

Ministry of Smart
Administration and Regional
Development
Republic of Latvia

Latvian experience: models of cooperation and financing urban development

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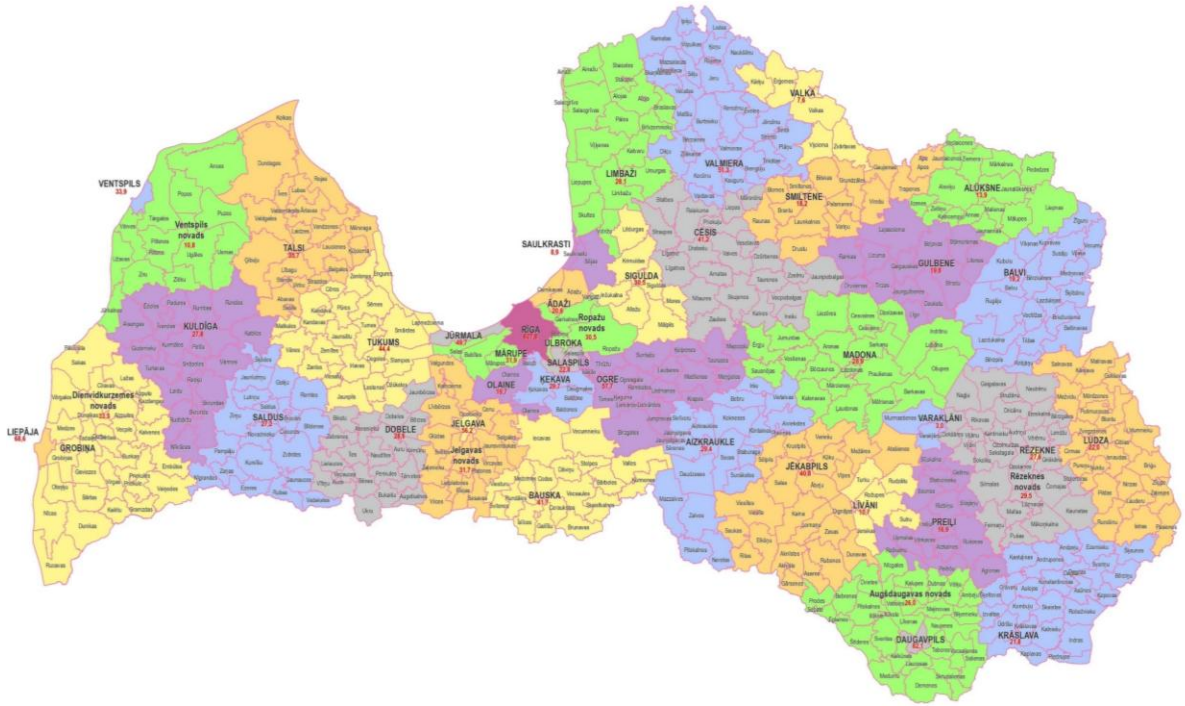
Overview

1. Territorial structure and regional development challenges
2. Regional policy framework, financial support for municipalities
3. Functional urban areas approach
4. Support for Eastern border area
5. Co-operation/co-ordination
6. Activities in climate change area in relation to regional policy

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Administrative-territorial division since 2021



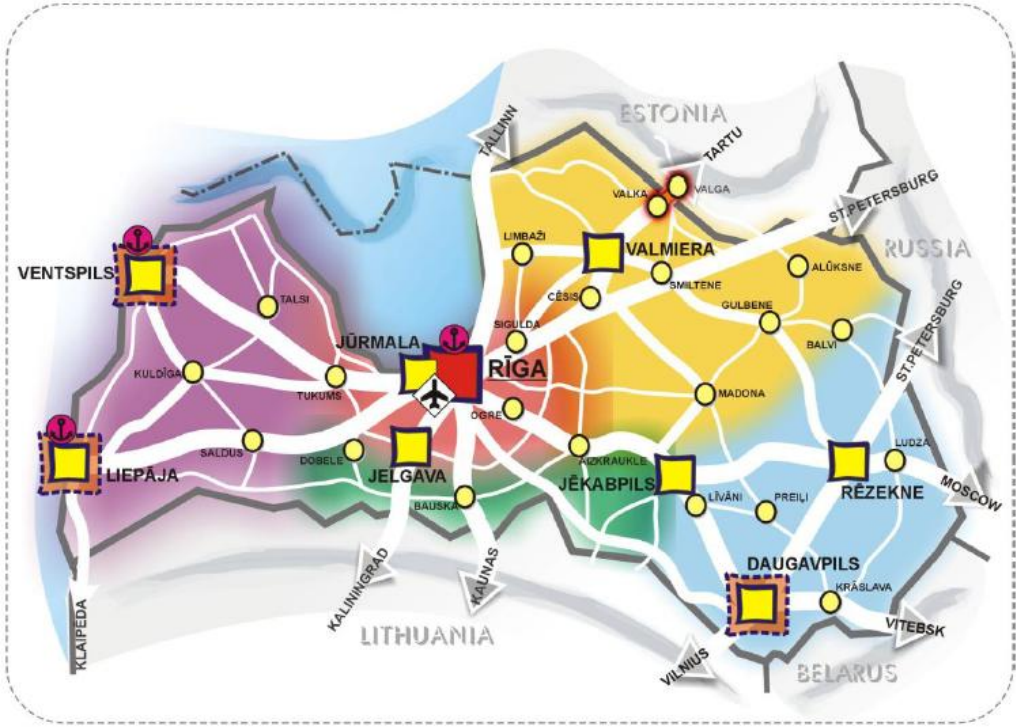


5 PLANNING REGIONS

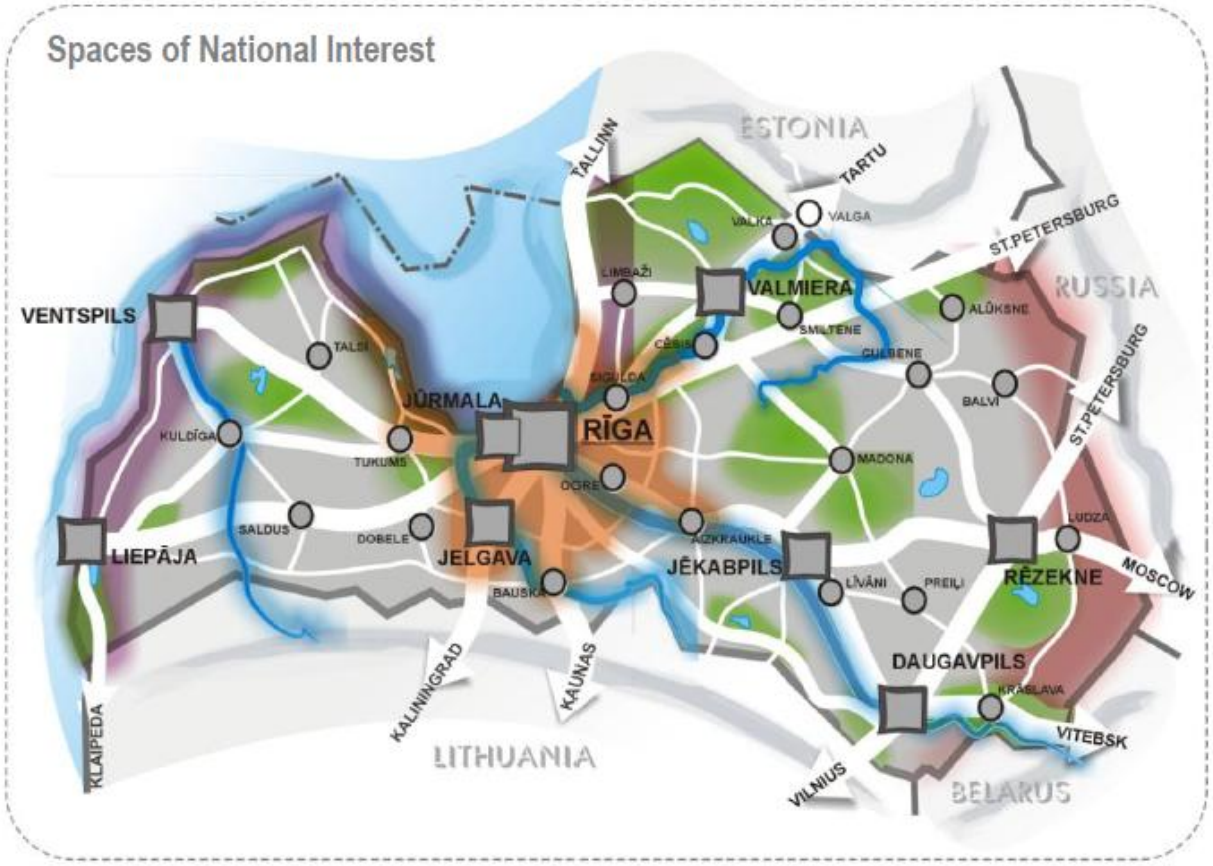
42 MUNICIPALITIES

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Sustainable Development Strategy of Latvia until 2030: spatial development perspective









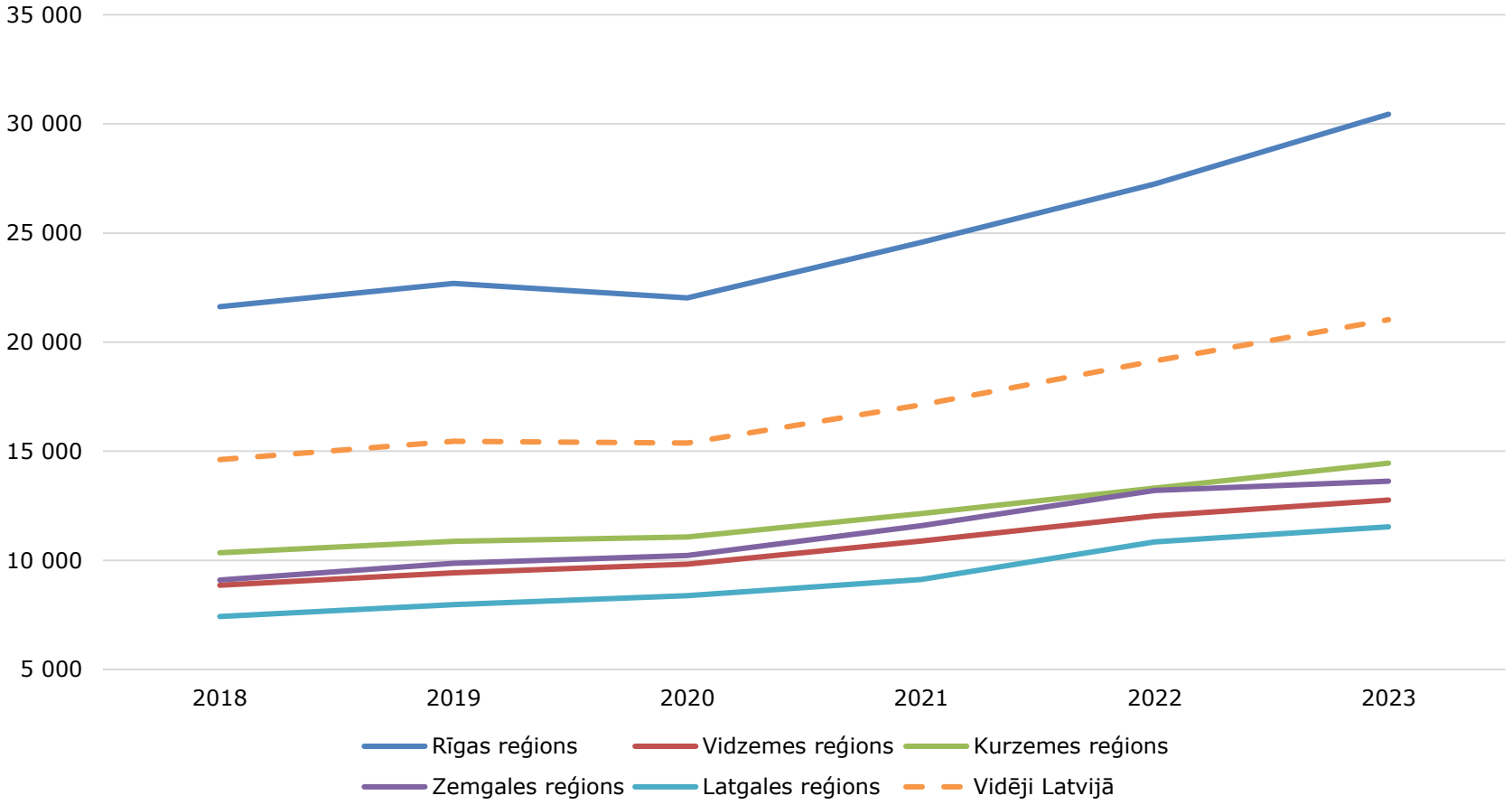
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Regional development challenges

- Key challenge – **significant regional disparities**
- Unfavourable **demographic trends**
- **Climate change**
- **Technological change** (digitalisation, AI)
- **Geopolitical situation**
- Insufficient **availability of funding**
- Institutional **capacity** of municipalities

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Changes in GDP per capita in regions from 2018 to 2023, euro



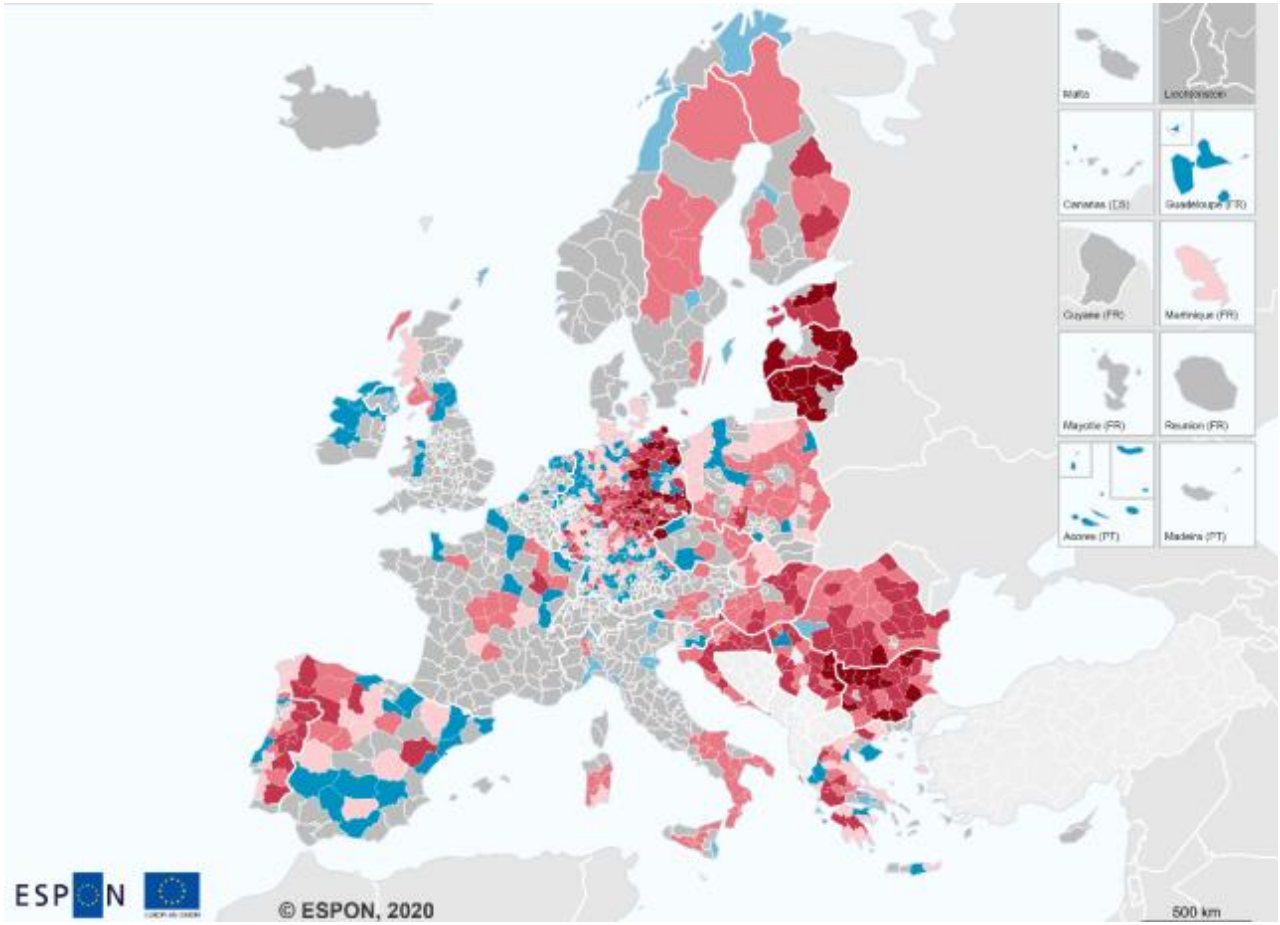
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Megatrends – global transitions (OECD)

- Demographic change
- Climate change
- Technological change

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Population decline rate in Europe, 1993-2033



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Challenges in Eastern Border Region as a result of Russia's war of aggression against Ukraine

- Significant **economic slowdown, disrupted mobility, unattractive investment climate and hybrid threats** executed by Russia and Belarus, all of which threaten security and socio-economic development, as well as slow down the important convergence process with the rest of the European Union

- **Negative impact on the population's sense of security and increased social tension**, hence the need to strengthen the resilience and preparedness of society

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Regional Policy Guidelines 2021 - 2027

Regional GDP differences *–to achieve reduction in the regional GDP gap - aim for the average GDP per capita of less developed planning regions against the more developed planning region is 55% (base value in 2016 - 47%)*

The goal of regional policy is to create preconditions for development of economic potential of all regions and for reduction of socio-economic disparities by increasing internal and external competitiveness, as well as by providing solutions according to specificities of each territory for development of settlement and living environment

A. Improvement of business environment in regions

A1. Preparing the location for business and increasing productivity

Attracting private investments in planning regions – the average level of the four less developed planning regions compared to the more developed planning region, % – 45%

A2. Attracting human capital

Wages in the planning regions – the average level of the four less developed planning regions compared to the more developed planning region, % – 89%

B. Improvement of the efficiency of services

B1. Ensuring services in regions while taking into account demographic trends

Efficiency of municipal services - costs per customer - % cost reduction for the service provided by the municipality - 10%

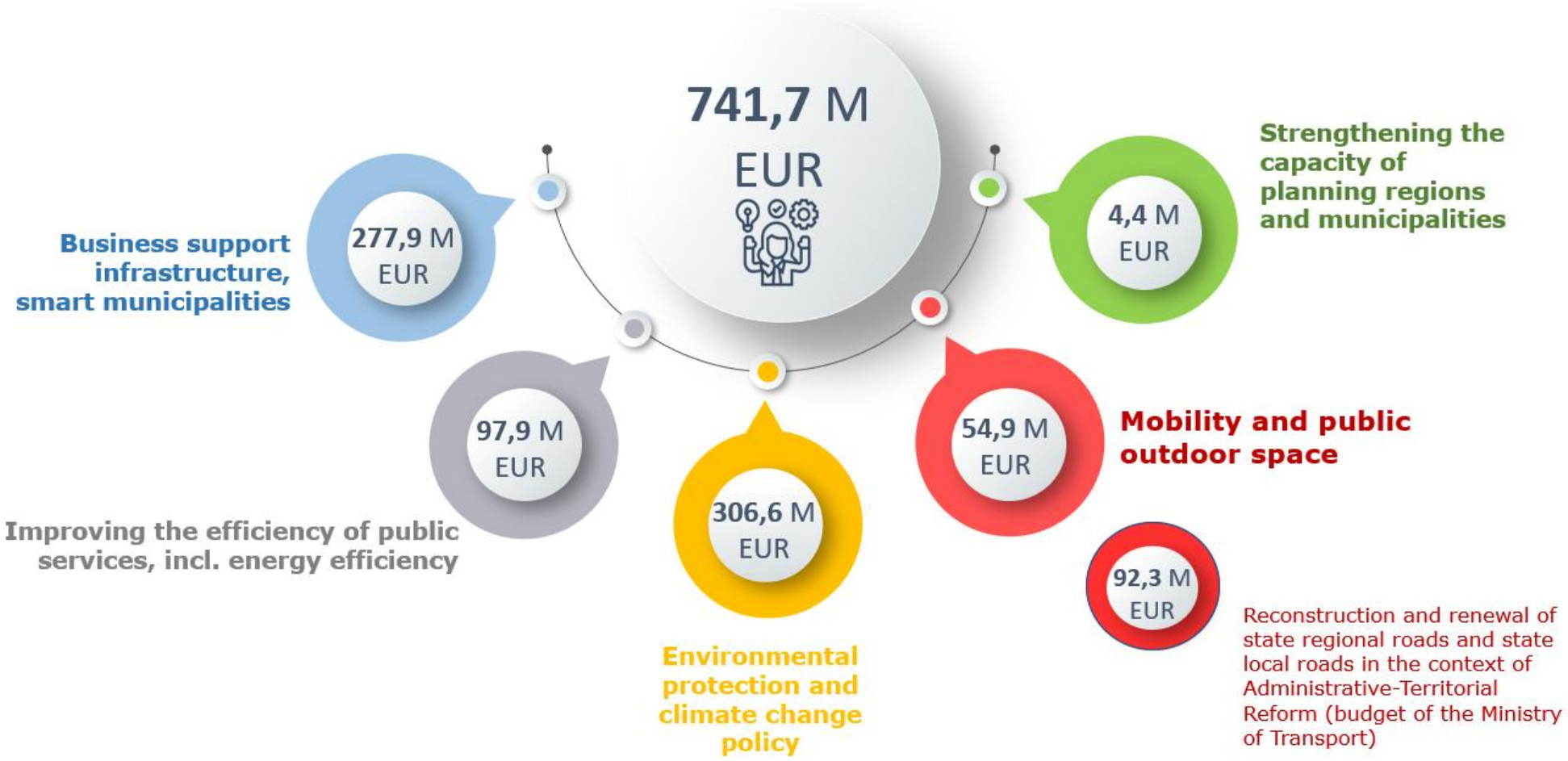
B2. Accessibility and living environment

Availability of municipal services - number of customers - % increase in customers for municipal services - 10%

B3. Increasing work efficiency of planning region and municipality administrations

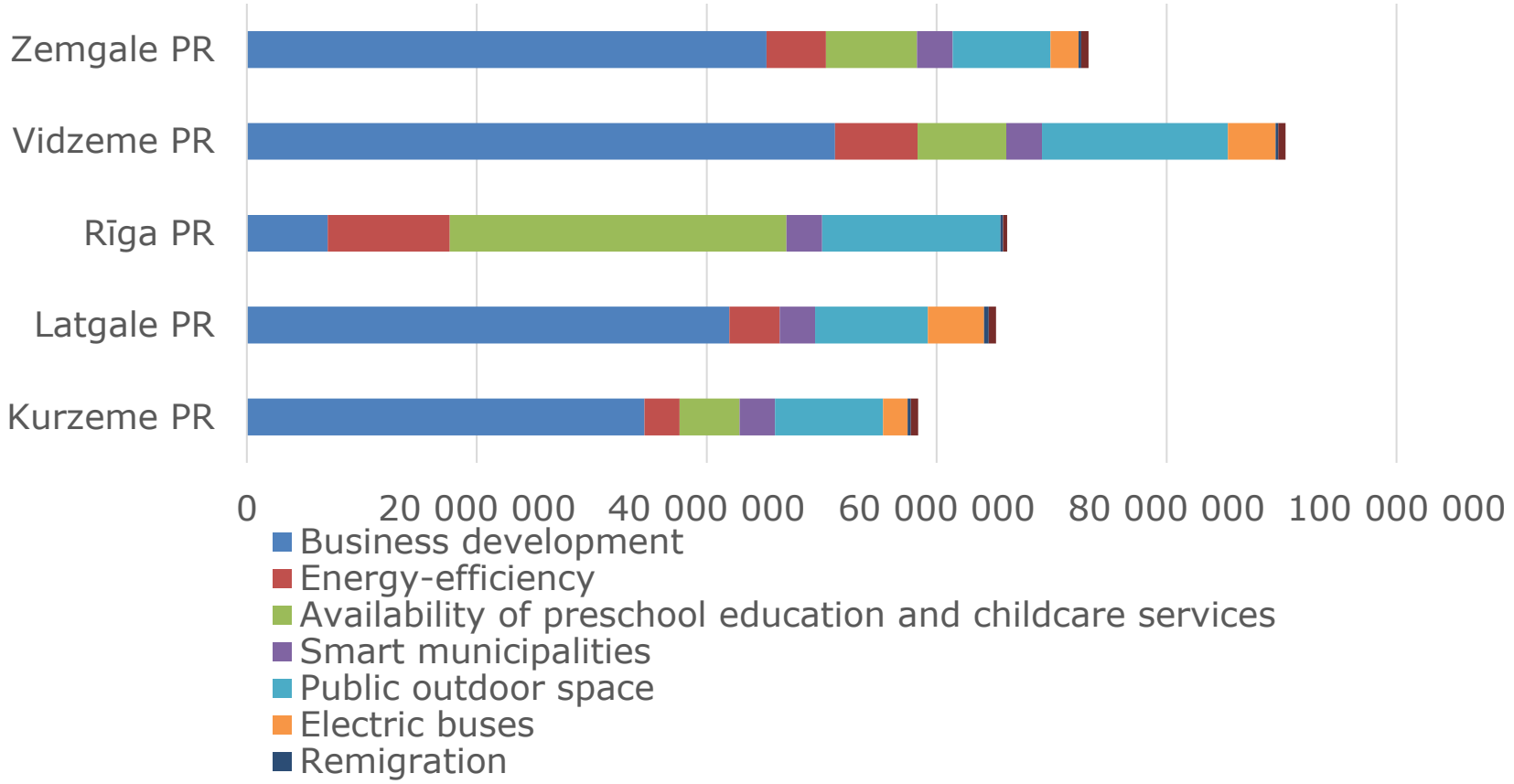
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EU FUNDING PROGRAMMES 2021–2027 REGIONAL DEVELOPMENT



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Current status in investing the available funding



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Loans available to municipalities (1)

- One solution for **improving the accessibility of preschool education services in municipalities** is to enable them to obtain loans for the **construction of new preschool institutions or the expansion of existing ones**
- Loans were made available to municipalities starting in **2020**

  2020-2022 → 22 investment projects → €32 081 894, creating 2 843 new places in municipal preschool institutions
- **From 2023** municipalities had the opportunity to obtain loans also to invest in the **development (renovation) of existing preschool infrastructure**

  2023-2026 → 165 institutions → €36 811 352 invested

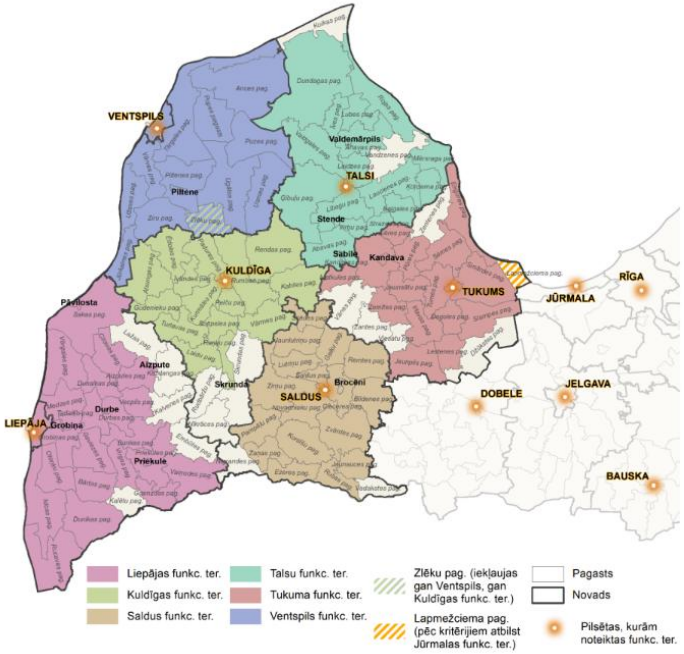
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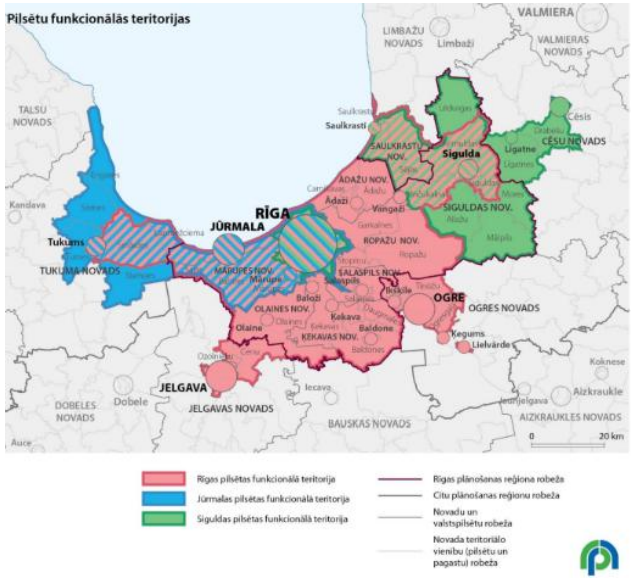
Loans available to municipalities (2)

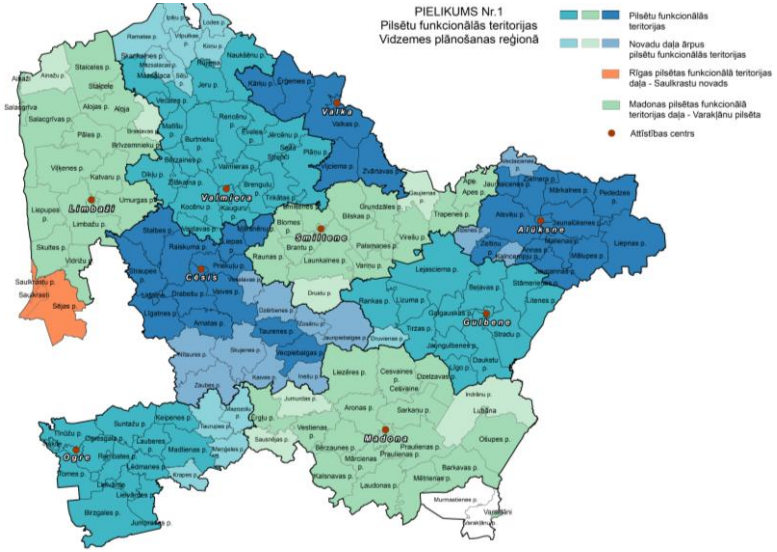
- In 2024 and 2025, municipalities could receive loans for the implementation of **internal security investment projects** - the creation and improvement of police infrastructure, subject to the condition that a positive opinion has been given by VARAM on the compliance of the project with the development program of the municipality and the necessity of the project for the sustainable provision of the autonomous function of the municipality
- In 2024 and 2025, VARAM has given positive opinions on a total of **18 investment project applications**. The total amount of supported investment project loans – **€12 065 886**

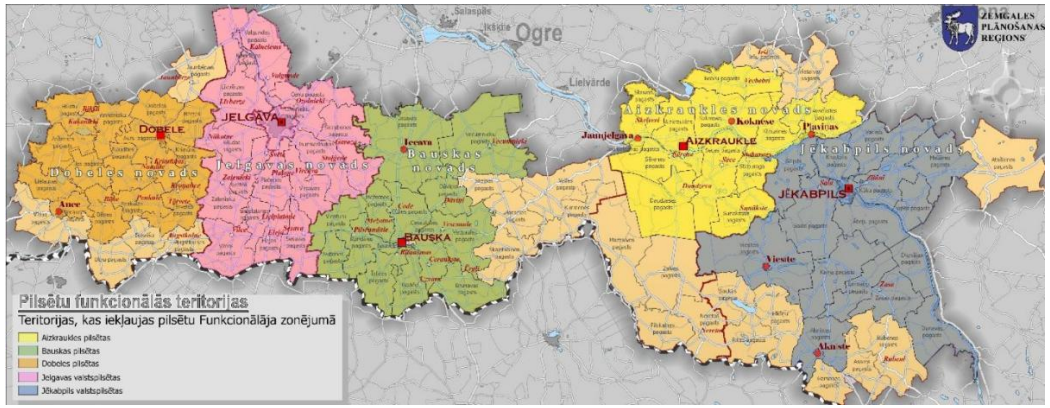
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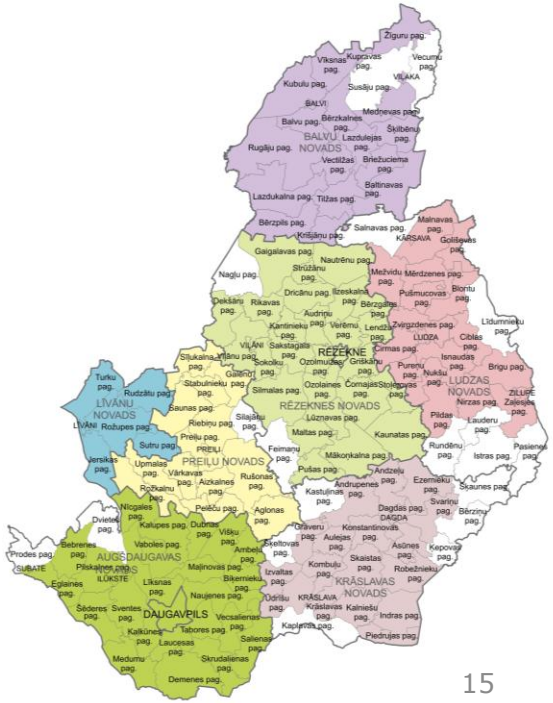
Functional urban areas











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General provisions regulation and ERDF/CF regulation on sustainable urban development

- In the framework of urban development it is necessary to support **development of functional urban areas**

OTHER TYPE OF TERRITORIAL TOOL UNDER POLICY OBJECTIVE 5		Other type of territorial tool focused on sustainable urban development
31	Urban neighbourhoods	x
32	Cities, towns and suburbs	x
33	Functional urban areas	x
33a	Rural areas	
34	Mountainous areas	
35	Islands and coastal areas	
36	Sparsely populated areas	

Article 22 Integrated territorial development

Where a Member State **supports integrated territorial development**, it shall do so through territorial or local development strategies in any of the **following forms**:

(a) integrated territorial investments;

(b) community-led local development;

(c) another territorial tool supporting initiatives designed by the Member State

Article 9 Sustainable urban development

To address economic, environmental, climate, demographic and social challenges, the ERDF shall **support integrated territorial development based on territorial** or community-led local development **strategies** in accordance with **Article [23]** or [26] of Regulation (EU) 2018/xxxx [new CPR] respectively, **that are focused on urban areas, including functional urban areas ('sustainable urban development')** within programmes under both goals referred to in Article 4(2) of that Regulation.

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Use of Functional urban areas in provision of support to municipalities

- **Functional urban areas** – areas that are eligible for investments from specific support objective 5.1.1.

Nr. of SSO	Title of SSO	EU funds financing, million EUR	Planned measures
5.1.1.	Integrated territorial development (functional urban areas)	**145.92**	**Public infrastructure for entrepreneurship (~ 112,5 mil.)** Smart municipalities (~ 13,1 mil.) **Development of public outdoor space (~ 20 mil.)** Increasing the capacity of planning regions and municipalities (~ 0,3 mil.)

- **Beneficiaries** – municipality of national or regional development centre or municipalities that are part of FUA (without involvement of municipality of development centre)

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Combined OECD/EU definition for determining FUAs

Functional urban areas are the national and regional development centres (major cities and towns) according to the Strategy Latvia 2030 and their surrounding areas, among which there is:

Daily commuting or **Joint network of services**





Mobility - accessibility

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Mobility of Latvian population



- On average daily 79,6-77,9 minutes commuting (round trip)
- One way trip 39,8 -38,9 min

Data from CSB survey

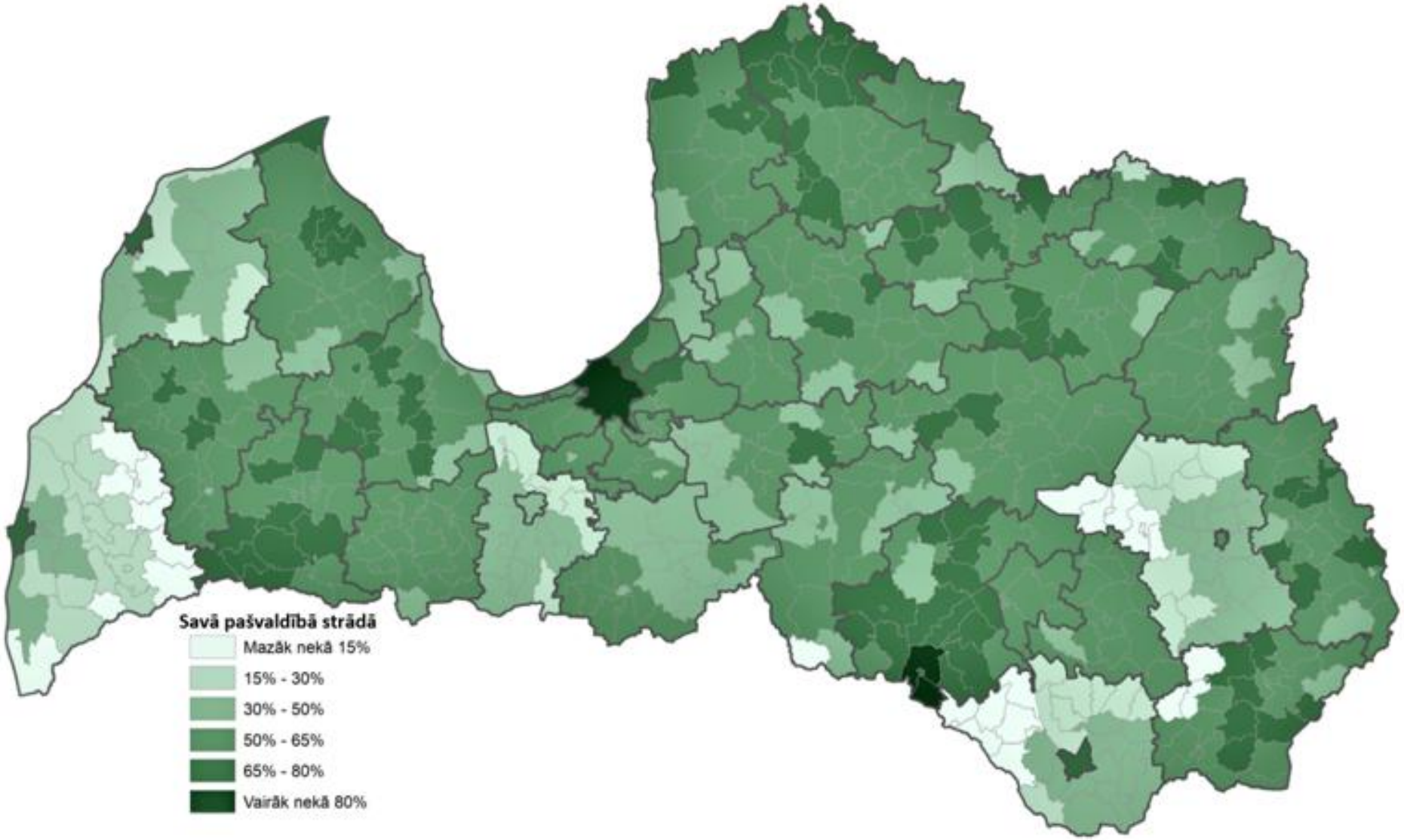
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Accessibility of development centres



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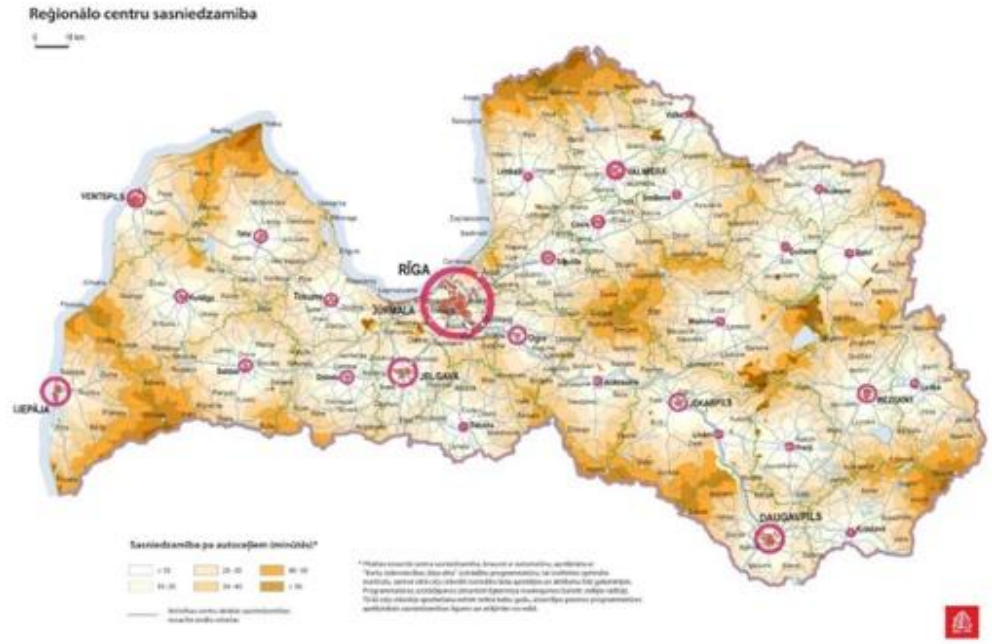
Daily migration of workforce - proportion of residents who have job opportunities in their municipality



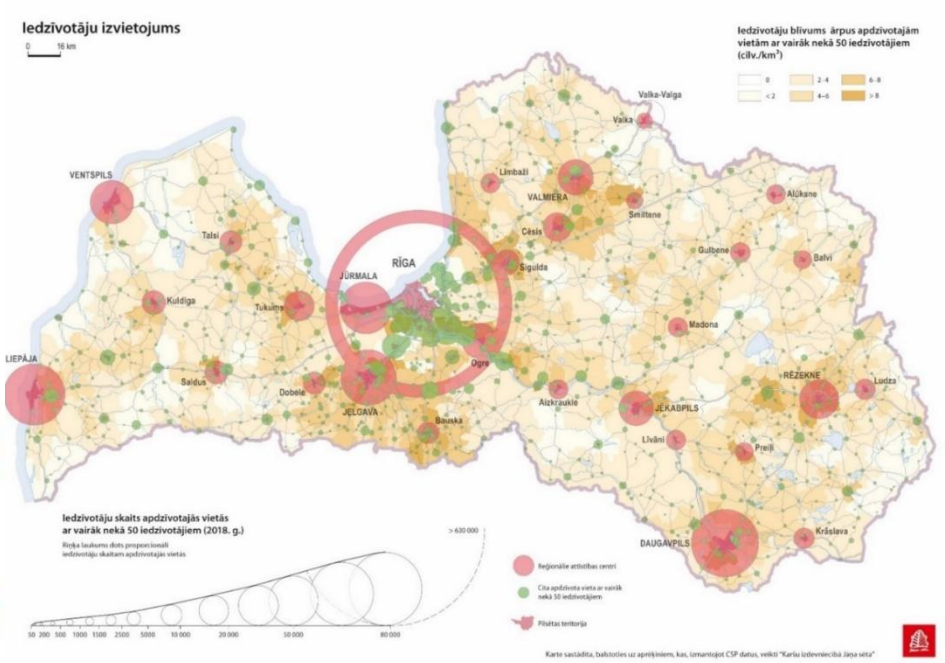
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Joint network of services

Location of services related to the performance of autonomous functions of municipalities, determined by population, accessibility (distance from the development center, duration of travel) and scale of service area



Accessibility of development centres



Population density outside built-up areas with more than 50 inhabitants (persons/km²)

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The approach of MoSARD for defining FUAs

- ✓ **To combine average daily commuting time 40 min with data on daily workforce migration data**
- ✓ As additional criterion – network of services in municipality, reducing the commuting distance of 40 min



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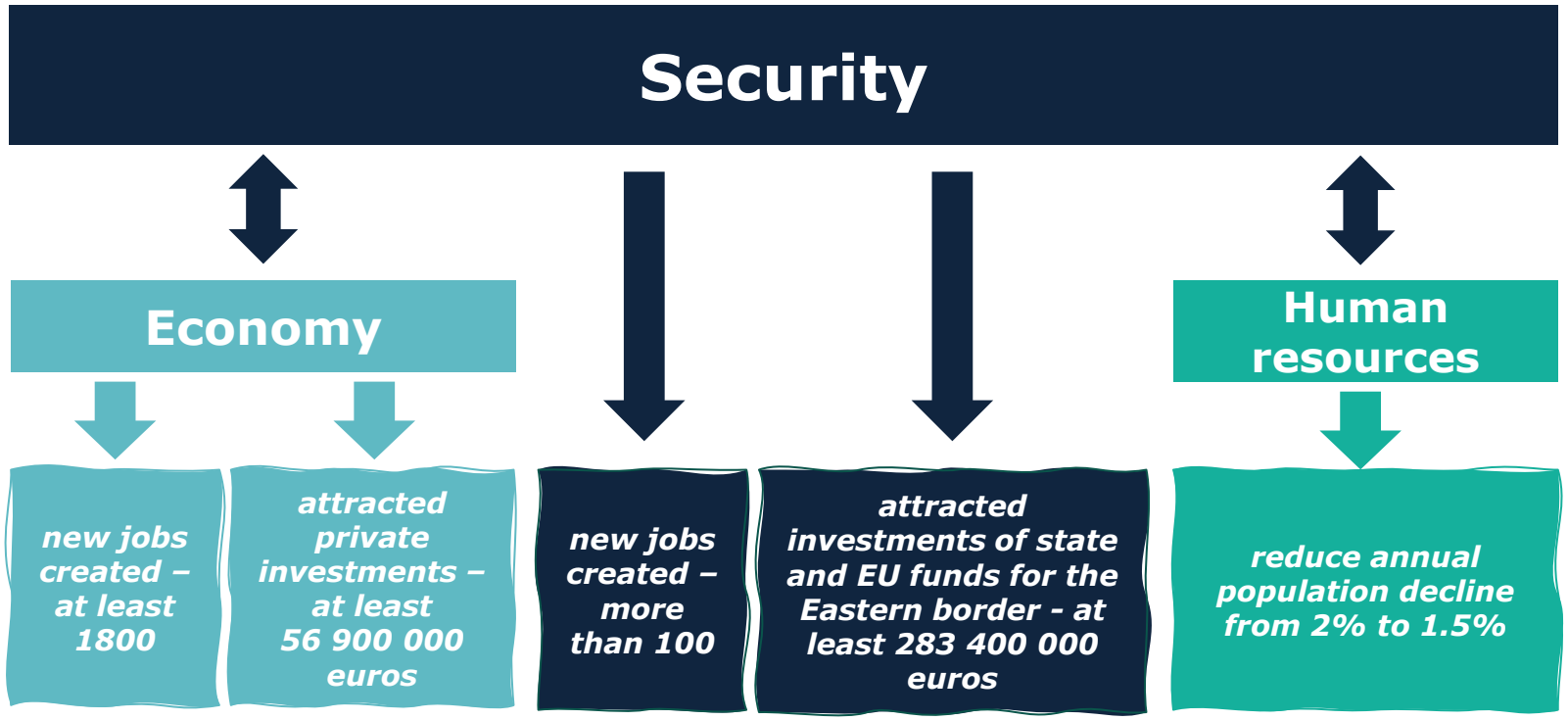
Activities for development of Eastern Border Region

- Implementation, updating and monitoring of **the Latvian Eastern Border Action Plan for economic growth and strengthening security**
- Establishment and operation of the **Thematic Committee for the Socio-Economic Development and Strengthening of Security in the Eastern Territory of Latvia**
- Providing **support for the eastern territory of Latvia after 2027**
- **Draft Law on the Development of the Eastern Territory of Latvia**

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Framework of the Action plan for the economic growth and security strengthening of Latvia's Eastern border 2025-2027

Aim: To create support programs for investments, integration, mobility and improving the quality of life in the Eastern border region, which bring the economic competitiveness of the region closer to the rest of Latvia's regions, promoting entrepreneurship, strengthening border security and resilience of the population against crises, achieving a reduction of the regional GDP gap by 2 percentage points



Total number of measures: 59

Total funding: 644,6 milllion euro

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REFORM proposal 2028-2034: Territorial resilience, reducing the impact of external factors on territorial development within the framework of Latvia's regional policy

1. Investment priority: Promoting regional economic convergence

1.1. Promoting entrepreneurship in the regions

2. Investment priority: Sustainable and resilient living environment

2.1. Complex solutions for a high-quality and safe living environment in municipalities

2.2. Security and resilience infrastructure in municipalities

2.3. Rural settlement

2.4. Sustainable natural resource management in municipalities

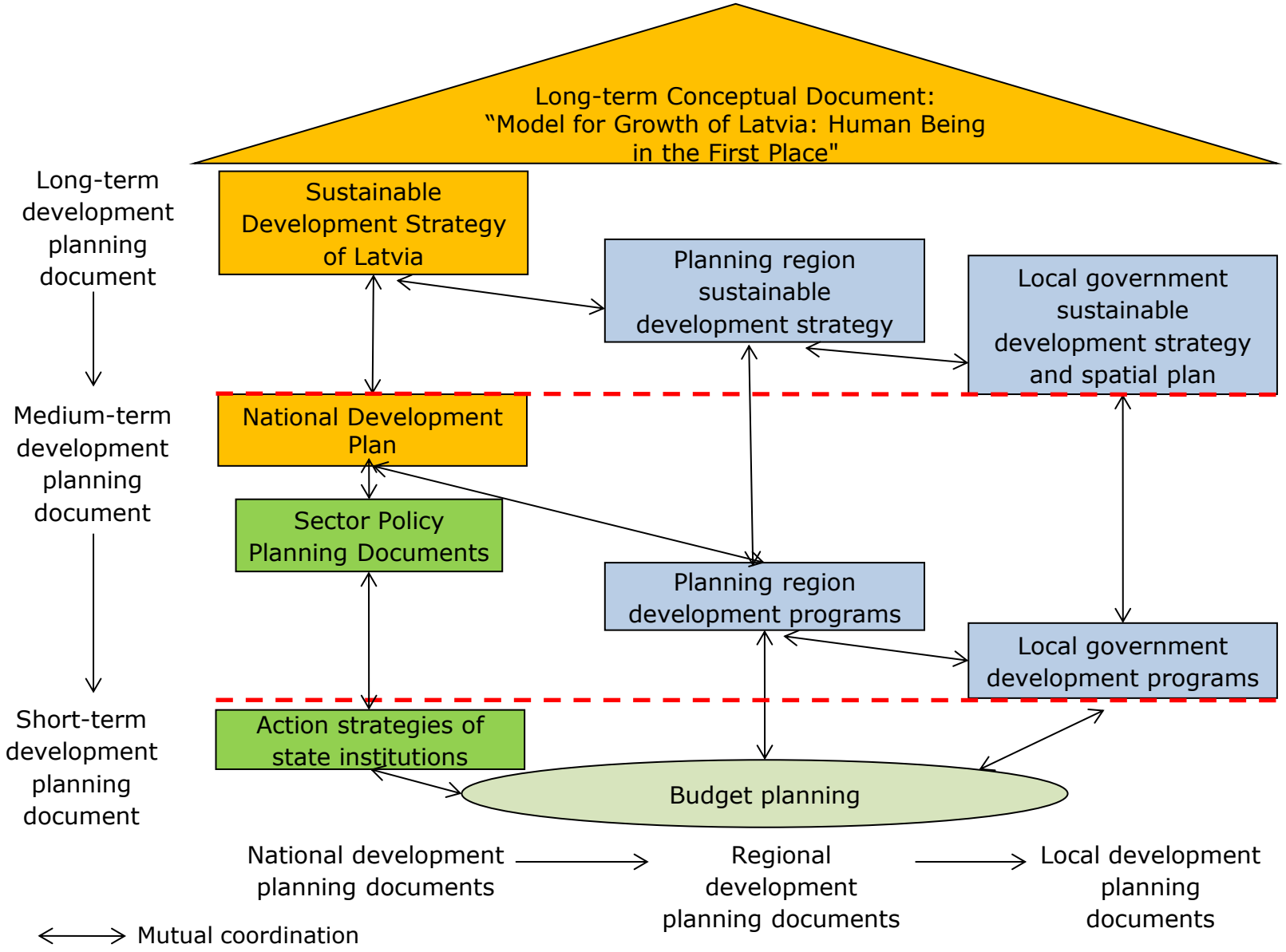
3. Investment priority: Modernization of service network and governance

3.1. Development of municipal services and infrastructure

3.2. Improving skills in municipalities for better governance

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System of development planning documents



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Horizontal coordination mechanisms at the national level

The Cabinet of Ministers' Regulations No. 737 of 2 December 2014 "Regulations on the Development of Development Planning Documents and Impact Assessment", which stipulates that when developing guidelines or plans, in sectors that are important for regional development, **the territorial perspective of the planned policy is elaborated**, taking into account the regional development strategy specified in the development planning documents

Coordination of regional policy and sectoral policies affecting the development of territories **within the framework of the development of planning documents, providing opinions** (considered to be daily coordination)

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Action Plan for Economic Growth and Security Enhancement of the Eastern Border Area of Latvia 2025-2027: a good practice example in coordination

- Political support - by the **Thematic Committee for Strengthening the Socio-Economic Development and Security of the Eastern Border Region**, established under the Cabinet of Ministers - was very important in ensuring expansion of the content of the plan end moving forward with it

- **Involvement and commitment of sector ministries** after establishment of the committee

- **Direct daily communication** at expert level **with sector ministries**

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Application of the place-based approach

It was attempted **to apply the place-based approach in 2021-2027 planning period to measures of EU Cohesion policy programme** in order to facilitate achievement of the goal of regional policy and ensure complementarity of investments

Regional scale competitions and diferentiation of support was introduced according to regional GDP per capita or other regional indicators – mostly only in measures under responsiblity of Ministry of Smart Administration and Regional Development

Place-based apporach still needs larger take-up in sectoral measures

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Takeaways



Regulation for coordination is in place and is sufficient, implementation could be improved



Coordination in practice is still not effective enough, yet there are some good practice cases



Sectoral ministries guide their investments mostly **based on sectoral criteria**

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Activities in climate change area in relation to regional policy

- Methodological guidance of municipalities provided by the ministry
- Recommendations for identifying priority projects provided by the ministry
- Definition of local climate change policy within the framework of the local development programme
- Various EU funding financed measures for climate change mitigation and/or adaptation, as well as capacity building provided by the ministry
- Monitoring of the results at the local level

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