



EVALUATION OF EU STRUCTURAL ASSISTANCE IMPACT ON LOCAL AND URBAN DEVELOPMENT

Summary

Client:



LR finansų ministerijai

Evaluation completed by:



UAB "BGI Consulting"

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Evaluation purpose

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- Improvement of EU structural assistance use by evaluating the impact of the Operational Programmes of 2007-2013 on the development of cities and small towns.
- Proper preparation for the 2014-2020 programming period.

Evaluation objectives:

- Evaluation of the assistance scope of the operational programmes of 2007-2013 and their effectiveness in Lithuania's cities and small towns.
- Evaluation of the impact of the Operational Programmes of 2007-2013 on the social and economic development of cities and small towns.
- Evaluation of the implementation possibilities of integrated sustainable urban development actions and the necessity of their inclusion in the planning documentation for 2014-2020.
- Application alternatives of the "Community-led local development" approach and the necessity of integration in the 2014-2020 programming period planning documentation.

Evaluation volume

The focus of the evaluation is the measures of the Operational Programmes of 2007-2013, which have an impact on the development of cities and small towns. The evaluation team identified 35 of such measures provided by the Human Resource Development Operational Programme, Economic Growth Operational Programme and the Operational Programme for Promotion of Cohesion. The impact of the investments in accordance with these measures was analysed on the basis of 51 residential areas: major cities, regional growth centres, cities of problematic territories as well as other cities (10) and small towns (15).

Methods applied

Different quantitative and qualitative methods were used for the evaluation. While evaluating the identification of the situation in the analysed residential areas as well as the EU structural assistance relevance and sufficiency the quality of life model was used. It subsumed the cumulative social, economic and environmental indices characterizing the residential environment. Based on this model an individual quality of life index (QLI) was formed for each of the analysed residential areas. Moreover, the EU structural assistance investments in the specific areas essential for the quality of life were studied. The evaluation included statistical analysis, comparative analysis, expert discussions and data of surveys. The evaluation of the investments' impact was carried out on the basis of macro and micro approaches – macro-economic modelling and case-studies integrating the cost-benefit analysis were performed. In addition, experience of foreign countries were analysed for the preparation of proposals for 2014-2020.

The main findings of the evaluation

The following aspects were analysed in the evaluation and these conclusions made:

The relevance and sufficiency of the investments of 2007-2013 in encouraging the development of cities and small towns

The investment relevance and assistance sufficiency were evaluated by comparing specific area GLI as well as the volumes and proportions of the investments in different spheres of development. The analysis showed average and lower than average investment relevance for the country as a whole, i.e. insufficient consideration of the general condition of the residential area is inherent in the planning of projects. Specific differences can be noticed in various types of residential areas. Larger cities and regional growth centres are marked by average investment relevance. Despite the fact that regional growth centres are characterized by high assistance sufficiency, i.e. the level of financial aid corresponds with the situation of those residential areas according to the identified QLI, meanwhile, the major cities have lower assistance sufficiency as these residential areas were allocated smaller investments per capita. The distribution of the investments for cities of problematic territories as well as other cities and small towns was highly diversified with fluctuations from very low to high relevance. Such situation was primarily caused by the lack of integrated approach on the planning stage. Investment trends were selected on a sector-related basis, the assistance was invested in the most visible objects, the real origin of the problems was insufficiently analysed and often the investments were devoted to consequences instead of the causes.

Results of the investments of 2007-2013

While planning and implementing the structural assistance investments of 2007-2013 the country's cities and small towns were concentrated on the infrastructure investments. These are allocated for the improvement of a range of areas (transport, utilities, social and educational services). In specific areas the results of the part of investments introduce noticeable changes in the situation of the cities and small towns.

The investments of the Operational Programmes of 2007-2013 should visibly improve the provision of ambulatory social services infrastructure for the residents of cities and small towns. The number of places (potential service recipients of all the exclusion groups) in the ambulatory social service institutions of the smaller towns, including the towns of problematic territories, should on average increase by a little over 20 percent due to the EU structural assistance projects' implementation in comparison with the situation in 2008. A capacity increase of up to 10 percent is likely in major cities and regional growth centres compared with the year of 2008.

The most significant impact of the EU structural assistance on the changes in education services infrastructure was noticed in the medium-sized and smaller towns which are outside the target regional development territories (problematic territories or regional growth centres). Approximately one fourth of the schools and 40 percent of the current pre-schools' infrastructure are being renovated in these towns. Energy efficiency measures were implemented in the schools of approximately every third town under analysis.

The problems of accessibility and quality of social housing were being resolved by means of structural assistance for 2007-2013 exceptionally in problematic territories. The social housing fund in various cities and small towns of the problematic areas has grown from just a few to dozens of additional communal flats with the help of the structural investments. Due to the fact that up till now the social

housing fund available to the municipalities was scarce, in general the implemented projects will almost double the units of social housing in the problematic municipalities in comparison with the situation of year 2008.

The renovation of multiple-tenanted buildings is also noticeable mostly in the towns of the problematic territories. In some of them (Skuodas, Kelmė, Naujoji Akmenė) the structural assistance of 2007-2013 was used to renovate up to one fourth of the available fund of multiple-tenanted buildings. In comparison with the JESSICA financial instrument which within the same time frame assisted in the renovation of only some dozens of multiple-tenanted buildings in the whole of Lithuania, the impact of the investments for the upgrade of the problematic territories' housing fund was classified as significant.

The EU structural assistance was utilised for the integrated investments in the upgrading of the selected urban zones in the regional growth centres and cities of the problematic territories. It was the choice of the cities to direct the major integrated investments to the improvement of the central parts and general urban landscape. In the central parts of the cities public space and streets were arranged. The assistance allocated for the integrated urban upgrading was also partly used for the development of the recreational territories further from the central parts of the cities.

The impact of investments of 2007-2013 on cities and small towns

The EU structural support investments have a positive effect on the economic growth and employment. The results of the macro-economic modelling show that the 35 measures of the Operational Programmes designed for the improvement of the quality of life in cities and small towns contributed to the gross domestic product growth and unemployment reduction over short-term and long-term periods. In 2011 and 2012 the gross domestic product (GDP) of the country was 2.3 percent higher than it would have been without the investments financed by the EU structural funds support for 2007-2013. The long-term impact of these investments continues on into the next years: it will additionally create 0.65 percent of GDP on a yearly basis. The implemented projects caused the unemployment levels in 2011 and 2012 to decrease by almost 1.7 percentage points, i.e. without the EU structural support investments in 2012 they would have reached 14.9 percent instead of the actual 13.2 percent. Due to these investments in 2013-2015 the unemployment levels will go down by 1.3 percentage points.

The positive impact of the implemented investments can be seen on the local level as well. The case studies showed that the analysed investments helped improve the living environment and quality of life which had a positive impact on retaining and attracting qualified human resources. In some cases such impact is more direct, for example, the improved opportunities for cultural activities at the Zypliai manor will help attract more artists and will provide higher quality cultural activities. Other cases are indirectly affected, for example, in the instance of the Vilnius ring-roads the impact on the human resource attraction will be expressed through the attracted job-creating private investments. According to the estimates the construction of ring-roads and relief roads will create the necessary prerequisites for better health as well as greater productivity of the residents and will enhance the increase of added value. The sum of the benefits of such types of projects is more than 1.5 times higher than the expenses.

The integrated investments in the city centre urban upgrade (the Marijampolė case was under analysis) implemented in the regional growth centres created greater flow of residents for leisure purposes and increased the amount of money spent on entertainment during the visits, it also expanded the

development of small business in the reconstructed territories. The examples under analysis show that the arrangement of the public spaces, lighting and installation of additional security measures (CCTV) also help decrease the volume of theft. However, due to the growing flows of visitors and supply of different entertainment the absolute amount of offences in public areas is relatively increased. With consideration of the above mentioned preconditions the ratio of the (discounted) cost and benefit of the investments in the city centre renewal should exceed 1.5.

Evaluation recommendations and benefit:

The evaluation results and conclusions led to the following recommendations provided:

- *Encouraging the complexity of the investments in cities and small towns.* It is recommended to implement integrated / complex development programmes in all major cities and other selected towns of the country by confirming the funds for the implementation of the entire integrated / complex strategy by means of one decision. The EU structural assistance is recommended to be approved only for the implementation of the integrated / complex development strategies which are aimed at the aggregate of the key factors of the main problems of the specific territories, while the infrastructural investments should be combined on a thematic and territorial basis. In 2014-2020 it is crucial for the cities and small towns of the country to focus on the investments which would generate revenue in the long-term period and would contribute to the improvement of the economic environment and increase employment rates. This requires concentration of investments in the chosen priority areas and equal encouragement of the various growth factors – infrastructure, human resources, innovation – as well as advance planning of the attraction of related private investments.
- *Using new instruments offered by EC for the integrated sustainable urban development.* It is recommended to use the opportunities allocated for the implementation of the cohesion policy of the EU regulations of 2014-2020 and utilise the integrated territorial investments' (ITI) instrument for structural assistance planning and implementation. The advantage of the ITI instrument is the provision of investments according to different priorities in one document approved by one decision. This allows the city to make advance planning of the future investments in different sectors and file a strategy implementation schedule. Within the implementation of the investments on the basis of ITI the first priority is given to the major cities of the country. It is most advisable to implement the complex projects of the conversion of the potential urban zones which currently undergo problems in the major cities.
- *Within the planning and implementation of the development programmes and projects of 2014-2020 there should be more dependence on the local community resources.* In view of the fact that a part of the EU structural assistance investments are closely related to the needs of the community it is recommended to implement certain measures of the Operational Programme(s) for 2014-2020 by applying the LEADER principle the success of which was proven by the experience of rural development programmes in different EU countries. According to the LEADER principle it is advisable to supply the assistance to the local communities in the areas of ambulatory social services, informal education, culture and sport. The activities of this type reflect the most urgent needs of the community, they usually do not require exceptional resources as well as resolve the problem of the insufficient public services supplied by the municipality. Taking into consideration the current structure of the

communities and their maturity level it is recommended to implement the LEADER type measures in smaller cities and towns. The communities of the major cities of the country should be involved in decision-making and activities by means of the integrated development strategies implemented by the local authorities.

- *The available administrative resources should be utilised for the implementation of the EU structural assistance of 2014-2020.* The recommendations to use the new integrated sustainable urban development instruments and to include the local communities in the EU structural assistance processes by means of the LEADER method are associated with the necessary changes in the EU structural assistance management and control system. Based on the earlier programming periods of other countries and the experience in Lithuania the most beneficial way is to rely on the current institutions experienced in the issues of planning and administration. The inclusion of absolutely new legal entities in the management and control system reduces activity effectiveness. Meanwhile, the mistakes stemming from the lack of experience of the institutions cause indignation of the project implementers and their distrust in the entire system. Delegation of greater autonomy of actions on the strategy planning stage is recommended for the cities while implementing the ITI instrument; meanwhile, the strategy implementation management and control should be transferred to the active management and control systems institutions. It is advisable to involve the current Local Action Groups (LAGs) in the implementation of the LEADER type measures, and the new legal entities should be established only if there are no LAG resources or they are not accessible.

