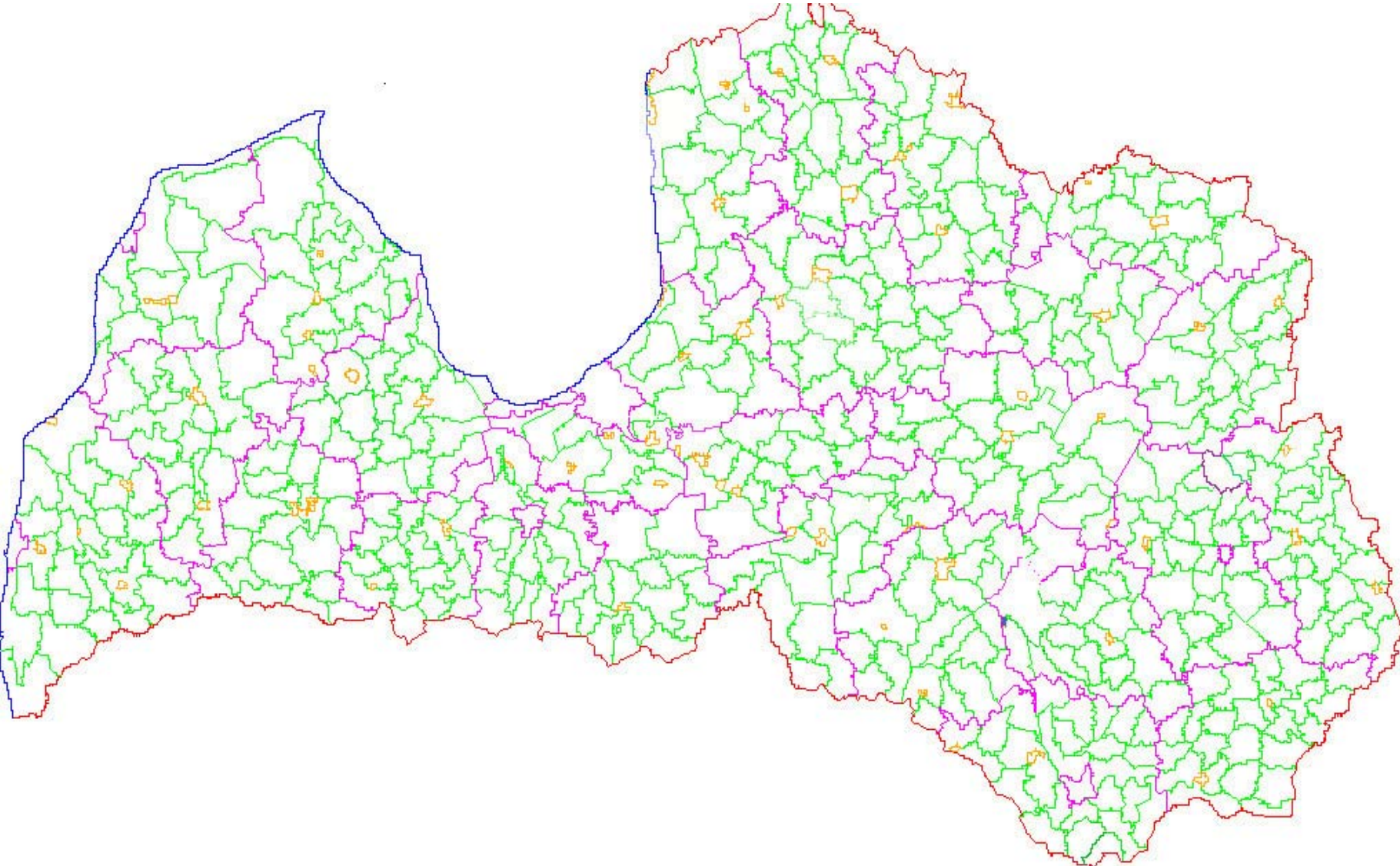


HISTORY AND PROGRESS OF TERRITORIAL REFORM IN LATVIA

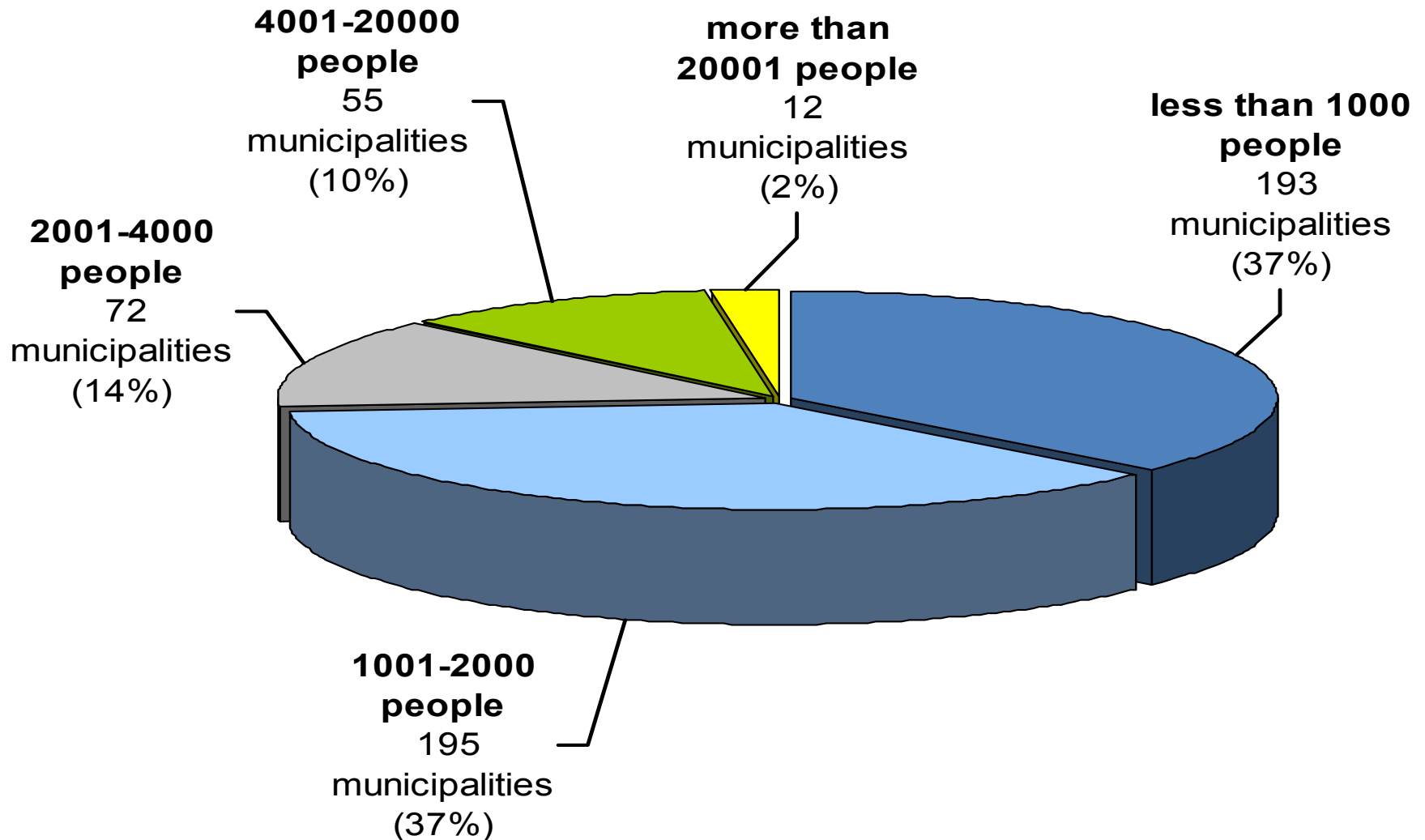
Riga, 2009



Administrative-territorial division of Latvia



Distribution of local governments according to population in 2007



Legal basis of the local government reform

Legal reform of local governments

Law “On local governments”, 1994

Financial reform of local governments

1994 – “Law on budget and finance management”

1995 – “On local government budgets”

1998 – “On equalization of local government finances”

Territorial reform

1998 - Law on administrative-territorial reform (ATR)



Concept of local government reform - 1993

Legal reform of local governments

Separation of local government property from state property

Financial reform of local governments

Territorial reform



ATR in policy planning documents

- 1993 - **Concept of Local Government Reform**
- 1996 - **Concept of Administrative-Territorial Reform of Local Governments**
- 1996 - **Concept of Creating District State Administration (state administration in place of district local governments)**
- 1997 - **Administrative-territorial division of Latvia in regions and creation of regional administration (model of 5 counties (“apriņķi”))**
- 1999 - **Concept of Reform of Regional Administrative-Territorial Division** (was not fully approved by the Cabinet - as a result it was decided to create 5 planning regions)
- 2004 - **Programme of state support for development of infrastructure in amalgamated municipalities (“novadi”)**



Law on Administrative-Territorial Reform, 1998

- The law laid down the objective of the reform, procedure for implementing it, and state financial support to local governments that decided to join together.
- The law provided insufficient legal regulation for implementing final stages of the ATR.



Implementation of Administrative-Territorial Reform

- Studying of administrative territories (1999-2000)
- Drafting the administrative-territorial division (102 projects, 2001)
- Discussion of the draft and approval by the Cabinet (2001)
- Voluntary amalgamation of local governments
- Amalgamation of local governments – preparation of cooperation projects



Implementation of Administrative-Territorial Reform

- Financial support to local governments that join together (one-off subsidy 5 to 3% of annual budget)
- Consultations with local governments concerning 102 projects (2003-2004)
- Support programme for infrastructure of amalgamated municipalities (2004)
- Amendments to the Law on ATR (2005)



Amendments to the Law on ATR, 2005

Stage 1 – by 07/2006

By 1 July 2006, **the Ministry, consulting with local governments**, prepares a draft administrative-territorial division of Latvia (= map showing amalgamated municipalities of Latvia), which is then approved by the Cabinet.

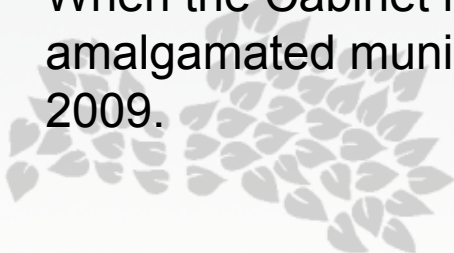
Stage 2 – 07/2006 -12/2007

Local governments can join together within the borders determined for the particular amalgamated municipality specified in the map of amalgamated municipalities of Latvia.

Stage 3 – 01/2008 -01/2009

On the basis of the draft map of amalgamated municipalities the Cabinet by 1 January 2008 adopts regulations on amalgamated municipalities and cities.

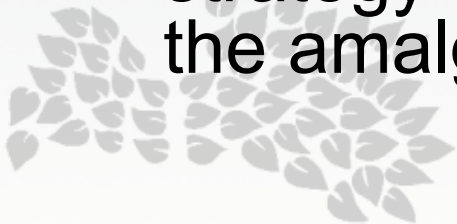
When the Cabinet regulations come into force, local governments may create an amalgamated municipality only according to these regulations – until 31 January 2009.



Amendments to the Law on ATR, 2005

Support from state budget

- For development of infrastructure in the amalgamated municipality – for each rural municipality (“pagasts”) and town – LVL100,000.
- Budget revenue of an amalgamated municipality during the first five years shall not be less than the total of revenues of the local governments which formed the amalgamated municipality in the year of its formation – if there is a difference it is covered from state budget.
- Earmarked subsidy for preparing development strategy and project of administrative structure of the amalgamated municipality



Amendments to the Law on ATR, 2005

Local governments that do not wish to join together may continue their work until the first meeting of the newly elected council of the amalgamated municipality (elections to be held in 2009)

In this case:

- The local government does not receive state support for developing the infrastructure.
- Deputies of local governments shall establish an election committee for organizing the 2009 local government elections in amalgamated municipalities; this shall be done according to the transitional provisions of this Law.
- If after 1 September 2008 deputies of local governments fail to establish an election committee it shall be appointed by the Central Election Commission according to the Law “On Central Election Commission”.
- From the day the first meeting of the newly elected council of the amalgamated municipality takes place the powers of all previous local government councils shall end.

Preparing the draft administrative-territorial division

According to the law the Ministry consults local governments and prepares a draft administrative-territorial division

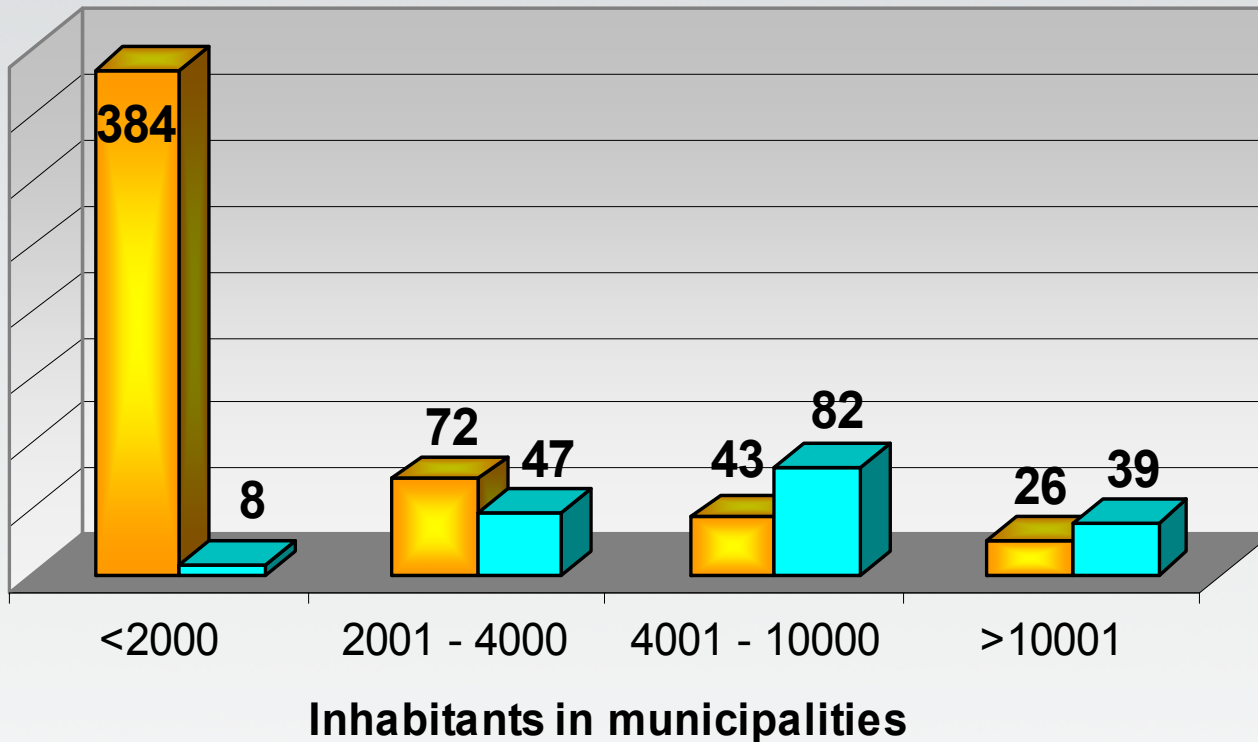
Consultations with local governments, formation of a working group for preparing the draft.

Opinion of the Council of Administrative-Territorial Reform

In June 2006, the Cabinet approved the draft administrative-territorial division.



Municipalities by population – current situation and approved project (2006)



- Current situation (7 republican cities, 52 towns, 36 amalgamated local municipalities, 430 parishes. Total 525 local municipalities)
- Project of administrative territorial division of local government in 2006(9 republican cities, 167 amalgamated local municipalities. Total 176 local municipalities)

Making adjustments to the draft administrative-territorial division

- Proposals from local governments on creating bigger amalgamated municipalities (in districts of Gulbene, Daugavpils, Alūksne and Talsi)
- Consultations with local governments
- Opinion of the Council of Administrative-Territorial Reform
- In September 2007, the Cabinet approved amendments to the draft administrative-territorial division and regulations on administrative-territorial division.



Main principles of forming amalgamated municipalities

- There exists at least one real centre of development which promotes development of surrounding areas.
- The amalgamated municipality includes urban and rural areas connected with jobs and infrastructure, which ensures diversification of development resources and allows planning of efficient development of the territory of the municipality.
- The amalgamated municipality includes a wide range of infrastructure objects required for performing local government functions.
- The local government of the amalgamated municipality is able to effectively perform the functions of a district local government.



Amendments to the Law on ATR, June 2007

- Amalgamated municipalities established in the process of amalgamation or local governments that decide in 2007 to establish an amalgamated municipality in the local government elections of 2009 shall receive an earmarked subsidy of LVL 200,000 per each territorial unit
- In 2007, LVL 32.9 million was allocated in subsidies
- In 2008, LVL 55 million was allocated in subsidies
- In 2009, LVL 3.1 million was allocated in subsidies, another LVL 5.4 million is required

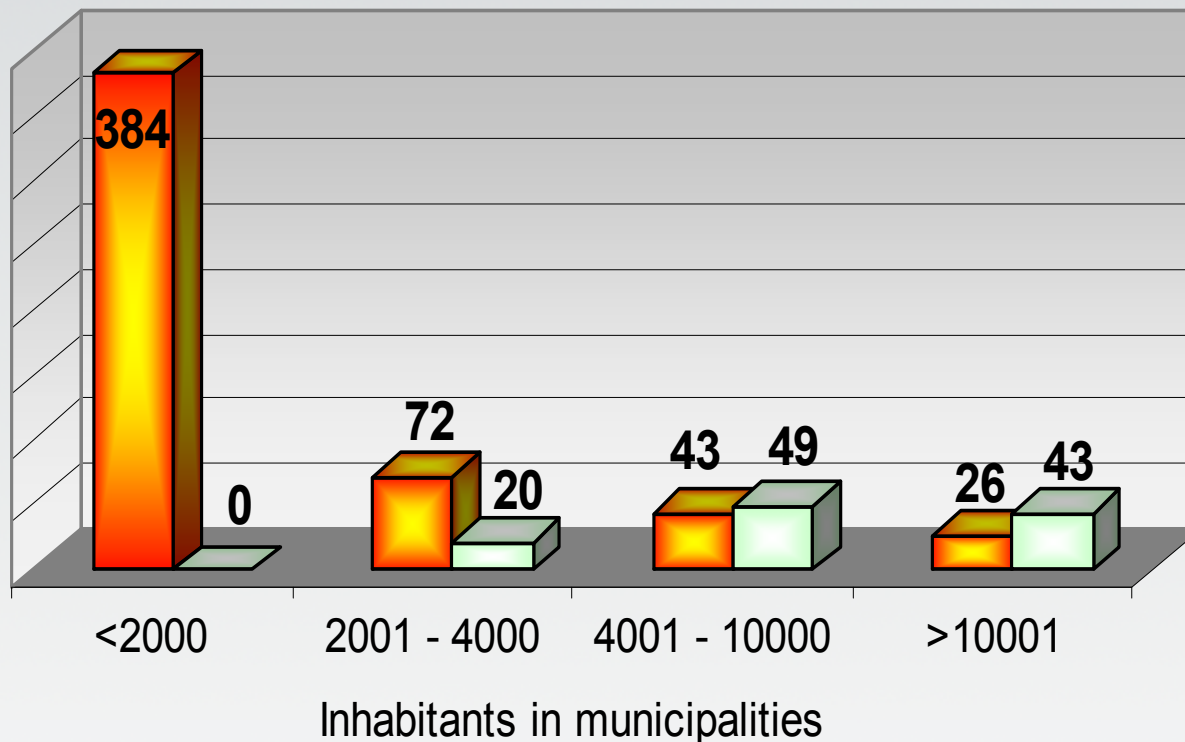


Additional changes to the map of amalgamated municipalities on 11 December 2007

- Approximately 70 local governments were dissatisfied with the existing model.
- The additional changes to the map took into account proposals from 20 local governments, and the number of planned amalgamated municipalities was increased by 7.
- After the changes 8% of local governments remained dissatisfied with the planned model of amalgamated municipalities, 32 local governments have applied to the Constitutional Court.



Local municipalities by population – current situation and accepted division (2007)



- Current situation (7 republican cities, 52 towns, 36 amalgamated local municipalities, 430 parishes. Total 525 local municipalities)
- Accepted project of administrative territorial division of local government in December, 2007(9 republican cities, 103 amalgamated local municipalities. Total 112 local municipalities)

State support for amalgamated local municipalities

The subsidy from the state budget for developing the infrastructure of local municipalities is 200 000 LVL (approx. 280 000 EUR) for every local municipality that has amalgamated or adopts a decision to amalgamate in 2009 according to the approved territorial division.

Completion of the reform requires **95 million LVL (135 million EUR)**, of which:

In 2005 and **2006** – 4.35 million LVL were granted

In 2007 – 32.9 million LVL were granted

In 2008 – 55.55 million LVL were granted

In 2009 – 3.15 million LVL were granted

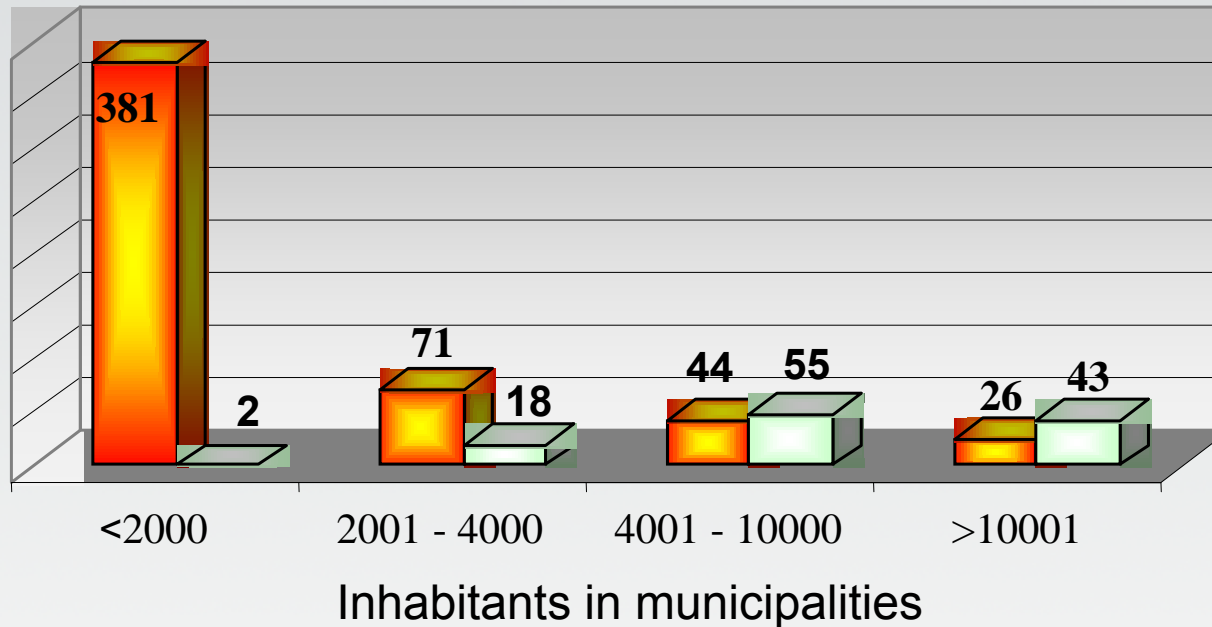


Completing the administrative territorial reform

- The administrative territorial division of local governments is approved by law.
- Finalizing of district self governments reorganization
- Improving the financial equalization system of municipalities
- Amendments in other legislative acts and laws
- Elections of local governments in 2009 will be organized in territories which are prescribed in accepted administrative territorial division



Municipalities by population – current situation and approved division



- Current situation
(7 republican cities, 50 towns, 41 amalgamated municipalities, 424 rural municipalities. Total 522 municipalities)
- Approved project of administrative territorial division of local government in December, 2008 (9 republican cities, 109 amalgamated municipalities. Total 118 municipalities)

District reorganization

The Parliament adopts the laws and Council of Ministers adopts regulations

The functions of districts will be assumed by amalgamated local municipalities, only transport systems will be organised in planning regions

The basic principle of reorganization is that resources will be distributed by agreement among amalgamated municipalities



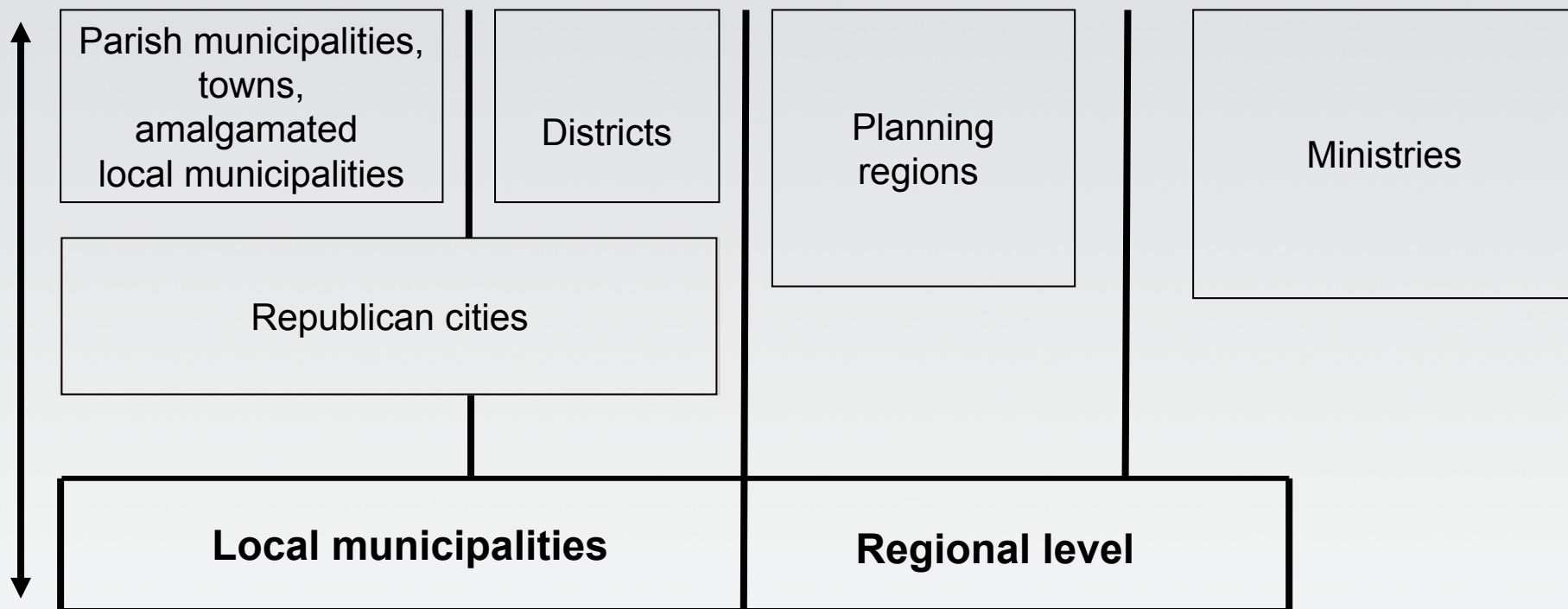
Basis for improving the regional level

To develop the concept of regional municipalities:

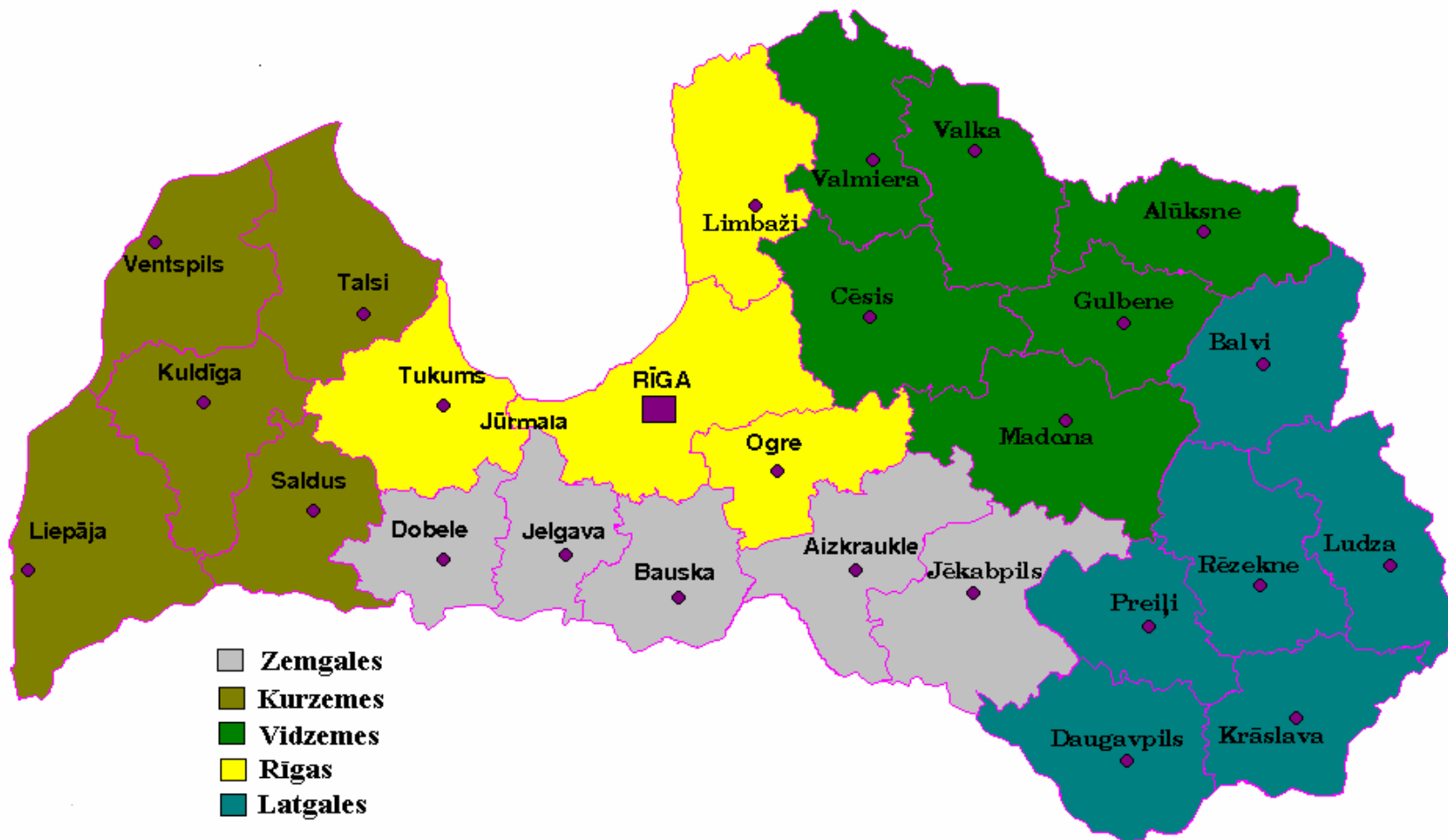
- scheme of decentralizing the functions of the state
- financial framework
- to define the number of regions, territories



Division of powers between local municipalities and state institutions



Planning regions



Thank you for attention!

