

# Evaluation of the impact of 2007-2013 EU Structural Assistance on Lithuania's cities and towns

Summary

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Evaluation of the impact of 2007-2013 EU Structural Assistance on Lithuania's cities and towns was performed by "ESTEP Vilnius" in the period of November 2015–May 2016. It was commissioned by the Ministry of Finance of the Republic of Lithuania. Evaluation experts' group consisted of both "ESTEP Vilnius" employees and additional external experts: Dr. Rimantas Vaicenavičius, Head of Statistics Laboratory at Mykolas Romeris University, Dr. habil. Grzegorz Gorzelak, professor at the University of Warsaw. Dr. Klaudijus Maniokas was in charge of evaluation experts' group.

**Evaluation goal** – estimate the impact of Operational Programmes on social and economic development of Lithuania's cities and towns, as well as quality of life. The evaluation study aimed to answer questions such as **how much** money was invested in accordance to 2007-2013 OPs and RDP measures, **where** these investments went, around **what intervention areas** the funding concentrated, and **what has changed** due to these investments.

#### Evaluation object:

- Evaluation involved 42 OPs measures (in 2007-2013 2852 million EUR – 47% of all OPs funding – was disbursed under these measures) and 5 RDP measures (under which 356 million EUR was disbursed – 17% of total 2007-2013 RDP funding). These measures were selected taking into account the logic behind measure interventions (coherence with the quality of life index employed in this evaluation), as well as the extent and geographic dispersion of interventions.
- Evaluation included all of 103 Lithuania's cities and 34 large towns, i. e. towns with more than 1000 inhabitants. According to 2011 Population and Housing Census, 68% of total population lived in these cities and towns.

#### Evaluation methods:

- Theory-based evaluation (quality of life model, concept of territorial capital);
- Formation of quality of life index designated for smaller territorial units, and evaluation of its dynamics in Lithuania's municipalities in the period of 2007-2014;
- Statistical analysis (relation between EU funding and changes in the value of quality of life index);
- Summing-up of monitoring data on investments as well as on results achieved on different territorial levels (municipalities, urban and rural areas both countrywide and in particular municipalities, groups<sup>1</sup> of cities and towns, and individual cities and towns – all 103 cities and all 34 towns, having more than 1000 inhabitants), and estimation of the extent of interventions;
- Case studies (case study on regional economic growth centres, case study on Poland, dossier on investments and their results in cities and towns in problematic municipalities);
- Econometric modelling, as well as statistical information analysis;
- Analysis of monitoring data and other secondary data.

#### Investments – how much money and where they went? Territorial dispersion of funding under OP and RDP measures designated for the improvement of quality of life:

- **How much money was invested?** Out of 42 evaluated OP measures, it was not possible to localize (attribute to a particular city or town) investments under 7 measures (due to lack of administrative data). 3674 projects were implemented which were granted 1,485 million EUR under the 35 "localized" OP measures in cities and towns. Cities and towns received 82% of total funding disbursed under these measures, which amounted for 1,812 million EUR countrywide. 1,040 million EUR was disbursed under the 7 "non-localized" OP measures, but it is not clear what share of this figure went to cities and towns. In accordance to the evaluated RDP measures, 1682 projects were implemented in cities and large towns. Cities and towns received 9% of the 5 RDP measures' funding.
- **Where did the investments go?** Proportionally, cities and towns received more funding (82%) than the share of inhabitants in these cities and towns (68%). Other<sup>2</sup> rural areas received 18% of total funding under the 35 "localized" OP measures. Majority of OP investments were granted to the 5 largest cities (39%). On the other hand, investments received per capita were the lowest in these cities (587 EUR), falling behind overall cities and towns' average (713 EUR) – *more details in pt. 3.2 of the report*.

#### Investments – what were the intervention areas? Thematic classification of funding under OP and RDP measures designated for the improvement of quality of life:

<sup>1</sup> 7 city and town groups were distinguished: large cities (N=5); regional economic growth centers (N=7); medium-sized cities in problematic municipalities (N=16); other medium-sized cities (N=36); small cities in problematic municipalities (14); other small cities (N=25); large towns (N=34).

<sup>2</sup> According to the Law on the Territorial Administrative Units of the Republic of Lithuania and their Boundaries, towns are classified as rural residential areas.

- All of the OP investments were grouped to 10 intervention areas: employment promotion (D1); increasing business productivity (D2); improvement of housing in problematic municipalities (D1); health and social services infrastructure (D3); renovation and development of educational infrastructure (D4); renovation of public purpose designated buildings (D3, D4); improvement of environment quality (D6); communications and transport infrastructure (D6); development of tourism infrastructure and services (D6); renewal of public spaces and social infrastructure (D6). A separate analysis on investments under the measure no. VP3-3.1-AM-01-V "Modernization and development of drinkable water supply and wastewater infrastructure" found that data about territorial dispersion of investments was not available, hence this measure assigned to the group of "non-localized" measures. These intervention areas were linked to the dimensions of quality of life index (from D1 to D6).
- Share of EU investment that cities and towns received in particular intervention areas varied from 38% (employment promotion interventions) to 100% (improvement of housing in problematic municipalities).
- The extent and structure of OP investments varied among different cities and towns; for example, in regional economic growth centres 50% of total OP funding consisted of investments dedicated to the renewal of public spaces and social infrastructure. What is more, in large cities 32% of investments were composed of investments dedicated to the promotion of business productivity (company projects) – *more details in pt. 3.2 of the report.*

## PRODUCTS, RESULTS AND IMPACT OF THE EVALUATED OP AND RDP MEASURES

### Increasing business productivity, creation of jobs and employment promotion:

- **1088 companies** (or **8.2%** of all Lithuania's SMEs) used EU investments aimed at increasing business productivity. **88%** of these firms operated in cities and large towns. After having implemented business development projects, companies created 3700 long-term jobs in Lithuania. 1265 individuals and companies took out loans from Entrepreneurship Promotion Fund in order to begin or develop businesses: they created 3555 new jobs.
- **Almost 43 thousands people** participated in company training programs in order to improve their qualifications and gain new professional competences. More than 41 thousand people participated in training programs organized by beneficiaries from cities and towns, mostly from Vilnius, Kaunas, Klaipėda, Šiauliai and Mažeikiai. 4.6% of total employed population participated in company training programs.
- **126.8 thousands jobless people** participated in ALMP projects implemented by the Lithuanian Labour Exchange. 70% out of them were from cities and large towns. Inhabitants from all the Lithuania's cities and towns took part in ALMP projects. More than **25 thousand of the unemployed** obtained a qualification.

### Improvement of housing and renovation of public purpose designated buildings:

- Until the end of 2015, **1523 blocks of flats** had been renovated in Lithuania. Renovation of blocks of flats took place in 55 municipalities where from 0.4% to 40.4% of all blocks of flats were renewed. On a country scale, the extent of renovation amounted to 4.4% of all blocks of flats built until 1993.
- **265 social housing dwellings** were built in problematic municipalities; 205 renewed. The share of social housing built using OP funding amounts to 5.3% of all social housing rented in Lithuania during 2010-2014. New social housing dwellings were built in 13 out of 14 problematic municipalities. A decrease in number of individuals (families) in queue for social housing due to OP investments was most prominent in districts of Jurbarkas, Kelmė and Joniškis - absent OP funding, the queues for social housing in these municipalities would have been 10% "longer" – *more details in pt. 6.1.2.1 of the report.*
- In order to improve energy efficiency, **896 public purpose designated buildings were renewed** (schools, kindergartens, hospitals, sanatoriums, clinics, dormitories, nursing homes, orphanages, etc.).

### Urban development, renewal of public spaces, social and tourism infrastructure:

- Public spaces and social infrastructure were renewed (central squares and streets, parks, sports and recreational infrastructure, etc.) in 75 medium-sized and small cities, as well as 33 large towns. In 22 medium-sized cities public infrastructure was renewed comprehensively (in 7 cities – regional economic growth centres and 15 cities in problematic municipalities).

- During the run of 2007-2013, 386 million EUR were dedicated to the renewal of public and communal infrastructure<sup>3</sup> (this amount equals for almost a third of total municipal income per year). Without the EU investments urban development and renewal of public spaces of such extent would have been impossible.
- More than 40 immovable cultural heritage objects (manors, castles, churches, monasteries, mounds, etc.) in cities and towns were renewed, new tourist attractions were established (hotels, conference and wellness centres, etc.).

#### Modernization and development of drinkable water supply and wastewater infrastructure:

- **2480 km** of sewage pipelines were laid down or reconstructed, as well as **1695 km** of water supply networks (in cities and towns, respectively 1811 km and 1327 km). 42 wastewater facilities were built or reconstructed.
- A share of people who were connected to sewage systems has increased by **4%** (105.1 thousand people), and a share of those who were joined to water supply networks – by **2.5%** (65 thousand people). Thanks to EU investment, the share of inhabitants that are still not connected to any sewage system has dropped by 24%, and the share of those who do not have an access to water supply network – by 15%.

#### Improvement of transport infrastructure:

- **737 km** of gravel roads of national importance and **332 km** of gravel roads of local importance and urban streets were asphalted.
- Vilnius, Priekulė (Klaipėda district municipality) and Kairiai (Šiauliai district municipality) **bypasses** were built (34 km in total).
- **23 km of bike roads** were built in the cities of Kaunas, Klaipėda, Šiauliai and Panevėžys; also, public buses were renewed.

#### Changes in quality of life in Lithuania and the impact of EU investment on quality of life:

- Quality of life index designed in order to estimate if, how and why did quality of life, social and economic situation change in Lithuania. Evaluation study covered index dynamics during the period of 2007-2014.
- Quality of life index was designed in accordance with international practice in estimating quality of life in urbanized areas, most notably quality of life indicators proposed by J. E. Stiglitz and EUROSTAT Urban Audit.
- **Quality of life index is comprised of 6 dimensions and 38 indicators** all of which reflect material living conditions, business competitiveness, quality and accessibility of public services, quality and security of living environment and demographic situation in a particular area. Due to limited accessibility of statistical data on the level of smaller territorial units (cities and towns), the quality of life index was estimated on municipality level – *more details about the structure of the index in pt. 2 of the report*.
- In 2014 quality of life in many of municipalities in Lithuania was better than in 2007 (**quality of life index increased in 42 municipalities**). Health and educational services, public infrastructure, quality and security of living environment indices were the ones that improved the most; not surprisingly, these dimensions of quality of life received a majority of 2007-2013 EU funding. Material living conditions faced biggest decline – in 50 municipalities value of this sub-index in 2014 was below the level of 2007; in other words, material living conditions have not yet reached the pre-crisis level of 2007. Such outcome was conditioned by high unemployment and real wage slump due to the economic recession.
- Quite a number of interventions contributed directly to the improvements in quality of life and material living conditions. Those are: renovation of blocks of flats and development of social housing dwellings, also, investments in health, educational, social service, transport and communications, tourism, water supply and sewage infrastructure. EU Structural Assistance in 2007-2013 also had an indirect effect on the improvement of quality of life because it helped to mitigate negative effects of economic downturn.
- Even though EU investment is an important factor for improving quality of life, it is not sufficient in order to guarantee gradual social and economic development. This premise was confirmed by a weak nonetheless statistically significant relationship between changes in quality of life index and OP investments (increasing EU investments by 100 EUR *per capita*, results in rise of quality of life index by 0.2 point). EU investment is an important factor improving quality of life, however **quality of life has a more significant dependence on other internal and external factors** (e. g., economic situation, territorial capital, geographical location of particular territory).

#### Social and economic impact of investments dedicated to the improvement of quality of life:

<sup>3</sup> EU Structural Funds (ERDF) (247 million EUR) and Rural Development Programme (138 million EUR) of the period 2007-2013

- EU investment helped to mitigate negative consequences of global financial crisis, stimulated quality of life improvement in Lithuanian municipalities, and contributed to employment and GDP growth. During the period of 2007-2015 average annual **Gross Value Added (GVA) growth** in counties of Lithuania was 0.4-0.83 per cent higher than it would have been without EU Structural Funds. EU investment's impact on GVA growth was most significant in Vilnius, Kaunas and Šiauliai counties. However, if one accounts for impact per inhabitant, the biggest gains were observable in Tauragė, Utena, Alytus and Šiauliai counties.
- EU investment was responsible for 1.2 per cent **higher rate of employed people** in the group of people aged from 15 to 64, and 2 per cent lower total level of unemployment, compared to scenario where EU investment was absent. The majority of new jobs were created in Vilnius, Kaunas, Klaipėda and Šiauliai counties – *more details in pt. 6.2 of the report.*

## STRATEGIC CONCLUSIONS AND RECOMMENDATIONS

- Both present evaluation and previous evaluations show that global financial crisis of 2008 influenced the quality of life and social and economic development **to a larger extent than the 2007-2013 EU Structural Assistance**. EU Structural Assistance has only mitigated negative consequences of the economic crisis.
- OP interventions implemented in cities and towns lacked more integrated and complex approach: there was no initial estimation of needs and demands of EU investment in cities and towns, neither was there any targeting of specific solutions relevant for particular municipalities. Municipalities competed for investments provided under the sectoral development programmes and sectoral measures in the OPs which is why **interventions lacked coherence and coordination** in many cities and towns. Quality of projects and coherence of interventions depended strongly on every municipality's ability to form a clear development vision and compete for funding under sectoral measures in order to implement that vision.
- Strategic recommendations in the evaluation include propositions on how to **strengthen territorial character of interventions and create preconditions to solve relevant problems that municipalities face in an integrated manner**. In order for EU investment to effectively contribute to economic and social development of various municipalities, it is important to secure a closer **cooperation** between central and local authorities when planning and selecting projects in a particular municipality, invoke competences of national agencies (e. g., Invest Lithuania, Enterprise Lithuania), and strengthen municipal administrations' and local politicians' **capacities** to initiate, prepare and implement projects relevant to the development of particular municipalities.
- Report gives specific **recommendations on the improvement of monitoring and evaluation systems** so that better conditions and evidence base for evaluating territorial impact of EU investment are secured, and data relevant for decision making process in this sphere is available. Neither econometric modelling nor statistical data analysis provide enough information about territorial impact of interventions (especially the impact on levels of municipalities and smaller territorials units such as cities and towns); it, therefore, is important to conduct representative surveys of local populations and their views on living conditions and the contribution of EU investment to the changes in living conditions.

## STRUCTURE OF THE REPORT

- 1) **First part** explains evaluation goal, tasks, questions, methods and object.
- 2) **Second part** presents theoretical framework of the evaluation – quality of life model, quality of life index structure and concept of territorial capital.
- 3) **Third part** provides with analysis of data on investments under the OP and RDP measures that are directed towards improvement of quality of life in cities and towns.
- 4) **Fourth part** focuses on analysis of products and results of OP and RDP measures, as well as their territorial dispersion, and the extent of interventions and their impact.
- 5) **Fifth part** demonstrates dynamics of the quality of life index (as well as its sub-indices) during the period of 2007-2014. Index dynamics are analysed within different municipality groups: large cities (N=5), regional economic growth canters (N=7), problematic municipalities (13), and other municipalities (N=35).
- 6) **Sixth part** proposes evaluation results of EU investment impact on dynamics of quality of life index and its separate sub-indices. This part also covers econometric modelling results on the social and economic impact of evaluated OP measures.
- 7) **Seventh part** leads to conclusions that respond to evaluation questions, strategic conclusions and strategic propositions, as well as evaluation recommendations.
- 8) **Annexes** include case studies, namely, case study on regional economic growth canters, case study on Poland, dossier on cities and towns in problematic municipalities. In addition to case studies, this part includes other data and information collected and summarised during the evaluation.