

# An assessment of administrative-regional reform in Latvia

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**Abstract.** Latvia is ready for administrative-regional reform. Proposed territorial reform is compared with the present system. Important questions are the number of territorial divisions and the criteria for the reorganisation. In order to carry out territorial transformation certain factors are chosen, on the basis of which transformation can take place. Statistically significant factors used were identified by dispersion analyses from all the data characterising regions in Latvia. This data was taken from statistical year-books. By using cluster and optimisation methodology possible new administrative-regional divisions in Latvia were identified.

**Key words:** administrative-regional reform, administrative-regional division, methods of analysis.

## Introduction

Latvia's entrance in the European Union (EU) will advance political stability. It will lay the foundation for a balanced economic growth, social protection and welfare improvement. The national government has recognised certain fundamental principles for all people. These are freedom, cultural identity, a safe environment for individuals and society as a whole, welfare improvement, and a decrease in unemployment.

A feature of world and European development, which also influences Latvia, is an increase in global and regional collaboration and integration. Accordingly, integration in the EU is an opportunity for Latvia to contribute to the strengthening of European stability. It can do this by participating in regional bilateral and multilateral collaboration and by advancing internal stability through consistent and qualitative democratic and economic reforms. Latvia's participation in the EU not only brings advantages, it also creates responsibilities and added monetary expenses. If Latvia wants to become a modern, market-oriented economy changes are inevitable.

The present administrative-territorial divisions in Latvia are not suited to territorial planning and investment, and are a hindrance to national unification. It is expected that during a period of transition from an industrial society to an information-based technology internal territorial regions will have a tendency to become larger.

Plans for Latvian entry into the EU are already under way. A strategic plan for Latvian integration into the EU was accepted by the Council of Ministers on

October 20, 1998. However, Latvia still has to solve significant problems in several areas including regional policy. In order to provide incentives for regional economic growth and to eliminate the existing disparities in the areas of employment, income, labour conditions, infrastructure development, investments and others, decentralisation of administrative functions and financial resources is necessary. Such actions will contribute to the ability of municipalities to take part in the process of regional development.

During transitional periods, when a society undergoes transformations, one can often observe the consequences of population redistribution among towns and cities. Social problems of unemployment and a substantial elderly population increase in sparsely populated localities. These processes were observed under the present administrative divisions. Large disparities were created between the regions of Latgale and Zemgale, due to Zemgale's more favoured location close to the capital Riga.

In Latvia the existing territorial, administrative division of municipalities was created during the late 1960s and 1970s, and is more suited to a centralised administration. As the number of rural population centres decreases, communications technology should be exploited.

It follows that the existing territorial, administrative division in Latvia should be considered out-of-date and unsuitable for the demands of today. Combining existing regions into larger ones allows for more efficient management and, moreover, helps to provide people with the necessary services more efficiently. Consolidation of administrative tasks is one of the most obvious gains made possible by uniting smaller re-

gions into larger ones. This does not mean that financial resources will necessarily be reduced. While the total regional budget as a percentage of the national budget may decrease, economies of scale may result in greater available resources in each region. A real possibility is the creation of a stable executive infrastructure by attracting the best possible professionals for each needed speciality.

For larger territories a more serious development planning is possible as it is easier to organise and fund projects. When more populated regions are created there are more possibilities to engage non-governmental organisations who play an essential role in strengthening and developing democracy. The possibility of borderland co-operation is enhanced as a larger territory provides a better and stronger partner for co-operation.

It is recognised that consolidation of regions at the lowest governmental level (pagasts) is the first step in the regional reform. The approaching local elections also hasten the need for consolidation and collaboration.

The aim of the territorial-administrative reform is to create an optimal division of Latvia's territory which will provide:

- competent and independent self-governing regions,
- consolidation of regional material and financial resources,
- more independent financial possibilities for regions,
- effective regional administrations,
- economic enterprise activities,
- opportunities for regions to interact directly with international entities.

## Methods

Several possible variants in Latvia's territorial-administrative division have been identified using cluster analysis and mathematical optimisation.

SWOT and Analytic Hierarchy analysis were applied to the possible divisions in order to identify the best variant. This task was carried out by five experts.

The Analytic Hierarchy process is a systematic procedure for representing the elements of any problem hierarchically. The hierarchical structure is defined by from top to bottom. The administrative regional division of Latvia forms the top level. Criteria groups, namely formal criteria, interests of inhabitants, interests of regions, interests of the state, interests of the EU form the second level. The third level, criteria on which the division variants depend, are listed in Figure 1. The lowest level is several variants for Latvia's administrative-regional division, starting with dividing the country into five regions up to the present

twenty-six regions. In the case of 26 regions, cities are included within their respective regions. Experts, through a series of pairwise comparative judgements, express the relative strength (intensity of impact) of the elements in the hierarchy numerically.

## Results

Cluster analysis and mathematical optimisation were used to create several administrative-regional variants. In order to carry out territorial transformations a totality of factors had to be chosen, on the basis of which transformations would take place. Statistically significant factors were grouped using the analysis of variance. Factors were chosen from all the data characterising Latvia's regions as found in annual statistical yearbooks:

- Group 1: 9 factors characterising the region's territory;
- Group 2: 11 factors characterising the number of people in the region;
- Group 3: 7 factors characterising the economic situation in the region;
- Group 4: 10 factors characterising the region's infrastructure;
- Group 5: 2 factors characterising the education level of elected officials.

By making use of the cluster analysis and optimisation methods, several variants of administrative-regional division in Latvia were identified. These consisted of a territorial division into 5 districts, 7 districts, 8 districts and 9 districts. The optimal solution was sought from among these variants. While analysing these variants according to the factors mentioned previously, the following result was obtained: only some factors were influenced by the size of the district (i.e. the larger the territorial extent of the district, the higher the mean value of the factor). These factors were:

- total area,
- population,
- mean distance from the district centre,
- enterprises in operation,
- industrial work force.

After the experts carried out the estimation, comparison of criteria groups and comparison of different division variants was obtained. Figure 2 shows that criteria are grouped in the following way: the least important are formal criteria, followed by regional interests, interests of the state, interests of the EU (with only a small difference), with interests of the inhabitants being the most important. The amplitude (solid line) shows the variation in experts' opinions. The smallest variation is for interests of inhabitants.

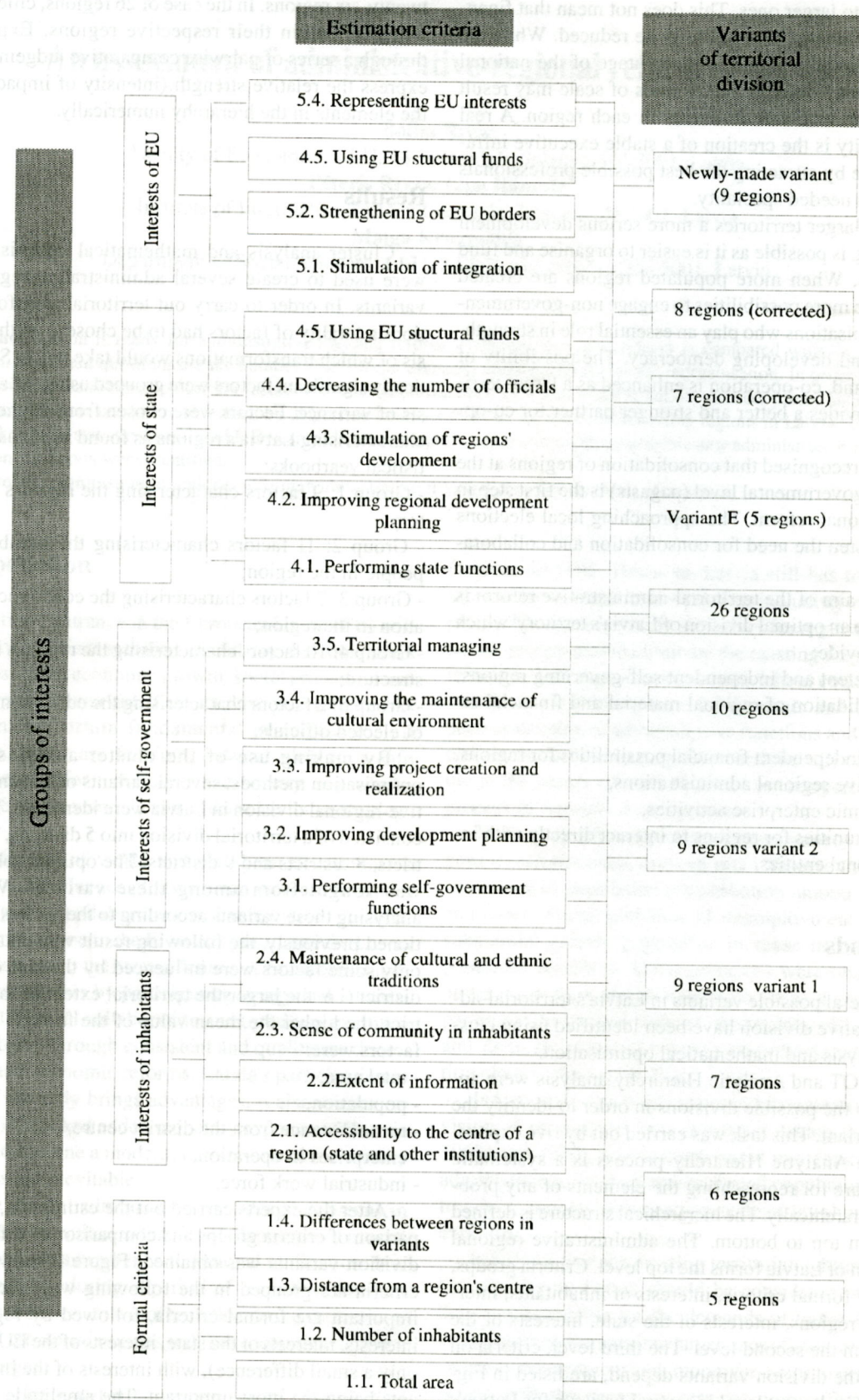


Fig. 1. Hierarchy for the estimation of criteria for Latvia's administrative-regional division variants.

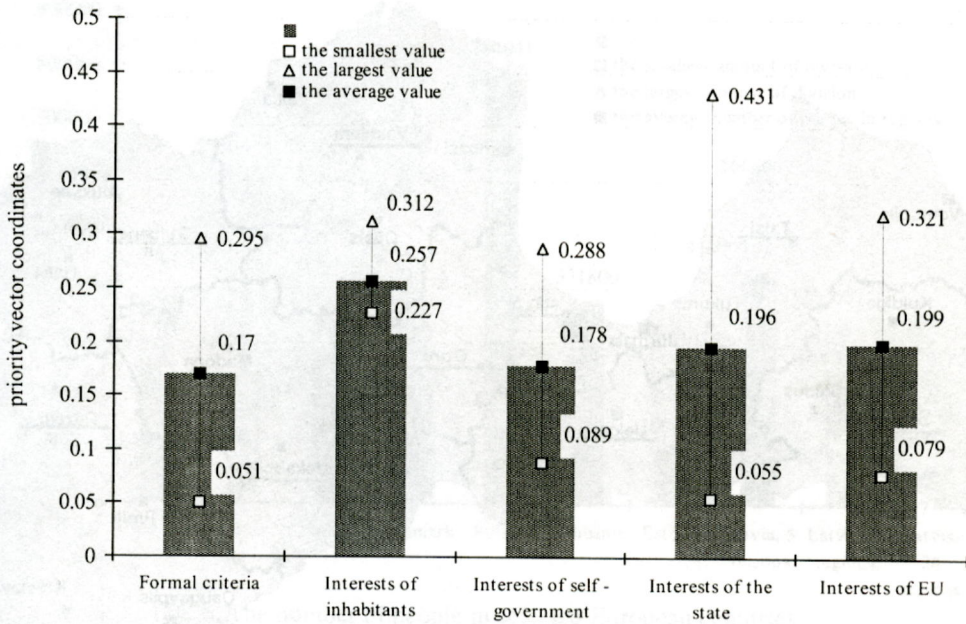


Fig. 2. Criteria group estimations.

The Analytic Hierarchy process for comparing division variants yielded the following results: the most promising variants for the regional reform are 5 regions and 9 regions (Figures 3 and 4, respectively).

If Latvia is divided into 5 regions, there will be regions with very large areas and this will mean that each region could become "a state within a state". Area data can be compared with other European countries. For example, the average area in a 5 region variant is

16071 km<sup>2</sup> (Sweden - 19565 km<sup>2</sup>, Norway - 17994 km<sup>2</sup>, Finland - 17879 km<sup>2</sup>, see Fig. 5).

But if one analyses Latvia's division into 9 regions, one can see that it serves the interests of local inhabitants to a much greater extent. In a similar way, one can also compare data concerning the number of inhabitants in the 5 and 9 region variants with other European countries (see Fig. 6).

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Fig. 3. Variant of Latvia's administrative-territorial division into 5 regions.



Fig. 4. Variant of Latvia's administrative-regional division into 9 regions.

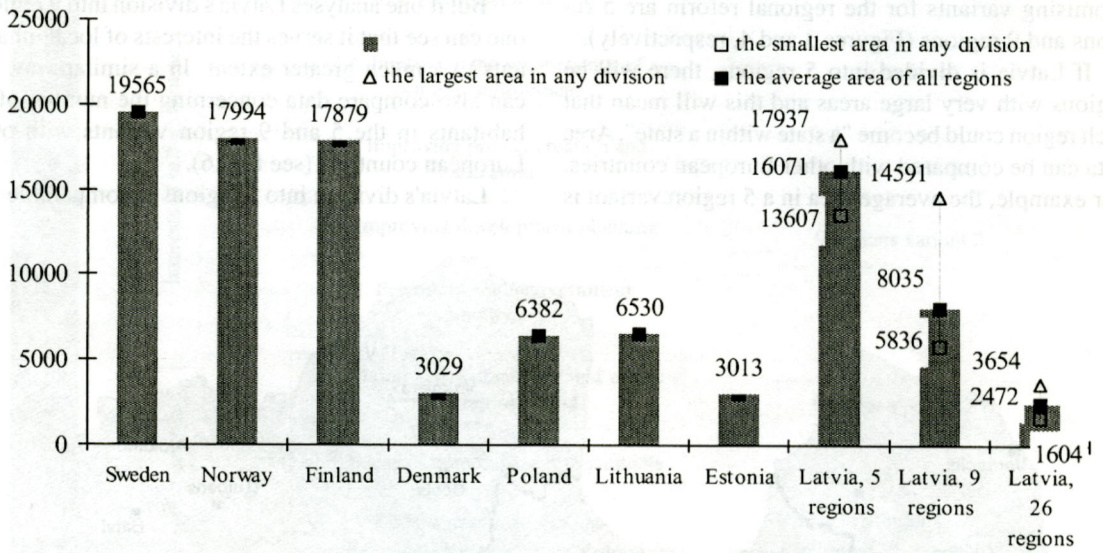


Fig. 5. The average area of regions in selected European countries.

average number of inhabitants equals 416005) with the data from other European countries. For example, in Sweden the average number of inhabitants is 380217, Denmark 371214, and Lithuania 371800. The current Latvian administrative-territorial division into 26 regions creates small regions with small numbers of people. The only comparable European country to this variant is Estonia. In the case of Latvia's division into 9 regions the data are comparable with such European countries as Norway, with an average number of inhabitants equal to 240278 and Finland with an

average of 268579.

Evaluation of amplitude and variation coefficients are useful for optimal choice selection. Indices of all factors have been obtained for each division to be investigated as well as the mean value for each factor in each variant. Since the mean value statistics vary only slightly among the variants, the amplitude of each division variant as well as the variation coefficient were also calculated. These later statistics identify the smallest variation among factors within each division variant. The division of Latvia into 5 regions is the variant

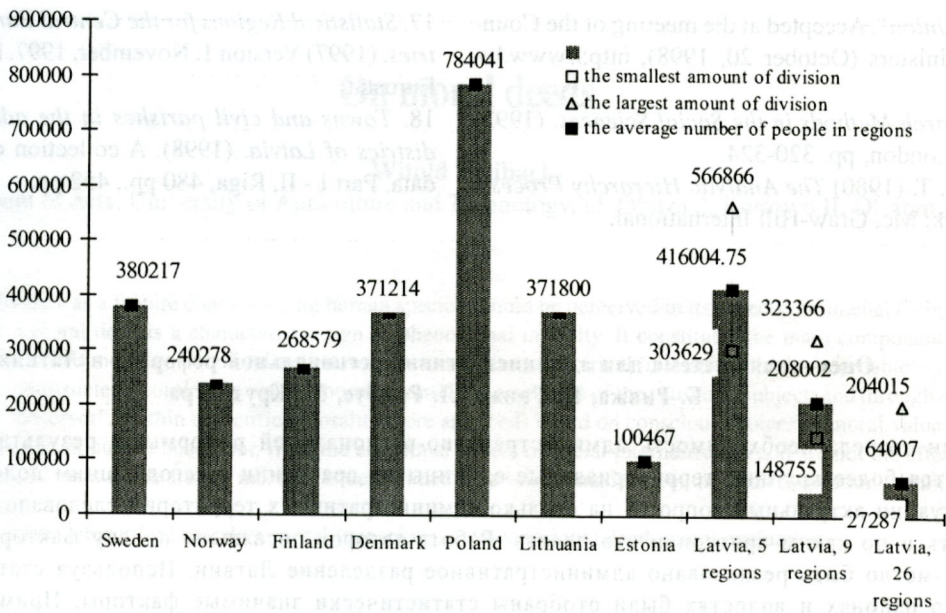


Fig. 6. The number of people in selected European countries.

with the smallest variations among all the factors. This means that there is only a small disparity among the separate districts with the 5 region variant. A homogeneous division with only slight differences between regions is thus created, in comparison to the current system of 26 regions where large disparities exist among the various districts.

The following basic principles are applicable to the reform process:

- local inhabitants, locally elected people and other specialists are central to the reform process;
- reform is never for reform sake only, but as a tool to promote regional development;
- reform must respect the rights of self-government, for people to choose the method of development;
- reform has to promote alternative methods of regional development;
- reform has to foresee the necessary district investments;
- reform has to promote infrastructure development.

The formation of a new regional structure in Latvia recognises the urgency of administrative-regional reform. Analyses have been carried out and optimal solutions have been found. The problem now is to carry out the re-districting plan for Latvia recognising that reform must start with the lowest level of government. The work on administrative-territorial reform in Latvia has only begun.

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### Оценочная система для административно-региональной реформы в Латвии

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В Латвии созрела необходимость административно-региональной реформы, в результате которой образуются более крупные территориальные единицы по сравнению с сегодняшним положением. В этой ситуации актуальный вопрос – на сколько административных территорий следовало бы Латвию разделить и по каким критериям это делать. Работа авторов посвящена поиску факторов, на базе которых могло быть реализовано административное разделение Латвии. Используя статистические данные о районах и волостях были отобраны статистически значимые факторы. Применяя метод кластеризации и оптимизации получено несколько вариантов административно – регионального деления Латвии.

### Administratīvi reģionālās reformas vērtēšanas sistēma Latvijā

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Latvijā ir nobriedusi nepieciešamība administratīvi reģionālai reformai, kuras rezultātā veidotos lielākas teritoriālas vienības, salīdzinot ar pašreizējiem rajoniem. Šai situācijā aktuāls ir jautājums, cik teritoriālās vienības Latvija būtu sadalāma un pēc kādiem kritērijiem to noteikt. Autoru veiktais darbs ir veltīts faktoru meklēšanai, uz kuru bāzes varētu tikt veidots Latvijas administratīvi reģionālais iedalījums. No statistikas iegūstamiem datiem par Latvijas rajoniem un pagastiem tika atlasīti statistiski nozīmīgie faktori. Ar klāsterizācijas un optimizācijas metožu palīdzību iegūti vairāki Latvijas administratīvi reģionālā iedalījuma varianti.