

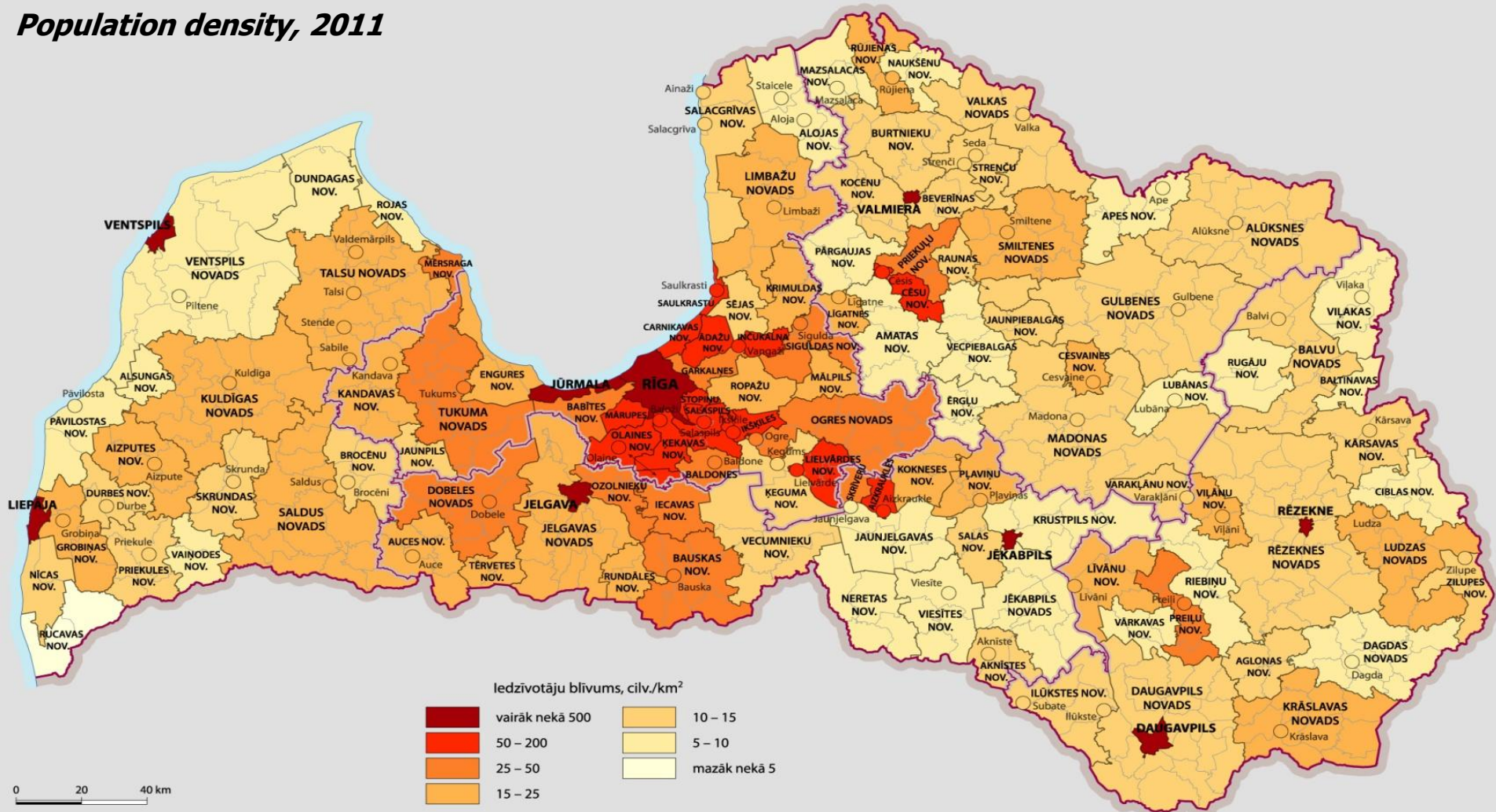
Regional development challenges in Latvia towards 2020

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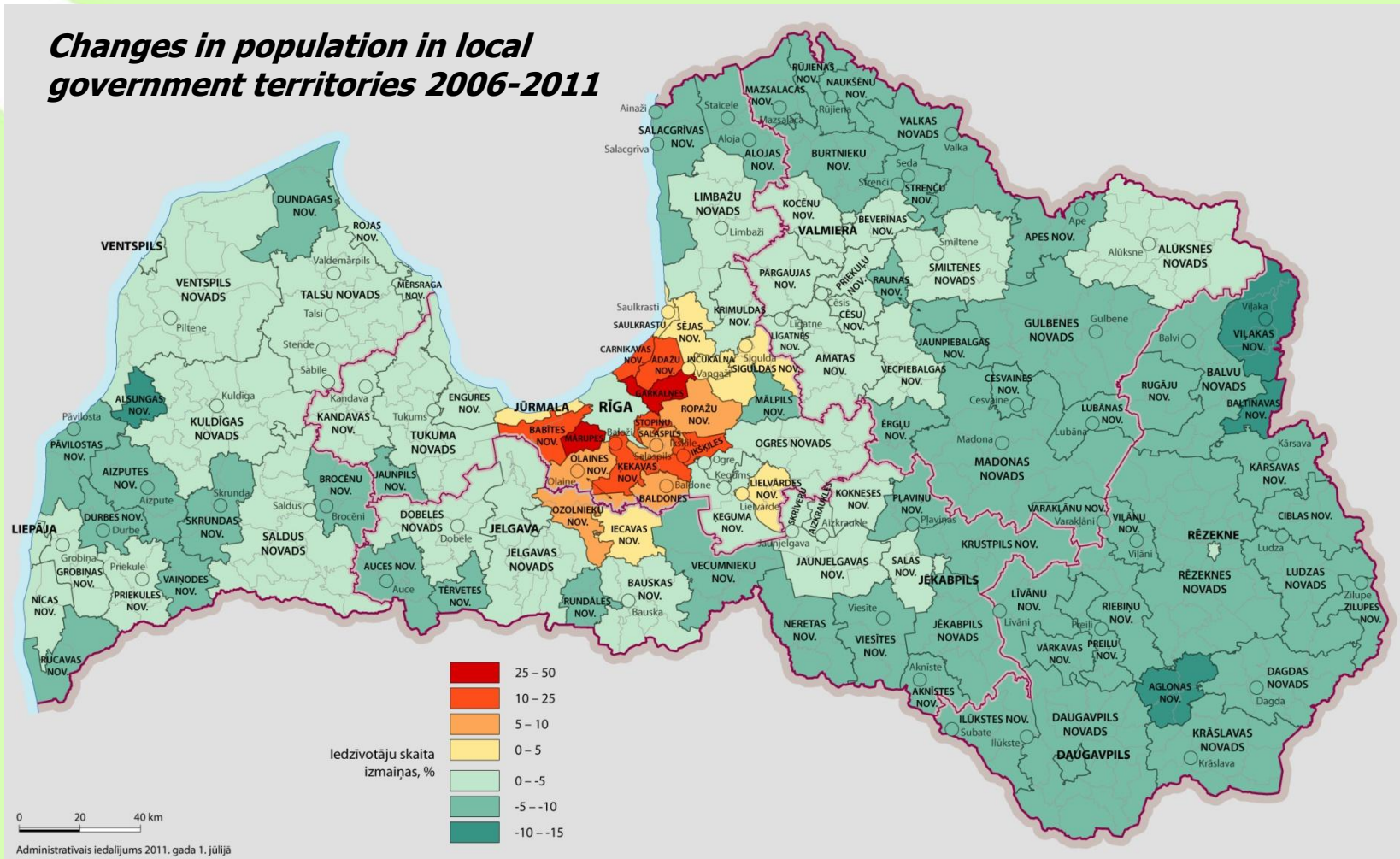
Demographic challenge – settlement patterns

Population density, 2011



Demographic challenge - depopulation of remote and rural areas

Changes in population in local government territories 2006-2011

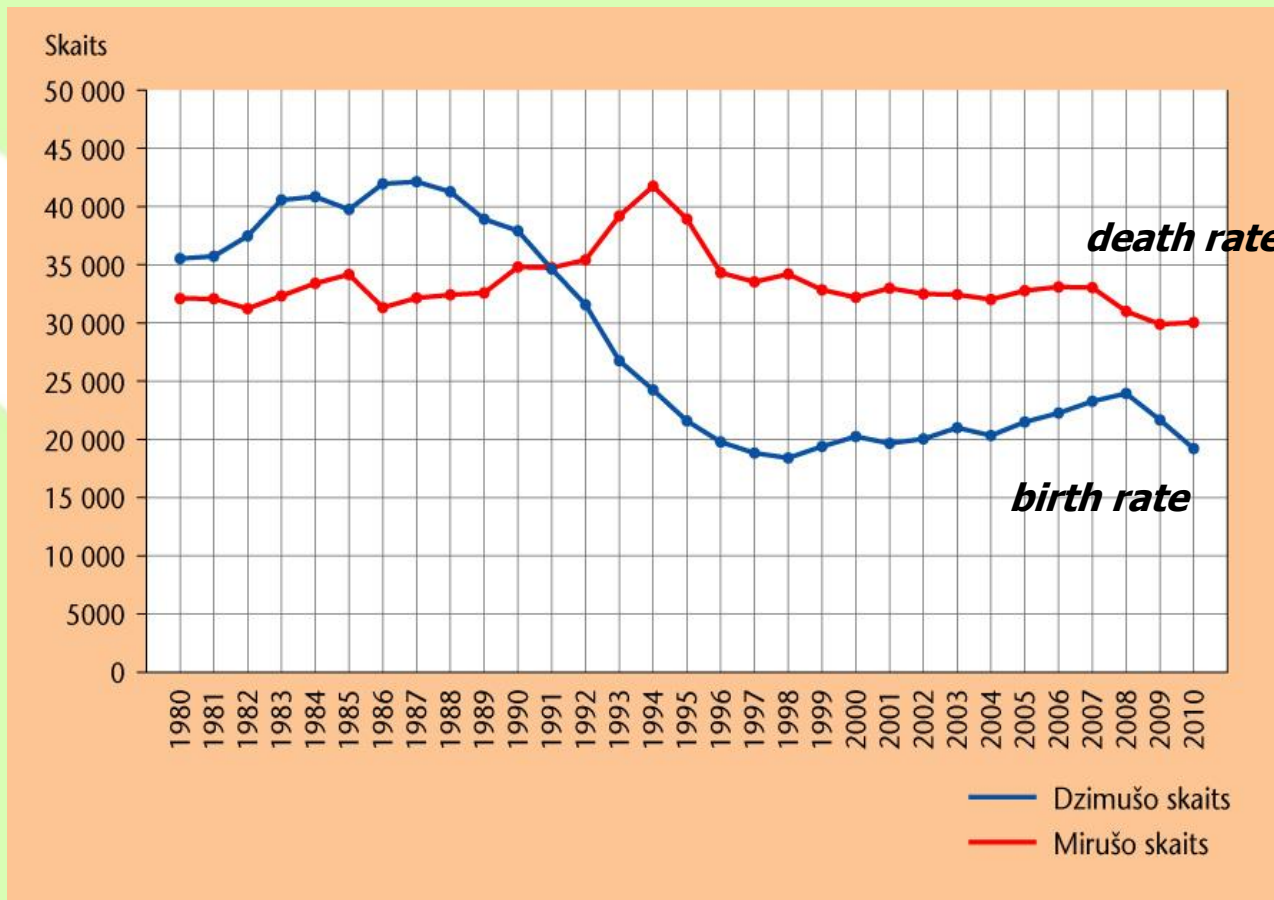


Over the last five years the population has increased mainly in areas surrounding the capital city

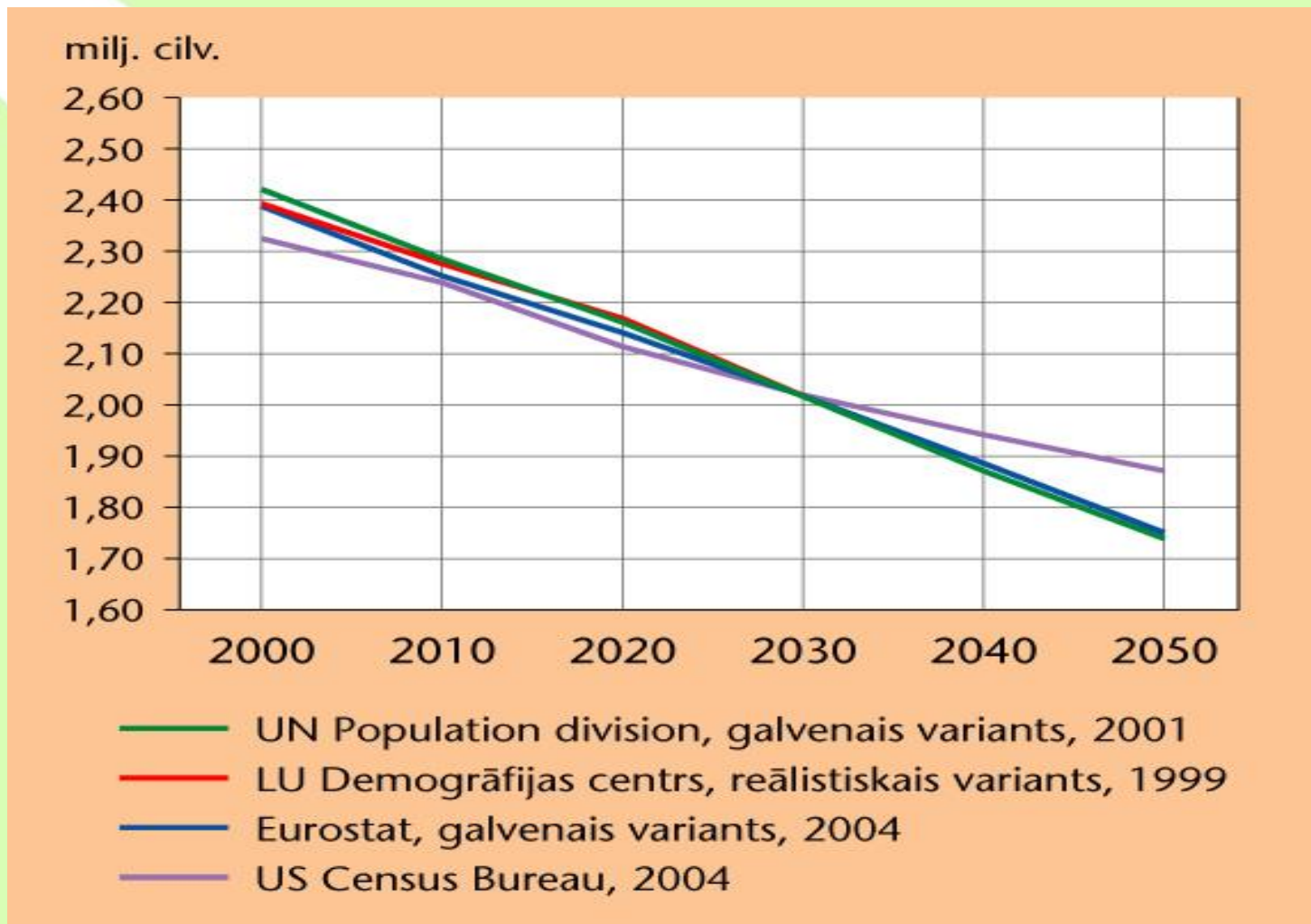
Perspective demographic changes – reducing number of inhabitants and ageing

Year	Women	Men
2015	77.7	66.8
2020	78.6	68.1
2025	79.5	69.5
2030	80.4	70.9
2035	81.1	72.0
2040	81.6	72.9
2045	82.1	73.6
2050	82.5	74.3

Average life expectancy of children in 2015–2050, years of life



Projections for long-term population changes in Latvia

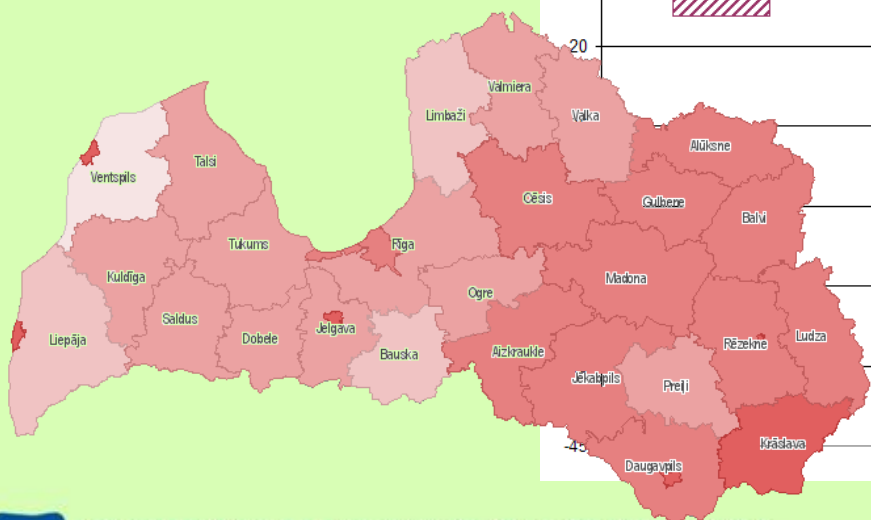


Projection for the change in number of pre-school age children (% relative to the number in 2008), results of modelling performed by SRDA

2012 2016 2023 2028 2033



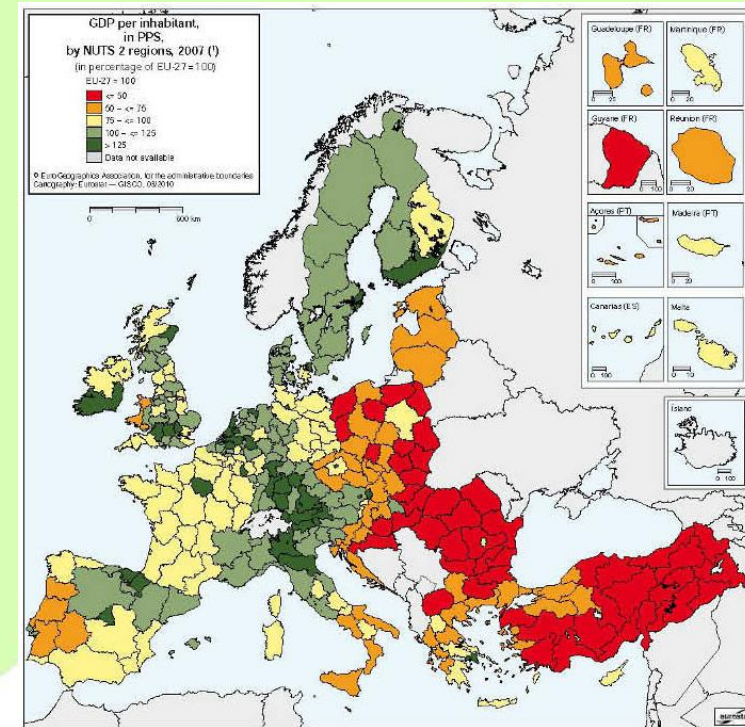
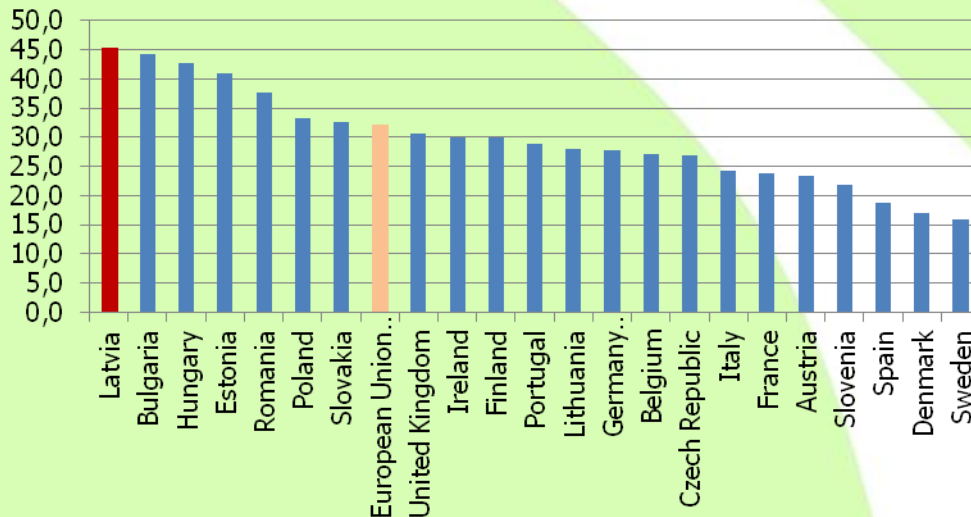
**In 2023 –
decrease by 25-50%**



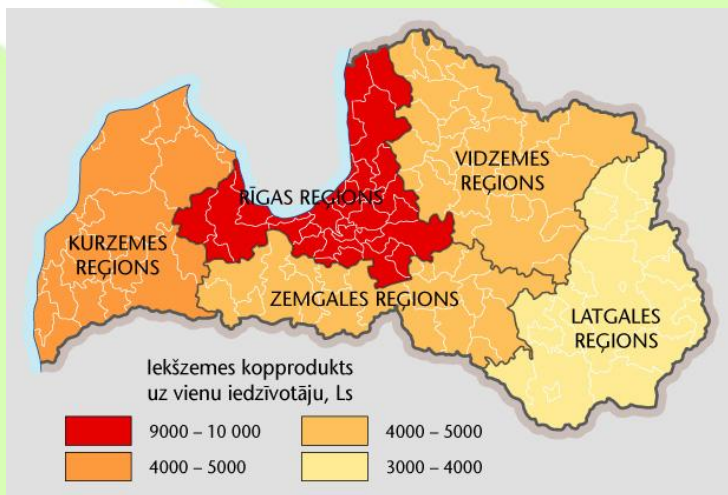
Regional disparities in the European Union

Latvia has the most pronounced regional disparities in the European Union

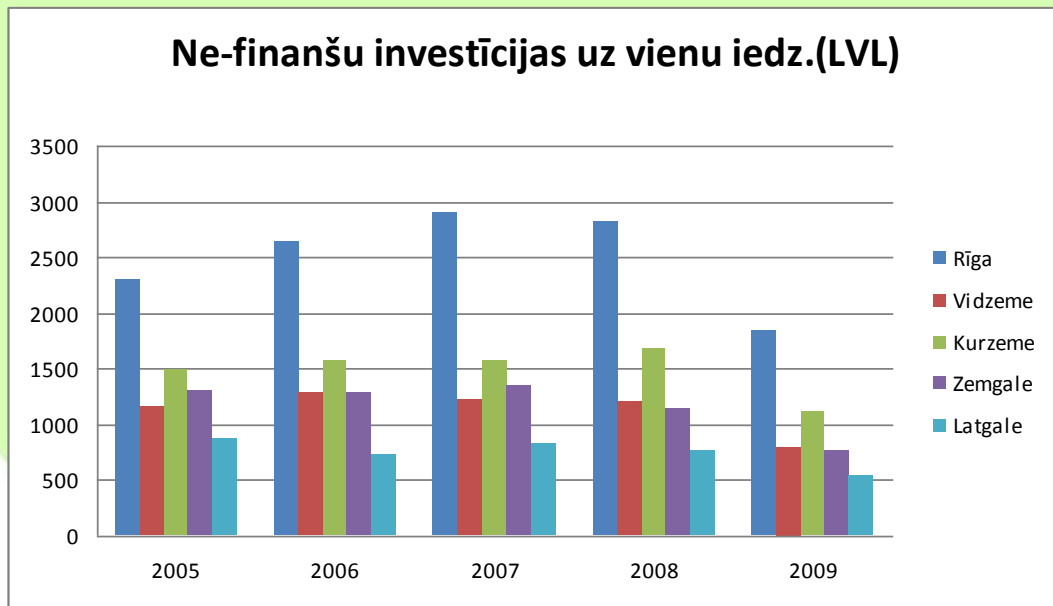
Dispersion of regional GDP per inhabitant, %, 2008 (NUTS 3 regions)



Regional disparities – GDP and non-financial investment



GDP difference in 2008: 2,5x

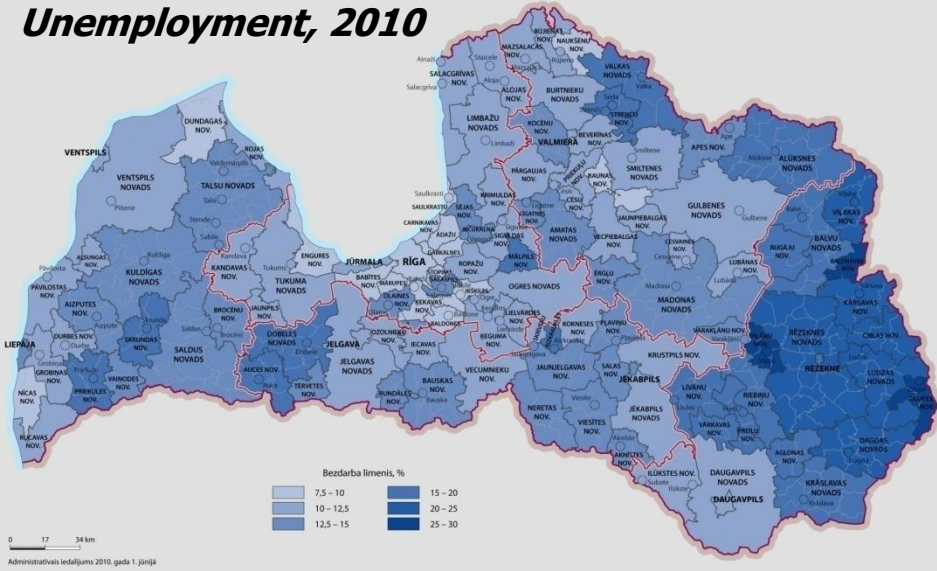


Non-financial investment difference in 2009: 3,4x

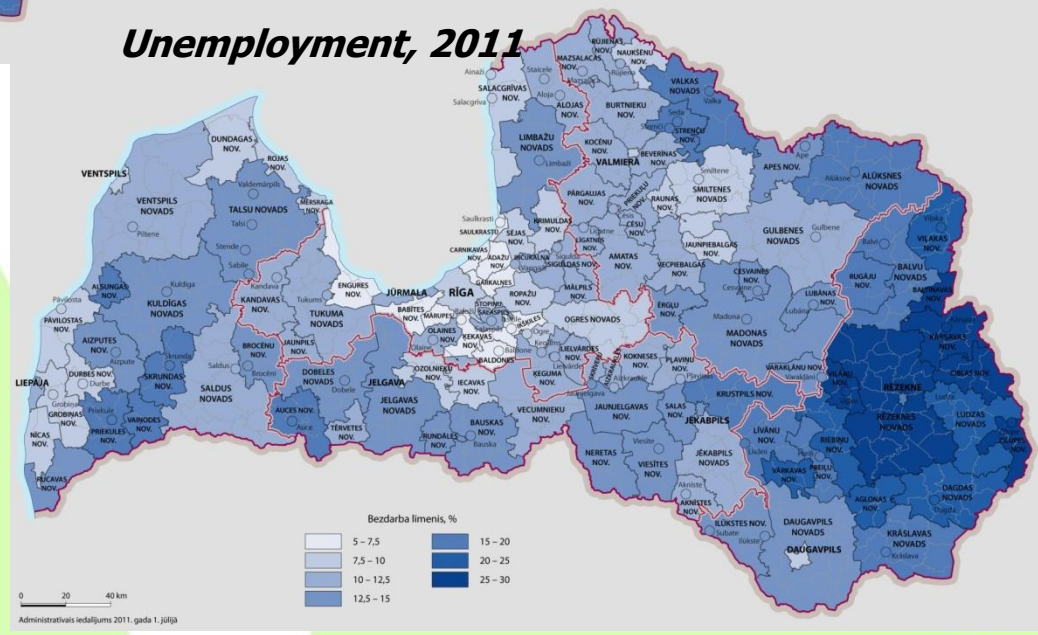
- During the growth period non-financial investments were attracted much more successfully in developed regions (Riga)
- There is a need for additional incentives to facilitate increase of non-financial investments in territories that are remote from capital city

Unemployment: lack of jobs in the regions

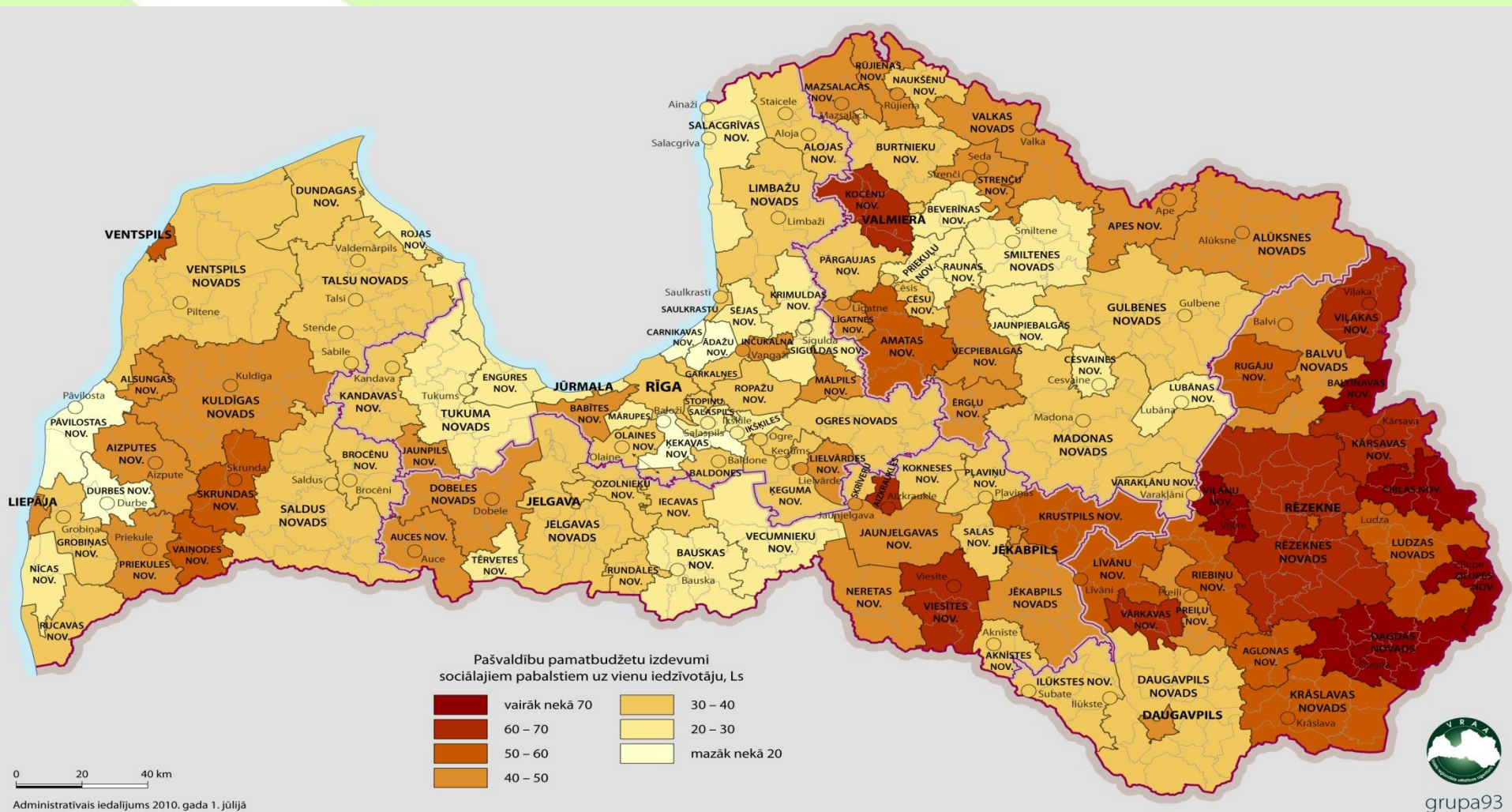
Unemployment, 2010



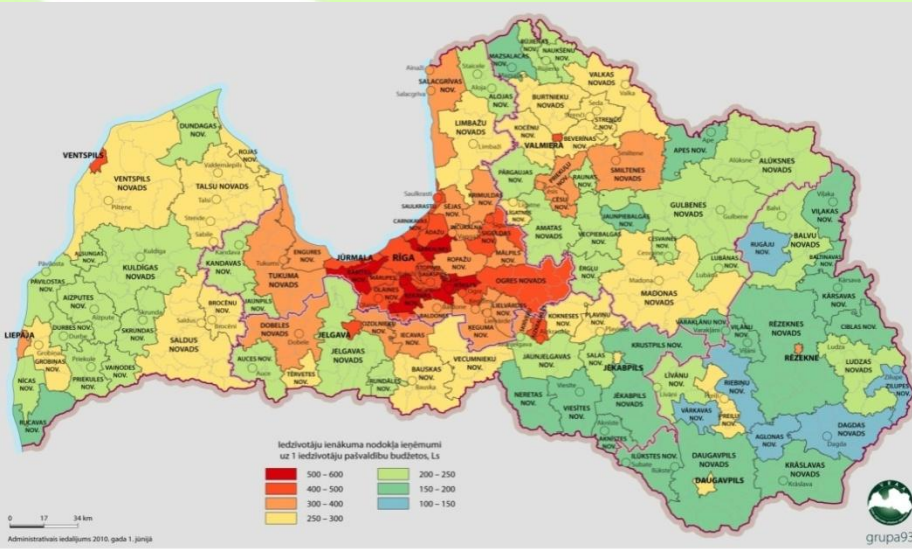
Unemployment, 2011



Social aid expenses in municipal budgets per capita in 2010

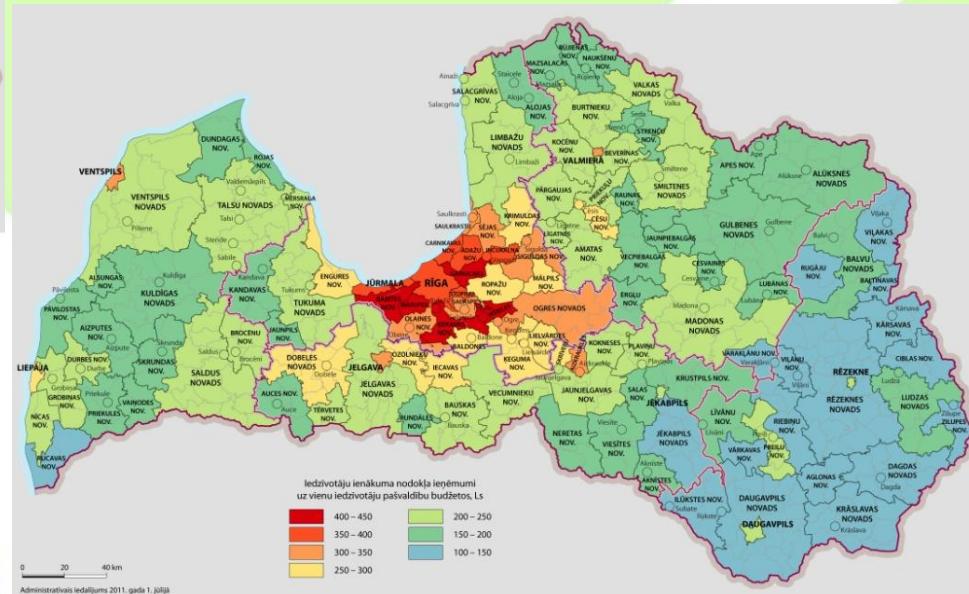


Unequal financial resources at disposal of local governments for development



iedzīvotāju ienākuma nodokļa ienēmumi uz 1 iedzīvotāju pašvaldību budžetos 2008. gadā

Personal income tax revenue in the local government budget per capita in 2008



Personal income tax revenue in the local government budget per capita in 2010

Spatial development perspective Latvia 2030

Expected results:

- Reduction of regional disparities below average of EU countries

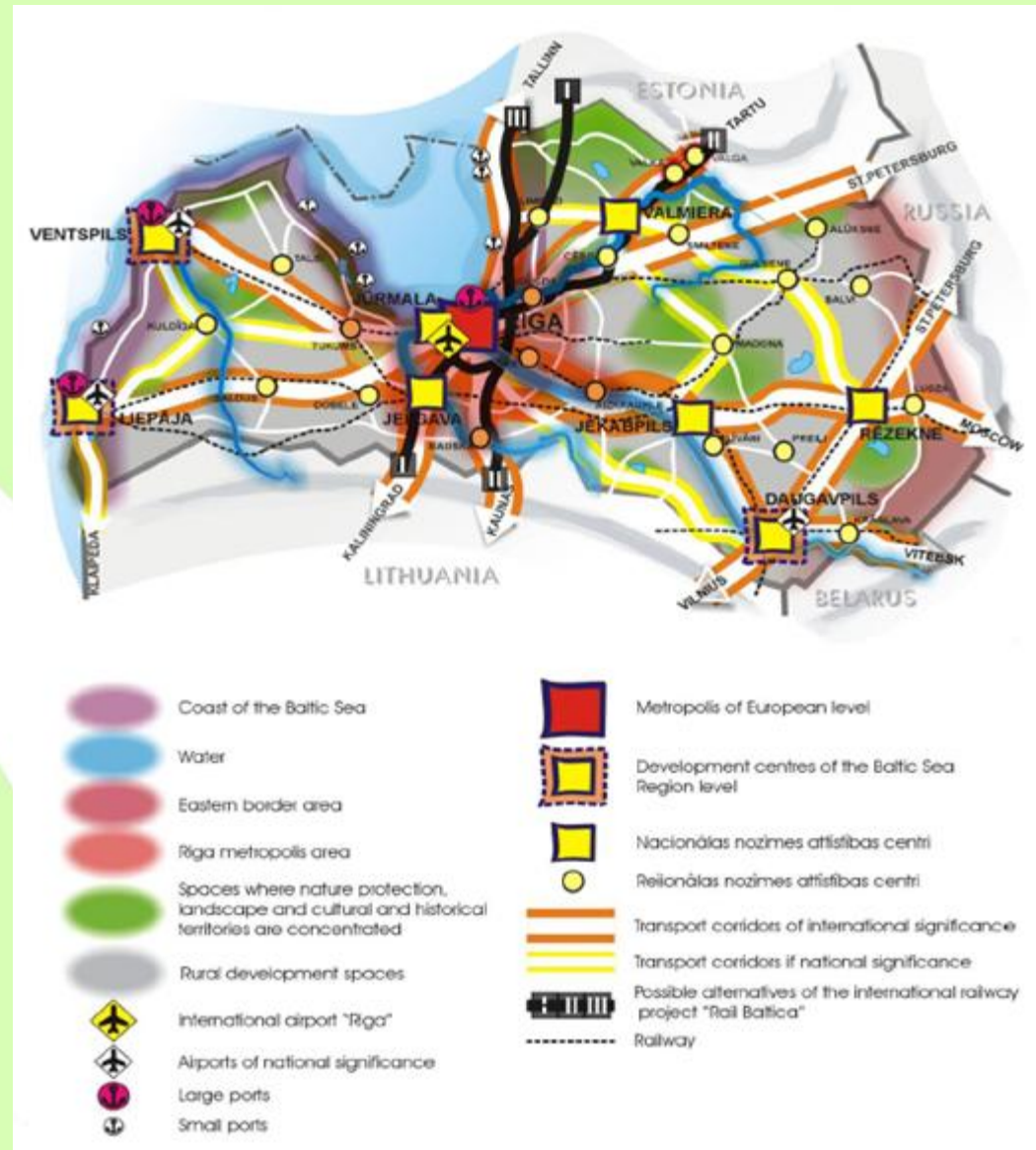
(from 45,6 to < 30)

- Maintaining proportion of inhabitants in urban and rural areas

(from 67,7/32,3 to 70/30)

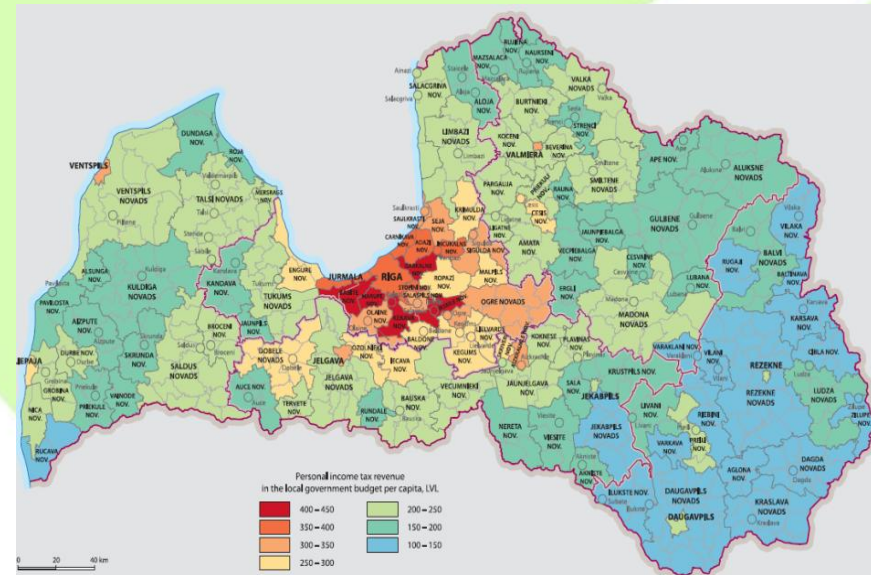
- Reducing proportion of inhabitants living in Riga planning region

(from 48,7 to < 48)



Development centres - challenges

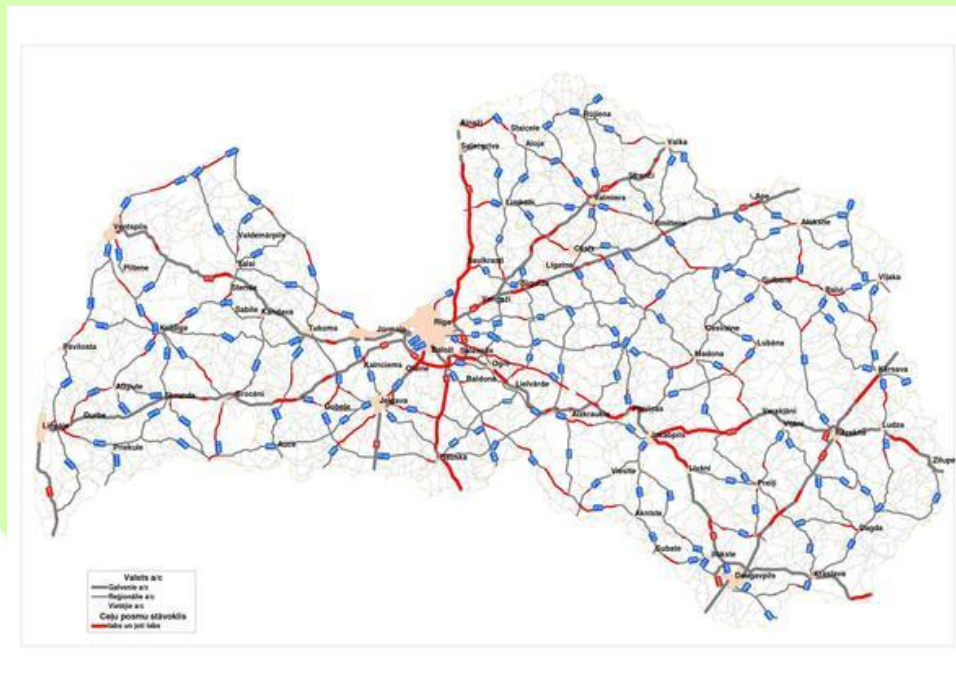
- Ensuring preconditions for attracting investors
 - GDP 2,5 times
 - Non-financial investments 3,4 times
- Promotion of innovation and creativity
- Impact on surrounding rural areas – the role of driving force



Personal income tax revenue in the local government budget per capita in 2010

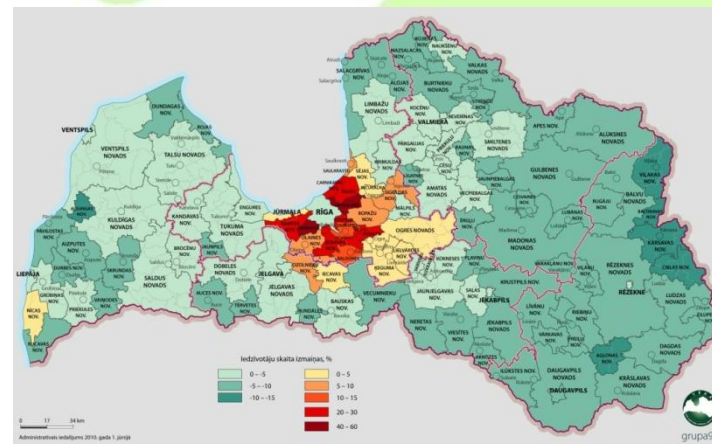
Rural areas – challenges

- Accessibility of jobs and services



- Depopulation

- Some rural parishes have lost up to 20-25% of population during the last five years (Ķepova, Bērzīni, Malnava)



Riga metropolis area - challenges

- High daily migration in surroundings of Riga
 - Riga provides more than 40% of income tax for municipalities in 3 regions
 - Highest level of regional mobility in surroundings of Riga
 - Environmental risks



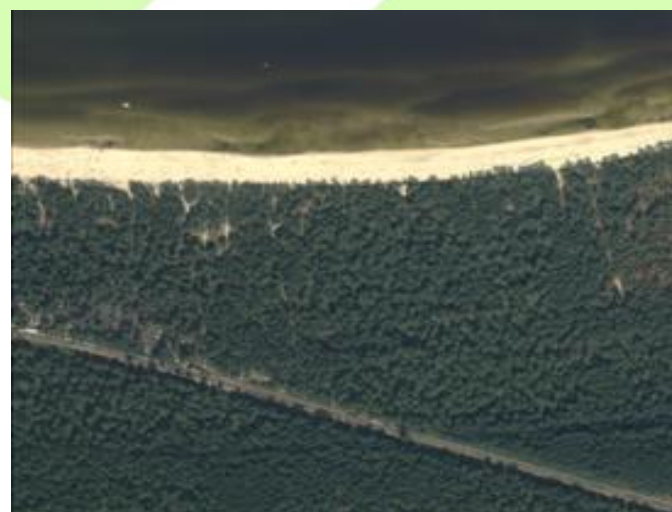
Vidējā diennakts satiksmes intensitāte 2010. gadā valsts galvenajos autoceļos



1184 - kopējā satiksmes gada vidējā diennakts intensitāte (aut.šifoni)
1202 - kravas transporta gada vidējā diennakts intensitāte (aut.šifoni)

Baltic Sea coastal area - challenges

- Reduced economic activity in traditional sectors of economy (fishery, resorts)
- Environmental risks and coastal erosion
 - 1-5 m per year (10-12 m in lower costs)
- Insufficient business infrastructure
 - Parking lots, recreation areas, roads and pathways that lead to the sea



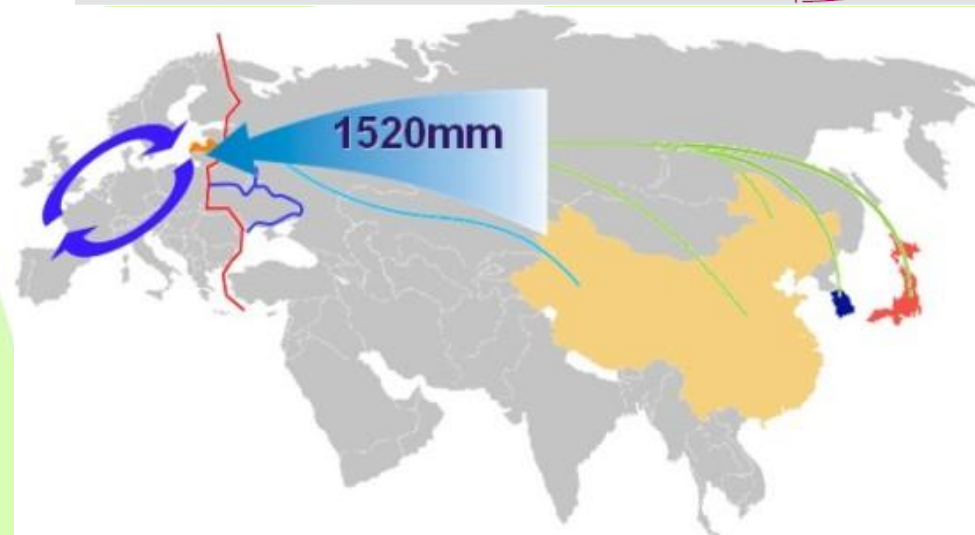
Eastern border area - challenges

Factors of economic deprivation

- **State border as a barrier for economic development**
 - border crossing restrictions, limited market
- **Low connectivity to Riga**
- **Low purchasing power**
- **Low availability and qualification of workforce**

Consequences

- **Heavy depopulation of territory**
- **Low income** – income tax revenues
 - Latvia 285,1
 - Border area 176,6
 - Eastern border area 146,5
- **High unemployment**
 - Latvia 11%
 - Border area 16%
 - Eastern border area 20,6%



Implementation of Latvia 2030 in medium-term: key statements

Strengthened capacity of regions and local municipalities

- A new public investment planning system for regional development
- Increasing the role of regions and municipalities in promoting entrepreneurship and innovation
- Wider circle of stakeholders involved in promoting regional development (sector ministries, entrepreneurs, NGOs, local community)

A new system for public investment planning/provision of support for territorial development

Key principles:

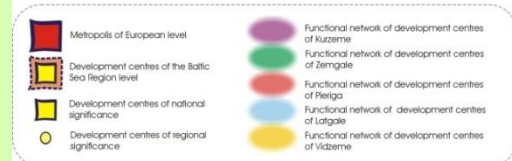
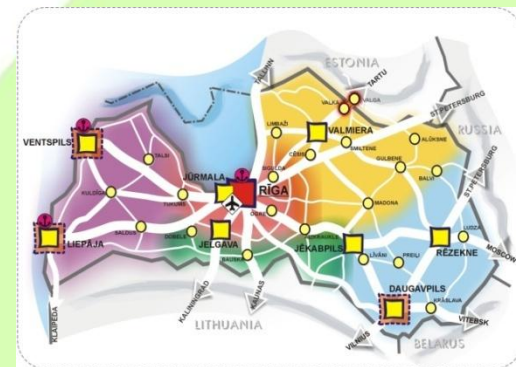
- Latvia 2030 target areas (support directions for territories)
- Regional and local development programmes (investment request)
- The “basket” of public services at each level of settlement (criteria)
- Earmarking of public investments - territorial quotas (limiting competition between municipalities)

Support directions for development centres

- **development of entrepreneurship/ business infrastructure** for attracting investors (industrial sites, communications, resort infrastructure) **according to economic specialisation of a particular territory**
- development of **regional and local transport infrastructure** to ensure accessibility of jobs and services to inhabitants of rural areas
- **provision of public services** according to the basket of services defined for centres of national and regional significance
- **infrastructure for innovation, culture and creative industries**

Local municipalities eligible for support:

National and regional development centres set by Latvia 2030



Support directions for rural areas

- competitiveness, productivity, modernisation, cooperation of **rural entrepreneurship**, promoting innovative solutions and introduction of new technologies within rural production and processing
- **diversification of rural economy**, increasing employment in rural areas, production of renewable energy, craftsmanship, rural tourism
- **preservation of natural resources, traditional rural landscape, biological diversity**
- **strengthening capacity of local action groups** (continuation of LEADER approach)
- **provision of public services** according to the basket of services defined for rural area

Municipalities eligible for support:

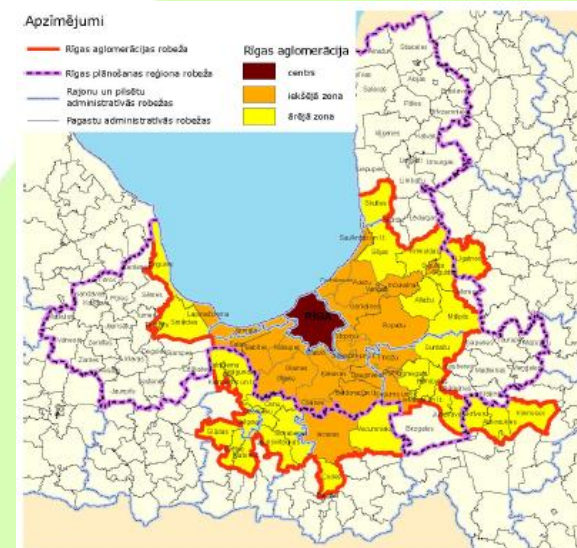
Municipalities that do not contain a national or regional development centre and area of municipalities that contain a national or regional development centre that is located outside the centre

Support directions for Riga metropolis area

- improvements of Riga city and Riga agglomeration **transport infrastructure and public transport system**
- promoting qualitative **urban environment**
- preservation and development of **cultural heritage, culture and tourism infrastructure**
- development of **creative industries** and **creative urban blocks**

Municipalities eligible for support:

Riga city and surrounding municipalities



Support directions for Baltic Sea coastal area

- development of **coastal business infrastructure** to reduce the impact of seasonality on the economic development patterns of the area
- development of **small ports and harbours**
- development of **health tourism** activating the use of resort resources
- promoting the use of **renewable energy** (wind and sea-water)
- improvements of **nature quality** – mitigating the impact of climate change on the sea-coast, reducing coastal pollution
- actions to improve **shipping security**

Municipalities eligible for support:

Municipalities on the coast of the Baltic Sea and Riga sea gulf

Support directions for Eastern border area

- **construction and reconstruction of transport infrastructure** to promote transit through Eastern border (local roads and streets as a part of infrastructure for border-crossing, railway infrastructure (stations) etc.)
- **development of logistics infrastructure and services related to transit**

Municipalities eligible for support:

Municipalities on the border with
Russia and Belorussia



Other lines of activity

- To **expand and diversify sources of income** for municipalities (fiscal autonomy)
- To introduce **territorially diversified instruments within sectoral policies** (differentiated taxation, differentiated social allowance and/ or remuneration for attraction of skilled work-force etc.)
- To increase the role of municipalities in **promoting entrepreneurship** (increased administrative capacity, more flexible legislation, measurement and reduction of administrative burden etc.)
- To promote **regional and local innovation systems**

Thank you!

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