Significance of Regional Policy and Its Implementation in Siauliai Region

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Abstract

The article discusses the importance of regional policy for country’s economy and quality of life. Regional policy principles and outcomes are examined using the example of Siauliai region.

Considering the fact that regional policy was mandatory condition for Lithuania’s integration into the EU, the issues of implementation of regional policy are discussed. The paper deals with regional policy development phases and the aspects of its implementation. The study has shown that regional policy in Lithuania leads to a significant and even increasing regional divergence. The trends of centralization of the country’s governance are captured as functions of counties and district municipalities are narrowed. EU financial support for Siauliai region projects (per capita) compared with the Lithuanian average makes 69.3% and is insufficient to reduce existing disparities. A significant differentiation is also observed within the region.

Keywords: regional policy, regional projects, policy-making instruments, EU support.

Introduction

Research problem and relevance. After Lithuania’s accession to the EU the increased emphasis on regional policy was observed, unfortunately the achievements in this field are still insignificant. The territorial differences and social exclusion among regions remain high. So the question is how effective regional policy instruments are and what can we expect in the future?

Lithuanian scientists continue investigating the realization of regional policy issues, but the nature of problems is rapidly evolving due to the changing political situation and economic environment. After the restoration of Lithuania’s independence the regionalization issues were not important, as the rapid and chaotic economic restructuring processes took place. Preparing for accession to the EU, Lithuania had to create a legal framework for implementation of regional policy and design a purposeful use of the EU structural support in response to regional needs. In the pathway of the second phase of the EU support, a real focus on regional policy is declining, the centralization is increasing. The central government takes over more functions, this process especially strengthened with removal of county administrations and transferring of part of their functions to central authorities. The increase in regional divergence scale is represented by the fact that GDP per capita of Vilnius County was 3.1 times higher than that of the least-developed Taurage County in 2005, while this indicator in 2008 reached 3.6 times despite the fact that the support from European Regional Development Fund (2004-2006) to reduce regional disparities amounted to 2019.1 mln. LTL.

The paper examines the problem of the use of EU structural support funds in the context of Siauliai region. It is particularly important to evaluate regional policy results in the pathway of the second phase of the EU support period of 2007-2013, striving to learn how the declared objective of regional policy – EU structural support must reduce social and economic disparities between regions and realize fundamental values i.e. solidarity and cohesion – is fulfilled.

Regional policy in economically developed countries demonstrates its importance, necessity, and benefits. Europe’s regional policy has been carried out for more than 30 years; leaders in this field are Denmark, Norway, Sweden, Germany, and Great Britain. In the last decade of the twentieth century regional development processes started in Poland, the Czech Republic, and Hungary. Regional policy in the EU is a priority field as the development of democracy and organizational integration are conducted through it, as well as decentralization of the member states administrative-territorial system and management of economy, culture preserving and protecting of regional identity. Therefore, it is important to assess the regional policy processes in Lithuania, its assumptions and results.

Subject of the research: the implementation of regional policy using EU structural assistance in context of Siauliai region.

Aim of the research: to evaluate the outcomes of state regional policy when implementing EU support programs in the context of Siauliai region.
Objectives of the research:

- To study Lithuanian regional policy instruments and guidelines.
- To summarize regional policy legal acts.
- To investigate the evolution of Siauliai region development planning.
- To assess the impact of the EU support on reducing the divergence in Lithuania’s regions and the results of implementation of EU support programs in Siauliai region.

Methods of the research: analysis of the scientific literature on regional policy content/development and its modelling tools; analysis of statistical survey data concerning regional development.

The content of regional policy and policy-making instruments

The pioneer of state economic regulation of regions is considered to be Denison (1939). He examined the necessity of state economic regulation of depressive regions, and this helped Great Britain to deal with the economic problems before the Second World War. A significant contribution to the development of regional policy theory was made by American scientist Hoover (1948). He assigned to state regulation field not only the impact on problem areas, encouraging the production, economic growth and improving economic structure, but also the responsibility for the rational location of private business within the country, as the regional policy should ensure the territorial and economic justice.

Berke and Conroy (2000) point out that regional development must be linked with the urban and regional plans where the principles of sustainable development are reflected. Kaufmann and Wagner (2005), Midelfart-Knarvik and Overman (2002) highlight the importance of innovation in the context of regional development. “Green Paper on Innovation” prepared by The European Commission in 1995 indicates that the regional policy as well as the EU industrial policy and competitiveness policy are related to support for small and medium-sized businesses, as well as other policies that are important to enhance innovation and competitiveness in the EU. Scientists investigating the EU regional policy note that, on the one hand, the majority of EU policies and activities in the context of regional development are related to the promotion of innovations through the support for research and development activities. On the other hand, the EU regional policy is concerned with EU structural support, which attracts research and development companies to the regions under the support of EU structural funds, but this does not improve the overall regional economy.

Castells and Hall (1994) argue that city and regional governments can better adapt to rapid change in global technologies and cultures than national governments can, and a move to regionalism is said to provide greater economic prosperity, via the efficient and cost-effective delivery of services. Formerly, significant attention was paid to institutional structures of local government, as they were related to equitable and efficient service delivery. Recently governance issues (and especially governance issues in a globalizing world) have shifted interest from institutions and normative considerations to the less formal responses addressing issues of regional governance that are captured under the topic of “New Regionalism”. The preference for “small government” fosters public-private partnerships, contracting, outsourcing, and privatization. Besides such formal partnerships, voluntary collaboration between autonomous institutions in informal networks has been identified as the institutional form of governance under New Regionalism (Norris, 2001; Wheeler, 2002). A significant consequence of these developments was the formation of various advisory committees, action groups, and quasi-autonomous non-government organizations, both in local communities and also at the regional level (Everingham, 2009). However there is no consensus on this issue, as opponents argue that such changes overcrowd the system of regional governance.

It must be recognized that Lithuania’s regional policy is a relatively new area of public policy, although active scientific validation, design and implementation have started already in the sixth decade of the last century. The previous central planning ensured a relatively uniform country’s economic development, but after the restoration of independence, the regional development processes were left to chance. During the restructuring and transformation of economic processes, the development of autonomous territorial units – cities, counties, villages – has been severely disrupted.

Regional economic and social development issues as well as regional competitiveness problems began being analyzed before Lithuania’s accession to the EU, by now, the uneven development of Lithuania’s regions gets more and more attention of Lithuanian scientists. Regional development problems were analyzed by Streimikiene (1999, 2001, 2002), Vaitiekunas (2001), Maniokas (2003, 2005), Andriusaitiene (2007), Vinickiene, Melnikiene (2008), Rutkauskas (2008), Snieksa, Bruneckiene (2009), Melnikas (2008), Ginevicius, Podvezko (2008), Kilijoniene, Simonaviciene, Simanaviuscius (2010) and others.

Already in 1997 the European Commission expressed the opinion that Lithuania is facing serious problems of regional development; poorly developed infrastructure, industrial recession in regions, low income levels, highly centralized state management. EU requirement for the member states to possess...
regions and to implement regional policy (Vaitkevicius, 2001). EU requirements forced the Lithuanian government to recognize that the country needs effectively operating social-economic regional policy. Lithuanian Government approved regional policy frameworks in 1998. The implementation of Lithuanian regional policy should enable the decentralization, expand the power of local governments, and ensure economic and social development in historically formed areas. Unfortunately, so far Lithuania’s regional policy is mostly understood as a policy of use of EU structural funds (Maniokas, 2005).

Regional development within the country is promoted by global economic and political changes and the increasing trend of decentralization in Europe. The success of regional economic development is based on its ability to adapt to local and regional markets, integrate into international markets, and refine infrastructure. It is necessary to consider the fact that the main purpose of creating effectively operating regional governance is country’s internal need, which is connected with management and economic development, as the approach – the solutions of regional problems are best known to local residents and local governments – is predominating in the EU member states. Implementing the regional policy it is important to frame relevant principles and priorities, and develop realistic strategic plans. Strategic plan of regional development should be the basis for other community plans: general and special spatial plans, socio-economic development plan, sectoral (agricultural, industrial, environmental) plans (McSweeney, 1997). As the mission of the regional plan is to help to protect the quality of life, and deliver regional services in an efficient and cost-effective manner, the partnership is essential to the successful creation and implementation of the regional plan.

Principles and documents of regional policy planning

Regional Development Act of Lithuania indicates that national regional policy is targeted activity carried out by the state institutions to make diverse impacts on social and economic development of regions to reduce socio-economic disparities among the regions and positive evolution within the regions. The priority of Lithuanian regional policy until 2013 is territorial economic development, i.e. purposeful and coordinated long-term economic development and the promotion of competitiveness in regional centres surrounded by low living standards areas. These regional centres possessing the economic potential and infrastructure can carry out the functions of regional growth centres, and their development can ensure a better territorial cohesion in the regions as well as in Lithuania.

National regional policy in Lithuania is pursued in two directions:

- Economic development and competitiveness is stimulated in regional centres (long-term development trend).
- The quality of life in problem municipalities is improved (short-term development trend).

It can be argued that Lithuania runs European Regional Development Policy of the sixth-seventh decade, when striving to reduce regional divergence the focus on “saving” problem areas, uniform territorial infrastructure development was made. Western countries follow the attitude that an effective national policy can be developed via assessment of local opportunities and prospects, region’s uniqueness and distinctiveness. Regional development is defined not so much as economic growth, but as the improvement of living conditions.

Next we will briefly overview the regional development planning documents approved by the Government of Lithuania.

Lithuanian regional policy strategy up to 2013 aims to create conditions for a targeted national regional policy. Strategic regional policy goal is to improve territorial social cohesion, i.e. to achieve that:

- the average standard of living (in Lithuanian counties), measured by average residents annual income, does not fall below 75% of the national average;
- the unemployment rate (in Lithuanian counties) does not exceed the average state unemployment level by more than 35%.

The program of the reduction of regional social and economic disparities (2007-2010). Designed funds for program implementation: EU structural support – 1.319 mln. LTL, European Economic Area support – about 6 mln. LTL, state budget – 94 mln. LTL. The program tools will cover the development of regional centres and urban infrastructure of problem areas, will encourage job creation and facilitate diversification of economic activities in rural areas, also support cross-sectoral regional initiatives and local projects.

Investment programs of integrated development of regional centres. The programs will be implemented through EU funding to support the improvement of quality of living environment and to increase the investment attractiveness in regional centres (Alytus, Marijampole, Taurage, Telsiai, Mazeikiai, Utena and Visaginas towns). Under these programs, the EU support is appointed to reconstruction of public spaces, development of recreational areas, and regeneration of derelict sites in listened towns. Problematic areas. Development programs for problematic areas are prepared in 14 municipalities with a rela-
tively high unemployment rate and high share of income support recipients (calculated as a percentage of total municipal population). Government act of 2007 approved the list of municipalities where population faces top social problems, which have relatively high unemployment and high rate of income support recipients. Government act of 2008 (September) approved seven problem areas development programs, two of them being in Siauliai county (Joniskis and Kelme district municipalities), later development programs for the remaining seven problem areas, one of which (Akmene area) is in Siauliai County, were confirmed. Development programs for problem areas will get support from state and municipal budgets, EU funds, and other sources and will amount to more than 1.5 billion LTL till the end of 2010.

Regional development plans, which are framed in accordance with regional development plan preparation and updating methodology (2002) and in accordance with spatial planning documents. The approved methodology regulates in detail the procedure of preparation of regional development plans, therefore county plans are unified and this reduces the possibilities to express regional uniqueness. Methodology requires the plan structure to be composed of the individual, low-coupled components and this is considered to be serious conceptual shortcomings.

Municipal strategic development plans can be prepared according to the decision of Municipal Council.

Attention must be drawn to the fact that Lithuania’s regional policy is carried out as if an end in itself and is not linked with other programs such as State Investment Program, sectoral development programs, which are unconnected with regional development; separate, not linked instruments, the lack of an integrated approach does not combine the efforts of different sectors and does not multiply the potential economic impact. It should not be forgotten that EU support for regional development can only contribute to regional policy, but not replace or improve it.

Siauliai Region development planning

The first Siauliai Region Development Plan for 2004-2006 was approved by Siauliai Region Development Council in 2003, plan monitoring was carried out in 2005. The support from EU Structural Funds was used to prepare 36 projects, the total sum for planning activities made up 513 mln. LTL (350 mln. LTL came as EU financing).

Governor administration of Siauliai County together with other partners in 2006 got the support from EU International Fund INTERREG III B to develop the project “Use of spatial planning opportunities and local potential in reduction of downturn in remote areas”. It was decided to treat the remote area as follows:

Siauliai region as remote area. It was determined that the main tool to solve the problems of this area and exploit potentialities of regions is updating of Siauliai Region Development Plan for 2004-2006 and its extension for the period of 2007-2013. New county’s development strategy was developed.

Siauliai county rural wards. On the bases of the project nine wards from six county areas were selected for detailed investigation. In order to make better use of wards potential some small pilot projects were implemented.

Siauliai Region Development Plan for 2007-2013 was approved by Siauliai Region Development Council in 2007. The development plan for 2007-2013 is a continuation of the previous plan ensured by State Economic Development Strategy. This plan was updated in 2010 and changes were accepted by Siauliai Region Development Council in May 2010.

Plan update was necessary due to the need to assess the changes in economic situation both in the country and the region. Primary plan version reflected optimistic expectations of the region’s residents and public administration institutions, which were formed during the rapid economic growth. Difficult economic situation in Lithuania has changed people’s attitudes and regional priorities. The need for plan renewal was also determined by untimely approved documents regulating the use of the EU structural assistance. The financial indicators of the updated Siauliai Region Development Plan are presented in Table 1. The supreme need for EU support is the stimulation of regional cohesion, the human resources development still has no clearly structured strategy, although this may lead to further backwardness of the region.

It can be argued that the development of the strategic plans in regions and municipalities and the monitoring of their implementation helped to more accurately assess the region’s progress trends and prospects, and public administrations better understood the development ways in specific territorial areas and their key breakthrough possibilities. The implementation of regional development plans increased the region’s attractiveness to investors, the conditions for diversification of activities were created, tourism facilities were renovated, and engineering infrastructure was arranged. All this increased the relative attractiveness of the region.
Table 1

<table>
<thead>
<tr>
<th>Priorities</th>
<th>Region development plan for 2007-2013, mln. LTL</th>
<th>Updated region development plan for 2007-2013, mln. LTL</th>
<th>Part of the overall EU support for Lithuania, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Siauliai region’s human resource development</td>
<td>62.3</td>
<td>35.6</td>
<td>55.0</td>
</tr>
<tr>
<td>2. Siauliai region’s economic growth</td>
<td>4149.3</td>
<td>3666.9</td>
<td>932.4</td>
</tr>
<tr>
<td>3. Siauliai region’s cohesion stimulation</td>
<td>2322.6</td>
<td>1314.6</td>
<td>2660.5</td>
</tr>
<tr>
<td>4. Promotion of economic and social activities in rural areas</td>
<td>887.8</td>
<td>477.9</td>
<td>486.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7422</strong></td>
<td><strong>5120.7</strong></td>
<td><strong>1802.1</strong></td>
</tr>
</tbody>
</table>


The assessment of EU support for Siauliai region

The total EU support for Siauliai region projects. Siauliai County is one of the largest counties occupying 13.1% of the Lithuania’s territory, with 10.2% of the country’s population and 10.6% of the country’s GDP (in 2008). By August 2010 929 mln. LTL of EU support were allocated to Siauliai region projects and it amounted to 7.1% of total EU support for Lithuania. A disproportionately large part of EU funds was given to economically most developed Vilnius region. The region where GDP per capita was 154.3% of Lithuanian average got more than a quarter more EU funds (Fig. 1). It is obvious that economically powerful centres, concentrating the intellectual and financial resources, operate as strong attraction centres with better opportunities to attract EU support, they also carry an active lobbying.

Uneven distribution of EU funds is considered a violation of the principles of regional policy and the ignoring of goals declared by governments. While stressing that the priority of national regional policy for 2013 year is equitable Lithuanian territorial economic development, the flows of financial resources are directed to the strongest regions, thus divergence is increasing (Fig. 2). Vilnius region is becoming the economic centre while the economic significance of other regions decreases and the scale of social problems grows rapidly.

Another aim of National General Strategy till year 2013 is to ensure that the gap between the development level of the poorest regions and the national average is not increasing. The analysis shows that the gap during the period of investigation was increasing in many regions.
The principle of the regional policy is partly realized by allocating EU structural support funds for 2007-2013, as the Region Development Councils have the right to sample regional projects. The projects involved in Siauliai Region Development Plan for 2007-2013 were supported from EU structural funds (the total sum amounts to 282 mln. LTL), state and local government funds, EEA and Norwegian financial mechanisms, private funds and other sources. Basic requirements for funding are that a project must comply with the municipal development strategic plan, region development plan and it must be accepted by Region Development Council. Other (specific) requirements are applied only to projects that are implemented in targeted areas of national regional policy: regional growth centres and problem areas.

The top characteristic of Siauliai County is the biggest number of problem areas (problem areas development programs for 2008-2010 were approved in three district municipalities), but the promotion of new growth centres was not foreseen. In Akmene, Kelme, Joniskis district municipalities the socio-economic indicators were among the lowest in Lithuania, for instance the rate of unemployment exceeded the average of Lithuania several times (in Kelme district – 1.8 times, Akmene district – 2.5 times, Joniskis district – 2.1 times). District development programs focused on the improvement of living environment: making road and street repairs, reconstruction of squares, water treatment, and renovation of residential buildings, reconstruction of schools, hospitals, libraries, cultural centres, and management of abandoned areas of rural sites.

The comparison of unemployment rates in problem areas in 2006 and 2009 (Fig. 3) shows little change, while the deterioration of economic situation in the country reduced the gap between indicators to the level designed in the program (a target for 2010 is not to exceed state average by more than 1.5 times).
Another important indicator that helps to assess the social situation in the district is the ratio of benefit recipients to total population. In Joniskis district this indicator in 2006 exceeded the country’s average by nearly four times, while in 2009 the differentiation decreased, but remained relatively high (exceeds the country’s average by 2.2 times) (Fig. 4), when evaluated in absolute values the number of benefit recipients in most districts almost doubled over a three year period. The program target – to ensure the indicator will not exceed state average by more than 1.5 times – was not reached.

![Fig. 4. The ratio of benefit recipients to total population, %](image)

*Source: Lithuanian Department of Statistics*

For development of the problem areas 357.4 mln. LTL for three-year period are assigned; the amount of funds differs for each municipality (Akmene district – 131.9 mln. LTL, Joniskis district – 102.4 mln. LTL, Kelme district – 123.0 mln. LTL), 263.1 mln. LTL were appointed by 2010 September (73.7%).

![Fig. 5. Funds for problem areas projects, thousand LTL](image)

*Source: Statistics Lithuania, Siauliai County 2007-2010*

Siauliai County received 929.0 mln. LTL for project implementation by 2010 September, financial flows within the region distributed unevenly (Fig. 6).
Radviliskis district stands out concerning the support size, but this is due to large-scale highway management projects, in other areas, even in problem ones the funds for projects do not match the approved programs.

**Lithuanian regional policy in the context of EU regional policy**

EU regional policy is built on the basic features of modern society and key development objectives are:

- development of democracy,
- use of subsidiarity principle,
- adjustment of regional economic disparities and economic development,
- decentralization of significant public administration areas,
- preservation of cultural identity.

These goals are declared in national regional policy acts, but practical implementation is insufficient, some decisions taken in recent years have opposite direction. Centralization of management and regional divergence are increasing, self-government is decreasing. The abolishment of counties and transfer of part of their functions to ministries imply that administrative authority is getting centralized. The new version of the Law on Regional Development, which will come into force in 2011 January 1, provides that the drafts of regional development plans will be prepared by the institution under the Ministry of Internal Affairs. Centralized management of the regional planning process ignores the regional autonomy and diminishes local community’s motivation to participate in decision-making and enforcement processes. The subsidiarity principle is violated, although the implementation of this principle is one of the most important in shaping regional policy. Taylor and Armstrong (2003) argue that the local knowledge and local experience are invaluable things through regional development programs, local and regional participation in the preparation of programs is an additional advantage increasing the responsibility of policy makers towards the voters. Since Lithuanian regional policy is focused on the use of EU funds, which does not cover support for culture and cultural initiatives, the principle of maintenance and strengthening of cultural identity is violated.

**Conclusions**

Regional policy in Lithuania is perceived as the policy of the use of EU structural funds.

The EU support distribution is typical of market economy relations rather than state-regulated economy, as the main part of support is attracted by the strongest economic centres.

The being implemented Lithuania’s regional policy does not meet the EU regional policy attributes, as fundamental principles of regional development – subsidiarity, development of democracy, removal of regional economic differences, decentralization of state management areas, preservation of cultural identity – are violated.

The increasing regional divergence in Lithuania shows low efficiency of regional policy. Regional policy instruments do not become the means in solving problems of regional differences, because the effectiveness of regional policy can be ensured only by the integral national public policy that will increase regional and local autonomy and encourage local community’s participation in regional governance processes.

EU support for regional projects increased the attractiveness of Siauliai region, but competitiveness of the region did not develop. Siauliai region got rela-
tively less funds than was foreseen in government approved schemes and in problem areas development programs.

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Regioninės politikos reikšmė ir praktinis realizavimas Šiaulių regione

Santrauka

Straipsnyje nagrinėjama regioninės politikos reikšmė šalies ekonomikai ir visuomenės gyvenimo kokybei. Regioninės politikos įgyvendinimo principai ir rezultatai analizuojami Šiaulių regiono kontekste. Įvertinus aplinkybę, kad regioninė politika buvo privaloma sąlyga Lietuvai integruojantis į Europos Sąjungos (ES) aparato praktinės regioninės politikos įgyvendinimo problemos. Pateikiami regioninės politikos kūrimo etapai ir jos įgyvendinimo rezultatai.

Regionų kūrimą šalies viduje skatina globalinė ekonomikai ir politiniai pokyčiai bei Europoje stiprėjančios centrinės valdžios decentralizacijos tendencijos. Sėkmingos regiono ekonominės plėtros pagrindas yra jo gebejimas pritaikyti prie vietinių ir regioninių rinkų, integruotis į tarptautines rinkas, kurti naują infrastruktūrą. Būtina įvertinti regionų visuomenės ir politinės asociacijos darbo, kad regioninės politikos įgyvendinimas Šiaulių regione būtų mažinti socialinius ir ekonominus skirtumus tarp regionų bei įgyvendinti pagrindines vertybes ir solidarumą, kad ES struktūrinės paramos atitiktų regionų socialinio ir ekonominio poreikio skirtumus tarp regionų bei įgyvendinti pagrindines vertybes – solidarumą ir sąnaudą.

Lietuvos regioninės politikos atitikimas ES regioninės politikos principams. ES regioninė politika remiasi pagrindiniais šiuolaikiniais visuomenės ir ekonomikos principais. ES regioninė politika buvo privaloma sąlyga šalims turėti regionus ir įgyvendinti regioninę politiką, kad jie galėtų užtikrinti pasaulinius ir regioninius patirtis, siekiant mažinti socialinius ir ekonominus skirtumus tarp regionų bei įgyvendinti pagrindines vertybes – solidarumą ir sąnaudą.