

# RESPONSE OF THE LITHUANIAN MUNICIPALITIES TO THE FIRST WAVE OF COVID-19

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*This article analyses the response of Lithuanian local authorities to the first wave of COVID-19 with a special focus on the economic support measures they took. The main goal of this in-depth study is to compare the economic response measures included in the action plans of Riga and Tallinn, two large Lithuanian municipal administrations, as well as to analyse the narrative developed in the two cities. The methodology of this research is based on the review of literature, the analysis of action plans, and a case study. The Vilnius and Klaipėda city municipalities adopted action plans to support residents and businesses. Although there are many measures the plans have in common, they differ in the context and scope of application. Municipalities are willing to grant exemptions from various fees and taxes. They have used innovative measures: Vilnius allowed the opening of outdoor cafes, the practice, which was observed by global media. According to the research findings, the actions of municipal authorities can be successful, as municipalities are closer to the residents and can respond to their needs and those of entrepreneurs more quickly and flexibly. The approval of COVID-19 management action plans by municipalities has contributed to the narrative of recovery and hope.*

**Keywords:**

local authorities, action plan, COVID-19, economic policy measures, quarantine

On 16 March 2020, Lithuania introduced a quarantine in an attempt to curb the COVID-19 pandemic. At the end of February 2020, the government decided to declare a state of emergency and gave the health minister a mandate to administer the anti-Covid measures. The quarantine measures were implemented in a centralized way. This approach was criticized by the mayors of large municipalities and scientists [1,2] for being slow in response, for being non-cooperative since departments and public bodies were not ready to cope with the pandemic. The administrative capacity of the national government has been criticized by the current and former heads of the state and leaders of opposition parties. Hospitals in large municipalities became COVID-19 hotspots due to the lack of supply of protective equipment by the government, which resulted in the spread of the virus among hospital staff and patients. All these factors

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have led to distrust to municipal authorities, which are the closest institutions to the population and are responsible for the implementation of many COVID-19 response measures introduced by the central government. This is confirmed by the OECD analysis<sup>1</sup>.

From 15 April 2020, the government gradually began to ease the quarantine and local authorities faced the dilemma of bringing cities back to normal life while still remaining safe from COVID-19. Therefore, city response planning can be seen as a rational action in which policy is presented as an outcome without politicization. Action planning takes place in a new environment where previous plans are not a starting point and politicians are not key actors in planning actions, and plans are based on the expert opinion of civil servants. Such a plan helps them identify basic needs in a simplified form [3, p. 8]. Poister saw the future of strategic planning ten years ago, "*strategic planning will need to play a more critical role in 2020 than it does at present if public managers are to anticipate and manage change adroitly and address new issues that seem to emerge with increasing rapidity*" [4, p. S248]. The author appears to have been right, although he surely did not foresee the situation when public sector managers would have to deal with challenges posed by COVID-19. In addition, an action plan is always a message to residents and municipalities; namely, as it provides an opportunity to control the narrative of the city, create a new history, promote and support its development [5, p.1132; 6, p. 276–278]. On the other hand, it is important to characterize the way residents and businesses respond to the measures proposed by the government during the crisis period [7].

The main goal of this study is to compare the economic policy measures of the response to the first wave of COVID-19 mentioned in the action plans of two large Lithuanian municipal administrations and to describe the narrative developed by both cities. To fulfil the main goal, several tasks were formulated: (i) to define the role of municipalities in the Lithuanian public administration system; (ii) to identify the difference in support measures to be applied by municipalities across the Baltic States to residents and businesses in response to the first wave of the COVID-19 pandemic. The study presented in this article contributes to the issue raised by researchers at Oxford University [8]: as governments continue to respond to COVID-19, it is necessary to examine which measures are effective and which are not. This article may not yet answer this question, but it examines the tools and context of the application of measures that may be useful to other cities in finding a way to improve the quality of life and business in the post-COVID-19 era. In a broader perspective, the issue of an effective benchmarking tool is highlighted by another group of public administration scholars [9, p. 696].

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<sup>1</sup> Cities Policy Responses, 2020, *OECD*, available at: <http://www.oecd.org/coronavirus/policy-responses/cities-policy-responses-fd1053ff/#p-d1e11740> (access 14 September 2020).

The following research methods are used in the article: *analysis and synthesis, literature review, action plans review, legal acts and several short structural interviews review*. These methods were used for defining concepts, describing the model of Lithuanian self-government, as well as distinguishing the principles of entrepreneurship and public management and linking them to the economic policy measures. The aim of the literature review is not only to conceptualize the researched phenomenon, but also to consolidate empirical data.

*Case study.* The aim of the case studies is to discern the peculiarities of approaches applied by Lithuanian municipalities. It should be noted that this research method is quite often used in the field of public administration research, as it allows for a better understanding of the subject of study. This method is employed to single out causal factors, which may explain the phenomenon under study. Several one-question interviews were used to further explain some of the choices.

*Limitations.* The current study does not differentiate Lithuania from other EU states or neighbouring countries regarding their culture, mentality, economy, social welfare system, etc. It also can be noted that Lithuania is classified as a small country in terms of population, territorial size and economics.

## **Description of municipalities in Lithuania**

What is a municipality in Lithuania? This section gives a brief explanation of the main legal aspects of the functioning of municipal governments in Lithuania. According to the Law of the Republic of Lithuania on Local Self-Government, a municipality means “*an administrative unit of the territory of the State, defined by law, the community of which has the right to self-governance guaranteed by the Constitution and implemented through a municipal council elected by the permanent residents of that administrative unit of the territory of the State, where such council establishes executive and other institutions and establishments accountable to it with the aim of implementing directly laws and decisions of the Government of the Republic of Lithuania (hereinafter: ‘the Government’) and the municipal council. A municipality shall be a public legal entity*”<sup>2</sup>. The municipality concept stipulates that Lithuania is considered to be a highly centralized administrative system with relatively low fiscal autonomy of local government, which restricts opportunities for the financial autonomy of municipalities [10, p. 528; 11, p. 409–410].

Municipalities are established to perform certain functions provided by law. According to the abovementioned Republic of Lithuania Law on Local Self-Government, the functions of municipalities are “*functions related to local govern-*

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<sup>2</sup> Republic of Lithuania Law on Local Self-Government No. I-533, 1994, *Seimas of the Republic of Lithuania*, Vilnius.

ment, public administration and provision of public services defined by the Constitution and attributed to municipalities by this and other laws” (Article 3, Paragraph 8)<sup>3</sup>.

Article 5 of the Law states that the functions of local government, public administration and the provision of public services are categorized according to the type of the activity. For the performance of each of these functions, the relevant local authority is given the appropriate competence. The competence to provide public services (according to Paragraph 2 of Article 5) is assigned to service providers established by municipalities or other publicly selected natural and legal entities (according to concluded agreements). It is also provided (according to Paragraphs 3–4 of Article 5) that joint activity agreements may be concluded with other state institutions or other municipalities for the provision of public services, and public services may be provided by another municipality on the basis of agreements.

Apparently, municipalities are established not only as an element of representative democracy, but also as a very important entity, an element of public services provided to the population. The latter aspect is undoubtedly driven by the introduction of the principle of subsidiarity promoted by the European Union. This principle is enshrined in the Law on Public Administration of the Republic of Lithuania, which states that “*this principle means that decisions of public administration entities must be taken and implemented at the level of the public administration system at which they are most effective*” (according to Paragraph 7 of Article 3)<sup>4</sup>.

With the introduction of the first quarantine in Lithuania on 16, March, 2020, amendments to the Law on Local Self-Government related to the organisation of the work of municipal councils were adopted the next day. 13,14,15 articles of the Law on Local Self-Government were supplemented with provisions on remote sessions of municipal councils, committees and commissions in case of emergency or quarantine<sup>5</sup>. These amendments ensured the right of municipal councils to receive information in a timely manner and to express their position. However, teleworking had also created *side effects*, e.g. one of the councillors of the Klaipėda City Municipality attending a public remote session of a committee called the members of the committee “donkeys”.

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<sup>3</sup> Republic of Lithuania Law on Local Self-Government No. I-533, 1994, *Seimas of the Republic of Lithuania*, Vilnius

<sup>4</sup> Republic of Lithuania Law on Public Administration No. VIII-1234, 1999, *Seimas of the Republic of Lithuania*, Vilnius

<sup>5</sup> Republic of Lithuania Law on Local Self-Government No. I-533, 1994, *Seimas of the Republic of Lithuania*, Vilnius

With the end of the first wave of COVID-19 quarantine, an important amendment was adopted to establish inter-municipal cooperation. According to Paragraph 4, Article 5 of the Law on Local Self-Government of the Republic of Lithuania “*a municipality may transfer the implementation of administrative and public service functions to another municipality by mutual agreement of municipal councils on the basis of agreements. The municipality may also, by a decision of the municipal council, transfer to the regional development council specific powers for the administration of the provision of public services, the implementation of which is detailed in the agreement between the municipality and the regional development council. The transferring municipality is responsible for the implementation of the functions of the municipality transferred to another municipality or regional development council*”<sup>6</sup>. On the one hand, this can bring cost savings for the delivery of municipal services and improve coordination of municipalities in the future. On the other hand, it can become an additional administrative layer that will increase the cost of monitoring services [31, p. 48–49].

In light of different COVID-19 responses, two largest Lithuanian municipalities publicly announced Post-COVID-19 Economic Development and Management Plans in May 2020. On 5 May 2020, the Vilnius city municipality “Vilnius 4x3” plan appeared, and on 18 May 2020, the Economic Development and COVID-19 Crisis Management Plan of Klaipėda city municipality was presented. Kaunas, the second most populous city in Lithuania, has not publicly presented a plan for managing the consequences of COVID-19 (it is unclear whether this is the case). In a one-question interview, an employee of the Kaunas City Administration confirmed that they had not developed a special post-COVID-19 economic promotion plan<sup>7</sup>. The same was confirmed by a public policy analyst during a one-question interview. According to this analyst, such a plan was not publicly available and it is doubtful that it will be because at the beginning of the year Kaunas City Administration was planning to take substantial loans to implement infrastructure projects and did not have free financial resources<sup>8</sup>. The need for financial resources of Kaunas city may be due to the implementation of the European Capital of Culture Project in 2021 [12, p. 71].

Further analysis required a comparison of the economic policy measures applied by the two main Lithuanian cities to residents and businesses. Kaunas was not part of the analysis. To compare COVID-19 local government response actions taken by other Baltic capitals all data was collected via the Google platform.

<sup>6</sup> Law of the Republic of Lithuania on Local Self-Government No. I-533, 1994, *The Seimas of the Republic of Lithuania*, Vilnius, available at: <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.5884/asr> (accessed 20.03.2020).

<sup>7</sup> Interview with Kaunas city municipality official, 2020, 14 Sept.

<sup>8</sup> Interview with public policy analyst, 2020, 14 Sept.

According to Burkšienė et al., “*common strategies and actions allow cities to learn from each other, to exchange information and innovations, to implement best practices*” [13, p. 322]. Some data on the response actions taken by the Latvian capital Riga and the Estonian capital Tallinn was found on the *Eurocities* network website.

In its plan, Vilnius highlighted four areas (people, business, culture, and opportunities) and three steps for making the city competitive (measures already taken, measures to be taken and measures which the city wants to be taken by the government). Klaipėda submitted a plan focused on five areas: stopping the virus itself, preserving jobs for citizens, supporting business, maintaining the financial stability of the municipality, and a view to the future. For this study, I chose to analyse two economic policy measures for residents and businesses identified taken by both municipalities. It should be noted that the need for such plans is supported by audit consultancy companies, who state that the plans “*ensure immediate security and long-term sustainability in response to the coronavirus crisis*”<sup>9</sup>.

Vilnius is the capital of Lithuania. In 2020, 580,000 people lived in Vilnius. The city is a centre of investment attraction: in 2017, two-thirds of foreign direct investment was concentrated in Vilnius<sup>10</sup>. At the beginning of 2020, there were more than 150 fintech companies in Vilnius<sup>11</sup>. Vilnius can offer as many as 121 municipal e-services, which can be delivered via mobile or remotely. Since 2016, Vilnius has consistently reduced its debt from 383 million euros (2016) to 236 million euros<sup>12</sup>. According to the Lithuanian Free Market Institute, the real estate tax rate and fees for business licenses were the highest among large Lithuanian municipalities<sup>13</sup>. The 2019 municipal welfare index provided by the Vilnius Institute for Policy Analysis revealed that Vilnius ranked first among urban municipalities<sup>14</sup>.

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<sup>9</sup> COVID-19: Local Government Response Plan, 2020, *KPMG*, available at: <https://home.kpmg/au/en/home/insights/2020/03/covid-19-coronavirus-local-government-response-plan.html> (accessed 22 May 2020).

<sup>10</sup> Lietuvos savivaldybių indeksas 2018, 2018, *Lithuanian Free Market Institute*, available at: <http://www.lkti.lt/Files/LLRI/Lietuvos.savivaldybiu.indeksas.2018.pdf> (accessed 22 May 2020).

<sup>11</sup> Rodikliai, 2020, *Vilnius City Municipality*, available at: <https://vilnius.lt/lt/savivaldybe/rodikliai/> (accessed 22 May 2020).

<sup>12</sup> Rodikliai, 2020, *Vilnius City Municipality*, available at: <https://vilnius.lt/lt/savivaldybe/rodikliai/> (accessed 22 May 2020).

<sup>13</sup> Lietuvos savivaldybių indeksas 2018, 2018, *Lithuanian Free Market Institute*, available at: <http://www.lkti.lt/Files/LLRI/Lietuvos.savivaldybiu.indeksas.2018.pdf> (accessed 22 May 2020).

<sup>14</sup> Savivaldybių gerovės indeksas 2019, 2019, *Vilnius Institute for Policy Analysis*, p. 1–15, available at: <https://vilniusinstitute.lt/wp-content/uploads/2019/12/SGI-2019.pdf> (accessed 22 May 2020).

Klaipėda is the third most populous city in Lithuania and the only port city. At the beginning of 2020, the Klaipėda city municipality had a population of 166,000. In 2016, the city of Klaipėda attracted 828 million EUR in foreign direct investment<sup>15</sup>. In Klaipėda, utilities services are partly provided by the private sector. In 2016, the debt of Klaipėda city was the lowest among the largest municipalities and amounted to 10.4% of the approved budget. In 2017, the average land tax rate, the basic real estate tax rate and fees for business licenses were among the lowest. The low average price of business licenses contributed to the fact that in 2017 the number of people who acquired and extended business licenses showed the largest increase in Klaipėda — 5.8 business licenses were issued per 1000 inhabitants<sup>16</sup>. According to the municipal welfare index 2019 presented by the Vilnius Institute for Policy Analysis, Klaipėda was in second place among urban municipalities<sup>17</sup>.

In the 2019 municipal council and mayoral elections, the electoral committees led by the current mayors won in both municipalities, and the mayors seceded from the Liberal Movement party as the party's popularity had plummeted due to a corruption case against the former party chairman. Modern studies on local government believe that local government, governed by influential mayors, can function effectively. Residents, in particular, associate their expectations of the mayor with the role of an administrator and manager [14, p. 282].

### **Description of municipal economic policy support measures mitigating the effects of the first wave of the COVID-19 pandemic**

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**Support measures for residents.** Economic policy measures cover a wide range of activities. Like regulations, economic policy measures are characterized by a dualism of positive and negative dimensions. More specifically, economic instruments are a dichotomy of payment in cash or in kind [15, p. 44]. Thus, municipalities can choose between payments in cash and in kind. Grants, subsidies, allowances, credit guarantees, and interest subsidies are an economic instrument

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<sup>15</sup> Klaipėda 2030: ekonominės plėtros strategija ir įgyvendinimo planas, 2018, *Ernst & Young*, available at: [https://www.klaipeda.lt/data/public/uploads/2020/03/proverzis-veiksmu-planas\\_lt\\_2018.pdf](https://www.klaipeda.lt/data/public/uploads/2020/03/proverzis-veiksmu-planas_lt_2018.pdf) (accessed 22 May 2020).

<sup>16</sup> Lietuvos savivaldybių indeksas 2018, 2018, *Lithuanian Free Market Institute*, available at <http://www.lkti.lt/Files/LLRI/Lietuvos.savivaldybiu.indeksas.2018.pdf> (accessed 22 May 2020).

<sup>17</sup> Savivaldybių gerovės indeksas 2019,2019, *Vilnius Institute for Policy Analysis*, p. 1–15, available at <https://vilniusinstitute.lt/wp-content/uploads/2019/12/SGI-2019.pdf> (accessed 22 May 2020).





An analysis of the measures for residents listed in the action plans of Vilnius and Klaipėda City Administrations (see table 1) revealed that both municipalities undertook to exempt the residents from the tuition fees. Such actions are in stark contrast to the actions of the U.S. municipalities, where a study [19, p. 646] shows it is planned to raise the fees. A crisis forces Klaipėda City Municipality exempted municipal non-formal education institutions, extended day groups in municipal primary schools, municipal sports schools, and municipal kindergartens from the fee. According to the administration, the city budget will lose 0.55 million EUR in revenue as a result<sup>18</sup>. In its plan, the Vilnius City Municipality Administration declared an exemption from fees for kindergartens. In Estonia, the parents of children attending kindergartens run by the Tallinn City Administration were exempt from the fees<sup>19</sup>. However, Riga provided a slightly different approach and targeted poor and low-income families by providing them with store cards<sup>20</sup>.

Measures to preserve jobs are provided in the plans of both cities. This is natural because, according to Rose, cities can always offer better paid and more diverse jobs than rural communities [20, p.374]. At the end of March 2020, the registered unemployment rate in Lithuania was 9.8%, and at the end of April, 11.2% of people were unemployed.<sup>21</sup> Klaipėda City Municipality Administration emphasises the preservation of jobs in private kindergartens, sports clubs, and non-formal education institutions. According to the plan, 527 children attend private preschools, while 2,900 children attend private sports clubs<sup>22</sup>. In 2020, the administration has undertaken to allocate 2.9 million euros for the co-financing of NGO projects and events. It seems that municipal measures alone can only partially alleviate the unemployment situation, as in July 2020, 209 thousand people were registered as unemployed in Lithuania. That is 12% of the total working-age population, or about one in eight [21]. On the other hand, the Tallinn City Administration decided that if NGOs incurred costs due to the quaran-

<sup>18</sup> Klaipėdos miesto ekonomikos skatinimo ir COVID-19 krizės suvaldymo planas, 2020, *Klaipėda City Municipality*, p. 1–17, available at: <https://www.klaipeda.lt/data/public/uploads/2020/05/klaipeda-klaipeda-2020.pdf> (accessed 20 May 2020).

<sup>19</sup> Measures by City of Tallinn to Cope with COVID-19 crisis, 2020, *Eurocities*, available at: [https://covidnews.eurocities.eu/wp-content/uploads/2020/04/Overview-of-COVID-19-Measures-in-Tallinn\\_30April2020.pdf](https://covidnews.eurocities.eu/wp-content/uploads/2020/04/Overview-of-COVID-19-Measures-in-Tallinn_30April2020.pdf) (accessed 3 September 2020).

<sup>20</sup> What kind of support can inhabitants of Riga receive during the emergency? 2020, *Eurocities*, available at: <https://covidnews.eurocities.eu/wp-content/uploads/2020/04/Riga-measures-during-COVID-crisis.pdf> (accessed 14 September 2020).

<sup>21</sup> Statistiniai rodikliai, 2021, *Employment Service*, available at: <https://uzt.lt/darbo-rinka/statistiniai-rodikliai/> (accessed 10.03. 2021).

<sup>22</sup> Klaipėdos miesto ekonomikos skatinimo ir COVID-19 krizės suvaldymo planas, 2020, *Klaipėda City Municipality*, p. 1–17, available at: <https://www.klaipeda.lt/data/public/uploads/2020/05/klaipeda-klaipeda-2020.pdf> (accessed 20 May 2020).

tine because conferences or sports events could not have been held, these should be reimbursed<sup>23</sup>. Vilnius City Municipality has promised not to reduce jobs and salaries in areas which it can control i.e. in institutions under the auspices of the municipality.

COVID-19 management plans respond to challenges caused by the loss of income, which vary in nature. Both municipalities provided cash benefits to residents. Klaipėda City Municipality has planned to allocate 100% of the minimum consumption needs, i.e. 257 euros, for the first member of the family, 206 euros for the second, and 180 euros for the others. Vilnius residents can receive two types of financial assistance: targeted benefits up to 975 euros, when the average monthly income of one resident does not exceed 437.50 euros, cohabiting people 375 euros, and periodic benefits of up to 117 euros for Vilnius residents of working age who have no income source or have an average monthly income of less than 156.25 euros. This contradicts other researchers [22, p. 829] who state that *“local governments will be even more reliant on policies that do not require cash outlays today”*. Various cash benefits were offered to residents of Riga. Those residents who could not meet basic needs expect to get 128 euros per person. At the same time, the city administration has developed a positive image in the eyes of foreign students by giving them the same opportunity to get cash benefit if they face financial difficulties.

Regarding utility services, Klaipėda city municipality has submitted a recommendation to defer payments to its companies or to arrange payments in instalments. Vilnius city municipality entrusted the solutions to the municipal companies themselves. Comparatively, Riga city municipality offered residents lower tariffs for water and heat supply<sup>24</sup>.

Different attention is paid by both cities to the provision of financial incentives for social workers. Social workers were those front-line workers who among the first faced the pandemic along with doctors. They lacked information and sometimes resources, their work was often delivered over the phone, and they had a constant fear of getting the virus or transmitting it to customers. Moreover, the measures taken by the central government did not always comply with the real situation. Apparently, the provision of social services to people with disabilities is not possible without it being rendered in person — changing diapers via phone or Internet is impossible. The Klaipėda City Municipality Plan envisages bonuses

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<sup>23</sup> Measures by City of Tallinn to Cope with COVID-19 crisis, 2020, Eurocities, available at: [https://covidnews.eurocities.eu/wp-content/uploads/2020/04/Overview-of-COVID-19-Measures-in-Tallinn\\_30April2020.pdf](https://covidnews.eurocities.eu/wp-content/uploads/2020/04/Overview-of-COVID-19-Measures-in-Tallinn_30April2020.pdf) (accessed 3 September 2020).

<sup>24</sup> What kind of support can inhabitants of Riga receive during the emergency? 2020, Eurocities, available at: <https://covidnews.eurocities.eu/wp-content/uploads/2020/04/Riga-measures-during-COVID-crisis.pdf> (accessed 14 September 2020).

awarded to social workers for performing life-essential work when combating COVID-19. However, the financing of the implementation of this measure depends on the central government, as money is allocated from the state budget and subsequently distributed by the municipality. According to a civil servant who participated in the preparation of the plan, it had been thought that the money for this measure would have been allocated by the municipality, but it turned out that the state was responsible for it. It is probable that Vilnius city municipality did not mention such incentives.

According to Schuster et al., the pandemic has changed the daily work routine of public sector employees [23, p. 792]. Many of them were assigned new responsibilities, although in certain areas of work their responsibilities have been decreased. For those who got new responsibilities, the municipalities tried to pay additional allowances. In Klaipėda, there are also benefits for employees of the Public Health Bureau and the Public Order Department, who worked as part of teams at the mobile testing point and met residents returning by ferry. When the quarantine was introduced, the only possibility of returning to the country was that by ferry from Germany. Vilnius City Municipality? In its turn, plans to offer exemptions from default interest payments and for utility payments missed during the quarantine period and has provided a separate package of measures for doctors. Assistance offered to doctors of the Vilnius Municipality can be compared to the assistance for business, as the number of COVID cases in Lithuania was one of the highest, reaching almost 20% of all the infected by the coronavirus in one year.

**Support measures for businesses.** As mentioned above, the quarantine began on 16 March 2020. Innovative decisions were made taking into account the experience of other countries, however learning opportunities at the level of running the political, administrative, and managerial apparatus were limited [24, p. 336–337; 25, p. 772] The decisions on banning various activities and restricting travels were made reactively, i.e. depending on the country of arrival of incoming infected people, etc. Lithuania chose the strictest model of business restriction compared to other Baltic countries (see table 2). It is argued that European countries which responded stricter to COVID-19 have suffered more in economic terms [26]. Since May 2020, the situation with COVID-19 in Lithuania and Latvia has deteriorated again at the end of August, and continued to worsen and now compared to other EU members leaves much to be desired. Clearly, the increase in COVID-19 cases is often explained by public relaxation. The situation in Estonia is the most optimistic one (see 14-day cumulative number of COVID-19 cases per 100,000 in Table 2). According to Raudla, the Estonian government not only applied centralised measures, but allowed municipalities to decide for themselves where more strict measures were needed [27, p. 8].

Table 2

**Business restrictions in the Baltic States during the COVID-19 pandemic quarantine period**

Countries	Business							14-day cumulative number of COVID-19 cases per 100 000 (12 November 2020) <sup>14</sup>
	Shopping centres	Stations, roads	Drug-stores	Bazaars	Grocery stores	Airports	Catering, bars, pubs	
Lithuania	Closed	Open	Open	Open	Open	Closed	Closed	577,1
Latvia	Open	Open	Open	Open	Open	Closed	Closed	192,9
Estonia	Open	Restricted	Open	Open	Open	Open	Open	144,8

Source: Prepared according to [28]

These restrictive measures have definitely had a significant impact on residents and businesses occupied in catering, entertainment, sports and leisure segments. The Ministry of Economy and Innovation is responsible for a new business support package. The measures of the Ministry of Economy and Innovation are divided into COVID-19 support ones and measures of promoting business. COVID-19 support measures include: (i) guarantees of up to 80% for investments and loans; (ii) loans from 25,000 euros up to 1 million euros; (iii) 100% reimbursement of interest paid. The guarantee institution JSC „Investicijų ir verslo garantijos“ (INVEGA) is responsible for the implementation of these measures. The functions of the founder and supervisor of the company were assigned to the Ministry of Economy and Innovation. In April 2020, with the start of the quarantine ease and the announcement of the introduction of the COVID-19 business support package, there have been immediate public complaints about the slow pace of support. Apparently, the slowness of the support institutions encouraged the municipal administration to look for alternative means of supporting businesses on their territory. According to UAB Invega data, they rejected about 18–19% of companies' applications for soft loans, and rejected more than 50% of those applying for interest compensation [29]. It is important to note that one of the main criteria for support is related to the company's performance at the end of 2019.

This section characterizes measures taken by the municipal government to support business in response to the first wave COVID-19 pandemic. It will study the grounds of the business support measures taken by municipalities to mitigate the effects of the first wave of the COVID-19 pandemic. The measures in question can be divided into: (i) fiscal; (ii) initiative supporting. According to the Of-

ficial Statistics Portal of Lithuania, 14,169 business organisations were affected by the pandemic in Vilnius City Municipality and 2,826 business organisations in Klaipėda City Municipality<sup>25</sup>.

The fiscal business support packages of the cities are very similar, but differ in their content and scope (see table 3). Moreover, several non-standard solutions were taken. The municipalities have decided to exempt owners of the municipal from rent throughout the quarantine period, and Klaipėda city municipality will continue to render this support within one month after the end of the quarantine. The administration of Tallinn, the capital of Estonian, did the same by exempting or reducing the rent price for entrepreneurs<sup>26</sup>.

Table 3

**Vilnius, Klaipėda, Riga and Tallinn City Municipalities —  
fiscal support measures for businesses**

City	Measures					
	Rent fee	Real estate tax	Fee for activities affected by the quarantine	Fee for street blocking due to works in progress	Utility services	Fee for outdoor cafes
Vilnius	+	+	+	+	On an individual decision by the utility company	+
Klaipėda	+	+	+	+	Preferential terms are offered	+
Riga	No data	+	No data	No data	Lower tariff for water and heat energy services	No data
Tallinn	+	No data	No data	No data	No data	No data

The city of Vilnius has waived real estate tax in full for the year of the quarantine, while the city of Klaipėda is offering a 10% reduction in real estate tax. It is estimated that it will cost the municipal budget 300,000—400,000 euros<sup>27</sup>. The application of this measure was debatable. By the beginning of September

<sup>25</sup> Companies affected by COVID-19, 2020, *Official Statistics Portal of Lithuania*, available at: <https://osp.maps.arcgis.com/apps/webappviewer/index.html?id=0d489e0bb-68243728f646ed038338c59> (accessed 11 November 2020).

<sup>26</sup> Measures by City of Tallinn to Cope with COVID-19 crisis, 2020, *Eurocities*, available at: [https://covidnews.eurocities.eu/wp-content/uploads/2020/04/Overview-of-COVID-19-Measures-in-Tallinn\\_30April2020.pdf](https://covidnews.eurocities.eu/wp-content/uploads/2020/04/Overview-of-COVID-19-Measures-in-Tallinn_30April2020.pdf) (accessed 3 September 2020).

<sup>27</sup> Klaipėdos miesto ekonomikos skatinimo ir COVID-19 krizės suvaldymo planas, 2020, *Klaipėda City Municipality*, p. 1—17, available at: <https://www.klaipeda.lt/data/public/uploads/2020/05/klaipeda-klaipeda-2020.pdf> (accessed 20 May 2020).

2020, Klaipėda City Municipality announced that it had not been able to collect 3.7 million euros in revenue. To date, the worst performer is personal income and real estate taxes collection. Moreover, the state failed to cover all costs related to COVID-19 response in March-May 2020, which it had planned. Klaipėda municipality has submitted an application to receive about 1.3 million from the budget. The government approved only about 630 thousand euros as eligible expenses. Apparently, the measure of preserving jobs for the residents has not worked. The exemption from real estate tax has so far only benefited the owners of this property.

Riga City Administration postponed the term of real estate tax payment from March 31 to May 15<sup>28</sup>. Both municipalities plan to exempt businesses from various fees in the quarantine period. Klaipėda city municipality plans exemptions from fees in certain spheres from 16 March until 31 December 2020. It is important to note that there are businesses that have not been affected by the quarantine but were included in the list of enterprises eligible to planned exemptions, for instance, it is planned to tax exempt Christmas tree sellers. The municipality is also planning to tax exempt the entrepreneurs who trade at the Sea Festival in late July 2020.

Regarding the utility services, Vilnius City Municipality has left the decision to the companies managed by the municipality, and Klaipėda City Municipality has declared that it is giving preferential conditions for business. Riga decided to lower the tariff for the utility services.

An exceptional supporting initiative was applied by Vilnius City Municipality, which was aimed at easing the quarantine: outdoor cafés were allowed to open. This message quickly spread around the world, and was widely covered in the media (CNN, The Guardian, Euronews, LonelyPlanet). According to the mayor of Vilnius: *“Plazas, squares, and streets — nearby cafés will be able to set up outdoor tables free of charge this season and thus conduct their activities during quarantine. Just open up, work, retain jobs and keep Vilnius alive”*<sup>29</sup>. This measure is not just a beneficial municipal gesture for local entrepreneurs, but it shows again that cities are competing externally with each other in an effort to attract potential businesses, visitors, or future residents [6, p. 277].

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<sup>28</sup> What Kind of support can inhabitants of Riga receive during the emergency? 2020, *Eurocities*, available at: <https://covidnews.eurocities.eu/wp-content/uploads/2020/04/Riga-measures-during-COVID-crisis.pdf> (accessed 14 September 2020).

<sup>29</sup> Vilnius Set to Become One Giant Outdoor Café: Municipality Shares Public Spaces with Restaurants, 2020, *Vilnius City Municipality*, available at: <https://vilnius.lt/en/2020/04/27/vilnius-set-to-become-one-giant-outdoor-cafe-municipality-shares-public-spaces-with-restaurants/> (accessed 22 May 2020).

Table 4

**Vilnius, Klaipėda, Riga and Tallinn City Municipalities –  
supporting initiative measures for businesses**

City	Measures				
	Freedom for outdoor cafes	Freedom for food trucks	Food coupons	Support for medical staff	Symbolic support
Vilnius	+	+	+	+	—
Klaipėda	—	+	—	—	+
Riga	No data	No data	+	No data	Not applicable
Tallinn	No data	No data	No data	No data	Not applicable

The quarantine has also paved the way for the liberalization of food trucks. Both municipalities allowed the commencement of activities without any special permit. Vilnius City Municipality indicated that this activity could be realized anywhere except the city's old town. The old town of Vilnius has been listed as a UNESCO world heritage site since 1994. Vilnius City Municipality has become a patron of the project Talonai.lt, which is being realized on behalf of the municipality's resources. This project encourages the purchase of restaurant services for future consumption with special coupons.<sup>30</sup> Riga city municipality provided an opportunity of getting warm meals.<sup>31</sup> Vilnius City Municipality has also allocated 400,000 EUR for medical staff, which they will be able to spend only in cultural institutions or restaurants of the city.<sup>32</sup> The Klaipėda City Municipality rendered *symbolic* (the term was used in the Klaipėda City Promotion and Management Plan) support for business allowing the opening of outdoor cafés. Each cafe will be provided with free disinfectant fluid to ensure safe environment.<sup>33</sup>

The current analysis shows that municipalities have tried to help businesses through various incentives. However, it was difficult for them to identify which enterprises and to what extent had difficulties in coping with the consequences of the first wave of COVID-19. Some evidence suggests that businesses succeeded in coping with the aftermath of the first wave of the COVID-19 pandemic differently. Some businesses spent the money they had previously earned to support their operations, while others merely put it into bank deposits. Al-

<sup>30</sup> Vilniaus planas 4x3, available, 2020, *Vilnius City Municipality*, available at: <https://vilnius.lt/en/2020/05/05/its-official-vilnius-introduced-its-plan-for-combating-after-effects-of-the-pandemic/> (accessed 20 May 2020).

<sup>31</sup> What kind of support can inhabitants of Riga receive during the emergency? 2020, *Eurocities*, available at: <https://covidnews.eurocities.eu/wp-content/uploads/2020/04/Riga-measures-during-COVID-crisis.pdf> (accessed 14 September 2020).

<sup>32</sup> Vilniaus planas 4x3, 2020, *Vilnius City Municipality*, available at: <https://vilnius.lt/en/2020/05/05/its-official-vilnius-introduced-its-plan-for-combating-after-effects-of-the-pandemic/> (accessed 20 May 2020).

<sup>33</sup> Klaipėdos miesto ekonomikos skatinimo ir COVID-19 krizės suvaldymo planas, 2020, *Klaipėda City Municipality*, p. 1–17, available at: <https://www.klaipeda.lt/data/public/uploads/2020/05/klaipeda-klaipeda-2020.pdf> (accessed 20 May 2020).

though corporate deposits totaled 6.67 billion euros in January 2020, this figure rocketed to 8.05 billion euros in August and rose further to 8.09 billion euros in September [30].

## **Conclusions**

The study showed that though strict quarantine measures have contributed to the effective management of the epidemic, the economic problems caused by the pandemic are likely to have an impact on the well-being of the population. Naturally, a decentralized approach to managing the economic crisis is beneficial in this context. Previous research has shown that national government can disrupt urban administration, but cities are able to benefit from public support and democratic leadership. As Chan notes, “the national government speaks, cities act”, thus centralized action does not necessarily reflect the interests of all residents and entrepreneurs [31, p. 157]. In this context, the actions of municipal administrations can be successful, as municipalities are closer to the residents and can respond to the needs of residents and entrepreneurs more quickly and flexibly. Apparently, the approval of COVID-19 management action plans by municipalities has formed something of a saviour narrative, giving hope to a happy ending. However, for local authorities it is not still clear which measures should be over, and which should be prolonged, and when they should end. They chose different first wave of COVID-19 management models, regimes, approaches and tools. These policy tools refer not only to public health policies, but also to personal health, economic promotion, education, and more.

Vilnius and Klaipėda City Municipalities presented economic policy measures for residents and businesses to promote employment, productivity, economic development, and ensure biosecurity. However, along with the implementation of the measures, the indicators of their effectiveness for residents and business support are of the utmost importance and must be monitored by the municipalities. Thus, having taken the decisive step forward in managing the consequences of the COVID-19 pandemic on their own, they cannot expect help from the central government. Moreover, the audition of the financial resources accumulated by the residents and businesses must be carried out by the municipalities in the perspective in order to detect waste of resources. At the same time, people expect the support measures to be provided in a flexible and non-bureaucratic way, as poor urban residents need individualized help and support with social isolation deepening the social gap.

Finally, it is clear that still it is too early to evaluate the results of the economic measures taken by municipalities; however, the adopted plans show the proactivity of municipalities’ aspirations. Moreover, the COVID-19 municipal response measures discussed in this article may be useful for municipal officials tackling with pandemic in other countries, thus the study may become a guidance for municipal officials in meeting basic needs of vulnerable population [32, p. 789–790].



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