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## **DERREG**

### **Developing Europe's Rural Regions in the Era of Globalization**

An interpretative model for better anticipating and responding to challenges for regional development in an evolving international context

#### **WP 5**

#### **Deliverable 5.3**

#### **Case Study Report on Alytus County (Lithuania)**



Emilija Kairytė

**NEW**WORK

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## **1. Introduction**

This report was written on the basis of the work carried out by Institute NeVork research team in 2009-2011 as part of the European Union Framework 7 project DERREG (Developing Europe's Rural Regions in the Era of Globalisation). This is a socio-economic research project, implemented by nine institutes in eight EU Member States, with a focus upon globalisation processes in rural and remote regions. The aim of the project is to produce an interpretative model that will enable researchers and regional development actors to better anticipate and respond to the key challenges posed by globalization for rural regions.

Institute NeVork has carried out the research in the southern region of Lithuania Alytus county in the three of the four project's thematic working packages:

1. Global Engagement and Local Embeddedness in Rural Business Networks,
2. International Mobility and Migration
4. Capacity Building, Governance and Knowledge Systems.

The overview of the study results from Alytus county is presented in this document. The detailed findings of four themes and across all eight Member States may be found at the project website <http://www.derreg.eu>.

## **2. Alytus County: Some Background Information and Key Issues Relating to Globalisation**

The territory of the Republic of Lithuania is currently comprised of 10 counties (NUTS3) and 60 municipalities (NUTS4) (figure 1). Alytus county is located in the country's south, where it borders two neighbouring countries - Poland and Belarus. The county comprises of four rural and one city municipality with a regional centre Alytus city – it includes the municipalities of Alytus Town, Alytus District, Druskininkai, Lazdijai District and Varėna District. According to the decree of the Government of the Republic of Lithuania No. 248 “Concerning the Liquidation of Counties’ Governors’ Administrations”, in July 2010 the county administration was

abolished and since that date Alytus county remained as the territorial and statistical unit.

**Figure 1: Lithuanian counties and municipalities**

**Apskritis ir savivaldybės**  
**Counties and municipalities**



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Source: Statistics Lithuania (2008), Counties of Lithuania 2007.

Alytus county is the sixth in Lithuania according to its size – the total county’s area is 5425 sq km (542,5 thousand ha). It is the most forested region of Lithuania - the forests occupy 2472 sq km (44 percent), rivers and lakes - 243 sq km (4,3 percent) of the territory. The largest river of Lithuania Nemunas and one of the most impressive

rivers Merkys flow through the county. The largest lakes are Dusia (23,34 sq km), Metelys (12,90 sq km), Žuvintas (9,92 sq km) and Didžiulis (9,13 sq km). Alytus county is distinguished among the other Lithuanian regions by numerous protected territories (national and regional parks, biosphere reserve and other), unique nature, peculiar architecture, authentic folk traditions, natural and cultural heritage objects, favourable conditions for cognitive auto tourism, hiking, skiing, water and bicycle tours. The resort town of Druskininkai, a famous spa visited for its healing waters, is located in Druskininkai municipality of Alytus County, as is Grūtas park with the Soviet period sculpture exposition in the natural forest environment, which presents sculptures and the historical facts gathered from the whole Lithuania.

Only one third of the county's land is suitable for the traditional agriculture. Grain, potatoes and other vegetables are grown, meat and dairy husbandry is developed in the region. However, in 2010 the lowest share of agricultural production was produced in Alytus county (4,2 percent of the national production). The less favoured land is grown with forests where local population is partly managing on berry and mushroom picking. The regional farmers are often occupied with nursery gardens, medical and spice herbs, breed fur animals or do industrial lake fishing.

Alytus county is a lagging region with a relatively low income level, high unemployment, negative population change and net migration balance. Among the ten Lithuanian counties Alytus county is the seventh according to its population and the eighth according to its population density. According to the original OECD urban-rural typology applied to NUTS3 regions Alytus county is a predominantly rural region (2010) (rural population is more than 50 percent of the total population). According to Lithuanian Rural Development Programme 2007-2013, rural area in Lithuania is considered a village, small town, town and other areas populated by less than 6000 residents. In January 2011, the total population in Alytus county was 167261, out of which urban population made 98097 and rural – 69164. Population density was 30,8 per sq km. Compared to January 2010, the total population in Alytus county decreased by 6165 (3,6 percent) and the density of population decreased by 1,2 per sq km. Alytus county is one of the demographically “oldest”

counties in Lithuania. The region is among those with the smallest share of children and the biggest share of elderly people. As of January 1, 2011 the mean age of population in Alytus county was among the lowest in the country – in two of the four rural municipalities it was above 41,8 and in the rest two it was between 40,3 and 41,8. As of January 1, 2011 the working-age population in the region made 61 percent, the 0-15 years children 15,6 percent and the retirement-age population 23,4 percent. Compared to January 2010, retirement-age population share has increased by 1,2 percent.

In 2010 2792 people arrived to Alytus county and 8141 left it, making -5349 internal and international net migration. In 2009 2770 people arrived to the region and 3843 left it making -1073 internal and international net migration. Speaking of international migration specifically, in 2009 854 persons emigrated from Alytus county to other countries and 340 immigrated, making -514 net migration. In 2010 5153 people emigrated from Alytus county to other countries and 242 immigrated, making -4911 net migration. In other words, in 2010 30,3 persons per 1000 population emigrated from and 1,4 per 1000 population immigrated to the region, making -28,8 international net migration per 1000 population (In 2009, 2,0 4,9 and -2,9 accordingly). An increase in the number of emigrants in 2010 was influenced by an obligation provided for in the Law on Health Insurance of the Republic of Lithuania for permanent residents of Lithuania to pay compulsory health insurance contributions. Such a provision encouraged Lithuanian residents to declare their departure. It was also possible to declare the change of the usual residence from Lithuania to a foreign country for those who have already been living abroad.

There is a big number of social support receivers in the region. In 2010 there were 32903 old-age pension beneficiaries or 312 old-age pension beneficiaries per 1000 working age population (300 in 2009). There were 283 old-age pension beneficiaries per 1000 working age population nationally. In 2010 in Alytus county there also were 15311 work incapacity (disability) pension beneficiaries, making 145 work incapacity pension beneficiaries per 1000 working age population (108 nationally). The social assistance benefit from 14704,3 LTL thousand in 2009 increased to 37029,6 LTL thousand in 2010. Recipients of social assistance benefit are persons who get benefit set by the Law on Cash Social Assistance for Low-Income Families (Single Residents).

The benefit is paid to families (single residents) whose income per capita is lower than that supported by the State (in 2009–2011, LTL 350).

In 2008, in the face of the global economic recession, employment started decreasing, while unemployment, vice versa, increasing. In 2010 the number of unemployed persons in Alytus county reached 14,1 thousand, out of which 8,4 thousand were males and less – 5,7 thousand were females. There were 3,2 thousand of unemployed in 2008 and 13,4 thousand in 2009. The unemployment rate in Alytus county from 4,1 percent in 2008 grew up to 15,6 percent in 2009 and 17,2 percent in 2010 (17,8 percent nationally).

In 2010 there were 67,7 thousand people employed in Alytus county out of which 32,1 thousand were males and slightly more - 35,6 thousand were females. To compare, there were 75,4 thousand people in 2008 and 72,2 thousand in 2009 employed in the region, thus in 2008-2010 the number of employed persons decreased by 10,2 percent. The employment rate of the population aged 15–64 in 2010 in the region was 57,1 percent (57,8 nationally), females having higher employment rate than males - 58,7 and 55,4 percent respectively. In Alytus county in 2010 8,3 thousand persons were employed in agriculture, forestry and fishing, 11,5 thousand in industry, 4,9 thousand in construction and the majority - 43,0 thousand persons in services (6 p. 64). In percentage, respectfully it was 12,3, 17,0, 7,2 and 63,5 percent. In 2010 compared to 2009, employment in all economic activities decreased except the services, where there was a 3,1 percent increase in 2010. The number of persons employed in industry decreased by 3,7 thousand, in construction - by 29,3 thousand, in agriculture, forestry and fishing - by 9,1 thousand. The total average number of employees in Alytus county from 41134 in 2009 decreased to 39203 in 2010 (4,7 percent). Compared to 2008, when the average number of employees was 47020, it decreased by 16,6 percent.

The decrease in average monthly earnings in 2009 and 2010 was conditioned by a decrease in the volume of work during the recession. The average gross monthly earnings in Alytus county from 1874 LTL in 2008 dropped to 1692 LTL in 2010 (by 9,7 percent), which was 96,4 percent of the 2009 year earnings. In 2009, compared to 2008, Alytus county fell among counties with the most noticeable decrease in

average gross monthly earnings – the decrease was 6.3 percent (4,4 percent nationally).

In 2009, the average disposable income of Lithuanian residents remained one of the lowest in the EU. In 2009, based on the data from the Survey on Income and Living Conditions, average equivalised disposable income in Lithuania was 3,5 times lower than in Luxemburg and 2,3 times than the United Kingdom and Ireland (13, p. 64). In 2009 in Alytus county household disposable income in cash and kind per household member per month made 830,1 LTL (in Lithuania 984 LTL per month on average), of which disposable income in cash per capita was 803,7 LTL (in Lithuania 961 LTL). Compared to 2008, in 2009 the household disposable income in cash per capita in Alytus county decreased by 15,1 percent (in Lithuania by 13,8 percent).

In 2010 in Lithuania gross domestic product (GDP) per capita in purchasing power standards accounted for 58 percent of the EU average (13, p. 64). In 2010 nominal GDP (at current prices) per capita in the whole economy grew by 5,1 percent (table 1). In 2010, GDP per capita of six counties - Alytus, Marijampolė, Panevėžys, Šiauliai, Tauragė and Utena did not exceed 80 percent of the national average. GDP per capita in Vilnius county exceeded that of Alytus, Marijampolė, Panevėžys, Šiauliai, Tauragė and Utena counties more than two times. Thus the gap between the biggest cities and other regions was not shrinking.

**Table 1. National and regional gross domestic product**

	2008	2009	2010
	<b>GDP, LTL mill.</b>		
National	112083,7	91914,0	95074,3
Alytus county	3937,0	3175,4	3252,9
	<b>GDP, structure, %</b>		
National	100,0	100,0	100,0
Alytus county	3,5	3,5	3,4
	<b>GDP per capita, LTL thous.</b>		
National	33,4	27,5	28,9
Alytus county	22,4	18,2	19,1
	<b>GDP per capita, compared to the national average, %</b>		
National	100,0	100,0	100,0
Alytus county	67,0	66,2	66,0

Source: Statistics Lithuania (2011), Counties of Lithuania 2010.



In 2009, GDP per capita notably decreased in all counties. The most considerable decrease in nominal GDP per capita in 2009 was observed in Utena (by 20,4 percent), Alytus (by 19,3 percent) and Kaunas (19 percent) counties; nominal GDP per capita in 2009 in the whole economy dropped by 17,5 percent. According to its economic development level Alytus county strongly lags behind the national average. In 2010 it made 3,4 percent of the national GDP and 66,0 percent of GDP per capita, compared to the national average (whereas in 2001 it was 79,2 percent). This is the third smallest regional GDP per capita in the country.

The economic results of Alytus county are strongly depending on the service sphere. In 2009 services and trade made 59,7 percent of all county's gross value added (GVA) (in Lithuania 64,2 percent), industry and electric energy supply – 22,6 percent (in the country 21,5 percent), constructions – 12,5 percent (in the country 10 percent). Agriculture, forestry and fishery made 5,1 percent of the region's GVA (in the country 4,4 percent), which showed stronger county's dependency on this sector too.

In January 2009 in Alytus county there were 3234 operating economic entities, in 2010 - 3130 and in 2011 – 3362. Majority of them were operating in Alytus city municipality. Looking at the operating economic entities by economic activity it can be said that at the beginning of 2011 majority of firms were engaged in wholesale and retail trade; repair of motor vehicles and motorcycles (771), other service activities (691), transportation and storage (294), manufacturing (288) and construction (219). Such distribution is conditioned by the absence of big cities in the county, many small (micro) enterprises operating in the rural areas and sanatorium and rehabilitation centers in Druskininkai resort (ARP). At the beginning of 2011 majority of operating economic entities in Alytus county, as well as in the whole country, had small number of employees - economic entities having 0-9 employees in Alytus county made 78 percent. Out of 3362 region's economic entities 2144 economic entities had 0-4 employees, 480 - 5-9 employees, 542 - 10-49 employees, 182 - 50-249 employees and 14 - 250 and more employees. Majority of economic entities in Alytus county are occupied in trade and service activities, storage and transport, manufacturing; produce food products and drinks - whisky, liqueur and champagne wine, mineral water, berry and mushroom, milk products, etc., fridges

and freezers, wood and furniture, wooden windows, doors and other constructive parts, plastic products, textile and garments (light industry).

In 2010 in Alytus county had 2080 operating small and medium enterprises which made 3,3 percent of all country's SME sector firms. Half of these enterprises were operating in Alytus city. According to the data of 2008, compared to the national average, Alytus county SMEs were more involved in transport and storage, agriculture, forestry and fishery; slightly more in manufacturing, electricity, gas and water supply, wholesale and retail trade, repair of motor vehicles and motorcycles, personal and household tackle, education, health care and other communal and social service activities. Much less SMEs were involved in realty, rent and other business activities.

According to provisional data of the Structural Business Survey, the turnover of Lithuanian enterprises in 2010 equalled almost 175 LTL billion, i.e. by 6,1 percent more than in 2009. In 2010, compared to 2009, 9 percent increase in turnover was observed in Alytus county. In Lithuania as well as in Alytus county in 2009, compared to 2008, the turnover of enterprises decreased in all sectors. The most rapid decrease was observed in the construction sector (56 percent) - in almost all counties (as well as Alytus county) the turnover decreased by more than 50 percent. In manufacturing, mining and quarrying sector the turnover of Lithuanian enterprises decreased by 31 percent, the turnover of Alytus county enterprises decreased by 30 percent. In wholesale and retail trade, repair of motor vehicles and motorcycles activity the turnover of Lithuanian enterprises decreased by 29 percent, in Alytus county – by 31 percent; in transportation and storage the turnover nationally decreased by 25 percent, in Alytus county – even by 38 percent. Compared to the total turnover, the turnover in Alytus county in 2008 made 2,6 percent, in 2009 - 2,5 and in 2010 again - 2,5 percent of the country's turnover. This was the third smallest turnover in Lithuania. In 2009 the most of turnover in Alytus county was made in wholesale and retail trade; repair of motor vehicles and motorcycles (1549255 LTL thousand), mining, quarrying and manufacturing (1125325 LTL thousand) and construction (458211 LTL thousand).

In December 2010, foreign direct investment (FDI) in Lithuania amounted to 35553,1 LTL million and, compared to 31 December 2008, increased by 12 percent. During

this period FDI in Alytus county decreased by 13 percent. In December 2010, FDI in Alytus county amounted to 324,6 LTL million (0,9 percent of the total FDI in Lithuania). In December 2010, FDI per capita in Lithuania amounted to, on average, 10958 LTL, i.e. by 16 percent more than at the end of 2008. FDI per capita in Alytus county at the end of 2010 was 1940 LTL. Compared to the end of 2008, FDI per capita in Alytus county decreased by 10 percent. The biggest share of FDI in Alytus county in 2010 was put in manufacturing (236,5 LTL million), wholesale and retail trade; repair of motor vehicles and motorcycles (36,9 LTL million), private purchases and sales of a real estate (18,1 LTL million) and real estate activities (14,8 LTL million).

In Alytus county, investment in tangible fixed assets dropped from 659318 LTL thousand in 2009 to 457657 LTL thousand in 2010. In 2010, per capita investment in Lithuania totalled 3634 LTL, while in Alytus county it was 2687 LTL. Compared to 2008 (4612 LTL), investment per capita in Alytus county in 2010 decreased by 41,7 percent. Nationally the difference was even higher - investment per capita in 2010 compared to 2008 dropped by 57,6 percent.

Alytus county is rich in housing supply. In 2010, the average useful floor area per capita was above 30,0 m<sup>2</sup> in the three and among 27,1 - 30,0 m<sup>2</sup> in the fourth of the five municipalities, with exception of Alytus city municipality. In Lithuania in 2010 the average useful floor area per capita amounted to 25,8 m<sup>2</sup>, in urban areas – 24,6, in rural areas – 28,3 m<sup>2</sup>.

### **3. WP1 – Business Networks and Globalization**

The partners of the workpackage 1 'Global engagement and local embeddedness of rural business' explored and compared the rural business networks of case study regions in Sweden, Netherlands, Czech Republic, Slovenia and Lithuania. Attention was given to investigation of the spatial and "relational" structures of the business networks of small and medium sized enterprises (SMEs) in rural areas, presuming that emerging rural business network configurations may reveal positive impacts of globalization/internationalization for rural economy and contradict the usual rural-urban interdependency. The hypothesis explored in this report is that successful and

dynamic rural firms derive “networking economies” from frequent and effective interaction, not only with the local business environment, but also with a much more extensive set of linkages, stretching out across Europe. This implies that global integration and more local “territorial anchoring”, are not mutually exclusive - they are complimentary aspects of a “survival strategy” for SMEs in rural areas (Copus, 2011).

The research comprised of three surveys, two targeting local SMEs and one focusing upon ‘network brokers’ who seek to develop and enhance local business networking. The first SME survey was an electronic (email) survey, with mostly ‘closed’ questions amenable to qualitative scoring and simple descriptive statistical analysis. The firms with international networks developed were aimed to identify. The second smaller SME survey took the form of structured interviews with a subset of the respondents to the email survey. Their network features were analyzed in more detail. Finally, the third - network brokering survey was carried out to add information about the network brokers and their work in the region, which later could be compared among the case study areas. In Alytus county the first two surveys involved 55 and 15 firms respectively whilst in the third 6 key actors from support agencies were interviewed.

### **3.1 Business Networks of Rural Firms in Alytus county**

#### *a) The sample of firms in the regional context*

The list of Alytus county SMEs was compiled using catalogue of Lithuanian enterprises. Alytus county enterprises were extracted from the catalogue according to their address, type of activity and size (number of employees). The firms were selected on the basis of the description of their activity, as having potential to be active on international markets. Firms which seemed unlikely to have international contacts (activities such as local service activities, education, retail and wholesale) were excluded from the list. The firms were first contacted by email and telephone, and those who agreed to participate in the survey were sent the questionnaires. Due to a low response rate nearly 900 of firms had to be contacted in order to achieve 55 responses. The low response can be explained by two major reasons (i) the substantial impact of the economic crisis on SMEs in Lithuanian rural areas, (new

firm liquidation or bankrupt cases were discovered during the survey), and (ii) the low level of involvement of Lithuanian rural SMEs in the global market - many firm managers considered themselves not suitable respondents for this survey. The research team aimed to reach bigger number of responses, because just a few rural firms that responded to the survey demonstrated extra-regional linkages. This appeared to be conditioned not strictly by type of economic activity, but also by managers' personal qualities, education, language skills and experience, as well as business traditions (or absence of international collaboration traditions).

The fifteen firms interviewed in the second (face-to-face) survey were selected initially on the basis of their level of international integration, but these few firms refused to participate in the survey. Given the situation Institute NeVork conducted 2 extra interviews with the regional business development experts – leaders of regional business organizations – Business Association of Alytus Region and Alytus Business Advisory Centre, inquiring about the general situation with international collaboration of regional SMEs and asking for the names of rural enterprises which have developed international networks. Revising these names and other SMEs in typical regional sectors with needed characteristics by internet the new list of firms with international business contacts was created and used to carry out the interviews. The 6 key actors interviewed in the third survey were selected partly on the basis of SME experiences, and partly on the basis of a 'snowballing' process.

*(b) Profile of the sampled firms*

In the first survey the firms of the sample showed a good geographical distribution, corresponding to all 5 Alytus county municipalities, both municipality centers and municipality districts except the biggest regional center Alytus city municipality. The majority of firms were created during the last 20 years (after the Restitution of Independence in 1990). Two firms with histories back to 1985 and 1960 made an exception. It is interesting to note that the oldest firm was medium size and had high perceived level of global integration. Thus the majority of the firms were quite young, - all fell within the period 1991-2009 - but some of them had a prehistory in other organizational forms. In our sample 50 firms were independent, 3 firms belonged to regional conglomerates and 2 belonged to national conglomerates. The most

represented economic activities according to the NACE classification in our sample were: professional, scientific and technical activities (13), accommodation and food service activities (11), wholesale and retail trade (10), manufacturing (7), agriculture, forestry and fishing (6) and others. In the sample there were 47 micro firms (which constitute the majority of the firms in Lithuanian rural areas), 7 small firms and only 1 medium-sized firm.

In the second survey the majority of interviewed firms were located in Alytus district municipality, one of four rural Alytus county municipalities. The proximity of Alytus city is often an advantage for such rural firms. The prevailing firm type was closed joint-stock company (8 firms). The interviewed firms varied in terms of business size: 3 were medium, 6 small and 6 micro sized enterprises. In terms of economic branches, majority of firms – 8 were occupied in manufacturing, 4 in wholesale and retail trade, 1 in accommodation and food service activities, 1 in transportation and 1 in agriculture. Wood processing and furniture production is among most typical business lines in Alytus county. The region is attractive by it's nature and landscape, so naturally rural tourism homesteads is another typical rural business providing accommodation, catering, sport and leisure activities and dealing with the foreign clients. Some businessmen take advantage of the border situation and occupy in wholesale and retail trade branch and work as intermediates between regional, national and international markets. Among the respondents there were 2 enterprises engaged in 'high tech' manufacturing activities (electric wire systems and bio-fuel (briquettes) production).

*(c) Comments on the degree of International Integration*

The index of globalisation results, based on the electronic survey data relating to transaction linkages, allowed us to allocate respondent firms to four categories, according to the degree to which they carry out transactions at regional, national, or international scales ('partly internationalised' means that either sales or purchases were internationalised, 'fully internationalised' means that both sales and purchases were involved).

**Table 2: Classification of firms according to degree of internationalisation of business activities in the five case study areas**

Country	Sweden	Czech Republic	Lithuania	Netherlands	Slovenia
Sample size	(47)	(40)	(55)	(38)	(20)
Mostly regional	13%	37%	78%	65%	5%
National	34%	5%	4%	15%	15%
Partly Internationalized	32%	33%	15%	8%	45%
Fully Internationalised	21%	26%	4%	13%	35%

Source: Copus A., Dubois A., Hedstrom M. (Eds.) (2011) Deliverable 1.4 Summary of Research Findings.

In the electronic survey 19 Alytus county firms stated that they do not participate in the global/international market at all. Another 30 claimed a 'low' degree of integration in such global networks, 2 firms perceived their integration as 'medium low'. Only 2 firms stated that they have a 'medium high' degree and 2 a 'high' degree of integration. Thus only 4 rural firms out of 55 that responded to the survey are more significantly integrated in the global networks.

Interestingly, the Lithuanian sample results were the most similar to the Dutch, except for the smaller participation in national markets (table 2). Compared to other case study regions, the surveyed Lithuanian SMEs were the least engaged in extra-regional trade activities. Here more than three quarters of the questioned firms were confining their transaction activities to within the region, and less than one-fifth were partly or fully internationalised. The explanation of this is that majority of responded rural firms were very small and the identified firms with developed international networks did not want to respond to the survey (one of the reasons - reduced foreign trade due to economic recession, uncertain market situation at the time of the survey). For the smallest firms, a lack of familiarity with overseas markets, language limitations, lack of means for investments, small amounts of production seem to be key issues. In Alytus county, there are few sectors where international networks play important role, such as wood product and furniture production, frozen berries and mushrooms, plastic and foam articles, garment industry and

dressmaking, waste products for animal food, etc. However these firms were poorly represented in the sample (refused to respond). The data about regional firms accumulated by Institute NeVork in 2009-2010 suggested that it could be around 10 percent of fully internationalized small and medium firms in the region and rarely it would be the case with microenterprises. The firms need to have certain capacities and capital for the successful international cooperation. The unfavourable border situation (special conditions with Belarus, cheaper Polish production and import) in terms of trade possibilities, contrary to Slovenia - Italy border situation for example, has an influence to internationalization process and it's scale as well.

*(d) Comments on Intra-Regional Collaboration*

The majority of interviewed firms fall within the Local transactional space group. Even 44 firms, corresponding to the Local and Domestic categories, have export and/or import markets essentially focused on the regional scale. A general Lithuanian sample feature is relatively little collaboration/communication with other firms. According to the size of companies, most contacts are made with regional SMEs, national large firms and European multinational companies. The degree of operational similarity is another precondition for collaboration: for SMEs in our sample it is likely to have relationships with other regional, national and some European SMEs. The average collaboration intensity is the highest for SMEs at the regional level as well. The survey results also show that associations based on informal or non-business connections (sports and leisure clubs) are not important for Lithuanian SMEs for them to develop networks that could improve their firm's performance. Instead, personal contacts, friendship and acquaintances play important role in intra-regional collaboration.

*(e) Motivations for Business Networking*

'Compliance with rules and regulations' was the most important dimension of non-market collaboration revealed by the second survey. This was followed by 'Improving market position' and 'Reacting to customer needs'. 'Securing investment capital' was the least common motive for collaboration among the interviewed firms. The majority of networks could be described as 'Compliance' and 'Product/Marketing'



focused. Business networks in Alytus county seem to be valued almost equally for their benefits in terms of marketing and as a source of technical innovation.

Customers and suppliers were both included on every Actor Map. Other types of actors mentioned more frequently by Lithuanian interviewees were other SMEs and business associations - professional or trade associations, Chamber of Commerce, Industry and Crafts, Small and Medium Business Association, Chamber of Agriculture. International actors were generally rated as more important than domestic ones. On the other hand, 6 firms attached greater weight to domestic actors than to international and of these 3 gave the domestic actors more weight than the average. This shows that both markets - national and international are important to regional SMEs.

*(f) Comments on the Institutional Setting*

The more often contacted support institutions respectively were regional public institutions, national trade associations, national public institutions and regional trade associations. However, the frequency was low. In general, businessmen in the southern Lithuania tend to be self-reliant. The institutional setting in our sample is concentrated at the regional and national level. It is interesting to note that research support was mentioned only at national level between the respondents, which might mean that there is demand for higher quality business support in the region. The Lithuanian results also highlight the importance of 'business organizations', such as Chamber of commerce or associations of enterprises, as a source of support for small companies. The support from regional and national business organizations is almost equally important.

*(g) Resilience and the Impact of the Financial Crisis*

According to the results of the first survey, the economic crisis had an impact essentially at the regional level, and to a lesser extent at the national level. Since respondents in Lithuanian sample acknowledged little collaboration with various actors at European and especially global level, naturally the impact to international networks at these levels could not be estimated and remained low.

In general, relations that are the most affected by the crisis are the ones based on market transactions, i.e. between the firm and its customers and to lesser extent its suppliers. Another impacted type of relationship is cooperation with other businesses. The average perceived impact drops sharply beyond the national arena. There is slight increase in the relationship with customers at the world level though, which might imply a search for alternative markets during the recession. The survey results also show some negative impact of financial crisis to the firms' relations with banks both at regional and national levels. The relatively low impact of financial crisis can be observed to relationships with 'public' actors – research and public institutions.

In the face-to-face survey, four firms experienced a strong negative impact of the economic recession to their businesses, four claimed a smaller impact and seven believed there was no impact to their business development. The majority of firms however stated that the crisis had little effect on their relations with partners. The numbers of employees in most of the firms remained the same (was reduced in two interviewed firms). The crisis was most visible in terms of turnover, demand and customers' purchasing power.

#### *(h) The perception of physical distance and remoteness*

Alytus county is a border region, well connected to the biggest cities of Lithuania. The remoteness is perceived not at regional, but at European level – the constraint is being a European Border region. It becomes evident that proximity to countries with higher purchasing power and higher production costs is precondition for international cooperation and exchange success. However, none of Lithuanian borders except for seaport demonstrate such possibilities. Distance means extra costs.

### **3.2 Network brokers and Networking Initiatives in Alytus County**

Similarly like in other case study regions in Alytus county a range of public and private organisations engage in network brokering, and their interactions constitute

a complex ‘meta-network’, which is itself interlinked with those of individual SMEs within the case study region. This ‘meta-network’ is a vehicle for transporting information between network brokers at different geographical levels (regional, national, European), individual SMEs and groups of SMEs within the case study region and elsewhere across Europe (Copus, 2011).

Alytus county business support policy landscape is summarised in the table 3.

Operational level	Actors involved in business network brokering
EU	Enterprise Europe Network European Association of Chambers of Commerce and Industry European Business and Innovation Network (EBIN) JOSEFIN (JOint SME Finance for INovation) European Trade Promotion Organisation EuroGites Baltic Sea Region Innovation Network BSR InnoNet Other initiatives
National	Lithuanian Business Support Agency ‘Enterprise Lithuania’ (Exporting Lithuania) Lithuanian Association of Chambers of Commerce Industry and Crafts Lithuanian Innovation Center Lithuanian Small and Medium Business Development Agency Lithuanian Business Employers Confederation Countryside Tourism Association of Lithuania

County (regional)	Alytus County Section of Regional Development Department, Ministry of Interior (Alytus Regional Development Plan 2010-2020) Regional Development Council Vilnius Chamber of Commerce, Industry and Crafts, Alytus Branch Alytus Business Advisory Centre Business Association of Alytus Region South Lithuanian Business Cooperation Centre Lithuanian Innovation Center Section for Southern Lithuania Alytus Business Innovation Center Alytus Business Incubator
Municipality (local)	Municipality Administration, Department of Economics (Small and Medium Business Development Programme) Business and Tourism Information Centres

**Table 3: Business Support Policy Landscape in Alytus County**

The table 3 shows that there is quite a big number of organizations at the regional and the national levels involved in supporting business networks of SMEs in Lithuania. Regional or local network brokers essentially perform two functions:

- (i) ‘Match-making’ between individual SMEs, thus extending the transaction or collaboration networks of individual firms, usually by adding international linkages.
- (ii) ‘Forum facilitation’ activities, which bring together groups of firms with a common interest, with the ultimate objective of strengthening trust between them, and of fostering ‘collective learning’, perhaps with regard to international markets, technological developments, access sources of capital, or how to deal efficiently with regulation or bureaucratic policy requirements (Copus, 2011). In Alytus county the network brokers were mainly involved in forum facilitation activities.

At the end of 2010 - beginning of 2011 NeVork research team carried out the interviews with representatives of the important regional public actors involved in network brokering, as pictured in the ‘policy landscape’ above: Alytus district municipality (Department of Investments and Foreign Relations), Alytus Business Advisory Centre, Alytus Branch of Vilnius Chamber of Commerce, Industry and Crafts,

Alytus Business Innovation Centre and Lithuanian Innovation Center Section for Southern Lithuania. An effort was made to have an interview with Alytus Region Business Association as another important regional network broker, but due to active participation in the previous project survey steps the leader refused to give the interview referring to their website information. The network brokering activities, the involvement of small rural firms, the initiation and the management of networks, the networking objectives and the expected outcomes, the main challenges to network brokering and the networks after the initiatives were discussed with the respondents.

The interviews have shown that the majority of respondents do not deal with rural microenterprises, but small and medium firms. Rural microenterprises have rural policy measures instead. This partly explains the result of low rural firm internationalization. Each of the respondents have it's own role in the regional business network support, but some of their functions overlap. This is not necessary a disadvantage since it creates certain competition among the available network brokers:

Alytus district municipality (Department of Investments and Foreign Relations) provides information and help to regional firms concerning available free land, works as intermediate for land and realty tax compensation. There was a business trip organized for the regional businessmen to Italy (25 participants), financed by EU means. The aim was to stimulate relations between businessmen of Alytus and Miggian regions. ADMA also provides support to certain networking actions through Small and Medium Business Support Fund. It partly compensates expenses of regional small and medium firm participation in exhibitions, fairs, business missions, seminars, courses and new website establishment. ADMA announce public competitions for Small and Medium Business Support Fund and then firms participate in the competition themselves, apply for support for trainings, business trips, etc.

Alytus Business Advisory Centre works as catalyst for business network development. According to director of ABAC, when creating any network it is necessary to look for mutual benefit for firms and possibilities for the broker to assist these needs, to help the network develop. It includes market, partner search,

possibilities for new products, improvement of quality and innovations. As catalysts ABAC are trying to form informational background needed for the network to function. At the beginning the main ways for firm involvement were conferences, seminars and network creation. Involvement of firms now happens from mouth to mouth, word is spreading around, also by suggesting partner organization to organization, firm to firm. Today ABAC has its organizations at local, regional, national and international level with which it can work together and usually these organizations are promoting each other this way involving new ones.

Alytus Branch of Vilnius Chamber of Commerce Industry and Crafts actively organizes business missions, business contact fairs, puts business proposals in their website allowing firms to contact each other themselves. It has a database where members get all new information which is grouped according to the needs of different firm activity branches. Firms who want to export their production need certificates, discounts, safety guarantees, so it provides safety-net as well.

Lithuanian Innovation Center Section for Southern Lithuania – the main function is to consult firms, science and other public institutions, private bodies, to support firms which are implementing innovations. They help in the search for partners abroad. At the moment LIC implements three EU initiatives: EBIN (European Business and Innovation Network), InPuls and InPuls+. EBIN is meant for international partner search through technological development, creation of new products or carrying out scientific-research activities. It all happens in internet space. They implement international cooperation through EU networks.

Alytus Business Innovation Centre is a mediator between science and business, through cooperation of regional education centre Alytus College and regional firms. They organize seminars, prepare projects. The institution is not profit oriented, thus the main goal for initiating the network is social - contact and experience exchange. First contacts between the local and foreign companies were made with the help of Alytus College lecturers, through the seminars and conferences and of course through the personal contacts of the lecturers. Since ABIC projects are more of an educational nature, they cooperate with similar profile institutions in Lithuania and abroad.

The main challenges to network brokering, mentioned by the respondents:

1. The proper identification of common interests for network creation.
2. International cooperation possibilities are restricted by finances. In this case electronic networks help with information. If network members are uncertain what they need they don't benefit from general information. The firms need not general information but targeted information according to their needs.
3. The maintenance of the network. To form a network is not difficult, it is difficult to maintain and develop it further, very often due to finished funding. In order to maintain and develop the network at least two years are needed after the end of the project.
4. The problem is that networks are funded by projects for the project period. No regular funding for network activities.
5. International cooperation possibilities are sometimes restricted by passivity of firm managers, undufficient knowledge of foreign languages. Those who are searching and are brave, persistent and have goals usually achieve them.
6. ABIC is very small, only two workers, so the problem for development is human resources, foreign languages.

The successful regional network brokering activities performed by some of these organizations are further presented as good practices of Alytus county. These include: "Mutual Help and Cooperation Network" - "WOOD PARTNERS" (a result of a project "Upgrading of Wood Processing Specialist Professional Skills by Fostering Employability Growth and Entrepreneurship in Alytus Region"), the project „E-Cooperation – Innovative Clusters“, Project "Development of Wood Enterprises Cluster and Promotion of Cross Border Co-operation“, the project "Establishment of Lithuanian and Polish International Training and Business Centre“, Project "Alytus and Balstogė - Suvalkai Regions' Business Cooperation Development and Increase of Competitiveness in EU Markets“, the project "International Clusters' Business Mission - Integration into International Wood Clusters' Network“, the project "Competency Development of Business Management and Cooperation". The identified good practices were often based on clusterization idea, competency development and exchange of experience using cross-border cooperation opportunities. Cooperation activities between Lithuanian and Polish SMEs were

supported. Internet websites as network operation tools were successfully used – electronic business networks/clusters established.

### **3.3 Conclusions and recommendations**

- The improved internet, travel and communication possibilities are reducing rural business dependency on geographical space and need for agglomeration. Internet is successfully used as a tool both for individual and sectorial business networks' development. However, certain human capital preconditions and elements of social capital (trust, cooperation etc), supported by appropriate institutional and governance arrangements are needed as well.
- The results of low internationalization of rural firm networks in Alytus county are partly determined by prevailing microenterprises in the rural areas.
- This working package surveys showed, that in Alytus county there was a sufficient number of regional and national organizations available for SMEs to help developing their international business networks and a number of attempts (projects) to establish cooperation between the regional and foreign firms. However, after the end of the initiatives only few international linkages stay part of the firms' networks. The percent of firms with internationalized networks in the region remains low. Therefore, investigation to identify the further international cooperation problems and study of alternative ways and strategies of network brokering are needed.
- The distinction between 'rural policy' (with its focus upon fostering intra-regional linkages between micro-businesses) and 'regional policy' (which concentrated on helping larger firms to develop international networks) which is evident in the Netherlands and Lithuanian case studies is unnecessary and unhelpful. These are two complimentary components of a single strategy, which would be more effective with close coordination.
- There is a difference in the priorities pursued by network brokers in the Swedish and Dutch case study areas compared with those of the three New Member State case study areas. In the latter capacity building of local



entrepreneurs and facilitation of public funding was in the foreground, whilst in the former 'match-making' (both intra-regional and international) was the key activity.

- The focus on supporting absorption of EU funds by the network brokers of Lithuania, Slovenia and the Czech Republic would seem to be a short-term strategy. Longer term, as the rural SME sector and its institutions strengthen and mature, match-making with firms in other parts of Europe should become more important.
- One of the important challenges for New Member and especially Post-soviet states constraining regional SMEs to enter international market is prejudice of place of origin both in terms of trust in behaviour and in product quality. The same piece of furniture from Sweden and Lithuania would be considered differently. It is especially evident in longer distance cooperation. Therefore regional products often end to be sold under different well known international brands and are not reflecting their origin. They were not reflected in this study as well.
- The constraint is being a European Border region. It is evident that proximity to countries with higher purchasing power and higher production costs is playing not the smallest role in international cooperation and exchange success (Slovenian-Italian border example). However, none of Lithuanian borders except for seaport demonstrate such possibilities. Except for specific products (high-tech, etc) distance means extra costs.

#### **4. WP2 - Migrant Workers and Return Migrants**

The workpackage 2 'International mobility and migration of rural populations' explored and compared the enrolment of Europe's rural regions in international flows of mobility by focusing on case study regions in Germany, Lithuania, Sweden, Ireland and Slovenia. The migration study in Alytus County referred to two groups of migrants: migrant workers and foreign home owners. It also included additional interviews with regional migration experts (representatives of institutions dealing with regional migration: Alytus General Police Office, Alytus Labour Exchange Office,

Alytus Russian Culture Association “Malachit”, Marcinkonys seniūnija administration and some other) in order to add missing information on return migration and immigration in the region and interviews with national minority/migrant initiative leaders to see the role of the initiatives in migrant's integration/reintegration process. Below the basic findings related to labour immigration, return migration and migrant social initiatives are summarised and conclusions concerning migration situation in Alytus County presented.

#### **4.1 Insignificant and Shrunken Labour Immigration**

According to official statistics in 2001–2007, on average, 9 % of 3000 who arrived in the county were immigrants, i.e. persons who arrived in or returned to Alytus County from abroad, while 14 % of 4000 who left it – emigrants, i.e. persons who left Alytus County to live abroad (the rest were Lithuanian residents from other regions). At the beginning of 2008 according to GDP per capita Alytus County compared to Lithuanian average was 8th between the 10 municipalities. GDP per capita in Alytus County made LTL 16.2 thousand or 66.6 % of Lithuanian average. During 2009 GDP continued to fall.

According to the leader of “Malachit”, Nadiezda Krakovskaja, people of the following nationalities live in Alytus region: Russians, Armenians, Jews, Tartars, Germans, Azerbaijani, Polish, Ukrainians, Byelorussians, Udmurds, Komi, Basques and Georgians. Majority of immigrants are Russians, Russian speakers and Tartars, the others are solitary instances.

In 2010 Institute NeVork reserchers carried out 11 interviews with migrant workers in Alytus county. All of the interviewed labour immigrants were from non EU countries and Russian speakers. Six interviewees were from Russia, three from Ukraine, one from Belarus and one from Estonia. Most respondents arrived during 1946 – 1987, but two of them came later, during 2001 – 2008. The age of respondents varied from 66 to 81, thus all of them are pensioners at the moment. There were historical similarities between migrant countries and Lithuania (Soviet Union) and one important factor facilitating immigration – Russian language known by Lithuanians.

The majority of respondents were widows and had Lithuanian husbands or relatives in Lithuania. This is where they first heard about the region from. The main reason to come to Alytus region for the respondents was to follow the partner or other family member. The partners (or migrant women themselves) often got assignments for job in Alytus according to the former Soviet Union labour market system. Almost all respondents had children. Usually the children, who were growing up in Alytus, spoke Lithuanian, so there were no children integration problems. When the immigration was bigger, there was Alytus Russian Secondary School available for Russian speaking children.

The incomes of migrants were very low and this best answers the question of low immigration in the region. Seven respondents have income from 200 to 400 euro and four respondents have even less than 200 euro. It is low partly as a pension. There was not much career making or vocational training during the working period, jobs were not high paid, but stable. Several respondents long for this stability in current times.

Actual living situation of immigrants was assessed both by positive and negative factors. Almost all interviewees mentioned the natural resources as biggest advantage of the region – beautiful nature and landscape. The second positive factor was leisure and cultural activities, third tolerant and hospitable people, fourth accommodation possibilities. Among the mentioned advantages there also were cleanliness of Alytus town, good shops, proximity of family and relatives living in the region. The major negative factor mentioned by respondents was low income, not sufficient means for the living and limited possibilities to improve standards of living in the region:

*“Too small pension for treatments and accommodation payments (heating, etc.)... Otherwise it’s nice”* (translated according to interviewee 1, MW1) (MW – Migrant Worker).

*“I don’t have sufficient means for the living. The pension is not sufficient for the medicine and other things”* (translated according to interviewee 8, MW).

Majority of migrants feel well accepted and tolerated by the local inhabitants:

*“Local residents accepted well, they were hospitable, so did service personnel at hospital, stores and so on”* (translated according to interviewee 5, MW).

*“Lithuanians accepted Russian very well, I did not feel any difference”* (translated according to interviewee 6, MW).

*“I feel good among the locals, made friends”* (translated according to interviewee 7, MW).

All respondents have their circle of friends, consisting of neighbours, work colleagues, club members; also communicate between themselves – immigrants in Alytus Cultural Centre of National Minorities. Majority of respondents are members of two clubs Alytus Cultural Centre of National Minorities and club of elderly people “Bočiai”. The respondents live active social and cultural life in the region.

The majority of immigrants received first help in the region from their relatives and friends – stayed at their place at the beginning, with their help found accommodation or job. Some of the respondents received accommodation from public administration, one respondent received help from employer sewing fabric “Dainava” in finding accommodation for rent. Few respondents mentioned that they did not use any help, did all by themselves. Normally it was not difficult to manage documentation questions, those who had difficulties because of language or knowledge received help. Two respondents mentioned that they missed help and attention from local administration.

Majority of respondents are satisfied with their overall situation in the region. Two of eleven respondents are not satisfied, but only one of eleven plans to leave. There was only one major suggestion for improvement of migrant situation by the respondents – more information in Russian language in the region.

It can be concluded, that the region is not a typical immigration region and the main factor determining low immigration is little income possibilities. As a result it is a typical emigration region instead. Nevertheless Alytus County is relatively attractive and tolerant place for those who came to the region. The survey presents an interesting case of mixed family histories, when labour migration was regulated by the planned economy principles. It also connects the labour migration process with deportation to Siberia and return of deportees to their homeland. Sometimes people from different countries who experienced similar repressions (for example, Lithuania, Estonia) created families there and stayed together after return. Thus this survey allows longer term insights of labour migration. The border region situation -

proximity to Belarus, Poland and Russia is providing future labour immigration possibilities, if labour demand appears.

#### **4.2. Patriotic and Forced Return Migrants and Repeated Emigrants**

In 2010 Institute NeVork carried out 9 interviews with the return migrants in Alytus county. The basic findings from the interviews are presented below.

The main motivation to leave Lithuania for the majority of respondents was economic reason – to make some earnings. Second reason was to gain new experience, to face a challenge, as well as curiosity and interest to see more and third - better quality of life.

The reasons for return to home country according to importance (in this survey):

1) Family and health reasons (forced return migration):

*“First factor – earthquake in Armenia, second war started in Karabah, third hunger started, there were very difficult conditions to live and finally last factor was my illness – skin cancer. Doctors recommended to change climate and I decided to return to Lithuania. At the beginning I thought to go alone to get better and go back, but family did not leave me and went to Lithuania together. But if not illness, I probably would have stayed in Armenia”* (translated according to interviewee 2, RM2) (RM – Return Migrant).

*“Health problems of mother in law, returned to take care of her”* (translated according to interviewee 3, RM).

*“Returned due to the worse mother’s health”* (translated according to interviewee 4, RM).

2) Priority giving to home country (patriotic return migration):

*“I was born in Lithuanian family (in USA), to which it was very important to save Lithuanian culture - language, traditions, etc. since Lithuania was under occupation. Parents were communicating mainly with Lithuanian society, were dreaming of Lithuania as homeland. So I was practically “programmed” to return and to be Lithuanian”* (translated according to interviewee 1, RM).

*“Being Lithuanian. I never felt myself a citizen of any other country except Lithuania, and to my opinion, citizens have to live in their country”* (translated according to interviewee 6, RM).

3) Achievement of set goals:

*“I wanted to continue my studies in Lithuania. After working some time in the pub I got tired of the routine, the owners were very demanding. I didn’t see myself doing this job permanently”* (translated according to interviewee 5, RM).

Professional experience was not always helpful for return migrants in getting job in the home country, because professional qualifications of the emigrants were often higher than the available jobs in the destination country need. As such, there was little chance for professional growth. The emigrants, who got jobs according to their specialization, got professional experience and learned new things. However their skills were not easy to transfer due to different “rules of the game”:

*“The knowledge that emigrants accumulate abroad (USA) about business and similar is not always applicable in Lithuania - return migrants don’t know many peculiarities and circumstances, related to the situation in Lithuania. In general if you start a new business you need to read about everything yourself. The level of private business consultation centres is not sufficient; they are suitable only for people without basic business knowledge. There should be some solution found for this. Other thing there is no clarity about reality. People ask each other if it got cheaper or more expensive, how it will be in future. Not clear what to do and when to do better. There should be more information provided about that. There is no centralized institution to which return migrant could turn to get answers to all his questions. Those institutions that exist do not provide sufficient information”* (translated according to interviewee 6, RM).

The more active emigrants took some training abroad to diversify/change their activities – computer, barman, house salesman, loan provider, truck driver, etc.

Five respondents of this survey are satisfied with their actual living situation, four are not satisfied. The mentioned positive factors of living in the region were proximity to family (relatives) and friends, nice nature and landscape, Lithuanian language, quite good accommodation possibilities, less expensive to live and run business compared to cities. The main mentioned negative factors were low wages, unemployment,

bureaucracy, not proper behaviour of state officials, inefficiency of public, bank servants, negative competition, bad salesmen behaviour in the stores (not polite and angry), selfishness of politicians, lower quality of life, peripherality of the region.

Similarly like with actual living situation, five respondents are quite satisfied and four not satisfied with overall situation in the region. The unsatisfied are considering repeated emigration.

First return migrant experiences in the region are related to negative factors: bureaucracy, inappropriate public official behaviour, coldness (psychological), bad mood, Alytus looks small and peripheral after return. Those emigrants who left for shorter period did not feel big changes.

Five respondents planned to stay in the region, three persons plan to go abroad again and one is not sure yet what he will do. Two respondents would consider going, but are restricted by certain circumstances: one by age, the other one has a little child.

According to the head of International Organization for Migration Vilnius Office Audra Sipavičienė et al. (2009) the return migration is possible only in the case if political, economic and social situation in home country is stable and attractive, it also depends on how much the state is interested to return it's citizens. This suggests that even planned returns might be delayed for some time due to economic recession.

#### **4.3 Regional Integration through Cultural and Educational Activities**

In 2010 Institute NeVork identified 10 grassroots initiatives available for national minorities and immigrants/return migrants in Alytus County. Majority of them were cultural organizations the members in which are rarely immigrants due to low immigration rate in the region. In most cases the members are citizens of Lithuania with roots of other nationalities or Lithuanians interested in other cultures. The grassroots initiatives and projects identified in Alytus County were these: Alytus Cultural Centre of Ethnic Minorities, Russian Saturday School, Alytus Russian Culture Association "Malachit", project "Entrepreneurship Development and Integration into Business Market of Foreigners who Received Asylum in the Republic of Lithuania",

implemented by public organization Alytus Business Incubator, Belorussian Cultural Fellowship “Spadčyna”, Varėna district Belorussian Community “Nadzeja”, Druskininkai Subdivision of Lithuanian Polish Union, Alytus County Tartar Community, Varėna district Lithuanian Tartar Community, Druskininkai Jewish Community. Thus there is a big number and variety of organizations, but in many of them there is lack of active members. The first four initiatives were the most active ethnic minorities’ support practices in Alytus County. All identified initiatives (except the project) are culture oriented and provide conditions for cultural and social integration, including integration of youth, women and elderly people, dialogue with local society. The aim of the project “Entrepreneurship Development and Integration into Business Market of Foreigners who Received Asylum in the Republic of Lithuania” was economic integration of asylum migrants through the organized business trainings. Majority of immigrants were identified in Alytus Cultural Centre of Ethnic Minorities. The main problem perceived by grassroots initiatives is little funding. Most organizations have entrance and/or membership fees, some have purposive contributions. Three identified good practices pointed out public funding, two - additional private sector sponsors as financial sources for their activities. Cooperation project funding is targeted as additional to municipality funding. Project “Entrepreneurship Development and Integration into Business Market of Foreigners who Received Asylum in the Republic of Lithuania” was launched by knowledge infrastructure organization Alytus Business Incubator. The topics of the activities of the good practice initiatives are Russian language, literature, culture, folk art, music and history. Russian language and literature is taught, events, seminars, concerts are organized, Russian writers’ performances, readings and exhibitions are prepared by these organizations, this way creating dialogue with the local society. The initiative members participate in regional and national cultural events, prepare joint projects with similar organizations, celebrate Russian festivals and mention memorable dates. Female vocal ensemble performs folk songs and dances. The project activities were related to start and creation of business in Lithuania, employment possibilities. There is a progress of initiative activities – they become more diverse and have broader geographical coverage. In the future, the initiators anticipate international



cooperation and exchange (Karelia, Saint Petersburg, Latvia and other), new cultural events and performances.

#### **4.4 Conclusions and Recommendations**

The migration research results in Alytus County suggest the following recommendations:

- According to regional migration experts, the main problem of migration data collection was that emigrants did not declare their departure and therefore, characteristics of significant part of emigrants and as a consequence return migrants were not known. Compulsory registration system was needed.
- Since 2007 declaration of change of residence place function belongs to seniūnija (NUTS 5). This means that the data collected in previous years is not there. According to the representatives of seniūnijos, recorded data includes country of destination/origin, date of birth, gender, citizenship and nationality. More data about migrants should be collected including education and profession/specialization as important labour migration indicators.
- Quality information concerning establishing and developing business for immigrants/return migrants is missing. The support to return migrants should be more practical and targeted, according to the issues raised. Good advice on investment might be useful both to the return migrant and to the region. The experiences of return migrants should be noticed and used as valuable inspiration sources for regional development, discussions and round tables should be organized.
- Alytus County was positively evaluated by immigrants for its beautiful nature and landscape. The migrants could use their international contacts for stimulation of tourism and other cooperation between the home and destination country regions.
- Professional qualifications of the emigrants were often higher than the available jobs in the destination country need, emigrants often take jobs not connected with their profession. However, migrant biographies showed that the successful

cases both in emigration, return migration and reintegration are related to following own profession and getting international professional expertise. Following own profession should be stimulated and facilitated in the region as a long term perspective of successful migration. Professional cooperation and exchange between the specialists in various countries should be promoted and supported by EU as investment to general EU competitiveness.

## **5. WP4 – Governance of Joint Learning and Innovation in Alytus County**

The leading research question in work package 4: Capacity building, governance and knowledge systems was how to (best) arrange support for joint learning and innovation in rural grassroots development initiatives. The aim of this empirical study was to get a better understanding of interfaces operating between three more-or-less self-contained 'worlds': a) grassroots (or place-based) development initiatives in various fields of activities within rural regions; b) diverse public policies formulated and implemented at different governmental and administrative levels; and c) the heterogeneous 'knowledge' support structure of public institutes and private agencies that potentially can or in cases are facilitating joint learning and innovation through education, research and consultancy (Roap, 2011).

At first relevant policies and the knowledge support structure were mapped for the case study area Alytus County. Then grassroots development initiatives were inventoried and analysis was done focussing on: a) the type of support and facilitation for joint learning and innovation provided and received; b) how the support and facilitation was arranged including the mediating interface; c) how the support and facilitation and the working of the interface were evaluated by both the beneficiaries and supporters. Finally, a selection of well-working interfaces was analysed in-depth to understand better what makes an interface work well in the region.

The majority of available regional learning and innovation support structures in Alytus County were concentrated in the regional centre Alytus city and smaller towns of the region Druskininkai, Lazdijai and Varėna. The investigations have further shown that a lot of support was directed towards realizing innovation ideas

within rural/regional businesses (SMEs). Due to the economic decline period, however, their activities have become more limited. Alytus County is rich in natural, cultural and recreative resources providing favourable conditions for tourism. Consequently, joint learning and innovation in Alytus county is linked to forestry and tourism, i. e. some regional objectives, policy measures, development projects, local initiatives as well as certain regional learning support facilities are targeting these activity areas.

### **5.1 Overview of Learning and Innovation Support Strategies**

Actors and policies that influence the design and implementation of policy objectives related to joint learning and innovation can be categorized into five governmental levels: the European Union, the state (Government of the Republic of Lithuania), the region, the municipalities and lastly the smallest administrative level seniūnijos. According to the recent administrative reform the regional governmental body Governor Administration of Alytus county was liquidated in July 2010 and more functions were delegated to municipality (and national) administrations. Lithuania represents NUTS 2 administrative level and is considered as one region from the EU policy perspective. In Alytus county, similarly like in other Lithuanian counties, there are no separate programmes for regional learning and innovation. Instead, the concept is incorporated into general (as well as special) development programmes of the region and manifested in forms of separate policy objectives, tasks, measures and selected projects. Support for joint learning and innovation is embodied already in the national operational programmes and strategies, but at regional level it is brought closer to realization.

As figure 5 shows, rural regional development in Alytus County is guided by rural and regional (including cohesion) policies. These policies frame the administrative and operational space for support of learning and innovation within rural grassroots development initiatives. The strategic goal of **Lithuania's regional policy** is to improve territorial social cohesion until 2013. The strategy suggests that five regional centres surrounded by territories of low living standards, which, due to their economic potential may perform the functions of regional growth centres, namely

Alytus, Marijampolė, Utena, Tauragė and Telšiai, with integrated surrounding territories would be developed by 2013 (Alytus Regional Centers' Complex Development Investment Programme for 2008-2013). Besides this, it is aimed to improve the quality of life in 14 problematic municipalities (with worst social development indicators) of the country through implementation of Problematic Territory Development Programmes. In Alytus County, two municipalities have prepared and are implementing these programmes (e.g. Druskininkai and Lazdijai district). Within the regional policy framework, Lithuania receives EU structural assistance for developing human resources, economic growth and cohesion during the period of 2007-2013, financed by the *European Social Fund*, *European Regional Development Fund* and *Cohesion Fund*.

With regard to joint learning and innovation, it is particularly interesting to look at the *European Social Fund* which ensures high-quality employment and social inclusion in Lithuania through promoting lifelong learning, increasing the capacity of researchers and boosting the efficiency of public administration. The Lithuanian ESF programme aims to address the faced shortage of quality labour force by mobilising available human resources and upgrading skills and qualifications. This includes investment in the neediest sections of society: people in areas of high unemployment and those who have been out of work for over a year. Helping workers adapt to new market conditions by providing tailored training schemes is therefore key – as is improving the quality and accessibility of this training. Lithuania is also looking to exploit the high end of the employment market, investing more money in research and development and science professionals, as well as attracting more young graduates to the field and boosting their mobility. Investing in young experts, while encouraging an international outlook, is crucial to keeping them in the country and helping them put Lithuania on the map. It is seen as a key way to beat the 'brain drain' effect. In addition, the programme aims to improve Lithuania's civil service, increasing administrative efficiency, while cutting red tape so as to help business grow without hindrance. More public-private partnerships are also on the agenda, as well as improving capacity to implement the EU legislation and programmes. Partnership, international cooperation (the sharing of information, good practices and people, joint inter-institutional actions), and promotion of

innovations are used as horizontal principles in implementing activities of the priorities when the application of these principles is an efficient way of achieving the set goals.

The strategic goal of the **Lithuanian rural development policy** is to ensure growth through improving the competitiveness of agri-food and forestry sectors as well as creating possibilities for diversification of economic activities and improving the quality of life in rural areas, meanwhile enhancing the human, environmental and other countryside values and reducing disparities between rural and urban areas as well as separate regions (RDP 2007-2013). As figure 2 shows, the Rural Development Programme 2007-2013 has been prepared at national level and the National Paying Agency through its divisions in the different counties, administrates the rural development support and facilitates the implementation of the RDP (European Agricultural Fund for Rural Development). With regard to learning and innovation, the Rural Development Programme focuses on implementing innovations; joined, cooperative initiatives including producer groups; improving marketing and production of high value added products; increasing broadband coverage in rural areas; activities benefiting the environment including protection of biodiversity, well-balanced water supply and production of the energy by sustainable usage of renewal energy resources; actions creating new working places, additional income sources with a special focus on the regions lagging behind; diversification of activities in the less favoured areas as well as less economically developed regions; actions strengthening human capital in rural areas; actions promoting local initiatives; actions strengthening the business development skills and abilities. Furthermore, Alytus County is a recipient of LEADER funds and four local action groups envisage measures under RDP development axis 3: improving the quality of life.

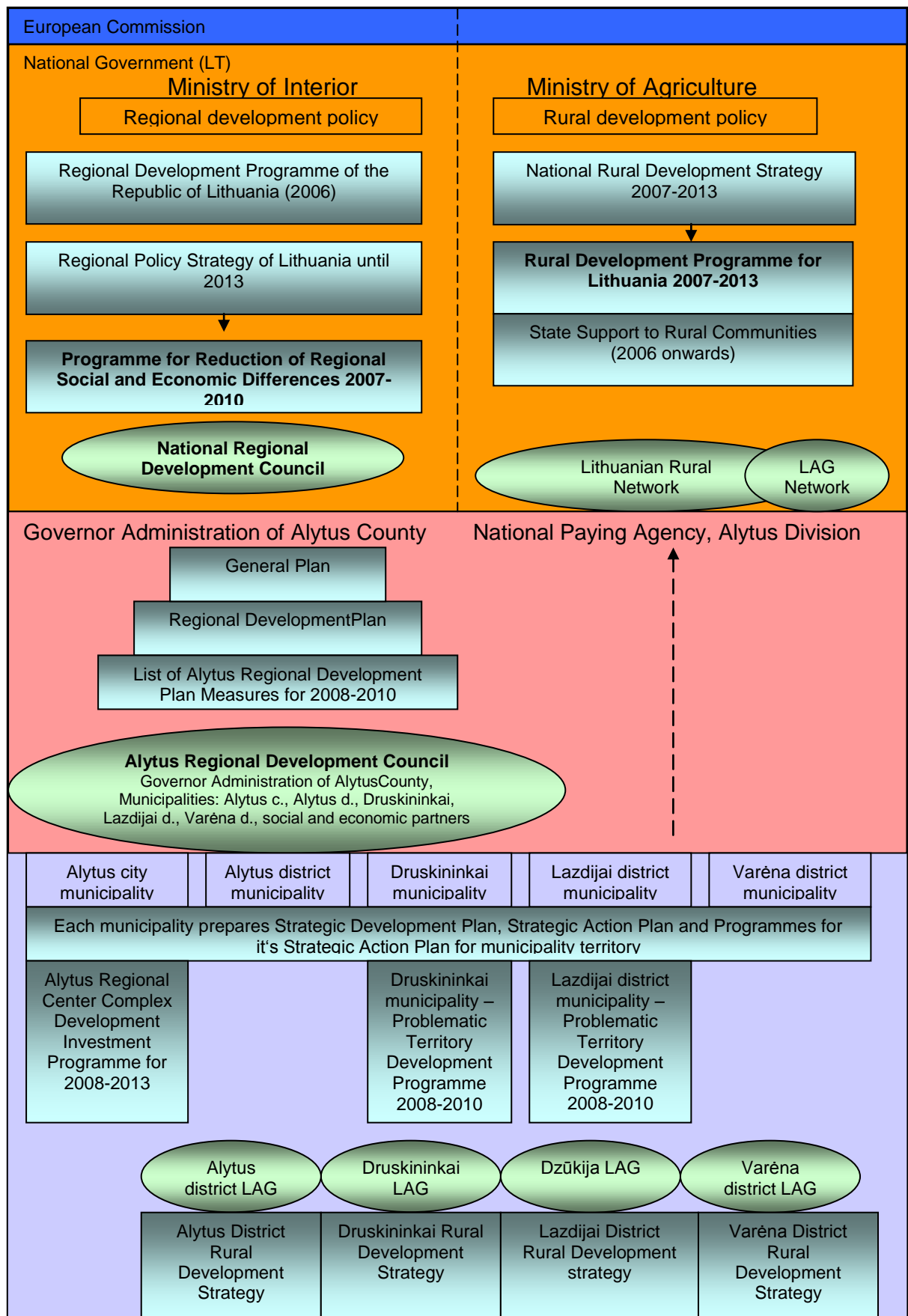


Figure 2. Relevant representatives and policies in public administration (LT)

## **5.2 Support of Joint Learning and Innovation in Grassroots Development Initiatives**

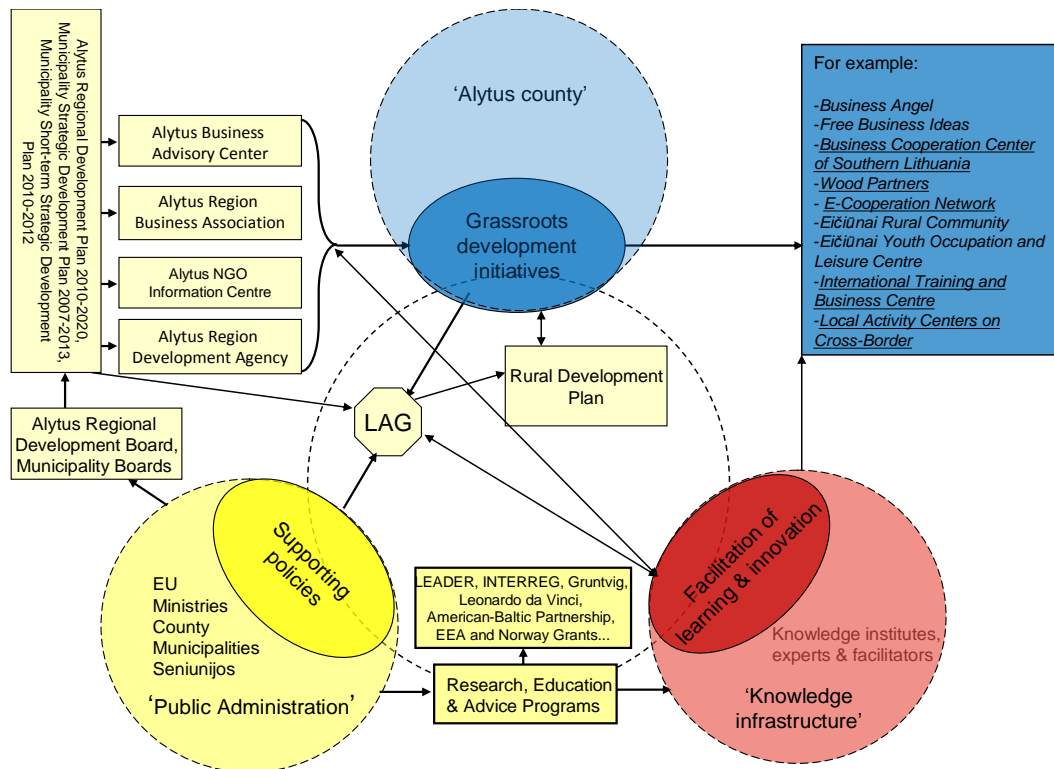
The inventory of the different grassroots development initiatives in Alytus county revealed that out of the four targeted development aspects - rural economy, agriculture, nature and landscape and civil (cultural) development, arrangements to support joint learning and innovation were most typical in the area of rural economy. The civil (cultural) development area demonstrates first arrangements - LAGs, initiatives - rural communities, associations, public institutions with focus on rural/regional development as well. In agricultural and environmental areas grassroots development initiatives were more concerned with their interest representation, but did not demonstrate special regional learning arrangements within them. Furthermore, the concept of joint learning and innovation is still new for Lithuanian grassroots development initiators, therefore public institutions involved in regional development often help as intermediates to connect the initiatives with public administration and/or knowledge infrastructure.

In order to bring the available public support for joint learning and innovation to beneficiaries at grassroots level, operational agents and agencies are necessary. These can either be members of public administration, grassroots development initiatives or the knowledge support structure. As figure 6 shows, with regard to direct support from public administration, an important interface in the regional governance is Alytus Regional Development Council, consisting of representatives from Governor Administration of Alytus County (Governor), Alytus city, Alytus district, Druskininkai, Lazdijai district, Varėna district municipalities (Mayors) and delegated members of municipality councils. It discusses and approves the Regional Development Plan, provides conclusions about its implementation to the Ministry of Interior and National Regional Development Council, gives them proposals concerning the Programme for Reduction of Regional Social and Economic Differences, problematic territories and other programmes, makes decisions about regional projects, forms working groups, etc. Partnership between public administration (Governor Administration of Alytus County or municipality administration) and knowledge institutions also occur through collaboration in regional development/research projects or by sharing responsibilities for

implementation of certain Regional Development Plan measures. LEADER is regarded as a separate rural learning and innovation programme. The LEADER initiative was introduced in Lithuania as LEADER+ Type Measure in 2004, when the country joined the EU. It was new to Lithuania after the centralized (Soviet) governance and coincided with the civil society building movement. In our study region, Dzūkija LAG was established the same year and at that time covered the whole Alytus county rural territory (Alytus district, Lazdijai district, Druskininkai and Varėna district municipalities, excluding Druskininkai and Varėna towns). In the next period the LAG split into smaller rural territories and since 2008 there are 4 LAGs in all 4 rural municipalities of Alytus county. LAG functions at community (local project) level - support at every project stage, information and consultation (for rural communities and other NGOs), qualification improvement of project organizers, mediation and search for funding possibilities, project supervision. In Lithuania such arrangements are complemented by public advisory organizations (national technical support), established by the state to cooperate with regional initiators, such as regional offices of the Lithuanian Agricultural Advisory Service, National Paying Agency, Programme LEADER and Farmers Training Methodology Centre, etc. These organizations often have budget or public institutions status – they receive targeted public funding to provide advice, guidance and training to regional development initiators and actors. Public institutions are non-profit limited liability public entities, whose objective it is to meet the public interest through education, training, scientific, cultural, health, environment, sports development, social or legal assistance, as well as other activities in the public interest. Founders of public institutions can be the state, a municipality or private non-profit oriented persons. The funding sources of public institutions are contributions of partners, grants for implementation of public institutions objectives, objective contributions to implement concrete objectives (support to implement the programme), budget funding for educational institutions and income from economic-commercial activities (profit obtained by a public institutions can only be used for statutory defined activity objectives). Since grassroots development initiatives in rural areas have little capacities (due to population age structure and density, emigration, unemployment), and experience in project management, their activities are also facilitated by



privately founded public advisory institutions (for example, Alytus Business Advisory Centre, Alytus Region Development Agency, etc., see figure 2). Both state and privately founded public advisory institutions are intermediates between the regional government and grassroots development initiatives, facilitating the delivery of the programmes. They represent the knowledge infrastructure pillar in Alytus county.



**Figure 2. Arrangements for support and facilitation of learning and innovation in grassroots development initiatives in Alytus county**

Further arrangements between regional grassroots development initiatives and the *knowledge support structure* are mainly made through the use of available public and private advisory services. In Alytus County there are various potential supporters and facilitators present in forms of education facilities, research facilities, consultancy services and advice bureaus, information centres, project development agencies, business incubators, associations. Even though the region has no university, higher education and professional schools play an important role in joint learning and innovation process through participation in regional councils,

development projects, consulting, vocational training orientation to labour market, continuous grown-up training, events, etc. These are capacity building and social centres in the region. Concerning rural development consultants it can be noted that so far such individual consultants are only in two municipalities of Alytus county: Alytus city and Lazdijai district municipalities (Druskininkai and Varėna district municipalities don't have them), which to some extent reflect geographical rural development support availability. Also Kaunas, the second largest city of Lithuania situated 66 km away from Alytus County has an important knowledge support structure for joint learning and innovation, including universities, public institutions and some others. Of course these knowledge institutions do not focus specifically on Alytus County, but may provide support if needed. As figure 6 shows, in some cases knowledge infrastructure - public advisory institutions were facilitators of grassroots development initiatives (underlined), in other cases the initiatives were organized by regional initiators themselves. In first case the initiatives benefited more from public support, in second case the initiatives had strong local leaders, were less dependent on public support programmes and more dependent on voluntary work.

### **5.3 Operational Quality of Arrangements**

*Public administration* supports grassroots development initiatives in Alytus county along three lines: *initiation, advice, partnership* and *finances*. These forms of support and facilitation appear to be particularly relevant regarding the focus of developing and pursuing a collective development aim.

#### *Initiation*

The basic issue is not enough employable people in rural areas. Due to ageing of population, emigration to cities and abroad population structure changed dramatically. Due to unemployment in rural areas, others are too busy to drive for work to the closest cities. Therefore when establishing initiatives, only few capable people are carrying out the work. Usually these are rural intellectuals – people with high education, working in the local knowledge and culture centres.

It was also mentioned that although initially there is usually enough incentive to establish an initiative, later on volunteers appear to be too busy with daily works and hardly find time for keeping an initiative going. Therefore, permanent and compensated workers/managers are needed. Furthermore, the manager should know that his wage will be paid on a regular basis, so he/she can plan activities ahead. In general, initiators have enough available technical support for initiation of activities from public administration, public advisory institutions as well as private consultants.

#### *Advice/Expertise/Facilitation*

The only official arrangement between grassroots development initiatives and public administration domains in Alytus county is the LAG. The LAG board consists of representatives from rural communities, public administration and rural business and provides advice, expertise, trainings and financial support for rural initiators and regional NGOs. Though the introduction of LAGs was evaluated positively by public administration, some rural initiators were raising an issue of too strong public administration voice in the LAG decision making. Many LAG chairmen are public administration representatives. One of the regional initiators said that to apply for a LAG is similar as to apply for municipality administration - the application still has to be approved by public administration. This brings a complex problem - on the one hand, there is a lack of human capacity in rural areas to deliver LEADER programme, where public administration comes to help, but on the other hand, rural inhabitants do not feel that the LAG represents their interests. It should be noted that Alytus county only has first examples of arrangements in Lithuania introduced through LEADER programme. It was thus argued that Lithuania is still learning. After LAGs, the new arrangements will be formed when needed. However, both supporters and support receivers are sceptical about introducing too many support structures into practice, because it may result in inefficient use of means and function duplicate. It may also cause confusion for rural initiators. Therefore, it is important to define the role and separate the functions of arrangements very clearly.

Privately founded public advisory institutions have to fight constantly for financial support from public administration to deliver advice, expertise and facilitation, but

they usually come to an agreement. The role of advisory institutions is important in the region – they enable initiatives to formalize, to prepare and manage the projects, thus to become independent actors in regional development. ABAC and ARBA are also organizers and facilitations of cluster networks in Alytus county, allowing business networks to expand beyond the border.

### *Finance*

Regional development initiatives work mainly on voluntary basis, using subsidies for their activities. The main sources of financial support are coming from three levels: EU funds (EARDF, ERDF, ESF), national funds (Ministry of Agriculture, Ministry of Economy, Ministry of Culture, Ministry of Social Affairs) and municipality funds for economic and cultural development. Lithuania belongs to NUTS 2 level of administrative unit classification and many programmes are administered at national level. Therefore, grassroots development initiatives can participate both at regional and national competitions/calls for applications. The majority of received funds are, however, small, making it necessary for grassroots development initiatives to approach several funding bodies simultaneously. The preparation of many small applications is time consuming and some initiatives claimed the lack of human resources for application or report preparation.

With regard to LEADER, there were rural activists who stated that they did not intentionally participate, because the programme itself and its goals are very unclear and not result oriented, too much means go for programme administration instead of supporting good activities. They decided to apply for other funds instead. Since funds are usually only paid to legal entities, the prospect of receiving subsidies appear to be the driving factor for the development initiatives to become legal entities. During the workshop with rural initiators, participants mentioned this as an issue because sometimes one person is working for the sake of the community. In this case he/she should be an eligible support receiver and not forced to establish an organization in order to get funds for his/her activities. A person is more motivated to act in his name, if he is running the activity using personal skills. Operating regional internet TV, weaving material for regional folk clothes are examples of such individual activities for public good. One initiator also stated that a good regional

project was not supported only because of the opinion of some persons of prevailing political colours in the local government. With a different local government, the project could have succeeded. Some initiators also pointed out the lack of financial resources for operational costs and office maintenance expenses, because they don't have enough funds to maintain the premises.

Support and facilitation by the *knowledge support structure* seemed to be important both in developing and pursuing a collective development aim and in acquiring joint learning capacities to jointly achieve development goal. Support and facilitation from the knowledge infrastructure was received along the four lines: initiation, expertise/seminars, consultancy/facilitation and training/skill development. Within these different lines of activities, grassroots development initiatives inventoried were on the one hand supported by publically funded organizations and on the other hand by private knowledge facilitators. In contrast to arrangements between public administration and grassroots development initiatives, no official arrangements between the knowledge support structure and grassroots development initiatives were identified in Alytus county. However, this does not mean that these two domains do not interact, they cooperate in common projects as partners, are coordinators of the networks/initiatives, advice and facilitate, provide methodological help and technical assistance, organize/provide trainings for the initiatives, cooperate as project experts or assessors. Usually, the knowledge infrastructure is represented by regional advisory institutions (intermediates) and regional education centres, for more demanding tasks national advisory institutions are involved, for expertise and assessment – universities/institutions.

#### **5.4 Conclusions and Recommendations**

In Alytus county the common ways of arranging joint learning and innovation between public administration, the knowledge support structure and grassroots development initiatives are through partnerships in projects, when special support and expertise is needed, or through established boards for specific regional issues in the process of policy making. Joint learning and innovation is also practised in the form of approved councils (for example the Alytus County Professional Training

Council) and/or working groups with different partners involved (public administration, knowledge institutions, economic and social partners). Such groups are formed for specific themes or questions, in order to solve certain issues learning from each other and coming to an agreement during regional planning, identification of needs, evaluation, etc. Local action groups, rural communities, NGOs, knowledge institutions often represent regional social partners.

Majority of regional learning and innovation support structures in Alytus county (as well as the rest of Lithuania) are public institutions founded and financed by state or by private bodies. Public means are used to carry out the support activities – budget, various regional/National/EU programme project means, to less extent private (when founded by the private bodies) and combinations of the mentioned ones. Public institutions in Lithuania are quite successfully replacing regional arrangement functions working as intermediates between public and private actors, pooling expertise in the activity area, facilitating knowledge exchange and programme delivering. They represent knowledge institute pillar.

In Alytus county regional learning and innovation support structures – public institutions, associations or simply networks developed through the projects are most common in business and social development areas.

The survey has shown that the regional learning in rural areas of Alytus county is challenged by demographic situation: low population density, ageing of population, emigrated youth and working age population. Special attention should be paid to this aspect when launching new regional learning and innovation measures in the rural areas.

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