

Territorial Development in Lithuanian Municipalities: A Territorial Capital Approach

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Abstract. *The concept of territorial capital describing the specificity of spatial socioeconomic differences in municipalities is underused in the Lithuanian academic discourse. The article focuses on different dimensions of territorial assets related to locally based resources including natural resources, socioeconomic dynamics, service provision infrastructure, and place-making initiatives. It also examines the question of the interrelatedness of different local municipal, business, and community stakeholders that enhances the innovative territorial mechanisms in complex ways. In using the data of qualitative interviews with the local authorities, business and community stakeholders in three selected – urban, suburban and rural – localities, the article contributes to the debates on territorial capital. By prioritizing the inter-connectedness and inter-dependence of social ties and networks rather than natural resources, this methodological approach allows us to gain insights into the identification and re-structuring of the territorial capital dimensions in the municipalities of different size.*

Keywords: *territorial capital, municipality, local life chances, locality, Lithuania.*

Introduction

Each locality represents a unique case of intertwining economic, cultural, social, and physical resources and potentials, advantages, and disadvantages, which conditions the current state and further development of the locality. These local resources and potentials could be subsumed under the concept of territorial capital that includes endogenous territorial resources and endowments to promote economic efficiency in the localities and equilibrate socio-spatial inequalities. Territorial capital is most often described as the “set of localized assets – natural, human, artificial, organizational, relational and cognitive – that constitute the competitive potential of a given territory”

(Camagni, Capello 2013, 1387). These assets are specific to a territory and available to citizens who live and work there (Ventura et al. 2008, 160).

The academic discussion on territorial capital also refers to the complex understanding on how locality matters in different contexts in relation to important territorial resources (local policies and institutions, services provision, local engagement, and bottom-up community initiatives) (Cox 1998; Cox, Mair 1988). The reference to the territorialization of the politics underlines the complexity of local social structures. The revival of locally-based policies is related to locational embeddedness, community mobilization, and different territorial groupings or coalitions to solve economic growth and social welfare problems (Cox 1998, 22–25). Moreover, the place-based approach as a coordination mechanism underlines the importance of local knowledge, bottom-up initiatives and place-informed understandings that benefit to ‘exploitation’ and ‘enhancement’ of local assets (Servillo, Atkinson, Russo 2011).

This article introduces the concept of territorial capital and analyses the different dimensions of territorial capital in urban, suburban and rural localities¹ in Lithuania. We focus on the meanings ascribed to the territorial capital by local public officials, business and non-governmental actors in different localities. In other words, we ask the question of how the level of urbanization and different territorial resources in place shape the understanding of territorial capital in localities and how certain territorial capital assets specific for each territory are relevant to its growth. What are the main advantages and strategic potential of localities to be mobilized to promote economic growth and social inclusiveness? In what ways do specific territorial indicators affect the development of social cohesion in different types of localities? Also, what main territorial threats and disadvantages as limitations for local growth policies and local community development do local actors acknowledge?

It should be pointed out at the outset that the concept of territorial capital is almost absent from the regional policy discourse in Lithuania despite playing the crucial role in shaping the EU strategy of the regional policy aimed at social cohesion. There are almost no works that systematically consider the role of territorial capital in cohesion policies in Lithuania. Although the issue of territorial disparities attracted some research efforts (Verkulevičiūtė 2009; Baranauskienė, Daugirdas 2017; Burneika, Kriauciūnas, Ubarevičienė 2010; Burneika, Ubarevičienė, Valatka 2011; Lavrinec 2011), the concept of territorial capital remains underemployed in

1 We use the concept of the locality that refers to municipal jurisdiction (a municipality in Lithuanian translates as *savivaldybė*) at LAU-1 level as a part of local administrative unit nomenclature.

the discussions of regional inequalities in Lithuania. Thus, by using it as an analytic tool in the analysis of Lithuania's different localities, we contribute to this scholarly field in the country.

The article is based on the empirical qualitative data (60 interviews with municipal representatives from local governmental authorities, business and communities) from three distinct localities in Lithuania: Kaunas city municipality, suburban Kaunas district municipality, and rural Pakruojis district municipality. We use the methodology of the empirical research developed by the collective effort of Horizon2020 COHSMO project team that aims to investigate how the conception of locality explains the socio-economic and territorial differences, the collective conditions of social and economic wellbeing and different policy instruments and approaches that intervene in the patterns of territorial development.

First, we describe the concept of territorial capital by paying attention to the conceptualization of territorial assets. In the second part, we briefly present the research methodology focusing on the selection of urban, suburban, and rural localities. By identifying endogenous and exogenous territorial assets and components, the third and fourth parts focus on the contextual analysis of selected cases. The last part summarizes the findings of our research on territorial capital and localities.

Territorial capital and its uses

Regions function not only as spaces of economic growth and innovation but as places that produce spatial-economic disparities. Moreover, they have specific regional assets called territorial capital that generate higher returns for different investments and entail relevant policy implications. The different regional assets also affect region-specific growth paths.

The concept of territorial capital was introduced by the OECD (OECD 2001) and the European Commission (European Commission 2005). The OECD described it as a variety of factors that impact on regional development:

These factors may include the area's geographical location, size, the factor of production endowment, climate, traditions, natural resources, quality of life or the agglomeration economies provided by its cities, but may also include its business incubators and industrial districts or other business networks that reduce transaction costs. Other factors may be "un-traded interdependencies" such as understandings, customs and informal rules that enable economic actors to work together under conditions of

uncertainty, or the solidarity, mutual assistance and co-opting of ideas that often develop in clusters of small and medium-sized enterprises working in the same sector (social capital). Lastly, according to Marshall, there is an intangible factor, “something in the air,” called the “environment” and which is the outcome of a combination of institutions, rules, practices, producers, researchers, and policy-makers, that make a certain creativity and innovation possible (OECD 2001, 15).

According to the EC document (2005), “Each Region has a specific ‘territorial capital’ that is distinct from that of other areas and generates a higher return for specific kinds of investments than for others, since these are better suited to the area and use its assets and potential more effectively. Territorial development policies (policies with a territorial approach to development) should first and foremost help areas to develop their territorial capital.” This approach integrating economy and territory by associating regional economic potential and territorial capital have contributed to the research on spatial development produced by scholars from different fields (Capello, Camagni, Chizzolini, Fratesi 2008, 298).

Mazzola et al. (2018, 412) argue that “The definition of territorial capital encompasses all material and non-material resources, production factors, collective learning, knowledge and skills and, also, the set of norms, social and relational skills accumulated through time in a specific territory.” Thus, in analyzing territorial development we must pay attention not only to natural and cultural resources, general urban or rural structures and public goods but also to local competitiveness residing in creativity structures, local trust, a sense of belonging, local identity and relationality. That is to say that shared cognitive and behavioral codes, values, and goals contribute to regional development as much as its natural territorial assets (Camagni, Capello 2013, 1386–1387). The territorial capital concept helps us to grasp the level of both competitiveness of territories and wellbeing of local populations (Capello, Camagni, Chizzolini, Fratesi 2008, 298).

In applying the territorial capital concept, the researchers have analyzed the influence of different territorial capital elements on regional competitiveness. They also examined how different combinations of territorial capital could enhance regional policies. The underlying assumption of this research is that the efficient management of territorial capital enhanced by policy interventions can become a critical success factor in innovation and regional growth (Capello, Caragliu, Nijkamp 2009). On the other hand, regional policies are more effective when the region has a well-developed system of territorial capital assets (Fratesi, Perucca 2019). Thus, the concept of territorial capital as a set of territorial conditions that foster or hinder

economic development is a useful tool for the analysis of both regional growth and the success of cohesion policies.

In this article, we use the concept of territorial capital that encompasses a set of “localized assets – natural, human, artificial, organizational, relational and cognitive – that constitute the competitive potential of a given territory” (Camagni, Capello 2013, 1387). However, most attention is paid to the following components of territorial capital: natural and cultural resources, social capital (collective action capability, collective competencies, institutions, behavioral models, values, trust), human capital (entrepreneurship, creativity), and cooperation networks (public/private partnerships in local governance). All these facets of territorial capital could help identify regional specificities and capabilities in growth processes.

Methodological remarks

As mentioned before, the methodology of the research draws on the guidelines developed in implementing the COHSMO project “Inequality, Urbanization and Territorial Cohesion: Developing the European Social Model of Economic Growth and Democratic Capacity.”² In the project, territorial capital is among the key analytical categories related to a broader territorial cohesion discourse. The concept is based on an endogenous approach to increase territorial socioeconomic growth through multi-level governance and recognition of local assets (Barca 2009; Faludi 2004; Mirwaldt et al. 2009; Medeiros 2016). More specifically, to map the patterns of territorial cohesion the project focuses on several policy areas: vocational training, child-care services, active labor market, economic growth, and urban regeneration at different scales.

Among other research activities, the project methodology also envisaged the qualitative research in three localities in each participating country. The selection of the cases was based on the general methodological guidelines of the project. In each country, the research was carried out in large metropolitan, suburban and rural localities (municipalities). The municipalities have broad functional responsibilities and policy scope that

2 COHSMO project “Inequality, Urbanization and Territorial Cohesion: Developing the European Social Model of Economic Growth and Democratic Capacity” (No. 727058) includes seven participating EU countries: Denmark, the UK, Poland, Lithuania, Austria, Greece, and Italy. The main idea of the project is based on the investigation of the relationship between socio-economic structures of spatial inequality, urbanization, and territorial cohesion by looking at the place-based policies at the municipal level. The other objective is to identify socially inclusive territorial policies that deal with the economic growth and social welfare of local communities.

involve an extensive range of state-delegated functions but share a relatively low level of financial and political discretion.

Selected municipalities represent the diversity of territorial development concerning territorial capital and local governance arrangements. In Lithuania, Kaunas city municipality was selected, because it has the structure of non-centric agglomeration and corresponds to the ESPON 2007 classification of characteristics of metropolis areas³ (ESPON report 2007). For the suburban case, we selected Kaunas district municipality, which represents sizeable outer ring municipality characterized by the fast-growing population, outward commuting networks via the metropolitan area and intensive strategies of land resource use for developing new residential areas. The rural municipality selected is Pakruojis district municipality that is a borderland municipality; it is far from large industrial centers and based on agricultural activities.

The selected localities have their internal similarities and differences. The main differences of the selected municipalities lay in their demographic, social, and economic indicators and local potential to implement territorially-driven growth policies. For example, urban and suburban municipalities have a significant potential for investments, and the potential for creating polycentric urban districts and functional transportation system, the programs for the renewal of residential districts, the use of cultural potential and active local communities. In this sense, the strong inter-institutional collaboration and interdependence between both municipalities become one of the most important governance mechanisms. On the contrary, the situation in the rural municipality reveals the challenges to grasp with the innovative policies approach that could combine the scarce local resources and potential. The rapid demographic decline and dependence on low value-added agricultural activities create continuous problems for municipal administration in re-shaping the economic growth strategy and public service delivery options.

Following project methodology, 60 semi-structured interviews (20 in each locality) were carried out. In each locality, the interviews were conducted with the representatives from three different groups of the local stakeholders including community stakeholders (community organizations, NGOs), business stakeholders and public authorities (municipal officials involved in planning, business relations, municipal officials and state institution representatives). In Lithuania, the interviews were carried out in June-September of 2018. The mean duration of interviews approximates

3 ESPON 2007 classification defines only two metropolitan FUA's (functional urban area) in Lithuania which represents Vilnius city municipality and Kaunas city municipality (ESPON 2007 report).

45 min. All interviews were transcribed and archived. For the purposes of the project, summary notes for each interview were composed and translated into English. Each respondent received the specific identification code that refers to their original municipality and occupation.

Semi-structured interviews were conducted following the interview guidelines. The guidelines included a general part dedicated to all three groups of respondents and particular parts developed according to the competence area of each group. Overall, the list of interview questions addresses three main topics: (1) the level of territorial disadvantages and advantages related to locality; (2) the level of collective efficacy related to local life chances; (3) mechanisms and arrangements of territorial governance, collaboration and coordination to mobilize territorial capital and synthesize the policies of pre-school childcare, active labor market, area regeneration, VET and economic growth. Our article focuses only on the identification of territorial capital in different territorial jurisdictions that reveals the recognition of territorially-based assets. The identification of territorial potential enables a broader discussion on how to reconcile the economic competitiveness with community engagement and bottom-up initiatives fostering place-based policy interventions to sustain local economic growth and social welfare.

Contextual analysis of urban, rural and suburban localities

We begin with the overview of the socio-economic and demographic indicators of each locality in order to contextualize their socioeconomic and spatial development differences. One part of our arguments involves the recent state of the socio-economic development of the municipality including economic growth indicators, labor market dynamics, and demographic change. Another part of our arguments is based on the policy coordination mechanisms and the potential to develop innovative economic growth and territorial cohesion strategies in the municipal territory.

Kaunas city municipality that, in our study, represents large metropolitan locality demonstrates most of the metropolitan area characteristics including high population density, economic growth accumulation, private and public investments, social exclusion problems and intensive labor market dynamics (see Table 1). The population in Kaunas city municipality has steadily decreased between 2007 and 2017 and during the analyzed period decreased by 51 241 inhabitants (-14.9 percent) to 292 621 inhabitants. The number of working age population has also decreased from 217 401 to

178 570 (-17.86 percent) and the population aged 0–15 years – from 70 761 to 69 233 (-2.16 percent). It was affected by the negative net migration and negative natural population change. The average unemployment rate is relatively low (8.5 percent in January 2018) compared to the average total unemployment rate in the country (Statistic Lithuania 2019). Kaunas city municipality demonstrates a strong pattern of intra-municipal disparities in terms of economic and social indicators. The decrease of inhabitants in Kaunas city and the development of its suburbs and districts became significant territorial challenges to the city. Social segregation in different urban territories presents another significant challenge. The biggest concentration of elders is characteristic of Soviet-era housing districts that experience the risk of household aging and depopulation. It is due not to the physical location of these districts but to the devaluation of housing and the depreciation of infrastructure in these areas. As the current research demonstrates, these districts populated mostly by less educated inhabitants that ascribe themselves to lower classes indicate the strengthening process of socio-spatial polarization in the city (Žilyš 2015).

On the contrary, Kaunas district municipality meets the criteria of population growth, urban sprawl, intensive commuting networks, the domination of non-agricultural economic activities and presence of “unexpected” social outcomes (for example, growing unemployment among specific age groups or income dynamics). Kaunas district municipality has strong tendencies of intensive outward commuting networks via the metropolitan area. It is a large size suburban area with the population of 91 073 inhabitants in 2017 (see Table 1). The municipality is characterized by the most considerable population growth between the period of 1996–2017 that reached 17.42 percent compared to other municipalities (Statistic Lithuania 2019). The more significant number of arrivals can be explained by the fact that young families started to move to the suburbs of Kaunas because of suburban sprawl processes. The unemployment level in Kaunas district municipality has been decreasing yearly (6.6 percent in 2015, 6.3 percent in 2016). The number of social welfare recipients is also lower than the country average (2.2 percent in 2015, 1.7 percent in 2016 compared to the average of 4.3 percent). Despite the fact that the number of people at risk of social exclusion has been decreasing in Kaunas district, it is still characterized by the territorial differences of social and economic development particularly related to “problematic” territories of Vilkija, Čekiškė, Pagybė, Babtai and Vandžiogala elderships with the highest number of people at risk of social exclusion. A second characteristic is related to intensive strategies of land resources use for developing new residential areas, especially in the elderships that surround Kaunas city. However, the urbanization of rural

areas of Kaunas district is also somewhat uneven. Several big elderships close to Kaunas city have been urbanized while peripheral villages are less urbanized. The social infrastructure is underdeveloped, and services of the public transport are also limited in peripheral elderships (Kaunas District Local Development Strategy 2007–2013).

Pakruojis district municipality is distinguished by low population density, tendency for out-migration and the significant role of agricultural activities. The municipality is characterized by significant de-population (in 1996–2017 the average drop of the population was 33.58 percent) which affected local primary and secondary education system, students' enrolment in vocational school and labor market supply. In 2017, the total population size was 19 552 inhabitants. During the analyzed period of 2007–2017 the population decreased by 6278 inhabitants (-23.61 percent) (Statistics Lithuania 2019, see Table 1). The other socioeconomic indicators are presented in Table 1.

Municipality mostly relies on the agricultural activities; among them 71.4 percent of the territories are used exclusively for productive field farming. The orientation of Pakruojis district municipality towards the branches of traditional industry and farming largely determines the problems of long-term unemployment and employment in target cities that for this reason have limited possibilities for urban and economic development. The unfavorable economic situation prevents the development of new business initiatives; the widening gap between bigger cities and peripheries threaten the survival of smaller towns. The case of rural municipality demonstrates the lack of diversified economic activities and alternative territorial growth policies, for example, tourism development programs.

The main differences of the selected localities lay in their demographic, social and economic challenges and local potential to implement territorially-driven growth policies. For example, the Operational Programme for the European Union Funds' Investments in 2014–2020⁴ emphasize that the larger cities of the country including Kaunas city municipality has significant potential for investments: besides creating polycentric urban districts and functional transportation system, the renewal of residential districts, the use of cultural potential and the maintenance of creative local communities are planned. The similar potential is characteristic of suburban Kaunas district municipality which is developing under the strong influence and proximity of Kaunas city in terms of commuting infrastructure,

4 Operational Programme for the European Union Funds' Investments in 2014–2020 was prepared as a part of the Republic of Lithuania Partnership Agreement for joining the EU approved by Order No. 4-933 of 19 December 2014 by the Minister of Economy of the Republic of Lithuania.

TABLE 1. THE SELECTED INDICATORS OF MUNICIPALITIES

Indicator	Urban Kaunas city municipality	Suburban Kaunas district municipality	Rural Pakruojis district municipality	All municipalities within the country		
				Avg	Min	Max
Population average (2006-2017)	324502	86194	24212	40663	2570	542925
Area km ²	157	1496	1315	108810	40	2218
Population density (2006-2017) (inhab./km ²)	2028.63	57.65	18.41	47.45	11.71	2028.63
5-year population change (%; 2011-16) – Kaunas county	-6.14	+4.18	-12.12	-5.37	-12.92	+17.78
Unemployment rate (%) (2007-2017)	4.8	4.45	5.9	6.25	4.7	11.6
Pre-school enrollment rate (%) 2006-2016, the proportion of children in pre-school education compared to children aged 1-6 (%)	74.55	50.35	53.45	67.5	48.35	70.55
Economic situation indicator (average disposable income per household per month, EUR), only by regional level, 2007-2017	no data	no data	no data	791	599	948

Source: Statistics Lithuania 2019, our own calculations.

transportation networks, public services delivery and labor market supply. The extensive economic interdependence is also significant, particularly considering the proximity of Kaunas Free Economic Zone (FEZ zone) in Kaunas district territory that brings the large number of new jobs and stimulates the increase of household incomes. In this sense, the effective inter-institutional collaboration between both municipalities becomes one of the most important territorial growth criteria. The geographic proximity and the interdependence of resources also create challenges for uncovering the specificity of territorial cohesion policies related to specific territories. On the contrary, the rural municipality of Pakruojis encounters the challenges of grasping the innovative policy approach that could combine the scarce local resources and potentials. The quick demographic decline and dependence on low value-added agricultural activities create continuous problems for municipal administration in re-shaping the economic growth strategy and identifying local assets.

Case description: urban, suburban and rural localities

Territorial capital in Kaunas city: between territorial revitalization and spatial dependency

The territorial capital in Kaunas city municipality can be defined as a combination of urban planning geography, development of public infrastructure and enactment of territorial initiatives. The need for social and public infrastructure points to the importance of agglomeration of economic competitiveness with local community needs. In understanding territorial capital, exogenous factors such as the demographic decline, suburbanization, economic competitiveness and outer and inner migration are important. They demonstrate territorial disadvantages related to the depopulation of Kaunas city. There exists the problem of inter-municipality migration: people move to Kaunas district municipality in which the number of inhabitants has been increasing during the last few years. The suburbanization of the city or people's movement to the city's peripheries is noted and considered as a territorial problem that impedes the city development (Public Authority Actor, DS_KCM_UG08).

Secondly, we identify the group of endogenous territorial problems that involves (1) the diversity of internal spatial inequalities that effects the arrangements of public services infrastructure; (2) territorial revitalization policy and territorial planning; (3) spatial and economic interconnectedness with suburban locality and "free rider" problem; and (4) potential of small

and medium enterprises (hereafter SME's) and bottom-up initiatives and development of tourism resources.

Some territorial problems, especially those related to close interconnectedness and economic competition with the suburban area, are caused by the decisions made at the national level and the municipality's inability to face innovations and changes. These changes relate to the insufficient funding of kindergartens, schools, and transport in Kaunas city. The business actors mention intensive and chaotic urban-suburban transportation system and traffic that forces ongoing gridlocks and traffic jams during rush hours. The size of Kaunas city municipality that is smaller than Kaunas district municipality also add up to the municipality's disadvantage because municipalities are funded according to the inhabitants' place of residence and work (Public Authority Actor, RS_KCM_UG01). Kaunas district municipality attracts more significant financial support and investments because of the population size even though the boundaries between these municipalities are not always clear-cut.

In talking about territorial disadvantages that might impede the competitive potential of Kaunas city, opinions of all respondents are similar except for business actors who mention more territorial disadvantages than any other group. All mention that Kaunas city municipality is surrounded by another so-called ring municipality of Kaunas district. Often the boundaries between two municipalities are not clear, for instance, the settlements of Domeikava, Ringaudai and Garliava officially belong to Kaunas district municipality but their inhabitants exploit the public service infrastructure (kindergartens, schools and social welfare centers) of Kaunas city municipality. This condition distorts the supply-demand balance of the services. Overlapping public services and "free-rider" problem in these two urban and suburban municipalities emerged because of intensive labor force flows (especially working-age population) between urban-suburban areas.

Although some respondents, particularly the business actors, emphasize the lack of effective territorial revitalization processes in specific elderships of Vilijampolė and Šančiai, most governance respondents oppose their view in arguing about vital renovation and reconstruction projects. Also, opposing both community activists and local governance actors, the business actors complain that the municipality focuses more on fostering foreign investors rather than considering local-based investments and their input into the local economy:

Therefore, I think that if we want to talk about life quality in the future, I am convinced that the municipality has enough resources to solve the issues of street repair, infrastructure, and the renovation of public institutions

including educational ones and even to invest into some luxury products such as science center or concert center. However, if we think about the issue of courtyards of apartment buildings directly related to the life quality of most Kaunas inhabitants it is a difficult challenge to the city. I think that even the bravest mayor would encounter this challenge in implementing it. We need state support and certain state impact... (Public Authority Actor, PM_KCM_UG03).

One of the essential territorial challenges mentioned by the government and business actors is insufficient communal involvement in providing different public services for disadvantaged groups. Moreover, some NGOs and local communities are excessively politicized and serve party interests. Youth NGOs should be more involved in public activities and develop a closer relationship with the city. However, community activists argue that it is the municipality that is responsible for the decreased involvement of communities in local governance. The municipality drastically reduced the financing to the NGOs and even cut off the relationships with them (Community Actor, MB_KCM_UC04). The community activist refers to the quality of local democracy distinguishing the importance of public spaces and local activism:

Problems are people who, for whatever reason, appear on the margins of society, the voice of those people, the voice audibility... The problems are social services and unemployment, poverty and surplus, the lack of public spaces, as I have said, that forces the deficit of democracy about which we are talking in the community, that is, in principle, [these problems include] democracy and civil society, all that is the body of the over-represented society. In general, there is a lack of citizenship, connectedness, and courage (Community actor, GV_KCM_UC02).

All three groups of Kaunas city municipality respondents distinguish the following main local assets in Kaunas city. First, they note increasing financial investments because the city has an excellent infrastructure which has improved during the last several years. Second, the respondents stressed the relevance of the universities and colleges which produces a qualified labor force for the labor market. Third, the nomination of Kaunas as a 2022 cultural capital of Europe was also mentioned. Fourth, the strategic geographical and logistical position of Kaunas is also seen as a local asset. Kaunas is an easily reachable city from different Lithuanian locations and neighboring countries.

As the first territorial asset, infrastructural projects that improved Kaunas inhabitants' lives were mentioned in several interviews. The increasing number of projects yet to be carried out such as the renovation of Soviet-era apartment buildings and their yards and main city streets was emphasized. The sufficiently advanced system of preschool institutions also presents a territorial asset. In general, the entrepreneurial spirit of Kaunas and its ability to attract investors is noted.

Secondly, Kaunas is an academic city and the institutions of higher education positively affect its potential. It is also a city of young professionals attractive both to investors and young families. The Kaunas population has very high educational capital; the labor force is highly qualified because of numerous higher education institutions based in the city. Kaunas is also capable of attracting young specialists valued for their language skills, professionalism, and loyalty.

The nomination of the city as a 2022 cultural capital of Europe encompasses a strategic goal of maintaining the principle of an inclusive culture. Because of its cultural capital status in the future and its strategic position, Kaunas became more attractive to tourists. The geographical location is very beneficial to the city that is centrally positioned in the country that makes it well-connected nationally and internationally. Therefore, the city has been positively assessed by tourism professionals:

Today we could tell more about the city and its identity and we see how it is becoming a center of attraction for tourists. Moreover, even professionals of tourism appreciate the things Kaunas can offer. Another thing is the increase of accessibility of the city and often repeated phrases like “attracting investments” and “creation of new jobs.” However, if you think more, Kaunas has the biggest potential as an academic city of professionals that appeals to foreign investors (Public Authority Actor, SK_KCM_UG02).

In sum, it is possible to argue that Kaunas city has several territorial assets that could result in a “real breakthrough” (Public Authority Actors, RS_KCM_UG01 and SK_KCM_UG02). Although there exist some territorial problems and disadvantages, some of them concern “free rider” infrastructural arrangement problems and overlapping public services delivery with the neighboring municipality and national territorial development policies. The other dimension that shapes the territorial capital is the decrease of the local population, an intensive population flows between neighboring municipalities of Kaunas city and Kaunas district, and the politicization of NGOs and local communities that often serve party interests.

Kaunas district municipality: urban sprawl and the growing diversification of lifestyles

The territorial capital in Kaunas district municipality is defined by the diversity of external and internal assets that leads to broader consideration of the need to balance exponential territorial socioeconomic growth and the needs of local communities. The group of exogenous territorial capital factors highlights the country-level challenges related to socio-demographic change and intensive rural-urban migration. The suburban locality has one of the highest fertility rates and positive net migration rate among other municipalities; the respondents highlight that in general the municipality should be considered as an exception. A large part of the increasing working-age population in the locality comes from the neighborhood municipalities which have less economic potential and high-income jobs.

It should also be noted that most territorial problems are viewed as an integral part of direct inter-connectedness within the urban locality⁵. For example, by emphasizing the problems of economic competitiveness, the respondents point to the need for economic efficiency and higher levels of productivity which could be achieved only in close collaboration between urban and suburban municipalities (intensively commuting labor force flows). The first example of this collaboration is an intensive and successful development of one of the largest industrial Free Economic Zones of Kaunas region and future development plans for Kaunas international airport (Business Actors VJ_KDM_SBB01 and MG_KDM_SBB03). Other exogenous problems are related to the development of country-level transportation network and traffic systems. The suburban locality lies in a geographically strategic position of the country on the main crossroads of highway and railway traffic. However, the respondents emphasize that the high intensity of national-level traffic causes a lot of problems for inhabitants in terms of daily commuting, exhausting traffic jams and accessibility to public services (Public Authority Actor, EM_KDM_SBG01).

Secondly, endogenous territorial problems include (1) internal socio-demographic inequalities; (2) territorial development and urban planning problems; (3) accessibility and availability of public services and development of public infrastructure; and (4) the lack of bottom-up initiatives, particularly business involvement. Concerning internal socio-demographic inequalities it could be argued that two types of more rural and more urban elderships define the profile of the locality. Since the suburban locality has a relatively large territory, the elderships distant from the metropolitan area of

5 Geographically Kaunas district municipality is a “ring” municipality surrounding metropolitan Kaunas city area.

Kaunas city are characterized by lower income and economic productivity compared to the elderships geographically closer to the metropolitan zone.

Most different groups of respondents emphasize life quality problems related to the development the of green zone, recreation, and sporting activities. These problems are significant to different groups of inhabitants, particularly working-age professionals with kids who expect to have higher living standards in their newly built private housing blocks (Business actor, VB_KDM_SBB05; Public Authority Actor, EM_KDM_SBG01). Nevertheless, mainly the governance actors emphasize the importance of sustainable housing planning in suburban territories which has been chaotically planned and has contributed to the disbalance of public infrastructure availability in recent years:

When this development stops, the need for infrastructure will not be greatly reduced; the urban sprawl takes place in large areas and it needs to be monitored. The budget will stop to grow, because, as I said, it sometimes grows up to ten percent and more per year. Without a budget, the municipality will be able to provide infrastructure only for one specific area. Having in mind the challenge of decreasing development and investments, the municipality needs to look for alternatives (Public Authority Actor, GK_KDM_SBG05).

The last group of territorial problems is related to accessibility and availability of public services to local inhabitants who differ in their socio-economic status and geographical proximity. All groups of respondents point out the lack of managerial skills of the municipality to deal with the cost optimization and supply-demand balance in public services in adjusting to the changing socio-demographic profile of inhabitants (for example, there is less demand for secondary and pre-school education in remote elderships and high demand for it in booming elderships next to the metropolitan zone). Territorial planning policies affected by inconsistent strategic planning and the lack of long-term vision for urbanized zones influence the imbalance in supply-demand of public services:

Here the land is cheaper; taxes are somewhat lower and [beautiful] nature abounds, [thus], the inhabitants are settling down. Now we say that the middle class is growing around Kaunas... these suburbs are getting developed so much and we are getting into this shortage of services. It is a challenge because we need a kindergarten, [because] they are closed elsewhere, we are not able to build new ones although we [try to do] it every year (Public Authority Actor, EM_KDM_SBG01).

The first group of exogenously defined territorial advantages is related to an increasing economic competitiveness of Kaunas region (e.g. an increase of direct foreign investments in Kaunas Free Economic Zone) and the strategic geographical position of the locality. The respondents argue that the main territorial advantages should be perceived as an outcome of mutual inter-connectedness and inter-dependence of the urban and suburban municipalities. Another advantage of the territorial inter-connectedness is related to the higher income of local inhabitants, mainly belonging to professional white-collar classes that settle down in newly formed suburban areas. The higher-income classes change the socio-economic profile of the locality, particularly stimulating gentrification of the areas close to the metropolitan zone. The geographical proximity to the metropolitan zone is also considered as an advantage concerning overlapping recreational and cultural lifestyles, local business relations and the dynamic character of the urban zones. Nevertheless, the strategic position of the locality depends on the higher levels of economic competitiveness and the increase of foreign and local investments.

Three groups of endogenous territorial potentials could be distinguished: (1) local community engagement; (2) effective work of the municipality to coordinate the different public services in more rural and urban elderships; and (3) higher socio-economic indicators (higher income of households and low unemployment rate) fostered by mutual inter-connectedness and inter-dependence of the urban and suburban municipalities. Most respondents underline the potential of local community engagement and the growing impact of collective efforts to improve local life quality related to cultural, educational, recreational, and environmental activities. They also recognize the potential as an outcome of the effective municipal work in navigating between supply-demand for public services (for example, public transportation, pre-school and secondary schooling, and social services) and the general tendencies for cost optimization and municipal budget planning limitations (Public Authority Actors, EM_KDM_SBG01 and AB_KDM_SBG01).

Territorial advantages and potential primarily focus on an increasing economic competitiveness of Kaunas district and the benefits of its strategic geographical position. Another potential is related to endogenous criteria including the high level of local community engagement, higher socio-economic indicators (higher income of professional white-collar classes and low unemployment rate) and an effective municipal work in coordinating different public services in more rural and urban elderships. There are no significant differences among the respondents in their view of territorial

potential, except the community and governance actors put more emphasis on the role of bottom-up civic engagement and collective mobilization.

Territorial capital of Pakruojis district municipality: migration, natural resources and collective efficacy

The territorial capital in Pakruojis district municipality is shaped by the interplay of both exogenous and endogenous factors. Exogenous negative factors include: 1) emigration, which affects demographic composition of the local population and labor supply and 2) national level policies guiding public and business sector activities. Despite of their professional or social role in the community, the respondents were univocal in recognizing the international and internal migration as one of the main challenges for the territorial capital of the locality. Local working age population dramatically shrinks due to long-term intensive flows of international emigration and moving out of working age population to large industrial cities (Šiauliai and Panevėžys). Demographic issues have an impact on the economic potential of the area, and public policy and business actors identified the existing shortage of high and low skilled labor force. There is a demand for public sector employees (teachers and psychologists), but also workers or qualified labor force in the agricultural sector. Second negative exogenous factor reflected by the respondents in the interviews are national level policy principles oriented towards centralization, cost optimization and ignorance of local needs. One public authority actor summarized: “The problem in Lithuania is an excessive centralization, which makes our local governance very weak. We have very limited power in controlling finances, decision making and responsibility taking” (Public Authority Actor, SG_PDM_RG01).

By ignoring the local needs national governing institutions deepen the problems and contribute to the erosion of the existing territorial capital. For example, the underfinancing of the local road infrastructure by national governing bodies is affected by low population density. However, the deterioration of roads will lead to the migration of the population out of the localities in the nearest future. Local public authority actor explained: “They [national level institutions] do not listen to the argument that if we do not invest [in the roads], people living there will leave the place in a few years and population density will decrease even more” (Public Authority Actor, EK_PDM_RG09).

Cost-optimization policies also guide policy decisions in both public and private sectors and, consequently, diminish the territorial capital. Cost efficiency motivates the closure of private and public sector services such

as local bureaus of banks, post offices and other public institutions. It also affects the educational infrastructure including the closure of lower secondary schools and the merging of Žiemelis VET school and local gymnasium.

Among the endogenous problems respondent listed: 1) issues related to roads; 2) socially vulnerable population groups; and 3) inefficiency of the local public authorities. However, only business actors mainly voiced the third problem. Pakruojis district municipality has the most significant number of gravel roads in Šiauliai region; thus, the bad condition of road infrastructure was listed among the territorial disadvantages. Besides, access to the transport services is also limited particularly during the non-school year period when there are no yellow bus services. Besides, Pakruojis district municipality is situated between two big international transport lines (ViaBaltika (E67) and E272), but they do not cross the district. Some respondents recognize that in the future this might constrain the economic growth because industries usually develop along the transport lines. Socially vulnerable groups also pose challenges to the territorial capital. Most respondents recognized long-term unemployment and dependency on social benefits as the source of social problems. Business actors also criticized the municipality for “not doing enough.” According to some respondents, the main threat to efficient integration of place-based policies is related to the ineffective and short-term activities implemented by the municipal administration. The respondents criticized the passivity and lack of strategic vision that limits the external investments. The internal political fights in the Municipality Council were singled out as the negative factor in the place-based policies and their implementation.

However, all respondents recognized that both positive exogenous and endogenous factors shape the territorial capital. The proximity of the municipality to Šiauliai and Panevėžys cities was mentioned as a positive exogenous factor. Labor force demand in the recovering industry and service sectors of the two cities provides employment opportunities to the local population. The endogenous positive factors shaping the territorial capital are: 1) natural resources including dolomite, high productivity soil and natural recreational sites; 2) local tourism and leisure infrastructure; and 3) mobilization of local communities and proximity to the local public authorities.

In talking about the natural resources all respondents identified the dolomite mining as the advantage of Pakruojis district municipality. Mining has been a stable industry for around 50 years, and it has secured excellent employment opportunities with relatively high salaries for the local population. Secondly, perfect and top productivity soil (with the highest productivity index in Lithuania) influences an extensive use of land and

productive agriculture. Therefore, Pakruojis district municipality distinguishes itself by the concentration of agricultural production in large companies and cooperatives (it hosts the most significant agricultural company in Lithuania). Thirdly, the agricultural production was not dispersed among smaller producers during the transitional period. Active agricultural production supports many businesses related to the agricultural machine maintenance. Fourth, green spaces are also recognized as an attractive asset of the locality.

The second local asset of the municipality is the tourism industry and leisure infrastructure. Pakruojis mansion, a huge touristic complex, was reconstructed by the municipality using the EU funds. Currently it is operated by a private enterprise on the concession agreement. The mansion not only generates tourist flows but also produces the small-scale tourist enterprises in the territory. Besides, the old wooden synagogue was reconstructed; it is adapted to the community needs (cultural events, movies and small museum). There are also green spaces, bicycle roads, and children playgrounds in Pakruojis town.

The third territorial asset is associated with a relatively high level of mobilization of local communities. The respondents assessed the local voluntary or community organization as generally active. Overall, there are around 40 communities or village communities and 80 clubs of various character. However, only from approximately 1/3 to 1/2 of them are active according to one public authority actor's estimation. Some communities have community centers that serve as a meeting place. Village communities are relatively better off with regard to their meeting spaces because previously the construction of such centers was financed by the EU funds.

Communities as networks of citizens are active in the improvement of life chances in some places. For instance, Klovainių community mobilized against the expansion of the technologically outdated cattle-breeding farm in the area. The businesses did not expect such mobilization from the community and was forced to change the plans. A similar development took place in Rozalimas eldership, where a Danish company had intentions to develop large swine farms. Thus, generally, the collective efficacy in the locality is high and, to the large extent, it is conditioned by the small scale of the locality.

A relatively easy access to the public authority actors is the third endogenous factor. It provides opportunities to participate in developing and implementing place-making policies. "There are no constraints for a resident to come to the mayor's office and to discuss the most pressing issues," one respondent said during the interview (Community actor, VS_PDM_RC02). The small scale of the municipality produces a tight

network of interconnections between public, private and community actors. Thus, informal networks play an important part in the coordination mechanisms. Access to the various public authorities is rather easy and informal. For example, childcare service providers could reach the highest-level public authority actors by phone or in public gatherings and discuss or solve the problems swiftly.

Thus, Pakruojis district municipality exhibits a rather complex composition of territorial capital. On the one hand, it is affected by the negative exogenous factors related to the intensive outmigration and policies guided by centralization, cost-efficiency and disregard for place-based needs. However, there exist crucial territorial resources of natural and socio-economic nature that positively affect the territorial capital of the municipality and counterbalance the territorial disadvantages.

Discussion and conclusions

If we discuss the territorial capital from the relational approach, we put territorial advantages and disadvantages in a supply-based framework which underlines the composition and use of territorial assets. These assets refer to the factors of economic competitiveness, economic productivity, flows of capital and labor and infrastructural resources shaped mostly by exogenous determinants (Camagni, Capello 2013).

Looking from this perspective, the three localities have different access to endogenous and exogenous socio-demographic and economic resources. For example, the rural locality must respond to an immense demographic decline and its dependence on non-diversified agricultural business. All this presents challenges to the municipal administration to re-modify economic growth strategy and public service delivery network. Despite the high productivity and automatization of the agricultural sector its impact on local inhabitants in terms of new jobs or increasing income are limited.

Internal spatial inequalities in the geographical access to municipal services also characterizes the territorial capital dimensions. Remote elderships experience the shrinkage of municipal services, particularly the delivery of early childcare, secondary education and health care services. On the contrary, the urban and suburban localities benefit from increasing foreign investments in industries, polycentric urban districts and functional transportation system, the extensive development of new residential districts and an increasing number of working-age families. Despite the internal spatial inequalities between different elderships, suburban locality exploits the advantages of its over-lapping municipal services with the metropolitan zone.

The interconnectedness between the urban and suburban localities helps to minimize the negative consequences of cost optimization in municipal services in remote elderships.

The endogenous dimensions of the territorial capital are also important; they are rooted in local cooperation and governance context. In most cases, local competitiveness is interpreted as an ability to mobilize social and relational capital. The important advantages of social and relational capital in all three localities is defined in relation to the capability for collective action and inter-personal and inter-institutional cooperation. The most considerable potential of the local communities lies in its mutual trust and ability to establish interconnectedness among different local stakeholders. Although the effectiveness of social and relational capital is different in the analyzed localities, it is mostly described as having small-scale effects on public services provision, environmental issues, public infrastructure quality and general welfare of the territories. In this regard, the business actors maintain the importance of economic productiveness and expansion of public infrastructural resources. On the contrary, community and governance actors emphasize the importance of interconnectedness and interrelatedness within different interest groups and the importance of effective coordination practices.

Moreover, the considerations of territorial assets and capital open a further discussion on the collective potential and local life chances. Different localities attempt to use collaborative and coordination efforts to achieve collective efficacy in solving territorial problems. For example, community actors underline territorial identity and the importance of interpersonal and inter-organizational networks and local leadership. Collective efforts, mobilization, and interactions affect quality of life and public services delivery in the localities and create favorable conditions for local inhabitants' life chances. In all cases, central authorities have a controlling role in the sphere of legislation, financial support, public procurement rules and investment in large-scale projects. The centrally imposed tendencies of the economies of scale and cost optimization highlight the fact that sectoral policy approach is privileged in solving the problems of childcare and social welfare services, public transportation, waste disposal, and recreational zones. For example, while in the rural locality of Pakruojis municipality the geographical (spatial) accessibility to early childcare services and public transportation is emphasized, in the urban and suburban municipalities the supply and demand problems in the pre-school and secondary school system are more crucial. The well-balanced local mechanisms implemented via agreements, consideration and cooperation should be maintained as a substitute for "traditional" top-down governance model and place-based approach.

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Teritorinė plėtra ir teritorinis kapitalas Lietuvos savivaldybėse

Santrauka

Teritorinio kapitalo sąvoka, aprašanti erdviųjų socioekonominių skirtumų specifika savivaldybėse, menkai išnaudota Lietuvos akademiniam diskurse. Koncentruojantis į skirtingus teritorinius pranašumus, susijusius su gamtiniais išteklių, socioekonominė dinamika, paslaugų infrastruktūra ir vietinėmis iniciatyvomis, šiuo straipsniu kaip tik ir siekiama užpildyti šią spragą. Straipsnyje gilinamasi ir į skirtingų vietovių savivaldybių, verslo ir bendruomenės aktyvistų tarpusavio santykius, kurie prisideda prie teritorinės plėtros. Naudojantis pusiau struktūruotų interviu su trijų – miesto, priemiesčio ir kaimo – vietovių suinteresuotais veikėjais, straipsniu prisidedama prie diskusijų apie teritorinio kapitalo sampratą. Teikdami prioritetą socialinių bendruomeninių ryšių ir pasitikėjimo tinklų tarpusavio sąsajoms, o ne gamtiniais ar ekonominiais ištekliams, straipsnio autoriai pateikia naujų įžvalgų apie teritorinio kapitalo struktūrą ir teritorinę plėtrą skirtingo dydžio savivaldybėse. Interviu duomenys atskleidžia, kad miesto ir priemiesčio savivaldybėse (Kauno miesto ir Kauno rajono) teritorinis kapitalas suprantamas kaip abipusiai savivaldybių teikiamų paslaugų, darbo jėgos ir viešosios infrastruktūros įsipareigojimai, leidžiantys susieti teritorijas socialine, ekonomine ar urbanistine prasme. Priešingai, kaimiškojoje savivaldybėje (Pakruojo rajonas) daugiau kalbama apie teritorinį vientisumą, susiejant glaudžius bendruomeninius ryšius, viešosios infrastruktūros galimybes ir gana ribotus ekonominius ar darbo jėgos išteklius į homogenišką socioekonominę struktūrą.

Reikšminiai žodžiai: teritorinis kapitalas, vietovė, savivaldybės, vietos gyvenimo šansai, Lietuva.