

**REPORT //**

**ReSSI-LV**

Regional strategies for sustainable and inclusive  
territorial development - Latvia

Final Report // October 2021

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**Authors**

Carlos Ferreira, Jennifer Ferreira

**Advisory group**

ESPON EGTC: Michaela Gensheimer (Senior Project Expert). Ministry of Environmental Protection and Regional Development of Latvia: Indra Ciukša

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Contact: [info@espon.eu](mailto:info@espon.eu)

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This document is a final report.

The information contained herein is subject to change and does not  
commit the ESPON EGTC and the countries participating in the  
ESPON 2020 Cooperation Programme.

The final version of the report will be published as soon as approved.



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# 1 Introduction

Promotion of local and regional development continues to be an important objective of the European Union member-states, as well as a component of European Union cohesion policy. Through the New Framework for Regional Development and Cohesion Policy beyond 2020, the European Commission, has set ambitious objectives for regional development, aiming to promote a greener, carbon free Europe (through implementation of the Paris Agreement and investing in energy transition, renewables and the fight against climate change), a more social Europe (by delivering on the European Pillar of Social Rights and supporting quality employment, education, skills, social inclusion and equal access to healthcare) and a smarter Europe (through innovation, digitisation, economic transformation and support to small and medium-sized businesses). Regional and local policymakers will have a key role in delivering these ambitious outcomes. This growing recognition of the importance of local and regional actors is taking place in a context of ongoing changes to territorial governance and spatial planning systems, raising the need to understand how regional policy can be delivered in a more effective manner.

With this background, the ReSSI-LV (Regional Strategies for Sustainable and Inclusive Territorial Development – Latvia) project set out to employ the findings and framework from ESPON ReSSI (ESPON, 2018) to the specific case of Latvia. The aim of the ReSSI-LV project is to provide evidence-based policy recommendations on the development and implementation of mechanisms to strengthen multilevel and cross-sectorial coordination of regional policy in Latvia. To fulfil this aim, ReSSI-LV set out to address the following research objectives, taking into consideration the specific institutional context of Latvia:

1. To identify forms of horizontal and vertical coordination in regional development in the European Union, according to institutional arrangements per country.
2. To provide policy recommendations for vertical and horizontal coordination mechanisms in regional policy and development to the specific case of Latvia.
3. To consider how the coordination mechanisms proposed may be employed in regional development for existing planning (administrative) regions of Latvia.

This report is based on a six-month project, completed between February and July 2021. Secondary data included technical and policy reports about regional governance in the European Union, and Latvia in particular. A short outline of the Latvian Regional Policy Guidelines 2021-2027 (Ministry of Environmental Protection and Regional Development, 2019), was also analysed. However, the research team was not given access to the full version of the Guidelines. This limited the analysis, especially in terms of cross-country comparisons and in terms of translation of the Guidelines into regional level development programmes.

Primary data consisted of interviews with civil servants and regional and municipal level officials (contacts for which were provided by the Ministry of Environmental Protection and Regional Development of Latvia), and a subsequent workshop with stakeholders. All primary data collection took place remotely, due to social distancing and travel restrictions imposed in response to COVID-19 pandemic.



## 2 Overview of current regional governance arrangements in Europe

European local and regional authorities are required to promote sustainable and inclusive economic development, within the context of overarching European and national strategies. Moreover, in the majority of European countries consolidated administrative levels have had to coordinate with new development actors, such as metropolitan cities, inter-municipal collaboration platforms and infra-regional or regional agencies. This implies a degree of transfer of power, competences and resources, and raised issues of interdependencies across levels of governance and public and private actors, institutions and organisations.

This section of the report provides an overview of the most prevalent governance regimes that are common to European regions and how Latvia compares to those (section 2.1), before characterising Latvia's existing planning framework in greater detail (section 2.2), and providing an overview of the changes proposed in the new Regional Policy Guidelines 2021-2027 (section 2.3). This section concludes by discussing how the measures envisaged in the Regional Policy Guidelines 2021-2027 compare with others in the European Union, given Latvia's institutional arrangement.

### 2.1 Regional governance in the European Union

Regional governance arrangements in Europe vary across each nation-state. However, it is possible to group those arrangements into rational typologies. The best-known typology of spatial planning systems in Europe was provided by the EU compendium of spatial planning systems and policies, which noted four ideal types or 'traditions of spatial planning' in Europe (CEC, 1997). In this typology, the word 'tradition' is used to emphasise the way that forms of spatial planning are deeply embedded in the complex historical conditions of particular places. The four broad types of spatial planning are: 1) comprehensive integrated approach; 2) regional economic approach; 3) land use regulation; and 4) urbanism<sup>1</sup>. The EU compendium recognises that some countries might exhibit a strong tendency to one tradition while others may exhibit a more complex combination of types. In both this and a subsequent extension of the typology (ESPON, 2007), Latvia was classified as an example of the comprehensive integrated approach to planning, characterised by a systematic and hierarchical structure of plans, from national to local level. Typically, countries which employ this form of planning possess mature planning systems, with responsive and sophisticated planning institutions and mechanisms, in which political commitment is a feature. The planning framework is typically delivered through public investment.

As far as territorial governance and spatial planning are concerned, an element that influences the implementation of policies to promote territorial development in European regions is the vertical co-ordination between different territorial levels and horizontal coordination between actors at the same territorial level. In this concern, the ESPON project 2.3.2 (Governance of Territorial and Urban Policies from EU to Local Level) distinguishes four categories of countries (ESPON, 2006):

- a) countries characterised by strong vertical and horizontal coordination: Germany, Denmark, Estonia, Finland, France, Ireland, Lithuania, Latvia, The Netherlands, Poland, Slovakia.
- b) countries presenting mainly vertical coordination and weak horizontal: Austria, Switzerland, Hungary, Norway, Romania, Slovenia.
- c) countries featuring a good level of horizontal coordination and scarce vertical: Slovenia, Luxembourg, Malta, Sweden, UK, Czech Rep, Cyprus.
- d) countries characterised by both weak vertical and horizontal coordination: Belgium, Bulgaria, Spain, Greece, Italy, Portugal.

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<sup>1</sup> Detailed analysis of the characteristics of each of the four types is outside the scope of the report, but it is available from the original source: <http://aei.pitt.edu/99138/1/28.pdf>

The authors noted how Latvia showed evidence of both strong vertical integration (from central to local levels) and horizontal integration (across actors operating at the same territorial level). Again, this highlights the sophisticated level of planning evidenced in the country.

## 2.2 Subnational governance in Latvia

Latvia presents a very specific context for regional coordination and policymaking. The country completed a post-socialist transition during the 1990s, and became a member of the European Union in May 2004.

Latvia is a unitary state. The 2009 administrative territorial reform organised the country into 110 municipalities and nine cities at local level. In 2019 the territorial reform was continued, and local governments were further amalgamated. As from July 2021 Latvia is comprised of 7 State Cities (*valstspilsētas*), with independent government, and 36 municipalities. These are further divided into sub-municipal divisions, including 78 towns and 497 parishes (Parliament, 2021). The autonomous functions of local governments specified in the Law on Local Governments<sup>2</sup> involve the management and delivery of public services (according to local policies), as well as administering national policies at local level, *inter alia* (CoR, 2021). The capital city, Riga, the largest city in the country, also performs State and local government functions, including diplomatic and consular duties, as well as the maintenance and development of cultural and historical infrastructure, among other functions.

Compared to EU averages, Latvian municipalities can be characterised as follows:

**Table 2.1**  
**Indicators of local government, Latvia and EU average. Source: OECD (2018)**

Criteria	Latvia	EU Average
Average municipal size (number of inhabitants)	16476	5867
Average number of municipalities per 100,000 inhabitants	6.1	17.0
Average municipal area (km <sup>2</sup> )	523	50
Municipal spending (€ per capita)	1402	4593
Municipal spending % of GDP	10.2	15.3
Municipal spending % of total public expenditure	26.8%	33.5%
Municipal government investment (€ per capita)	227	334
Municipal government investment, % of total public investment	42.1%	41.7%

OECD data shows that, compared to the European average, Latvian municipalities (before the administrative territorial reform) were larger in size and in number of inhabitants. Their spending was comparatively lower than in other European countries, although their rates of investment were close to the EU average. Nevertheless, considering the national circumstances, including the wide range of functions performed, a comparatively small national budget, demographic challenges, and high spending in provision of public services per

<sup>2</sup> <https://likumi.lv/ta/en/en/id/57255>

person, reducing spending of local municipalities was one of the tasks of the administrative territorial reform. This aimed to produce higher financial and administrative capacity in regions, to ensure better conditions for business development, improve quality of public services and rational spending of public resources.

The 2009 administrative territorial reform established five planning regions (Kurzeme, Latgale, Riga, Vidzeme and Zemgale) based on the existing regional agencies. The Planning regions are voluntarily organised by local government cooperation bodies, recognised in the legislation. Core functions of Planning regions are as follows: development planning; implementation of regional projects and initiatives; fostering collaboration among local authorities and regions; collaboration with national authorities; representing regions' interests; coordination of public transport; and implementation of business support measures. Each planning region also operates a business development centre.

Employment opportunities and higher income jobs are concentrated in Riga, Latvia's capital city, which accounts for 35% of the country's employment (OECD, 2020). Partly as result of this, all regions except Riga's city commuting zone (where at least 50% of inhabitants have incomes from jobs in Riga city) have suffered depopulation, losing in particular younger people to internal or external migration (OECD, 2019). The 2021 regional governance reforms in Latvia aim, in part, to address these disparities, while at the same time allowing Riga to continue to develop and compete in the international stage. The next subsection discusses the reformed regional governance in Latvia.

## 2.3 Reforming regional governance in Latvia

The key ministry in charge of regional policy in Latvia is the Ministry of Environmental Protection and Regional Development. It is supported in this by the Regional Development Co-ordination Council, which reviews and evaluates regional development plans and regional investment. Regional development policy is set out in the Regional Policy Guidelines, a strategic document which is revised every seven years. The Regional Policy Guidelines 2013-2019 emphasised polycentric development as a key objective of regional policy in Latvia, and highlighted the importance of targeting functional areas through a place-based approach. It also encouraged regions and municipalities to act as promoters of entrepreneurship (OECD, 2019).

The adopted Regional Policy Guidelines 2021-2027 are (as of June 2021) in the process of implementation. The goal of these guidelines is "... to create preconditions for development of economic potential of all regions and for reduction of socio-economic disparities" among regions, with the stated objective of "achieving a reduction in the regional GDP gap" (Ministry of Environmental Protection and Regional Development, 2019, p. 1). It should be noted that, in addition to the stated aim of reducing regional disparities, the guidelines note that it remains "essential to ensure development of Riga metropolitan area by making the most of Riga metropolitan area's potential to strengthen competitiveness in the Baltic Sea region and development of the Latvian economy" (Ministry of Environmental Protection and Regional Development, 2019, p. 1). The guidelines are trying to harmonise support for balanced territorial development and Riga's international competitiveness, viewed as an engine of economic growth for the country. The approach suggested is as follows:

1. to provide support to all Planning regions and municipalities, with higher support going to regions with lower GDP.
2. to support spaces of national interests (development centres, rural development spaces, Riga metropolitan area, Eastern border area and Baltic Sea coast) as identified in the Sustainable Development Strategy of Latvia until 2030<sup>3</sup>.
3. to expand support for local, resident-led initiatives, in areas such as education or strengthening of social and civic skills.
4. to use mutually integrated territorial development planning documents at regional, local and civil society level to attract public funding.

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<sup>3</sup> [https://www.pkc.gov.lv/sites/default/files/inline-files/LIAS\\_2030\\_en\\_1.pdf](https://www.pkc.gov.lv/sites/default/files/inline-files/LIAS_2030_en_1.pdf)

Thematically, this approach is translated into supporting economic development at regional and local scale, with a focus on:

1. Regional growth, based on the active involvement of Planning regions and municipalities in providing favourable conditions for business and innovation development.
2. Improvement of the efficiency and accessibility of public services, ensuring the adoption of smart solutions.
3. Promotion of capacity building in Planning regions, municipal administrations and other stakeholders, including civil society.

In addition, the Regional Development Guidelines 2021-2027 plan to support smart solutions that:

1. Improve the functioning of public administration institutions.
2. Reduce environmental impact and utilise the opportunities afforded by information and communication technologies.
3. Promote the creation of a test environment (test bed) in regions for products and services for smart solutions, facilitating the economic growth of territories.
4. Improve co-operation and interaction between public administration, entrepreneurs, education and research institutions, and civil society.

In addition to achieving more balanced territorial development, Latvia is undergoing administrative territorial reforms, which involve the amalgamation of municipalities. The aim of the administrative territorial reform is to create a more rational territorial division around development centres and a system of more equal and self-sufficient municipalities with higher financial and administrative capacity in order to ensure better conditions for business development, improve quality of public services and rational spending of public resources fostering local economies.

It is expected that, as a result of the administrative territorial reform, local authorities will see improvements in:

- Functional areas aligned with administrative division (urban-rural cooperation) and municipality as an employment centre – 80% of municipalities will be able to provide jobs to inhabitants in the territory of the particular municipality, allowing municipalities to earn their income from workplaces in their territory (currently – only 27% of municipalities).
- Investment capacity – all municipalities will be able to implement significant development projects, the capacity of the municipal budget will enable making investments amounting up to 30 000 000 Euro (currently – only 39% of municipalities).
- Administrative capacity – all municipalities will be able to ensure appropriate competence, including in development planning and entrepreneurship issues (currently only 50% of municipalities have full-time specialists).
- Human capital and education – all municipalities will have sufficient number of children to provide full education cycles throughout general education (currently – only 45% of municipalities).

On June 23, 2020, the Law on Administrative Territories and Populated Areas<sup>4</sup> entered into force after being proclaimed by the President of Latvia. The municipal elections took place on June 5, 2021, and the new local administrative structure came into force on July 1, 2021. This new administrative territorial division means that the new municipalities in general will have larger financial and administrative capacity to carry out functions under the Law on Local Governments. Further efforts in territorial administration reform are related to strengthening the administrative, financial, development planning and implementation capacity of local municipalities.

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<sup>4</sup> <https://likumi.lv/ta/en/en/id/315654>

## 2.4 Regional Policy Guidelines 2021-2027 in context

Compared to other European countries, Latvia has a tradition of strong vertical and horizontal cooperation across various levels of government. This makes it easier to implement territorial development policies, as each level (central, regional and municipal) of government has well-defined functions in a systematic and hierarchical structure of plans. Riga, as the largest city in the Baltic region, has traditionally been the engine of economic growth in the country, but its success highlights that strong regional disparities remain. However, the funding available for regional and municipal development is relatively limited, and most of it comes from EU funds.

The Regional Development Guidelines 2021-2027 represent an attempt to address some of these issues. The guidelines specifically attempt to reduce regional disparities, while recognising Riga's important role in the economy of the country. At the same time, the Guidelines attempt to compensate the reduction of funding for regional development through increased efficiency and investment in smart solutions. The increased focus on engagement of civil society and business is also noteworthy for opening decision-making in regional to new groups of stakeholders.

Overall, the Regional Policy Guidelines 2021-2027 – alongside the ongoing territorial administration reform – represent an opportunity to update regional development policy in Latvia. The next section analyses the practice of regional development governance in the country.

### 3 Regional development policy in Latvia in practice

This section presents the findings of the qualitative data analysis. Three major aspects emerged from the data analysis, which relate to the objectives of the Regional Planning Guidelines 2021-2027: vertical and horizontal coordination; the engagement of civil society in territorial development; and institutional capacity at regional and local levels.

#### 3.1 Vertical and horizontal coordination

As noted in section 2, regional development policy in Latvia is the product of a comprehensive planning system. However, this system is undergoing substantial changes (including the implementation of the Regional Planning Guidelines 2021-2027 and territorial administration reform). These changes have resulted in uncertainty in terms of how to proceed in devising and implementing regional and local territorial development policy.

In terms of vertical coordination for devising and implementing territorial development policies, interviewees noted that this generally worked well. This is possibly a product of Latvia's comprehensive planning tradition, through which central government, regional planning authorities and municipal authorities are used to work closely together to plan and deliver territorial development policies. The systematic nature of the planning process, where a succession of planning documents inform the next hierarchical level, makes the system clear and predictable for stakeholders. Interviewees highlighted how this provides clarity in terms of what stakeholder has responsibility for what aspect of territorial governance, within well-defined administrative borders. However, in a subsequent project workshop with regional governance stakeholders in Latvia, interviewees noted that some aspects of vertical cooperation continue to be challenging. In particular, interviewees noted that there are difficulties in coordinating local, regional and national sectoral priorities, as well as defining regional perspectives of sectoral policies at national level.

In contrast, interviewees remarked on the need to promote better horizontal coordination at local and regional level. Among the reasons for the increased focus on horizontal coordination pointed out by interviewees is the perceived discrepancy between the opportunities afforded to the city of Riga and the rest of the country. As noted in Section 2, the capital city of Latvia has significantly higher regional GDP than other cities in the country, attracts significant numbers of younger and better-trained workers, and enjoys a generally higher quality of life. Being the seat of government and the engine of the Latvian economy, Riga is at times seen by stakeholders elsewhere as able to secure its preferred territorial development policies, even if these policies do not match other regions' preferences. Another aspect highlighted is that neighbouring local authorities sometimes find it difficult to collaborate with the Riga city council in the provision of shared services, as noted by a regional coordination policymaker.

#### IN STAKEHOLDERS' WORDS

##### Quote 1

...in the Riga region, in the last decade, the Riga city [*municipal*] authority didn't even negotiate very much with [some] local authorities to provide common transport services, to provide common educational services in a better way for the public or for the local inhabitants.  
(LV05, Cross-Sectoral Coordination Centre)

It should be mentioned that interviewees noted some improvement in their ability to collaborate with Riga over the last year. Planners in Riga point out that the City's priorities lie in competing in the international stage, and that therefore Riga has special development requirements. This echoes the clear distinction between Riga and the remaining Planning regions of the country which is made in the Regional Policy Guidelines 2021-2027 (see Section 2). However, horizontal and vertical collaboration issues are at the heart of delivering Latvia's ambitious targets in challenges such as fostering business development, ensuring qualitative and efficient public services, improving mobility, reducing traffic congestion in cities, addressing climate change and others.

The ambition to improve horizontal coordination between regional and local planning authorities in order to address economic, social and environmental challenges comes against two main constraints: the fact that the comprehensive planning tradition is, at times, difficult to adapt to novel circumstances; and funding constraints. In terms of how existing planning mechanisms struggle to cope with novel circumstances, a policy-maker in a planning region noted how difficult it is to move towards operating cooperatively across functional areas, what they termed "metropolitan area thinking":

#### IN STAKEHOLDERS' WORDS

##### Quote 2

...one thing is the metropolitan area governance, because there is no existing way how to manage a metropolitan area collaboration. One thing of course is a planning region, but our functions are rather limited, and also the financial instruments to implement these actions are also rather limited there. So, we need to involve also national authorities and other players to move towards this metropolitan area thinking. (LV03, planning authority manager)

The quote above suggests a need to improve cooperation beyond the traditional territorial divisions, such as municipalities and regions. Delivering the ambitions of the Regional Policy Guidelines may require developing cooperation across functional regions, or metropolitan region. There is scope to consider mechanisms for cooperation at local and regional level which transcend administrative divisions. Perhaps this aspect can be developed in the aftermath of the territorial administration reform.

Overall, interviewees identified horizontal coordination, including urban and rural partnerships, as an aspect for improvement in regional and local development. This suggests there is scope to consider how national support instruments for regional and local development can provide incentives for horizontal coordination. There is also room to improve the usage of existing vertical coordination mechanisms in Latvia, especially considering regional and local needs in national sectoral policies.

## 3.2 Engaging civil society in territorial development

One of the development dimensions stated in the Regional Policy Guidelines 2021-2027 is to increase the involvement of civil society in territorial development. Among other support directions, the Guidelines note the need to expand support for community-led local initiatives in territorial development, and that civil society's preferences are to be included in mutually integrated territorial development documents, at both regional and local level. Furthermore, the Guidelines seek to improve cooperation between public administration, businesses, science and education institutions, and civil society. This is seen as a crucial aspect of delivering common goals (Ministry of Environmental Protection and Regional Development, 2019).

Interviewees noted that extensive engagement with civil society already takes place, and it is generally seen as successful. Public administration institutions are very conscious of their civil society stakeholders, and try to engage them from the outset of development planning or policy documents and projects. This was noted by a regional coordination policymaker:

**IN STAKEHOLDERS' WORDS****Quote 3**

...we have very strong open government where we discuss [often] with NGOs and different associations on different projects. Each project, when it's going to the public or the first draft, [there] is a possibility for all these organisations to reflect on that and we have to analyse these reflections and they are a significant part of the discussions when the project is in the drafting process, and in the process of making a decision within the government or parliament. (LV05, Cross-sectoral Coordination Centre)

Engagement with civil society is not limited to collecting feedback and including it in the policymaking process. As noted by a municipal manager, there are different groups working with the local authority. These groups have different needs, and the local authorities consequently offer different types of support:

**IN STAKEHOLDERS' WORDS****Quote 4**

Then there are like those sport organisations which are very active, which are organising the sport teams and they are also applying for some funding from the municipality. There is regulation on how to do that. This is not big money, but nevertheless it's helpful for the local smaller groups. Those are like inhabitants. But then they also have the business groups which are organised like an informal NGO which is named the entrepreneurs organisation, (...) and those are also very active, they are like organising different events for how to apply for funding, and how to make an effort to push their issues on the council agenda. So, they are really very active. (LV01, municipal manager)

As noted by the municipal manager, support for entrepreneurs and businesses seeking funding is a priority for most local government. A manager in another municipality noted how they proactively sought entrepreneurs and tried to understand their needs in order to develop policies which supported business. However, this degree of proactive engagement varies. For example, municipal managers in Riga noted how the capital city had recently created an agency to proactively promote entrepreneurship. The focus is on reducing bureaucratic and administrative burdens on businesses, thus eliminating one important obstacle for entrepreneurs.



**IN STAKEHOLDERS' WORDS****Quote 5**

So basically from the company or from the association perspective now this new agency that was established will serve as one point of contact which is easing up things from the user perspective, so they would only have to submit their lists of questions or they would have to tell about their idea for development to this one agency, and then the agency would further connect all the dots through the structures of the city council, so that the investor itself or the company itself wouldn't have to go through these labyrinths of city council. So that will ease up things very significantly I believe.

And we're also working significantly to reduce the burden of bureaucracy and to ease up the procedures within city council to shorten the times that are required for getting approval for one thing or another, and these are all things that are our focus right now. (LV02, municipal manager)

However, there are still avenues for improvement. Not all local authorities demonstrate openness to society engagement and not all society engagement instruments are used efficiently. As mentioned by the representative of the Ministry of Environmental Protection and Regional Development, the challenge still is to motivate society to engage and local municipalities to better collaborate with the stakeholders and society. It is especially important in new amalgamated local municipalities to ensure that people are heard despite of their place of residence (central or peripheral). The draft Municipalities Law foresees new society engagement instruments (such as collective application (petition); inhabitants' council- representation in the local administration; participatory budgeting; public consultations etc.). It is important that these instruments are used efficiently both by society and local municipalities.

One specific area for improvement is the provision of information about local and regional plans – not only in terms of what information is provided, but also the format in which this is provided. While this is very useful for developers and entrepreneurs, for example, other sectors of society don't necessarily have the know-how or the need to access this information. They might, however, be interested in knowing what the objectives of the strategic planning document are, or to understand what the vision for their local area is. This is not to say that civil society has not been offered anything beyond technical documents. Another regional planning authority manager noted how they have tried to offer clearer and simpler summaries of strategic plans for the region, thus demonstrating how essential it is to communicate the development plans to a wider society in an understandable way:

**IN STAKEHOLDERS' WORDS****Quote 6**

...when elaborating our development programme (...) we also prepared a soft version of the development programme. One thing is this 100 [pages] document, which is rather boring for inhabitants to read and to understand all these figures, so we prepared like a poster with some kind of visual animations, which explains absolutely the same priorities and directions of action included in the programme. But we just tried to explain it in a really soft way so you can get this information in five minutes. So, this is how we collaborated not only with the municipalities, but also with the public when elaborating the previous plan. (LV03, planning authority manager)

Although there exist various society engagement and communication instruments at all governance levels (formal and informal) and good practices as well, not in all cases they are used efficiently enough. The challenge is to motivate society to engage and public governance better to collaborate with stakeholders and society. In that regard some improvements can be made.

### **3.3 Institutional capacity at regional and local level**

One aspect that was often remarked by interviewees is the lack of institutional capacity, especially in some of the smaller municipalities. As noted in Section 2, Latvia has experienced administrative territorial reform, merging many of the municipalities with a purpose to create bigger, more capable, self-sufficient and open local authorities.

The issue most often referred to in association with lack of institutional capacity is funding. Smaller local authorities are more likely not to have full-time, dedicated development planners and business development experts. This causes problems for stakeholders looking to discuss and implement policies, as remarked by a central government civil servant. It is hoped that the territorial administrative reform will help address these challenges.

Other interviewees confirmed how entrepreneurship support and similar services were often not staffed in smaller local authorities. A significant part of territorial investments was reserved for the largest cities, and only in rare cases there were open competitions for other municipalities in the programming period 2014-2020. The limited competition had the effect of producing rivalries between local authorities, and between local and regional authorities. This was remarked by a manager in a planning region, who commented about small local authorities:

**IN STAKEHOLDERS' WORDS****Quote 7**

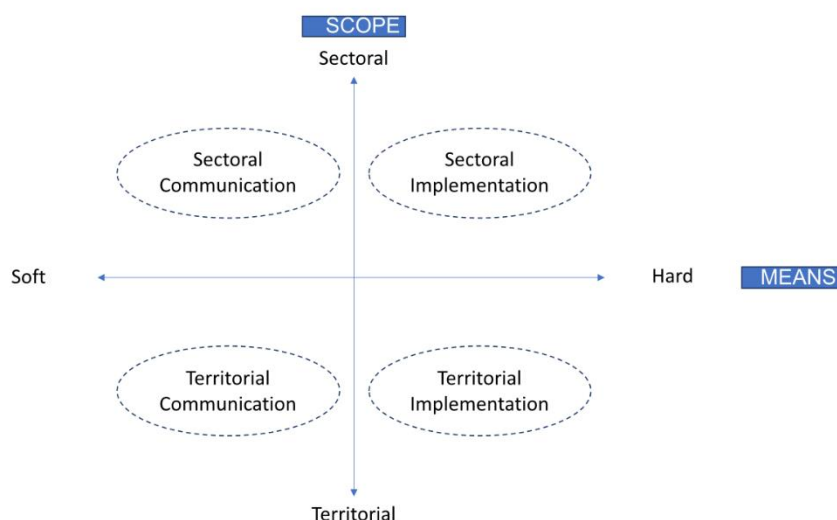
They sometimes lack the ability to see the larger picture outside their own area, because there's still a lot of local competition, definitely. They cooperate in some areas and in some areas the cooperation is very good because they understand that it's the only way. But in many areas, yes, they still compete for the human resources, for investment, et cetera, even though they're very small. (LV04, planning authority manager)

The picture that emerges is of small local authorities, constrained by budget and staffing levels, struggling to deliver local development thus contributing to the objectives of the Regional Planning Guidelines 2021-2027. While the ongoing territorial administration reform process looks set to help address these issues, it will be necessary to implement policy measures which assure that the new local authorities allocate the necessary staffing and resources to territorial development, inter alia increasing the capacity and role of local municipalities in business development.

## 4 Policy recommendations for the development and implementation of coordination mechanisms in Latvia

### 4.1 The ReSSI framework for regional development

The ReSSI project identified two key dimensions for the promotion of regional development: the scope of the planning and the means used to bring them to reality. The scope refers to the understanding of the focus of planning, and can vary from a policy focus on a single sector or dimension, to wider territorial strategies and projects encompassing various sectors. The means, on the other hand, refer to the mechanisms by which planning officers can deliver on plans. These can range from the 'softer' communicative means applied in consensus building, such as policy recommendations, exchange of good policy practices, informal agreements, collaboration and inclusion in policy debates, to the 'harder' financial programmes and legally binding means (ESPON, 2018). Figure 4.1 shows how these two dimensions come together to create four regional strategies for territorial development.



**Figure 4.1: Regional strategies for territorial development**

In practice, regional strategies for territorial development hardly ever conform to the four “ideal” strategies in the figure above. Rather, they will often approach one of the “ideal” strategies, but combine it with specific elements, due to local and regional specificities.

ReSSI’s policy recommendations were developed to provide guidance in situations of changing regional governance frameworks. The mechanisms can be characterised as types of ‘soft’ instruments, with a focus on communicative strategies which go beyond providing stakeholders with information, seeking instead to obtain their attention and engagement. These approaches offer important advantages, namely:

- They do not require legal instruments to implement, making them easier and quicker to implement.
- They can be tested quickly, developed, and withdrawn if necessary.
- They focus on communicative means, which promote engagement and allow local and regional stakeholders to contribute their views and priorities.

- They seek to engage stakeholders, building institutional capacity.

The following policy recommendations consist of proposed good practices for delivering economic development policies in the new territorial governance framework, and can support the translation of the Regional Policy Guidelines 2021-2027 into regional development programmes.

## 4.2 Improving coordination mechanisms for territorial development: policy recommendations

The analysis paints two distinct pictures of territorial development in Latvia, one within the city of Riga and another outside it. The Regional Policy Guidelines 2021-2027 foster polycentric development, strengthening national and regional development centres, as well as fostering urban and rural linkages in wider functional areas. While that is a welcome development, regional and municipal authorities can improve their own ability to make the most of the increased support offered by the new Guidelines by coordinating their efforts. This can be achieved, *inter alia*, by playing a more active role in fostering the regional and local economy especially in the new administrative structure, as well as developing their own funding sources, thus decreasing the dependence from EU funding.

**Recommendation 1: Identify target sectors within regions, and draw up strategy documents to connect regional sectoral priorities to national sectoral policies.** The research showed that, despite of existing vertical coordination mechanisms in Latvia, it is possible to improve how local authorities, Planning regions and sectoral ministries collaborate and coordinate priorities, ensuring that national sectoral policies contribute to regional development. In order to improve coordination between local municipalities' needs and national policy, regional authorities should produce strategy documents which focus on tangible and specific regional development opportunities and how they can be financed. These aspects – regional development priorities and financing streams – should become a more explicit part of formal dialogues between sectoral ministries, regional authorities and municipalities, improving both vertical and horizontal coordination. Implementation of this recommendation should also improve institutional capacity at all governance levels, by creating the necessary conditions for better horizontal and vertical coordination.

An example of what can be achieved through this mechanism is presented in the “Developing strategic documents for improved coordination: Coventry City Council” Case Study.

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**CASE STUDY****Developing strategic documents for improved coordination: Coventry City Council**

Coventry City Council's support for the local automotive industry demonstrates how strategic sectoral development documents elaborated by Local Authorities can support both vertical and horizontal coordination. Coventry City Council (CCC) identified a specific sector – the automotive industry – as a driver of local economic development. The Council drew up a plan to support the sector, which included understanding current key stakeholders and their needs, funding sources and foresight of technology trends which will require investment. The Council then contributed to the strategic documents of the two sub-national governance bodies of which it is part, the Coventry & Warwickshire Local Enterprise Partnership (CWLEP) and the West Midlands Combined Authority (WMCA). Support for advanced manufacturing, and specifically the automotive sector, became a pillar of the strategies of both the CWLEP and the WMCA.

Having identified the automotive sector as a strategic priority in their plans, CCC, CWLEP and the WMCA engaged stakeholders in the sector, and came to be seen as legitimate brokers of knowledge. This allowed them to establish partnerships with the private sector, and to lobby government ministries, helping shape policy and funding priorities.

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**Recommendation 2: Promote cooperation across metropolitan and other functional areas.** The research showed a need to promote horizontal cooperation which transcends administrative borders, inter alia, strengthening urban and rural linkages. This may require regional and local planners to operate outside the hierarchical and systematic planning process which they are used to work within. Both ESPON SPIMA (Spatial dynamics and strategic planning in metropolitan areas) and ESPON METRO (The role and future perspectives of Cohesion Policy in the planning of Metropolitan Areas and Cities) provide valid policy insights into how cooperation can be promoted across metropolitan areas.

## CASE STUDY

### Cooperation across metropolitan areas: the ESPON SPIMA project

ESPON SPIMA noted that, in the metropolitan areas analysed, institutional structures were often fragmented, impeding effective coordination between local plans and policies. A key aspect of improving this fragmentation is the involvement of regional authorities, operating alongside clusters of municipalities and inter-municipal collaborative bodies. Interestingly, the decision to create formal institutions for metropolitan cooperation is not a condition of success for metropolitan cooperation; semi-formal institutions are just as capable of delivering metropolitan cooperation. The focus of these collaborative bodies - thematic sector-oriented, inter-regional, inter-municipal and cross-municipal, for example – can also be varied. The important role these bodies play is to ensure a wider stakeholder involvement in the preparation of metropolitan strategies and spatial plans.

SPIMA defines a series of success factors in applying a coherent metropolitan planning approach:

- Combining top-down policy incentives with bottom-up collaboration and implementation.
- Collaboration between the relevant planning authorities at national, regional and local levels.
- Involvement of a wider range of stakeholders (e.g., businesses and branch organizations).
- Ensuring the transparency and openness of collaboration processes and building awareness.
- Working towards a “minimum gain for all” when negotiation and compromise is needed.
- Starting with bottom-up initiatives (e.g., transportation) that can be convincing for most actors.
- Political commitment and support from higher levels of government (e.g., national).
- Mobilizing political leadership to engage with different actors in collaboration.
- Setting the rules of the game: combine flexible shared governance in spatial planning with the establishment of more restrictive/legal mechanisms for managing growth.
- Creating common funds and agencies for supporting the metropolitan scale of planning, that can enable expertise and financial incentives to be applied (e.g., EU and/or national sources).

The ESPON METRO project is due to report in late 2021, adding policy guidelines for integrating Cohesion Policy in strategic metropolitan planning.

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**Recommendation 3: Reinforce shared territorial visions among stakeholders.** The findings suggest that, despite the widespread practice of consultations, engagement with wider society is not efficient enough. However, the experience of public consultations shows that it is possible to engage the public and sectoral interests in shared visions of development. In that regard it is important to motivate society to engage, while encouraging municipalities to ensure real collaboration with stakeholders and a wider society for common good. Planning regions and municipalities, among other society engagement instruments, should make use of visual means to represent their vision of development, in ways which help bring society into those visions and engage it with its long-term delivery. This can be done by devising communication plans which seek to enrol society in exciting visions of the future. The publication of online resources is one way to achieve this, as shown in the “Developing shared territorial visions: Region of Southern Denmark” Case Study.

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## CASE STUDY

### Developing shared territorial visions: Region of Southern Denmark

The Region of Southern Denmark co-developed a regional strategy with its 22 municipalities, as well as a series of sub-regional development agreements with subsets of those municipalities. The strategy is a requirement by central government and the main strategic means for the regional authority. The development of the strategy also included sectoral elements, all of which revolve around partnerships with organisations which do not exclusively work for the regional strategy, but are important entities with which to discuss a regional agenda in their field. Constitutionally, the Region of Southern Denmark does not possess the executive powers to deliver the strategy. As a result, its approach was two-fold: first, it conducted a series of systematic territorial analyses, collecting data on myriad indicators. Second, it reconfigured its place in the networks of stakeholders as a knowledge broker and provider.

The Region proceeded to make use of its role to provide more than knowledge, such as can be seen in maps and statistical indicators; instead, it drew up plans based on that data which posit possible future developments, focused on imagery and persuasive communication. The Region produced and distributed a periodic magazine for stakeholders, framing the discussion about how given policies can contribute to a shared objective of 'The Good Life' for everyone living there.

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**Recommendation 4: Attract stakeholders to long-term partnerships through diverse support and funding.** Another result of the lack of institutional capacity in planning authorities (including in some municipalities) is the difficulties in maintaining stakeholders engaged with the project of local and regional development over time. Funded projects can be used to maintain stakeholders' engagement, for example through successive phases and iterations of a strategy. Personal and social connections with long-term counterparts in the business and civil communities should be fostered through frequent collaboration. These sustained, long-term relationships can result in positive development over time, over and beyond what can be achieved in short-term initiatives, as shown by the "Maintaining long-term partnerships through successive funding rounds: Piedmont Region Authority" Case Study.



## CASE STUDY

### Maintaining long-term partnerships through successive funding rounds: Piedmont Region Authority

The 'Corona Verde' programme, in Piedmont, demonstrates how successive funding rounds can be used to cement long-term partnerships, improving horizontal coordination. The programme involves 93 municipalities located around Turin, which cooperated in the creation and maintenance of a network of ecological corridors. The cooperation started in the 1990s, and evolved over three distinctive phases.

In the first phase, the programme involved 24 municipalities and consisted of a collection of projects, mostly financed through EU structural funds (programming period 2000-2006). In this first phase the project contributed to the consolidation of a new development vision for Turin and its metropolitan area, based on environmental quality and quality of life. In the second phase, Corona Verde was funded under the programming period 2007-2013 through a dedicated axis of the Piedmont Regional Operative Programme (ROP), mostly financed through the European Regional Development Fund (ERDF). In order to enhance its internal coherence and impacts, in 2007 the Regional Authority commissioned the development of a Corona Verde masterplan to a group of experts. During this phase, Corona Verde became a part of the wider regional development strategy. This also saw the enlargement of the project area, to include all 93 municipalities and 38 stakeholders of different types (public entities, trade, professional and cultural associations). In the third phase, during the programming period 2014-2020, Corona Verde no longer benefits from a ROP dedicated axis. The actors involved in the project were required to look for and integrate alternative sources of funding in order to promote and realise interventions to maintain the momentum of the strategy. Throughout the three phases, the main role of the Piedmont Region was to redefine the governance structure and its role within the Corona Verde process, to be seen as a facilitator for connections among stakeholders, as well as a broker of information concerning funding opportunities.

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**Recommendation 5: Improve institutional capacity at central, regional and municipal governance level.** The research demonstrated that, before the administrative territorial reform, individual regional (planning) authorities and municipalities were understaffed, struggled to attract the qualified experts, and consequently lack the time and ability to coordinate effectively with other regional and municipal authorities. Improving their institutional capacity can contribute to improving their ability to coordinate amongst themselves and with central government. In order to address this, planning authorities should create full-time staff positions dedicated for development planners and business development experts. These positions should be explicitly included in those organisations' budgets, supported by Central government if necessary. The upcoming territorial reform could provide an opportunity to implement these changes.

**Recommendation 6: Strengthen the role of regions and municipalities in economic development, promote regions or municipalities as test beds of innovation.** One of the mechanisms by which the Regional Development Guidelines 2021-2027 seek to deliver their objectives is by strengthening the role of Planning regions and municipalities in business development, inter alia contributing "...to the creation of a test environment in regions for products or services for smart solutions" (Ministry of Environmental Protection and Regional Development, 2019, p. 2). Interviewees generally agreed with the concept. One example of how this can be achieved comes from Coventry City Council's support for the automotive industry, as shown in the "Promoting the West Midlands as a Test Bed of Innovation: Coventry City Council" Case Study, a partnership between the Council and regional authorities.

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**CASE STUDY****Promoting the West Midlands as a Test Bed of Innovation: Coventry City Council**

The current models of local and regional development depend on private actors to deliver innovation and economic growth. It is not the role of the local authorities to produce or hold specialist technical knowledge. However, they can enhance their role as coordinators and facilitators, operating as hubs for existing networks and relationships which have an expected benefit.

Coventry City Council (CCC) identified a specific sector – the automotive industry – as a driver of local economic development. The Council drew up a plan to support the sector, which included understanding current key stakeholders and their needs, funding sources and foresight of technology trends which will require investment. One of the mechanisms which CCC employed to improve its legitimacy with the automotive sector was to join a consortium developing autonomous vehicle technology.

Financed by the UK central government and supported by the regional business support partnership (the Coventry-Warwickshire Local Enterprise Partnership CWLEP), the UK Autodrive project brought together automotive manufacturers, universities and local authorities in the West Midlands region to test autonomous vehicles in the streets of the city. Support from the regional authority was fundamental, as the CWLEP served as a coordinating agent between disparate interests and priorities. The Local Enterprise Partnership was not directly involved in delivering any aspect of UK Autodrive, but it provided coordination among local authorities (all of which were competing for funding) and central government agencies (by helping identify important sectoral priorities which deserved funding).

At the time when the project was undertaken, autonomous vehicles were not allowed on UK roads, due to safety concerns. However, CCC's business managers lobbied the traffic management department and achieved a special dispensation for the tests to take place. This was important: At the same time, the various interviewees agreed that the focus of the project was not solely technological research, and that societal issues (public engagement and promoting the acceptance of new technologies) were also a fundamental aspect. This gives the project a 'market testing' function, helping improve awareness and acceptance of these technologies amongst consumers through direct exposure to the potential of autonomous vehicles. In fact, interviewees described the project as turning the city into a living laboratory – a test bed for the application of state-of-the-art technologies into city life.

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## **ESPON 2020**

ESPON EGTC  
4 rue Erasme, L-1468 Luxembourg  
Grand Duchy of Luxembourg  
Phone: +352 20 600 280  
Email: [info@espon.eu](mailto:info@espon.eu)  
[www.espon.eu](http://www.espon.eu)

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