
Evaluation of EU Structural Assistance Impact on Quality of Life, Social Exclusion and Poverty Reduction in Lithuania

16 June 2014

SUMMARY

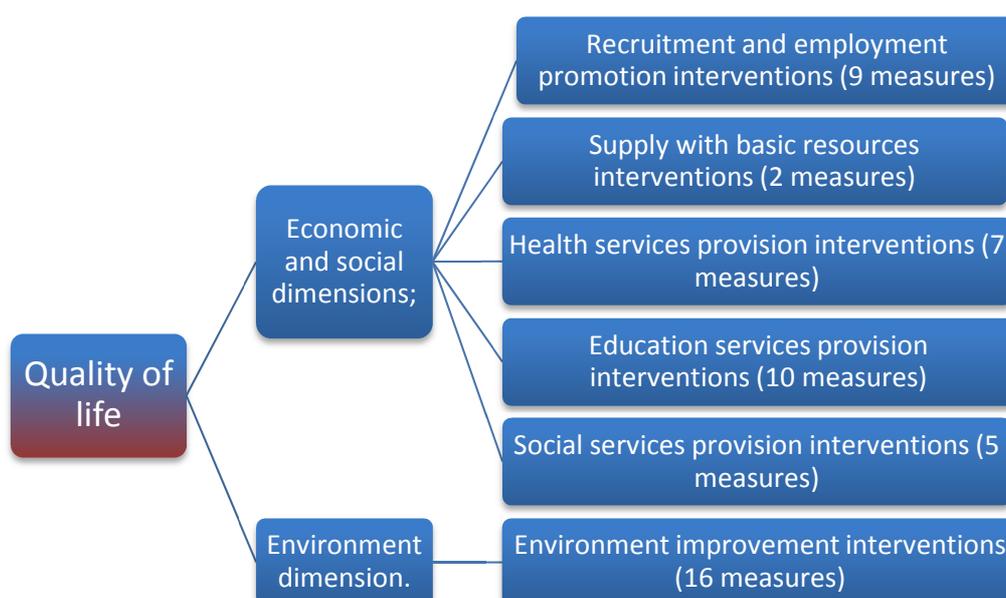
Evaluation Purpose, Objectives and Object

The purpose of the evaluation carried out in July 2013 – April 2014 was to determine the impact of EU structural assistance on social cohesion promotion in order to report on the implementation of the goals and objectives set in the Lithuanian Strategy for the Use of European Union Structural Assistance for 2007-2013 (hereinafter referred to as the Strategy for the Use of EU Structural Assistance).

Two following *objectives* were set for the evaluation:

1. To evaluate the relevance, efficiency and compatibility of measures of the Operational Programmes contributing to the improvement of quality of life, social exclusion and poverty reduction.
2. To evaluate the effectiveness, impact and sustainability of measures of the Operational Programmes contributing to the improvement of quality of life, social exclusion and poverty reduction.

The *evaluation object* – measures for poverty and social exclusion reduction and improvement of quality of life implemented under the 2007–2013 Operational Programmes. The evaluators identified 49 measures envisaged in the Operational Programme for the Development of Human Resources, Operational Programme for Promotion of Cohesion and the Operational Programme for Economic Growth. In the evaluation quality of life is defined and measures for the analysis are selected not only on the basis of the Strategy for the Use of EU Structural Assistance but also on the selected model of quality of life including economic, social and environment dimensions and appropriately smaller areas (material welfare, health, education, social services, culture and social activity, living environment and infrastructure). 33 measures implemented by the funds of EU structural assistance and reducing poverty and social exclusion were attributed to economic and social dimensions. The remaining 16 measures that contributed to the improvement of living environment (transport and broadband infrastructure development, improvement of environmental situation, arrangement of public spaces and etc.) were attributed to environmental dimension. The measures for poverty and social exclusion reduction by activity area were additionally classified into five intervention categories.



The measures attributed to economic and social dimensions were evaluated by relevance, compatibility, efficiency, effectiveness, impact and sustainability criteria, while the measures attributed to environment dimension – by impact and sustainability criteria. The evaluation covered the period from 1 January 2007 to 1 January 2014.

Evaluation Methodology

Theories of change were followed in this theory-based impact evaluation. The theories may be defined as assumptions by policy-makers on how the funds of specific interventions should contribute to target results, i.e. changes in systemic strategic context indicators. The *theory-based impact evaluation* included two stages: conceptual (theory identification) and empirical (theory verification). In order to collect the data required for the evaluation, the analysis of secondary information sources was carried out, more than 30 interviews with project operators and experts dealing with social exclusion issues, employment policy were conducted, two focused group discussions with the representatives of institutions administering EU structural assistance were held and surveys of participants of 4 projects implemented by the Lithuanian Labour Exchange were carried out.

The general map of interventions correlating 33 measures, which were implemented during 2007-2013 and contributed to poverty and social exclusion reduction (recruitment and employment promotion interventions, supply with basic resources – housing – interventions, health services provision interventions, education services provision interventions and social services provision interventions) was designed. It was determined that the nature of interventions for poverty and social exclusion reduction implemented by EU structural assistance for 2007–2013 corresponded to the statements of the *theory of individual weaknesses*. This theory states that poverty and social exclusion situation is predetermined by individual factors (insufficient motivation, capacities, disability), therefore, in order to reduce poverty, investments in the improvement of the individual situation of the people, i. e. qualification improvement, help in finding a job and etc., should be made. During the 2007–2013 period in Lithuania the largest portion of the financial package for poverty and social exclusion reduction (46%) was disbursed specifically for the recruitment and employment interventions contributing to the reduction of individual weaknesses. Such theory of change was also predominant in other EU Member States, where dealing with poverty and social exclusion problems was also primarily associated with employment enhancement.

In evaluation of the impact of EU structural assistance on quality of life, poverty and social exclusion reduction, it was analysed whether the actions implemented contributed to changes in strategic context indicators (*macro-level evaluation*) and to changes in the individual situation of the people (*micro-level evaluation*). In macro-level impact evaluation the quality of life index constructed was used. In micro-level impact evaluation the counterfactual impact evaluation method was applied, i. e. by comparing the situation of the people who participated in the projects implemented by EU assistance with the situation of those who did not participate in the aforementioned projects after the end of intervention in order to determine what impact EU structural assistance had on employability of the people, the number of days worked and income.

Relevance Analysis Results

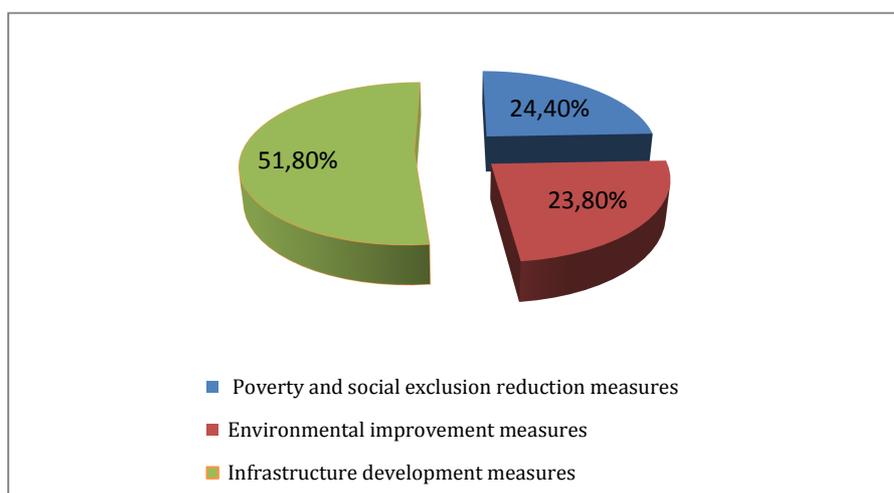
After carrying out the relevance evaluation, it was determined that in the programming documents of the 2007–2013 period (contrary to the 2014–2020 period) the logic of poverty and social exclusion reduction interventions was not clearly expressed, and the interventions were not adequately concentrated. The planning of measures was done at individual institution level; therefore, they were split and implemented through individual priorities. Due to the lack of coherent intervention logic, relevant correlations between the strategic context, target objectives and outcome measures or at project level were not ensured. In planning interventions, direct dealing with the poverty problem was not endeavoured, and the standard requirements were followed. For example, active labour market

policy measures were implemented in accordance with regulatory requirements and not pursuing the specific objective – to reduce poverty and social exclusion.

In planning social housing development, the real need for interventions in all municipalities was not properly evaluated and, based on the standard logic, the funds were concentrated in problem areas. Out of 23 municipalities, where during the planning the need for social housing exceeded the average in the country, only 6 municipalities belonged to the problem areas. Due to inappropriate concentration of funds, the benefits of EU structural assistance were lower for those municipalities, where social housing problems were more relevant. In planning financial resources for the development of social services, evidence was not based on and the need for stationary and non-stationary social services in regions was not properly examined. The funds were distributed by the number of target groups in the areas, therefore, the bigger municipalities received greater financing for social services infrastructure development, and the number of projects in the smaller municipalities, despite the greater need for social services identified in them, was lower. It is noteworthy that during the 2007–2013 period the territorial relevance of supply with basic resources interventions and social services provision interventions was not ensured.

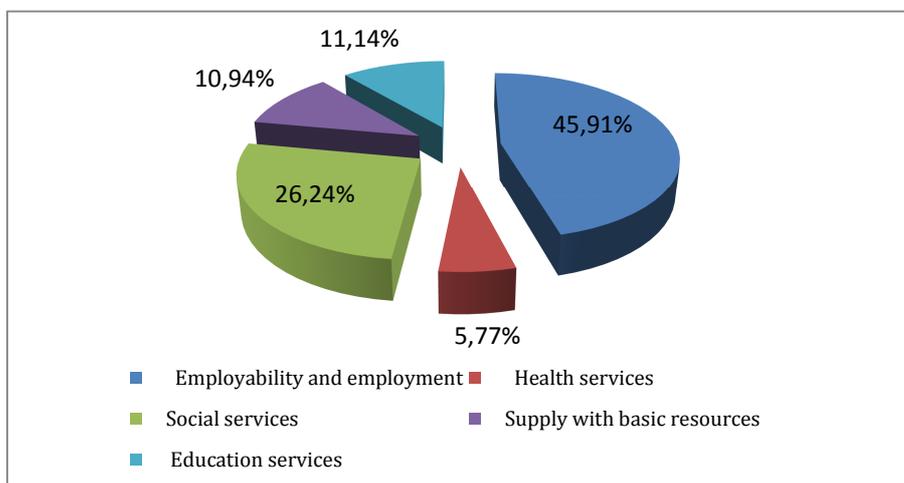
Results of the Analysis of Distribution of Financial Resources

Until 1 January 2014 LTL 9.23 billion were invested in the measures for the improvement of quality of life included in the evaluation object, of which LTL 2.24 billion were allocated to poverty and social exclusion reduction. More than a half of the funds disbursed for the improvement of quality of life (52%) was invested in infrastructure development. The assistance amount of LTL 2.24 billion disbursed specifically for the measures reducing poverty and social exclusion accounted for 24% of total disbursement amount for the improvement of quality of life till 1 January 2014.



In analysing only the funds invested in the field of poverty and social exclusion reduction, i.e. LTL 2.24 billion, it should be noted that the largest portion of investments was disbursed for recruitment and employment promotion interventions (46% of total assistance amount disbursed for poverty and social exclusion reduction). In this category of interventions Measure “Integration of Job Seekers into the Labour Market” under which the Lithuanian Labour Exchange implemented projects for active labour market policy measures and Measure “Integration of Social Risk and Socially Excluded Persons into the Labour Market” under which the projects for vulnerable society groups were implemented received the largest portion of funding. By funding level and the number of target groups included projects for active labour market policy measures and for integration of social risk and socially

excluded persons were the main actions aimed at dealing with poverty and social exclusion problems and responding to the consequences of the economic crisis.



After the analysis of the adequacy of funds disbursed for poverty and social exclusion reduction in municipalities of the country (by need of funds and investments per capita in the specific area), it was determined that 72% of the country’s municipalities received the interventions that more or less corresponded to the level of social problems in these areas. 28% of municipalities received funding not as intensive as required taking into account social problems in these areas.

Effectiveness Analysis Results

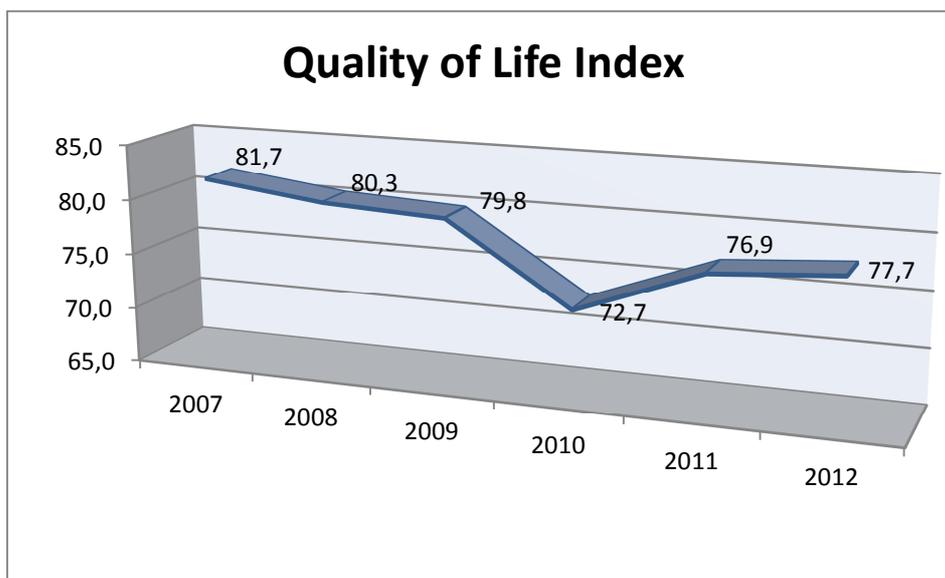
During the 2007–2013 period the objectives of the measures attributed to the categories of many recruitment and employment promotion interventions and education services provision interventions were achieved. During the economic crisis period popularity of these activities increased, therefore, it was easier to gather target groups. However, economic recession aggravated the achievement of the outcome indicators measuring the share of persons who became employed within 6 months after the end of projects and who held down their jobs. During the economic crisis period due to the decreased supply of jobs it was more difficult to find or hold down a job for the staff of lower qualification, the young people having no working experience or the persons belonging to social risk groups.

The objectives of some measures were not achieved to the extent planned due to the delayed start of their implementation or project delays. The achievements of the measures related to social housing development and renovation of multi-apartment buildings attributed to the category of supply with basic resources interventions were lower than the planned ones, as there were project delays due to the delayed contract works and more costly project activities after public procurement procedures. The objectives set for infrastructural measures for the establishment of universal multi-functional centres in rural areas and reorganization of special schools belonging to the category of education services provision were achieved to the lower extent, as project implementation was also delayed. The objectives set for the measures for the development of social services infrastructure were also not achieved to the planned extent due to the delayed start of implementation of the measures (except for the measure for the infrastructure development of vocational rehabilitation services provision institutions for the disabled under which 62% of total number of institutions operating in the country and providing such services were established in 2007–2013).

It is noteworthy that the degree of implementation of projects and measures was too low in order to markedly change the strategic context and clearly reduce poverty in the country. The actions implemented by the Lithuanian Labour Exchange (active labour market policy measures involved more than 200 thousand unemployed persons) as well as interventions in the education sector, for example, the measures for provision of non-formal education services, which in 2007–2013 was actually financed exclusively from EU structural assistance, included the greatest number of representatives of the target group.

Impact and Sustainability Analysis Results

The Quality of Life Index (hereinafter referred to as the QLI) correlating and visually illustrating the indicators, changes whereof could be/were affected by EU structural assistance interventions, was designed for the macro-level impact evaluation. The indicators comprising the QLI were grouped into seven areas (material welfare, health, education services, social services, culture and social activeness, environment and safety as well as infrastructure) correlated with specific measures implemented by EU structural assistance. The baseline scores of the Index ranged from 0 to 100. The higher the baseline score of the Index in a specific year, the more favourable trends of all indicators comprising it were recorded at that time.



During the 2007–2013 period EU structural assistance had an impact on the change in indicators comprising QLI, however, the changes predetermined by the interventions at national level were inconsiderable as compared to the impact of the stronger external factors, i. e. the economic cycle. On the one hand, in 2007–2013 there was a gap between the planned target objectives under projects and measures and the strategic context indicators, as the measures implemented were not of such scope that they could change the strategic context in the country (for example, to markedly contribute to the decrease in poverty or unemployment rate). On the other hand, EU assistance interventions could make only a very limited impact on the change in such strategic context indicators as “Poverty risk level”. Poverty risk level illustrates income inequalities in the country. Whereas in Lithuania income distribution does not change or changes very little, the poverty risk level remains almost constant (about 20%). The State tax policy measures not EU structural assistance investments play the major role in the field of income inequality reduction. Moreover, the poverty reduction level depends not only on income gained by an individual person but also on income change rates of different groups of society.

EU structural assistance made the major impact on poverty and social exclusion reduction through investments in the *material welfare* sector (*income enhancement, employment enhancement and unemployment reduction as well as housing provision*). Recruitment and employment promotion and supply with basic resources interventions were directly designed for enhancement of material welfare, the disbursement amount for which made up LTL 1.16 billion during the 2007–2013 period.

Projects implemented by the funds of EU structural assistance in the field of material welfare contributed to the increase in *income* of persons who participated in them. After carrying out the counterfactual impact evaluation and analysing the impact of five active labour market policy measures implemented by the Lithuanian Labour Exchange (job skills acquisition support, vocational training, job rotation, subsidized recruitment and public works) on income of persons who participated in them, it was determined that after the end of the intervention job skills acquisition support exerted the strongest positive impact on the aforementioned income. Annual income of persons who participated in this measure was by LTL 4.655 higher than in the case of their non-participation in the project. Thus, the average monthly disposable income of a person who participated in this measure (as well as of his/her household) increased by approximately LTL 388. The vocational training measure ranked second by the strength of impact, where the annual income of persons who participated in it were by LTL 1.582 higher than it would be without participation in the project. Consequently, the average monthly disposable income of persons who participated in the measure (households thereof) increased by approximately LTL 181. The impact of subsidized recruitment after the intervention was very weak, although this measure was oriented towards the long-term recruitment objectives. In fact, subsidized recruitment very well proved its worth for the target group of the disabled, as the annual income of the disabled persons who participated in this measure were by LTL 2.175 higher than in the case of their non-participation in the project. Public works had the lowest impact after the intervention, however, this measure should be regarded as the short-term employment guarantor, which was adequate and required during the crisis period. The active labour market policy measures financed by EU structural assistance for the counterfactual evaluation were selected on the basis that by volume of actions implemented and by the number of persons included as well as by financial resources allocated these measures were the major actions aimed at contributing to poverty and social exclusion reduction during 2007-2013.

EU structural assistance interventions made an impact on the change in *employment* indicators and contributed to mitigation of negative trends, however, the impact was not significant. Without the implemented active labour market policy measures, the unemployment rate in the country would have been approximately by 1 percentage point higher each year. Due to the implemented actions the annual number of persons that got employed during the year made up about 6% of the unemployed registered at the Labour Exchange. EU structural assistance contributed to the increase in employment of specific social risk groups (convicts or convicts returned from imprisonment institutions, persons addicted to psychotropic substances, elderly women, representatives of ethnic minorities, persons having no permanent place of residence and etc.). Acquisition of communication and domestic skills, independence training, strengthening of confidence were the greatest benefits of the projects meant for these target groups. First of all, the people were returned to social environment, and later on it was thought about the results of their employment.

The micro-level evaluation of the impact of EU structural assistance on employment and the results of the counterfactual impact evaluation show that those persons who participated in active labour market policy measures for support of acquisition of labour skills, vocational training and job rotation persisted longer in the labour market. After the end of project implementation, the persons who participated in a measure for support of acquisition of labour skills worked for approximately 118 working days longer than they would have worked if they did not participate in the measure, the persons who participated in a vocational training measure – for approximately 40 working days longer, and those who participated in job rotation measures – for about 17 working days longer. It is noteworthy that EU structural assistance had a particularly positive impact on employment of the

disabled and the young people. The largest share of the young people stated that their participation in projects was an essential factor predetermining their employment.

The impact of EU structural assistance on *housing provision* and social housing market at national level was low, as the measures for supply with basic resources were implemented only in the problem areas. In 2007–2013 6% of total number of persons who were lodged in social dwellings in the problem municipalities during that period was lodged in social dwellings equipped or renovated from EU structural assistance in the problem municipalities. The greatest impact of supply with basic resources interventions was in Ignalina District Municipality, Jonava District Municipality and Joniškis District Municipality.

Objective (institutional and legal) sustainability assumptions of recruitment and employment promotion interventions were ensured due to the functioning of the systems of the Lithuanian Labour Exchange and vocational rehabilitation services provision for the disabled, supported target groups established in legal acts. Objective financial assumptions were not ensured for NGO projects on social risk and socially excluded persons (the funding from municipalities is not always received, therefore, the created performance models are no longer used). The financial and legal assumptions of supply with basic resources interventions were ensured, as municipalities are responsible for the maintenance of owned social housing.

Investments in the *health sector* for improvement of the quality of health care services and accessibility thereof made an indirect impact on poverty and social exclusion reduction and were directly oriented towards the improvement of quality of life. The scale of the measures for the enhancement of accessibility of mental health care services during the evaluation period was little (a number of projects was completed only in 2013, and others were still under implementation) but the results of these measures were of major importance. The missing link for the provision of crises intervention services was created by the funds of EU structural assistance, in-patient day care mental facilities and the child and family aid centres that not existed were also established by the funds of EU structural assistance. The measure for the development of out-patient, supportive treatment and nursery services as well as palliative care under which projects in 7% of total number of health care institutions existing in the country were implemented had greater impact on the improvement of the accessibility of personal health care services. The objective assumptions for the accessibility of health care services and the sustainability of results of the quality improvement interventions were ensured. The projects were implemented by health institutions, therefore, the national funding resources will be used for the maintenance of a new infrastructure.

In *the education sector* the interventions in the field of the development of non-formal and pre-school education implemented by EU structural assistance had the major impact on poverty and social exclusion reduction. Children's inclusion into pre-school and pre-primary education and non-formal education is a preventive measure helping reduce the number of early drop-outs of pupils from the education system creating prerequisites for the acquisition of higher level education and qualification, seeking better-paid jobs. In 2007–2013 an absolute majority of non-formal education services was financed from the funds of EU structural assistance, as due to the crisis national funding for this area was reduced. In implementation of education sector interventions, there was purposeful orientation towards more distant neighbourhoods (rural areas), the priority was given to social risk persons or persons with special needs. Objective financial assumptions for the provision of education services are ensured if municipalities get involved in or support the created infrastructure, ensure payment of wages (this is of major importance for the continuity of the activities of universal multi-functional centres in rural areas).

Investments in enhancement of the accessibility of out-patient *social services* and a small in-patient facility contributed to poverty and social exclusion reduction, and their impact was of crucial importance at micro level (social and psychological isolation of both social services providers and

next-of-kin who took care of them at home, social and independency skills were improved, the possibilities for integration into the labour market were created). In 2013 the provision of integral aid services at home was launched, while no such provision would be possible without EU structural assistance. It is noteworthy that EU assistance to an extremely large extent contributed to the development of the network of institutions providing vocational rehabilitation services for the disabled, as 62% of such institutions operating in the country were established by the assistance funds. Objective assumptions of the sustainability of results achieved are partially ensured, as out-patient social services provision institutions not always receive funding from municipalities, although it is required for their further activities. The deinstitutionalization process to take place in 2014–2020 should contribute to the provision of out-patient social services.

EU assistance interventions made the greatest impact on *improvement of environment* through investments in infrastructure (transport, broadband connection and recreation). EU funds to the largest extent contributed to the improvement of national road situation and broadband infrastructure development. For example, the roads asphalted from EU assistance funds made up even 73% of total increase in roads with improved pavement from 2007 to 2012. 18% of total number of national roads belonging to TEN-T network were also built or reconstructed. In 2007–2013 the importance of the broadband connection in Lithuania increased more than twice, and 21% of the total length of fibre loops was built by EU assistance. The largest portion of investments in environmental protection during the 2007–2013 period was allocated to upgrading of water supply and waste water treatment systems, also for development of the waste management system, water pollution reduction. Given the scale of measures, the impact of EU structural assistance on the overall quality of national water and air was moderate or low.

Benefits of Evaluation

After carrying out the evaluation, the conclusions were substantiated by evidence collected that during the 2007–2013 period the major impact on quality of life in the country was made by external factors (first of all, by economic cycle), and the impact of EU interventions at macro level, i. e. at national level, was of low degree (except for infrastructural interventions). It was also proved that the poverty risk level to the greater extent depends on general regulatory environment in the country, and not on EU structural assistance interventions in this field. For example, decisions taken at national level affect pension, minimum wage, social benefit rates, and application of tax incentives. Moreover, poverty risk dynamics also depends on the change rates between incomes of different groups of the society.

The evaluation performed was useful, as the map of 2007–2013 EU structural assistance interventions that contributed to poverty and social exclusion reduction and intervention logic schemes for each of five intervention categories were designed (recruitment and employment promotion, supply with basic resources, health, education and social services provision interventions) by correlation of problems, activities, target results and external factors affecting the achievement of the planned targets. Taking into consideration that in the programming documents the intervention logic was not clearly expressed and the measures were implemented through individual priorities, designing of the map of interventions was an essential activity both for the impact evaluation and comparison of poverty and social exclusion reduction interventions in Lithuania with poverty and social exclusion reduction measures implemented in other EU Member States.

Secondly, interventions implemented in Lithuania during 2007–2013 were correlated with specific theories of poverty and social exclusion reduction and substantiated by the implication of the academic community that individual approach towards poverty problematics is predominant and there is a lack of structural solutions. It is noteworthy that individual approach is most often also applied in other EU Member States. Thirdly, the QLI was designed and calculated for the evaluation of the impact by correlating it with specific interventions implemented in Lithuania during the 2007–2013 period. This Index allowed both illustrating the changes in quality of life in the country during

the specific period, and evaluating the extent of the impact of EU structural assistance. Fourthly, the analysis of distribution of funds disbursed for the improvement of quality of life, poverty and social exclusion reduction in Lithuania during 2007–2013 by QLI segregated area was carried out by creating possibilities for comparing this information with the volume of financial resources invested in other countries.

One of the major results of the evaluation was the micro-level evaluation of the impact of EU structural assistance in respect of which the counterfactual impact evaluation method was applied. After carrying out this evaluation, for the first time in Lithuania, the net impact of five active labour market policy measures implemented in 2007–2013 was analysed and compared, and it was determined which of them exerted the crucial impact on recruitment, income and the number of days worked of project participants after the end of projects. The results of the analysis and conclusions are relevant, as active labour market policy actions are also planned to be funded by EU structural assistance in 2014-2020. In addition, the evaluation report describes the methodology under which the counterfactual impact evaluation was performed. This information is of major relevance in terms of the European Commission's recommendations on more frequent application of this method.