principle* means that support of the EU structural funds should be used in the least developed regions.

3. *Partnership principle* means that when implementing the programming, implementation, supervision and evaluation of support of structural funds of the EU, regional and local governmental institutions, economic and social partners are to be consulted.

4. *Supplementation principle* means that the support of the EU structural funds should supplement but not substitute public and other respective structural expenses of the members of the EU. Each member of the EU should determine such level of expenses that could sustain for the duration of the whole programming period.

5. *Subsidiary principle* means that with reference to this principle specific actions should be pursued by the governmental institutions of the lowest level, capable of performing them effectively. The tasks shall be transferable to a higher governmental level only if the practice of the lower governmental institutions is ineffective because of the nature of tasks. The organized regional management and coordinated network of regional development institutions is essential for effective regional politics of the EU (Nakrošis 2003).

To summarize, it may be stated that the EU implements its main goals with the help of regions and regional politics; the EU helps coordinate even development of the whole EU, by invoking financial means and national politicians. The EU regional politics is interrelated to the specifics of individual territories and determination of the perspective of cultivation of those territories, the potential of the regions and its competitive ability in the market.

**Regional politics of Lithuania.** The implementa-

tion of regional politics in Lithuania started in 1998. It is implemented in the administrative units of the territory of the country, i. e. districts and municipalities.

Two aspects of regional politics in Lithuania may be distinguished as follows:

*Regional politics of the European Union (also called structural)* by the means of which it is aimed to reduce differences of level of welfare (judging by the GDP per person) between the most and least developed regions of the EU. From the viewpoint of the regional politics of the EU, Lithuania is considered as one region and attempts are made to reach average of the EU economic development level. The main instrument of implementation of the regional politics of the EU is structural funds.

*National regional politics.* According to the law of regional development, national regional politics is objective activity of the governmental institutions and other subjects, which make differentiated influence on social and economic development of the governmental regions, in order to reduce social and economic differences and developmental unevenness between the regions, promote even and sustainable development in the territory of the whole country.

National regional politics in Lithuania is implemented in the following two directions:

By encouraging economic development and increasing competitive ability in the regional centres (trend of long-term development).

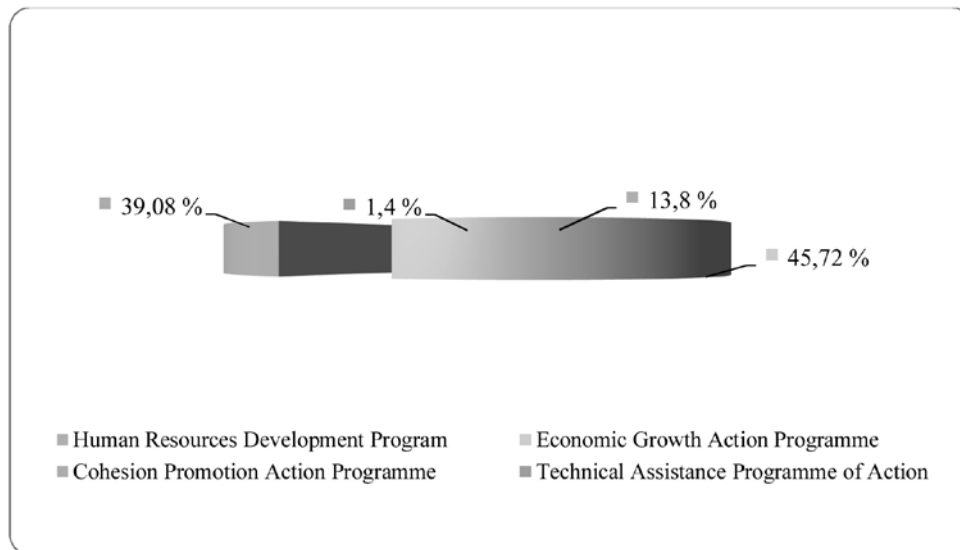
By improving the quality of life in the problematic municipalities (trend of short-term development).

Summarizing specialists' critical remarks it may be stated that at present regional politics in Lithuania is implemented centrally. Mostly it is based on the principle "from top to bottom". Such principle of implementation allows securing rapid implementation of politics, but it is based on limited information (e.g., plans for regional development lack implementation area of raised aims and goals for the context and utilization of regional specifics), local self-government institutions are less involved and motivated. Insufficient degree of decentralization on a regional level is one of the reasons determining slack regional politics of Lithuania, which is mostly concentrated on narrow territories, i. e. regional centres and problematic territories. The main focus is

on satisfying basic needs by renewing and developing infrastructure present in those territories. Regional politics is poorly coordinated with other branch or sectorial politics. It happens that regions hoping to receive support attempt to show themselves from the bad side, i.e., not how advanced the region is but how drawn back it is. In this case people become the most important losers of regional politics. Seeking to avoid major and wealthiest regions of the country from getting rich on the account of problematic regions, regional dimension could be introduced not only in the structural funds of the EU but also in the individual sectorial politics. In this way the following possibilities would be structured: to acknowledge and apply a variety of goals of the regional politics (e.g., to administer the development of democracy in local municipalities), implement more varied political means without limiting itself to appeasement of basic needs only, apply more varied indexes for financing and observation and, maybe, to attract adequate funds for increasing social cohesion. It is very important that more initiative would be assigned to regional and local authorities by providing municipalities with a possibility to learn by working, i.e., by scheduling more freedom for them to plan and use the funds of the regional politics because the region with sufficient independence would have possibilities for effective development.

**Structural funds of the European Union.** Support from the EU structural funds has been provided to Lithuania during the period of 2007-2013 according to the strategy of the EU structural funds utilization of 2007-2013 and individual activity programs developed for the implementation of the strategy.

The main goal for the use of the EU structural support determined in the utilization strategy of the EU structural support for Lithuania for the period from 2007 to 2013 is to rapidly improve the conditions for investing, working and living in Lithuania, so that the benefits of the economic growth would reach the residents of Lithuania.



**Fig. 1.** The EU structural support of 2007-2013 to Lithuania according to the activity programmes (in per-cent).

Source: designed by the authors according to the information from [www.esparama.lt](http://www.esparama.lt).

The EU funds in Lithuania have been used through 4 activity programmes (Figure 1). 16 priorities have been distinguished in the activity programmes. The activity Programme of the Development of Human Resources has 5 priorities, Economic Growth Activity Programme has 6 priorities, Cohesion Promotion Activity Programme has 4 priorities, and Technical Support Activity Programme has 1 priority. The activity programme priorities are further subdivided into the means of activity.

Provided support is divided among three main the EU structural funds:

- *European Regional Development Fund* provides the regions with diverse financial support. The fund projects investments to manufacture seeking to create and preserve long-term workplaces, investments to infrastructure (roads, telecommunications, energetics) and seeking to join central EU regions with the peripheral, creation of work places and support to small and moderate businesses (enterprise consulting, market research, scientific research) and development of technologies.
- *European Social Fund* supports projects solving social (primarily employment) problems and finances of education and professional training, expansion of employment possibilities, scientific research and technologic development, development of systems of education and professional training.
- *Cohesion Fund* has been established according to

the Maastricht Treaty that became effective in 1993. The support from the cohesion fund is awarded to major transportation and environmental protection projects.

There is also the *EU Solidarity Fund* that provides support in case of natural disasters.

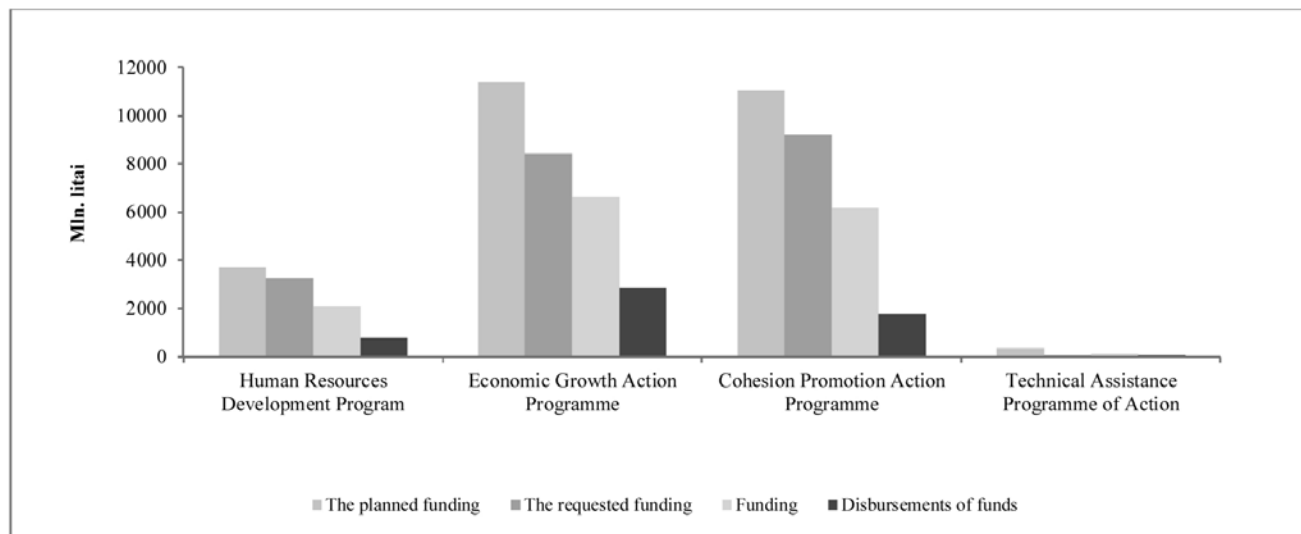
The EU structural support provides the opportunity for each region to reinforce its priorities and identity encouraging decentralization and efficiency. Its implementation in the state depends on the readiness of the state to utilize the support provided by the EU structural funds.

### **3. ANALYSIS OF THE EU STRUCTURAL SUPPORT AND SOCIAL-ECONOMIC DEVELOPMENT OF THE REGIONS OF LITHUANIA**

#### **3.1. Distribution of the support from the EU structural funds in the regions of the country**

In activity programs during the 2007-2013 programming period, and their supplements, it has been anticipated to allocate LTL 23 billion 324 million of structural fund sponsorship. It has been anticipated that approximately LTL 2.2 billion more will comprise the funds from the state budget and project effectors and partners. Thus, in total, financing that has been allocated to Lithuania during the period of 2007-2013 shall comprise around LTL 25.6 billion.

The major part of the EU financing is comprised of the funds from the European Regional Development Fund (51%), Cohesion Funds (34%) and the rest is from the European Social Fund (15%) (Figure 2).



**Fig 2.** Reclamation of the EU structural support funds during the 2007-2013 period according to activity programs until 2011 (LTL, million).

*Source:* designed by the authors according to the information from [www.esparama.lt](http://www.esparama.lt).

The extent of already assimilated EU support and the planned one for assimilation is considerable (in the period of 2009-2010 the EU support amounted to approximately 3-4% of GDP) and it has great influence to state economics. The EU funds influence the amount of money in circulation and the level of prices; its utilization priorities replace the whole economic structure and influence competition between the sectors and individual companies.

It is important that the influence of the EU funds to the economy of Lithuania increases as it amounts to a greater part of the gross domestic product. During the year 2008 around LTL 559 million of the EU support was assimilated, which made up approx. 1% of GDP of that year. In 2009 and 2010 LTL 2,659 million and 3,047 million have been assimilated respectively, which amounted to approx. 3% of GDP of that year. In 2011 and 2012 the plan is to assimilate LTL 4,331 million and 3,995 million respectively, i.e., approx. 4% of the planned GDP. It should be stressed that the analysis of macro economic indexes in many cases cannot fully reveal the influence of the structural funds to the economics of Lithuania. Firstly, it is because the aggregated macroeconomic data does not fully reflect the processes that take place on micro (enterprise) level. Secondly, it is difficult to isolate the influence of the EU funds in macroeconomic indexes as they are influenced by

many other factors. However, the relationship with the EU structural support that has been revealed in the article allows forming a big picture about the influence that this support has on the development of the regions of the country.

The main potential benefit of the EU structural funds is that Lithuania, using the EU funds, can administer investments which would not happen without the support from the EU structural funds. Lithuania is an absolute recipient of the EU funds, i.e., Lithuania receives more financing from the EU structural funds than it pays to the EU budget in the form of taxes.

According to the data of the European Commission, Lithuania is one of the countries that assimilate fastest the EU funds in the whole European Union. According to the data of January 1, 2011 of the General Direction of the European Commission Budget, payments part to Lithuania, made by the European Commission from the total amount of the funds allocated to it from the EU structural funds made up approx. 23%. Lithuania was surpassed on this index only by Ireland (30%) and Estonia (25%). On average, payments part from the total of the allocated EU structural funds on January 1, 2011, that were implemented in the whole European Union by the EC, amounted to 14%.

The statistics of the allocated and assimilated funds

according to the regions of Lithuania is represented in Table 1.

**Table 1.** Utilization of 2007-2013 EU structural support in the state regions up to 31 December 2011.

Region	The Agreements					Disbursed funds (m, LTL)		
	Number of contract <sup>1i</sup>	Cost of the project under a contract (m, LTL)	Amount of funding		The region's share of the EU funds, part of the total allocated funds for projects to implement the EU funds (%)	Total:	EU funds (m, LTL)	Regional funds were spent on the part of county funds allocated to the EU (%)
			Total:	EU funds (m, LTL)				
1	2	3	4	5	7	8	9	10=9/5*100
<b>In total</b>	<b>5373</b>	<b>23.424,9</b>	<b>20.027,5</b>	<b>18.125,5</b>	<b>100,00%</b>	<b>11.153,7</b>	<b>10.277,9</b>	<b>56,70%</b>
Alytus	1514	1.759,8	1.462,4	1.304,2	7,20%	903,7	824,7	63,24%
Kaunas	2145	3.415,7	2.867,2	2.598,1	14,33%	1.588,3	1.467,8	56,50%
Klaipeda	1591	2.790,8	2.374,5	2.161,9	11,93%	1.315,8	1.221,4	56,49%
Marijampole	1402	1.471,8	1.322,4	1.183,0	6,53%	770,1	704,3	59,53%
Panevezys	1614	1.842,7	1.580,7	1.412,4	7,79%	925,1	843,8	59,75%
Siauliai	1672	2.519,0	2.184,0	1.980,0	10,92%	1.315,3	1.217,1	61,47%
Taurage	1379	1.349,2	1.157,7	1.049,4	5,79%	656,4	607,2	57,86%
Telsiai	1490	1.353,6	1.190,7	1.078,0	5,95%	672,8	621,5	57,65%
Utena	1515	1.755,7	1.545,5	1.389,8	7,67%	878,8	809,8	58,27%
Vilnius	2499	5.166,5	4.342,5	3.968,8	21,90%	2.127,5	1.960,2	49,39%

Source: designed by the authors according to the Ministry of Finance of the Republic of Lithuania

<sup>1</sup> The number of projects implemented in the regions involved several regions and the whole territory of Lithuania or the implementation of projects for the benefit of the residents and the region.

According to the provided data, it is observable that the biggest part of the support is received by Vilnius and Kaunas regions (LTL 3,968.8 million and 2,598.1 million respectively) the smallest part is received by Marijampole and Telsiai regions (LTL 1,183.0 million and 1,078.0 million respectively). Until December 31, 2011, more than half, i.e. 56.70% of the structural support funds have been assimilated. The majority was utilized by Alytus and Siauliai regions (over 60%) the smallest part was used by Vilnius region (49.39%). Utilization of the funds in other regions of Lithuania is administered similarly and ranges between 57 and 60%.

To summarize the dispersion of 2007-2013 structural support it is possible to state that more than one fifth of support intended for reducing regional differ-

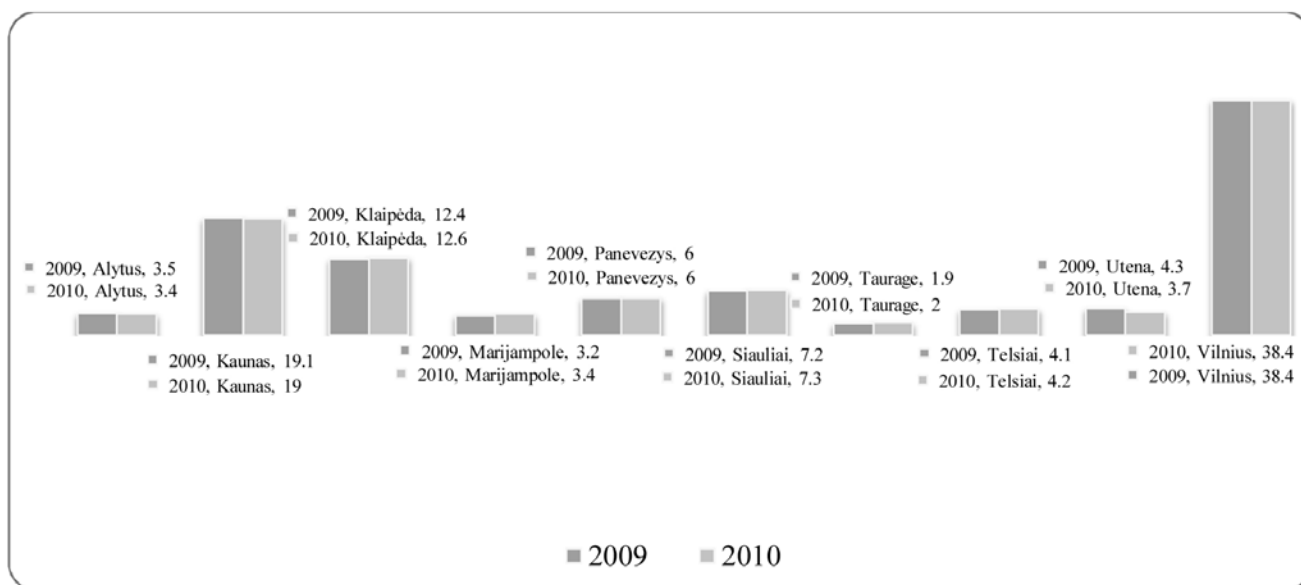
ences remains in Vilnius region, which overtakes all the other regions according to all economic indexes. The smaller the region, the less projects are organized in it and the less funds it is capable to attract.

The N+2 rule is applied to the 2007-2013 structural support, which means that assimilation of the funds will take place for a few years more, i.e., till 2015. So it will be possible to evaluate the final impact of the EU support after the year 2015. It is thought that in future weaker EU member states may occur, thus Lithuania may not receive such big support from the EU (that would amount to additional state budget). Because of this reason it is of significant importance to seek to utilize opportunities provided by the current structural funds.

### 3.2. Social-economic development of the regions of Lithuania

The differences of economic development among the Lithuanian regions are quite significant, thus, it is purposeful to analyse such fundamental macroeconomic indexes of the country as GDP, direct foreign investments, unemployment, average gross salary in individual regions of Lithuania as well as the distribution of the EU structural funds and possible influence for the unification of tendencies for the region development.

**Gross domestic product (GDP).** One of mostly analysed economic indexes is GDP, according to which the development of the country or region is judged.



**Fig 3.** GDP part generated in Lithuania in the period of 2009-2010 (in per-cent).

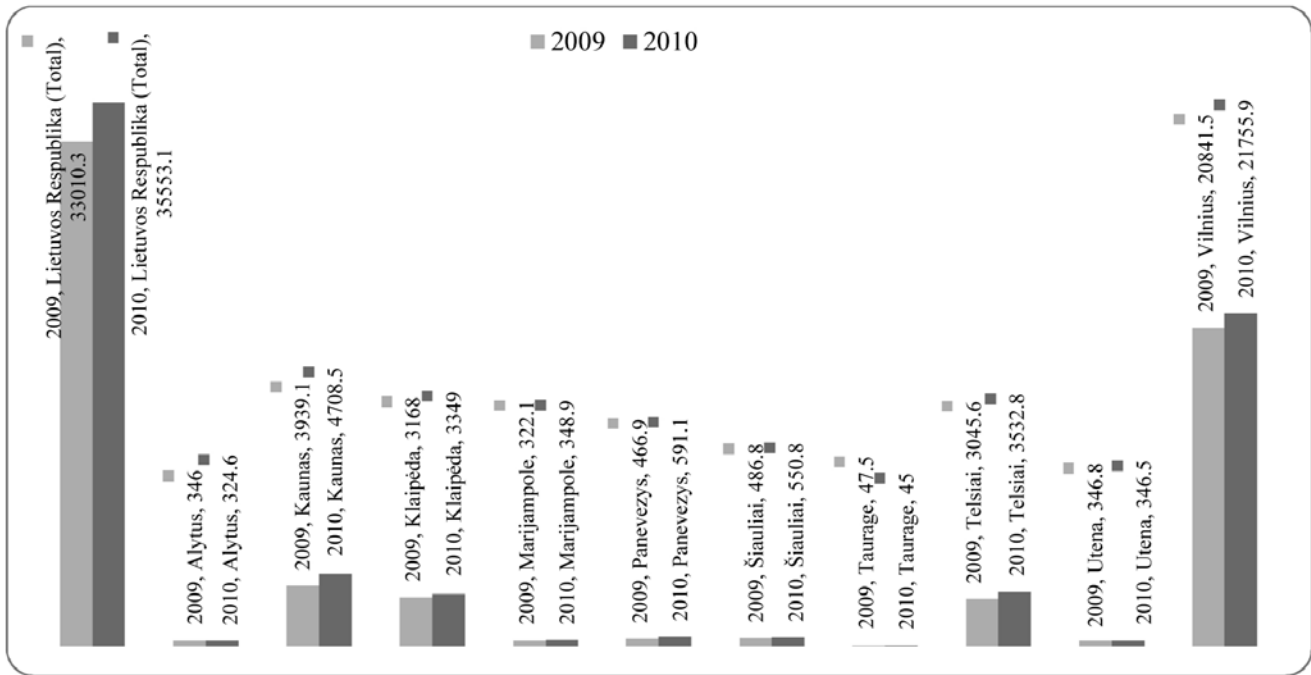
*Source:* designed by the authors according to the data of the Statistics Department of the Republic of Lithuania

When comparing GDP part generated in the regions of Lithuania, differences of economic development are clearly noticeable in the country (Figure 3), i.e., a large gap not only between Vilnius region that generates the highest GDP (38.4%) and Taurage region that generates only 2%, but also when comparing the input of the largest districts to generation of GDP. Kaunas region is twice behind Vilnius region (19.4% GDP), Klaipeda region amounts to only one third of GDP generated by Vilnius region. In Ukmerge region GDP decreased most (0.6%) during the period represented in Figure 3. It fluctuated between 0 and 0.2% in all other regions.

Such GDP indexes in the individual parts of the districts of Lithuania are pessimistic, but it is hoped that the enormous gap between currently dominant Vilnius and Taurage district with the weakest economic development should decrease if the support from the EU structural funds is utilized purposefully.

**Direct foreign investments.** It is difficult to expect outbreak in the sector of high and moderately high technologies or applied research, thus, it should be analysed which regions are best at attracting foreign investments and can hope to succeed. The distribution of direct foreign investments is represented in Figure 4.



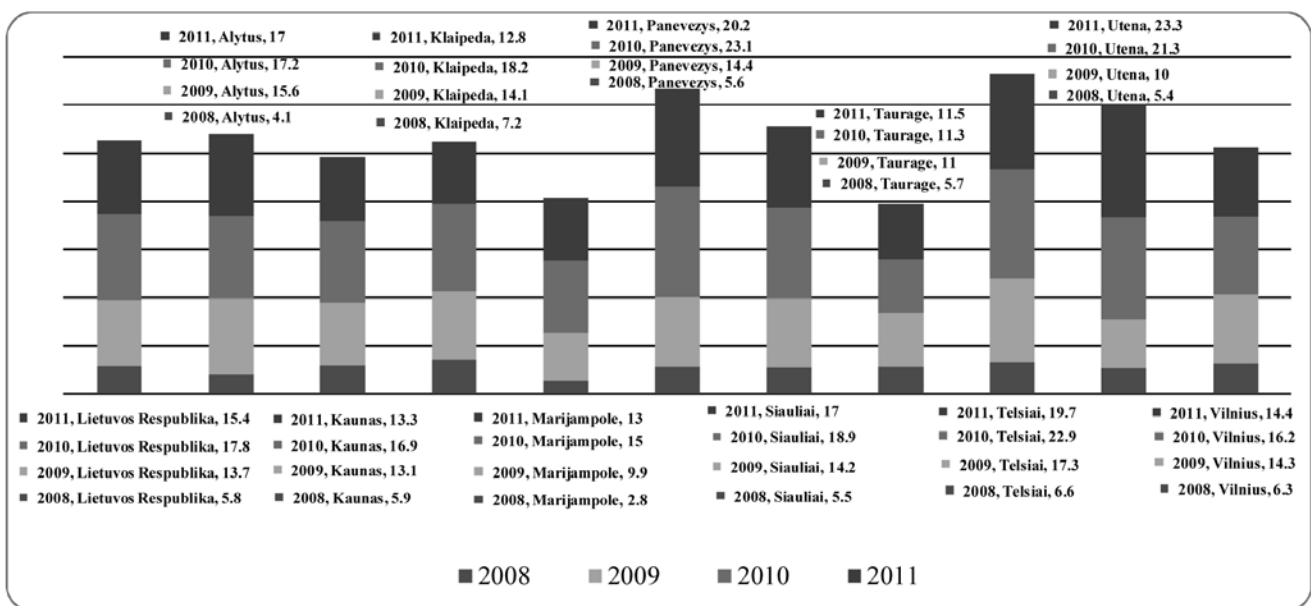


**Fig. 4.** Direct foreign investments (million LTL) in the regions of Lithuania in the period of 2009-2010.  
 Source: designed by the authors according to data of Statistics Department of the Republic of Lithuania.

In total direct foreign investments in Lithuania in 2009 made up LTL 33,010.3 million, in 2010 – LTL 35,553.1 million, i.e., increased by LTL 2,542.8 million. As Figure 4 shows, during the researched period Vilnius region received the biggest investments and Taurage region received the smallest one. Kaunas district falls behind Vilnius district more than twice. The investments decreased in Alytus, Taurage and Utena regions, while in all other regions this index increased.

The biggest increase of the index was noticed in Vilnius, Kaunas and Telsiai regions.

**Level of unemployment.** When assessing economic-social development, it is important to evaluate the level of unemployment. Unemployment problem negatively influences the development of the regions. The dynamics of the unemployment level in the regions of the country is provided in Figure 5.

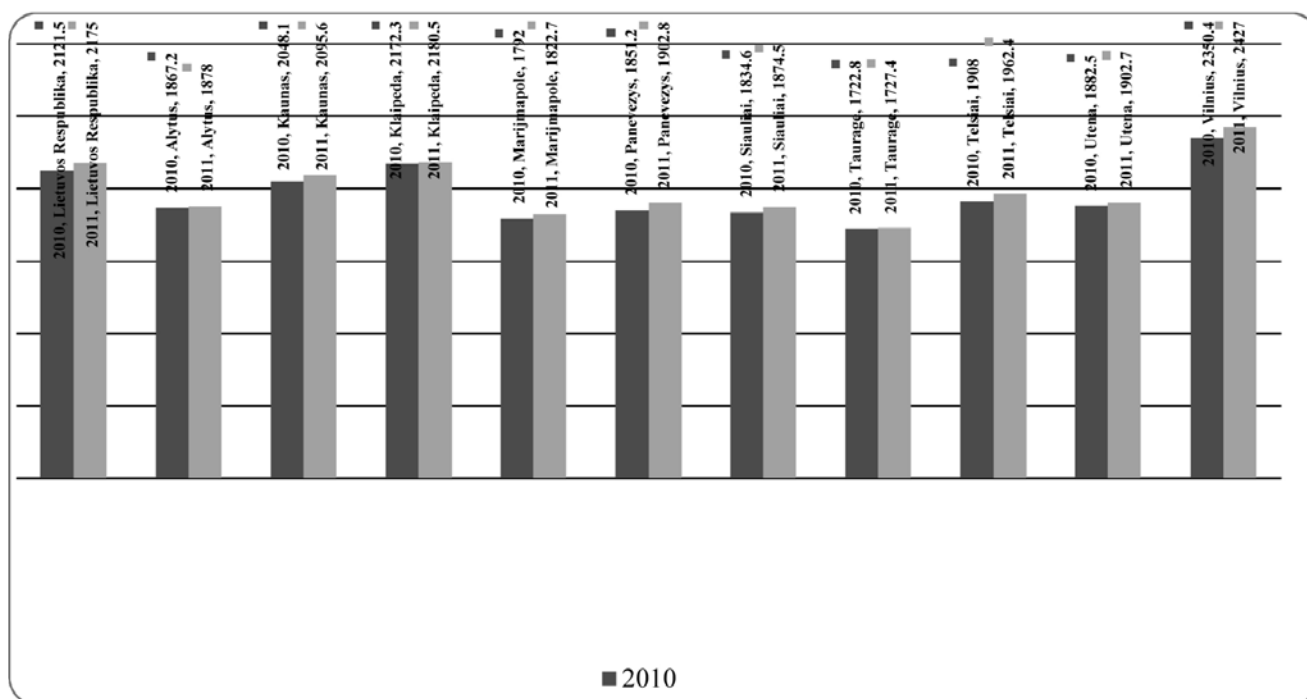


**Fig. 5.** Unemployment level dynamics in the period of 2008-2011 in the regions of Lithuania (in percent).  
 Source: designed by the authors according to data of Statistics Department of the Republic of Lithuania.

From 2008 to 2011 unemployment level in Lithuania increased by 9.6 percentage points. In 2008 the highest unemployment level was in Klaipeda region (7.2 per-cent), the lowest was in Marijampole region (2.8 per-cent). During the analysed period, the highest increase of unemployment level was in Utena region – 17.9 percentage points (it fluctuated from 5.4 per-cent to 23.3 per-cent), and the lowest increase was in Klaipeda region – 5.6 percentage points (it fluctuated from 5.9 per-cent to 12.8 per-cent). In total the difference of unemployment levels between the regions

during the analysed period increased from 4.4 to 10.3 times. It is important to note that the increase of unemployment level was conditioned by the economic crisis that arose in 2008, which evoked marked negative changes in all the regions of Lithuania resulting in the significant increase of the unemployment level.

**Average monthly salary.** One of the main indexes for defining the level of development is the average monthly salary. The differences of the average monthly gross salary are represented in Figure 6.



**Fig. 6.** Average monthly gross salary (LTL) in the regions of Lithuania in the period of 2010-2011.

*Source:* designed by the authors according to data of Statistics Department of the Republic of Lithuania.

During the analysed period the average gross salary increased in the whole Lithuania. The highest salaries in 2010, like in 2011, were earned by Vilnius region residents as well as the ones living in Kaunas and Klaipeda regions. The lowest salaries were earned by the residents of Taurage and Marijampole regions. In Vilnius, Panevezys and Telsiai regions salaries increased the most while the lowest increase is observed in Taurage and Klaipeda regions.

The analysis of the economic condition of the regions of Lithuania shows that according to all the positive indexes – GDP generated in the region, direct foreign investments and average monthly gross salary – Vilnius region noticeably overtakes other regions. According to the unemployment level in 2011 Vilnius region is in the second place following Utena

region. The economic situation of Kaunas region is similar to that of Klaipeda. The smallest unemployment rate was in Tauragė and Marijampolė regions but only a small part of GDP is generated there.

In order to assess the influence of the EU structural support to the regions, the authors performed a correlation analysis of the utilization of the EU structural support and social-economic indexes from 2010<sup>2</sup>.

When performing correlation analysis of the factors influencing the utilization of the EU structural sup-

<sup>2</sup> Correlation analysis is a statistical method that can show whether and how strongly two variables are interlinked. The main result of correlation is called correlation coefficient which is represented by the letter r. It may fluctuate between -1.0 and 1.0. The closer the r is to +1 or -1, the more the two variables are interlinked. If the r is close to 0, it means that there is no connection between the variables.

port funds for the year 2010, the following social-economic indexes have been taken into account: gross domestic product (GDP), direct foreign investments, registered unemployed citizens, average gross salary. The analysed data is presented in Table 2.

**Table 2.** Interdependence of the EU structural support utilization and social-economic indexes in 2010.

Region	Use of the EU support (m, LTL)	GDP (m, LTL)	Foreign Direct Investment (m, LTL)	Registered unemployed (k, LTL)	Wage (LTL)
Alytus	266,3	3252,9	324,6	18,6	1867,2
Kaunas	459,1	18043,5	4708,5	55,9	2048,1
Klaipeda	363,9	11966,3	3349	34,1	2172,3
Marijampole	247,5	3189,8	348,9	14,9	1792
Panevezys	259,5	5727,1	591,1	28,4	1851,2
Siauliai	422,1	6961,3	550,8	30,5	1834,6
Taurage	190,8	1897,3	45	12	1722,8
Telsiai	191,2	4023,6	3532,8	19	1908
Utena	240,5	3551,4	346,5	16,8	1882,5
Vilnius	720,8	36461,1	21755,9	50,6	2350,4
<i>Total</i>	<i>3361,7</i>	<i>91050,70</i>	<i>35553,10</i>	<i>50,60</i>	<i>19429,10</i>
<i>The correlation coefficient</i>		<i>0.96</i>	<i>0.86</i>	<i>0.85</i>	<i>0.83</i>

*Source:* designed by the authors according to data of Statistics Department of the Republic of Lithuania and the Ministry of Finance of the Republic of Lithuania.

After performing index analysis of the chosen social-economic indexes it is seen that the strongest link is between the utilization of the EU structural support and the gross domestic product ( $r=0.96$ ), followed by direct foreign investments ( $r=0.86$ ), registered unemployed citizens ( $r=0.85$ ) and salary ( $r=0.83$ ).

In summary it may be said that certain differences between the developments of the regions are inevitable but the fact that they decrease insignificantly is an undesirable phenomenon proving that it is hard to implement the main goal of the EU structural funds support. It accelerates the overall GDP growth in the country but interregional differences in regard to this index fluctuate rather controversially in positive direction.

Vilnius region is the most attractive for foreign investors. Telsiai region stands out with the high value of this index because of JSC “ORLEN Lietuva” investments. It should be noted that when slowly administering regional politics in Lithuania, investments naturally concentrated on the regions that are economically stronger developed, where the invested capital gives bigger return. It is thought that support

provided by the EU structural funds contributes to the creation of the environment favourable to investments, for example, the development of industrial and technological parks, promotion of science and business cooperation, etc. However, it hardly influences a more even distribution of direct foreign investments in the country. The funds of the EU support fell on the regions with established higher education schools and established science and technological parks and valleys meaning that it was on the bigger regions (Vilnius, Kaunas and Klaipeda) of the country again.

The economic crisis greatly increased the unemployment level in 2009; however, it is thought that without the EU support it would have been even higher. The differences between the salaries are determined not just by the assimilated funds of the EU structural support but by the regional differences in development because the salaries have the potential to increase in larger regions where the demand for qualified specialists is higher and in the regions where the majority of labour force is made up of the industrial enterprise employees and the increase of salaries is rather slow.

## Conclusions and recommendations

- Having analysed scientific literature and legal acts, it is thought that a region may be defined as an administrative unit characterized by peculiar economic, social, cultural, historical and ethnical attributes, and where an operative institutional system functions according to the constitution of the country.

With reference to the performed scientific literature analysis it may be stated that the regional politics is politics promoting regional economic and social progress and securing the process to be followed by the progress in other areas as well. Such progress reduces social and economic differences between the regions and promotes sustainable development of the whole country. It is important to emphasize that in order to achieve reduction of these differences it is important to provide the regions that fall behind with certain advantages in regard to the developed regions. An important task of the regional politics is to utilize available internal resources of the regions as effectively as possible in order to promote economic and social progress of the regions.

Certain differences between regional developments are unavoidable because the largest regions of Lithuania, in possession of a larger amount of various resources, have better opportunities to attract more investments. It has also been proven by the conducted analysis. On the whole, Vilnius, Kaunas and Klaipėda have been characterized by best indexes. The analysed indexes show the slowest development in Taurage and Marijampole regions. Although the decrease of the regional differences takes place very slowly and controversially, and the EU support is only one of many other factors influencing regional development, it is however possible to conclude that the EU structural fund support not only contributes to withdrawal from the economic recession of the regions of Lithuania but also helps to gradually reduce the differences of the interregional economic and social development.

The impact of the EU structural funds to the social-economic development of the country depends on domestic economic politics of the country. When determining trends and landmarks for the utilization of the EU structural funds, a stronger motivation should be made as to which the goals of the public politics are raised, problems solved and possible negative secondary outcomes minimized. In the partway

of the support assimilation it is essential to assess the risks of whether all the EU structural funds will be assimilated on a timely manner. In order to improve the assimilation of the EU funds, the redistribution of the EU funds is recommended according to the activity programs.

Institutional support model should be more decentralized. That should help a more effective assimilation of the funds in the regions of Lithuania considering not only strategic goals but also specific demands of each region.

Regional distribution of the EU structural support should be regulated more strictly. Although the support is provided according to the projects prepared in specific regions considering the regional economic situation it should be foreseen, projects from which regions should be given priority. If there is an opportunity, the support should be redistributed according to those priorities, which are in fact important for reducing differences between the regions of Lithuania.

It is recommended to focus on and support project planning for small and moderate enterprises because these enterprises dominate in smaller regions, which, in economic aspect, greatly fall behind Vilnius, Kaunas and Klaipėda regions.

More than half of additional workplaces created through the EU support are temporary, thus it is important to safeguard the sustenance of these workplaces after the completion of project implementation, especially in the regions with high level of unemployment. That could be achieved by including additional requirements in tender conditions.

More information on the EU structural support should be distributed including its supported activities additional consultations should be made about a project formulation in those regions which are in the biggest need of support. It is recommended to establish differentiated requirements for preparation of applications, their assessment, funding and substitution of administration contracts as well as project administration considering the nature and extent of projects.

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