Polycentric development is one of the central concepts in the discourse of European spatial development since the publication of the European Spatial Development Perspective (in 1999) where sustainable and polycentric development is formulated as a strategic goal. Since that time a lot of research is focused on different dimensions of the polycentric development – polycentric urban regions on the European and national scale, hierarchies of cities and towns. Less attention is devoted to the analysis on the polycentric development in the sub-national scale – polycentric development of the regions. From this point of view a concept of functional polycentrism, defining polycentricism in terms of spatial organisation, simultaneously taking into account also the functional interconnectedness of settlements could be efficient. Polycentric development could be defined as a network of functionally interconnected cities, towns, and rural areas.

The National Development Plan envisages the polycentric development of the network of towns and cities as one of the main preconditions for the sustainable development in Latvia.

In accordance with the OECD classifications, which are based on such criteria as population density, in Latvia only Riga and its surroundings can be characterised as an urban region, the rest country is predominantly rural, where over 50% of the population live in communities in which the population density does not exceed 150 per km². The structure of Latvia’s population density can be divided into four categories of habitation with different levels of urbanisation: the city of Riga; other cities of Latvia, which in the EU context would more likely be classified as medium-sized towns; and other towns, including regional centres that cannot be classified as big cities and rural areas.

Today there are 77 towns in Latvia. Depending on their size, towns play different roles in attracting and retaining people, and their residents have different opportunities for taking advantage of various types of services.

After the administrative territorial reform the new administrative division of Latvia consists of 9 republican cities and 109 amalgamated municipalities, in total 118 municipalities; and roles of towns and cities are changing. The previous socio-economic structure of Latvia was formed in the frame of administrative structure of districts. The new amalgamated municipalities differ quite a lot not only in size and number of population, but also in socio-economic potential of new district centres and impact on rural areas. The former district centres and towns benefiting from support for towns within the EU SF co-financed activity (for example, Smiltene, Livāni) have become dynamic development centres providing wide range of good quality public services, while the development potential of some other new municipality centres is low. Some of the newly established municipal centres, such as in Tērvete, Rucava, or Rugāji municipalities even do not reach the criteria set by the legislation for these centres. Does it mean that new towns should be developed in areas with low density of population, weakly developed public transport infrastructure and in some cases far from larger centres to provide equal availability of public services? There is a risk of further widening of the gap between the central and peripheral areas, further disparities in the regional development.

In conclusion, consolidation of municipalities in the process of the administrative territorial reform should be continued to create preconditions for polycentric regional development – hierarchy of the settlements based on strong urban network and urban-rural partnership.

**Key words:** regional development, spatial development, polycentric development, urban-rural partnership.