



The Long-term Development Scenarios for Vidzeme



The Long-term Development Scenarios for Vidzeme are developed within the Baltic Sea Region programme's project „Transforming rural regions by launching scenarios, new narratives and attractive urban design” (Transinform). The project activity : WP3 „Scenario planning for regional potential and urban design”

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The report content not necessarily reflects the opinion of the Vidzeme Planning Region and the European Commission.

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Summary

People have always been interested in the future, in particular, when they have been facing difficulties. It is not easy to imagine the feasible future, however, there is no need for a fortune-teller either. Society development trends can also be outlined with a help of analytically made future scenarios.

The objective of the Long-term Development Scenarios for Vidzeme is to determine various possible development directions for the Vidzeme Planning Region for the period until year 2030. During the scenario development the authors analyzed the influence of various driving forces and today's actions on the development of the region in the further future as well as determined the most significant future challenges and opportunities. The scenarios take into account the global processes and trends, the development indicators characterizing regional development, expert and young people's opinions as well as results of several seminars with the participation of foreign experts. During the scenario development the experts also took into consideration the global post-crisis context and technological progress.

The document hereby presents descriptions of nine *thematic scenarios*, which comprise the areas most topical for the regional development: *demography, economy, climate change, energy, transport and infrastructure, rural development, changes in the social and culture values of the community, administration and place attractiveness*. Based on these scenarios four integrated scenarios have been made which forecast the effects of the likely actions within the next twenty years.

- *Status-quo* scenario: the current trends continue in Vidzeme as there is no active intervention in the current situation. According to this scenario, the road is going upwards in Vidzeme (as the slogan of the region declares), however, the walkers are the same. The main loser in this case is the countryside of Vidzeme.
- *Competition* scenario is governed by the rivalry principle. In Vidzeme the road is going upwards only for the strongest. This leads to bigger social and territorial differences in the region.
- *Cohesion* scenario: the development of Vidzeme is slower because support is also provided for less developed areas and branches. The road is going upwards in Vidzeme by taking the weakest upwards as well.
- *Optimal* scenario combines the features of positive cohesion as well as competition. According to this scenario the inhabitants of Vidzeme are more involved in co-operation, they specialize and strive for knowledge. Their capacity to adapt to changes increases and their well-being improves. The road is going upwards in Vidzeme and the inhabitants are walking the road together.

The scenarios have been created to promote the agreement among various groups of the society about the desirable and possible directions of development of particular places. Based on the optimal Vidzeme development scenario the authors have designed recommendations for the development policy of Vidzeme Planning Region as well as municipalities. In the future, based on the scenarios, an integrated strategic development document should be created for Vidzeme containing properly discussed and precisely defined tasks for achieving the established goals. The scenarios should also be used as guidelines for designing municipal development programmes of Vidzeme.

The scenarios were developed by the working group in Vidzeme University of Applied Sciences. The work was done within the *Trans In Form* project of Vidzeme Planning Region. Such comprehensive scenarios have been developed for the first time among the regions of Latvia.

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1. Introduction

People have always been interested in the future, in particular, when they have been facing difficulties. However, it is not easy to foresee the future. A hundred years ago seer Eižens Finks who noticed his special abilities while still being a small boy and living in Valmiera, “consulted” Vidzeme governor Nikolajs Zvegincevs about the future. Today the developments of social processes can be anticipated with a help of scenarios based on the analysis of the most significant driving forces and trends which influence the processes.

The aim of the scenarios is to provide various feasible development directions of Vidzeme for public discussion and to promote the intensity of discussion to equip the public with the wish to influence the future in the way that benefits each individual as well as the society as a whole. The scenarios outline the most significant future challenges and opportunities in Vidzeme region as well as draft the most favourable development direction for Vidzeme.

The designing of long-term development scenarios is a big challenge in the current uncertain conditions created by global processes, such as the developments in the financial markets, climate change and political upsets. Yet, the uncertainty is made bigger by the domestic policy of Latvia as well as the economic and social instability in the country. For the first time in the history of Latvia the referendum on the dissolution of the Parliament has taken place, indicating the big gap between the population and the elected institution. Regarding the future of Vidzeme, it is also important to take into account the experience Latvia and other new EU member states gained from the global economic and financial crisis. The crisis shattered the misleading development curves revealing strategic myopia and lack of effectiveness in the state and economy administration. The errors committed up to now require wider long-term development vision which would include economic development that is sustainable and ethically justified.

The long-term development scenarios for Vidzeme represent an attempt to provide such a vision and discuss it in a wider public. The previous development visions laid more emphasis on the rearrangement of the external environment and various systems in accordance with the needs of individuals and the society. However, in the future more attention should be paid to the gains of the society as a whole. Moreover, the improvement of an individual’s own capacity enhances his sense of security which is vital under the current increased uncertainty conditions.

However, the future uncertainty should not be perceived only as a limitation, but also as an opportunity. Vidzeme has several possible futures and each of them has its advantages and disadvantages, in each of them there will be winners and losers. The scenarios are a co-ordinate system that helps to find the best way among various alternatives and priorities. Instead of many insignificant arguments the inhabitants of Vidzeme should better join their efforts for the development of the most significant regional development areas and balanced territorial capital. The territorial capital is constituted not only by the valuable nature resources and infrastructure, but also by such intangible benefits as the co-operation among the society groups and the unity of action among them, the inhabitants’ knowledge, creativity and identity. Namely these resources may become decisive for the development of the competitiveness of Vidzeme which, in the European terms, is a rural region with a shrinking number of population. A particular attention must be paid to raising the attractiveness of places.

Attractive sites have bigger prospects of staying on Vidzeme map, however, how to provide for that?

During the development of the scenarios the economic situation of Latvia was improving. The difficult conditions proved the importance of the long-term vision and the ability to adapt to change from the management of many enterprises. Both of the values are used as guidelines for the scenarios. However, the key negative trends – the fast decreasing of the number of population, rising of the energy prices, unbalanced territorial development, pessimism among the population and disloyalty to the administration – are still present. These trends cannot be changed over one day, but their influence can be gradually diminished by targeted action.

Respectively, the recommendations provided in the scenarios have been designed to be valid disregarding the election results and political passion. The scenarios are as a road map with pre-defined co-ordinates, however, on the road to the destination the co-ordinates are linked by the decision-makers themselves. Along with the municipal and parliamentary elections the colours of the map may change, however, the co-ordinates will remain unchanged. The decision-makers and their priorities may change, but the general regularities regarding environment, humans, economy and social processes will not radically change. Unlike the strategy, scenarios do not recommend just one, but rather several possible directions. The scenarios outline the advantages and disadvantages of the directions. Guided by the scenarios, specific steps should afterwards be planned within a strategy.

The Scenario Report for Vidzeme opens up with the thematic scenarios which characterize the main trends in the nine areas highlighted as topical in the documents on Vidzeme development. Each thematic scenario defines the current position of Vidzeme region and shows what actions and driving forces might influence the situation development and what their territorial influence is going to be. The thematic scenarios outline the dilemmas for the development in the specific areas.

There is a diversity of interests in the territory of Vidzeme region as well as among its population. To make the choice easier four *integrated scenarios* were designed which reflect the consequences of various actions in several areas simultaneously. Each integrated scenario is a set of policies based on certain values and principles. The *Status-quo* scenario does not envisage active intervention in the process development assuming that the current development trends will continue. The *Competition* scenario is governed by the rivalry principle. The striving of individual agents for immediate benefits increases social and territorial differences. Within the *Cohesion* scenario, however, the less developed territories and branches of Vidzeme receive more generous support, while the overall development of Vidzeme is postponed in the name of more stable growth and sustainability. The *Optimal* scenario balances the competition and cohesion approaches striving for higher productivity and specialization of the regional economy. According to the optimal scenario Vidzeme aims at creating various co-operation networks for overcoming the external uncertainty.

The integrated scenarios have been designed as stories introduced by a commentary on the opinions and priority values of Vidzeme inhabitants. This commentary forms the background of the inhabitant decisions and actions. The set of the actions implemented within each of the scenarios is assessed based on their influence on the infrastructure, knowledge, identity, inhabitants and social capital. In the conclusion the evaluation of the effect of the scenario on the territory and attractiveness of Vidzeme is presented. The presentation of the scenarios has been slightly dramatized

to highlight the sharpest expressions of the scenario and show the contrast among various possible development directions. Consequently, the scenarios are as stories about the feasible futures rather than a precise reflection of the future situation.

In the second part of the report the recommendations are provided for the policy creation for the enrichment of the territorial capital and promotion of place attractiveness in Vidzeme.

The authors of the scenarios hope that the report will stimulate qualitative discussions on the future of Vidzeme as well as serve as a tool in the creation of new development programmes in local municipalities and cities.

2. Scenario development

During the scenario development the working group had to answer four questions:

- How many and what kind of scenarios are necessary for Vidzeme?
- How to ensure that the scenarios are sufficiently specific and applicable and at the same time easily perceivable?
- How to ensure that the scenarios incorporate a comprehensive development vision?
- What values will determine the adoption of decisions in Vidzeme and what will be the consequences of the likely action?

Scenarios are foresights of the feasible futures

When planning the future of the region it is certainly impossible to determine the precise effect of all factors. Unexpected events, for example, big earthquakes, floods and upsets in the global financial system may interfere with even the most precise forecasts. Thus the development scenarios for Vidzeme were designed as *foresights* on the *feasible futures of the region*. The *foresight* method, unlike the other popular future planning approach – *forecasting*, is open for uncertainty and allows for designing various feasible futures.¹ The aim of the scenarios is not to forecast, but rather provide logical arguments for the development of branches by indicating the consequences of the possible actions or lack of them. Unlike a strategy, scenarios do not determine one desirable direction, but rather show the positive and negative consequences over a longer period.

The places in Vidzeme and their inhabitants are too diverse to apply the same recommended scenarios to all of them. The biggest cities of Vidzeme may have a different opinion than the rural municipalities; moreover, differences often exist also among the cities. The same concerns rural municipalities which are not homogeneous. The existing situation and various difficulties hinder the agreement on the feasible development in specific areas. Respectively, in planning the future of Vidzeme it would be important to comprise several possible futures, each of which would have its own advantages and disadvantages.² That is why the most appropriate method chosen for the creation of the scenarios is the combined *desirable-undesirable* and *contrast scenario* approach. The *desirable-undesirable* scenarios outline the positive and negative future aspects and recommend a realistic direction for future action as a combination of the pessimistic and optimistic scenarios. The contrast scenarios, however, create the futures which are equally desirable and feasible which differ by the decisive driving forces and strategic priorities of decision-makers.

Depth or interconnections?

The present and future of Vidzeme should be viewed in mutual connections. However, at the same time a deeper analysis is necessary in the areas which are regionally significant and have been recognized as topical in the strategic documents of Vidzeme region and municipalities. The areas are as follows: *demography, economy, energy, administration, transport as well as accessibility and attractiveness of places*. The respective development dilemmas have also been examined in various

studies of rural development conducted in the region³ and the scenarios are based on the research thereof.

To meet the needs of Vidzeme inhabitants for a comprehensive and at the same time specific approach, the report has been made of two kinds of scenarios. *Thematic scenarios* are more meant for the information analysis, however, the integrated scenarios are interbranch scenarios which analyze the possible actions and their potential effect in various areas simultaneously. Integrated scenarios are often used for the development of municipal, regional and national scenarios. For example, the scenarios created for Barcelona province of Spain have been designed as integrated scenarios.⁴ Such scenarios simplify the choice to be made by decision-makers and make noticing the most important aspects easier.

The scenarios designed by the Commission of Strategic Analysis for Latvia 2030 have also been created according to the integrated principle. The working group designed four integrated and two defining scenarios: the degree of resource centralization and relations among the involved parties – the signatories of the public agreement.⁵ Depending on the state resource centralization or dispersion and mutual interaction of individual persons or communities four feasible futures have been defined in the scenarios for Latvia: efficient and powerful state, successful big enterprises, active civic society, strong providers of community services. Each of them has its own advantages and disadvantages depending on the positions and interests of the involved parties.

Integral development

In addition to the approach of *Latvia 2030* Vidzeme scenarios pay particular attention to the assessment of the territorial influence and feasible actions of decision-makers. In the previous development plans the structural system approach dominated which concentrates more on the adjustment of various external processes to the society needs. The scenarios herein, however, stress the need for the internal growth of people and society as a whole – for the development of values and spiritual growth. This approach provides for more objective view on the current processes as well as for more efficient solutions for the complicated up-to-date problems: the global connection of economic processes, limited nature resources, climate change as well as changes in the social and cultural values. That is why the *integral theory* was chosen as the most appropriate theoretical framework for designing the scenarios. The development planning and creation of forecasts within the theory takes into account the internal and external as well as individual and collective processes.⁶ The integral theory envisages the analysis of any process from four perspectives: *I, that, we and they* (see fig. 1).

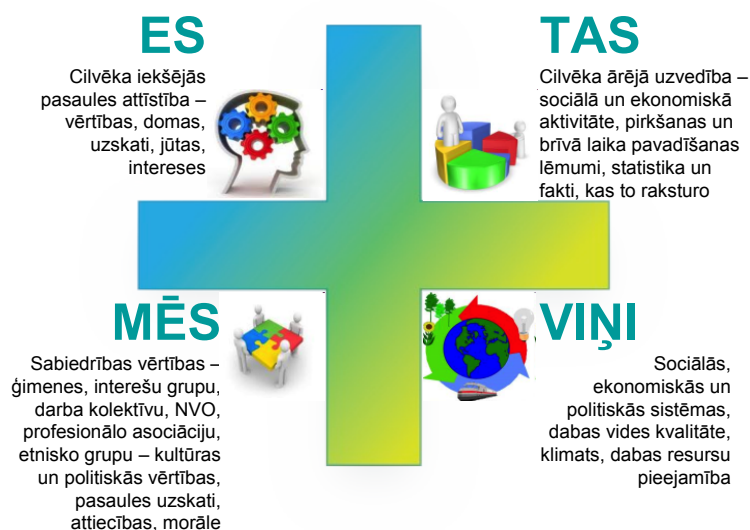


Fig.1. Integral development approach with four equally important perspectives.

I - Development of person's interior world - values, thoughts, opinions, feelings, interests	That - Exterior individual behaviour – social and economic activity, purchasing and leisure time decisions, statistics and facts describing it
We - Collective values – family, staff, interest group, NGO, professional association, ethnic group – culture and political values, mindsets, relations, moral	They - Social, economic and political systems, natural environment quality, climate, nature resource availability

The *I* perspective comprises the internal development of an individual – values, opinions, thoughts, feelings and interests. *That* perspective examines every individual's externally visible behaviour, for example, economic and social activities, purchase and leisure time decisions. *We* perspective comprises the cultural and political values of various society groups, their mutual relations, mindsets and moral norms. *They* perspective involves the social, economic, and political systems existing in the region, state and the world, quality of natural environment, climate change and availability of nature resources. All of these perspectives are equally important in development planning, otherwise the comprehensive view is lost and mistakes can be committed in the designing and introduction of development policies.

The integral theory takes into account the decision-makers' ability to have a comprehensive view and assumes that the decisions and actions of a society and organizations are determined by the development stage of the organization and society. The integral theory offers a wide range of theoretical notions for the analysis of the development policies and the actions of the parties involved in them. Some notions of the theory were used in the interpretation of the social and cultural value changes among the population as well as the youth survey results. This was the first time when the integral theory had been used in this form in development research in Latvia.

Balanced development

The integral theory leads to the conclusion that balanced regional development can be achieved only by using the material resources of the region (nature resources, infrastructure and financial capital), however, it is also necessary to involve the intangible resources and strengthen the inhabitants' capacity to exercise joint influence on the adoption of various decisions.

The importance of combining intangible and material resources for regional development was first discussed by OECD in its territorial development report⁷. In this report the notion of territorial capital was mentioned for the first time as well. Territorial capital consists of:

- *Tangible and intangible elements.* The resource-based development approach distinguishes seven forms of capital – financial, human-created (built), nature, social, human, cultural and political capital, which closely interact among each other. Vidzeme features all the above-mentioned forms of capital, however, their distribution is uneven.
- *Private and public benefits.* Private benefits comprise human capital, private financial capital as well as the privately funded infrastructure. Public benefits include nature resources and the infrastructure created for the tax-payer money. There are also mixed forms of benefits. The interaction between the private and public benefits is successful if in the society there is trust and agreement about the use of these benefits.
- *Functional and relationship elements.* These elements form the intangible part of the territorial capital. It comprises the network and relations among people and organizations. This network facilitates creativity and branch innovation in a specific area, it raises the competitiveness of particular places etc.⁸

Vidzeme development policy should be targeted at the enrichment of the territorial capital and strengthening of the mutual connection of its elements. To make the interpretation of the territorial capital and related processes easier perceivable the authors have used the *territorial platform* approach which was also used for modelling the scenarios of Barcelona Province.⁹ There are four territorial platforms:

- *Nature and infrastructure platform* includes the elements of ecosystem and biological diversity in combination with human-built structures. It provides for the accessibility of places, highlights their attractiveness and competitiveness as well as provides for the efficient integration of the transport infrastructure network in larger territorial processes.
- *Knowledge platform* is constituted by various participants of the knowledge society and the networks connecting them. The participants are higher education institutions and institutes, however, among the beneficiaries there can be both local and foreign enterprises as well as inhabitants. An important function of the knowledge platform is the creation of the link between education and labour market.
- *Social platform* includes human and social capital, population health, mutual co-operation among various social groups, civic and political involvement.
- *Identity platform* consists of the involvement of culture and nature heritage in the creation of new jobs. This leads to the creation of goods, services and tourism which are specific for the place. The platform also comprises the marketing and branding of the specific place.

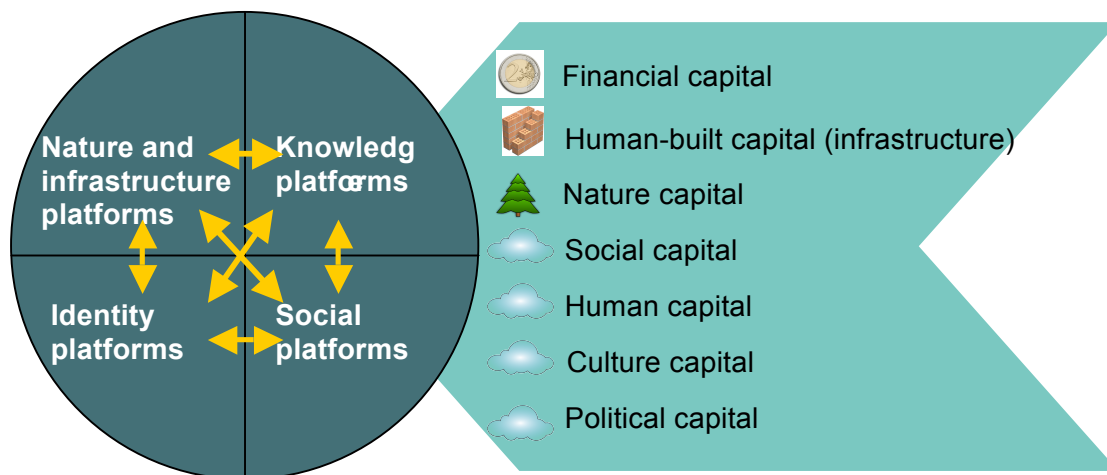


Fig. 2. Territorial capital approach to Vidzeme development. Fullfledged development of Vidzeme is possible if balanced development is simultaneously taking place in all territorial platforms.

How to act?

Theoretical notions are only tools for designing the actual development policies. Active inhabitants will always be asking the question: How to act? Disregarding which scenario is chosen the future is created by our today's thoughts, speech and action. Action is truly essential because the development of Vidzeme to a large extent depends on the very inhabitants of Vidzeme, not just the influence of various external trends and driving forces.

What are the feasible actions for Vidzeme? On the one hand, it is possible simply to yield to the existing trends, however, it is also possible to take action to decrease the unfavourable influence of the negative driving forces. It must, though, be admitted that some trends, e.g., population health indicators, cannot be improved over a short period of time. Long and targeted action should be taken which has already demonstrated some positive evidences in Vidzeme municipalities. For example, Ligate municipality together with the most active businesspeople worked purposefully for several years to promote a joint network of tourism products.

In twenty years Vidzeme will not be able to decrease the causes of its backwardness regarding accessibility and limited human resources. It will not be equally possible in all places of Vidzeme to raise the internal forces necessary for the development and thus to achieve a powerful breakthrough in the reduction of backwardness. Under the current conditions namely the EU funding provides for the improvement of transport, energy and communication infrastructure in Vidzeme. In many places of the region the human and social capital so much necessary for development has not been sustained. However, Vidzeme should not rely solely on external development resources because they may become extinct as well. The best result is the midway which envisages that the development must be based on advisedly chosen use of external and internal development resources.¹⁰ The internal development potential of Vidzeme must be used in the way that allows the selling of the potential to various local and external target groups.¹¹ One of the examples of such strategy will be specialization in tourism and culture heritage economy.

Although Latvia features a centralized administration, regional development reveals various opportunities for action. Some of them are indeed limited by the national policy, for example, the limited competences of Vidzeme Planning Region and the available resources as well as global scale driving forces, e.g., the obligation to

provide for the free competition of goods and services in the EU single market. Many actions, however, depend solely on the possibilities and motivation of the regionally involved parties. Thus it can be said that these actions are *open*. The open actions comprise both active work as well as passive and reactive activities.

The parties involved in *active scenarios* consider that changes are needed and they are ready to act to introduce them. Decision-makers are proactive in forecasting the changes necessary in for the future and engage in timely preparation. The *active scenarios* discuss new policy aims and introduce new policy styles. The involved parties are active agents of change and are innovative in solving problems.

According to the active scenarios there are three possible courses of action for the inhabitants of Vidzeme. The first of them – *to be the masters of the future*. This means to assume the decisive role in determining the standards for action and in due time to form the demand for the fruits of the action. The second possible action is *adaptation* where the inhabitants of Vidzeme act fast and flexibly in using the opportunities offered by the external environment. The third possible course of action is *cautious participation in the game* and refraining from inconsiderate steps.¹² In each of the areas Vidzeme may choose one of the above-mentioned options. Depending on the strategic priorities, Vidzeme can decide to become the master of the future, for example, in the production of dairy products, be flexible regarding the higher education offer and participate in the game about the redistribution of the European structural funds (*see fig. 3*).

The parties involved in the *passive scenarios* are not active agents of change, but rather hostages of change. They are more involved in reacting to change, rather than forecasting it. They have minimal interest in the future and they lack the knowledge on how to act. The involved parties most often justify their lack of action with the uncertainty of the surrounding environment or their lack of capacity in relation to the EU and national level processes. Respectively, the parties involved in the passive or status-quo scenario tend to expect solutions to problems from a higher decision-making level or various external players – investors or donors. In the *status-quo scenario* the parties strive to create the illusion about the persistence of things under the conditions of external change. It is an ostrich-like position at the time when global processes continue to proceed their way. If the inhabitants' eyes are closed for a long time they are less ready for sudden changes. Another sub-type of the *status-quo scenario* is the opposition to the openness of economic and political borders, technological innovations and new markets, thus become an *opposition scenario*.

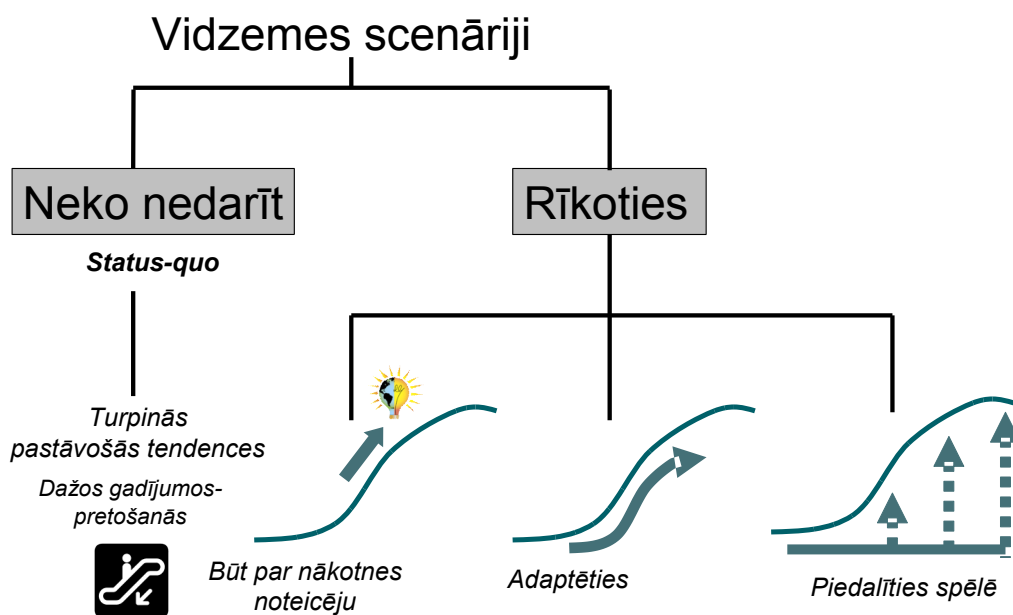


Fig.2. Possible action courses for Vidzeme.¹³

Do nothing	Act
<i>Status-quo</i>	<i>Become master of the future</i>
<i>Existing trends continue</i>	<i>Adapt</i>
<i>In some cases – resistance</i>	<i>Participate in the game</i>

When planning the possible action courses for Vidzeme we should take into account not only current, but also future choices. It is clear that the diverse external risks we experience today will not decrease in the future. Vidzeme features a very small, mostly agrarian economy with a falling demographic curve, high sensitivity towards energy prices and insignificant performance in knowledge industries therefore it should as much as possible decrease its dependence on the external shocks. It could be best achieved with the help of the adaptation and participation strategies. Although adaptation could be recommended as the overall development direction, individual industries and places in Vidzeme should also consider the master-of-the-future strategy.

What are our values?

The actions of the regionally involved parties are determined by certain values. When observing the regional policy proceedings in Latvia it can be noticed that the competition for the scarce resources alternate with taking care of the places which lie far from the economic and knowledge centres.

In development planning, there has already for a long time been the distinction between the policies that more strive for justice and the ones which are more targeted at effectiveness. The distinction evolved as a result of lasting discussions between the adherents of cohesion and those of competition in the second half of the 20th century. It can also be used in defining values for the scenarios. Both of the previously mentioned policy creation principles are of importance for regional development.

The policies which are more aimed at cohesion stress the reduction of territorial differences in order to provide for bigger development sustainability. Cohesion principles appeared in the EU-level policy design along with the EU *Green Book*

(2008). The book stressed the need for harmonious development of Europe as a whole disregarding its diversity. The cohesion principle was specified in the documents following the Green Book by including social and environmental sustainability and administration elements in them.¹⁴ Although the budget allocated for the EU regional policy has increased, the global economic and financial crisis repeatedly strengthened the differences between the richer and poorer regions of EU. In addition to the inequality among regions, the internal inequality within the regions themselves is becoming more intensive. Social and territorial inequality is particularly evident in Latvia, to a large extent due to the long-term implementation of the neo-liberal policy.

In opposition to cohesion, competition policies strive for fast economic growth, stressing effectiveness and competitiveness. On the EU level the competition principle is embodied by *Lisbon Strategy* (2000) which is aimed at the EU becoming the most competitive knowledge economy in the world. Competition considerations promote investment in the industries and areas which will be able to provide for economic return in the future. Free market, innovation strategies and investments in the competitive industries are the main expressions of the competition policy. According to the competition scenarios bigger support should be ensured to those areas and industries of Vidzeme which have bigger growth potential.

Although at the first sight the cohesion and competition principles seem incompatible, they are combined in the development policy. Within the discussion on the advantages of cohesion and competition the EU strategy *Europe 2020* was created which envisages *smart growth* based on knowledge and innovations as the most appropriate solution to the crises. Simultaneously, *Europe 2020* envisages the need for sustainable growth which could be achieved by more efficient, greener and competitive economy.

Full-fledged development of places cannot now be imagined without efficient use of resources, territorial quality and identity.¹⁵ Based on the possible actions of the policy makers and the values the actions are based on, four integrated scenarios were developed for Vidzeme (*see fig. 4*). Three of the scenarios are “active” because they envisage involvement and targeted actions, however, the *status-quo* scenario is passive and reactive.

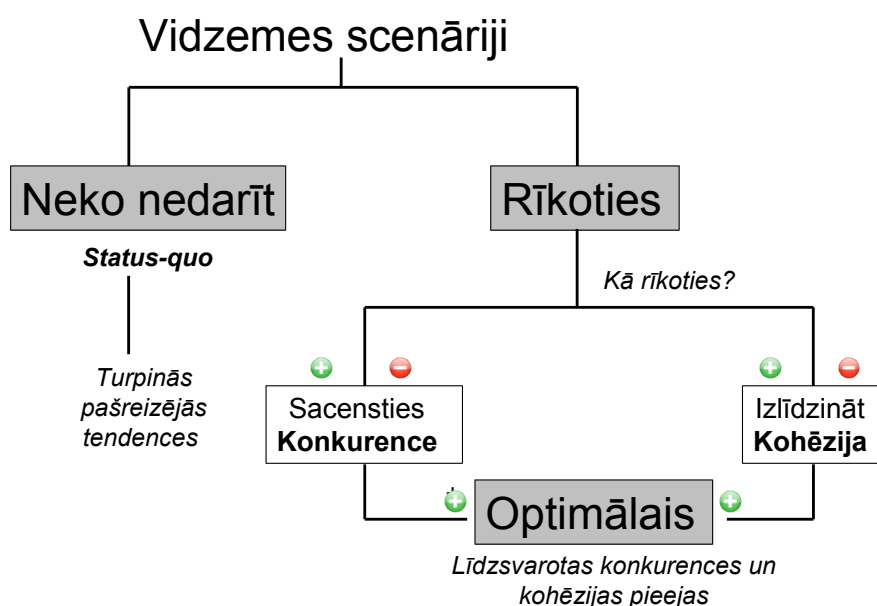


Fig.3. Vidzeme scenāriju modelis.

Do nothing	Act	
<i>Status-quo</i>	<i>How to act?</i>	
Existing trends continue	Compete	Make equal
	Competition	Cohesion
	Optimal	
	<i>Balanced competition and cohesion approaches</i>	

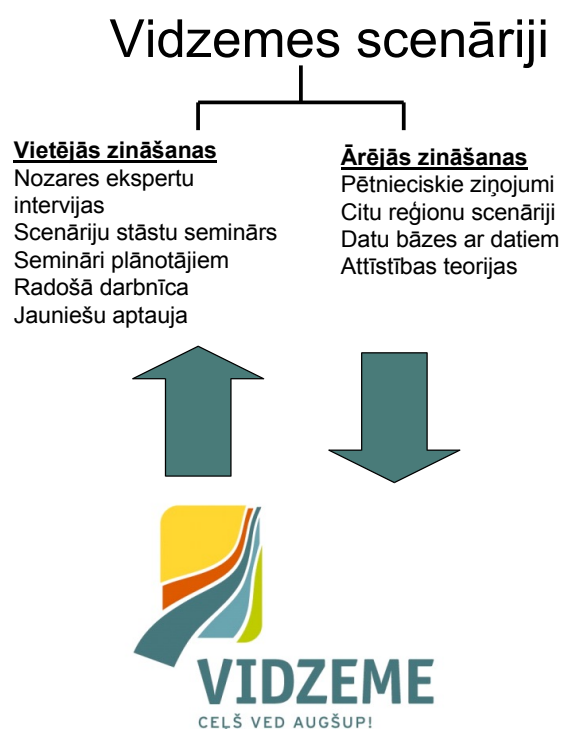
- *Status-quo* scenario envisages the continuation of the current processes. The involved regional parties will not take active action to decrease the negative influence of various driving forces. *Status quo* scenario is dominated by the reactive approach, it will lack action-oriented policies and innovative solutions. Thus economic, demographic, climate change and energy processes will proceed on their own up to their logical outcome.
- *Competition scenario* envisages a dynamic, individual and competitiveness-oriented development approach dominated by the values of efficiency, productivity and innovation.
- *Cohesion scenario* is aimed at decreasing the territorial and social differences and promotion of sustainability. The most characteristic policies in the cohesion scenario are social inclusion, support to small-scale agriculture, various co-operation solutions and protection of local markets.
- *Optimal scenario* combines the competition and cohesion elements which are most appropriate for Vidzeme and envisages co-ordinated implementation of them. In the optimal scenario competition and cohesion supplement each other for significant improvement of industry performance and productivity. Unlike the previous two active scenarios which describe the influence of certain actions on the future the optimal scenario first defines the desirable development condition of Vidzeme and afterwards discusses the action for achieving it.

Scenario creation method

Upon the assumption of designing the long-term development scenarios for Vidzeme the working group decided to create evidenced-based scenarios where they would also include the knowledge of Vidzeme inhabitants. Not to make the final result too theoretical attention was paid to acquisition of various kinds of primary data by summarizing various today's and future decision-makers experience and the so-called "invisible knowledge" which is usually inaccessible for the academic experts.

The authors of Vidzeme scenarios in their work tried to find a balance between the external and internal knowledge by choosing corresponding research methods. Local knowledge was recorded in the expert interviews, scenario success story seminar as well as other seminars with the participation of spatial planners, creative workshop as well as the survey of youth. External knowledge comprised development theories,

various research reports, scenarios of other regions as well as data basis (see fig.5).



Vidzeme scenārijs	
<u>Local knowledge</u>	<u>External knowledge</u>
Interviews with industry experts	Research reports
Scenario story seminar	Scenarios of other regions
Seminars for planners	Data basis with data
Creative workshop	Development theories
Youth survey	

Fig.4. Local and external knowledge used in designing Vidzeme scenarios.

The creation of scenarios took place in five consequent steps:

1. *Scenario model was created* where the authors took into account the themes formulated in the strategic development documents of Vidzeme region and local municipalities as well as the most discussed development dilemmas.
2. *Thematic scenarios were created.* Based on the development problems of Vidzeme and other rural regions of Europe nine scenario topics were chosen. Industry experts helped to design each of the topic scenarios (see appendix 1). 19 experts were interviewed and asked about the main development trends in the specific area and about the potential future influence of these trends on Vidzeme. To strengthen the thematic scenarios the industry statistics was used illustrating the position of Vidzeme in the EU and national context. An important source of information was the ESPON project “Potential of rural regions” implemented by Vidzeme University of Applied Sciences. Besides, the most significant differences were highlighted among the local municipalities.
3. *Development directions were set for Vidzeme.* In order to establish the desirable development directions for Vidzeme inhabitants’ opinions were inquired in three seminars.
 - *In the scenario stories seminar*, which took place in Riga on 29th and 30th of

March among the participants there were guests from other regions of Latvia and foreign experts involved in the *Trans In Form* project from UK, Norway, Sweden, Poland, Lithuania and Germany. During the seminar the starting positions and possible development directions of Vidzeme were assessed “from aside” by presenting them in a form of simple stories.

- *In the creative workshop* seminar in Valmiera on 13 April active inhabitants of Vidzeme having a comprehensive view discussed regional development alternatives. As a result, desirable future visions were created. The creative workshop merged the competition and cohesion scenarios as well as established the population groups and places in Vidzeme which might be acquired or lost in the future if either one or the other scenario is implemented.
 - *Expert seminar* was the third scenario development seminar. It took place in Cēsis on 25th May, 2011. The seminar participants were Vidzeme spatial planning specialists who were acquainted with Vidzeme development dilemmas. The planners took part in the expert survey where they had to choose the desirable Vidzeme development directions. In addition, the master students of the Faculty of Geography and Earth Sciences – the future spatial planners were surveyed about the scenario dilemmas.¹⁶
4. *Integrated scenarios*. Based on the dilemmas for Vidzeme development and expert opinions the authors created integrated scenarios.
 5. *Suggestions and recommendations*. Based on the results of the optimal scenario, suggestions were composed for the creation of development policy as well as recommendations prepared for the enrichment of the territorial capital of Vidzeme.

Place attractiveness

A significant topic in all scenarios is the attractiveness of places. Along with the decreasing of the economically active population, the places of Vidzeme will increasingly more compete to attract new inhabitants. The attractiveness of places will serve as an additional magnet for jobs and services. However, do we clearly know what makes a place attractive?

To find answers to this question a survey of Vidzeme youth was conducted during the scenario development. 346 young people participated in the survey from Valmiera, Madona, Vecpiebalga and Alūksne, in the age between 18 and 25. The aim of the survey was to find out the youth’s opinions, future intentions and evaluation of the attractiveness of their residence and job place. The young people were asked to answer the questions on where they would like to live and work best in 20 years; what, to their mind, determined the attractiveness of a place for living and work; what their current dominating values were and how they could change in the future. The survey results were summarized in the research report which can be found in the website of Vidzeme Planning Region.¹⁷ The youth’s responses show the current position of the region regarding the place attractiveness. Who knows what the young people’s answers and the following action will be like in 20 years? The place attractiveness section has been supplemented in this report with an original study on the choice of entrepreneurship sites in the area of rural tourism.¹⁸

3. Vidzeme development perspective and factors influencing it

The scenarios envisage that in twenty years the development of Vidzeme will be determined by several factors. The most important factors are discussed below.

Decreasing of the number of population and aging of the society

In the future the number of inhabitants in Vidzeme will continue to shrink. In five years the number of the working age population will significantly decrease adding to the number of elderly population. This will increase the pressure on the social budget and increase demand for health care and elderly care services. The birth-rate will not be sufficient for the society renewal, however the effect of the measures for boosting the birth-rate will not be yet felt in the 20 year perspective. The emigration of inhabitants from Vidzeme will be determined by the availability of jobs and higher pay in other European countries. The shrinking number of population will sharpen the competition among the local municipalities of Vidzeme for attracting population. The role of migrants in economy will increase, however, the number of immigrants will not compensate the decreasing number of Vidzeme population. Demographic changes will make a significant impact in all areas of society development.

Economy renewal after the crisis and reduction of public funding

Over next twenty years global processes and shocks will continue affecting the local economy. Consequently, the macroeconomic course followed by the state and the speed of the local economy recovery will be decisive for strengthening stability. Economic competitiveness will be decreased by the low labour costs in Asia and increasing potential in the knowledge economy sector. The differences between the new and old member states will be preserved. Besides, along with the forthcoming accession of the West Balkan countries and Turkey to the European Union the EU investments might find a more prosperous site outside the EU borders, for example, in Ukraine and Belarus. Moreover, there could also be an increased presence of the capital from the East. As a result of decreased funding from the state Vidzeme municipalities will have access to smaller resource amounts. The role of the private sector will increase in providing various services, however, the inhabitants' purchasing power will not rise so rapidly. In the economy the role of social networks will increase which will provide for faster and more efficient exchange of goods and services which will make radical changes in selling. The demand will be preserved for individual solutions in the area of goods and services. Like now, the regional policy of EU will continue to play an important role – it will promote infrastructure improvement, cross-border co-operation as well as initiatives from various co-operation networks and clusters. The lack of qualified workforce and knowledge for the promising industries in Vidzeme could lead to the stagnation of these industries. Consequently, it will be important to educate qualified employees for the leading and promising industries in Vidzeme.

Environmental factors – climate change, nature resource depletion, reduction of biological diversity.

The future of Vidzeme will be determined by climate change, nature resource depletion and reduction of biological diversity. In the scenarios it is assumed that in the next 20 years the average annual air temperature will increase by +1⁰C. Although the climate change is a global phenomenon its influence will be most felt locally.

Studies on the forms the climate change takes and forecasts regarding it are not unanimous, however, it is clear that climate change will, to a large extent, increase the flood risk in rivers and sea coast erosion. Storms will be more common and the risk of forest fires will be bigger. Along with diminishing fossil fuel reserves, further price rise of fuel is expected. Carbon saving policy will promote the investments in the renewable energy and efficient use of energy. Losing of adequate and ecologically stable living space – biotopes – will be the key reason for the reduction of biological diversity.

Technological development and knowledge economy

The development of biotechnologies, nanotechnologies, energy technologies and transport technologies will have a significant influence not only on the industries where the technologies are directly applied, but also on the related industries, for example, education and tourism. Moreover, technological change requires higher qualified labour. The quality of higher education will be an essential pre-condition for the success of concrete enterprises as it facilitates the transfer of knowledge, implementation of innovations and the process of life-long learning in the changing labour market. The future growth of the region is connected with still bigger and more targeted involvement of the regional Vidzeme University of Applied Sciences in the promotion of the sustainable development of the region and openness for competent, well-qualified young people.

Transport and accessibility

Vidzeme lies in a convenient geographical position, however, in the European accessibility terms, it is just a periphery. Qualitative transport infrastructure would provide for a better accessibility of places and for regional development. Along with that, though, the possibilities for using various alternative forms of transport must be considered in case of rapid rise of fuel prices or energy crisis. However, radical accessibility will not be possible in Vidzeme even in 20 years. It will be partly possible to compensate the dependence of development on the transport infrastructure by promoting the employment of population locally and paying bigger attention to the provision of fast-speed Internet coverage and development of knowledge economy industries in the region.

Energy dependency and renewable energy potential

To produce energy Latvia mainly uses the imported fossil resources – oil products and natural gas. Along with the rising prices of fossil energy resources the rise of the energy prices is expected. The most important renewable energy resources in Vidzeme are water and pulp. Peat is also available in Vidzeme, however, its use for energy production is insignificant at the moment. There is a comparatively small use of the wind, biogas and sun energy. In the future the consumption of the renewable energy resources will increase as well as the investments in searching still other alternatives. Energy prices will also depend on the national policy direction: to support the development of renewable energy resources or to continue supporting the import of fossil energy resources in Latvia. The inhabitants of Vidzeme may also influence the movement of the region towards bigger independence from the imported energy.

Rural development models

In European terms Vidzeme is a remote rural region with an agrarian structure economy, low economic performance and shrinking number of population. However, internally the region is not homogeneous. As in other areas, the future of the countryside of Vidzeme will be influenced by the demographic situation. Among the important driving forces there will be the ones like the prices of food products in global markets, EU common agricultural policy, prices of energy resources, foreign investor interest about the lands to be managed as well as availability of infrastructure in the countryside and small towns. If the countryside of Vidzeme continues to develop as areas for self-sufficient living they will retain the little affected rural identity and nature, however their added value might be insufficient for the economic development of local municipalities and the ability to improve their infrastructure. When passing over to economically competitive management, there will be a significant decrease in the number of small farms. The number of rural summer cottages will rise and reurbanization processes will continue in the surroundings of the most attractive cities.

Social and culture changes. New lifestyles.

The background of the social and culture values governing the society will be even more complicated than it is now. Currently the inhabitants of Latvia feel unsecure about their jobs and health; they experience stress regarding their ability to integrate in the social and economic system. Instability will have a negative effect on the young people's future choices. The change of values will be determined by the society aging, development of technologies as well as appearance of other peoples' and alternative cultures in Vidzeme. Consumer society will initiate lifestyle changes also on the personal level. Individualism trends will become stronger and distancing from the core family will take place. Simultaneously, there will be a bigger need for internal peace and development in some society groups. The inhabitants' social and environmental awareness will increase. More care will be devoted to health and well-being as well as gender equality. The diversity of lifestyles will make the need for social integration still more topical in Vidzeme.

Administration

Internationally, the cross-border integration processes will continue. The disappearance of political borders with neighbouring regions in Estonia already now allow Vidzeme to increase co-operation and gradually even out the backwardness of the border areas. In the future the co-operation of the region with Russia and Belarus will increase as well. Some municipalities will start diaspora support policies to maintain links with their population abroad. The biggest municipalities of Vidzeme will most likely have to get involved in immigrant integration measures. Threats of international terrorism will continue to be present and will episodically impose the strengthening of the border control. The increased mobility of population will raise the risk of infections. On the regional and local level the administration will more concentrate on the provision for the processes and services in the logical functional regions rather than in the administrative borders. Due to the limited performance of the small municipalities the number of municipalities might continue to decrease in Vidzeme. The municipalities with a low available public funding will face difficulties in financing the rising demands of population. It may increase the risk of exclusion of various social groups. Consequently, it is important to raise the self-organization and self-provision ability of the inhabitants of Vidzeme.

Place attractiveness

The attractiveness of places will determine the competitiveness of places in three essential areas: the attraction of the permanent inhabitants, business as well as tourists. As the role of international borders decreases in Europe, the competition among places will continue. The less attractive places might totally disappear. In order to raise the attractiveness of places it is important to make improvements in the physical environment as well as infrastructure and social security. Particularly important role belongs to targeted brand management and strengthening of identity as well as promotion of informal ties among inhabitants. Both cities and rural villages will have to think more about the ways of becoming more attractive for living, working and leisure time activities.

4. Four Scenarios

4.1. Status-quo scenario

The road going upwards in Vidzeme, the walkers are the same

The scenario envisages that the current processes will continue, however the involved parties will not act actively enough to decrease the negative impact of the driving forces. A reactive approach will dominate, however, action-oriented policy and innovative solutions will be missing. Thus, the economic, demographic, climate change and demographic processes will proceed on their own up to a logical result of such approach.

Background. The inhabitants of Vidzeme are tired of the external changes and are not willing to change. The entrepreneurial part of Vidzeme population are too occupied with the liquidation of problem consequences, they lack daring and knowledge to prevent the actual causes of problems, act strategically and devote their energy to planning future development. Inhabitants are afraid to lose their identity and security. The fear facilitates aggression and dissociating within one's culture which is evident when facing other cultures and experiences. Fear promotes destructive decisions and actions. It impedes development and does not allow for understanding the role of the Latvian culture in the global culture diversity. Fear facilitates keeping aloof, thus everybody is forced to deal with the tasks which could be easier solvable by integrating various experiences and merging efforts. The Status-quo scenario creates deceptive feeling of security about the invariability of the external world. A lot of resources are spent on maintaining the illusion and fighting against any factors which might facilitate change.

Within the *status-quo* scenario the economic recovery after the crisis will be slow. The lack of jobs in the countryside will make the inhabitants of Vidzeme to depart for cities. The quality of life will be determined by the ability of each individual inhabitant to find a way how to provide for their living. The role of the self-employed persons will increase. The less attractive rural areas will faster lose their inhabitants, the only remaining ones will be the socially dependent population groups and self-sufficient farms with masters of specific trades and craftsmen. In the less attractive rural territories the proportion of land used for intensive agriculture or forest cultivation will increase. However, there will also be a rise in the proportion of areas not used in agriculture and degraded lands. In the attractive rural areas the number of seniors, new families, summer cottages and seasonal tourists will increase. In the

countryside a small number of well-off farmers will establish themselves, however, the big farms will be able to provide jobs for just a few. Social contrasts will increase both in the rural areas and cities. The quality of road network will improve mainly in the currently most used parts of Vidzeme roads. Thus the demand for qualitative road infrastructure will exceed the supply.

According to the *status-quo* scenario the municipalities, businesspeople and non-government organizations will take a wait-and-see position and react only to the external initiatives and support, including, what regards the acquisition of the EU funds. In the countryside there will be less initiatives and services for the young people who have finished school as the main thing will be to provide for the life quality of the “grey-haired” electorate. It will increase the pressure on the municipality budgets. The knowledge-based industries will develop mainly in Valmiera and its surroundings. The traditional Vidzeme industries will hold their positions, however, the production of various specialized products and knowledge update in the industry will lag behind. The competitiveness of the traditionally strong industries will decrease. Industrial activities will continue to concentrate in the triangle among Valmiera, Cēsis and Smitten.

The *status-quo* scenario envisages the inflow of immigrants in Vidzeme because the small number of inhabitants will not be able to provide for the accustomed service standard. Immigrants will settle in the biggest cities where there are more job opportunities, better developed social system and infrastructure, bigger tolerance for other cultures. As, according to this scenario, the municipalities of Vidzeme do not act actively they will not have immigrant integration and housing policies. Immigration will increase the social pressure on the social services and create stress in cities.

Municipalities will consider themselves independent “kingdoms” and co-operation will take place to the recent extent and form. Policy design will mainly follow the industry approach, however, there will be more inter-branch projects in education, tourism, entrepreneurship promotion and culture. Due to the stable growth of energy prices each municipality will only implement the energy efficiency and alternative energy promotion projects aimed at its own territory. Vidzeme Planning Region will fall apart as it will not be able to justify its existence and in 2030 it will no longer exist within its current borders.

Regarding place attractiveness the *status-quo scenario* envisages a big role in providing for place attractiveness to the development of infrastructure and conveniences in the countryside because the local politicians will strive for the public support and use any opportunities to raise the EU funding. However, there will be a lack of long-term future vision regarding place attractiveness and it will be developed by campaigns. These campaigns will more depend on the understanding of politicians and experts and be less discussed in the society. Cities and rural areas will lack targeted and active branding strategy and specialization. The successful place attractiveness development ideas will be copied, however, not repeated successfully. The biggest losers will be rural areas where the overgrowing of the agricultural lands will continue because the land market will be protected from foreign incomers, however, the local population will not be able to manage the land more actively due to insufficient funds. According to the *status-quo* scenario the countryside attractiveness will be particularly island-like – it will depend on the human factor present in each particular place. However, the place identity will be preserved and local patriotism will continue to exist. This will also become a dominating motivation for the remaining part of the population who will continue to endure the inconveniences due

to the lack of infrastructure. However, gradually it will be overshadowed by a still increasing number of population. Step by step the “grandma in the countryside” will be replaced by well-arranged, however, for most of a year empty summer cottage properties. Tourism will continue if the funding is found for the projects; rural tourism businesses will consider tourism a style of living rather than business. Tourism market will stabilize along with the development of higher quality and more competitive offers which will react to changes in the lifestyle. Nevertheless, tourism supply will be fragmented and little specialized. The place attractiveness will be decreased by inability of various industries to integrate development efforts in a single strategy.

***Pluses:** fewer reforms and internal changes; care for the “grey-haired electorate”.*

***Minuses:** lack of willingness for change; the missing of the active action based policy enhances the negative trends.*

4.2. Competition Scenario

Road is going upwards in Vidzeme only for the strongest

According to this scenario only the places and industries with already existing development potential will experience faster growth because the regional economy will develop according to the principle “the healthy leg first”. The approach will be dynamic, targeted at a person and based on raising competitiveness. Policy designers will try to diminish obstacles for development because the “success of the young tigers” will determine the benefits for the rest as well. Within the competition scenario the road will be going upward in Vidzeme, but everybody will follow the road individually. The first to climb up the road will be the strongest, wisest and most talented.

Background. The most entrepreneurial inhabitants of Vidzeme prove their capacity by urging to support only the perspective industries and places of Vidzeme. Majority associate good life with material values therefore achievement is determined by the striving for being better well-off. Unfortunately, the growing inequality among people aggravates such negative emotions among people as envy and greed. Distorted ideas appear about the ways of acquiring benefits. Socially unfavourable phenomena become more common and people feel economically and psychologically insecure. The individualization of society intensifies which takes the form of “caste” thinking. People are not aware of their internal call and follow imaginary life models. Vidzeme is ethnically the most homogenous region of Latvia, nevertheless its population is characterized by unstable social ties. As a result, many social groups, particularly the old people and youth no longer feel the belonging to the community. There is virtually no dialogue among groups. The ability of a big part of population to meet their primary needs and develop their strengths is limited. The weakest serve the system which provides for meeting the interests of the strongest or are excluded from the system.

Within the competition scenario the regional economy as a whole recovers from the crisis faster than in the *status-quo* scenario, however, the development will be inhomogenous and will mainly affect cities. Along with the improvement of the national economy increasingly more resources will be allocated to research, education and development of IT infrastructure, however, the funding will rapidly decrease in the public sector. This will lead to lower availability of services among the unprotected social groups, including, the rural population. Simultaneously, the involved parties will co-operate to promote the employability and entrepreneurial ability of population.

According to the competition scenario the leaving of population for abroad and big cities will be even faster than within the *status-quo* scenario. As a result, the labour market will have to be opened for foreign immigrants. Unlike the *status-quo* scenario, in the competition scenario the immigrant attraction policy will be much better targeted. The preference will be given to three immigrant groups: foreign students, highly qualified immigrants and low qualified workforce. To provide for a transparent flow of migrants the enterprises and municipalities of Vidzeme will actively participate in the migration policy implementation. Immigrants will be provided with housing, language instruction and other services. In the territories at the eastern border summer cottages will be built for the inhabitants of Russia. The municipalities oriented at the economic growth will start purposeful campaigns for attracting the

inhabitants of the capital through advertising their services, housing and education possibilities.

Valmiera will turn into a small multi-cultural city – the small Chicago or London where the emphasis is laid on the modern, contemporary and brandy. New places will appear where the young people with various lifestyles will enjoy spending their time. The number of young people will continue decreasing in smaller towns. Along with that Riga will strengthen its position as a metropole of the Nordic countries and will concentrate the key flows of population, capital, transport and knowledge. Competition will increase among the regions and biggest cities of Latvia for the distribution of the funding from the state and EU structural funds. Monocentric development model will be retained in the country with a small, however, efficient, administrative apparatus.

In the competition scenario the demand will increase for a qualitative transport infrastructure and transport. Strategic crossborder transport corridors will be developed with Russia, Belarus as well as EU planned projects. Effective trade with the eastern countries will take place. There will be less attention devoted to the improvement of the local flows of transport as they will not be a priority. Service provision will be governed by a strong centralization strategy. Along with a decreasing number of pupils at schools only the general education and vocational schools will survive which will be able to provide for qualitative education offer. The most important will be the roads linking the countryside with the biggest cities. The time for the trip from Vidzeme to Riga will significantly decrease due to the better organized road and railway traffic.

Foreign investments will enter Vidzeme, however, the investors will prefer the areas with a good quality road, electricity, gas and internet infrastructure. In Vidzeme 2-3 special economic zones will develop. The investments, though, will enter only the enterprises which will demonstrate good economic performance and will be oriented at innovations. The investors' interest will be raised by the renewable energy production. The products with a bigger added value will be created in wood and dairy processing industries. Based on the Vidzeme University of Applied Sciences information technology sector will develop. Despite the domination of intensive agriculture in Vidzeme the big local farmers will invest in developing agriculture in Ukraine, Belarus and Ukraine because of the more productive land and lower labour costs. Consequently, the number of people employed in agriculture will decrease, however, the free lands will be used for growing energy crops or forests. Within the competition scenario there will also be a smaller EU support to agriculture. The medium and small farm model dependent on the EU funding will cease to exist. Island-like farmsteads will survive by ignoring the market competition principles and striving to provide for themselves, however they will be burdened by the increasing real estate tax.

To ensure competitiveness, the administrative barriers will be decreased and the provision of many services will be transferred to the private sector. Regional development centres will compete for specialization in specific industries. Under the conditions of competition the co-operation between municipalities and enterprises will not be successful. Joint projects and clusters will develop in the traditionally stronger industries of Vidzeme – wood-industry and dairy farming.

Overall, each enterprise, industry and municipality will fight for themselves. As the economic priorities of Vidzeme will be manufacturing, intensive agriculture and transport, the environment protection, social issues and society integration will be

devoted less attention. As a result, the dissatisfied voices of the socially cast-away inhabitants and nature defenders will become increasingly louder and ways of protesting more radical according to this scenario.

The competition of places will intensify in the competition scenario. Both for the inhabitants and business the city centres closer to the capital – Valmiera, Cēsis and Smiltene – will be more attractive, which in its turn will develop the surrounding countryside. However, the co-operation among the competitive centres themselves will be weak and mutual competition will dominate. The polarization is increasing both in the society and in place development – well-arranged and attractive centres of towns and rural villages will intertwine with remote abandoned villages. A range of small villages will die out – the former centres of collective farms; certain structures of small towns will change (for example, Seda will be forced to merge with Strenči). In the rural environment the scenery will become similar and lose the previous mosaic-like attractiveness – overgrown or forest-covered agricultural areas will intertwine with big intensively-used agricultural areas. In the small villages which will no longer be suitable for living it will be difficult to maintain the big buildings constructed for the EU funds – sport halls and culture centres. The competition will be a stable driving force for the development of places – the attracting of events and raising of more prospective investment projects will provide opportunities for well-qualified workforce in the most competitive centres. They will implement a targeted brand management of the places.

In tourism the state and municipal support will diminish which will make businesses become more active and develop their specialization as well as will make marketing strategies stronger. In tourism the traditional tourism resource concentration centres will retain their competitiveness, however, the role of organized events for drawing customers will grow, a number of the weaker positioned and less specialized rural tourism enterprises will cease their operation as municipalities will no longer be able to support their marketing activities. Culture heritage will suffer if it cannot be privatized or it will be difficult to find a rational and economically justified application. In the developed areas biological diversity will be sacrificed to provide for the further economic progress.

***Pluses:** reduction of unemployment, improvement of the population employability, emphasis of productivity and innovation, reduction of administrative barriers, inflow of investments, support to prospective industries and areas, governed immigration policy, bigger mobility.*

***Minuses:** fast decreasing of the number of rural inhabitants; increasing of social isolation and territorial differences; decreasing of the environmental and social sustainability; insufficient co-operation; weak mutual solidarity; lack of common values, alienation.*

4.3. Cohesion scenario

The road is going upward in Vidzeme and taking the weakest along

The cohesion scenario is aimed at decreasing the territorial and social differences and promotion of sustainability. The most characteristic policies to cohesion are social inclusion, support to small agriculture, various co-operation solutions and protection of local markets. In the cohesion scenario the road is going upward in Vidzeme at a slower pace as it extends a hand to those who are weaker and cannot climb the hill by themselves.

***Background.** The individualism, materialism and short-sightedness of “the fat years” are changed by the care for sustainable long-term development and social cohesion. During the time of change the inhabitants of Vidzeme are striving for security and stability. The inhabitants find these values in mutual co-operation – in their families, communities and as members of staff at their jobs. The sense of belonging to the society increases among various population groups in Vidzeme and the identification of inhabitants with their local municipality, city and the region of Vidzeme increases. In the cohesion scenario the needs of most diverse social groups are respected. The resources are limited, however, there are very many needs. As a result compromises are sought all the time and the needs of none of the groups are fully satisfied. This increases dissatisfaction in all groups.*

Within the cohesion scenario the recovery from the economic and financial crisis will be slower than in the competition scenario. More important than growth and competitiveness will be the key principle of the EU cohesion policy envisaging that every EU citizen is entitled to live and work where he wants, disregarding the influence of the global forces. Consequently, the cohesion scenario will pay much attention to the areas outside the “Vidzeme Triangle”. Due to the falling number of inhabitants the schools, culture centres, sports halls and pre-schools built for the EU funding will not be sufficiently used, however, municipalities will be forced to spend money on maintaining the buildings. Investments in the enterprises with low competitiveness will fail to provide the expected return. In the efforts to distribute money evenly to all areas none of them will receive sufficient amount of funds.

The growing fuel prices will promote more use of public transport, including the railway. To provide for the availability of services within the cohesion scenario also the less profitable passenger transport services will be subsidized and roads will be improved which connect the centres of regional significance and small towns. Within the cohesion scenario the territories will be developed where at the moment no essential road infrastructure improvement has been planned. Among the areas there will be the north-eastern part of Vidzeme, Gulbene, Cēsaine and Madona. While developing infrastructure and accessibility in Vidzeme triangle “Valmiera-Cēsis-Smiltene” the biggest winners will be namely the areas and local municipalities next to the cities. The rest of Vidzeme might benefit less from this or not at all.

In the rural development the movement from the producing agriculture to a wider rural development approach will take place which will particularly stress sustainability and diversification of agricultural activities. This approach will help to provide for living also in the small rural farms, however, it will not essentially increase the added value of agriculture in GDP. Nevertheless, the introduction of cohesion and sustainability values in the economy will promote the development of

new economic directions, for example, social and green economy. Moreover, clusters will develop in the Eco industries.

Within the cohesion scenario the policy designers will also pay attention to the so-called “soft projects” aimed at the reduction of inequality. The priority directions in the cohesion scenario will be nature and culture heritage protection. Immigration from other countries will not be facilitated because it will be considered that migrants will promote social tension in the society. Nevertheless, migrants will be a part of Vidzeme and will have to be integrated in the social systems. To decrease the need for migrants, the state will try to improve the demographic situation with the family support policy: more flexible child care, tax allowances for young parents and other measures. Municipalities will also fund social assistance to the long-term unemployed and strive to support other social risk groups within the limits of their funds. Unfortunately, not all socially inclusive measures will be successful. The implementation of social policy will require funding that could be otherwise invested in raising competitiveness and growth. The public benefit will have to be distributed among many population groups; as a result intergroup conflicts and dissatisfaction will increase in the society. The effects of demographic incentives will not be felt in the nearest 20 years.

Within the cohesion scenario the state and municipalities will pay more attention to the protection of domestic markets. In their public procurement the municipalities will strive to support local enterprises in various ways (through the green procurement, shortest delivery criteria of goods). At the same time Latvia will have to meet various European Commission requirements as namely this institution will be the key cohesion policy promoter on the European level. The most important initiatives will be the common EU tax and social policy.

Within the cohesion scenario state administration will become more decentralized. Vidzeme Planning Region will be assigned additional functions and funding. Vidzeme Planning Region will be an elected institution. In local municipalities which will receive the funding from structural funds there will be good co-operation among various administration levels and industries. Various civic groups will more actively participate in decision-making.

The attractiveness of places in the cohesion scenario will be ensured by a well-controlled mutually connected industry policy “from the top”. Qualitative road infrastructure development will reach increasingly more regional and local significance roads. The renovation or building projects of schools, sports halls, community centres will continue in the rural villages in hope to maintain the number of inhabitants. They will partly succeed, however, it will happen on the account of slower development of the big centres.

State and municipality funded tourism centres will continue supporting all marketing activities of tourism service providers, although some of them will not have much interest or knowledge about involvement in tourism. Tourism industry of Vidzeme will be dominated by municipally funded tourism activities offering a big diversity of services of average quality. The cities of Vidzeme will have agreed on a co-ordinated calendar of events and common brand management objectives in various markets. Joint learning from the implemented marketing activities will be common. In the peripheries of rural municipalities tourism will become equally worth activity next to forestry and agriculture. At the same time the total flow of tourists will disperse over a larger area and will not bring economic return for specific places.

Tourism supply will develop on long-term basis by involving the locally produced agricultural products in catering, implementing green strategies in serving guests etc. This strategy will be made steadier by bigger regulation of tourism industry, various regulatory acts which will more protect the local market and simultaneously provide for sustainability.

***Pluses:** closer co-operation among various involved parties, new economic development directions, decentralized planning of development, involvement of social non-government organizations in decision-making; reduction of territorial and social inequality and polycentric development.*

***Minuses:** slow economic growth, low productivity and efficiency, dependence of population on social systems, lack of proactivity and motivation.*

4.4. Optimal scenario

The road is going upward in Vidzeme and the inhabitants are walking it together.

The optimal development scenario for Vidzeme comprises the competition and cohesion elements most suitable for Vidzeme and provide for their co-ordinated implementation. Unlike the previous two scenarios which describe the influence of certain actions on the future of Vidzeme, the optimal scenario initially outlines the desirable development condition of Vidzeme and afterwards examines the actions which help to achieve this condition. In the optimal scenario competition and cohesion are mutually complementary roads of development which can be followed if the region is able to raise its overall performance and productivity.

Background. The inhabitants of Vidzeme are increasingly aware of the interconnection between the local and global economy and do their best to adapt to the changing and unstable context. The dual vision of the individual and collective values is changed by specialization and higher flexibility against the conditions. Society is still a collectively oriented, however, there are ample opportunities for individual choice.

Commensuration of competition and cohesion values is only possible if the overall productivity of economy rises. This is why in the optimal scenario, like in the competition scenario, the emphasis is laid on innovation and the raising of the level of knowledge as well as closer connection between knowledge and economy. Education sector will experience more active involvement of business people and industry associations in the development of education contents. As a result, education quality will improve and it will better meet the labour market needs. Unlike the cohesion scenario, the areas of Vidzeme, its enterprises and educational institutions will be more ambitious and innovative in searching for various niches. Unlike the competition scenario, they will waste much less energy in mutual fight.

An important objective in the optimal scenario will be the decreasing of the vulnerability of the region. As the development of the local economy to a large extent depends on the global driving forces, Vidzeme cannot rely solely on external development resources which might become extinct. Vidzeme will be willing to diversify the supply of energy and decrease the concentration of external trade by regions and industries. However, the region should not rely solely on its internal development potential either because this potential cannot provide for a powerful breakthrough for decreasing structural backwardness. Under the current conditions only the EU funding allows for improving the transport, energy and communication infrastructure in Vidzeme. In many places of the region there is no longer the human and social capital necessary for using the development potential. Consequently, these places should learn to “sell” their development potential more efficiently to various external audiences. These places will specialize in tourism and culture heritage economy. Listed among the development resources should be not only the nature values, but also the intangible values related to them, for example, the quiet. If a place is not naturally attractive it can specialize in food or biomass agriculture. In the forest-covered areas there is a nature-determined specialization in forestry and wood-processing. In the knowledge centres the export of higher education is possible as well as offering medical and rehabilitation services to foreign clients.

By combining the internal and external development approaches and increasing specialization as well as improving productivity and added value Vidzeme will

decrease its global vulnerability risk and will easier survive future financial shocks. The development of Vidzeme will also be facilitated by transferring the knowledge from one place to another and from industry to industry.

Similar to the cohesion scenario, the optimal scenario will pay much attention to the provision of services (health, education, child care, elderly care) in the remote and little populated areas. Service centres will continue to operate in towns. However, unlike the cohesion scenario, the ways of providing services will be much more flexible and based on using information technologies. Mobile health care will be common, senior care as well as distant learning.

Integrated solutions for various groups of inhabitants will be increasingly more common. While in the competition scenario local municipalities strive to provide the service basket for the most active population groups – young, well-educated inhabitants and qualified migrants, the optimal scenario envisages creating integrated policies also for the forthcoming and young parents, adherents of alternative lifestyles, teachers, seniors and other social groups. The role of non-government organizations will increase in providing various services. To promote specialized use of the territories the role of Vidzeme Planning Region will increase in planning and co-ordination of various services. An integrated administration system of various territories (the overgrown, polluted and protected ones) will develop.

In the optimal scenario brand management strategies will be strongly positioned and co-ordinated with the general economic growth strategies. The reawakened emotional place identity reawakened in local inhabitants or those who once left the place will create closer ties and willingness to participate in the development of the place. The bureaucratic burden will be decreased replacing it with the education and awareness raising among the business people as well as rising of the consumer quality requirements. Place attractiveness develops from larger involvement and interest of local inhabitants – by supporting the new initiatives “from the bottom” and by purposeful use of the EU resources for the implementation of long-term strategies. The availability of qualitative services, pleasant environment for living as well as leisure time facilities will promote the attraction of permanent inhabitants to the place.

Tourism offer will be dominated by networking strategies. The number of tourists will be increased with a help of targeted support to rural tourism both from the EU as well as the state, however, the dominating role in the adoption of marketing decisions will belong to businesses rather than municipalities. National accents will prevail in the supply and tourism will help to retain traditions and implement a range of social functions. In Vidzeme Planning Region 10 tourism regions – local tourism destinations will develop which will be well-specialized and precisely positioned for the respective target audiences. They will contain mutually complimentary cluster structures with branched co-operation network of related industries. It will provide for bigger attractiveness and competitiveness of the region regarding other regions and will raise the service export to the nearest international markets around the Baltic Sea.

5. Policy Design Recommendations

The optimal development scenario indicates the desirable development direction for Vidzeme. It is based on the following principles:

- *Orientation to action.* The optimal scenario is oriented toward action. It envisages that the inhabitants of Vidzeme are aware of the necessity for changes, are preparing for them and actively introducing them. Policy design and implementation features co-ordinated co-operation among various administration levels. Besides, the external and internal development approach is being implemented.
- *Integral approach.* The optimal scenario assumes that the inhabitants of Vidzeme will act actively not only to change the negative external conditions, but also to change themselves.
- *Balanced development.* The optimal scenario envisages sustainable development of Vidzeme with balanced growth in all platforms of territorial capital – nature and infrastructure, knowledge, identity and social platform. In the policy implementation the transition is taking place from the sector approach to integrated development policy.
- *The synergy of the positive elements of the competition and cohesion development approaches.* It is possible by improving productivity and promoting mutual co-operation under the conditions of competition.
- *Regional policy framework suitable for the future context,* where the less developed areas of Vidzeme are not considered backward and to be supported, but rather their previously unidentified potential is actively searched and developed. Within the optimal scenario the actions are more aimed at the functional areas rather than administrative ones. Development instruments are considered to be not only the material capital (subsidies and EU capital), but also mixed combinations of material/non-material, public/private capital, for example, the place attractiveness, labour market, business environment, social capital and co-operation networks (*see table 1*).

The inhabitants of Vidzeme face various opportunities to choose. They may choose the movement toward the optimal scenario or the positive elements from the competition and cohesion scenarios. Certainly, there is also the possibility to do nothing – as in the *status-quo* scenario. However, in such case the consequences of such choice must be taken into account as well.

Table 1. Comparison of the key expressions of the optimal development scenario for Vidzeme and other scenarios.

	Status-quo, competition and cohesion scenarios	Optimal scenario
Action	Status-quo scenario is not action-oriented. Competition and cohesion scenarios are action-oriented.	Action-oriented.
Development approach	External OR internal.	External AND internal.
Integral approach	Transformation of various external processes for the social and individual needs.	Internal growth of individuals and society – development of values and spiritual development.
Development of territorial capital	Unbalanced.	Balanced.
Development policy	Based on sector approach.	Integrated inter-sector development policy.
Where is the policy implemented?	In administrative areas.	In functional areas.
Competition and cohesion principles	Mutually exclusive. Excessive subjection of development to these principles creates unbalanced development.	Mutually complementary. Commensurate approach is followed in the implementation of both principles.
Less developed areas	Hinder development. In the competition scenario are not to be supported not to hinder the general development. In the cohesion scenario they are to be supported externally by redistribution of common resources.	The previously unidentified potential of the less developed areas should be searched and developed. Niche and specialization strategies.
Development instruments	Material (subsidies and EU funds).	Combinations of material-non-material, public and private resources, e.g., place attractiveness, business environment, social capital and co-operation networks.
Administration	Average co-ordination among various levels of administration.	Good coordination among various levels of administration.

General recommendations for designing the development policy for Vidzeme are related to:

- *The adaptation strategy that corresponds to the current and future context;*
- *Balanced development of territorial capital;*
- *Raising of place attractiveness.*

Adaptation strategy for Vidzeme

In European terms Vidzeme is a very small agrarian economy with a falling demographic curve, high sensitivity to energy prices, and insignificant performance in

knowledge industries. Consequently, it should as much as possible decrease its dependence on external shocks. Respectively, the most appropriate strategy for Vidzeme would be the *adaptation* strategy which would reduce the vulnerability risk of the region.

The need for adaptation is determined by the extent to which the involved parties of Vidzeme are *subjected* to the influence of unfavourable trends, for example, to the emigration of its population, as well as on how *sensitive* they are to certain trends, for example, increasing of electricity prices. The bigger is the subjection or sensitivity of the region, the bigger the need to adapt. This regularity can also be expressed vice versa: the better the region is able to adapt to unfavourable trends, the bigger its possibilities to decrease its dependence and sensitivity to unfavourable trends. Overall, the adaptation ability of a region can be viewed as a combination of its dependence and sensitivity to certain risks (*see fig. 6*).

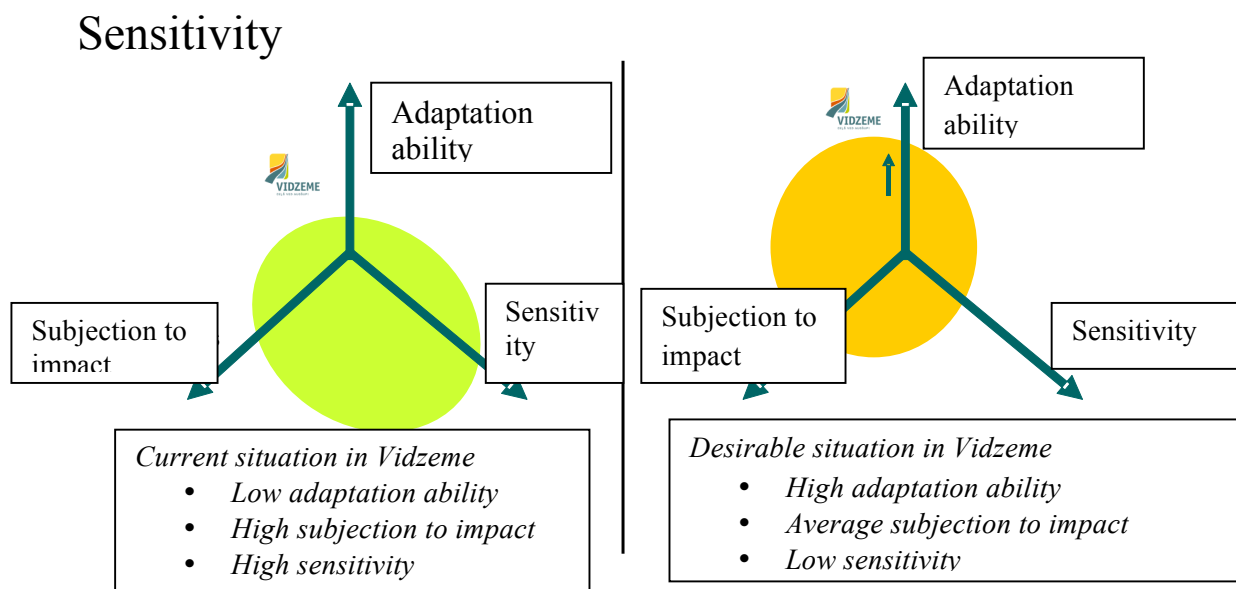


Fig.5. Adaptation ability of Vidzeme.

Current and desirable position of Vidzeme. The adaptation ability of the region is shown as a function from the changes of the regional subjection and its sensitivity to change.¹⁹

Adaptation ability of Vidzeme can be improved:

- *By wisely combining the external and internal development approaches in the regional development.* It means that Vidzeme not only relies on the internal or external development resources, but rather wisely uses its internal development resources to “sell” them to various external players in the national, EU and global level.
- *By enlarging specialization, improving productivity and added value in economy.* Diverse specialization in the economic structure and markets decreases the vulnerability of the regional economy to production resource costs as well as global supply and demand trends.
- *By strengthening the social capital of the region.* The adaptation ability of Vidzeme depends to a large extent on its social capital. Social capital provides for the co-operation and knowledge exchange of various involved parties which significantly increases the adaptation ability. Within the optimal

development scenario the municipalities, enterprises, educational institutions and civic society of Vidzeme become linked by a single security chain to overcome dangerous development stages. The social capital of the region provides for the values and trust necessary for co-operation as well as facilitates better circulation of knowledge from one place to another and from industry to industry.

Although adaptation strategy could be recommended for Vidzeme as the overall development direction of the region, individual industries and places should be allowed to implement future determining strategies in the areas where they have undeniable comparative advantage.

Balanced development of territorial capital

To enrich the territorial capital of Vidzeme the measures have to be implemented which would promote the accessibility (supply) of this capital and to provide for the demand for it. An example of the balance between the demand and supply of territorial capital is the knowledge platform. If in the industries of regional economy there is no demand for the knowledge developing in the higher education, the knowledge cannot immediately increase the regional development potential. However, if the industries of the region require a specific kind of knowledge and it is not created, the synergy of territorial capitals does not take place and the territorial capital does not turn into a development potential. Thus, a fullfledged development of Vidzeme is possible if balanced development is simultaneously taking place in all territorial platforms (see fig. 7).

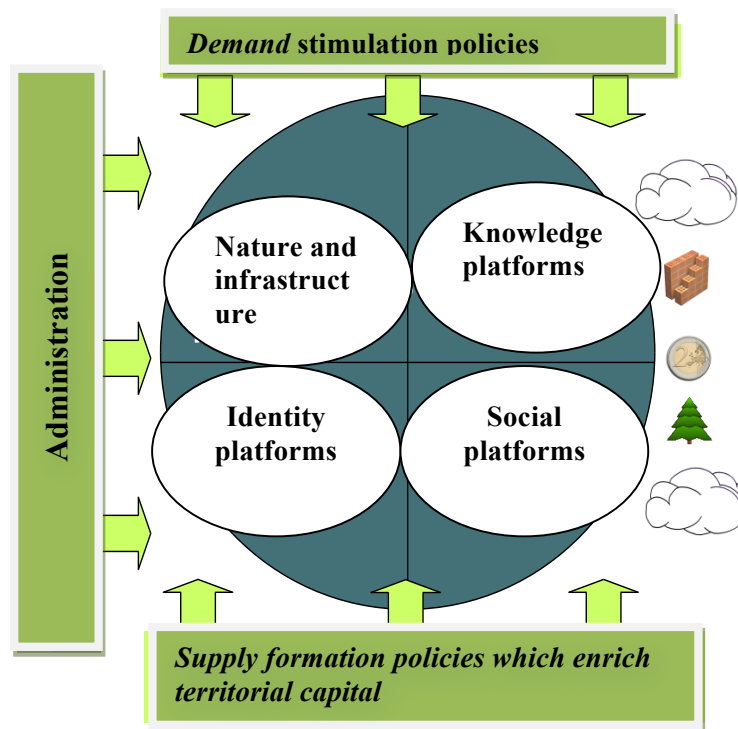


Fig.6. Processes enhancing territorial capital.

To turn the territorial capital into the development potential of Vidzeme measures have to be implemented to promote the accessibility (*supply*) of the capital and ensure the demand for it. In such a case the administration provides for the balanced development and mutual synergy of these capitals.

Administration

The administration of Vidzeme should not only provide for the administrative functions, but also co-ordinate the processes facilitating the demand and supply of territorial capitals. To manage this the administration should:

- *Provide for the co-ordination in the implementation of development policies.* In all scenarios better results can be achieved if there is co-ordination on the global, EU, regional and local level.
- *Enhance the co-ordinating role of Vidzeme Planning Region.* To implement a place-oriented development policy Vidzeme Planning Region should maintain the co-ordinating role in the regional development because the planning capacity of the small municipalities of Vidzeme and their operational capacity are very limited at the moment. On the national level it is necessary to agree on increasing the capacity of planning regions by enlarging their functions and the available funding.
- *Develop more specific city and local municipality development programmes.* When designing municipal development programmes the comparative advantages and drawbacks of each municipality should be evaluated more critically. Bigger attention should be paid to more competitive industries. Programmes should be made less declarative and should comprise specific measurable results.
- *Actively involve population.* Municipalities should actively involve various population groups, business people and Vidzeme University of Applied Sciences in designing and implementation of the municipal level policies and development plans thus strengthening the applicability, quality and transparency of the adopted decisions.
- *Control the implementation of the planning documents.* Bigger attention than before should be paid to controlling the implementation of various planning documents.
- *Sustainability of EU projects should be increased.* Sustainable long-term use of the EU project results should be provided for.

Vidzeme Planning Region and municipalities have limited possibilities to design policies and implement them, however, they control various indirect influence leverages for stimulating demand and supply of the territorial capital.

Policies stimulating demand

- *Alternatives to the direct public funding.* In all scenarios the volume of the public funding will gradually decrease. Consequently, municipalities should timely think about the alternatives of the direct funding by searching various indirect support possibilities and stimulating the public demand for a specific kinds of services which can be in future provided by the private and non-government sector. For example, the privately operated senior care, renting of municipal property to enterprising non-government organizations etc.
- *Acquisition of foreign markets.* Assistance should be provided to local business in the acquisition of the foreign markets. The municipalities of Vidzeme can use their contacts in other EU countries and sister cities to inform the local business people about the public procurements expected in

these municipalities. Particular attention should be paid to the export of the small, inhabitant-created innovations as these innovations cannot always claim the national or EU support.

- *Incentive for new manufacturing approaches.* Assuming of new and perspective manufacturing approaches should be facilitated as well as the renewable energy industry and creation of products with high added value in dairy production, wood-processing and mineral acquisition industries.
- *Wise public procurements.* Wise use of public procurements for the support of local businesses, provision of social services, purchasing of environmentally friendly produce and introduction of qualitative communication technologies and e-services.

Policies facilitating supply

- *Synergy networks*. The areas in Vidzeme differ by their mobility infrastructure and economic development therefore the following co-operation networks should be facilitated in the region:
 - *Economic networks* among the manufacturers, service providers, carriers, consumers; the particular role of business incubators should be appreciated;
 - *Knowledge networks* among educational institutions, research institutions and businesses;
 - *Administrative networks* among various institutions, organizations and individuals providing for co-ordinated policies and implementation of various measures.

- *Balanced development of territorial capital*. Balanced development of territorial capital should be provided for by carrying out specific measures in each particular platform.

Below there are recommendations for strengthening the territorial capital of Vidzeme.

Recommendations for strengthening the territorial capital of Vidzeme

1. Nature and infrastructure platform

- 1.1. To provide for sustainable use of the minerals and wood acquired in Vidzeme.
- 1.2. To design the regional adaptation strategy for climate change.
- 1.3. To educate forest and agriculture land owners about the influence of climate change on their industry.
- 1.4. To improve the attractiveness of the protected areas for sustainable businesses.
- 1.5. The region and municipalities should actively raise the state and EU funding for improving transport, energy and communications infrastructure.
- 1.6. To decrease the time spent on the trip from the rural areas to centres and from the cities of Vidzeme to the capital.

2. Knowledge Platform

- 2.1. To design the business cluster policy of Vidzeme Region.
- 2.2. To improve the knowledge and skills quality of the specialists educated by the regional vocational education institutions.
- 2.3. To enhance closer co-operation between business incubators and educational institutions by promoting the innovation and knowledge transfer and creating the education offer that meets the needs of businesses.
- 2.4. To develop a specific interdisciplinary education offer niches, for example, industrial design, alternative energy system engineering.
- 2.5. To develop the knowledge base in the perspective industries – processing of

minerals and high added value wood processing.

3. Social platform

- 3.1. To implement targeted attraction of young, competent people from all regions of Latvia.
- 3.2. In co-operation with various involved parties to design a targeted immigration attraction and integration activity complex.
- 3.3. To promote the discussion among different cultures and social groups with each of them retaining its identity.
- 3.4. To inform inhabitants about different cultures and the possibilities of using their experience to diminish the fear from the unknown and different.
- 3.5. To make creative use of the civic society infrastructure for the promotion of the society socialization.
- 3.6. To popularize healthy lifestyle and increase the role of preventive health care.
- 3.7. To popularize the positive development and co-operation examples and share the experience.

4. Identity platform

- 4.1. To promote the place identity and emotional ties in place marketing strategies.
- 4.2. To improve the exportability of the traditional produce.
- 4.3. To integrate the products carrying the regional and place names in the brand management strategies of the place.
- 4.4. To promote thematic activities and work purposefully for developing local tourism targeted at the inhabitants of other regions.
- 4.5. To facilitate various networks creating informal and social ties (choirs, dance groups, sports clubs, hunter groups etc.).
- 4.6. To use the culture heritage and Latvian life wisdom elements in developing tourism products and to highlight the regionally specific features.
- 4.7. To encourage the inhabitants of Vidzeme to see themselves as the inhabitants of Europe and the world.

Recommendations for promoting place attractiveness and branding of places

The promotion of place attractiveness is included in a targeted set of activities²⁰ perceived as the branding of a place. It is an integrated process and the economic development strategies of a place should certainly have a section on marketing the place.

The promotion of the attractiveness of a place is a long-term process which might not yield a tangible outcome within a short period of time. A long-term systematic, co-ordinated and targeted action is needed created by a public-private partnership group with a comprehensive vision. Place marketing comprises all key areas therefore it is not perceived only as a tourism marketing strategy. Political support and financial

capacity is needed which are not perceived as a campaign, but rather continues the work started previously.

Brand of a place is designed based on the strategic (marketing SWOT) analysis; as a result a clear mission and future vision is established that includes the main industries to be developed, regional products, place identity components, advisedly selected target audience and clear positioning. The co-operation of the various parties involved in marketing on various levels will provide for a bigger return from the joint brand creation. Resources will always be limited therefore each specific tactics for creating the attractiveness of a place is advisedly discussed and selected.

The creation of leader ability in some specific area is a serious challenge for any place. Infrastructure alone is not enough – it is necessary to foster the development of co-operation networks and cluster initiatives. Branding must be based on the already existing resources and values because investments in developing absolutely new fields and clusters often fail. The introduction of branding creates bigger selling prospects of a place and its products therefore professional and active marketing communication is necessary on daily basis (extension of the competence of public relations).

The overall image of a place plays a bigger role than individual arguments of a place essence. The businesses will also benefit if a place has a good reputation. The involvement of business representatives is of critical importance in promoting the branding of a place. The locally represented international enterprises are the best ambassadors abroad, however, significant potential is also created by the foreign export companies related to the region. The best solutions for place branding have not yet been created. Only the practitioners' imagination limits the appearing of new creative solutions.

Concrete measures for the promotion of a place attractiveness for specific target groups²¹. The measures will always interact and simultaneously influence other target groups.

1. For attracting inhabitants

- 1.1. Construction of new residential buildings or renovation of the existing ones.
- 1.2. Creation of community centres and informal meeting places for the population (incl., cafeterias – after each 500 m in a dense city environment).
- 1.3. Development of contacts and communications with the suburban areas.
- 1.4. Rise of the number of jobs in the neighbouring local municipalities and cities.
- 1.5. Welcoming of immigrants and openness to other cultures.
- 1.6. Attraction of students to the regional higher education institutions, especially from other regions.
- 1.7. Development of the facilities for meaningful leisure time activities.
- 1.8. Improvements in the visual attractiveness of the physical environment, high quality environment design.
- 1.9. Advisedly created social policy aimed at including different society groups;
- 1.10. Promotion of the place identity (incl. regional products, local sports teams and culture groups).
- 1.11. Maintenance of ties with the former “own people” who have achieved success in another region and can promote investments or the place brand.

2. For attracting businesses

- 2.1. Being attractive from competent people's perspective.
- 2.2. Development of innovation and communication networks for the already existing enterprises.
- 2.3. Provision of support and assistance for assuming new business initiatives.
- 2.4. Investor attraction.
- 2.5. Attraction of students – co-ordination of the study programme directions and priority industries to be developed, study internship employment in the region.
- 2.6. Promotion of microenterprise initiatives.
- 2.7. Events for honouring business people (and the biggest taxpayers – inhabitants).
- 2.8. Informal socializing of business people.
- 2.9. Attraction of result-oriented people and businesses to settlements. In some of the biggest Scandinavian city municipalities there is even a particular position “the officer for attracting population and businesses” whose work is aimed at achieving specific measurable result.
- 2.10. Local municipality initiatives supporting local procurement (within the limits of honesty and ethics).

3. For visitor attraction

- 3.1. Promotion of the local consumption among the local population.
- 3.2. Attraction of the visitors from the neighbouring local municipalities for shopping and entertainment.
- 3.3. Traditional tourism development with emphasis on the character and experience of the place in co-ordination with the place branding.
- 3.4. Supporting of summer cottage initiatives in the properties suitable for it and not used otherwise.
- 3.5. Targeted development of local stories.
- 3.6. Joint co-operation and marketing strategies with the neighbouring local municipalities.
- 3.7. Promotion of the co-operation network among the tourism service providers, development of cluster initiatives in co-operation with the related industries.
- 3.8. Supplementing of the tourism information centre functions – from passive informing to active tourism development and marketing.
- 3.9. Bigger involvement of tourism business people and research/university specialists in the discussion of the place and regional marketing strategies and operations.
- 3.10. Application of integrated marketing communications and technological innovations.
- 3.11. Use of the potential of the Faculty of Tourism and Hospitality, Vidzeme University of Applied Sciences for the regional tourism growth.

Appendices

Appendix 1. Scenario pluses and minuses

Table 2. Profile of the status-quo, competition and cohesion scenarios

<i>Status-quo scenario</i>	<i>Competition scenario</i>	<i>Cohesion scenario</i>
<i>The road is going upwards in Vidzeme, the walkers are the same</i>	<i>In Vidzeme the road is going upward only for the strongest</i>	<i>The road is going upward in Vidzeme by taking the weakest upward as well</i>
Within the status-quo scenario the current processes will continue, however, the involved parties will not act actively to reduce the negative influence of the driving forces. Reactive approach will dominate, however, action-oriented policies and innovative solutions will be missing. The economic, demographic, climate change and energy processes will develop on their own until the logical outcome of such approach.	Within the competition scenario faster growth will be experienced by the places and industries with already existing development potential because the regional economy is developing according to the principle “the healthy leg first”. The characteristic approach will be dynamic and aimed at an individual and promotion of competitiveness. Policy designers will strive to diminish obstacles to development because others will benefit from the “success of the young tigers” as well.	The cohesion scenario is aimed at diminishing territorial and social differences and promotion of sustainability. The most characteristic policies of the cohesion scenario are social inclusion, support to small agriculture, various co-operation solutions and protection of local markets.
<i>Pluses</i>		
<ul style="list-style-type: none"> • Less reforms and internal changes • Care for the “grey-haired electorate” 	<ul style="list-style-type: none"> • Decreasing of unemployment, improvement of population employability, • Stress on productivity and innovation • Reduction of administrative barriers • Inflow of investments • Support to perspective industries and areas, controlled immigration policy and bigger mobility 	<ul style="list-style-type: none"> • Closer co-operation among the involved parties • New economic development directions • Decentralized planning of development • Involvement of social non-government organizations in decision-making • Reduction of territorial and social inequalities and polycentric development
<i>Minuses</i>		
<ul style="list-style-type: none"> • No willingness for change • Lack of action-oriented policy intensifies the negative trends 	<ul style="list-style-type: none"> • Rapid fall of the number of rural population, increasing of the number of social cast-aways and territorial differences • Decreasing of the environmental and social sustainability • Insufficient co-operation • Weak mutual solidarity, lack of common values • Alienation 	<ul style="list-style-type: none"> • Slow economic growth, low productivity and efficiency • Population dependence on social systems • Lack of proactivity and motivation

Appendix 2. Scenario influence in various areas

Table 3. Influence of the integrated scenarios in various areas

<i>Status-quo</i> scenario	Competition scenario	Cohesion scenario
Demography		
<ul style="list-style-type: none"> Decreasing of the number of population – especially in the countryside due to the low birth-rate and migration Aging of the society No targeted birthrate improvement policy External immigration does take place, however, it is chaotic and poorly administered 	<ul style="list-style-type: none"> Faster reduction of the number of population due to the low birthrate and migration External migration does take place, however, it is better targeted than in the <i>status-quo</i> scenario 	<ul style="list-style-type: none"> Stricter limitations to external migration More flexible retirement conditions Targeted birthrate improvement policy Larger child care opportunities Slight decrease in the migration of the rural inhabitants to cities
Economy		
<ul style="list-style-type: none"> Slow economic growth Economic activities concentrated in <i>Vidzeme Triangle</i> Traditional industries are developing, however, they do not sufficiently specialize and do not think about the creation of new niche products Aloofness in the provision for the quality of life and living The knowledge necessary for the further development of industries is not renewed or improved. There is a slight increase in funds necessary for research and development No planned “grey-haired economy” promotion measures are implemented, however the basic needs of the “grey-haired electorate” are met There is a significant decrease in the amount of public funding 	<ul style="list-style-type: none"> Average economic growth Economic activities concentrated in <i>Vidzemes Triangle</i> Privatization of public services Investments in the key industries of Vidzeme economy and innovative enterprises Emphasis on education and innovation Active promotion of the population employability and business capacity Support to cluster formation in the most competitive industries Reduction of public funding 	<ul style="list-style-type: none"> Slower economic growth than in the <i>status-quo</i> and competition scenario Public expenditure remains at the current level EU funds are channelled to less developed areas Harmonizing of tax and social policies at the EU level Bigger regulation of individual industries Development of new economy directions - “grey-haired economy”, social entrepreneurship, green economy. More active adaptation measures for climate change Support to cluster formation also in the perspective industries
Energy		
<ul style="list-style-type: none"> Rise of energy prices Decreased energy consumption Dispersed renewable energy and energy efficiency promotion 	<ul style="list-style-type: none"> Rise of energy prices Increased energy consumption Bigger investments in renewable energy resource infrastructure and energy efficiency measures 	<ul style="list-style-type: none"> Rise of energy prices Support to decentralized energy systems Support to renewable energy resource and energy efficiency measures
Transport and Infrastructure		

<ul style="list-style-type: none"> • Average increase in road transport • Increased availability of infrastructure, yet it still does not meet the demand 	<ul style="list-style-type: none"> • Implementation of EU infrastructure projects • Development of eastern connections • Priority – fast transport to Riga • Infrastructure availability does not meet the demand in many places 	<ul style="list-style-type: none"> • Provision for the availability of transport services also in the less developed rural municipalities • Railway development
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<i>Status-quo</i> scenario	Competition scenario	Cohesion scenario
Rural development		
<ul style="list-style-type: none"> • Development of industrial intensive agriculture • Decreased EU support to agriculture 	<ul style="list-style-type: none"> • Liberalization of agricultural policy and decreased support from the EU • Development and decline of the industrial intensive agriculture 	<ul style="list-style-type: none"> • Marked re-orientation of the EU agricultural policy from the agricultural production to rural development • Support to diversification of agricultural activities • Vidzeme – the biggest beneficiary from the EU common agricultural policy
Society		
<ul style="list-style-type: none"> • Polarization of various social groups in the countryside and cities • No comprehensive integration policies implemented on the regional and local level 	<ul style="list-style-type: none"> • Increased social exclusion in the countryside and cities • Reactive approach to social problems • Social groups feel the need for bigger security 	<ul style="list-style-type: none"> • Support to maintaining local identities • Active social and culture integration policies • Projects aimed at improving the life quality of population
Administration		
<ul style="list-style-type: none"> • Centralized administration • Improved co-operation among individual municipalities and crossborder co-operation • In some areas co-ordinated interbranch and multi-level administration is visible 	<ul style="list-style-type: none"> • Centralized administration with a small, but efficient administrative apparatus • Deregulation of individual industries and decreasing of administrative barriers • More active cross-border co-operation • Privatization of public services • Increasing of the influence of businesses in decision-making • Policies are implemented following the administrative division 	<ul style="list-style-type: none"> • More active EU role in establishing various common policies • More decentralized administration • Improvement of the co-operation among various administrative levels • Intensification of environmental requirements • Increased regulation of various branches • More policies are aimed at a place rather than just at the administrative territory
Place Attractiveness		

<i>Status-quo scenario</i>	Competition scenario	Cohesion scenario
<ul style="list-style-type: none"> • Place attractiveness is narrowly attributed mainly to the infrastructure development. • Campaign-like and island-type place attractiveness promotion activities. The key beneficiaries are the cities. • Tourism offer is fragmented and unspecialized. Lack of integrated approach. 	<ul style="list-style-type: none"> • Competition among the competitive centres with powerful marketing strategies. • Polarization of place attractiveness. • Decreased picturesqueness of the rural scenery due to the intensive agriculture and forest cultivation. • Improvement of the supply quality of tourism. 	<ul style="list-style-type: none"> • Supportive national and municipal policy for the promotion of place attractiveness and tourism. • Availability of more qualitative infrastructure in the countryside. • There is a co-ordinated calendar of Vidzeme events targeted at local inhabitants and visitors. • In the tourism supply local raw materials, green strategies etc. are used. • Bigger regulation of tourism industry.

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