



Rural features as the key criteria for the differentiation of regional policy measures



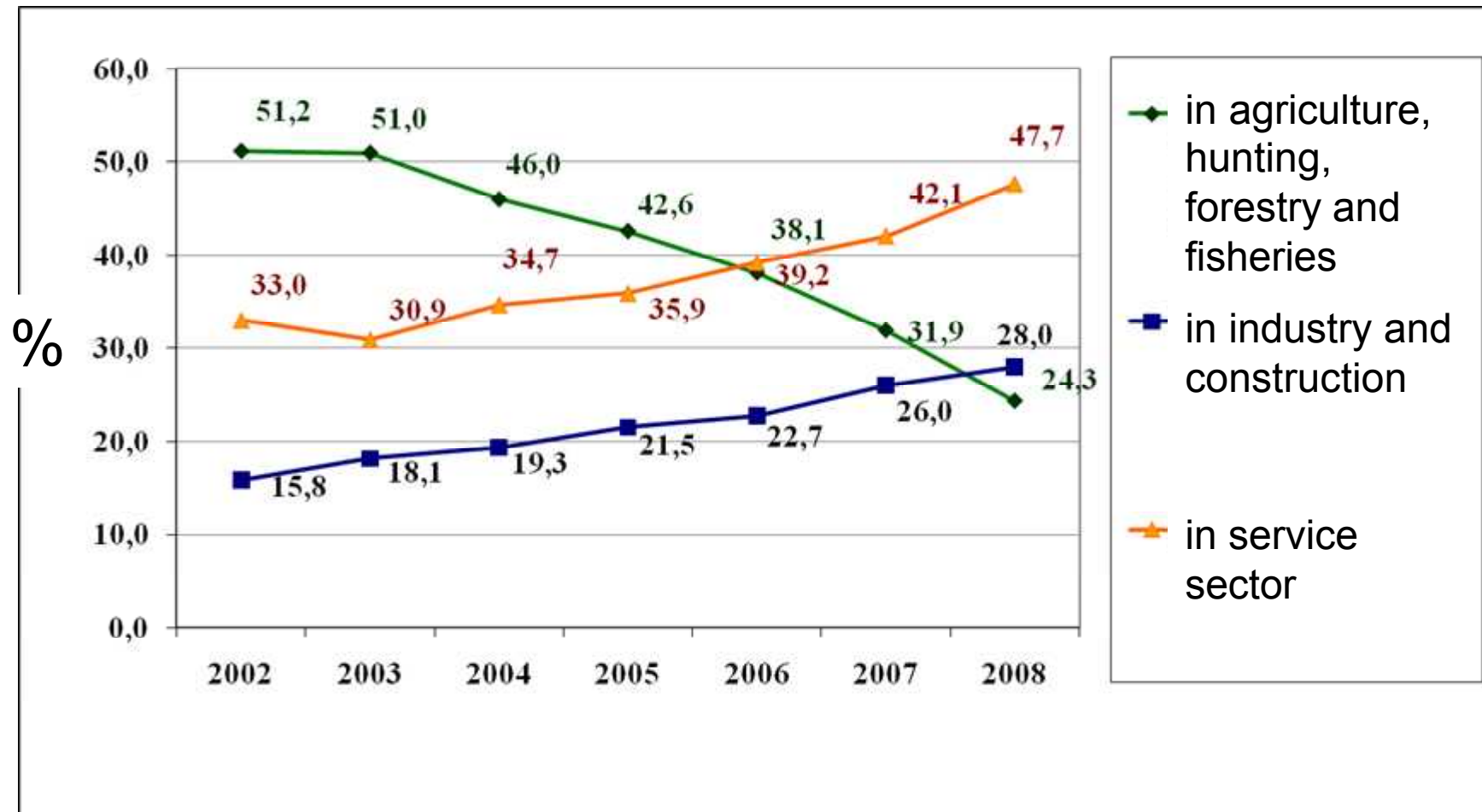
Dr. Rasa Melnikienė, Dr. Dalia Vidickienė
Lithuanian Institute of Agrarian Economics



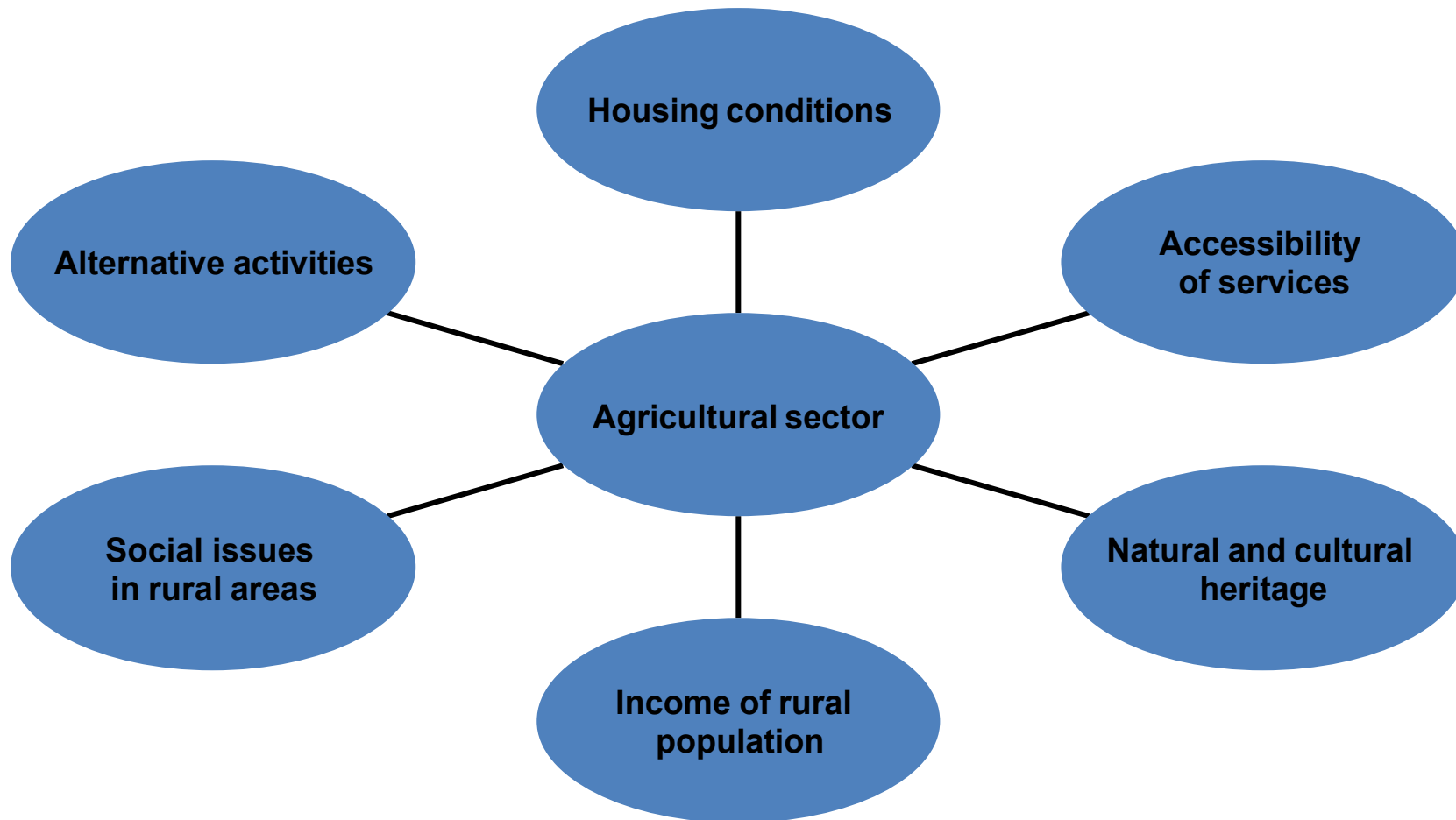
Situation that requires to switch from sectorial to regional ‘place-based’ rural development policy paradigm has already developed in Lithuania

- Since 2006 service sector and since 2008 manufacturing predominates over agriculture in rural economy.
- Other factors requires in taking rural development policy decisions in the essentially changed structure of the economy.

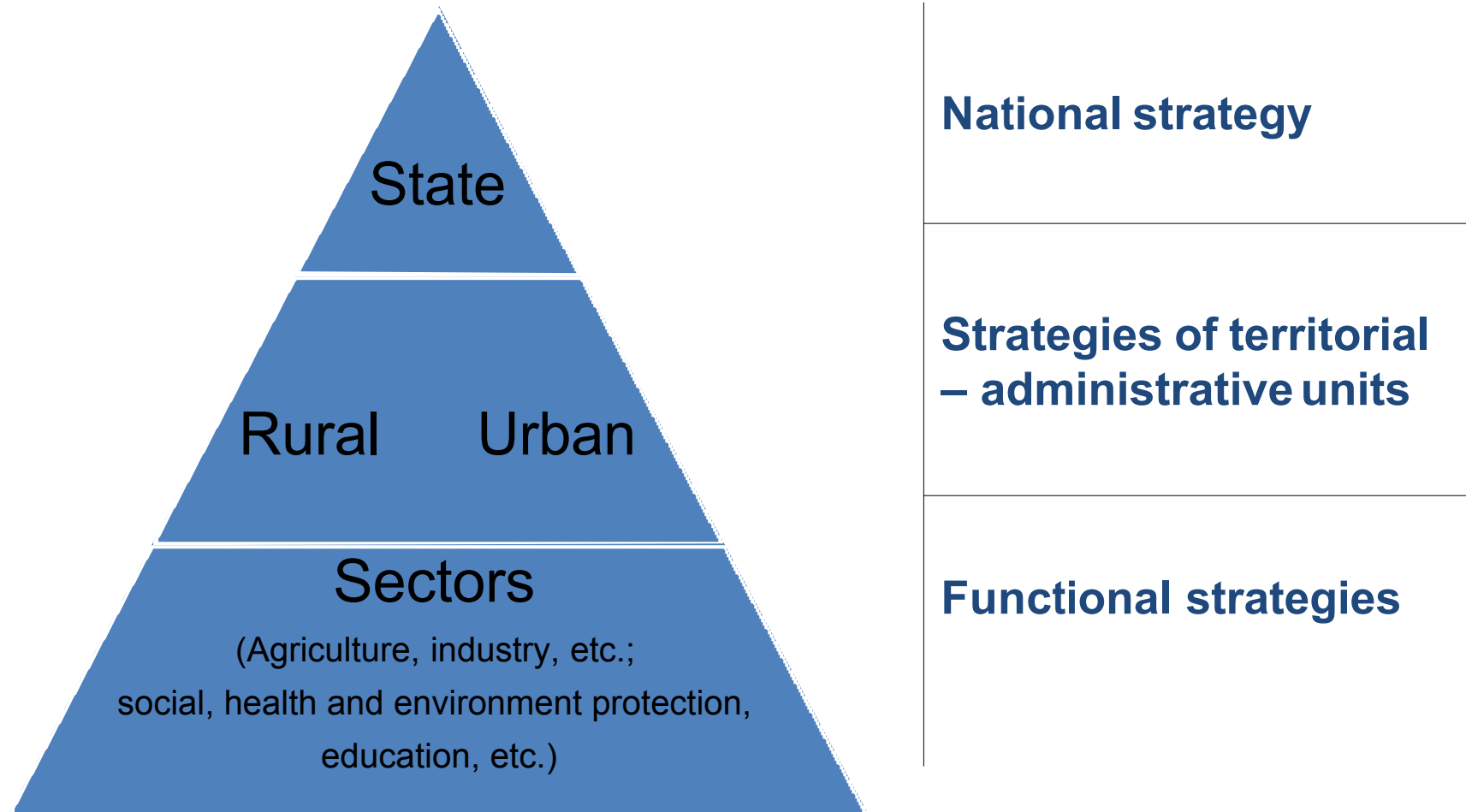
Employment of rural population by economic activities, in %



Traditional approach to the relationship of rural development and agriculture




New approach to the relationship of rural development and agriculture



Differences in the traditional and new rural development policy paradigms

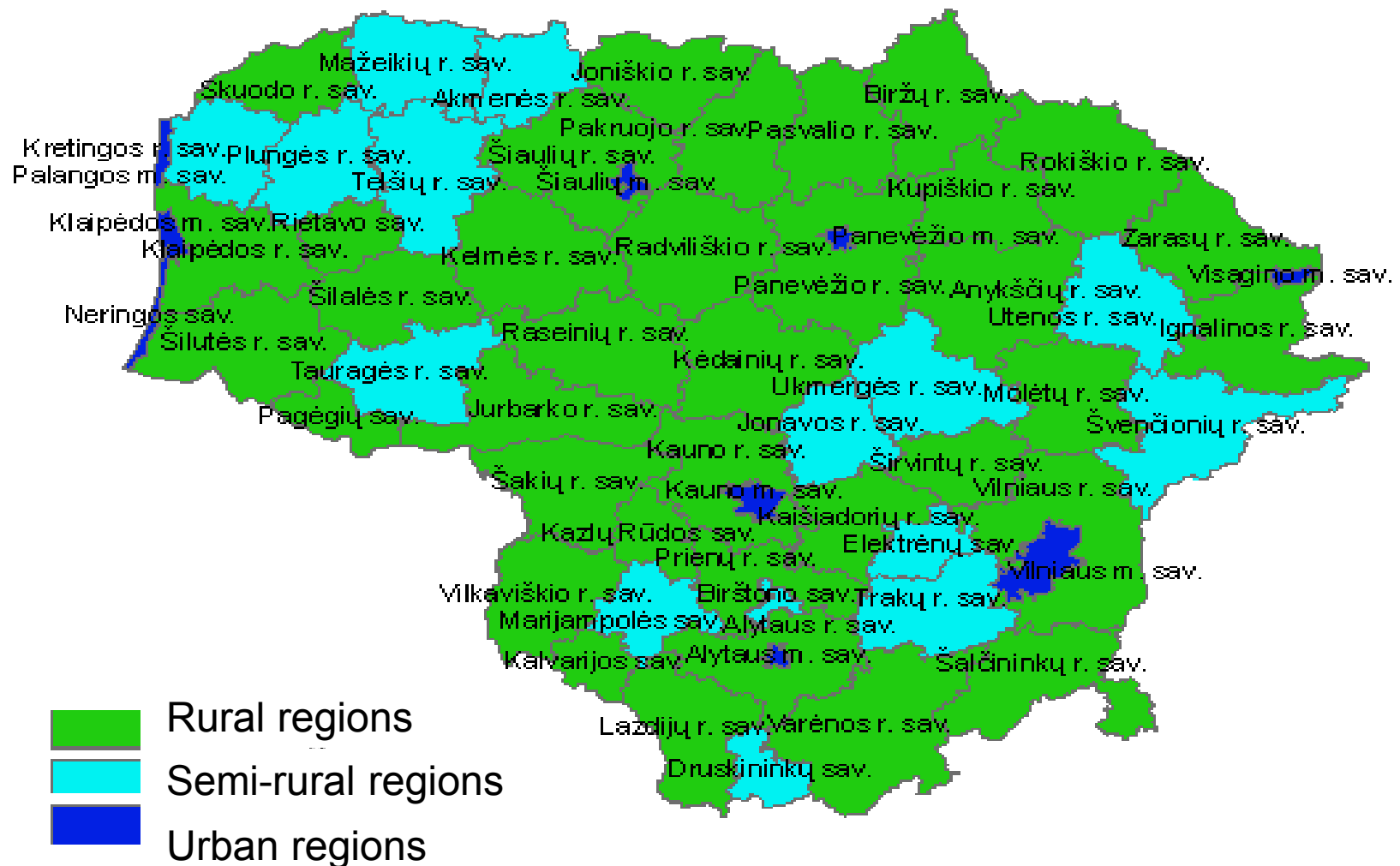
	Traditional	New
Key subject of regulation	Agriculture	All economic sectors in rural regions
Objective	<ul style="list-style-type: none"> •On the national level – approximate the economic status of agricultural workers to the status of industrial workers •Increase the national competitiveness in exporting agricultural products 	Competitiveness of rural regions, utilization of local resources and promotion of its value
Key instrument of regulation	Subsidies	Investments
Key Actors	National authorities and agricultural workers	All levels of governance, local actors and NGOs



Aiming at facilitating regional governance regions shall be identified with the boundaries of administrative – territorial regions

- EU rural regions are defined on the NUTS 3 level , which corresponds to the counties in Lithuania.
- But the selection of the NUTS 3 level means that all Lithuanian counties qualify for the category of rural regions.

Rurality of Lithuanian municipalities by the number of population in settlements in 2005 – 2007



Is there a need to support rural municipalities? (Differences in the economic environment in 2005–2007)

Indicators	Rural group	Semi-rural group	Urban group
The share of the population in the working age within the total number of residents, in %	58.6	61.0	66.6
The share of employed persons within the number of residents in the age from 15 to 64 years, in %	60.8	64.6	68.0
Material investments per inhabitant, in LTL	2063	2882	6069
The amount of construction work performed by companies and enterprises per inhabitant, in LTL	1436	2173	3902
Direct foreign investments per inhabitant, in LTL	1033	4729	5069
Average monthly gross wage, in LTL	1057	1171	1369
Increase of economy subjects within the period of 3 years, in percent points	2	4	12

Is there a need to support rural municipalities? (Differences in social environment and infrastructure in 2005–2007)

Indicators	Rural group	Semi-rural group	Urban group
The share of registered unemployed persons within the number of the working age population, in %	4.7	4.4	3.0
The share of social allowance beneficiaries within the number of residents, in %	1.9	1.7	0.5
Economic load of the population, in %	68.2	62.7	51.3
Ageing index, in %	111.2	102.5	109.2
Natural population change per 1000 inhabitants	- 6,4	- 2,5	- 1,4
Roads with improved covering within the entire length of roads, in %	12.7	14.8	66.2

Typology of municipalities used in Lithuania:

- Less favoured municipalities / favoured municipalities (are no longer relevant in the light of economic-social aspect);
- Problematic / problem-free municipalities.



Criteria for the identification of problematic territories

- the average annual ratio of registered unemployed persons and working age population exceeds the national average by 60 and more per cent;
- the average annual ratio of social allowance beneficiaries and residents of the country exceeds the national average by 60 and more per cent;
- material investments per inhabitant.



Indicators of problematic and problem-free municipality groups

(Differences in economic environment in 2005–2007)

Indicators	Problematic	Problem-free
Material investments per inhabitant, in LTL	2141	2365
The share of working age population within the total number of inhabitants, in %	59.2	59.3
The share of employed persons within the number of working age population (15-64), in %	60.5	62.6
The amount of work performed by construction companies per inhabitant, in LTL	1573	1683
Direct foreign investments per inhabitant, in LTL	4431	1245
The average gross wage in LTL	1118	1081

Indicators of problematic and problem-free municipality groups

(Differences in social environment and infrastructure
in 2005–2007)

Indicators	Problematic	Problem-free
The share of registered unemployed persons among the working age population, in %	7.3	3.7
The share of social allowance beneficiaries within the number of residents, in %	3,0	1,4
Economic load of the population, in %	67.1	66.1
Ageing index, in %	1100	107.9
Natural change per 1000 inhabitants	- 6,7	- 3,8
The share of roads with improved covering within the total length of roads, in %	12.4	13.6
Budgetary expenditure of a municipality per inhabitant, in LTL	1675	1596

Problematic and problem-free rural and semi-rural groups of municipalities

(Differences in economic environment in 2005–2007)

Indicators	Rural		Semi-rural	
	Problematic	Problem-free	Problematic	Problem-free
Material investments per inhabitant, in LTL	1407	2281	3463	2591
The share of working age population within the total number of inhabitants, in %	58.1	58.7	61.3	60.9
The share of employed persons within the number of working age population (15-64), in %	59.4	61.2	104	105
The amount of work performed by construction companies per inhabitant, in LTL	1076	1556	2469	2025
Direct foreign investments per inhabitant, in LTL	146	1328	12144	1022
The average gross monthly earnings, in LTL	1030	1067	1275	1119
Increase of economic subjects within the period of 3 years, in per cent points	minus 3	7	4	5

Problematic and problem-free rural and semi-rural groups of municipalities

(Differences in social environment and infrastructure in 2005–2007)

Indicators	Rural		Semi-rural	
	Problematic	Problem-free	Problematic	Problem-free
The proportion of registered unemployed persons among the working age population, in %	7,3	4,0	7,2	3,0
The proportion of social allowance beneficiaries within the number of residents, in %	3,0	1,5	3,0	1,1
Economic load of the population, in %	71,4	67,4	61,2	63,3
Aging index, in %	119,3	109,0	97,1	105,1
Natural change per 1000 inhabitants	- 8,1	- 5,9	- 4,8	- 2,1
The proportion of roads with improved covering within the total length of roads, in %	11,2	13,1	14,9	14,8
Budgetary expenditure of a municipality per inhabitant, in LTL	1676	1597	1674	1594

Proposals:

- Lithuanian municipalities should be divided not into 2 groups (rural and urban), but into 3 groups:
 - 1.Rural;**
 - 2.Semi-rural;**
 - 3.Urban.**
- Differentiate support for less favoured areas by referring to rural or semi-rural groups.
- Key criteria for differentiation should be the attractiveness for living and the vitality of business.



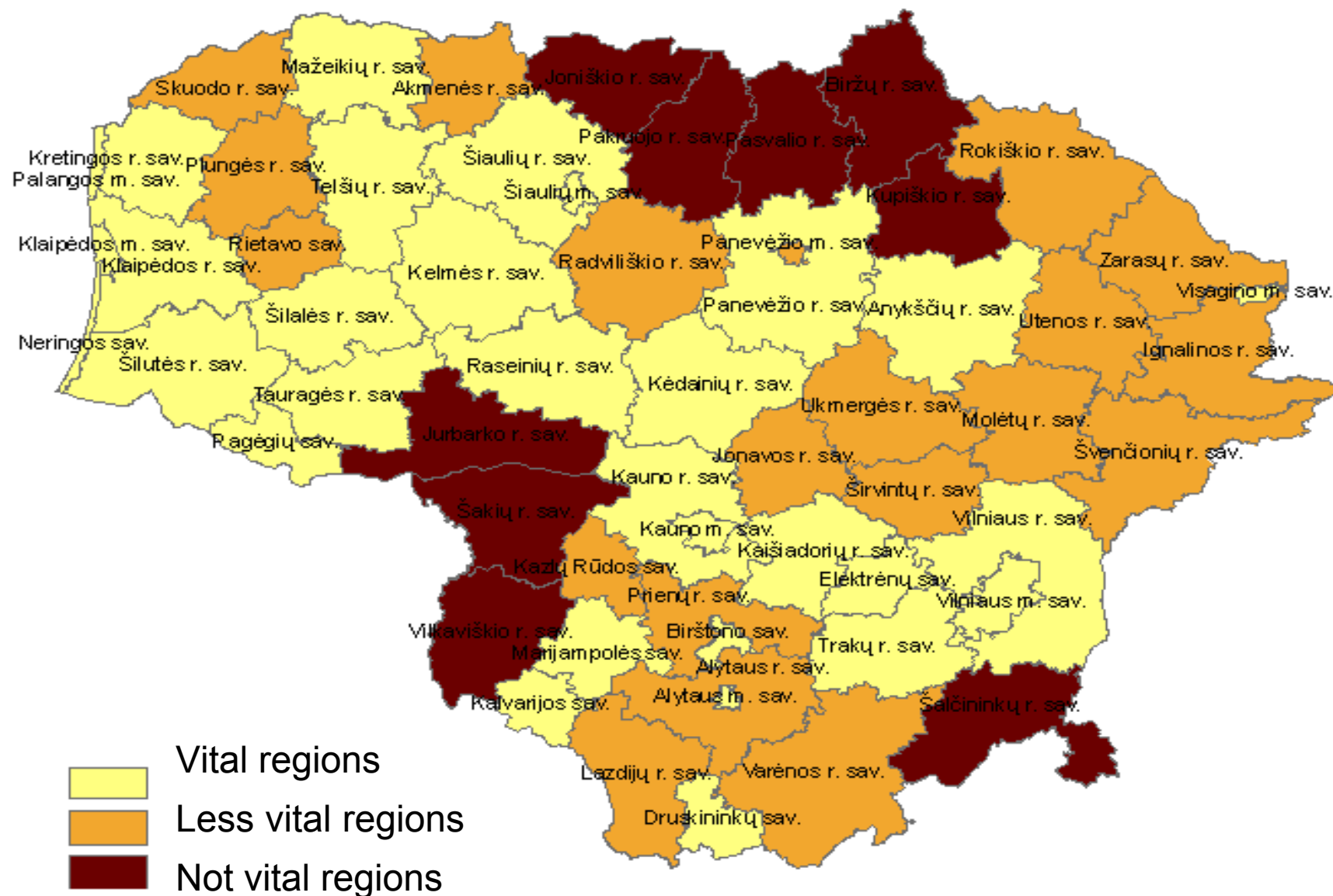
Methodology for the assessment of business vitality in Lithuanian regions

Lithuanian municipalities were divided into 3 groups:

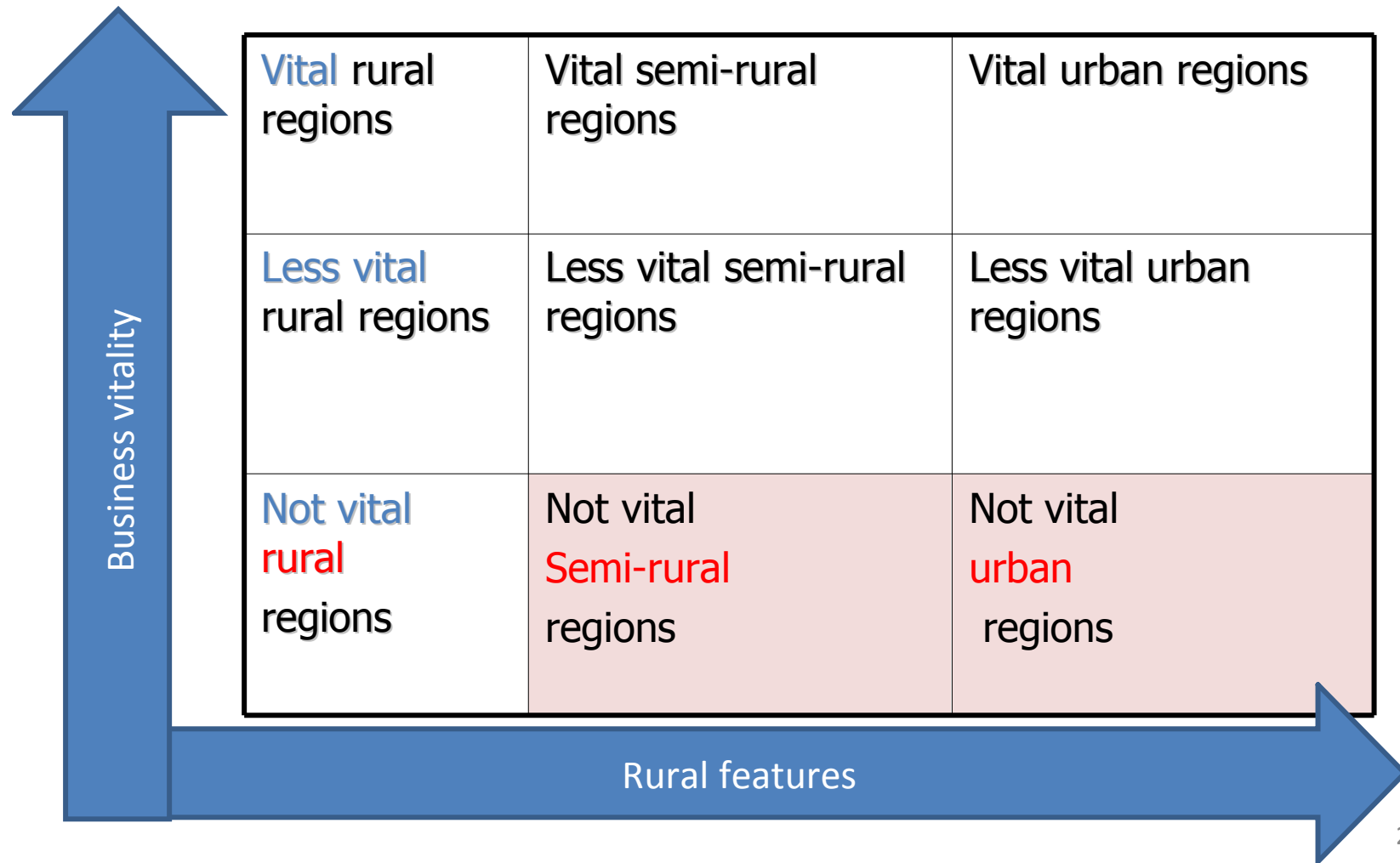
- Municipalities, where increase of the number of economic entities within the period of 2005-2007 was more than 5% – vital;
- Municipalities, where increase of the number of economic entities within the period of 2005-2007 was between plus 5 and minus 5 per cent – less vital;
- Municipalities, where increase of the number of economic entities within the period of 2005-2007 was less than minus 5% – not vital.



Distribution of Lithuanian municipalities by business vitality in 2005 – 2007



Matrix for grouping Lithuanian municipalities by business vitality and rurality



Differences in vital and not vital rural regions in 2005-2007 (economic environment)

Indicators	Not vital rural municipalities	Vital rural municipalities
The share of working age population within the total number of inhabitants, in %	58.6	59.6
The share of employed persons within the number of working age population (15-64), in %	60.0	62.0
Material investments per inhabitant, in LTL	1538	2515
The amount of work performed by construction companies per inhabitant, in LTL	1128	2224
Direct foreign investments per inhabitant, in LTL	527	2007
The average gross monthly earnings, in LTL	1016	1069

Differences in vital and not vital rural regions in 2005-2007 (social environment)

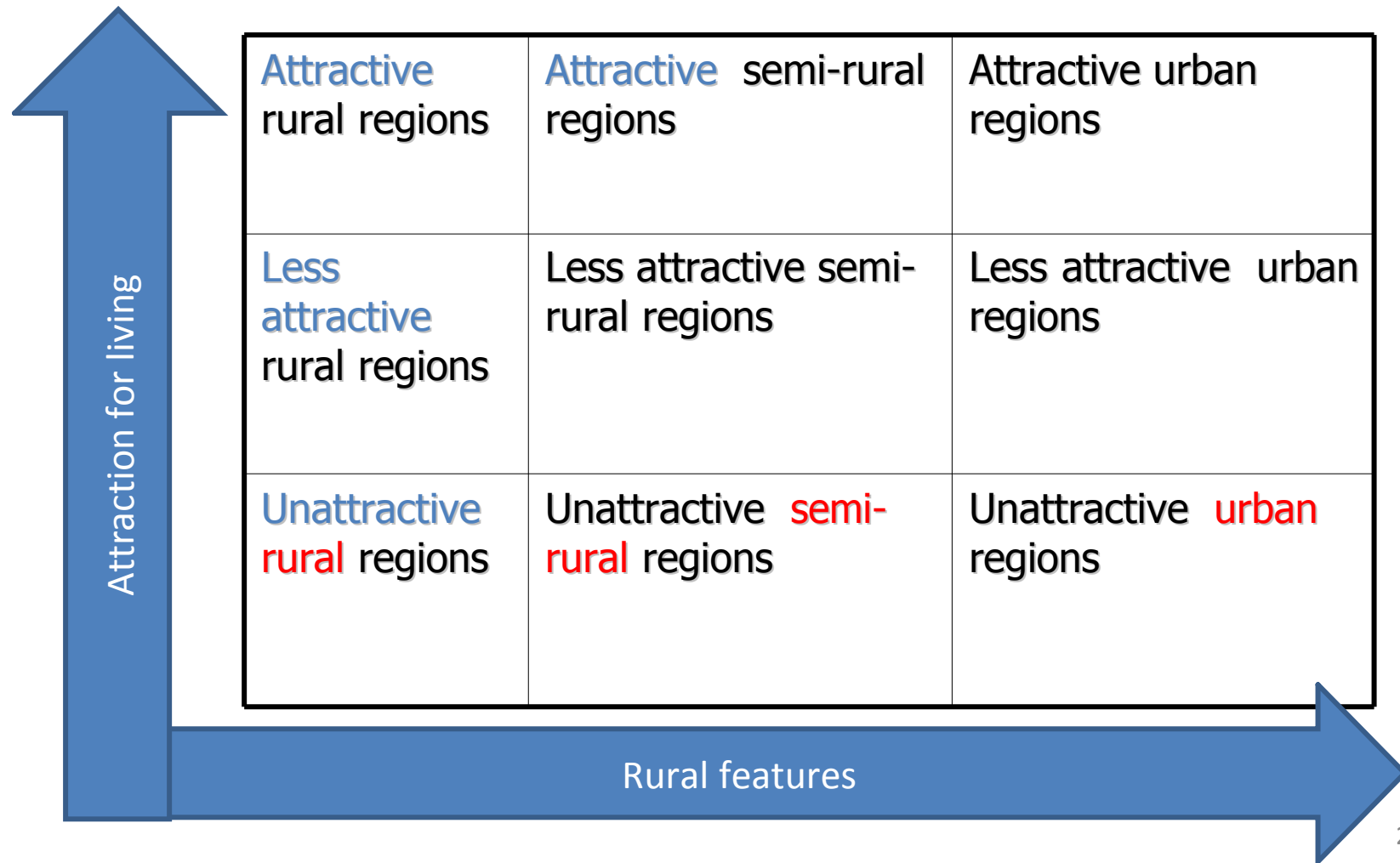
Indicators	Not vital rural municipalities	Vital rural municipalities
The share of registered unemployed persons among the working age population, in %	5.6	4.1
The share of social allowance beneficiaries within the number of residents in the territory, in %	2.3	1.6
Economic load of the population, in %	70.4	64.3
Ageing index, in %	109.4	101.0
Natural population change per 1000 inhabitants	- 6,7	- 4,6
Change in the number of population, in %	- 1.17	- 0.20

Methodology for assessing Lithuanian regions depending on their attraction as place to live in

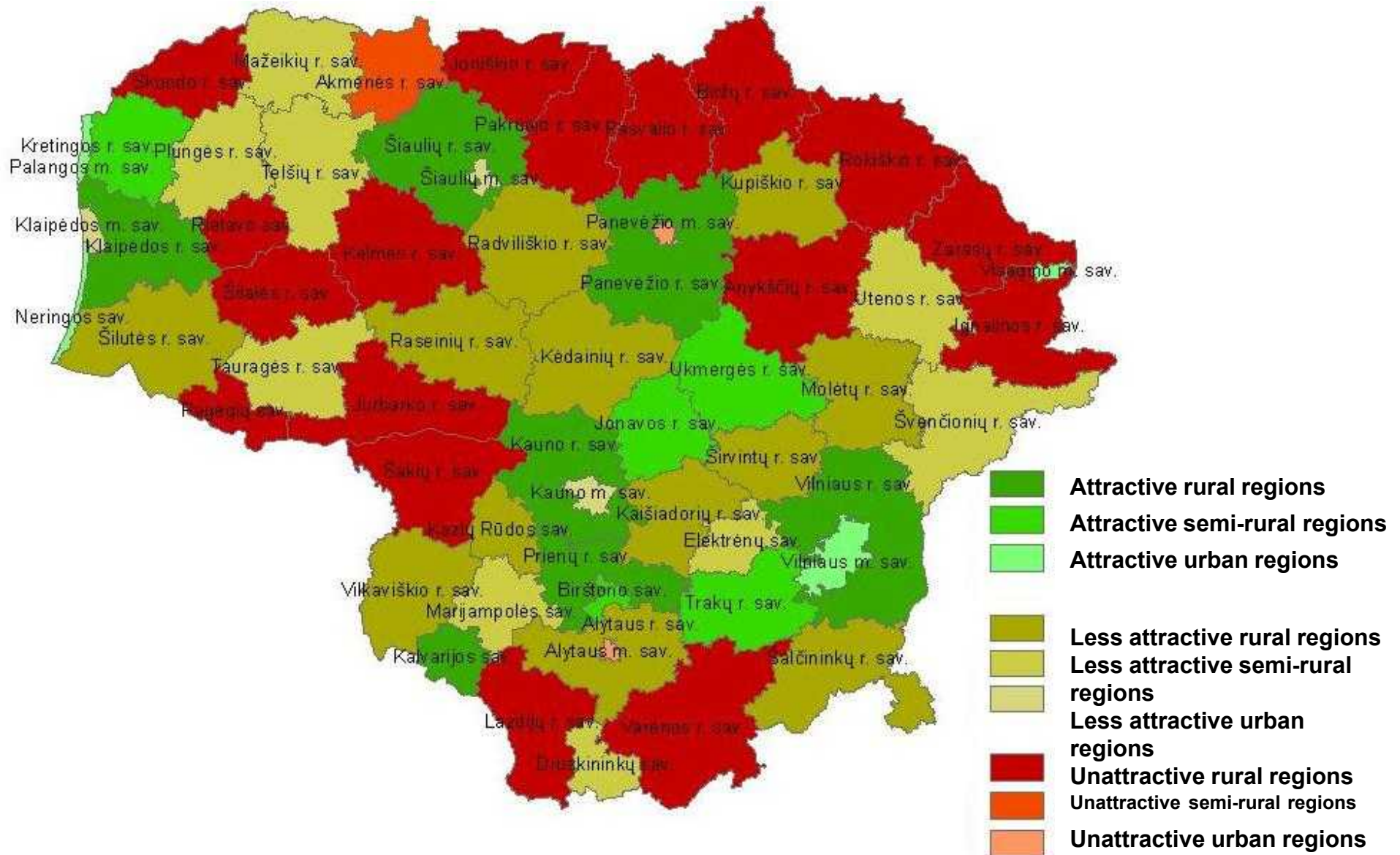
Lithuanian municipalities were divided into 3 groups:

- Municipalities, where the internal migration balance per 1000 inhabitants during the period of 2005-2007 was positive, were defined as attractive;
- Municipalities, where the internal migration balance per 1000 inhabitants during the period of 2005-2007 was from 0 to minus 3 – less attractive;
- Municipalities, where the internal migration balance per 1000 inhabitants during the period of 2005-2007 was minus 4 and lower – unattractive.

Matrix for grouping Lithuanian municipalities by rurality and attraction to live in



Distribution of Lithuanian municipalities by attraction to live in and rurality in 2005-2007



Differences in attractive and unattractive rural regions in 2005-2007 (economic environment-1)

Indicators	Unattractive rural municipalities	Less attractive rural municipalities	Attractive rural municipalities
The share of working age population within the total number of inhabitants, in %	57.6	59.0	60.3
The share of employed persons within the number of working age population (15-64), in %	61.1	62.2	59.5
Material investments per inhabitant, in LTL	1560	2286	3005
The amount of work performed by construction companies per inhabitant, in LTL	1128	1387	2224
Direct foreign investments per inhabitant, in LTL	308	1660	2049
The average gross monthly earnings, in LTL	1046	1083	1056

Differences in attractive and unattractive rural regions in 2005-2007 (economic environment-2)

Indicators	Unattractive rural municipalities	Less attractive rural municipalities	Attractive rural municipalities
Increase of the number of economic entities within the period of 3 years, in per cent points	minus 2	4	7
The share of operational economic entities in agriculture, hunting, forestry, and fisheries, in %	7.3	6.2	5.4
The share of operational economic entities in the industrial sector, in %	13.3	16.1	19.4
The share of operational economic entities in the sector of services, in %	79,4	77,8	75,2
Productivity points of the agricultural land	37,8	39,2	38,8
The share of the operational utilized agricultural area within the total land area, in %	55	56	54

Differences in attractive and unattractive rural regions in 2005-2007 (social environment)

Indicators	Unattractive rural municipalities	Less attractive rural municipalities	Attractive rural municipalities
The share of registered unemployed persons within the working age population, in %	5.7	3.4	4.4
The share of social allowance beneficiaries within the number of residents in the territory, in %	2,4	1,5	1,4
Economic load of the population, in %	73,4	68,3	61,7
Ageing index, in %	119,3	113,1	98,6
Natural population change per 1000 inhabitants	- 7,9	- 6,5	- 4,2
Population density in persons per square km	22	28	34
Individuals (families) on the list for social housing	99	127	161
The number of registered crimes per 100 000 inhabitants	1619	1680	2070



Thank you
for the attention