

Regional Concept of Polycentric Development and Postponement of Regional Reform in Latvia

Maris Pukis,
Dr.oec., Senior Adviser of LALRG

Two components of Administrative Reform

- ▶ 1998, Law on Administrative Territorial Reform:
 - After reform there will be:
 - Local governments of 3 kinds
 - Regional governments
 - Riga City with local and regional competences

Present sytuatation: Content of local reform is changed

- ▶ Local Territorial reform is finished
- ▶ Impact of reform is negative, taking into account Financial situation
- ▶ Regional reform is not staryed
- ▶ Decision about regions is postponed to 2012

Three positions:

- ▶ Latvia is a small country, Two levels of governance is enough
- ▶ Regions are necessary for better implementation of national policy
- ▶ Regions are necessary for performance of regional scale competences and for driving and real financing of development

Stakeholders interests: Political parties

- ▶ To win national elections (proportional elections in the 5 electoral regions)
- ▶ To appoint governors in the case of win
- ▶ To introduce regional elections in the case of positive prognosis
- ▶ To prevent regionalization in the case of weak regional support

Stakeholder interests: International Monetary Fund

- ▶ To reduce internal market
- ▶ To sell Latvian assets to foreign companies
- ▶ To achieve stagnation after crisis as vlong as possible, by de–stabilization measures:
 - To Reduce operational expenditures
 - To cut capital investments
 - To increase taxes
 - To concentrate national institutions
 - To centralize public competences
 - To prevent PPP

Stakeholders interests:

9 Cities

- ▶ To prevent transformation of city competences to regions
- ▶ In the case of regionalization, not less than 8 regions
- ▶ To prolong investments priority and to increase investments amount

Stakeholders interests: National bureaucracy

- ▶ To keep fiscal concentration
- ▶ To prevent decenralization
- ▶ To preserve sectors approach to development planning

Stakeholders interests: 109 Municipalities

- ▶ To be protected from Governors
- ▶ To get positive influence from regional development
- ▶ To preserve local competences from transforming to regions
- ▶ To preserve independence from regions
- ▶ To get more local investments

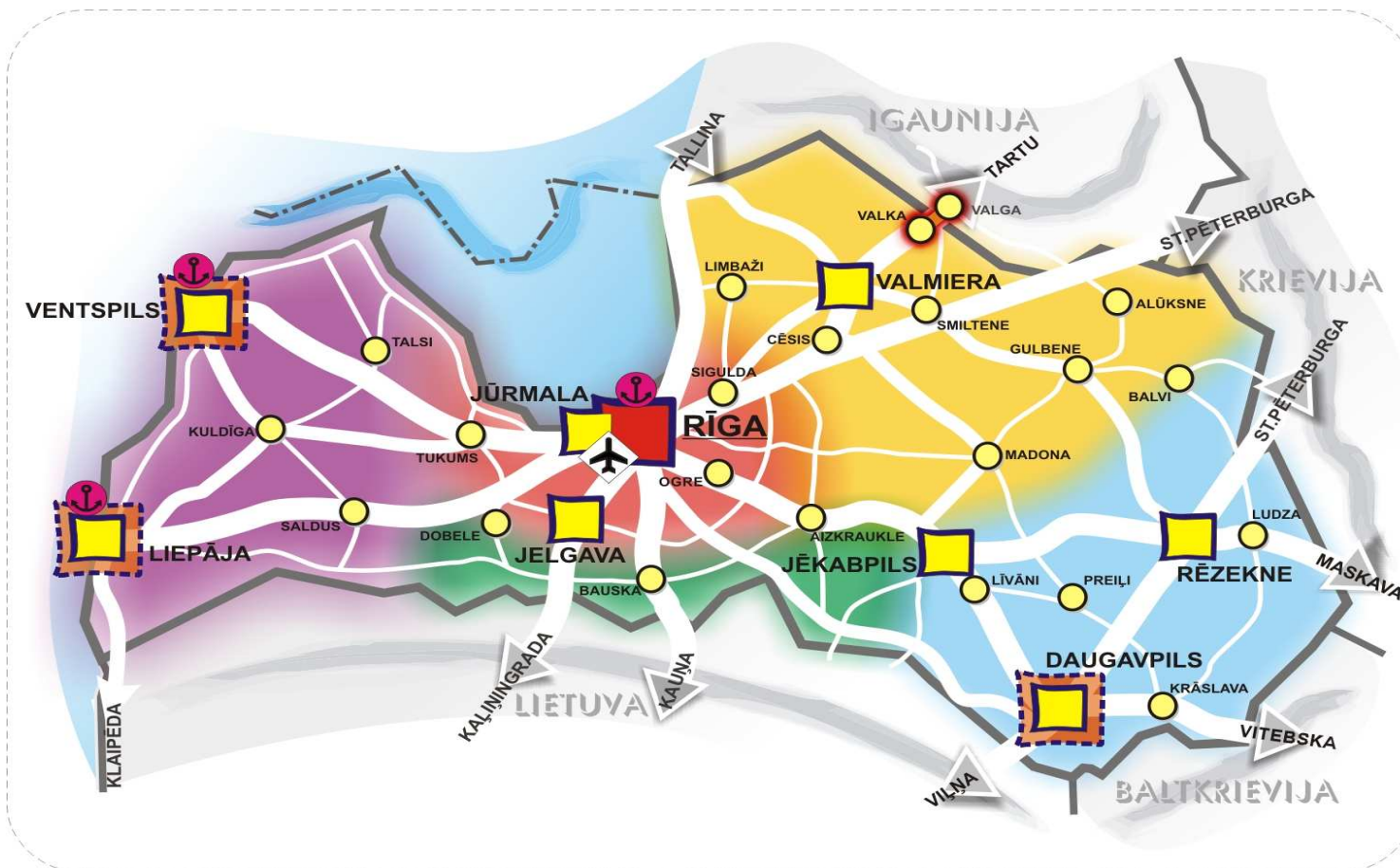
The change of concept of Regional policy:

▶ Vision

- Previous: Preserving traditional rural landscape, farmsteads, local cultural and hisyorical heritage
- New: Fastenig of migration from rural territories, concentration around several cities

The change of concept

- ▶ Previous objectives
 - Sustainable development of all territory (600 centres)
 - Finding and strengthening particular preferences
- ▶ New objectives
 - Applying geographical centres theory, dividing centres of different level
 - Dividing regional support priorities proportionally to ranging of centres



Eiropas līmeņa metropole



Baltijas jūras reģiona līmeņa attīstības centri



Nacionālas nozīmes attīstības centri



Reģionālas nozīmes attīstības centri



Kurzemes attīstības centru funkcionālais tīkls



Zemgales attīstības centru funkcionālais tīkls



Pierīgas attīstības centru funkcionālais tīkls



Latgales attīstības centru funkcionālais tīkls



Vidzemes attīstības centru funkcionālais tīkls

Sequences:

- ▶ RD programmes for EU funds are available only for 17 local governments from 118:
 - Special programme for strengthening Capital city (with small money)
 - Polycentric development programme for 7 cities and 9 regional centres
 - Decreasing support for other centres

The main problem of moment

- ▶ How to lunch EU funds?
- ▶ 2007 – IMF advise to cut funds in orger to decrease inflation
- ▶ 2008 – Letter of Intent to IMF, Promise to decrease all types of spending, only EU programmes are allowed, measures substantialy reduce revenues an increase taxes
- ▶ Co-financing is not available under pressure of progression ob budget cuts

Opportunity:

- ▶ State have free resources 1,5 billion LVL
- ▶ For 2010 and 2011 1 billion LVL (1,5 billion Euro) is available each year
- ▶ Co-financing 280 billion LVL is necessary each year
- ▶ Launching of EU funds can compensate decreasing of GDP and increase revenues
- ▶ Launching of EU funds is absolutely necessary for regions

Negative influence of structural reforms on regions

- ▶ Liquidation of:
 - Hospitals,
 - Schools,
 - Regional agencies of ministries
 - As a result – unemployment and fast decreasing of public services providing
- ▶ Decreasing of economic activities is dramatic first of all for regions

Postponement of reform

- ▶ Political parties not ready
- ▶ Consensus among 9 cities and central government is not achieved
- ▶ Resistance of IMF to improve situation
- ▶ Until parliamentary elections regionalization is stopped

Reaction of LALRG

- ▶ Permanent negotiations with national government and with delegations from IMF, WB, European Commission
- ▶ Cooperation with social partners: Employers and Trade Unions in order to influence on national policy
- ▶ Permanent analyzing of trends