Latvia is a unitary country in Europe. Its territorial organisation and subnational government responsibilities are as follows:

### Territorial Organisation and Subnational Government Responsibilities

**Main Features of Territorial Organisation.** Latvia’s territorial organisation is relatively new, resulting from a large territorial reform conducted in 2009 changing from dual-level municipalities to single-level municipalities: Local authorities numbering 524 (municipalities, rural territories, district towns, “republican cities”), were merged in one single tier of government, comprising 110 districts and 9 “republican cities” (i.e. the largest cities – 50% of the population and 74% of GDP). These “republican cities” have well-developed commercial activities, transport and community/jurisdiction facilities, social and cultural infrastructure, as well as a minimum resident population of 25 000. This city status grants them a certain administrative and financial independence. Districts have resident populations of at least 4 000 inhabitants and must comprise a village of at least 2 000 inhabitants. Five planning regions were also established in 2002. They have no legal status but have indirectly elected regional governments (councils) made up of local authority representatives.

**Main Subnational Governments Responsibilities.** The 1992 Constitution has no explicit specific provisions giving local self-government a constitutional foundation. However, the Constitutional Court considered that Article 101 on citizen participation in local authority activities was a safeguard for local self-government. The Local Government Act dates back to 1994 and has been amended several times to define SNG powers and responsibilities. Local governments have three types of competences: mandatory autonomous functions prescribed by laws, autonomous functions performed as voluntary initiatives, and delegated functions on behalf of the State. Each type of task has to match its own funding source. Local government competences include organisation of public utilities (water supply and sewerage, heating, waste management), local planning, environment, pre-school, primary and secondary education, housing (including housing benefits), social assistance and social services (child care, elderly, disabled), culture, public transport, local roads, etc.

### Basic Socio-Economic Indicators

**Population and Geography**
- **Area:** 64,589 km²
- **Population:** 1,995 million inhabitants (2014), a decrease of -1.25% per year (2010-14)
- **Density:** 31 inhabitants/km²
- **Urbani Population:** 67.4% of national population
- **Capital City:** Riga (30.8% of national population)

**Economic Data**
- **GDP:** 46.9 billion (current PPP international dollars)
- **Real GDP Growth:** 2.4% (2014 vs 2013)
- **Unemployment Rate:** 10.8% (2014)
- **Foreign Direct Investment, Net Inflows (FDI):** 878 (BoP, current USD millions, 2014)
- **Gross Fixed Capital Formation (GFCF):** 23% of GDP (2014)
- **Human Development Index:** 0.819 (very high), rank 46

### Subnational Government Finance

**Expenditure**

<table>
<thead>
<tr>
<th>Description</th>
<th>% GDP</th>
<th>% General Government (same expenditure category)</th>
<th>% Subnational Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Expenditure (2013)</td>
<td>10.2%</td>
<td>27.5%</td>
<td>100%</td>
</tr>
<tr>
<td>Current Expenditure</td>
<td>8.0%</td>
<td>-</td>
<td>78.4%</td>
</tr>
<tr>
<td>Staff Expenditure</td>
<td>4.3%</td>
<td>46.2%</td>
<td>42.7%</td>
</tr>
<tr>
<td>Investment</td>
<td>2.2%</td>
<td>49.0%</td>
<td>21.3%</td>
</tr>
</tbody>
</table>

The local government share of public expenditure is below the EU average of 33% but slightly above the EU average of 23% if only the local level is considered. The share of staff expenditure in SNG expenditure is particularly high corresponding for the large part to teacher wages. Investment is a key function of SNGs, representing 2.2% of GDP (vs 1.6% in the EU) and 21% of SNG expenditure (vs 10% in the EU). However, the share of SNGs in public investment is lower than the EU average (55%).
A significant share of SNG expenditure is allocated to education (teacher salaries), but also for the financing of the maintenance and operational costs of educational facilities. Other significant expenditure functions include economic affairs (transport, roads), housing and community amenities (water, lighting, etc.) and social protection.

General public services
- Defence
- Security and public order
- Economic affairs
- Environmental protection
- Housing and community amenities
- Health
- Recreation, culture and religion
- Education
- Social protection

SNGs can only carry out long-term borrowing to finance investment projects (golden rule). However, they do not have free access to the banking system or the capital market, as loans must be contracted with the State Treasury or within specific funding programmes. Borrowing from another institution must be justified and authorised by the Ministry of Finance. SNG borrowing in a given year cannot exceed 20% of current revenues (excluding earmarked grants and contributions to the Equalisation Fund). In case of non-compliance, the national Treasury can apply sanctions, and SNGs may be placed under supervision. Seventy-seven percent of outstanding debt is composed of loans and 23% of other accounts payable.

Outstanding debt

**Outstanding debt (2013)**

<table>
<thead>
<tr>
<th></th>
<th>% GDP</th>
<th>% General Government</th>
<th>% Subnational Government</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outstanding debt</strong></td>
<td>8.0%</td>
<td>18.7%</td>
<td></td>
</tr>
</tbody>
</table>