Knowledge based economic growth started to be a rural development phenomenon in Latvia

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NATIONAL RESEARCH PROGRAMME „ ECONOMIC TRANSFORMATION, SMART GROWTH, GOVERNANCE AND LEGAL FRAMEWORK FOR THE STATE AND SOCIETY FOR SUSTAINABLE DEVELOPMENT — A NEW APPROACH TO THE CREATION OF A SUSTAINABLE LEARNING COMMUNITY — EKOSOC — LV"

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PROGRAMME EKOSOC-LV

- **The programme is established to create** knowledge base **on sustainable development processes of the state and society, and to elaborate a theoretical justification for sustainable development strategies and action policies through diverse scientific research**

Ten EKOSOC-LV projects were combined into thematic blocks according to the principle 3+1.

Spatial development of Latvia	Economic competitiveness of Latvia	Development of Latvia's society

Legal framework of all the blocks

Introduction

The general aim of research is to design a development strategy for <u>rural areas as a socio-economic space</u> for the 2020s.

The **project direct objective** is to analyse the trends in the knowledge-based economic sector in the period **2009-2017**, make an understanding of the on-going processes, draw conclusions and make proposals for the improvement of the situation.

The research was based on a **methodological approach** that knowledge-based economic growth

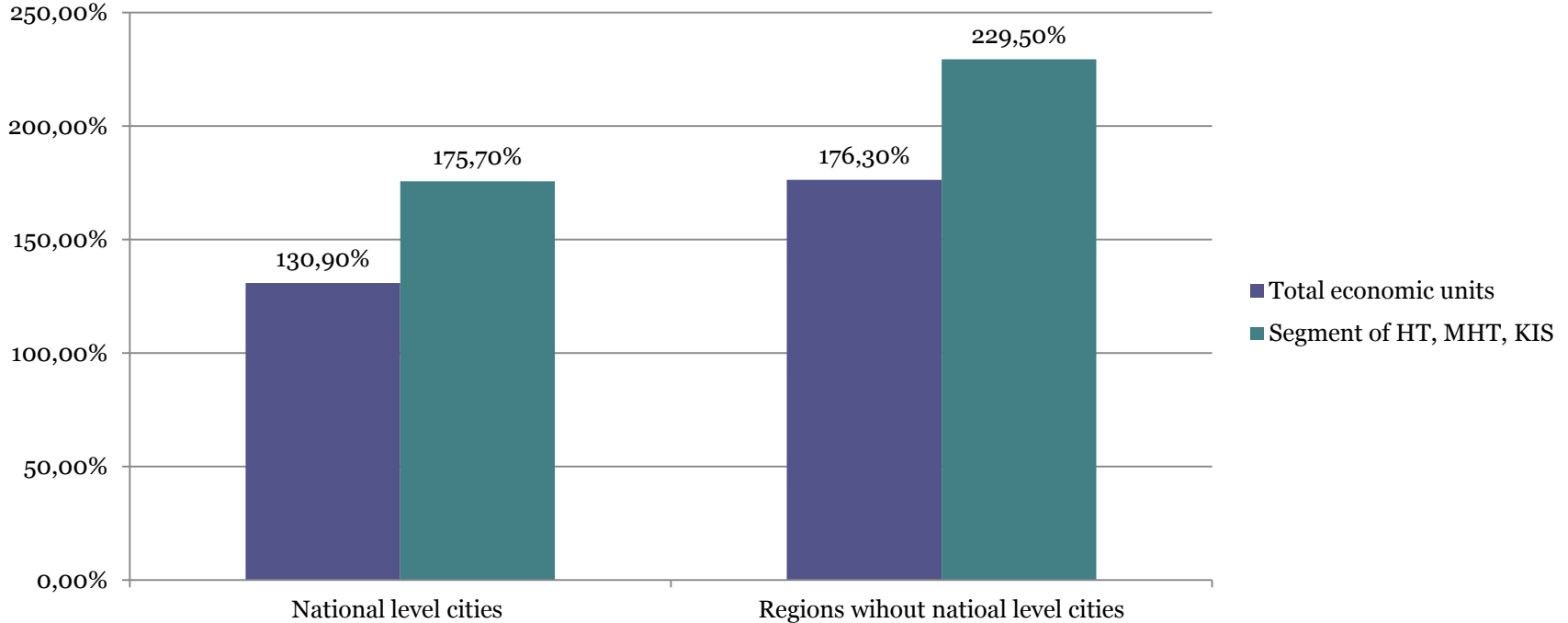* **promotes smart, sustainable and inclusive territorial development and**

* **is perceived as an economy that is based on advanced science, innovations and   technology**. (EC. Europe 2020. A European Strategy for Smart, Sustainable and Inclusive Growth. 2010)

According to the EUROSTAT methodology, **the knowledge-based economic segment consists of high tech, medium high tech manufactories and knowledge intensive services** (HT, MHT, KIS) (Eurostat, 2008)

Knowledge-based economic growth II

Overall, rural areas tend to be more active in entrepreneurship; the growth rate for the rural areas is higher than that for cities, which brings hopes for decrease in the disparities between the urban and rural spaces, 2016/2009

Legend:
- ■ Total economic units
- ■ Segment of HT, MHT, KIS

Chart values:
- National level cities: Total economic units 130,90%, Segment of HT, MHT, KIS 175,70%
- Regions wihout natioal level cities: Total economic units 176,30%, Segment of HT, MHT, KIS 229,50%

Segmentation is specific not only to the whole economy but also to every segment of it

Region	HT	MHT	KIS
Zemgales	1.0%	5.5%	93.5%
Pierīgas	0.9%	2.8%	96.3%
Vidzemes	0.1%	4.2%	95.7%
Latgales	0.4%	4.6%	95.0%
Kurzemes	0.5%	5.1%	94.4%

The internal structure of the knowledge-based economic segment (100.0%)
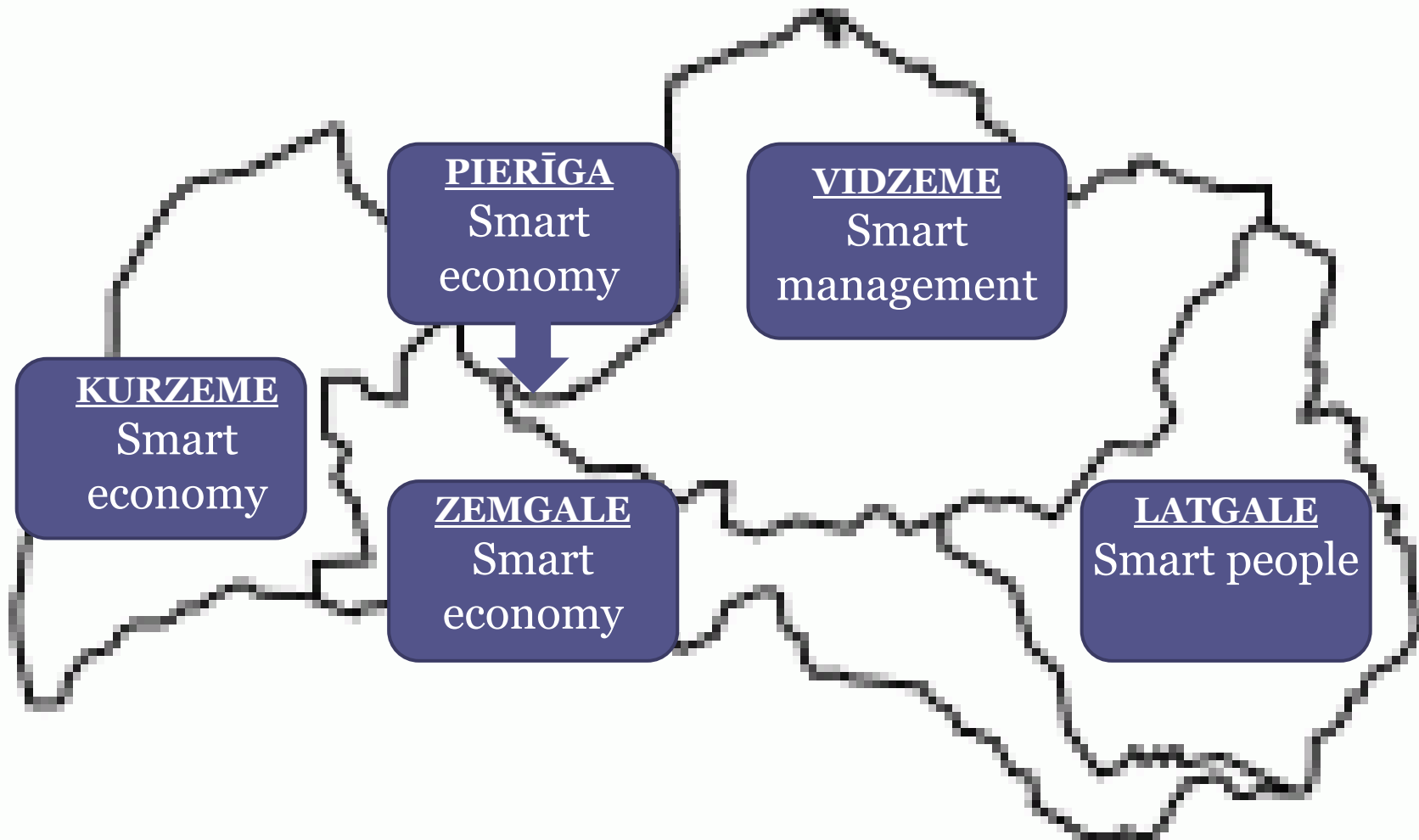
All the regions currently focus on knowledge-intensive services, less focus is placed on high technology manufacturing industries.

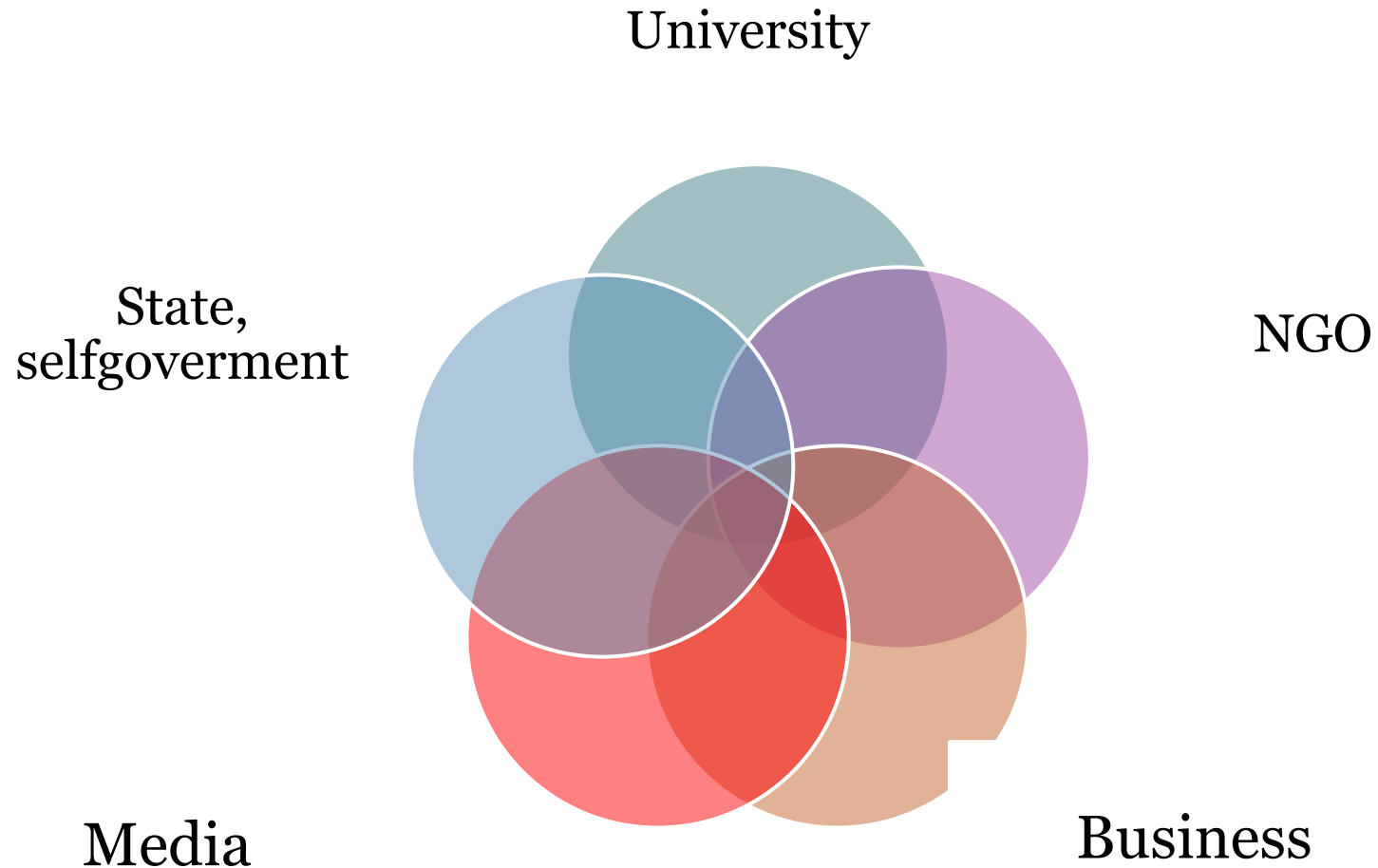# Scenarios of the Development of Smart Regions of Latvia

- A decision on the choice of the most appropriate scenario was made **based on an expert** decision-making method – the **Analytic Hierarchy Process (AHP)**(*Thomas L. Saaty*).
- Potential scenarios:
  - **Smart economy** (knowledge-based economic)
  - **Smart management**
  - **Smart people**

Scenarios of the Development of Smart Regions of Latvia

Quintuple Helix model

University

State, selfgoverment

NGO

Media

Business

I – positive facts

1. In the rural space outside the cities of national significance, growth rates for **knowledge-based entrepreneurship are higher than for the general business activity** which allows us to assert that there is an indication that the disparities between the rural and urban spaces start decreasing.

II - problems

1. The analysis of the segmentation of the **national economy** shows that in **the rural space of all the regions, the services sector tended to be dominant (50.0% - 60.0%),** followed by the sector of **agriculture, forestry and fisheries** (**20.0% - 25.0%**); while the sector of **manufacturing** accounted for only **10.0% - 13.0%** of the total number of enterprises .

2. **The internal analysis of the knowledge-based segment** also shows the same trend: initiatives maximally focus on the sector of **knowledge intensive services** that accounts for **90.0%** of the segment's total enterprises, whereas **an insufficient focus** is placed on manufacturing using high and medium high technologies, which can make a greater economic contribution.

Conclusions III

III – tasks

- The differentiation of economic performance among the regions, between cities and rural areas, among the cities as well as among the country's territorial units makes us consider researching **an integral, systemic territorial unit** that functions as a **multidimensional unit**, because only in this way place-based smart growth and development can become a reality.

Thanks for Attention!

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