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**The Possibility to Create Large-scale Regional Governments
in Latvia**

by

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The topicality of the theme is connected with the prolonged period of decision-making during which no answer has been given to the question – whether to establish the large-scale regional governments in Latvia or not. The aim of this paper is to evaluate why previous efforts to establish such type of self-government were not successful, as well as to offer a solution of the problem. This paper describes the main interest groups connected with the regional reform, the analysis of the influence of economic, social and political aspects on the establishment of regional governments of larger scale is carried out, as well as comparison with the tendencies in the countries of the European Union (EU) is made.

INTRODUCTION

Although the necessity of the regional reform has been recognised already in “The Concept of Self-Government Reforms”, elaborated in 1993 (The Cabinet of Ministers, 1993), also the law “On Administrative Territorial Reform”, adopted in 1998 (the Saeima (the Parliament), 1998) provided for the establishment of such a kind of local governments, as well as the Declaration of the Cabinet of Ministers of 2004 envisaged the creation of large-scale regional governments - still the political decision has not been adopted. Why?

Simple, but quite correct answer in the substance is: because in Latvian society there is no conviction that such a regional reform is necessary. The opponents of the reform are easily gaining support, in its turn the supporters of the reform face difficulties.

This is connected with the short period in which Latvian nation has been living in its own country. Many consider that it is necessary to consolidate the state as something above all values. It often brings the conclusion that it would not be advisable to allow the development of other forms of territorial power, thus limiting and subordinating them as much as possible to the state control. The idea that developed and democratic local governments are sustaining and not weakening the state is not very popular in Latvian society for the time being.

Nevertheless, if the political and intellectual elite would have enough arguments in favour of the establishment of large-scale regional governments, the reform would not be anything impossible.

SOME CONCLUSIONS FROM THE EXPERIENCE OF THE REGIONALIZATION IN THE EU

After the World War II Germany and Austria have been reorganized as federative states. Still, the hopes of the winner-states to weaken these states politically and in certain sense also to preclude their economic development by decentralization of power did not prove right. On the contrary, the regional variety in Germany became an important aspect contributing to the development, and Germany occupied the position of economic leadership in Europe more definitely year by year. The events took place in contrary to the traditional opinion that political centralization facilitates better the development.

In the 70s and 80s of the 20th century reforms in the framework of local governments were planned in several European countries – both establishing directly-elected regional governments and unifying local governments with the aim to establish larger administrative territories. The motivation was mainly connected with the economy of scale – the belief that both for the production of goods and services and for the public administration in larger scale there are clear advantages. But the reformers frequently faced the resistance from the side of the society – the implemented reforms were either unpopular (as it was in Denmark) or the proposals for the regionalization did not get support in referendums (as it was in the United Kingdom).

In the beginning of the 90s, when implementing the policy of four basic freedoms of the EU - freedom of movement, goods, services and freedom of movement of persons – the threats of massive immigration to economically and socially more advantageous territories became apparent. Therefore the necessity for common effective regional policy in the EU was growing. In the underdeveloped territories it was necessary for people to create the feeling that immigration is not the only solution for their problems.

As a most appropriate for the equalization of the levels of development there was chosen the administrative-territorial scale that is the second largest after the state territory. It was admitted that in such a level territorial particularities can be better taken into consideration, it is better to plan and manage the development. Both the financial resources from the Objective 1 programme of the EU Structural Funds and the resources from the EU Cohesion fund were directed to the regions of this scale. This fact facilitated the process which obtained the name “regionalization”. The “regionalization” came into effect in two basic forms – with the consolidation of the existing local governments and with the establishment of new regional governments.

As a result, there have been established several forms of regional administration in the member states of the EU. It is shown in the table No. 1. There are four groups of states:

- 1) federal states;
- 2) unitary states with local governments of three levels;
- 3) nine unitary states with local governments of two levels;
- 4) eight unitary states with local governments of one level.

Table No. 1 The classification of countries by the form of regional administration
(source: Falzon, 2004)

Group	States	The form of regional administration	Description
1.	Germany Austria Belgium	16 states 9 states 1 region and 2 communes	There are regional parliaments, whose competence is separated from the competence of state
2.	France Ireland Italy Poland Spain	22 regions 8 regions* 20 regions 16 regions 17 regions	Different degree of autonomy. Responsibility for the planning of development and management
3.	The Czech Republic Denmark Greece Hungary Latvia The Netherlands The Slovak Republic Sweden The United Kingdom	14 regions 13 regions** 50 departments 19 regions 26 districts and 7 major cities 12 provinces 8 regions 21 regions** 36 local governments of “larger scale” **	Regions implement the administration of state laws, and they have independent budget. Different degree of autonomy.
4.	Cyprus Estonia Finland****	There are no local governments in the regional scale	The dispersed administration of the state is functioning in the

	Lithuania Luxembourg*** Malta Portugal* Slovenia		regional level
Remarks:	* - indirectly elected decision-making institutions of local governments; it is partly attributable to Portugal ** - because of political considerations they are called as local governments of larger scale, not regional governments *** - the regional administration level does not exist **** - effective co-operation of local government in the regional level		

In five countries local governments have been established in the last decade. It is so in Ireland (1994), the United Kingdom (1998 and 1999), Poland (1999), the Czech Republic (2000) and the Slovak Republic (2002). In the United Kingdom the regional assemblies of the Northern Ireland, Scotland and Wales were established; it is planned to establish eight regional assemblies in England. In Hungary it is planned to establish larger scale regional governments instead of the existing seven planning regions. In Lithuania there are discussions about establishment of five regional governments.

In many cases the regionalization was connected with the aim to implement regional development more effectively. It was especially applied to the Objective 1 regions of the EU (Territorial, 2003). In the situation, when the whole territory of the state has developed so far that there are no more Objective 1 regions, in some cases (e.g., in Denmark) there are discussions about the transition to local governments of one scale.

In Latvia, having regard of growing disproportion of its internal territorial development, the positive experience of regionalization in other member states should be taken into consideration.

THE INTEREST GROUPS CONNECTED WITH REGIONAL REFORM

Even though in the public administration of Latvia the method of rational planning of politics is especially popularized (Cabinet of Ministers, 2001), the theory of groups is more appropriate for the analysis of regional reform. According to this theory, the basis of political decisions is not a “weak” political benefit, but the balancing of interests of different groups.

Because of the limited scope of this paper, it is not possible to analyse all groups and their connection with the regional reform in more detail. Nevertheless it is useful to mark several important interests.

The interests of entrepreneurs cannot be estimated unequivocally. The small and medium-sized entrepreneurs could anticipate that the decentralization of the state power to the regions would increase their opportunities to get support from public power. On the contrary, the large entrepreneurs could prefer the centralized development model. Currently the possibility to gain profit in the territories, where more rapid circulation of capital is provided because of the relatively better conditions of infrastructure, are not used. It means that great part of entrepreneurs, whose influence on political parties can be even decisive, does not feel the necessity for equalization of the development of Latvia’s regions yet. It can also signify the negative attitude against the regional reform.

The interests of political parties firstly are connected with the struggle for the positions in the elections of the Saeima. In the forefront there are questions about more or less advantageous electoral constituencies and about the possible influence of regional governments on the results of Saeima elections. If it would be

possible to convince the political parties to put forward the question about regional reform in the political agenda, then when defending the opinions “for” or “against” it would be possible to gain privileges in comparison to other parties, which do not have concrete opinion. Nevertheless, the long-term political indecisiveness gives evidence that the governing political parties are not certain about the success in the elections of regional governments.

The interests of major cities are connected both with the historical tradition and with their substantial influence on political and economic processes in their present status. Cities in every times, beginning from the Middle Ages, have tried to gain more autonomy. The establishment of regional governments of large-scale could signify the inclusion of major cities into regions, and thus they could lose their special status. At the moment major cities are fulfilling both - the functions of district and local government. By transferring the functions from district to regional governments, partial transfer of functions of major cities in the competence of regional powers can be anticipated. This reason can put local governments of major cities as the opponents of regional reform.

The interests of local governments result from the endeavours to gain the support from the inhabitants of concrete territory. In order to implement this, it is necessary to carry out real, visible activities for development, the results of which the inhabitants could “use” daily.

On the one hand, the local governments of cities and rural municipalities have continuously been in competition with districts, constantly disputing the competence of districts and trying to take this competence over in the local scale. Till now the state has facilitated this process, but it has not always led to rational consequences. The great amount of mutual payments gives evidence in this. Still, it is hard to refuse from such competencies, which are not characteristic to local level, because of the inertia. The solution is sought in the development of larger-scale local governments – amalgamated municipalities, – and not in transfer of the functions, which are characteristic to the regional level, to the appropriate administrative-territorial level.

On the other hand, the existence of present 26 district self-governments defends local governments from excessive intervention and control of central government. As districts in Latvia do not form second level of local governments, but they make larger-scale one-level local governments together with towns, rural municipalities and amalgamated municipalities, then the districts have neither the functions of control, nor those of monitoring or co-ordination. The co-ordination of interests in the district is being implemented voluntary, and the district cannot give any instructions to local governments. Thus the existence of districts is the factor, which succeeds local autonomy.

Local governments anticipate possible establishment of larger-scale regional governments both with hopefulness and suspicion. The critical question is whether it will not lead to the establishment of local governments of superior level.

The interests of ministries in the context of this research are deriving from the efforts to develop and to improve their performance. Every official estimates his/her own accomplishments and tries to increase his/her influence in the implementation of the development plans of concrete sector. The efforts to increase the amount of accountability and responsibility of every ministry are also facilitated by external factors:

- the practice of making of coalition governments deriving from the proportion of political forces, when ministries to a certain extent are used as the tool for concrete political parties in order to consolidate their influence;
- the “normativism”, which exists in Latvian legislation, the efforts to regulate public relations in the most detailed way, which succeeds the bureaucratisation and the increase in the numbers of officials.

In Latvia the law states that the official or institution does not have their own interests, they are working in the “interests of the society” (the Saeima, 2001, 2002). Nevertheless, it does not hinder those working in the public administration to consider that the ever-growing centralization serves to these “interests of the society”. Because of this reason ministries will facilitate neither the decentralization of competences, nor the decentralization of finances from ministries to regional governments. Only well-defined and unequivocal political will of the Cabinet of Ministers can neutralize such an attitude.

The interests of the inhabitants of rural areas and provincial towns are closely connected with regional development. The fact that all the regions of Latvia are more and more lagging behind the Riga region does not facilitate the will to connect one’s activities with his or her place of residence. This is a factor which facilitates migration. Though, in this case the perception’s problem is very essential. Although inhabitants of these regions would be interested in better representation of their interests, great part of society does not link this better representation with decentralization.

In order to turn the inhabitants of rural areas and provincial towns into associates of regional reform, it is necessary to give better understanding about the democracy of local governments and the opportunities created by the democracy.

ELEMENTS OF ECONOMIC IMPACT

Statistical data obviously show that disproportion in the economy of regions increase. It is characterised by the dynamics of GDP per capita. During the centralised management of development GDP per capita in the time period from 1997 until 2001 in Riga statistical region increased by 69,3%, while the highest indicator in Latgale statistical region was only 41,4% (Vanags, 2004). If we refer these dynamics to the average indicator in EU, then only one region – Riga region safeguards approaching of Latvia towards EU level, while the other four statistical regions lack behind more and more. It means that regional development policy in Latvia in the period of centralised management is unsuccessful, its objectives fall behind year by year.

This situation creates problems already now, and they can only increase in the future. Therefore we could expect that particularly strengthening of the autonomy of the regions and creation of directly elected regions could balance the dominance of Riga.

The sense of regional governments can be found not only in the „more fair” division of resources. Democratic elections facilitate better consideration of territorial peculiarities. If the economy structure in Latvia would be homogeneous, then the balance of its development could be attained by unified centralised measures dividing public investments. However the characterisation of GDP structure in the Table No.2 testifies the opposite.

Table No. 2 Biggest proportions of sectors in the overall added value in Latvian regions (source – Vanags, 2004)

Region	Sectors with biggest proportion	Proportion %
Riga	Wholesale and retail; repair of cars, motorcycles, items of individual application, domestic devices and equipment	20,9
Vidzeme	Processing industry	21,6
Kurzeme	Transport, storage and communications	28,1
Zemgale	Agriculture, hunting and forestry	18,5
Latgale	Transports, storage and communications	18,5

It means that from the point of view of location marketing theory (Vanags, 2003) these regions develop the competition or cooperation relations which are different from other regions of European economic area. This competition and cooperation will be directed at attraction of three groups of users – inhabitants, entrepreneurs and clients.

Thus there are at least two essential economic arguments which are in favour of directly elected and strong regional governments:

- Fiasco of so far existing regional policy which was managed from the centre,
- Structural differences of the economy of regions, which determine expedience of different marketing policy in every region.

ELEMENTS OF SOCIAL IMPACT

Economic differences are strongly linked with social differences, because they result from the level of employment, income of the employed, as well as from the quality and quantity of the public services rendered by the local governments.

The synthetic index of territory development elaborated by the researches of LSI and the University of Latvia characterises both – the economic and the social indicators (Vanags, 2004), including level of unemployment, size of personal income tax, demographic situation, index of attractiveness of the territory, built dwellings per 100 inhabitants.

The surveys prove (Vanags, 2004), that also in Latvia there is strong interconnection between the economic and the social indicators. Thus, in 2001 in regard to GDP per capita the difference between the best and the weakest region was 2,7 x (times), in regard to the level of unemployment – 3,1 x, and in reference to personal income tax per capita - 2,5 x.

Impact of possible regionalisation on efficiency of social policy has one more important aspect, because the attempts to solve social assistance and medical treatment problems in a centralised way have not come up with expected results.

The Ministry of Health cannot propose such scheme of hospital restructuring which would be acceptable for the public, because without strong cohesion with regional-scale development plans it is not possible. Also the attempts to decide regionally-sensitive issues centrally are met with resistance. It would be much more natural if such decisions would be taken by the deputies directly elected by the community of the region.

Similarly, attempts to unify local government social assistance according to the common standards applied in the entire country makes this assistance inefficient, decreases consideration of local initiatives and local priorities.

Thus we can highlight at least two essential social arguments in favour of regional reform:

- by decreasing economic differences the improvement of social situation can be seen,
- decentralisation of social policy better corresponds the subsidiarity principle and could increase efficiency of social services.

ELEMENTS OF POLITICAL IMPACT

Results of public surveys, topical discussions in mass media reveal increasing estrangement between the state authority and the society. If in the beginning of nineties to be a politicians of national scale was a honourable profession, then year by year this viewpoint changes. Mass media ever more links politicians with corruption, dominates negative information about the Saeima and the government.

It exposes also in regard to elections – every time great part of voters look for some „new power” that will “bring the nation to the sun”. It does not facilitate stability and development of democratic institutions. Further estrangement can lead to the crisis of constitutional machinery.

Therefore strengthening of local governments can have only positive impact on public perception of power and co-participation. Directly elected large-scale regional governments would promote involvement of citizens in public administration in all state territory.

At the same time increasing role of regional politicians can come into conflict with the interests of current political elite. However it would have positive impact on the development of the political parties particularly – they would have to reform and activate their activities in all regions and local governments. It would ensure very the necessary feed-back – increase of the impact of the local sections of the parties would bring the national policy closer to the interests of the inhabitants.

On the whole regionalization does not endanger the state of Latvia and its structure, but just on the contrary - in the long-term perspective it can become the stimulating and developing factor of democracy. Main political problem in this aspect hides in balancing of short-term interests with long-term perspective.

Regionalization would facilitate additional possibilities to achieve greater impact of Latvia on the European Union. The impact of regions and local governments in EU increases slowly, but systematically. It is expressed also in new powers, which according to the EU Constitution (Europa, 2004) will be exercised by the Committee of the Regions. Strong, directly elected regions would be able to ensure more effective representation of Latvia’s interests in this institution as well, and thus - greater impact on EU regional policy, too.

ALGORITHM OF POSSIBLE REFORM

In order to establish directly elected regional governments in Latvia the political decision concerning several key issues is necessary. Otherwise those conditions are not clear, which will influence the choice of sector ministries, social partners and local governments in regard to the issues which have to be coordinated during the future course of the reform. The solution of these key issues would form a framework for continuation of consultations and come to coordinated model of regional reform.

The key issues are:

- How many regional governments have to be formed?
- In which administrative territory shall be included Riga?
- Will there be hierarchy relationship between the regional governments and local governments?
- What will be the link between the current district self-governments and regional governments?
- When the regional government elections are planned?
- Will the Saeima deputies be able to stand as candidates in elections of regional governments?
- When the administrative territories of regions should be established and how should they be administered until elections?

During the process of development of key positions in order to be able to establish regional governments, several problems should be solved; here the functions of regional governments and their finance sources have to be especially stressed. These problems are more of professional and not political nature. Therefore in their solution the main role will be played by the coordination process with the ministries and local governments. However the issues which were conceptually put forward before are more connected to political choice. When the political choice will be made, the prerequisites for constructive coordination process of organisation, institutional and finance problems shall be established.

CONCLUSIONS

1. Comparing to other EU member states Latvia has retarded establishment of strong, directly elected regional governments, which could become a driving force of regional development in Latvia.
2. During the regional reform politicians have to balance the interests of several important interest groups like entrepreneurs, political parties, self-governments of big cities, local governments, ministries and the inhabitants of rural municipalities and small towns.
3. Establishment of greater scale regional governments would render possibility to decrease significantly the economic and social regional differences, to stabilize and develop the political apparatus of Latvia.

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