

# LITHUANIA

*Pakruojis District*

**RURAL**



*Kaunas City*

**URBAN**



*Kaunas District*

**SUBURBAN**

● *Vilnius*

**CAPITAL**





## KEY LESSONS

- RURAL AREAS CONTINUE TO ‘LIVE SMALL’ RATHER THAN COMPETE IN REGIONAL ECONOMIC ARENAS
- LOCALITIES TRANSCEND THE ECONOMIC GROWTH NARRATIVES BY SUGGESTING QUALITY OF LIFE AND SOCIAL INNOVATIONS
- TERRITORIAL ECONOMIC CAPITAL IS AN ADVANTAGE THAT HAS BEEN PRIORITIZED OVER COMMUNITY NETWORKS BY LOCAL AUTHORITIES
- SPATIAL CONFIGURATIONS AND SETTLEMENT PATTERNS OF URBAN AND RURAL AREAS ARE IMPORTANT FOR SOCIAL INVESTMENT POLICY
- NETWORK GOVERNANCE MAY BE UNDERSTOOD AS AN ALTERNATIVE TO HIERARCHICAL ARRANGEMENTS BETWEEN CENTRAL AUTHORITIES AND MUNICIPALITIES IN IMPLEMENTING SOCIAL INVESTMENT POLICIES

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# PRESENTATION OF CASE AREAS

## Country presentation

Indicator	Lithuania	Kaunas City Municipality	Kaunas District Municipality	Pakruojis District Municipality
Population*	2,794,207	292,789	95,839	18,378
Area km <sup>2</sup> *	65,300 km <sup>2</sup>	158 km <sup>2</sup>	1,496 km <sup>2</sup>	1,316 km <sup>2</sup>
Population density* (inhabitants/km <sup>2</sup> )	42,8	1,853.1	64.5	14.1
5-year population change (%)**	-4%	-2%	8%	-14%
Unemployment rate (%)***	16.1	16.7	14.9	13.8
Long-term unemployment rate (%)****	2.5 %	n/n	n/n	n/n
Pre-school enrolment rate (%)*****	91.0	n/n	n/n	n/n
<i>Economic situation indicator:</i> (Regional GDP per capita as percentage from country average, %)*****	-	103.1	103.1	75.8

\* Official Statics portal, 2020 January 1

\*\* Official statistics portal, derived indicator - 2015 compared with 2020.

\*\*\* Employment service statistics, 2021 03 <https://uzt.lt/darbo-rinka/situacijos-apzvalga/>

\*\*\*\* Official statistics portal, <https://osp.stat.gov.lt/informaciniai-pranesimai?articleId=8422167>

\*\*\*\*\* Share of children between the age of four and the starting age of compulsory education participating in ECEC, Eurostat, 2018.

\*\*\*\*\* Kaunas City Municipality and Kaunas District Municipality are a part of Kaunas region, Pakruojis District Municipality - is part of Šiauliai region. Source: Lithuania Statistics, 2020.

**Urban case:** Kaunas City Municipality benefits from being a significant transport and logistics centre for Lithuania, which is based on its excellent geographical location, water transport infrastructure, international airport, mainline connections to the European rail network, public logistics centres, a multi-connection transport terminal and the increasing importance of international transport corridors across the region. Kaunas also benefits from its proximity to Vilnius, Lithuania's largest city by population, as the two cities form a greater metropolitan area with ensuing possibilities. Kaunas City Municipality demonstrates characteristics typical of metropolitan areas, including high population density, economic growth accumulation, high levels of private and public investment (compared with Lithuania's peripheral regions), problems of social exclusion and a flexible labour market. Although the economic potential of Kaunas city is growing, its population is falling dramatically. This depopulation and the competition with its suburbs have become significant territorial challenges for Kaunas city. Social segregation in various city neighbourhoods presents another considerable challenge. Such neighbourhoods are typically Soviet-era housing districts that are characterized by ageing populations, depopulation, devaluation of housing and the breakdown of infrastructure.

**Suburban case:** Kaunas District Municipality surrounds one of the largest Lithuanian cities – Kaunas (Kaunas District Municipality is a so-called suburban 'ring' municipality). Geographically, Kaunas district is placed favourably at the crossroads of international transport networks. The successful expansion of Kaunas Free Economic Zone has created favourable conditions for economic growth in Kaunas district and the district has seen an increasing amount of foreign direct investment per capita. During the last decade, the locality has experienced a significant increase in population (with more young middle-class families), especially due to an increase in birth rates. The suburban revival can be explained by the fact that young families have started to move to the suburbs of Kaunas city because of an intensive expansion of new homes and multi-apartment buildings. One of the biggest challenges for Kaunas District Municipality is shared with Kaunas City Municipality, as the challenge is a territorial one in that the population growth and success of the suburban district stand in contrast to the depopulation and challenges of the city that the ring district surrounds. Even though the number of people in Kaunas district who are at risk of social exclusion has been decreasing, territorial differences within the district are still observable, particularly concerning the more remote rural locations in the district, which see the highest number of people at risk of social exclusion.

**Rural case:** Pakruojis District Municipality is located in the northern part of the country on the border with Latvia. According to Statistics Lithuania, Pakruojis District Municipality is one of the smallest rural municipalities by population. Even though the district is a remote rural area, it has access to a good transport infrastructure that connects the districts with other regions of the country. The municipality mainly relies on agricultural activities, with 71.4 percent of the territory devoted to field crop farming. The natural potential for other activities, for example, tourism, is limited due to the lack of attractive water resources. The municipality also experiences significant depopulation (between 1996 and 2019, the population dropped by 33.58 percent), which has affected the local primary and secondary education system, students' enrolment to vocational school and labour market dynamics. Although this locality has the potential for industry and tourism development, it also faces the significant challenges of depopulation, an ageing population, and long-term structural unemployment. The traditional orientation of the Pakruojis district towards industry sectors and farming has largely determined its long-term unemployment and employment problems and shapes the territorial development options for the future.

# COHESION IN CONTEXT



*Morning view of the main pedestrian area, Laisves Avenue in Kaunas city. © Jurga Bucaite-Vilke.*

When examining the concept of territorial cohesion in a Lithuanian context, one must consider the concept in relation to broader debates on spatial development and regional policies in Central and Eastern Europe. Two main processes, the EU territorial policy agenda and Lithuania's accession to the EU in 2004, have impacted significantly on the understanding of territorial cohesion in Lithuania. The national policy paradigm on territorial cohesion reflects the EU perspective on territorial development and regional policy issues. The need to focus on regional economic and human resources to develop regional competitiveness and 'regional smart specialization' have been regarded as the driving forces of regional development policies. The reduction of economic disparities between Lithuanian regions has been prioritized over other problems, for example, depopulation, in-migration and out-migration of labour force, unequal payment in various economic sectors, poverty, or access to public services (education, social welfare, and culture). In national policy discourse, the social and spatial disparities are understood as negative outcomes of decreasing regional economic competitiveness and economic productiveness. For example, the Lithuanian Regional White Papers for 2017-2030 underline the concept of regional specialization where human and financial capital is put into the most productive and promising economic development areas.

Moreover, the Lithuanian understanding of territorial cohesion prioritizes economic competitiveness rather than equal living standards and socio-spatial equity in different regions. The regions must rely on their economic potential in expanding financial resources, for example, by increasing direct foreign investments and focusing on higher wages and productive economic sectors – the unequal distribution of economic capital benefits less-developed regions. Simultaneously, discussions on ensuring equal standards of life quality and social and economic development perspectives in the regions are given less priority. The regional partnerships, and community-based innovation and cooperation that we see in Lithuania are still to find their place in the public authorities' official strategies oriented towards reducing regional development disparities.



*University campus building, Vytautas Magnus University, Kaunas district, Akademija. © Ieva Dryzaite.*

## Rural areas continue to 'live small' rather than compete in regional economic arenas

The Lithuanian rural case study demonstrates that the locality has an exceptional advantage in mobilizing collective action that replaces the boundaries of limited regional economic growth potential. The locality supports the principle of 'living small' instead of trying to boost its competitiveness in the unequal competition with other regions that are economically stronger. Contrary to the urban and suburban localities, the rural municipality of Pakruojis has adjusted the understanding of territorial cohesion by identifying alternative aspects of its territorial potential, for example dense social networks, mutual provision of essential help and inter-personal trust. Consequently, the Lithuanian rural area's territorial cohesion is more associated with the development of public services and public infrastructure, community capital, and local life quality.

Our research data indicate that the development of community social capital that enables collective capabilities and civic participation is a minor priority in the discourse of local authorities. Different socio-economic groups are treated as beneficiaries of the welfare system rather than active citizens. In other words, the social capital and inclusive governance approach are not integrated into the understanding of rural territorial development.

Moreover, in our rural case study interviewees, the strong community capital and dense social networks highlighted by stakeholders in the local community and the local entrepreneurs' mobilization of knowledge highlighted by stakeholders in businesses are examples of territorial capital unique to the rural localities. An example of territorial social innovations in Pakruojis is a public-private partnership to develop cultural tourism in the rural locality (the Pakruojis manor house complex as a well-known site for cultural heritage tourism). This example demonstrates a combination of shared entrepreneurship expertise and municipal competencies in territorial branding strategies. Finally, rurality can offer great opportunities for reframing rural economic and social development so that it is couched in terms of the value of local knowledge rather than a lack of ability to compete in an unequal field of regional localities.

*"There is a big community potential because most people are elderly, they are not active anymore in the labour market, but they have energy, and put it into the community activities" (Municipal representative, Pakruojis).*

*The company 'Dolomitas' that produces crushed dolomite stone products in Pakruojis district.*

*© Jurga Bucaite-Vilke.*



**Localities transcend the economic growth narratives by suggesting quality of life and social innovations.**

The documents on Lithuanian regional policy that emanate from the national level, for example, *White Papers on Regional Development for 2017-2030*, refer to territorial cohesion as a sectoral concept that identifies rural development directions in terms of economic competitiveness and economic productivity. According to regional policies from central government, the development of innovative agriculture sectors, entrepreneurship, establishing SME's (Small to Medium-sized Enterprise), and modernization of public infrastructure and transportation (commuting) connections should follow to economic growth. Central government's regional policy stipulates that Lithuanian municipalities must recognize and develop their competitiveness and economic specialization profiles rather than prioritizing investments in social welfare, culture or recreation (known as the 'smart-specialization' approach). The absence of SI policies (for example, vocational education and training and active labour market policies) in territorial discourse reflects the prioritization of the country's economic development rather than regional welfare, better access to service provision, and quality of life.

*City beach in Kaunas city near the river of Nemunas.*

© Jurga Bucaite-Vilke.



Despite the priority of economic competitiveness, Lithuanian localities also propose their own paths for territorial development. For example, in our rural case study on the Municipality of Pakruojis, we see how the municipality incorporates territorial capital, community participation and local entrepreneurship in establishing collaborative governance arrangements. An example of this is a public-private partnership to develop cultural tourism and cross-border tourism initiatives between the Lithuanian and Latvian regions. The suburban case study on Kaunas District Municipality and the urban case study on Kaunas City Municipality demonstrate the strong economic potential that lies in logistics, industrial zones and innovation centres. A particular territorial focus is given to economically productive and competitive industrial zones, such as the International Kaunas airport and Free Economic Zone of Kaunas region, the fastest-growing industrial zone in Lithuania. However, the suburban and urban localities are plagued by territorial economic problems, including a lack of small and medium-sized businesses, weak entrepreneurship initiatives and a lack of innovative technologies. Therefore, the local authorities recognize a need for better social welfare, public life and educational services rather than enhanced economic productiveness. An example of how the suburban municipality addresses this is the modernization of early childcare institutions in suburban areas and its implementation of a family-based kindergarten model. The family-based model utilizes family entrepreneurship to sustain the availability of childcare services. In the urban case study, public spaces are modernized to increase their attractiveness to inhabitants living in the socially vulnerable districts of Kaunas city. In this way, localities balance the economic growth focus of national policies with measures to improve quality of life and social innovation.

*“The Municipality understands that their main task is to work for the people persuading them not to leave the territory. The Municipality needs to provide services and make life more comfortable for local people”.*  
(Municipal representative, Kaunas city).

## **Territorial economic capital is an advantage that has been prioritized over community networks by local authorities**

Territorial capital is considered one of the most critical elements in territorial development. Natural and cultural resources, social capital (collective action capability, collaborative competencies, institutions, values, and trust), human capital (entrepreneurship and creativity), and cooperation networks (public/private partnerships in local governance) are all elements of regional territorial capital. Each of our urban, suburban and rural cases represents a unique intertwining of economic, cultural, social, and physical resources and territorial developmental patterns. The three municipalities represent different tracks of demographic and economic development that determine the nature of their territorial capital.

The urban Kaunas City Municipality and suburban Kaunas District Municipality constitute an urban-suburban interdependency that takes advantage of geography, joint public infrastructure and the interplay of territorial initiatives. The territorial capital in Kaunas City is thought of as a combination of economic assets and a favourable geographical position rather than promoting local communities or initiatives. Similarly, the suburban Kaunas District mobilizes its territorial capital based on a favourable logistical position, industrial economic productivity, and population growth. The main territorial policy interventions aim to foster local economic productivity rather than encourage local initiatives, except for SME entrepreneurship. Territorial capital is thought of in terms of infrastructure and logistics, entrepreneurship, equal access to infrastructure, services and resources, modernization and connectivity rather than social capital. To summarize, the understanding urban and suburban territorial capital in both localities is based on a top-down principle of governance and the economic growth perspective.

*"The community is essential to developing the common sense of belonging; it's like a family home, the family has to gather somewhere".  
(Municipal representative, Pakruojis).*



The understanding of territorial capital in the rural case study Pakruojis District Municipality focuses on collective efficacy and dense community networks. Although Pakruojis District Municipality has experienced population decline for almost three decades, the municipality is attempting to re-define its approach to territorial development. The municipality pays attention to natural resources and local competitiveness based on creativity structures, local trust, a sense of belonging, and strong local identity. This implies that the identity and history of a place or particular territory contribute significantly to territorial capital. The combination of historical heritage and entrepreneurship initiatives could become an alternative to the rural territorial economic growth policy. It could ensure a new added value for local products and services. This, in turn, could encourage the interest of local inhabitants and community organizations to participate in new activities. In this way, the rural locality can mobilize community networks as a response to limited economic potential.

*Soviet-style housing blocks,  
Akademija, Kaunas district.*  
© Ieva Dryzaite.

## Spatial configurations and settlement patterns of urban and rural areas are important for social investment policy

*“Our suburbs are getting so much developed [through suburban area development], and we are getting into issues. ... It's a challenge because we need kindergartens; elsewhere they are closed, we are not able to build new ones, although we do it every year”.*  
(Local representative, Kaunas District Municipality).

In Lithuania, the 'traditional' top-down approach of cost optimization and cost efficiency defines how sectoral policy tackles territorial problems, for example in the fields of childcare services, social welfare services, public transportation and waste disposal. However, spatial configurations and settlement patterns can also potentially lead to specific ways in which different localities deal with their challenges. Each Lithuanian municipality has an internal administrative structure of elderships that are very diverse in terms of socio-economic indicators and proximity to public services. The urban districts are concentrated around the administrative centre of municipality that have high concentrations of public services. In contrast, rural districts have to cope with the consequences of spatial polarization in terms of limited availability and access to public services. For example, the rural locality of Pakruojis demonstrates the importance of geographical (*spatial*) accessibility to early childhood education and care services and public transportation for women's participation on the labour market and household incomes in both remote rural elderships and even the more urban ones in the rural case; The more spatially accessible early childhood education and care services are in a district, the higher the participation rate of women on the labour market and household income are in that district. The spatial territorial organization is a significant barrier to public services, which are concentrated in towns, and to accessibility to other public infrastructure, particularly for elderly low-income inhabitants



who reside in remote rural districts. The problem of territorial connectivity and transportation is also significant; the poorly developed transportation infrastructure is one of the most critical territorial disadvantages, which is primarily to the detriment of socially vulnerable citizens from rural districts.

In the urban case of Kaunas City Municipality, the city's asymmetric structure, the functional differentiation of living spaces, and an unequally developing urban territory influence the concentration of institutions that provide public services to socially vulnerable groups. Inhabitants from the outer-city territory have more difficulties accessing high-quality public services and recreational zones than do inhabitants from the central urban zones. Our suburban case Kaunas District Municipality faces supply and demand problems in early childhood education and care services, and has challenges in ensuring territorial equalization and sustaining accessibility to services in both its urban and rural districts. Municipalities attempt to resolve the problems of spatial access to different public services, but do not always succeed. A positive spatial interconnectedness example includes the capacity of business stakeholders to be involved in implementing urban development plans, for example by suggesting investments in childcare infrastructure buildings or expansion of workplaces in Kaunas Free Economic Zone (located in the suburban area).



*View from the main street of Pakruojis town.*

© Jurga Bucaite-Vilke.

## Network governance may be understood as an alternative to hierarchical arrangements between central authorities and municipalities in implementing social investment policies

*“When there is a problem at the national level, then it is dropped to the municipalities. You have to solve the problems of migration, problems of kindergartens yourself. Well, it seems like a municipality's function is to control everything, but we cannot” (Municipal representative, Kaunas district).*

New private housing area,  
Kaunas district.  
© Ieva Dryzaite.

In the Lithuanian case, the governance mechanism is important in implementing social investment policies. The hierarchical arrangements between central authorities and municipalities define how vocational education and training, early childcare services, and active labour market policies are to be implemented. The Lithuanian case analysis demonstrates that national legislation, fiscal planning, public procurement procedures, and centrally planned large-scale investments strongly influence vocational training and labour market policies. The consolidated policy means that the local communities and authorities depend on the support of and subsidies from the central authorities, for example state-subsidized early childcare services.

However, we do see more territorial responsiveness in early childhood education and care than in other policy fields. The services are high on the municipal agenda, and there is a mutual understanding of the importance of high-quality childcare services despite limited financial resources. In all our case study localities, horizontal networks and horizontal governance help adapt childcare policy to local needs. In other words, the municipalities can regulate the supply and demand for childcare services by looking

at parents' needs. The Lithuanian rural case demonstrates that networking, neighbourhood interrelatedness and rural community activism are crucial for providing better access to services and the implementation of social investment policies.



## **Crosscutting perspectives: future perspectives**

The general observations from the Lithuanian context centre on the relationship between national economic growth strategies and territorial inequalities. The COHSMO project has demonstrated that European countries address the distribution of economic, demographic and social resources in different ways depending on their institutional and governance capabilities. There is a growing need to recognize territorial capacities, such as small-scale entrepreneurship initiatives, commercial but environmentally friendly exploitation of territorial advantages, community mobilization strategies, or even higher local autonomy (functional and financial) to tackle micro-level territorial disparities. One crosscutting perspective from the Lithuanian case is that socio-economically shrinking rural regions should exploit their most abundant territorial resources. We suggest recognizing the macro-level territorial disparities and disadvantages as a source for the micro-level initiatives and community level initiatives. The differentiation of place-based approaches, for example, more active participation of local economic stakeholders or development of cooperation networks, could be applied more intensively.

The second crosscutting perspective addresses the importance of local autonomy in developing territorial cohesion and more sustainable social investment policies. Local autonomy thus normatively legitimizes local government as a democratic institution situated – territorially – at the local level (Pierre, 1990). Moreover, the existence of an effective “policy space for local democracy” (Ladner, Keuffer and Baldersheim, 2016: 325) helps to distinguish between locally administered tasks, whereby a local government provides and implements services designed by higher levels of government, and “real” local autonomy, where a local government can develop services in the way it deems most appropriate.

The third crosscutting perspective is that inter-municipal cooperation can be used to foster territorial development policies. We emphasize inter-municipal cooperation options at the regional scale, particularly by looking at the interconnectivity of neighbouring urban and suburban localities. The Lithuanian case demonstrates the problem of overlapping public services in urban and suburban areas, for example the problems of accessibility to childcare services that could be solved by using a territorial capital mobilization strategy. The horizontal and vertical cooperation and openness/participation (for example, public trust, participation in local debate events) prompt us to re-think the idea of democratic potential in small-scale territories. Higher levels of local government efficiency and social trust could lead to a re-thinking of community territorial engagement strategies.

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