



Territory development governance in the context of shrinkage

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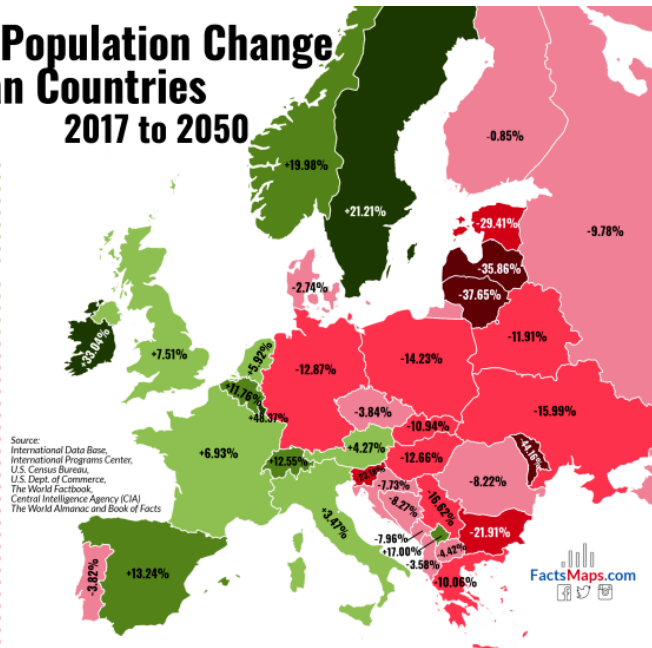
Background...

Latvia (like several other European countries) is losing population

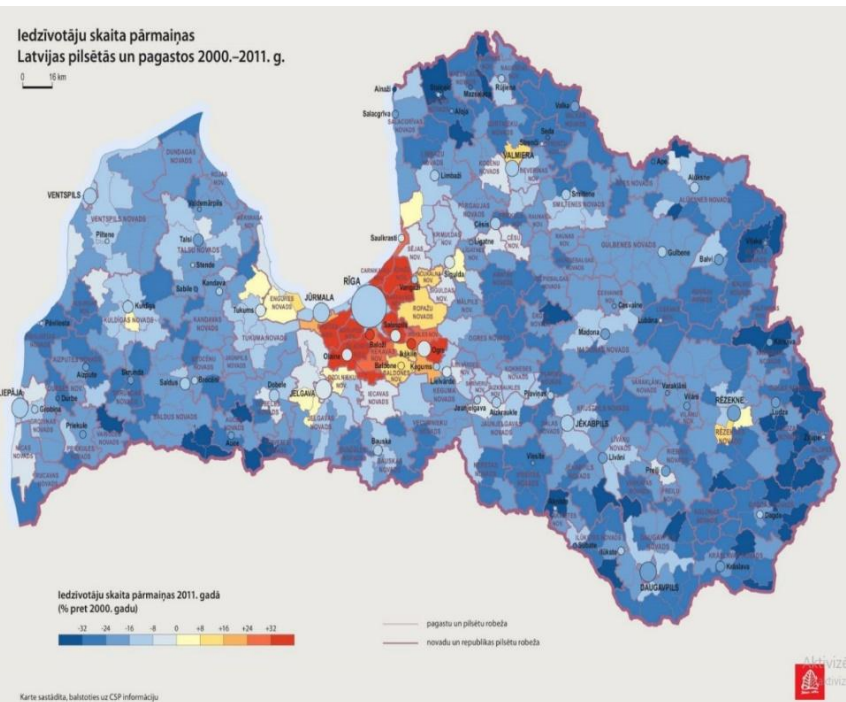
As a monocentric country Latvia has some additional challenge- depopulation is predominantly peripheral

Projected Population Change in European Countries 2017 to 2050

	Population (thousands) in 2017	Population (thousands) in 2050	% Change
• Luxembourg	583	865	+48.37%
• Ireland	4,761	6,334	+33.04%
• Iceland	325	407	+25.49%
• Sweden	9,910	12,012	+21.21%
• Norway	5,305	6,365	+19.98%
• Cyprus	1,179	1,393	+18.15%
• Kosovo	1,900	2,223	+17.00%
• Spain	46,354	52,491	+13.24%
• Switzerland	8,476	9,540	+12.55%
• Belgium	11,429	12,773	+11.76%
• UK	66,181	71,154	+7.51%
• France	64,979	69,485	+6.93%
• Netherlands	17,035	17,907	+5.12%
• Austria	8,735	9,108	+4.27%
• Italy	59,359	61,416	+3.47%
• Finland	5,523	5,476	-0.85%
• Denmark	5,733	5,576	-2.74%
• Albania	2,930	2,825	-3.58%
• Portugal	10,329	9,934	-3.82%
• Czech Rep.	10,618	10,210	-3.84%
• Macedonia	2,083	1,991	-4.42%
• Croatia	4,189	3,865	-7.93%
• Malta	430	396	-7.91%
• Montenegro	628	578	-7.96%
• Romania	19,579	18,061	-8.22%
• Bosnia Herz.	3,507	3,231	-8.22%
• Russia	143,989	129,509	-9.78%
• Greece	11,159	10,036	-10.06%
• Slovakia	5,447	4,851	-10.94%
• Belarus	9,468	8,340	-11.91%
• Hungary	9,721	8,490	-12.66%
• Germany	82,114	71,542	-12.87%
• Poland	38,170	32,739	-14.23%
• Ukraine	44,222	31,149	-30.47%
• Serbia	7,040	5,870	-16.62%
• Bulgaria	7,084	5,532	-21.91%
• Slovenia	2,079	1,597	-23.19%
• Estonia	1,309	924	-29.41%
• Latvia	1,949	1,250	-35.86%
• Lithuania	2,890	1,802	-37.65%
• Moldova	4,051	2,262	-44.16%



Source: International Data Base, International Programs Center, U.S. Census Bureau, U.S. Dept. of Commerce, Central Intelligence Agency (CIA) The World Almanac and Book of Facts





Why is this study?

The aim of the study

- To look at the causes of the territories' socio-economic shrinkage to seek for the ways to address the challenges in there maintenance and governance

The objectives -

- *To analyze the factors influencing territory socio economic development trends*
- *To quantify some implications of the economy shrinkage*
- *To look at the sharing of responsibilities for the territory development*

The object of the study -

- *Latvian territory on municipal level, as it's governed since 2009*
 - *Central government – with Central budget*
 - *119 municipalities – with individual local budgets*
 - *5 planning regions - like the discussion clubs, without real instruments for territory development*



Approach, data

- Shrinkage manifestation – population size
 - Data from Central statistics' bureau, RAIM
 - Projection of population size 2030 /own calculation
- Economic and physical data
 - RAIM information system
 - Municipal budgets/ State Treasury of Republic of Latvia
- Projection of maintained roads and social services
 - own calculation
- municipal territory economic dependency index
 - Developed by authors



Main understanding behind

- In general - population follows the business opportunities, earlier or later...
 - Some freaks with different views are always welcomed
- Business industries may be divided as
 - Territory (or nature) dependent industries...
 - Primarily –
 - only agriculture and forestry
 - But, in some respect- also
 - Transport
 - Tourism
 - Consumer market driven industries...
 - May be Riga only ...?
 - Labour and infrastructure dependent industries...
 - Most of others

What about the development resources – natural ones????



- Nature and environment provides
 - Forest
 - Already covers >52%
 - agriculture
 - Not more than other 25% agriculture land area can be involved in production
 - Resources for blue economy ..., tourism
 - Limited resources – no fjords, Alps, vine growing areas with vineries...

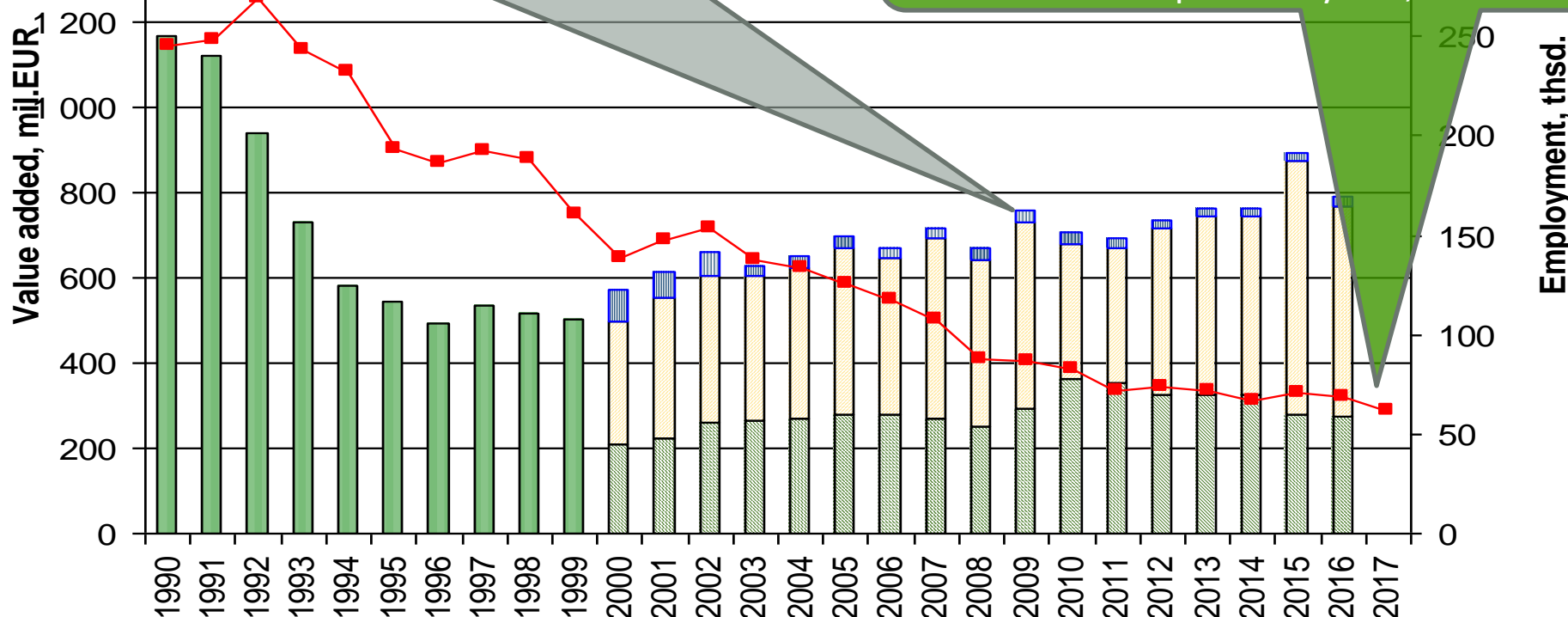
Contribution of agribusiness sectors to the territory economics- value added (const.prices) and employment,



2005-2016

Slight increase in volumes of value added, generated by agriculture, forestry, fisheries

Continuous decrease in employment due to increasing labour productivity, which is comparatively low, still ...



Value added in forestry

Value added in agriculture

Value added in fisheries

Value added in agriculture, forestry and fishing

Employed in agriculture, forestry and fishing



What about the development resources – natural ones????

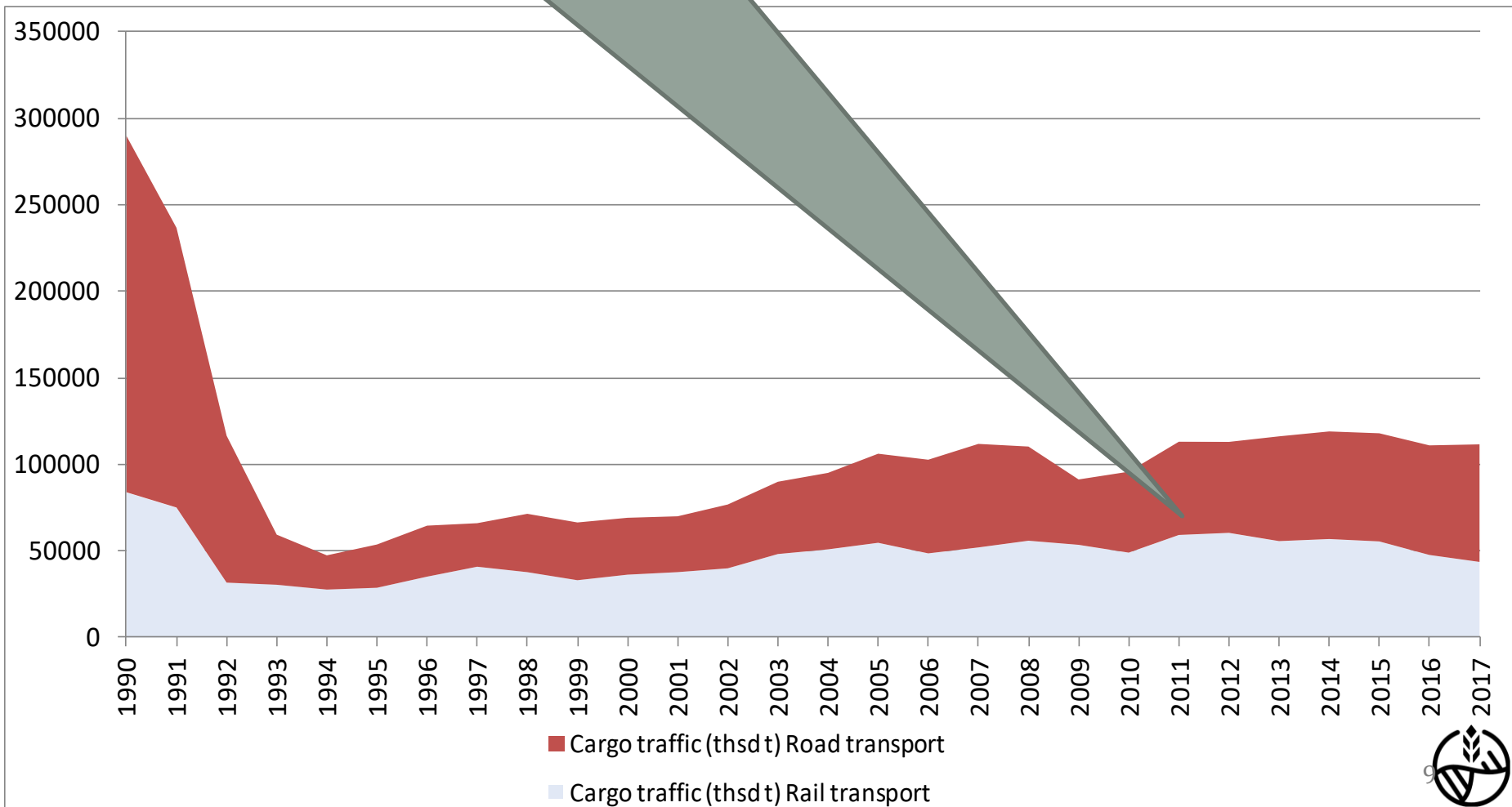


- Nature and environment provided
 - Forest
 - Already covers >52%
 - agriculture
 - Not more than 25% land can be
 - blue economy ..., tourism
- Location on the international crossroads
 - East-West cargo traffic
 - North- South transport corridor
 - ...



Cargo traffic in Latvia, 1990-2017

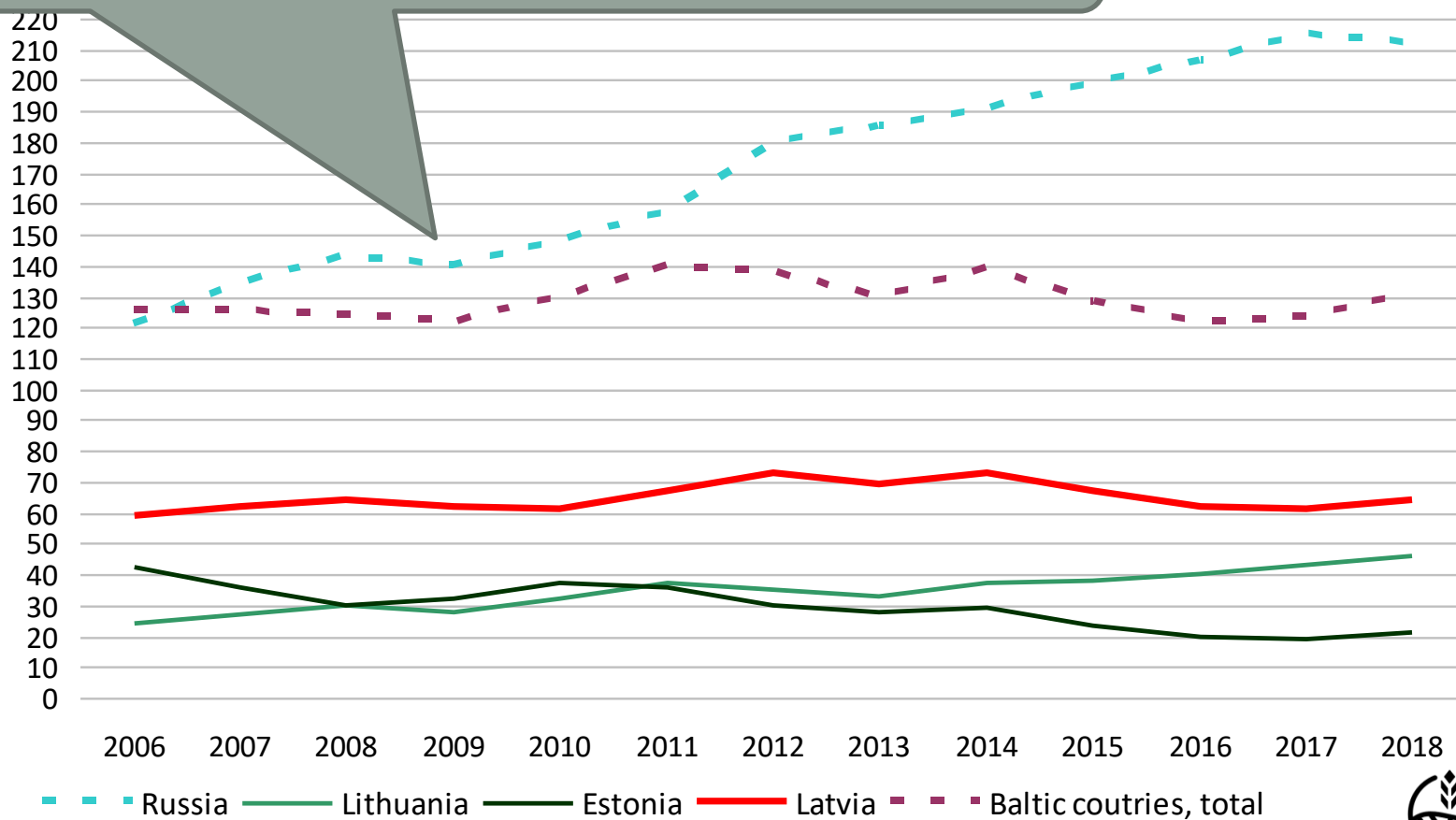
Rail transport cargo traffic with clear downward trend





Cargo traffic in Baltic ports, *mil.t*

Russia is increasing sea transport cargo volumes in Baltic sea, but only via its own port - Ustjug





Challenge for the changing of paradigm- labour based economy instead of nature based

- Restructuring of the territory socio – economical organisation
 - from the predominantly nature using business structures development, *where services move towards the nature*
 - towards predominantly labour using economy

which confronts us with another challenge

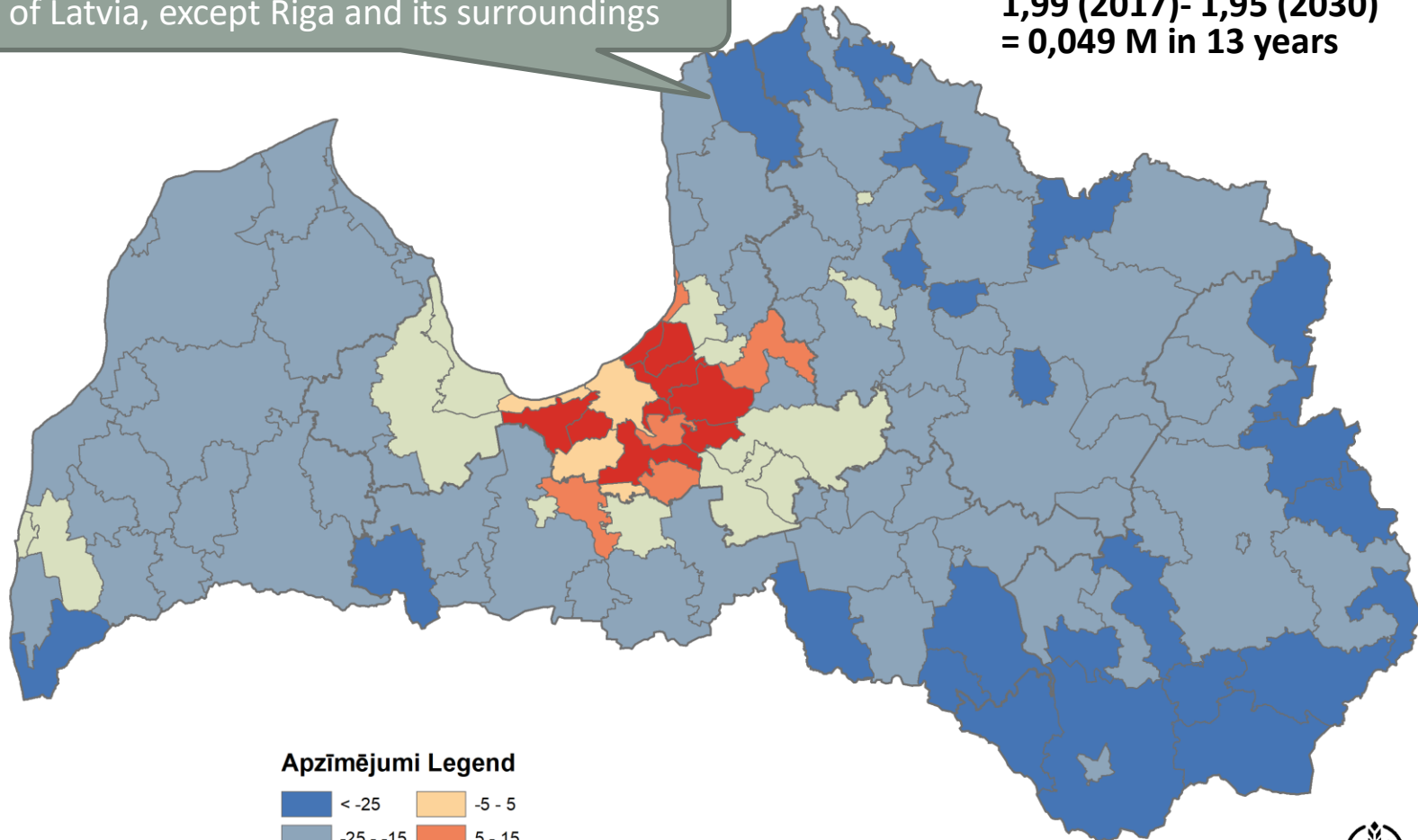
- how to improve labour competitiveness on international level – local and national
 - Skills and productivity
 - Efficiency of labour costs
 - Infrastructure maintenance and communication costs are meaningful part of them
 - Public and social service availability and quality



Population change in Latvia, forecast for 2030, in % to 2017

Further shrinkage is anticipated through most of Latvia, except Riga and its surroundings

1,99 (2017)- 1,95 (2030)
= 0,049 M in 13 years



Apzīmējumi Legend

< -25	-5 - 5
-25 - -15	5 - 15
-15 - -5	15 <

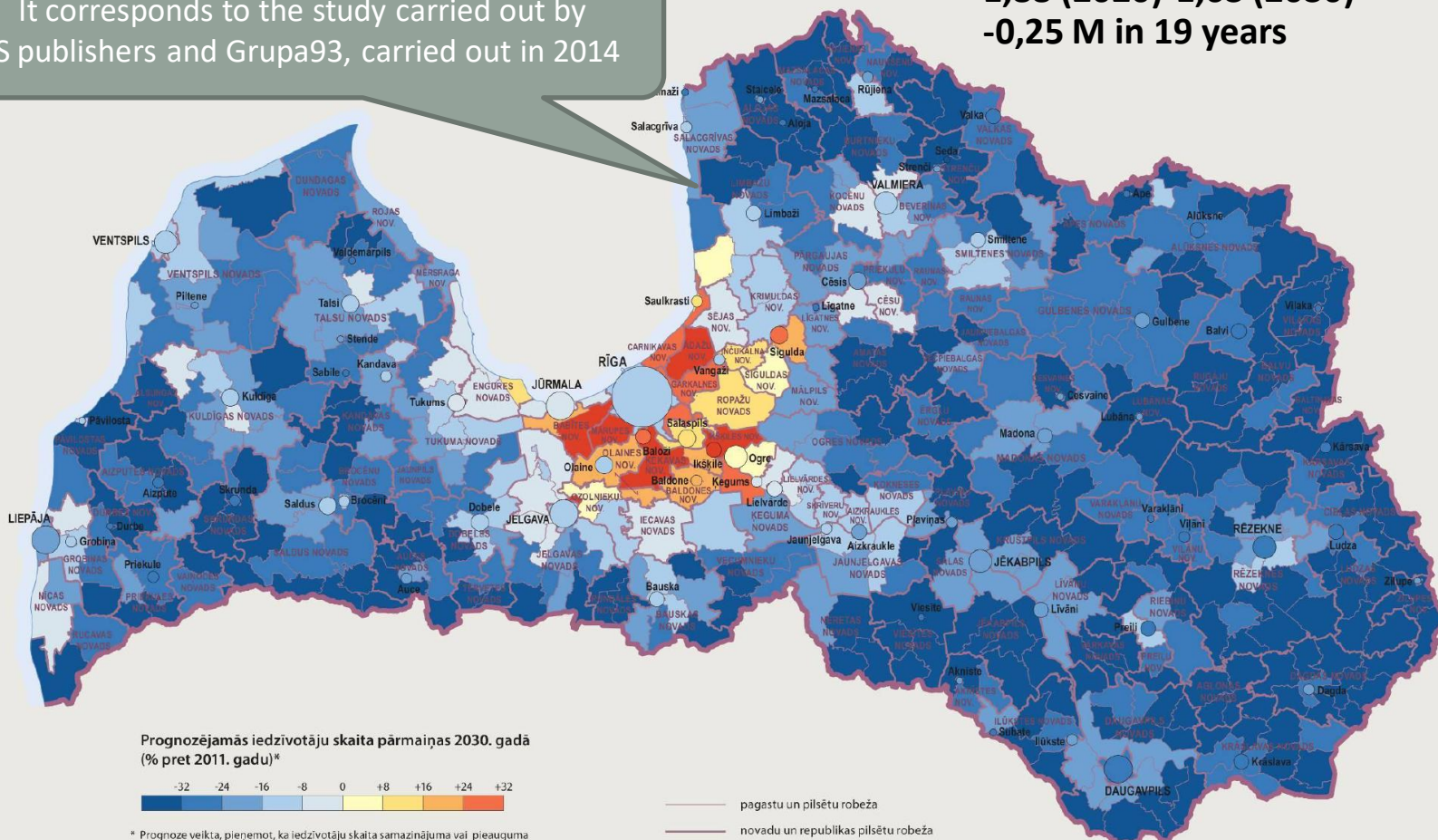


Population change in Latvia forecast for 2030), in % to 2011, according to JS publishers data



It corresponds to the study carried out by JS publishers and Grupa93, carried out in 2014

1,88 (2020)-1,63 (2030) =
-0,25 M in 19 years



* Prognose veikta, pieņemot, ka iedzīvotāju skaita samazinājuma vai pieauguma vidējais temps konkrētajā pilsētā un pagastā būtiski neatšķirsies no šī rādītāja laika posmā starp 2000. un 2011. gada tautas skaitīšanām. Minētais periods aptver gan ekonomiskā uzplaukuma, gan lejupslīdes laiku, ietekmējot kā migrācijas, tā dzimstības svārstības valstī. Iedzīvotāju skaita gala aprēķins veikts, pieņemot iedzīvotāju skaita dinamikas pārmaiņu koeficientu 2030. gadam, kas iegūts, analizējot informāciju par izmaiņu tempu Latvijas un Austrumeiropas iedzīvotāju dzimstības, migrācijas, dzimstībā, fertilitātē, mirstībā (t.sk. zidaiņu mirstībā), migrācijā u.c., kā arī ekonomiskās izaugsmes prognozes.

Pētījums „Publisko individuālo pakalpojumu klāsta izvērtējums atbilstoši apdzīvojumam” ID Nr. VARAM 2014/14 1.starpatskaite. Demogrāfisko izmaiņu raksturojums un prognozes (TS 4.1. un 4.2.p.) SIA „Grupa93” un SIA „Karšu izdevniecība Jāņa sēta”,

http://www.varam.gov.lv/files/text/Petijums_1%20starpatskaite.pdf





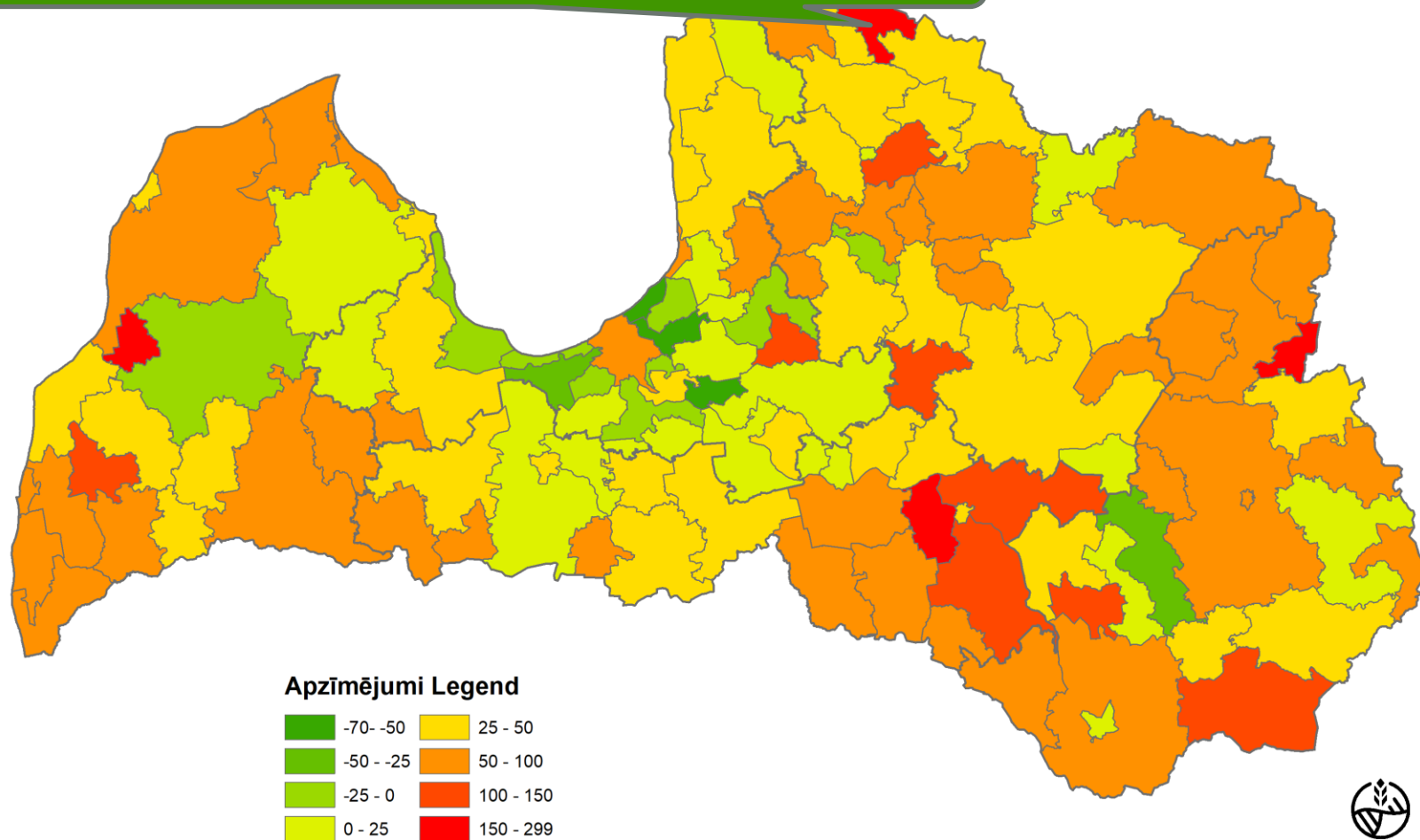
It's challenging for

- Financing the territory administration -
 - General administration costs are rather fixed as variable
 - Under the pressure of depopulation the general administration costs per taxpayer (per capita) are going up, as in any business

Change in municipal general administration costs, forecasted for 2017-2030, EUR per capita



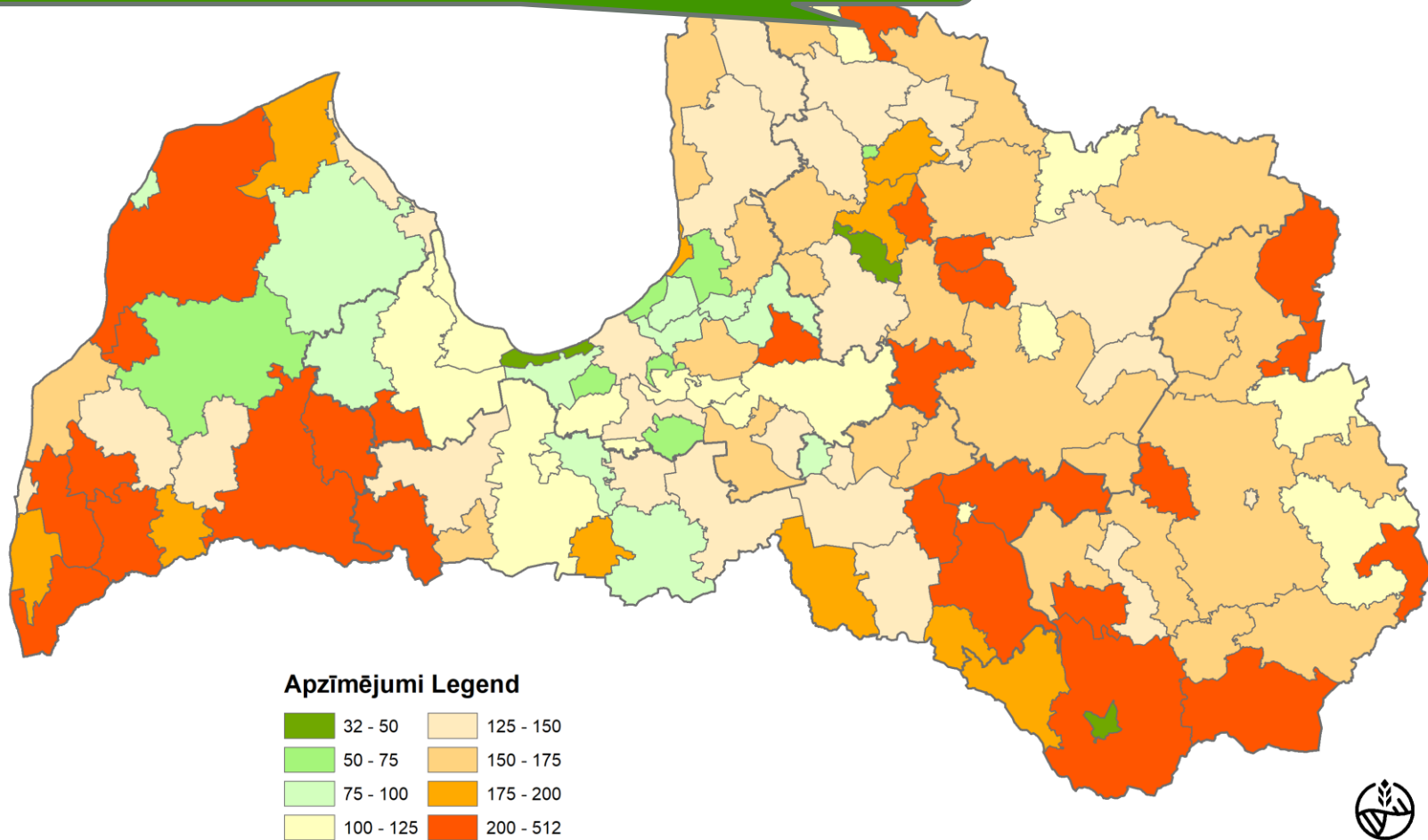
It may increase by up to EUR 20 per capita per month in some territories





Cost of administration of municipalities, EUR per capita, forecast for 2030

It may reach up to EUR 40 per capita per month in some territories

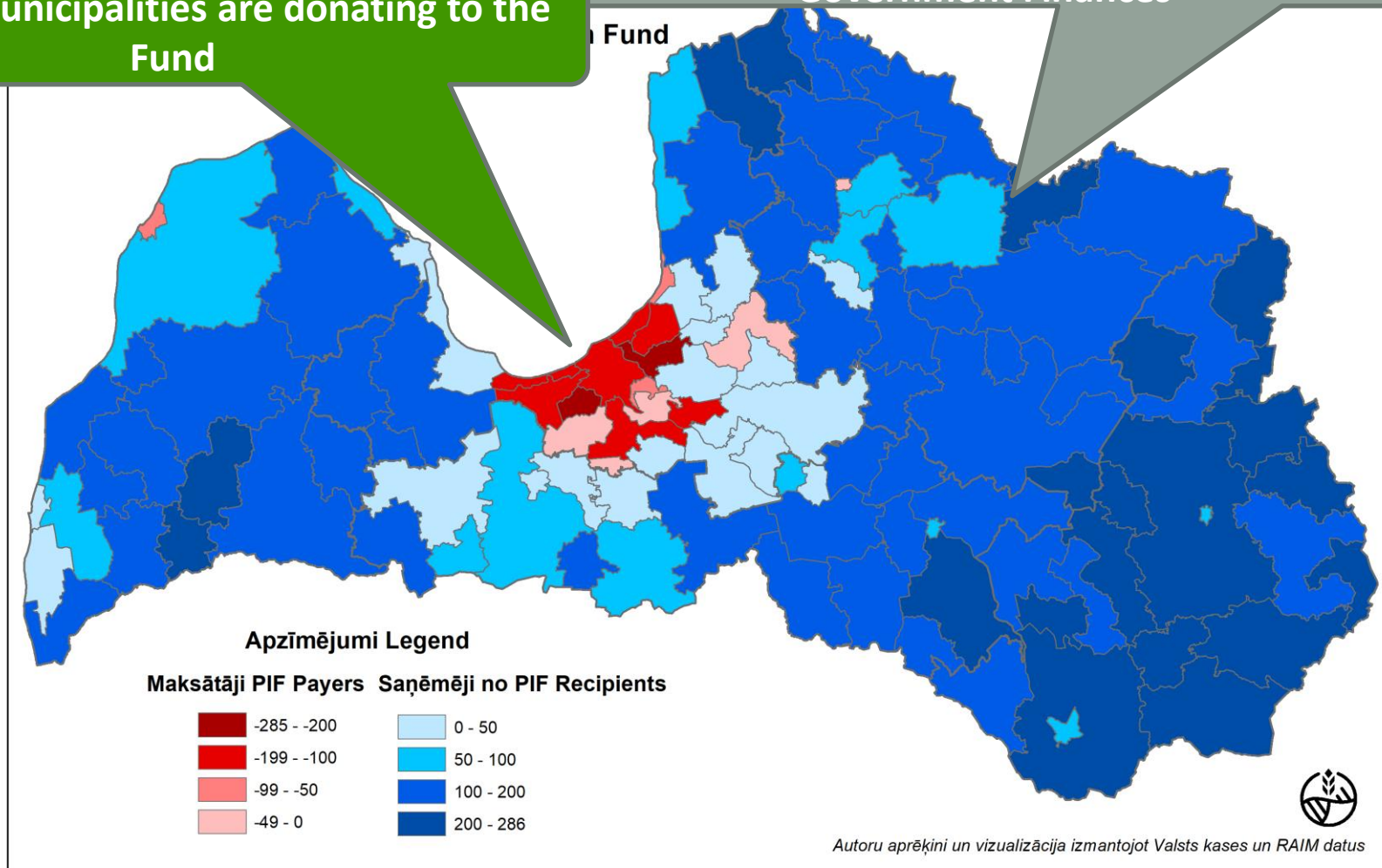




Financial transfers to and from the Fund for the Equalisation of Local Government Finances, average in 2013-2017, +/- EUR per capita, per year

Most of the municipalities are dependent on transfers from Fund for the Equalisation of Local Government Finances

Only few municipalities are donating to the Fund



Autoru aprēķini un vizualizācija izmantojot Valsts kases un RAIM datus





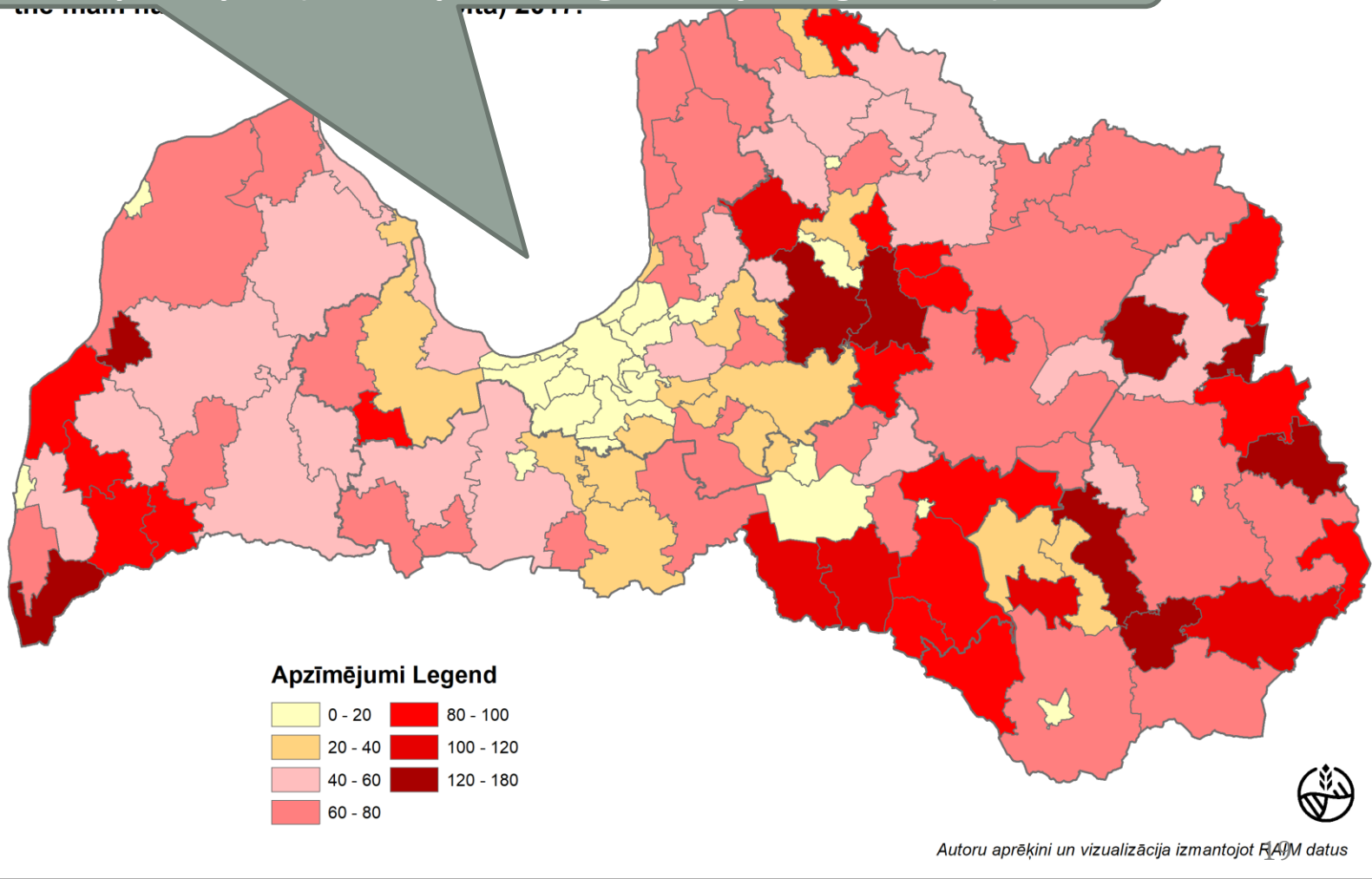
It's challenging for

- Financing the territory administration -
 - General administration costs are rather fixed as variable
 - Under the pressure of depopulation the general administration costs per taxpayer (per capita) are going up, as in any business
- Maintain the general infrastructure-
 - If not the changes in infrastructure supply network are taking place, the costs also are rather fixed as variable
 - Under the pressure of depopulation and economic «desactivation» the burden of infrastructure (e.g. road, electricity supply network) maintenance costs per population unit might also go up...



Total length of the road network (except the main national roads) in 2017, m per capita

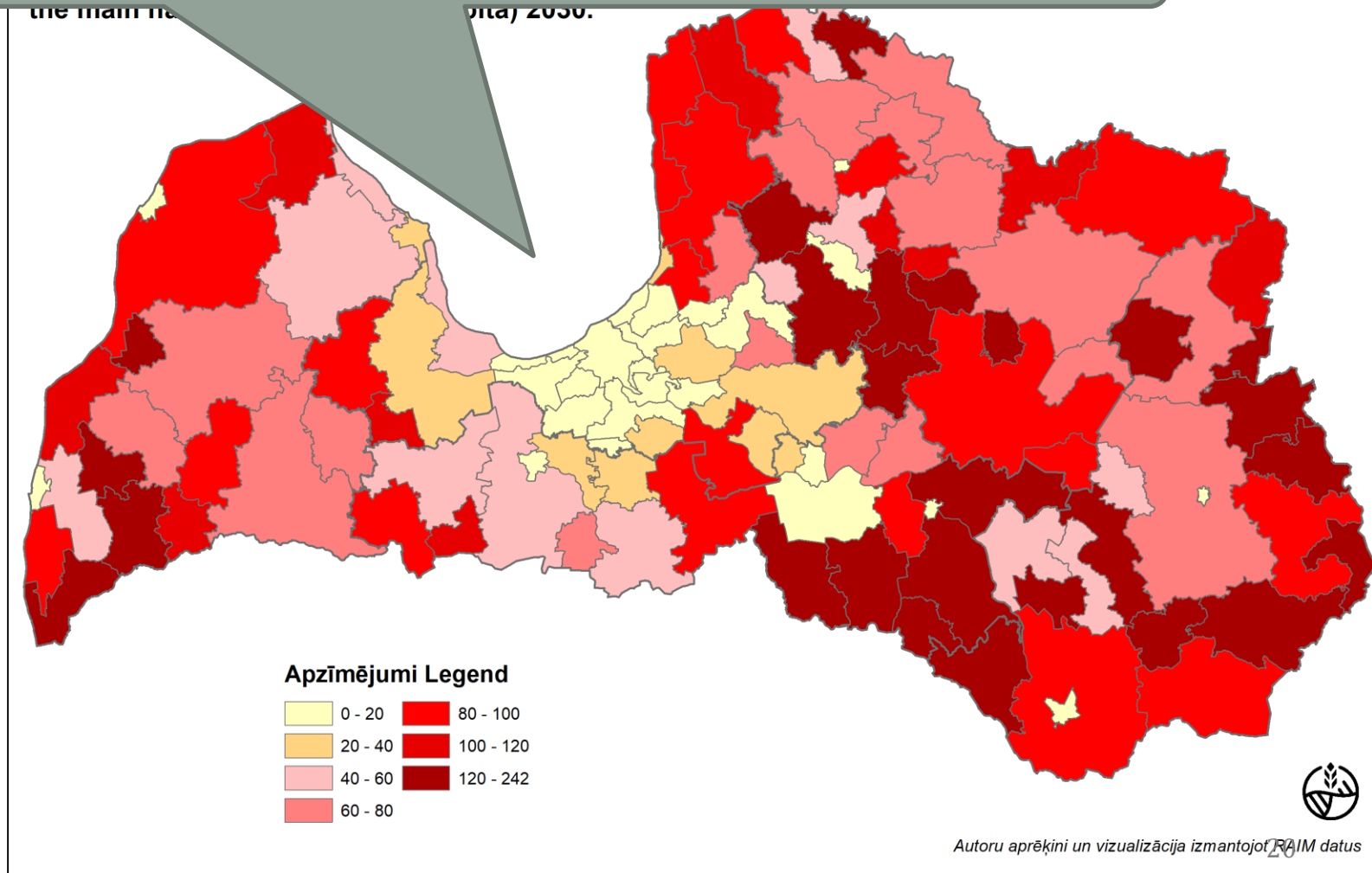
In some territories the public road network already exceeds 150 m per capita (0,5 km per average family living there...)





Total length of the road network (except the main national roads) forecast for 2017, m per capita

Till 2030 it might increase by some 30 % in most of the territories

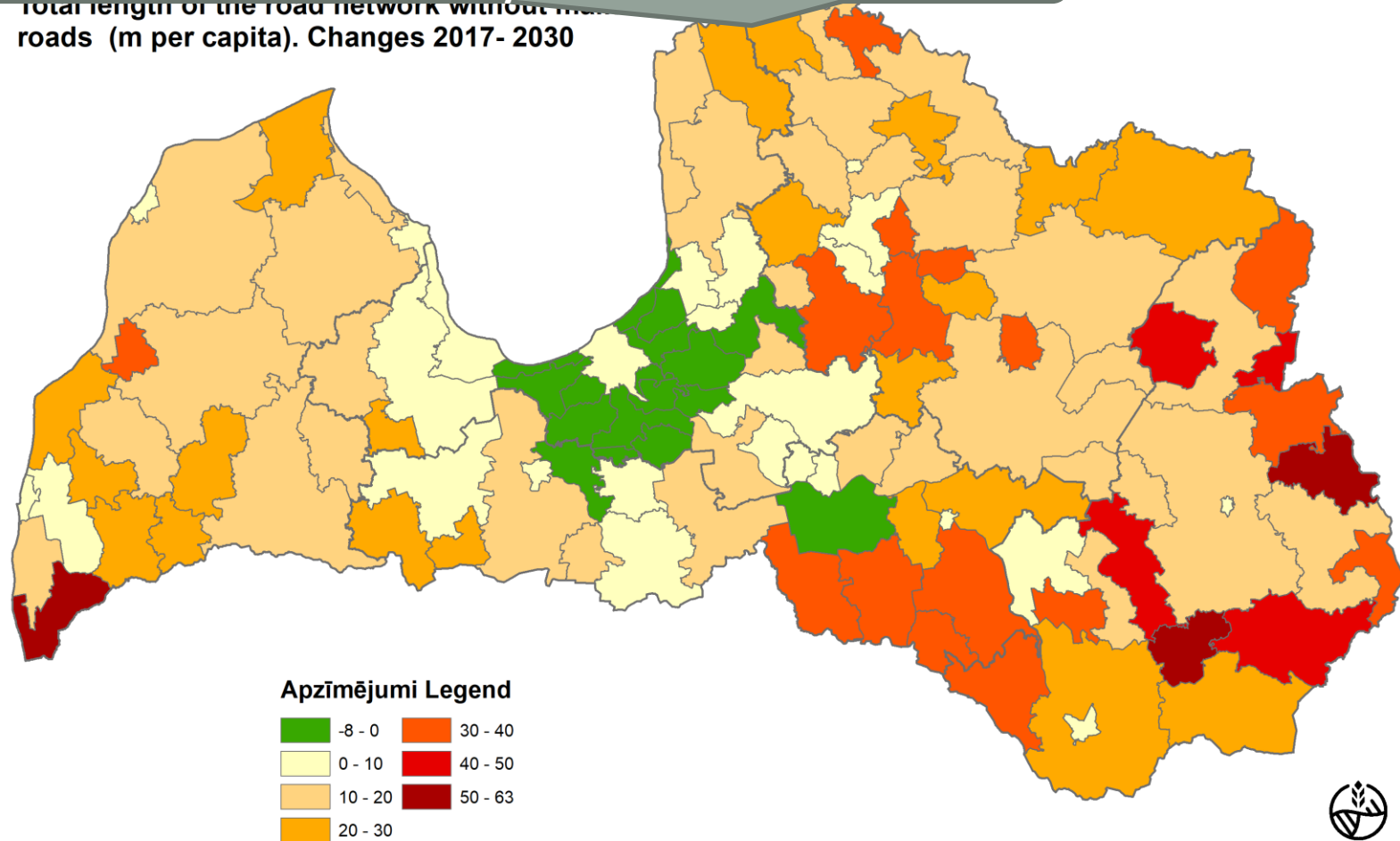




Total length of the road network (except the main national roads) forecasted change for 2017-2030, m per capita

The per capita increase in many (more distant) territories may be as large as the road network density in few others

Total length of the road network without main roads (m per capita). Changes 2017- 2030



Who might look to address the challenges?



Central government?

- Yes, because it-
 - collects and distributes most of the resources
 - has exclusive rights to decide on allocation of the public service centres all the country throughout
 - sets a legislative base for everything in the country
- Not only, because:
 - sectoral approach to development is predominating
 - it Lives in the centre of the Monocentric development
 - It means redistribution of the funds from their living area...
 - is afraid of the deep restructuring decisions due to the political logics

Who might look to address these challenges?



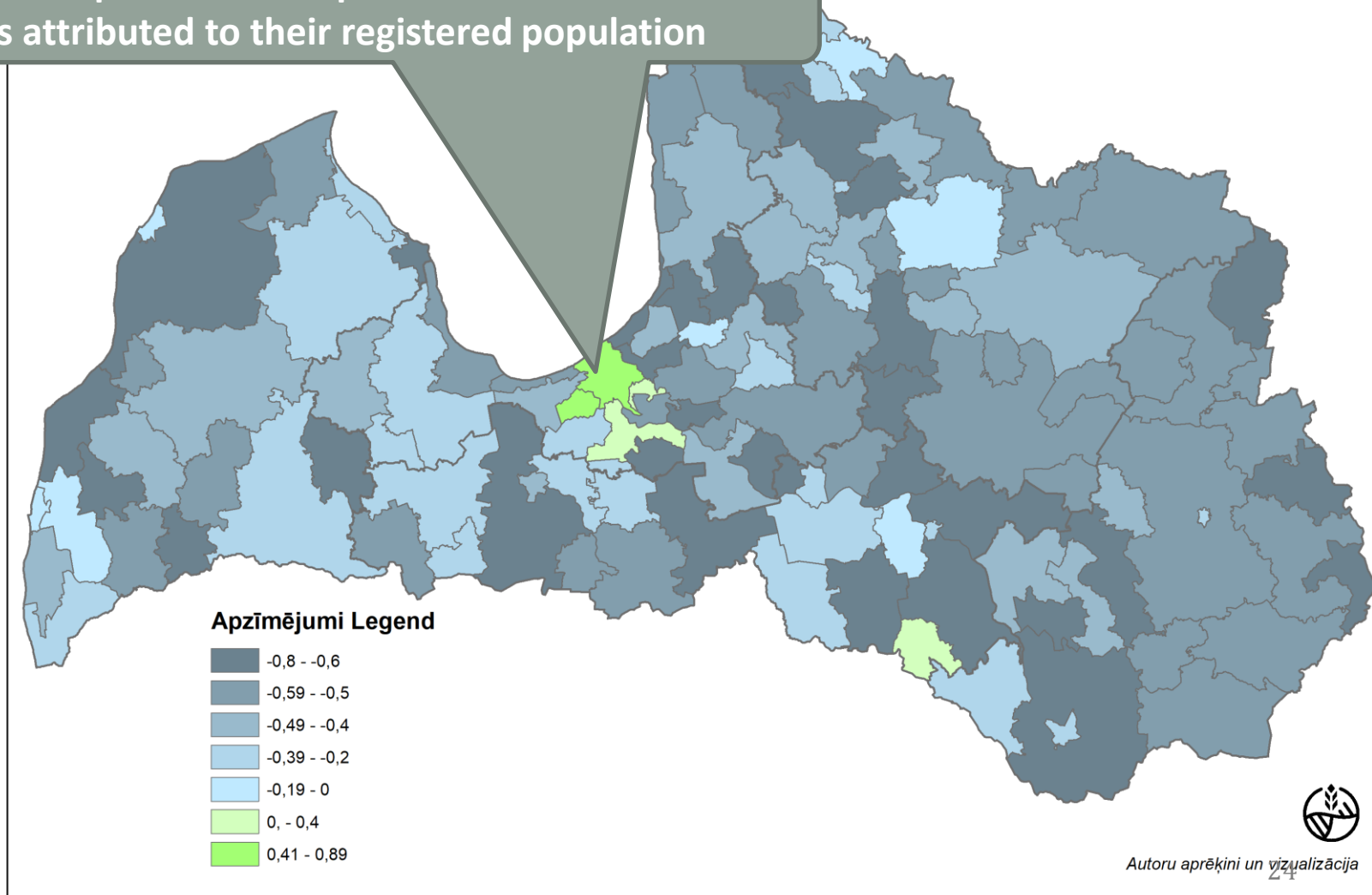
Local municipalities?

- Yes, because:
 - **currently only local municipalities** are available as an institutionalised
 - **decision making forum** for the local development representing the people living on the land
 - **tool for enforcement** the plans developed
- No, because not sufficient, :
 - **Almost no one, if any- addresses shrinkage as unavoidable challenge in their development strategies**
 - Only part of the infrastructure may be treated as purely local municipal one
 - Most (a 100 units) of them have the resources (and the rights) only to implement the administrative and social functions, delegated by the central government. **No funds available for real restructuring**
 - In fact - the whole Latvian territory (lying under 115 municipalities) is economically dependent on economy of just 2 municipalities...



Economic dependency index, as average in 2013-2017

Only 4,5 municipal territories produce more value added as it is attributed to their registered population





Reforms: political view

- Political will
 - To change the development trends:
 - **Rather the change of territory governance approach is needed, instead of reshaping boundaries and municipal people**
 - To involve people, living on the land, in the process of creating of their future home.
 - Really involve. With rights and responsibilities.
- Arguments
 - democratic arguments (less burocracy, more democracy)
 - economic arguments (economy of scale, more capacity, efficiency, real restructuring needs)



It's no easy to change the minds in proper way...

G. Gorzelak (1992) identified six myths about local government in the postsocialist countries that contributed to false expectations:

- (1) **the myth of local autonomy** (unrealistic expectations toward the potential of local autonomy and the rejection of any central involvement in local affairs);
- (2) **the myth of prosperity** (the belief that economic autarky will guarantee the prosperity of local communities);
- (3) **the myth of property** (the belief that the restoration of municipal property will in itself guarantee local development);
- (4) **the myth of omnipotence** (the belief that municipalities are both entitled to and capable of deciding all local problems by themselves);
- (5) **the myth of eagerness** (the belief that aim can compensate for knowledge and skills in local politics and administration);
- (6) **the myth of stabilization** (the belief that stable conditions are what local governments should and can attempt to reach).

G. Gorzelak (1992) Territorial Decentralization: An Obstacle to Democratic Reform in Central and Eastern Europe?



Some conclusions

- Deep understanding of the paradigm change for the territory development is urgently needed
 - labour based economy instead of nature based
- Development challenges for the most of the territories are far beyond their boundaries
 - Even 29+1 scheme can't give any real positive impact nowadays
- Simple merging of the municipal administrations does not provide sufficient input to make most of the territories economically viable
- Local people must be really involved in the strategy development for the territory they are living in
 - with decision rights and implementation instruments
- Solutions may be based on broad change of the system of territory development funding
 - Tax distribution system , budgeting, restructuring incentive system