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## The evaluation of European Union structural support

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### Abstract

The analysis performed in the paper is aimed at improvement of the quality, efficiency and consistency of EU structural support for Lithuania as well as implementation of the strategy and the action programs. Considering the impact of the received EU structural support a key objective is to evaluate positive and negative impact of the support, assess support efficiency and identify whether the aims have been achieved. Evaluation of EU structural support has to be not only country-wide, but also region-wide. Also, it is important to evaluate the use of EU structural support in the lowest level – Lithuanian municipalities that directly influence economic and social gap reduction between regions by dealing with Regional Development Planning documents. Purpose of paper is to analyse the absorption of EU structural support at Lithuanian municipalities level, to analyse the positive and negative impact, and further development of effective use of structural support at municipality level. The research methods used in the work include the analysis of the scientific literature and statistical data, analysis of legal documents, comparative analysis, questionnaire survey, summarizing and comparison.

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### 1. Introduction

EU regional policy is basically performed following the principles and rules common of all structural policy. In both national and EU levels, regional policy is usually based on co-called market mistake argument. It means that market forces cannot smooth out economic imbalances because mobility of factors of production is not high enough. The mobility is restricted by languages and cultural differences between countries and regions. That is why people

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usually move after workplaces, which causes big gaps of unemployment and income level in different regions. Later, EU regional policy was refocused to the direction of efficiency and had to become a regional dimension of general economic policy (Dumčiuvienė, 2010).

Lithuania receives the support under the Convergence aim for national programs as NUTS II region where GDP per capita is lower than 75 per cent of EU average. Also, Lithuania receives the support from Cohesion Fund since total national income per capita is lower than 90 per cent of the EU average. EU structural support for Lithuania during the period of 2007–2013 was provided following the Lithuanian EU structural support absorption strategy for 2007-2013 and the action programs aimed at implementation of the strategy. Lithuania is one of the countries that fast absorb EU funds. However, hasty support absorption can cause different effects – from small to no effect or even negative effects on national economics (Jurevičienė, Pileckienė, 2013). EU structural funds are large by their volume and they influence both public and private sectors, so constant evaluation of absorbed funds and benefits obtained from them is extremely important as well as exploiting of the opportunities to improve the absorption.

## **2. Benefits and drawbacks of EU structural fund using**

In order to use the structural funds efficiently, rational and economic-based strategic planning is extremely important. While performing strategic planning of the regions, the vision and mission should be clearly defined. This would enable to follow a systematic approach seeking for the regional progress (Puidokas, Daukaitė, 2013). The project funded by the EU can be efficient and can promote the growth only when the institutions operating in the supported regions and implementing the projects are high-skilled (Aiello, Pupo, 2009). It is important that EU funds are efficiently used all over the country, and the mechanisms created match national priorities. However, the projects are selected by defined criteria but not by the market needs which can change faster than lasts the period of project design and implementation. The real beneficiaries are often not the ones to whom the support is designed. It happens when a big amount of funds designed for one sector artificially raises the demand for resources in another sector, so the price also rises. This way, resource suppliers become real beneficiaries (Dumčiuvienė, Stravinskas, 2012), Mohl, Hagen, (2011).

Analysing structural funds and economic gaps, Aiello & Pupo, (2009) found that regional gaps did not change during the time. The aim defined in the European cohesion policy was not achieved, i.e. it did not help to reduce the gaps inside each member-country.

Analysing the impact of EU structural funds on direct foreign investment, Jurevičienė & Pileckienė, (2013) found that EU structural funds have a positive impact on attraction of direct foreign investment. The research in the impact of EU support in the level of companies revealed that the biggest part of companies would have implemented their projects even if they had not received any EU funding, but they would have been forced to look for other ways to reduce the costs of the projects. Some companies use EU funds for implementation of secondary projects. The authors note that EU support can distort company's motivation to invest, so companies should focus on the main but not on secondary projects.

As it can be seen from the analysis of the scientific literature, the benefits from EU support sometimes gain a negative shade. Of course, EU funds contribute to growth, but in practice, it not always works because the support is poorly managed or used for improper investment. EU funds really contribute to convergence, but only if favourable institutional environment is ensured (Burneika, 2012), (Tron, 2013), (Hiejman, Koch, 2011). Also, EU funds have a positive impact when they are used for the investment in the regions with, at least, basic industrial structure and a small agricultural sector. It should be noted that EU funds have a bigger impact on convergence increase in low income generating regions, but have less significant impact on high income generating regions (Marzinotto, 2012).

Summarizing, it can be stated that the impact of EU structural funds is more positive than negative, although some authors emphasize that not all EU member-states receive equal EU structural support, and the benefits of the use of EU structural funds on the country much depend on the ability of the country to use the funds purposefully and efficiently. It is proposed that EU funds can contribute to economic growth of the country as well as development of gap reduction, but only on condition that the use of the funds supplements a reasonable growth-oriented economic policy (Lithuanian Free Market Institute, 2011), (Kazėnas, 2008).

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