PERFORMANCE TRENDS AS A PREREQUISITE FOR SMART GROWTH IN THE RURAL TERRITORIES OF LATVIA

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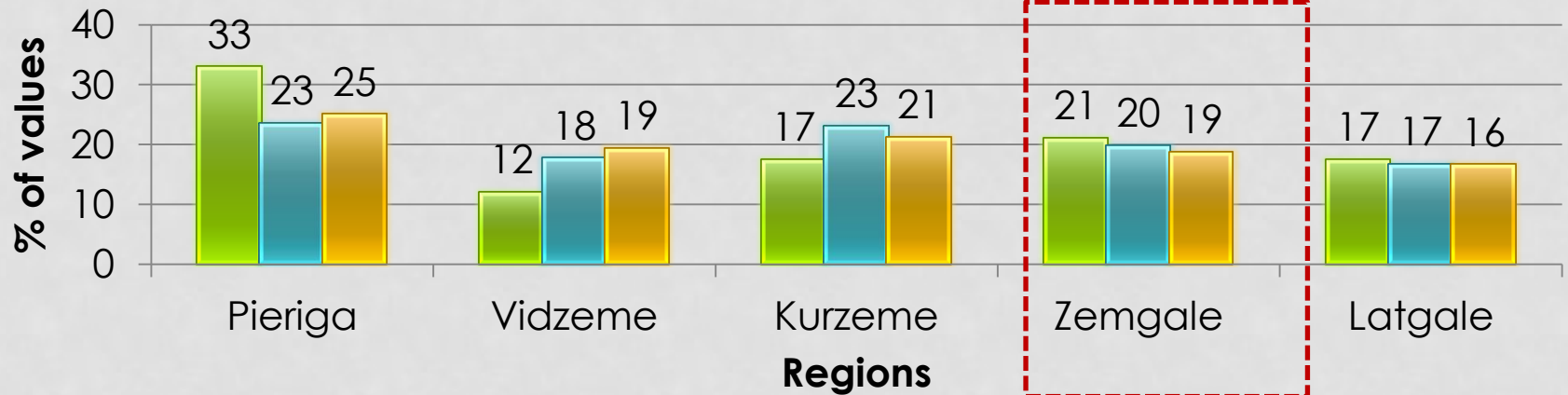7th International Conference
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Aim of the research:

to give an **insight** into the **socio-economic performance trends towards smart growth** in Latvia **at regional** level and level of **municipalities**, which are typical local administrative units in the country.

Zemgale statistical region was selected for research as a territory of **medium development** level in the country to assess the **performance trends** towards **smart growth.**

- ■ Population density per 1 km2 at the beginning of 2015
- ■ GDP per capita in 2012, EUR
- ■ Household disposable income per equivalent consumer in 2013, EUR

Methodology of the research:

- The research employed **LURSOFT, CSB** and **RDIM** databases;
- Performed a **horizontal and a vertical analysis** and particularly **focused on high-tech and medium high-tech industries** and the sector of **knowledge-intensive services** to **identify an accumulation of positive/innovative changes in** Zemgale statistical region.
- Research is based on a methodology for rural analysis accepted in the European Union, which is known as „the **EDORA CUBE**" and involves a 3 dimensional framework for analysis – rurality/accessibility, degree of economic restructuring and socio-economic performance.

Methodology of the research

TWO ANALYTICAL BLOCKS

Accumulation of positive changes in entrepreneurship Zemgale 2009-2013

Role of local governments and communities in smart growth

FIRST ANALYTICAL BLOCK

Accumulation of positive changes in entrepreneurship Zemgale 2009-2013

Horizontal and vertical analysis and data grouping

Analysis focused on smart growth:
- **high-tech and medium high-tech industries**
- sector of **knowledge-intensive services**

to **identify an accumulation of positive/innovative changes in municipalities**

Data sources: **Statistics** provided by Lursoft LTD, CSB, RDIM databases

Two groups of the municipalities

The municipalities may be divided into **two groups** by **increase** in the number **of innovative enterprises**.

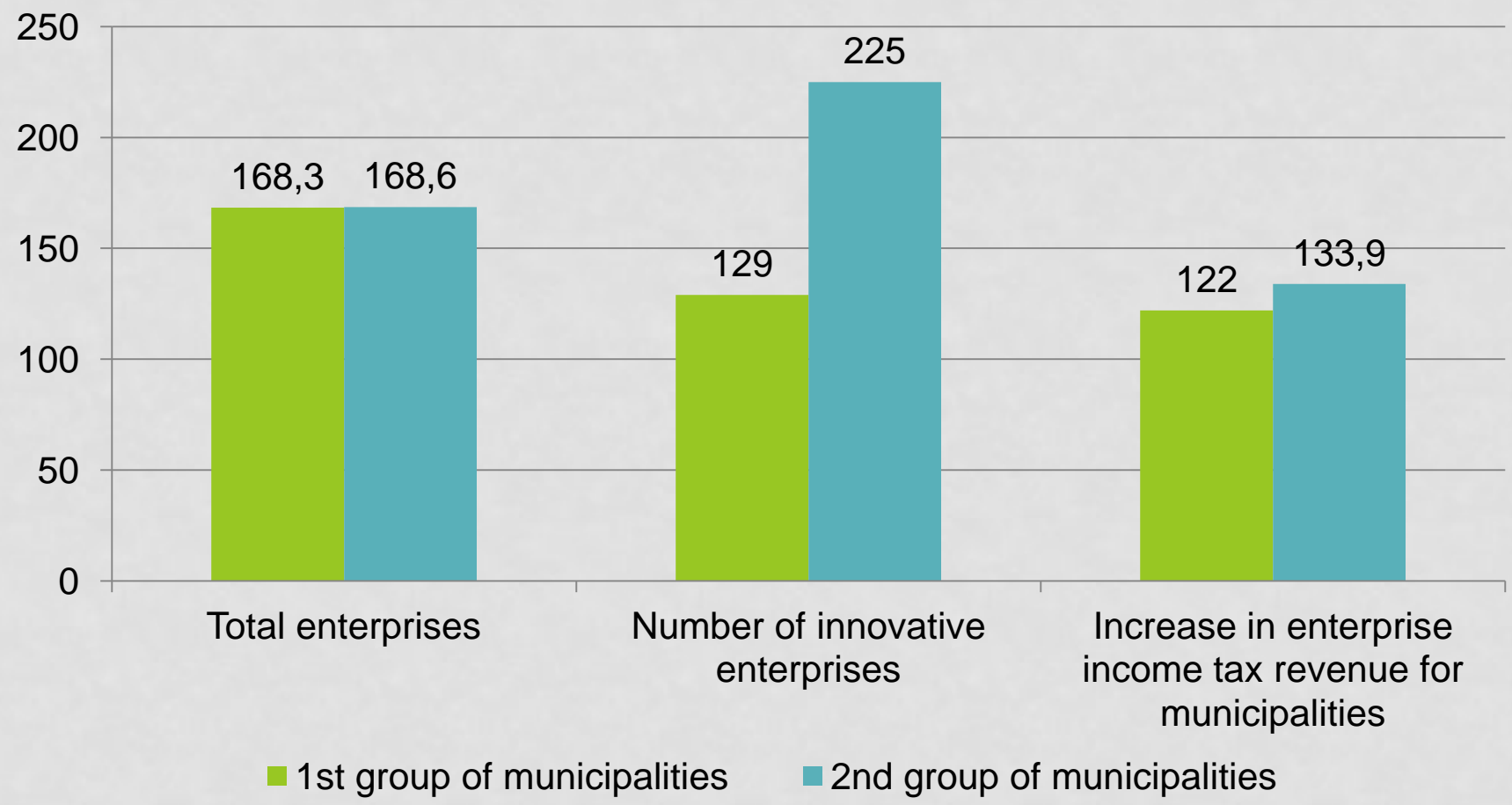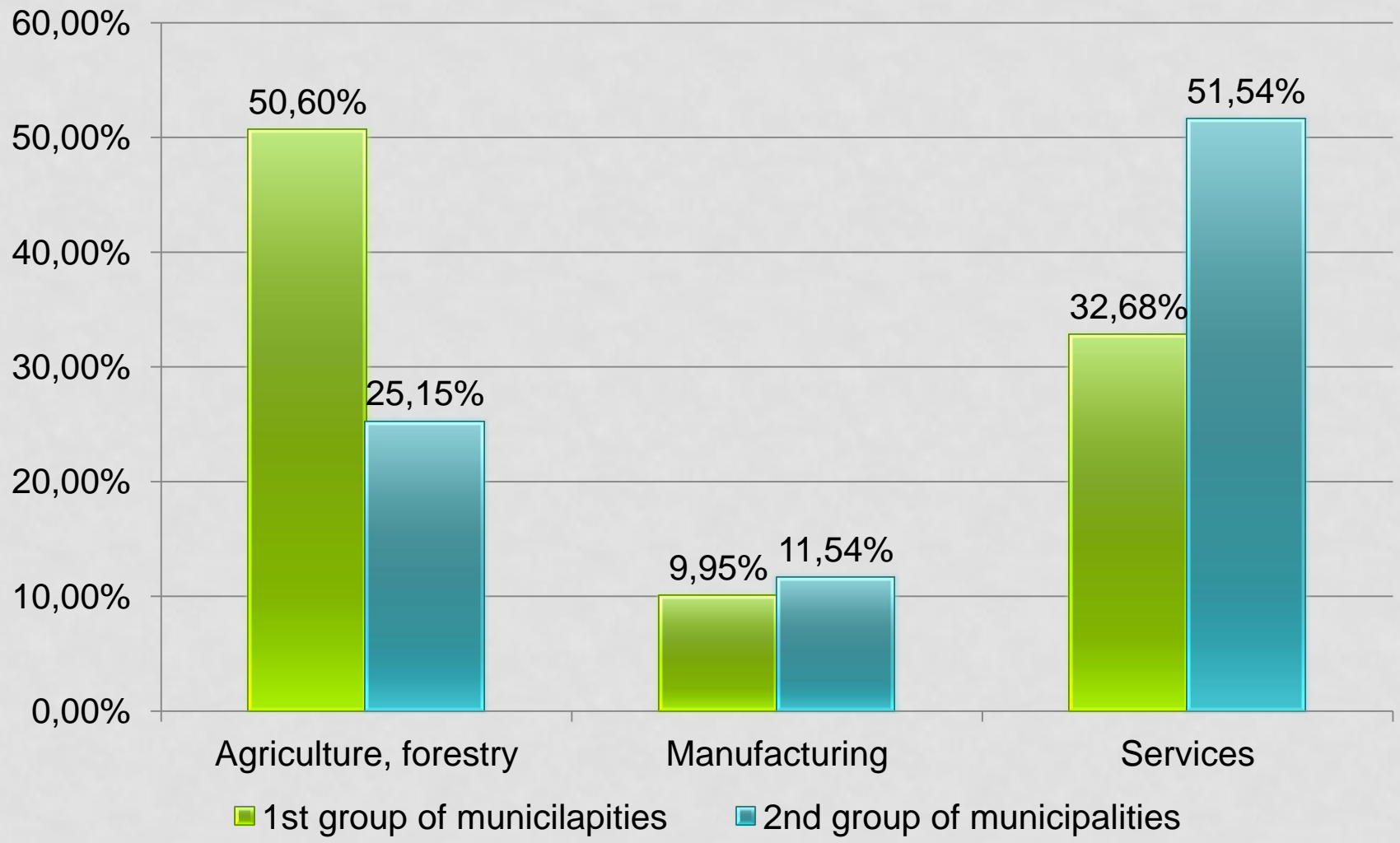| 1st GROUP	2nd GROUP
Increase in **innovative** entrepreneurial activity **lagged behind** an increase **in the total** number of **enterprises**.	Increase in the number of **innovative** enterprises was **greater** than an increase **in the total** number of **enterprises**.
N=5	*N=15*

Percentage change in entrepreneurial activity for the groups of Zemgale region's municipalities in the period 2009-2013

Proportion of the dominant economic activities for the groups of municipalities in 2013
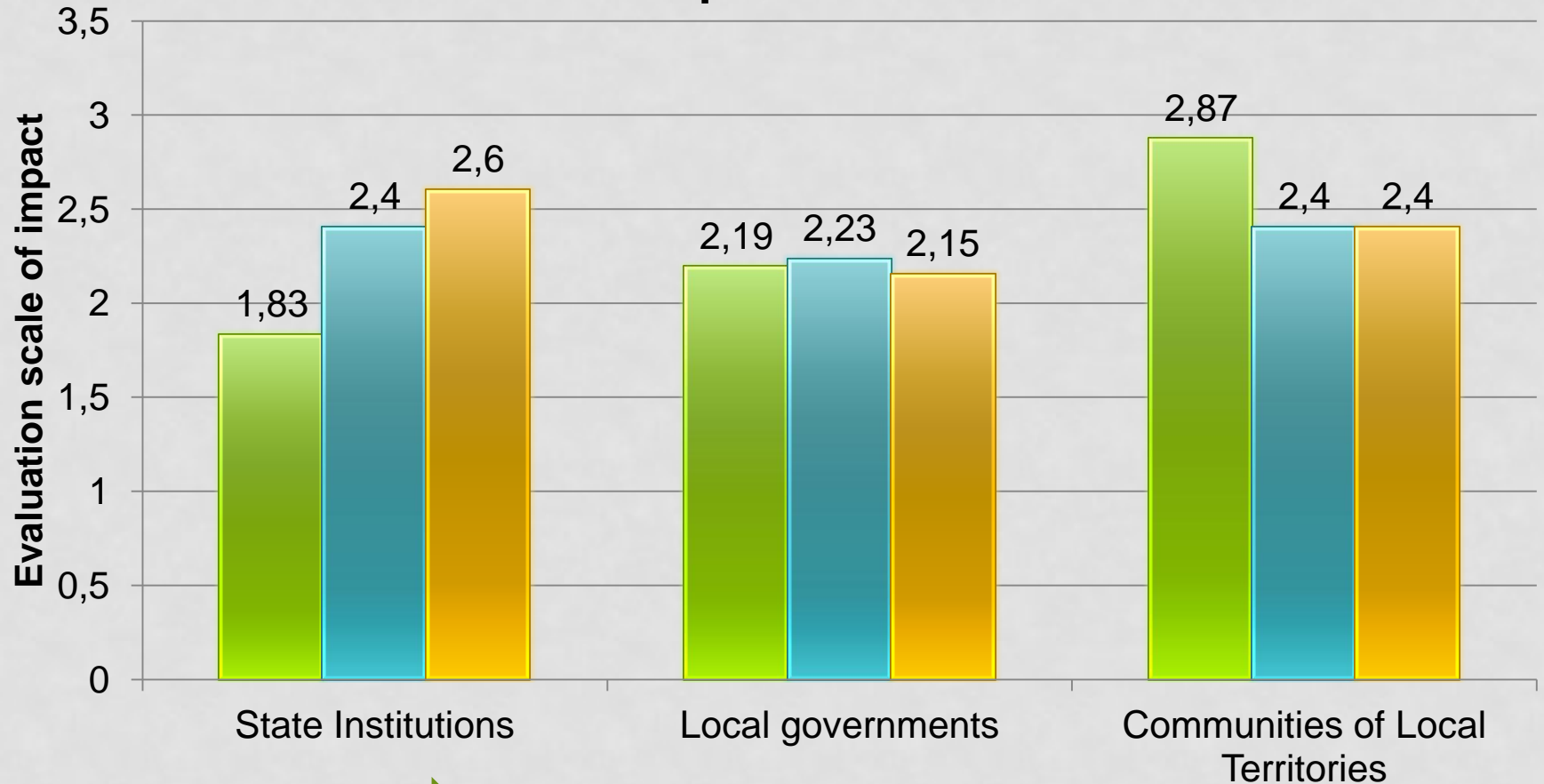
SECOND ANALYTICAL BLOCK

The survey aimed to find out opinions on the changes taking place currently and the **factors promoting and hindering the changes**.

The survey of several social groups:
- **executive directors** of Zemgale region's municipalities (n=12)
- **social work** performers (n=39)
- **local residents** (n=103)

Evaluation scale from 1 to 5, where: 1 – very good, 2 – average, 3 – low, 4 – critical, 5 – no answer

Evaluations of the groups of <u>performance drivers</u> by the respondents

Strong and weak sides of the performance drivers

-	State institutions	Local governments	Communities of local territories
High value	- EU funds attraction	- Skills to attract EU funds and use them successfully	-The inhabitants readiness for economic activity in the personal interests -Interests to acquire new knowledge
Low value	- Tax system is not conducive to economic activity - Legislation system's instability	- Insufficient matched county management - Municipalities insufficient involve the public in the discussions.	- Low tendency for cooperation in economic sphere

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Conclusions: <u>entrepreneurship statistics</u>

- Objective data indicate that even under the complicated circumstances caused by the global crisis economic **growth trends could be observed** in rural areas.

- The **number of enterprises** registered in the Lursoft system in Zemgale region **increased 1.6 times over five years**. At the same time, the number of enterprises engaged in **knowledge-based economic** activity **increased 1.9 times**, which indicated not only quantitative but also qualitative changes.

- **Unfortunetely** increasing of knowledge-based economic activity totalled only **2.7%-points** over a **five-year period**.

Conclusions: <u>two groups of the municipalities</u>

- **In Group 1** (5 municipalities), the **total number** of enterprises **rose faster than** that of **knowledge-based enterprises**; in the result, the proportion of knowledge-based enterprises **decreased** from **8.2 to 6.4%** in those municipalities.

- **In Group 2** (15 municipalities), an **increase** in the number of **knowledge-based** enterprises considerably **exceeded** an **increase in the total number** of enterprises, and their proportion rose **from 12.1**% to **15.0%**.

Conclusions: <u>different drivers of performance</u>

- The respondents considered their **municipal government** to be the **most important driver;**

- **State institutions** as those conducting **EU financial flows** to municipalities, **criticising** instability in economic policies (tax policy and legislation);

- The third driver of performance is the **community of residents** themselves, as progress depends on their **readiness for actions**.

Acknowledgment

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THANK YOU FOR ATTENTION!!!