

## EUROPEAN UNION FUNDING FOR RURAL DEVELOPMENT IN LATVIA

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**Abstract.** Rural areas are defined differently in various literature sources. However, any scientist points to changes in rural areas that are associated with the outflow of people to cities and land abandonment in some regions. The multifunctionality of rural areas determines their importance in the development of any country. In the European Union (EU), 28.0 % of the EU-28 population lived in a rural area in 2015, while in Latvia – 32.3 % of its total population. Therefore, support instruments of the second pillar of the EU Common Agricultural Policy (CAP) (rural development) contribute to a sufficient standard of living for the rural population and include both economic and social objectives. The *research aims* to analyse the EU support instruments for rural development that promote economic and social development in rural areas in Latvia. The research analyses the definition of the concept of rural territory given in national and EU policy documents and the results of project-type measures of the EU CAP second pillar (rural development) support instruments implemented during the planning period 2014-2020 for national rural development policy. It was found that in Latvia total available public funding for the RDP 2014-2020 was EUR 1.541 million, there were 6 main priorities and 88 % projects were funded at the end of February 2021. Progress in implementing the support measure Farm and business development was analysed in detail.

**Keywords:** rural territory, non-agricultural activities, rural development.

**JEL code:** O18

### Introduction

Over the past decades, major changes have taken place in Europe's rural areas. These changes include contrasting developments like depopulation and land abandonment in some regions, and urbanisation and agricultural intensification in others. Many people have concerns about the future of Europe's rural areas (Westhoek H. J., Van den Berg M., Bakkes J. A., 2006). Rural areas are key elements that underpin the social and economic European territory and shape its landscape. The rural setting is a dynamic concept, able to distinguish three stages on how the EU understands "rural": rural as image, rural as local, and rural as a social construction. The evolution of the concept is reflected in the need to adapt the approach used to address rural issues, and consequently the political design for rural development (Gallardo-Cobos R., 2010).

It is essential that rural development be recognized as a multi-level process rooted in historical traditions. It is the complex institutional setting of rural development that makes it a multi-actor process (Van der Ploeg J. D. et al., 2017). Multifunctionality of rural areas, considered in the context of their development follows from coherence of the multifunctional development of a farm, agriculture and rural areas as a whole, in connection with the idea of sustainable development of the country (Niedzielski E., 2015).

Rural areas cannot rely on conventional generalised top-down strategies and planning measures. They will always be dependent on instruments that are consistent with the geographical, cultural and historical context in which they are embedded. Growth and adjustment must be the result of openness and flexibility among local actors, acquired through a sustained development process (Fløysand A., Sjøholt P., 2007). The process of rural development is a coherent system where one factor affects another one (Straka J., Tuzova M., 2016).

Since the Sustainable Development Goals and rural development are closely interconnected, investment in both areas will have mutually beneficial impacts. Thus, rural development should be put at the heart of

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national development strategies in all countries at all development stages to ensure equal, inclusive and sustainable development (Dahlman C., 2016).

Just over one quarter (28.0 %) of the EU-28 population lived in rural areas in 2015 (Eurostat, 2018), while in Latvia, rural areas occupied most of its total area and 32.3 % of the country's population lived in rural areas, which is why the rural areas are very important for the country's development. As the concentration and efficiency of production increased in the agricultural industry, it is possible that approximately 80 thou. jobs could decrease in the industry over the next ten years. Therefore, support is needed for both small farms and the establishment and development of small and medium enterprises engaged in alternative kinds of business in rural areas in order to prevent migration from rural areas, provide alternative sources of income, use local resources more productively and increase rural prosperity. A rural area as a living space and the need to develop it is defined in EU strategic policy documents, the documents of the EU Funds, as well as the official documents and studies of EU institutions. All the above-mentioned documents emphasize the factors affecting development as a basis for further development of rural areas. In rural areas, economic development is a key objective of one of the priorities of the EU Rural Development Programme, which intends to promote social inclusion and reduce poverty in the rural areas.

The authors of the research examined the concept of rural territory and performed a comparative analysis of its definitions given in national and EU policy documents and the effects of the documents on the economic and social development of rural areas. In the course of the research, the main task was to assess preconditions for growth and development in the rural areas of Latvia if using the potential opportunities of the EU support instruments.

**The present research aims** to analyse the EU support instruments for rural development that promote economic and social development in rural areas in Latvia. The EU Common Agricultural Policy and the national rural development policy in the period 2014-2020 were used as a methodological basis of the research. To achieve the research aim, the following specific research tasks were set:

- 1) to examine the definitions of rural territory given in both national and EU policy documents;
- 2) to analyse the EU support instruments for the development of rural areas in the planning period 2014-2020 and the main results.

The research developed conclusions and recommendations for further development of rural areas and improvement of the absorption of EU funding.

A hypothesis was put forward in the research: the absorption of EU funding in the period 2014-2020 in Latvia was effective.

**Materials and methods.** The research employed qualitative and quantitative economic research methods to analyse national policy documents and the official documents of EU institutions as well as research conducted by scientists from other countries. Information from the Ministry of Agriculture (MoA) and the Rural Support Service (RSS) on the results of the Rural Development Programme (RDP) of Latvia for 2014-2020 and data from the Central Statistical Bureau (CSB) on economic development were used as well.

## **Research results and discussion**

### **The definition of rural territory in Latvia**

There are many ways to define areas that are "rural". Although the general idea of specifically conceptualizing "rural" areas came into use in the 1920s with its basis in sociology, many, if not most, of the current explanatory frameworks evolved to provide guidance for the distribution of government monies

or to perform a census of places and people (Wakchaure R. N., 2017). The scope of "rural" areas differs by country and region. At the international level, the most frequently used approach is that proposed by the OECD. The OECD has established a regional typology according to which regions have been classified as: Predominantly Rural, Intermediate and Predominantly Urban. This typology is based on a combination of three criteria: first, it identifies rural communities according to population density; second, it calculates the percentage of the population of a region living in rural communities; third, it takes into account the presence of large urban centres in such region (European Commission, 2008). Rural areas have different characteristics than urban areas. Data collection and analysis must take these differences into account. In rural areas, people live further apart than in cities and their livelihoods tend to be much more closely tied to the natural environment than are those of urban dwellers. Moreover, rural development is a key part of the overall structural transformation of a country's economy and its society (Food and Agriculture..., 2018).

Today a rural area, as a component of the living space needed by the population, receives increasing attention in the official documents of EU institutions, as well as in various EU studies (Rivza B., Kruzmetra M., Sunina L, 2018).

A precondition for sustainable and balanced development is the awareness and use of resources and opportunities throughout the entire area of Latvia, including rural areas. Development is facilitated by the expansion of an individual's various opportunities and capacity in the context of a specific place. In addition to natural resources, demographic and health resources, an important resource for development is also the identity of the territory – an awareness of one's belongingness to a place and people, which affects not only the distribution and daily movement of people but also births, deaths and health. A long and healthy life is not the only indicator of the quality of human resources. A common national (national), regional and local identity and the sense of belonging is also an important factor that unites individuals (each having specific life expectancy, health status and daily routine) in building a civil and responsible society. One of the most characteristic trends of modern spatial development both in Latvia and on a global scale is urbanization – an increase in the proportion of the population living in cities. As a result, people and other resources are concentrated in cities, thereby subjecting rural areas to unbalanced and uneven development.

The development of rural areas is referred to in international, national as well as local government policy documents; however, no comprehensive definition is given in the national policy documents. Rural development and a full-fledged life for the rural population is set as a goal in several national legal enactments and policy documents.

The rural development space is also often defined as one of the areas of national interest that has outstanding value and significance for the sustainable development of the country and the preservation of its identity, which includes strategic resources important for the development of the country. Rural areas often face a variety of conflicts of interest and problems that go beyond the competences of regions and individual industries and, therefore, require complex solutions and targeted public policies to implement qualitative changes in the rural areas, including economic, social and environmental aspects (Latvijas lauku telpas..., 2012).

From the spatial development perspective, the Sustainable Development Strategy of Latvia until 2030 (2010) refers to the rural space as one of the priorities in the area of national interests, which is defined as the territory where the most important natural resources for the national economy are located: agricultural land, forests, water, mineral deposits as well as outstanding nature and landscapes as well as cultural and historical areas where the unique values that contribute to the identity and international recognition of Latvia and its various regions are concentrated.

The areas of national interest are considered to be territories and areas of outstanding value and significance for the sustainable development of the country, the preservation of its identity and include strategic resources important for the development of the country. At the same time, various conflicts of interest and problems emerge there that go beyond the competence of regions and individual industries; therefore, complex solutions and purposeful public policies are needed (Sustainable Development Strategy..., 2010).

In accordance with the Law on Administrative Territories and Populated Areas adopted on 10 June 2020, a new territorial division came into force in Latvia as of 1 July 2021. Until then, there were 119 municipalities in Latvia: 110 rural municipalities and 9 cities of national significance, while from 1 July 2021 there will be 42 municipalities: 35 rural municipalities and 10 cities with the status of national significance. The annotation of the draft law explains that the municipal reform is necessary to create economically viable administrative territories with local governments that are able to perform their statutory autonomous functions at comparable quality and accessibly and provide quality services to the population at reasonable costs. In the Law on Administrative Territories and Populated Areas, an administrative territory is a unit of territorial division of Latvia in which a local government implements administration within its competence (Law on Administrative Territories and..., 2020).

According to the OECD approach, rural areas are defined based on population density if the population is less than 150 people per square kilometre. Since the population density in the rural territories of Latvia does not exceed the mentioned benchmark, it could be considered that the division into rural territories and cities is very close to the OECD definition. In 2020, the population density in Latvia was 31, in the capital Riga – 2479, while in Pierīga region – 38 people per square kilometre. This means, according to the OECD principles, the whole area of Latvia outside Riga is rural (Communication from the Commission to the Council..., 2006).

According to the RDP of Latvia for 2014-2020 (2020), the whole area of Latvia is considered to be rural, except for the territorial units of cities of national significance and municipalities with cities with a population over 5000. The population is determined according to the Central Statistical Bureau data on the population in the administrative territories of Latvia at the beginning of the previous year.

According to the national Law on Agriculture and Rural Development (2004), agriculture is defined as an industry of the national economy that ensures the production of agricultural products and the provision of related services. Rural development, however, involves the production of non-agricultural products in rural areas, as well as the provision of services related to the use of water and land resources and the preservation of rural landscapes. Nevertheless, such a definition is not in line with international practices, as agriculture is usually the main industry in rural areas.

Based on a multidimensional approach, rural areas could be defined in terms of economic activities, depending on the geographical location. In Latvia, agriculture and forestry are the main industries shaping rural development (Nipers A., Pilvere I., Bulderberga Z., 2017).

In an ESPON study on Europe's rural areas, the European Grouping of Territorial Cooperation points out that the rural areas are home to 28 % of the European population and that their decline has become a steady trend in recent decades. Therefore, one of the main challenges for European policies is not only how to deal with negative demographic trends in general but also how to balance this problem at regional level (Shrinking Rural Regions ..., 2017).

Until 2019, economic growth in Latvia remained steady, exceeding the EU average. From 2011 to 2019, its GDP grew on average by 3.3 % annually. In the period 2017-2018, the growth rate accelerated, with the GDP growing by 3.8 % and 4.3 %, respectively. The acceleration of growth was facilitated by the

improvement of the situation in the external environment, more intensive absorption of EU structural funding, as well as an increase in employment and wages. As mentioned in macroeconomic reviews, economic growth in Latvia as a whole has improved since joining the EU; however, the indicators in some rural areas were less unambiguous (Macroeconomic Review of Latvia, 2020). Latvia has a long tradition of designating and identifying people in relation to their place of residence (urban residents, rural residents etc.) and assuming that the people living in the same area have similar traditions, values and even similar characteristics. In the relationship between an individual and a place in Latvia, the sense of belonging to the country and the place of direct residence is felt most strongly (Sustainable Development Strategy..., 2010).

According to the development of the rural space of Latvia and its potential future scenarios, five most important factors were defined that could affect the choice of place of residence: 1) opportunities to find a job; 2) opportunities to receive medical services; 3) availability of shops; 4) availability of public transport; 5) surroundings and natural landscape (Latvijas lauku telpas..., 2012). The EU support instruments have a significant effect on the factors in Latvia.

### **EU support instruments as factors affecting the development of rural areas in Latvia**

Rural development is associated with the "rural development" support instruments of the second pillar of the EU CAP. One of the objectives of the CAP is to achieve a sufficiently high standard of living for the rural population, and it includes both economic and social objectives based on the desire to protect the interests of producers and consumers. EU rural development policies are designed to support the rural areas of the EU and deal with the many economic, environmental and societal challenges of the 21<sup>st</sup> century. Greater flexibility (compared with the first pillar) allows regional, national and local authorities to design individual rural development programmes for seven years based on the European strategy and the subordinate action plan.

According to the RDP of Latvia for 2014-2020 (2020), the population in rural areas has decreased by 13.2 % during the last decade, the population density is low in the rural areas, and a larger decrease is observed moving away from the capital, especially in the eastern direction. Disposable income per capita is 22.7 % lower in rural areas than in urban areas.

A SWOT analysis and the identification of needs done in the RDP of Latvia for 2014-2020 (2020) has concluded that there are signs of degradation in the rural socio-economic space in Latvia, i.e. the movement of people as well as economic and social activities from rural areas to cities or other countries. During the last decade, in two thirds of the total area of Latvia the population has decreased by more than 15 %, while in a quarter of the total area the decrease exceeded 20 %. It was observed not only in remote border areas but also in populated areas in the middle of Latvia. This process shows a significant trend in rural population change and cannot be explained by the desire to move from the periphery to the centre.

According to the national Law on Agriculture and Rural Development (2004), national and EU support is granted to promote the development of agriculture, fisheries and rural areas, as well as to raise the living standard of rural residents and create equal competition conditions for agricultural producers in Latvia and other European Union Member States.

The document according to which national and EU support is granted for the development of rural areas is the RDP of Latvia for 2014-2020. The European Agricultural Fund for Rural Development (EAFRD), which is a financial instrument of the EU CAP second pillar and one of the European Structural and Investment Funds, is intended to contribute to the agricultural and forestry industries in the EU and rural areas in general. In Latvia, six rural development priorities have been set, and the sixth one pertains to promoting

social inclusion, reducing poverty and contributing to economic development in rural areas. The RDP of Latvia for 2014-2020 (2020) defines measures to be implemented by using EAFRD funding. The current situation in the country, as well as the possibilities to promote rural development in the country by means of the EAFRD were assessed during the development of the measures.

Total public funding for the RDP of Latvia for 2014-2020 was planned to be EUR 1541 million (including additional funding of EUR 10 million from the government budget). Six main priorities were identified to implement the RDP of Latvia for 2014-2020, and the largest amount of public funding was allocated for two of the priorities: P4 Restoring, preserving and improving ecosystems related to agriculture and forestry (EUR 581.0 million) and P2 Increasing the profitability and competitiveness of all kinds of agricultural enterprises in all regions and promoting innovative agricultural technologies and sustainable forest management (EUR 470.1 million). At the end of 2019, both priorities also had the highest performance indicators: the largest absorbed public funding of EUR 463.0 million or 79.7 % of the planned amount was reported for priority P4, while EUR 318.9 million or 67.8 % was reported for priority P2 (Ministry of Agriculture, 2020a).

All the RDP support measures were implemented in two ways in the period 2014-2020: 1) project-type measures, i.e. any applicant for support needed to prepare a project proposal, and if it was approved, only then the implementation of the project was possible; 2) area payments, i.e. the support was paid for particular eligible areas, and the measures were administered simultaneously with direct payments after submitting a single area payment application (LAP 2014.-2020. finansu plans ..., 2020).

The latest available data on the implementation of the RDP for 2014-2020 in relation to its measures are available for the end of February 2021. Therefore, Table 1 summarizes the data on planned funding for project-type measures and the implementation of the programme. Of the total funding for the RDP for 2014-2020, EUR 967.6 million or 63 % was planned to be implemented as project support, while EUR 573.9 million or 37 % as area payments (Table 1). Until the end of February 2021, projects with total public funding of EUR 853.6 million or 88.2 % of the total funding for project-type measures have been implemented and are still being implemented. The activity of applicants for support was high, as a total of 45416 project proposals were approved in the announced rounds of project proposal submission from the beginning of the planning period. Of the total funding, 52 % was provided for the support measure *Investments in tangible assets*, 13 % – *Basic services and village renewal in rural areas* and 8 % – *Community-led local development*. High funding absorption rates were reported for the support measures *Risk Management* (100 %) and *Investments in tangible assets* (91 %), which also had the largest numbers of project proposals submitted – 27 % and 32 % of the total, respectively. The largest projects were implemented under the support measures *Technical assistance* (EUR 2.4 million), *Advisory services, farm management and farm support services* (EUR 650 million), whereas the smallest ones under the measures *Risk management* and *Investments in expanding forest areas and improving forest viability* (EUR 2.6 thou.).

Table 1

**Results of implementing the project-type measures under the RDP for 2014-2020  
 in Latvia as of 28/02/2021**

Support measure code and name	Available public funding in 2014-2020, million EUR	Breakdown of public funding, %	Funded until 28/02/2021			
			Number of projects	Public funding in 2014-2020, million EUR	Per project, EUR	% of total funding
A001 - Knowledge transfer and informative activities	13.4	1.4	66	9.4	142424	70.1
A002 - Advisory services, farm management and farm support services	10.4	1.1	4	2.6	650000	25.0
A004 - Investments in tangible assets	501.7	51.8	14747	457.7	31037	91.2
A005 - Restoration of agricultural production potential affected by natural disasters and catastrophic events and the introduction of appropriate preventive measures	5.0	0.5	98	4.3	43878	86.0
A006 - Farm and business development	77.8	8.0	3453	67.6	19577	86.9
A007 - Basic services and village renewal in rural areas	126.6	13.1	363	118.8	327273	93.8
A008 - Investments in expanding forest areas and improving forest viability	36.9	3.8	10952	29.5	2694	79.9
A009 - Establishment of producer groups and organizations	0.6	0.1	3	0.5	166667	83.3
A016 - Cooperation	20.3	2.1	102	8.1	79412	39.9
A017 - Risk management	32.5	3.4	12321	32.6	2646	100.3
A019 - Community-led local development	79.1	8.2	3282	62.9	19165	79.5
A020 - Technical assistance from the EAFRD	63.3	6.5	25	59.6	2384000	94.2
<b>Total</b>	<b>967.6</b>	<b>100.0</b>	<b>45416</b>	<b>853.6</b>	<b>18795</b>	<b>88.2</b>

**Source: authors' calculations based on the Financial Plan for the RDP 2014-2020, 2020, RSS, 2021.**

Under the support measure *Farm and business development*, the total budget of implemented and ongoing projects equalled EUR 67.6 million (86.9 % of the total public funding available for the Sub-measure in the planning period) or 8 % of the total funding for all the measures, which was **the third largest amount of funding** among the project-type measures under the RDP of Latvia for 2014-2020, which indicates the importance of this measure for the promotion of rural development.

There was also a lot of activity under the measure *Support for the implementation of activities in accordance with the community-led local development strategy*, as 3282 projects worth EUR 62.9 million (79.5 % of the total public funding available for the Sub-measure in the planning period) were approved.

According to an assessment of the needs defined by the RDP of Latvia for 2014-2020 in which six priority support measures were designed to maintain population, raise the standard of living and provide employment and access to services in rural areas, the last two support measures are more important for rural economic development in Latvia. EU Priority 6 for rural development intends to promote social inclusion, reduce poverty and facilitate economic development in rural areas based on measures such as the implementation of the LEADER principles in rural development, access to basic services and business development. The priorities/priority areas of the measures are as follows:

- 6A) promoting business diversification, establishing and developing small enterprises and creating jobs;  
 6B) facilitating local development in rural areas.

One of the most important measures of Priority 6 aimed at promoting economic growth in rural areas is considered to be the measure *Support for investments in the creation and development of non-agricultural activities*. The purpose of this measure is to promote non-agricultural economic activities and employment in rural areas, as well as to diversify non-agricultural activities in order to develop alternative sources of income and increase the level of income in rural areas (RDP 2014-2020, 2020). The support measure *Farm and business development* has several sub-measures: 1) *support for young farmers to start up a business (No. 6.1)*; 2) *support for starting up a business by developing small farms (No. 6.3)*; 3) *support for investments in the creation and development of non-agricultural activities (No. 6.4)*.

As Sub-measure level data for the RDP for 2014-2020 are available only for the beginning of 2020, Table 2 summarizes and analyses the data on the results of the implementation of Measure 6. Funding of EUR 77.8 million is available for Measure 6, of which 55 % is allocated for Sub-measure 6.3, 27 % for Sub-measure 6.4 and 18 % for Sub-measure 6.1. Until the beginning of 2020, 3384 projects in the amount of EUR 80.1 million or 103 % of the available funding were approved, which means that the liabilities were increased in order to reduce the risk of non-implementation of projects. Of the total projects approved, 2982 or 88 % were implemented, disbursing EUR 55 million or 70 % of the total funding available under the support measure *Farm and business development* to the beneficiaries. The average size of the approved project was EUR 23.7 thou., while the average size of the funded project was EUR 18.3 thou. The largest approved projects were reported under Sub-measure 6.4, the average budget of which was 2.6 times larger than the average, whereas the smallest ones were under Sub-measure 6.3, which represented 63 % of the average. Among the funded projects, those under Sub-measure 6.4 were 2.8 times larger than the average, whereas the smallest ones were under Sub-measure 6.3, representing 69 % of the average project size.

Table 2

**Implementation results for Measure 6 - Farm and business development (A006)  
 under the RDP for 2014-2020 in Latvia as of 01/01/2020**

Sub-measure number	Available public funding in 2014-2020, mln. EUR	Approved until 01/01/2020				Funded until 01/01/2020.			
		Projects, number	Funding, mln. EUR	Per project, EUR	% of available funding	Projects, number	Funding, mln. EUR	Per project, EUR	% of available funding
6.1.	13.9	363	14.5	39945	104.3	332	11.3	34036	81.3
6.3.	42.8	2578	38.7	15012	90.4	2389	30.0	12558	70.1
6.4.	21.1	443	26.9	60722	127.5	261	13.2	50575	62.6
<b>Total (A006)</b>	<b>77.8</b>	<b>3384</b>	<b>80.1</b>	<b>23670</b>	<b>103.0</b>	<b>2982</b>	<b>54.5</b>	<b>18276</b>	<b>70.1</b>

**Source: authors' calculations based on the Financial Plan for the RDP 2014-2020, 2020, Ministry of Agriculture, 2020b.**

The objective of the Sub-measure *Support for young farmers to start up a business* is to promote the involvement of young people in permanent agricultural activity and to ensure the renewal of the labour force and generational change in the agricultural industry through supporting young people setting up economically viable farms for the first time or taking over existing farms; a total of 363 projects with total public funding of EUR 14.5 million were approved in all three rounds of project submission and successfully implemented (91.9 % of the total funding available for the measure or EUR 15.8 million), while 332 projects



(84.1 %) with total public funding of EUR 11.3 million were partially or fully implemented (71.5 % of the total funding available for the sub-measure). Therefore, the implementation of this Sub-measure has been successful until the end of the reporting period.

The Sub-measure *Support for starting up a business by developing small farms aimed to promote the competitiveness of small farms* by increasing their productivity and efficiency, supporting cooperation and market access. The implementation was successful because the activity of applicants was high, and totally 2578 projects (with public funding of EUR 38.7 million) were approved, while 2389 projects worth EUR 30.0 million were partially or fully implemented by the end of the reporting period.

In the Sub-measure *Support for investments in the creation and development of non-agricultural activities*, one of the criteria set – the number of beneficiaries receiving support for business development and investments in non-agricultural activities in rural areas was met by 65.3 % by the end of 2019 (project proposals were approved for 367 beneficiaries (91.8 %), while 261 beneficiaries out of the planned 400 implemented or partially implemented their projects). At the end of 2019, the second criterion – newly created jobs in the projects implemented or partially implemented – was met by 53.6 %, i.e. 73 jobs out of 140 planned (Agriculture in Latvia 2020, 2020).

The strategic environmental assessment of the Rural Development Programme for 2014-2020 considers this Sub-measure has the greatest potential to make a significant contribution to the preservation of the environment and nature quality in Latvia and the prevention of potential environmental problems. The inability of small farms to develop competitive market-oriented production encourages potential rural entrepreneurs to stop operating not only in the agricultural industry but in rural areas as a whole, which might lead to depopulation in rural areas to a critical level and cause various environmental risks increasing the number of degraded areas and unmanaged objects (LAP 2014.-2020. gadam stratēģiskais ..., 2013).

It is the development of non-agricultural activities in rural areas that is most strongly aligned with the measures of Priority 6 that aims to improve and develop non-agricultural business in rural areas, diversify agricultural activity into non-agricultural activities, contribute to the expansion of non-agricultural industries and promote employment in rural areas.

## **Conclusions, proposals, recommendations**

- 1) In Latvia, rural areas occupied most of its total area and 32.3 % of the country's population lived in rural areas, which was 4.3 percentage points more than the EU average in 2015 and therefore the rural areas are very important for the country's development. However, neither the definition of rural development nor the clearly defined indicators of rural development can be found in the long-term policy documents of Latvia and in the RDP of Latvia for 2014-2020. The whole area of Latvia is considered to be rural, except for the territorial units of cities of national significance and municipalities with cities with a population over 5000.
- 2) EU rural development policies are designed to support the rural areas of the EU and deal with the many economic, environmental and societal challenges. In Latvia, total public funding for the RDP for 2014-2020 was EUR 1.541 billion, and 6 main priorities were set. At the end of February 2021, 88 % of the total projects were funded, and the support measures *Risk management* (100 %) and *Investments in tangible assets* (91 %) had the highest public funding absorption rates, which also had the largest numbers of submitted project proposals – 27 % and 32 %, respectively, of the total projects.
- 3) The support measure *Farm and business development* is important for rural development under the RDP of Latvia for 2014-2020, and EUR 78 million were allocated for it and the measure was implemented through three sub-measures. Until the beginning of 2020, 3384 projects in the amount of

EUR 80.1 million or 103% of the available funding were approved. The largest amount of public funding was approved for the sub-measures *Support for investments in the creation and development of non-agricultural activities* (128 % of the available funding) and *Support for young farmers to start up a business* (104 %), which allows us to hope for successful rural development as a result of the implementation of the projects. The hypothesis - the absorption of EU funding in the period 2014-2020 in Latvia was effective proved to be true.

## Acknowledgements

The research was promoted with the support of project lzp-2020/2-0413 "Assessment of the Implementation of the Latvian Bioeconomy Strategy 2030 and Possible Solutions for Achieving the Goals Set (LIBRA-LV)".

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