Summary of Regional Policy Guidelines 2021-2027

Latvia has one of the highest regional disparities - the third highest among the countries of the Organization for Economic Co-operation and Development (OECD). Gross Domestic Product (hereinafter - GDP) per capita in Riga Planning Region in 2016 is EUR 17 213, which is 135% of the average GDP per capita in the country (EUR 12 760). GDP per capita in Kurzeme is 74% of the average GDP per capita in the country, in Vidzeme 66%, in Zemgale 63% and in Latgale 51%.

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, thus, in the medium term, achieving a reduction in the regional GDP gap - the average GDP per capita of less developed planning regions against the more advanced planning region is 55% (base value in 2016 - 47%).

At the same time, it is 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, moving towards a knowledge-based and productive economy.

Main principles and thematic directions of the new regional policy:

1. The territorial approach in providing support

a. it is planned to provide support to all the planning regions and municipalities:
   i. preference and more support will be provided to regions with higher regional development disparities, differentiating support according to the level of GDP;
   ii. support will be provided to target areas/spaces of national interest identified in the Sustainable Development Strategy of Latvia until 2030: development centers, rural development space, Riga metropolitan area, Eastern border area and the Baltic Sea coast according to the needs of specific territories and their growth opportunities, including taking into account the outstanding areas of nature, landscapes and cultural history territories where its unique values are concentrated which form the identity and international recognizability of Latvia and its different regions. At the same time, the greatest emphasis will be placed on the growth of development centers, their co-operation with surrounding areas, promoting multilevel polycentric development. Support provided to the city of Riga and its surrounding areas should be primarily directed towards projects that enhance the international competitiveness of the Riga metropolitan area;

b. it is planned to expand the support opportunities for initiatives of local territorial communities (that are resident led), including their education, strengthening of social and civic skills;

c. as a basis for attracting investments mutually integrated territorial development planning documents at regional and local government level and civil society level will be used (including local action group strategies, village/community development plans).

2. Thematic concentration

Main thematic directions:

a. regional economic development that is based on active involvement of planning regions and municipalities, including providing support to municipalities for development of business environment, raising productivity and attracting human resources in the regions, as well as building regional innovation and knowledge systems;

b. improvement of the efficiency of services, taking into account demographic trends, providing support for raising the energy efficiency of municipal service buildings, access to pre-school education, implementation of smart solutions, development of public outdoor space and improving mobility for accessibility of services;

c. capacity building of planning regions, municipal administrations and other stakeholders involved in territorial development planning, including civil society groups, providing methodological support for development of mutually agreed territorial development planning documents and implementation of initiatives.

3. Application of smart solutions principle in development planning and project implementation

Given the decline in public funding for regional development and the need to adapt the service network to the population changes in particular areas, it is important that the measures implemented have a higher added value and bring long-term returns. Respectively, it is planned to support smart solutions that will:

a. improve the functioning of public administration institutions (MoEPRD, planning regions, municipalities), reducing the costs of maintaining services, reducing bureaucratic burden and facilitating the improvement of people's quality of life;

b. reduce the environmental impact and utilize the opportunities provided by information and communication technologies (hereinafter - ICT);

c. contribute to the creation of a test environment in regions for products or services for smart solutions, facilitating the economic growth of territories;

d. improve co-operation and interaction between public administration institutions and businesses, education and research institutions and civil society groups, reaching more meaningful solutions and more coordinated actions to achieve the common goals.

At the same time, regional development trends lead to the conclusion that, planning development, it should be considered how to ensure "smart shrinkage" of those areas that are emptying and show low development results.

Instruments for implementing the Guidelines:

1. EU funds;
2. State budget and tax revenue it consists of;
3. Municipal budgets and tax revenue they consist of;
4. Other foreign financial sources (including Norway grants, Latvian-Swiss Cooperation Programme).

The indicative necessary financing needed to achieve the regional policy goal and to implement the planned measures set out in the Guidelines amount to EUR 2 187 198 857, including as co-financing of EU policy instruments - state budget EUR 363 811 375 and municipal budget EUR 523 714 286, - financing of EU policy instruments and other foreign financial assistance EUR 1 104 832 53012, financing of the private sector EUR 254 840 667.

Many of the measures planned in the Guidelines will be implemented within the existing budget, including by more targeted and efficient planning and use of the existing funding, as well as continuing discussions on tax incentives for municipalities to promote entrepreneurship.