

# THE PROBLEMS OF IMPROVEMENT OF REGIONAL MANAGEMENT IN LITHUANIA

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*The article analyzes questions of regional management connected with the problems of Lithuanian membership in the European Union (EU) and globalization of Lithuanian economy that becomes more intensively expressed in the management of organizations of our country situated in different regions. Mostly different social and political problems arise in regional management and that is due to the existing order of elections to the Seimas of the Republic of Lithuania and to local municipalities. These problems are connected with the realization of expectations of people of one or another region that were roused by the promises of the candidates to Seimas during the elections as well as the distribution of funds of consolidated state budget to the needs of the regions.*

**Key words:** regionalization, regional development in Lithuania, regional development, oasis

## **Introduction**

The regional management or regionalism objectively depends not so much on the declarations of politicians (that often are totally ungrounded) but upon the peculiarities of business development in one or another region of Lithuania. This fact consolidates management “from the bottom upwards”. “Social partnership” is characteristic to it when forming and satisfying local interests following the strategic expansion objectives of Lithuania, the EU and international organizations that currently are a priority of any management.

**The aim of the article** – is to analyze problems of regionalization in Lithuania regarding the country as an integral EU region, and bring forward proposals for improvement of Lithuanian regional policies in the light of intensive links with the EU, the third countries and international organizations.

**Scientific problem** – unsolved theoretical and practical questions of business and social development regionalization after Lithuanian has been recognized as an integral region by the European Commission. The scientific problem consists of practical challenges to the development of regional business, science and culture as well as a solution of social problems in certain regions of Lithuania. On the one hand, young and qualified specialists from different regions of Lithuania find jobs in countries with higher level of living, i.e. leak of “brains” and “white collars” flows into more developed countries; on the other hand, our country is flooded by unqualified and undisciplined workforce that reduces the efficiency of Lithuanian economy and general level of culture and identity in our country.

### **Objectives for investigation:**

1. To evaluate Lithuanian regional policy after entering the EU.
2. To forecast main guidelines of regional development in Lithuania following legal provisions of EU regulations on regional policy.
3. To present a theoretical model of “oases” idea realization following which regional management in Lithuania would be organized in the nearer and further perspective.

**Methods** – systematic evaluation, analysis, comparison and modeling.

**Scientific hypothesis** – to reorganize regional management in Lithuania by forming the so-called “oases” in different regions of Lithuania where more favorable legal, economic and social conditions were given for the investments and various scientific, production and social activities.

## **1. Methodological assumption for the analysis of regional management under current conditions of globalization of economy**

At the time when processes of market internationalization and globalization of economies of individual countries are actively developing, it is very important to reorganize national economic systems following those processes, and direct them towards economies of developed countries. This would secure equal possibilities for economic activities of underdeveloped countries in competition as well as equal social environment (Grauzinis, 2001).

Treaty of accession to the European Union validates Lithuania as an integral (undivided into parts) region. This creates a problem of preparing development strategies of economic and social growth for some counties and regions of Lithuania following different levels of development of certain geographical areas, differentiation of investments and social help, historically set differences of economic efficiency.

Following EU agreements, directives and regulations characterizing regional management (Boldrin, 2001), it appears that regional policy in Lithuania in regions where GDP per resident is less than 75% should be

developed on the basis of region division into micro-regions. Average micro-region in Lithuania excluded on the national level is approximately 6.5 thousand square kilometers i.e. much less than average EU micro-region. Due to the fact that micro-regions in Lithuania are so small and their material and technical base is very weak it is irrational to solve any cardinal economic or social problems on the level of micro-region. This is done on the scale of the whole economy. Therefore, regional policy in our country (as it is recommended by the European Commission) should only be connected with solutions of challenges on the level of historic/ethnic and administration/planning micro-regions, i.e. identification and development of national peculiarities, improvement of work and its transparency of county governors, perfection of the work of municipality councils, execution and control institutions in view of intensity of processes of internationalization and globalization in certain geographical regions (Dubinas, 1998).

In view of methodological assumptions discussed above it is necessary to point out the following processes in the analysis of Lithuanian regional management:

1. The legal basis of regional management has changed essentially after Lithuania entered EU, i.e. legal norms (agreements, directives, regulations) of European Commission and other central EU organizations have become the main instruments guiding the planning of activities of local municipalities following the historic/ethnic and administrative features of activity improvement.
2. The role of county governors, city mayors and adequate regional institutions has especially grown in analyzing social-economic development of areas under their management, in preparing and controlling strategies, programmes and projects of further development of certain areas financed from consolidated budget of the state of Lithuania and ES Cohesion Fund.
3. It necessary to revise and simplify the structure of administrative units in Lithuania. On the one hand to make the local management in such a small country as ours less bureaucratic and more effective and using less tax-payers money for municipality council, on the other hand to avoid artificial disagreements between county governors and local municipality executive institutions, then questions of development of certain geographic regions in Lithuania would be solved more expeditiously (Vaitiekūnas, 2001).

## **2. Specific tasks of improvement of regional management in Lithuania**

Local municipality and regional management functioning currently are concentrated on solving basic administrative problems e.g. carrying out the directives on milk and nitrates – 242 mil. LTL was scheduled for it in the years 2004–2005 and starting from 2004 more than 2500 applications have been received for getting it. This process is bureaucratic to such a level that municipal institutions are only engaged in day-to day work and getting multiple permissions in cumbersome structure of municipal administration units. Often questions of municipality improvement are doubled in several municipal, governmental and non-governmental institutions. For instance, Lithuanian regional municipal questions are solved in 60 municipalities and then they are harmonized in 10 counties (Regional development, 2003), later the same questions are considered and harmonized with the Government of the Republic of Lithuania, with Presidential Institution of the Republic of Lithuania and at the end in the Seimas of the Republic of Lithuania, however, in case of a dispute it can even be the EU Council or EU Court.

In order to simplify this gigantic structure of administrative units of the Republic of Lithuania it is important to take into consideration historic traditions of regionalization in Lithuania (as it is recommended by the European Commission) as well as functional peculiarities of territorial administrative systems of other countries of EU, especially those that work liberally (Table 1.) (Grauzinis, 2001).

According to Table 1 and other sources (Vaitiekūnas, 2001), we notice that it is advisable for us to put away the artificial division of Lithuanian territory into ten administrative units and to legitimize the factually existing division of Lithuania into Aukštaitija, Žemaitija, Suvalkija, Sūduva and Dzūkija. Due to this there would be no misunderstandings over the challenges to national mentality and self-government unit would orient more towards the specific social economic problems of people of these regions. For example, issues of hooch production and legalization should be analyzed only in the microregion of Dzūkija and should not concern for the people of Aukštaitija, because this problem is actual for them in other viewpoint, that of beer production. There are plenty of instances of particularity of regional management in individual microregions; however today the essence of development of regional management is not of any particular problems that most often are the result of bad management, but a systematic viewpoint towards the deregulation and privatization of functions in self-government unit. This viewpoint has been cultivated in developed countries of Western Europe, USA and Japan since the mid XXth century.

**Table 1. The territorial administrative system of Lithuania and European Union countries in 2005**

<i>State</i>	<b>Regional</b>	<b>Microregional</b>	<b>Local level</b>
<b>Lithuania</b>	1	10	446
<b>Austria</b>	9	-	2347
<b>Belgium</b>	3	10	589
<b>Danish</b>	1	14	275
<b>Finland</b>	1	19	455
<b>France</b>	26	100	36433
<b>Germany</b>	16	426	1608
<b>Greece</b>	1	-	5562
<b>Italy</b>	20	95	8066
<b>Ireland</b>	4	26	88
<b>Luxemburg</b>	1	-	118
<b>Netherlands</b>	1	12	633
<b>Portugal</b>	2	-	4220
<b>Spain</b>	17	50	8098
<b>Sweden</b>	1	23	288
<b>United Kingdom</b>	5	56	482

As the experience of the developed European Union countries regional management shows, the most important and urgent tools of Lithuanian regional management are the following:

- To improve the functioning mode and juridical base of Lithuanian microregions by introducing new requirements to microregional management, which are directed in European Union acts of law and take over the advanced experience of regional management of other European Union countries;
- To expand the activity of business companies of the self-government units' subordination by gradually privatizing and forming regional funds in order to socially support poverty-stricken citizens and to raise governmental workers' salaries because they are five or six times lower than in developed European Union countries;
- To direct efforts to the development of various kinds of regional business (country tourism, mushroom gathering, apiculture, growing of untraditional plants and animals, etc.) using implementation of high production technologies by necessarily following requirements of ecology, while the equivalent Lithuanian microregional competitive ability will be guaranteed only this way. Besides, it will establish conditions to solve the issue of unemployment by applying our own abilities in homeland and not going abroad and earning money there. This kind of problem is extremely relevant in distinct microregions of Lithuania (the administrative units of Šiauliai, Marijampolė and Utena) and it becomes the major social problem because of high women unemployment, which diminishes the level of the social appeal of our country.
- To orient the workers of the microregions towards the arrangement of the international collaboration projects after making certain of their high professional preparation and qualifying competences (at least know the English language) in order to properly use the assets of the European Union cohesion funds and private investments, which are set for the implementation of the economical and social development priorities. According to the scientific researches (Rutakauskas, 2001; Melnikas, 2002; Navikienė, 2004; Ribašauskienė, 2005), the most frequent priorities of microregions are considered as: the development of minor and average business, the development of the infrastructure and logistics, the provision of the essential power resources, the sufficient building potential, the return of ownership and the placement of the qualified labor force providing such payment conditions that there will be no need of drifting abroad.

Therefore all the above-mentioned means will form the required assumptions of the regional management in our country under the contemporary conditions of economical internationality and globalization.

### 3. The creation of the “oasis” as an alternative to the standard regionalism

The concept of the creation of the “oasis” in microregions (Melnikas, 2004) refers to the technocity-states, which integrate business incubators, the centers of the qualified training, the laboratories of the scientific researches, “know how” systems, marketing organizations and the establishment of the highly technological industry companies (Dubinas, Radzevičienė, 1989) in various territories, most often having no ecological problems. This is done due to secure the rapid economical growth and improvement of the quality of the social life in our country.

The establishment of the technocity-states in microregions needs huge investments, it should be mentioned though that the incomes of the appropriate governmental budgets are not sufficient in this case. It is necessary to use the assets of the European Union cohesion funds, i.e. of the European regional development fund (the support of this fund is available for the underdeveloped microregions where the gross domestic product (GDP) for one person is lower than 75%). Other incomes may be received from the European social fund (the support is given to professional education, retraining and raising of qualification), European agricultural orientation and guarantee fund (the support is given to structural reconstruction in agriculture, agricultural production reorientation to the development of the rural districts), Financial instrumental fund (it supports the reconstructions that help adapt to the market changes in the sector of aquiculture).

The policy of the oasis establishment and cohesion corresponds to the contemporary viewpoint towards the microregional management, grounded on the cohesion deregulation and formation of the creative potential and its effective use, by making sure of competitive advantages while collaborating with other regions and microregions to Lithuanian or European extent.

### Conclusions

1. The regional policy and regional management of Lithuania has greatly changed after entering European Union, since there were changes in juridical base, which regulates this policy, i.e. contracts, directives and regulations of European Union over the regional management and development, according to the hierarchical level, have become superior to the analogical national acts of law.

2. In the contract of Lithuania's entering the European Union, Lithuania there is announced as one region where GDP production for one person is lower than 75%, therefore the regional identification of single geographical territories in our country is available only in microregional levels.

3. Due to the small-sized microregions of Lithuania, solving the economical and social problems of material facilities is irrational, since it is performed on the basis of the functional work-sharing (according to the appropriate ministries) to the extent of the whole economy. Therefore the regional policy in our country should be related to the solution of the historical/ ethnical and administrative/ scheduled issues, i.e. the identification and development of national peculiarities, the improvement of the principals' administrative work of the self-government units, the improvement of work of executive and control institutions evaluating the intensity of the display of internationalization and globalization processes in respective geographical places of Lithuania.

4. The major milestones of regional development in Lithuania are referred to the concept of the “oasis” development, which essence is the activity of technocity-states in ecological environment, while making sure of high technological business competitive ability, the preparation and placement of qualified labor force as well as the functioning of the high business organizing culture and multicultural, while deregulating and liberalizing the appropriate activity of the cohesion institutions.

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