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# Monitoring of the application of the European Charter of Local Self-Government in Latvia

Committee on the Monitoring of the implementation of the European Charter of Local Self-Government and on the respect of Human Rights and the Rule of Law at local and regional levels (Monitoring Committee)

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## Summary

This report assesses the implementation of the Charter in Latvia following a monitoring visit carried out from 20 to 22 February 2024. The report welcomes the strengthened opportunities for residents to engage in budgetary and decision-making processes and the benefits of ongoing digitalisation for local governments.

However, the report raises concerns about the heavy reliance of local authorities on central funding, limited capacity for local resource generation and excessive earmarked grants, which limit local autonomy. Additionally, the rapporteurs note shortcomings in the funding of equalisation system, the lack of adequate financial resources for new competences at the local level, their over-regulation by the central government as well as ambiguities in the division of competences. Furthermore, the ministerial discretionary power to suspend local council chairpersons along with the burdensome supervision system pose risks of disproportionate central interference in local affairs. The report also highlights the absence of a legal obligation to consult local communities concerned in the event of the modification of local authority borders.

Consequently, the rapporteurs recommend increasing revenue potential at the local level, aligning local financial resources with local competences, simplifying supervision and clarifying the division of competences. They also call for removing ministerial suspension powers, introducing mandatory consultations of local communities on local boundary changes, revising the equalisation fund criteria, and signing and ratifying the Additional Protocol to the European Charter of Local Self-Government on the right to participate in the affairs of a local authority.

1. L: Chamber of Local Authorities / R: Chamber of Regions.  
EPP/CCE: European People's Party Group in the Congress.  
SOC/G/PD: Group of Socialists, Greens and Progressive Democrats.  
ILDG: Independent Liberal and Democratic Group.  
ECR: European Conservatives and Reformists Group.  
NR: Members not belonging to a political group of the Congress.

## DRAFT RECOMMENDATION<sup>2</sup>

1. The Congress of Local and Regional Authorities of the Council of Europe ("the Congress") refers to:

- a. Article 2, paragraph 1.b, of the Charter of the Congress of Local and Regional Authorities appended to Statutory Resolution CM/Res(2020)1 relating to the Congress, stipulating that one of the aims of the Congress is "to submit proposals to the Committee of Ministers in order to promote local and regional democracy";
- b. Article 1, paragraph 3, of the Charter of the Congress of Local and Regional Authorities appended to Statutory Resolution CM/Res(2020)1 relating to the Congress, stipulating that "The Congress shall prepare on a regular basis country-by-country reports on the situation of local and regional democracy in all member States and in States which have applied to join the Council of Europe, and shall ensure the effective implementation of the principles of the European Charter of Local Self-Government";
- c. Chapter XVIII of the Rules and Procedures of the Congress on the organisation of monitoring procedures;
- d. Sustainable Development Goals (SDG) of the United Nations 2030 Agenda for Sustainable Development, in particular Goals 11 on sustainable cities and communities and 16 on peace, justice and strong institutions;
- e. Guidelines for civil participation in political decision making, adopted by the Committee of Ministers on 27 September 2017;
- f. Recommendation CM/Rec(2018)4 of the Committee of Ministers to member States on the participation of citizens in local public life, adopted on 21 March 2018;
- g. Recommendation CM/Rec(2019)3 of the Committee of Ministers to member States on supervision of local authorities' activities, adopted on 4 April 2019;
- h. the previous Congress Recommendation on the monitoring of the European Charter of Local Self-Government in Latvia [[Recommendation 412 \(2018\)](#)];
- i. Congress Recommendation 447 (2020) "Fact-finding report on territorial reform in Latvia";
- j. the explanatory memorandum on the monitoring of the European Charter of Local Self-Government in Latvia;
- k. the Contemporary Commentary by the Congress on the explanatory report to the European Charter of Local Self-Government adopted by the Statutory Forum on 7 December 2020.

2. The Congress points out that:

- a. Latvia joined the Council of Europe on 10 February 1995, signed and ratified the European Charter of Local Self-Government (ETS No. 122, "the Charter") on 5 December 1996 with reservations. The Charter entered into force in Latvia on 1 April 1997;
- b. the Committee on the Monitoring of the implementation of the European Charter of Local Self-Government and on the respect of Human Rights and the Rule of Law at local and regional levels ("the Monitoring Committee") decided to examine the situation of local and regional democracy in Latvia in the light of the Charter. It entrusted Jorge Sequeira, Portugal (L, SOC/G/PD) and Gobnait Ní Mhuineacháin, Ireland (L, ILDG) with the task of preparing and submitting to the Congress a report on the implementation of the Charter in Latvia;
- c. the monitoring visit took place from 20 to 22 February 2024. During the visit, the Congress delegation met representatives of various institutions at all levels of government. The detailed programme of the visit is appended to the explanatory memorandum;

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2. Preliminary draft recommendation approved by the Monitoring Committee on 2 July 2024.

d. the co-rapporteurs wish to thank the Permanent Representation of Latvia to the Council of Europe and all those whom they met during the visit.

3. The Congress notes with satisfaction that in Latvia:

a. the legal framework strengthened opportunities for residents to engage in budgetary and decision-making processes at the local government level;

b. digitalisation of processes continues, bringing benefits for citizens, administrators and elected councillors.

4. The Congress expresses its concerns on the following issues:

a. the ongoing dependence of local government on central funding for implementation of their competences, the high proportion of earmarked grants and the limited opportunities for local governments to leverage own resources compromises municipalities' ability to address local priorities effectively and autonomously;

b. there is a lack of commensurate financial resources accompanying the transfer of new competences;

c. in addition to funding gaps, and the need to align local spending with state budget priorities, detailed regulations and centrally-set service standards increasingly strain local resources and limit local autonomy;

d. some ambiguities persist in the division of competences;

e. the discretionary power of the Minister for Environmental Protection and Regional Development to suspend a chairperson of a council continues to pose risks of disproportionate interference by the central government in local affairs;

f. the system of local government supervision by multiple bodies is complex and burdensome;

g. there is no legal obligation to consult local communities concerned in the event of the modification of local authority borders;

h. there are persistent issues concerning the funding of the equalisation system with both financially well-off and less well-off municipalities dissatisfied with the system.

5. In light of the foregoing, the Congress requests that the Committee of Ministers invite the authorities of Latvia to:

a. increase local government's potential to generate own resources by allowing additional local taxes and revise the systems of tax redistribution so as to ensure a stable financial base for municipalities;

b. assign financial resources to local governments that are wholly commensurate with their competences, thereby strengthening their responsibility in financial management, enabling them to exercise their functions fully and deliver high quality services;

c. refrain from over-regulating the competences of local authorities to ensure that their capacity to pursue initiatives for the benefit of their communities is not undermined;

d. further clarify the allocation of powers between the local and state levels to avoid overlapping;

e. revise the legislation to remove the ministerial powers of suspension in order to prevent disproportional interference by central government in the institutional life of local authorities;

f. simplify the system of central supervision of local government so as to avoid duplication and reduce excessive bureaucratisation;

g. legally introduce mandatory consultation of local communities prior to changes to the boundaries of local authorities;

h. revise the level and criteria of the equalisation fund and increase the predictability of the state's contribution to the Equalisation Fund, to facilitate municipalities' ability to plan and reduce current inter-regional and inter-municipality disparities;

i. sign and ratify the Additional Protocol to the European Charter of Local Self-Government on the right to participate in the affairs of a local authority, of 16 November 2009 (CETS No. 207).

6. The Congress calls on the Committee of Ministers and the Parliamentary Assembly of the Council of Europe to take account of this recommendation on the monitoring of the European Charter of Local Self-Government in Latvia and the accompanying explanatory memorandum in their activities relating to this member State.

**DRAFT EXPLANATORY MEMORANDUM**

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## **1. INTRODUCTION: AIM AND SCOPE OF THE VISIT, TERMS OF REFERENCE**

1. Pursuant to Article 1, paragraph 2, of the Charter of the Congress of Local and Regional Authorities appended to Statutory Resolution CM/Res(2020)1 relating to the Congress, the Congress of Local and Regional Authorities ("the Congress") regularly prepares reports on the state of local and regional democracy in all Council of Europe member states.

2. Latvia signed and ratified the Charter on 5 December 1996. The Charter entered into force in Latvia on 1 April 1997. At the time of ratification, Latvia declared itself bound by the following articles of the Charter: Article 2, Article 3, paragraphs 1 and 2, Article 4, Article 5, Article 6, paragraph 1, Article 7, paragraphs 1 and 3, Article 8, paragraphs 1, 2 and 3, Article 9, paragraphs 1, 2, 3, 5, 6 and 7, Article 10 and Article 11. Some years later (letter from the Minister of Foreign Affairs of Latvia dated 17 May 1999), Latvia enlarged the realm of its commitment, and declared itself also bound by the following articles: Article 6, paragraph 2, Article 7, paragraph 2, and Article 9, paragraph 4. In conclusion, Latvia has been bound since 1999 by all the articles of the Charter, except article 9.8. Latvia has not limited the scope of the Charter to a part of its territory or to a certain kind of territorial units.

3. In the domain of local and regional democracy, Latvia has also signed and ratified the following Council of Europe Treaties and Protocols:

- the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities (ETS No.106): signed on 28 May 1998 and ratified on 1 December 1998. Entry into force for Latvia: 2 March 1999.
- the Additional protocol to the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities, of 9 November 1995 (ETS No.159): signed on 28 May 1998 and ratified on 1 December 1998. Entry into force for Latvia: 2 March 1999.

4. However, Latvia has not signed yet the following Council of Europe's Conventions having a connection with local and regional government:

- the Additional Protocol to the European Charter of Local Self-Government on the right to participate in the affairs of a local authority, of 16 November 2009 (ETS No.207).
- Protocol No. 2 to the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities concerning interterritorial co-operation, of 5 May 1998 (ETS No.169).
- Protocol No. 3 to the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities concerning Euro-regional Co-operation Groupings, of 16 November 2009 (ETS No.206).

5. The Monitoring Committee of the Congress decided to examine the situation of local and regional democracy in Latvia. It instructed Mr Jorge Sequeira, Portugal (L, SOC/G/PD) and Ms Gobnait Ni Mhuineacháin, Ireland (L, ILDG) as rapporteurs, to prepare and submit to the Congress a report on monitoring of the application of the Charter in Latvia. The delegation was assisted by Dr Bríd Quinn, member of the Group of Independent Experts on the European Charter of Local Self-Government (Ireland) and by the Secretariat of the Monitoring Committee. The rapporteurs wish to express thanks to the expert for her assistance in the preparation of this report. This group of persons will be hereinafter referred to as "the Delegation".

6. The monitoring visit took place on 20-22 February 2024. During the visit, the Congress delegation had meetings with the Minister of Finance and the Minister of Environmental Protection and Regional Development (MEPRED), the Speaker of the National Parliament, the President of the Constitutional Court, at the State Audit Office (SAO) and the Ombudsman office. The delegation also had exchanges with members of the Latvian delegation to the Congress and representatives of the Latvian Association of Local and Regional Governments. The Delegation visited Riga City Council and the municipalities of Jurmala, Sigulda and Cesis. A detailed programme of the visit appears as Appendix I. The delegation would like to thank all interlocutors whom they met during the visit, for their warm welcome and the valuable information provided to the delegation during and after the meetings.

## 2. INTERNAL AND INTERNATIONAL NORMATIVE FRAMEWORK

7. Latvia is a republic with legislative power residing in the *Saeima* (Parliament), a unicameral chamber, composed of 100 representatives (Article 5 of the Constitution). *Saeima* members are normally elected every four years with the latest elections having been held in 2022. The Latvian Constitution was adopted on 15 February 1922. It incorporates the foundations of democracy: a guarantee of fundamental rights (Chapter VIII, Articles 89 to 116), separation of powers, democratic election of deputies (Chapter II, Article 6) and the President (Chapter III, Article 36). There is no chapter in the Constitution explicitly addressing local self-government *per se*. Coalition government is the norm at national level in Latvia. The coalition agreed following the October 2022 parliamentary election was replaced in September 2023 by a new coalition led by the New Unity party with the left-leaning Progressives party and the Greens and the Farmers Union, a coalition of conservative groups. It is an ideologically disparate coalition and holds a narrow 52-seat majority in the 100-seat parliament, heightening risks to political stability. To date, the coalition has worked in harmony. Latvia's economy is believed to be set for a moderate rebound in 2024,<sup>3</sup> supported by falling inflation. The government's action plan aims for a "prosperous, safe and inclusive Latvia, which will develop sustainably during demographic, climate, technological and digital changes".<sup>4</sup> However, the BTI Latvian country report for 2024 draws attention to the fact that "Ministries often function as private fiefdoms controlled by coalition parties, and cooperation across ministries governed by different political parties tends to be more complicated to achieve".<sup>5</sup>

### 2.1. Local government system (Constitutional and legislative framework and reforms)

8. The territorial structure of Latvia has a long history dating back to the 9th century. Rural municipalities serving as administrative units were created in the 16th century, but their function as self-governing entities started in the 18th century. After the establishment of the Republic of Latvia in 1918, the government retained the administrative-territorial division of districts (*apriņķi*) and rural municipalities (*pagasti*).<sup>6</sup> These were eventually reformed under the Soviet occupation, with 58 districts (*rajonu*) introduced in 1950. The number of districts was gradually reduced until it reached 26 districts in 1967. For the first post-Soviet era local government elections held in 1994, a total of 594 units of local government existed. Significant reform in 2008 saw the number of municipalities reduced from 548 to 118 (9 cities and 109 counties). A further wide-ranging and controversial administrative territorial reform was implemented in Latvia in 2021, reducing the number of local authorities significantly.

9. Concerns about demographic decline in Latvia's regions and the consequent capacity limitations of local government units have long been expressed in Latvia. The administrative territorial reform (henceforth, ATR), which came into effect following the local elections of 2021, was based on a new law on "Administrative Territories and Populated Areas" which the Latvian Parliament adopted, after much debate on 10 June 2020. It was signed into law by the President of Latvia twelve days later. The law aimed to tackle concerns about local government capability by creating bigger municipalities with a greater capacity to deliver better services to local residents. There was much controversy during its preparation and adoption. Public demonstrations and academic criticism highlighted concerns about the reform's lack of regard for local interests while more than 800 amendments were submitted during the process of adopting the law by the Parliament.

10. Following allegations made by the Latvian Association of Local and Regional Governments, (*Latvijas Pašvaldību savienība*, LALRG) in 2019, a decision was taken by the Bureau of the Congress to conduct a fact-finding visit to Latvia. The purpose of the visit was to investigate allegations of violations of the Charter in connection with the preparation and implementation of the administrative territorial reform. The delegation concluded that "through the compulsory merger of municipalities and the abolition of municipalities merged with or absorbed by others, the reform seeks to abolish 84 local authorities, or over 60% of the authorities currently in existence".<sup>7</sup> The delegation's report described the plan for reform as being "probably the most far-reaching and most significant territorial reform in Europe".<sup>8</sup> Subsequently, a recommendation adopted by the Congress called on the Latvian authorities

3. See OECD Economic Snapshot Latvia, November 2023.

4. Available at: <https://eng.lsm.lv/article/politics/politics/16.01.2024-latvian-government-approves-its-own-action-plan.a539151/>, accessed 15 March 2024.

5. Available at: <https://bti-project.org/en/reports/country-report/LVA#pos16>, accessed 15 March 2024.

6. Akmentīna, L. (2023), available at: <https://www.arl-international.com/knowledge/country-profiles/latvia>, accessed 15 March 2024.

7. Congress of Local and Regional Authorities, Fact-finding report on territorial reform in Latvia, CG-FORUM(2020)02-02final, Council of Europe Publishing, Strasbourg, available at: <https://rm.coe.int/fact-finding-report-on-territorial-reform-in-latvia-monitoring-committ/1680a05b6f>, accessed 15 March 2024.

8. *ibid.*

to strengthen the responsibility of local authorities in financial management; ensure that the transfer of responsibilities to the local level is accompanied by corresponding financial resources and provide a more precise legal framework for the cases and conditions under which such municipalities/city councils may be suspended.<sup>9</sup> During the 2024 monitoring visit, interlocutors indicated that the turbulence of 2019 had eased and “it is a different politics now” and “the government is now listening to us”.

11. The 2021 ATR reduced the number of local authorities in Latvia from 119 (nine republic cities, including Riga, and 110 *novadi* or ordinary municipalities) to 43 (seven local governments of state cities, *valstspilsētas*, and 36 municipality governments, *novadi*).<sup>10</sup> The average size of a local government since 1 July 2021 is 28,000 people. The municipalities are also further divided into 71 cities/towns (*pilsētas*) and 512 parishes (*pagasti*).<sup>11</sup> Another major change was the creation of ‘state cities’ (*valstspilsētas*) in place of the previous nine ‘republic cities’ (*republikas pilsētas*). These are cities which are urban administrative territories, with well-developed commercial activities, transport and community jurisdiction facilities, social and cultural infrastructure, as well as a minimum population threshold of 25 000 inhabitants. During the monitoring visit, interlocutors pointed out that the new classification system for populated areas in Latvia, designates cities as development centres of national importance, with a pivotal role in driving economic growth and fostering national development initiatives. The other municipalities are the result of the often-controversial merging of several rural administrative territories or of urban towns and the surrounding rural administrative territories. Despite the clear distinction between state cities and municipalities, their competences and sources of revenue are the same. The seven state cities are: Daugavpils, Jelgava, Jūrmala, Liepāja, Rēzekne, Rīga and Ventspils. In June 2021, the Constitutional Court of Latvia declared the integration of Varakļāni municipality into Rēzekne municipality unconstitutional. In response to this ruling, the Saeima decided to maintain the existence of Varakļāni Municipality as the 43rd local government unit until 2025. Section 29 of the Transitional Provisions of the Law on Administrative Territories and Populated Areas<sup>12</sup> declares that every four years, starting from 2022, the Cabinet of Ministers shall submit a report to the Saeima on changes in the socioeconomic situation of municipalities and administrative regions. The report shall also include an assessment of the gains and losses resulting from the administrative territorial reform.

12. The changes have met with mixed reaction and some resentment is still evident because of the tokenistic involvement of local government representatives when the reforms were being designed. In addition to the ATR, there have been legislative and financial changes such as the Local Government Law which consolidates previous legislation and institutionalises changes to structures and processes; the Local Government Referendum law which, when implemented, will facilitate greater participation and the adjustments to the distribution of PIT and the Natural Resource tax among others. The 2022 Local Government Law has, in the view of the Ministry of Environmental Protection and Regional Development (MEPRD), led to improved municipal financial capacity and an improved model of the organisation of municipal operations, which reduces the possibility of different interpretation and application of legal norms and is aimed at more efficient administration and public involvement in municipal work, and mutual cooperation between municipalities. Not all interlocutors agreed with the positive portrayal of the reform impacts, citing a worsening of some aspects of local government in some merged municipalities and a marginal effect on citizens’ lives. The Ministry also referred to a survey on the initial impact of the Local Government Law in which 29 out of 43 or 67% of municipalities took part. Respondents rated the Local Government Law with an average of 7/10. Such enthusiasm was not universal among local interlocutors met by the Congress delegation, some of whom emphasised the loss of local identity, the distance from elected members and the financial changes resulting from the ATR.

13. There are also five regional development/planning councils (*Plānošanas reģiona attīstības padome*) elected by representatives from local governments whose administrative territories compose the territory of the respective planning region. Thus, the planning regions have indirectly elected regional councils, made up of municipal representatives, and serve as inter-municipal cooperation bodies for coordination of spatial planning, economic development, public transportation, management of investment programmes (including European Union funds). Some interlocutors called for direct elections to the planning regions. Planning regions have their own property, legislative and administrative rights

9. Congress of Local and Regional Authorities, Recommendation 447(2020), Fact-finding report on territorial reform in Latvia CG-FORUM (2020)02-02final, Monitoring Committee, Council of Europe Publishing, Strasbourg.

10. Auers, D., (2021), “Continuity in change? Latvia’s Local Governments after Regional Reform and Local Government Elections”, available at <https://library.fes.de/pdf-files/bueros/baltikum/18054.pdf>, accessed 15 March 2024.

11. See Law on Administrative Territories and Settlements available at <https://likumi.lv/ta/id/315654#p41>, accessed 15 March 2024.

12. Available at: <https://likumi.lv/ta/id/315654#p41>, accessed 15 March 2024.



and responsibilities. Initially, the ATR provided the planning regions with the status of administrative regions to perform the shared competences of central government and municipalities. However, following amendments in December 2021, the provision regarding administrative regions was removed from the law.

### Constitutional and legislative framework

14. Although, as stated above, the Constitution of Latvia does not include any specific chapter dealing with local government, there are a few provisions dealing with local government, the most important being Article 101. This section articulates important principles in the field of local government:

“Every citizen of Latvia has the right, as provided for by law, to participate in the work of the State and of local government, and to hold a position in the civil service. Local governments shall be elected by Latvian citizens and citizens of the European Union who permanently reside in Latvia. Every citizen of the European Union who permanently resides in Latvia has the right, as provided by law, to participate in the work of local governments. The working language of local governments is the Latvian language.”<sup>13</sup>

15. Thus, the principle of local direct democracy and the principle of citizen participation and involvement in the work of the local entities are clearly enunciated. Article 102 also bestows an important right, namely: “Everyone has the right to form and join associations, political parties and other public organisations”.

16. Until recently, three foundational laws: the 1994 Local Government Act, the 1998 Administrative and Territorial Reform Act and the 2002 Regional Development Act framed local government in Latvia. Of these, the most significant piece of Latvian legislation dealing with local self-government was the Law of Local Government, enacted in 1994 but continually amended during the subsequent thirty years. Significant also was State Administration Structure Act of 2002 which has been criticised by the LALRG, as leading to subordination of local government to the Cabinet of Ministers. The Local Government Law<sup>14</sup> of 2022, which entered into force on 1 January 2023 brought about several changes. This law clarifies and provides legal certainty on many aspects of local governance and consolidates previous laws. It codifies the local administration system; specifies the competences of local governments; regulates the organisation of the local authorities and their internal administration; stipulates the forms of control over their activities, their property and financial resources, and outlines various forms of association and cooperation. The 2020 Law on Administrative Territories and Populated Areas which underpinned the ATR, has impacted the political, administrative and social dimensions of life in Latvia. The Local Government Referendum Law<sup>15</sup> is due to come into effect on 1 September 2024. It aims to promote the participation of local government residents in the making of certain decisions.

### Local Elections

17. Latvia elects municipal councils, by proportional representation for a four-year term. A system of preferential voting is used. This gives voters the option to indicate their preferences within the party list they choose.

18. The most recent local elections took place on 5 June 2021. 327,950 voters turned out at the polls, giving an average turnout of 34.01%.<sup>16</sup> As Table 1 below shows, the election of 2021 was the local government election with the lowest citizen participation (34%) in the history of representative democracy in Latvia.

**Table 1. Voter turnout in elections of local governments in Latvia<sup>17</sup>**

Year	1994	1997	2001	2005	2009	2013	2017	2021
Turnout	58.5	56.8	61.9	52.9	53.8	46.0	50.4	34.0

13. Available at: <https://www.saeima.lv/en/legislative-process/constitution>, accessed 15 March 2024.

14. This is the nomenclature used on the official Likuma website.

15 <https://likumi.lv/ta/en/en/id/331194-local-government-referendum-law>

16 <https://pv2021.cvk.lv/pub/en/election-results>

17. Collated from data of the Central Election Commission of Latvia by Lilita Seimuskane, member of the group of independent experts on the European Charter of local self-government (GIE).

19. For the 2021 local election campaign, the main social concerns, particularly in urban areas, were public transport, public housing and security.<sup>18</sup> However, in poorer rural regions, the concerns were depopulation, delivery of core social services, especially healthcare and education, as well as maintaining public transport connection and fixing roads.

20. Regional parties and the three governing coalition parties did well.<sup>19</sup> An international assessment concluded that, following the 2021 elections, “local government politics in Latvia remains fragmented with small, regional parties balancing the influence of national, parliamentary parties”<sup>20</sup>. Local elections are due to be held in 2025.

## 2.2. Status of the capital city

21. The capital city Riga has an area of 304 km<sup>2</sup> and a population of 614 618 inhabitants (2021).<sup>21</sup> The territory of the city serves as the seat for the Planning Region of Riga, hosting most State administration offices and departments, foreign embassies, delegations of international and regional organisations.

22. Despite its administrative, political, and economic significance, Riga does not possess a specific or distinct “capital status” and is governed by general laws and regulations pertaining to local government. During the visit, interlocutors remarked that, while a special status for Riga as the capital city could potentially enhance its standing and influence, it would be most beneficial if it were coupled with adequate funding to enable the city to address its duties efficiently and independently.

23. Section 8 of the Local Government Law specifies that, Riga must perform a set of specific functions connected with the State or national interest. These include obligations to:

- 1) ensure the conditions for hosting foreign delegations and for the activities of diplomatic missions, international organisations and their representations accredited in Latvia, and also maintain the national representation objects belonging to the local government associated therewith;
- 2) participate in the organisation of events of international and national importance and in strengthening the international image of the capital city;
- 3) participate in the maintenance and development of historical objects of State and international importance, cultural and historical objects of national importance, and also of the cultural infrastructure;
- 4) participate in the maintenance and development of communications systems and transport infrastructure of State importance.

24. The Riga City Council consists of 60 councillors, who may, according to para. 2 of the Rules of the Riga State City Municipality form fractions (*frakcijas*) of at least three councillors from the same party. An early municipal election was held in Riga in August 2020 after a series of corruption scandals had engulfed the municipality. The city’s long-serving mayor, Nils Ušakovs (social democratic party “Harmony” *Saskaņa*), had his office raided by Latvia’s anti-corruption police (KNAB) and was subsequently suspended from the post by the Minister for Environmental Protection and Regional Development. Subsequent internal feuding in both the social democratic party “Harmony” and among other smaller parties in the municipal government led to decision-making paralysis. Latvia’s parliament eventually voted to dismiss the Riga City Council and installed a temporary administrator until an early election could be called. The Constitutional Court upheld the constitutionality of the respective law<sup>22</sup>. Nevertheless, the use of that dismissal power by the *Saeima* is a cause of concern for local government interlocutors who highlight the risk of abuse of the power. The Council elected in 2020 remained in office although the Mayor resigned and the coalition partners changed during the summer of 2023, resulting in a multi-party/independent councillor coalition. The ATR did not impact Riga as the administrative borders did not change. During the meeting with the rapporteurs, interlocutors from the city referred to Riga’s innovations regarding delivery of social services, measures which are now replicated by the state.

18. Available at: <https://library.fes.de/pdf-files/bueros/baltikum/18054.pdf>, accessed 15 March 2024.

19 See FES at: <https://library.fes.de/pdf-files/bueros/baltikum/18054.pdf>, accessed 15 March 2024.

20. Ibid., p. 8.

21. <https://stat.gov.lv/en>

22. The judgement is available at: [https://www.satv.tiesa.gov.lv/wp-content/uploads/2020/03/2020-16-01\\_Judgment.pdf](https://www.satv.tiesa.gov.lv/wp-content/uploads/2020/03/2020-16-01_Judgment.pdf), accessed 15 March 2024.

### 2.3. Legal status of the European Charter of Local Self-Government

25. Latvia signed and ratified the Charter on 5 December 1996, while depositing a declaration indicating those articles by which the country declared itself bound. The Charter came into force in Latvia on 1 April 1997. Its commitments were extended in 1999 and Latvia is therefore currently bound by the entire Charter, except Article 9.8. Latvia has not limited the scope of the Charter to a part of its territory or to a certain kind of territorial units.

26. In Latvia, acts of international law take precedence over domestic legislation and regulations, with the exception of Constitution. Article 16 (2) of the Constitutional Court Law gives the Constitutional Court the power to examine cases regarding conformity of international agreements signed or entered into by Latvia with the Constitution. Article 16(6) enables the Court to examine the compatibility of sub-constitutional national legal acts with international treaties binding upon Latvia. The 2018 Monitoring Report on local and regional democracy in Latvia asserted that “in defending and articulating this position, the Latvian Constitutional Court is probably the champion of all European constitutional courts in the guarantee of the applicability and effectiveness of the Charter”.<sup>23</sup>

### 2.4. Previous Congress reports and recommendations

27. Since 1998, the Congress has reported on several aspects of local democracy in Latvia. Reports include:

- Report CG (5) 5 and Recommendation 47 (1998) on local and regional democracy in Latvia;
- Information Report CG/INST(12)3 of 2005 on local democracy and on the participation of non-citizens in public and political life at local level in Latvia;
- Recommendation 257 (2008) on the participation of non-citizens in public and political life at local level;
- Report CG(21) 16 and Recommendation 317 (2011) on local and regional democracy in Latvia.
- Report CG34(2018)11 and Recommendation 412 (2018) on local and regional democracy in Latvia;
- Fact-finding report on territorial reform in Latvia CG-FORUM(2020)02-02final and corresponding Recommendation 447 (2020).

28. The 2018 Monitoring Report<sup>24</sup> called for particular attention to:

- the unstable landscape of local finances and the limited fiscal autonomy of local authorities;
- improvements needed in the system of equalisation;
- shortcomings in the system of consultation;
- the pattern of “over-regulation” and the need for clarification of local competences;
- the category of the population called “non-citizens” which is still part of Latvian society and is not allowed to vote in local elections.

29. The Monitoring Report also urged Latvia to consider signing and ratifying the Additional Protocol to the European Charter of Local Self-Government on the right to participate in the affairs of a local authority.

30. The 2020 fact-finding report on territorial reform in Latvia which examined allegations made by the Latvian Association of Local and Regional Governments (LALRG) was unambiguous in its criticisms, highlighting “the lack of proper consultation in due time and in an appropriate way of the local authorities concerned, the national association and the residents of the municipalities affected during the planning and implementation of the reform; the reduction in the financial autonomy of local authorities as a result of certain financial and fiscal decisions by central government concerning the national budget for 2020 of which local budgets form part; and the repeated instances of interference by central government in the institutional life of the city of Riga”.<sup>25</sup>

23. Congress of Local and Regional Authorities, Report on local and regional democracy in Latvia, CG34(2018)11, Monitoring Committee, Council of Europe Publishing, Strasbourg, available at: <https://rm.coe.int/local-and-regional-democracy-in-latvia-monitoring-committee-rapporteur/1680792d98>, paragraph 146, accessed 15 March 2024.

24. Congress of Local and Regional Authorities, Report on local and regional democracy in Latvia, CG34(2018)11, Monitoring Committee, Council of Europe Publishing, Strasbourg.

25. Congress of Local and Regional Authorities, Fact-finding report on territorial reform in Latvia, CG-FORUM (2020)02-02final and Recommendation 447 (2020), Monitoring Committee, Council of Europe Publishing, Strasbourg.

### 3. HONOURING OF OBLIGATIONS AND COMMITMENTS: ANALYSIS OF THE SITUATION OF LOCAL DEMOCRACY ON THE BASIS OF THE CHARTER (ARTICLE BY ARTICLE)

#### 3.1 Article 2 – Constitutional and legal foundation for local self-government

##### Article 2

The principle of local self-government shall be recognised in domestic legislation, and where practicable in the constitution.

31. Article 2 of the Charter is concerned with ensuring that the principles of local self-government are enshrined in the legal and/or constitutional systems of signatory states. In Latvia, the principle of local self-government is not explicitly mentioned in the Constitution. However, Chapter 1 of the Constitution declares that the sovereign power of the State of Latvia is vested in the people of Latvia. Article 101 refers to the principles of citizen participation and local direct democracy stating that: “every citizen of Latvia has the right, as provided for by law, to participate in the work of the State and of local government, and to hold a position in the civil service. Local governments shall be elected by Latvian citizens and citizens of the European Union who permanently reside in Latvia”.

32. Latvia is bound by the entire Charter, except Article 9.8. In Latvia, acts of international law take precedence over domestic legislation and regulations, except the Constitution. Because the Charter is an act of international law ratified by Latvia, it has direct applicability. Consequently, despite lack of explicit mention of the principle of local self-government in the Latvian Constitution, the Constitutional Court repeatedly proclaims the principle in its case-law. For example, in Paragraph 11 of Case No. 2017-32-05, the Constitutional Court ruled that the totality of minimum requirements, or the principle of self-governance comprises: 1) the existence of a local government and 2) direct democratic legitimisation of it. Thus, it creates the legal basis for the institutional existence and functional activities of local governments. The Constitutional Court continuously reinforced the dominant position of the Charter in Latvian Law in rulings such as those on Case No. 22-41-01 and Case No. 2021-43-01.

33. Previous monitoring reports on Latvia referred to laws and documents which give implicit recognition to the principle of local self-government. More recently, the Local Government Law adopted on 20 October 2022 states in Chapter 2 that “local government is a derived public entity – a local administration - which has a decision-making body elected by the residents - a council - and which independently ensures the performance of the functions and tasks specified in legal acts in the interests of the residents of its administrative territory”.<sup>26</sup> Thus, the rapporteurs are of the view that in law, Latvia upholds the principle that local authorities enjoy “autonomy” or self-administration (*pašvaldības*).

34. Accordingly, the rapporteurs consider that Article 2 of the Charter is formally complied with in Latvia. They consider it advisable to enshrine the principle of local self-government explicitly at the constitutional level.

#### 3.2 Article 3 – Concept of local self-government

##### Article 3

1. Local self-government denotes the right and the ability of local authorities, within the limits of the law, to regulate and manage a substantial share of public affairs under their own responsibility and in the interests of the local population.
2. This right shall be exercised by councils or assemblies composed of members freely elected by secret ballot on the basis of direct, equal, universal suffrage, and which may possess executive organs responsible to them. This provision shall in no way affect recourse to assemblies of citizens, referendums or any other form of direct citizen participation where it is permitted by statute.

##### 3.2.1 Article 3.1

35. Article 3.1 of the Charter requires evaluation of whether, in law and in practice, local authorities have the right, capacity and possibility to manage a significant share of public affairs for which they have

26. Available at: <https://likumi.lv/ta/id/336956-pasvaldibu-likums>, accessed 15 March 2024.

responsibility and which, as the Contemporary Commentary on the Charter states, “are capable of being carried out at local level”.<sup>27</sup>

36. According to the Local Government Law 2022, local governments in Latvia have a range of competences: 1) autonomous competence - autonomous functions and voluntary initiatives implemented as autonomous functions and 2) assigned competence - delegated administrative tasks.

37. The specific powers of local authorities, outlined in Section 4 of the Local Government Law, are as follows:

- 1) to organise water management, heating supply, and municipal waste management services for inhabitants, irrespective of the ownership of the housing fund;
- 2) to take care of improvements and sanitary cleanliness of the administrative territory of the local government (lighting and maintenance of areas intended for public use; development and maintenance of parks, squares, and green areas; flood prevention measures; establishment and maintenance of cemeteries and places for burial of dead animals), and also to lay down the requirements for the maintenance of territories and structures, insofar it is related to public safety, maintenance of sanitary cleanliness, and preservation of the urban landscape;
- 3) to take care of the construction, maintenance, and management of roads owned by the local government;
- 4) to take care of the education of inhabitants, including the provision of compulsory education and availability of pre-school education, secondary education, vocationally oriented education, interest-related education, and adult education;
- 5) to provide a culturally diverse offer to inhabitants and the opportunity to take part in cultural life, to contribute to the preservation of the cultural heritage in the territory of the local government and to support cultural activities;
- 6) to take care of the health of inhabitants - to take measures for promoting healthy lifestyle and organise availability of health care services;
- 7) to promote the development of the sport, including the maintenance and development of sports bases of the local government, to support athletes and sports clubs, including professional sports clubs, and to provide support for the organisation of sporting events;
- 8) to carry out youth work;
- 9) to ensure support to inhabitants in solving social problems, and also the possibility to receive social assistance and social services;
- 10) to provide assistance to inhabitants in resolving housing problems, and also to promote the creation, maintenance, and modernisation of the housing fund;
- 11) to implement the protection of the rights and interests of children and persons under trusteeship;
- 12) to facilitate and support economic activity in the administrative territory of the local government;
- 13) to issue permits and licences for commercial activities;
- 14) to participate in ensuring public order and security, including by establishing and financing the municipal police;

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27. Congress of Local and Regional Authorities, “A contemporary commentary by the Congress on the explanatory report to the European Charter of Local Self-Government”, (Contemporary Commentary), CG-FORUM (2020)02-05final, 7 December 2020, Council of Europe Publishing, Strasbourg, available at: <https://rm.coe.int/contemporary-commentary-by-the-congress-on-the-explanatory-report-to-t/1680a06149>, p. 11.

15) in accordance with the spatial plan of the local government, to determine land utilisation and development thereof;

16) to ensure the rule of law of the administrative proceedings related to the construction process;

17) to perform civil status act registrations;

18) to take measures in civil protection and disaster management, in the field of fire safety and fire-fighting;

19) to organise public transport services;

20) to facilitate sustainable administration and management of natural capital, and also to determine the procedures for the use of local government property in public use, unless it is laid down otherwise in laws;

21) to ensure the availability of sobering-up services;

22) to contribute to climate change mitigation and adaptation.

38. The State has shared responsibilities with local governments in the field of:

- spatial planning;
- infrastructure management;
- economic policy and development;
- welfare;
- school education;
- culture.<sup>28</sup>

39. Therefore, in Latvian law, municipalities have the power to regulate and manage a “substantial share of public affairs”. Chapter III of the 2022 Local Government Law<sup>29</sup> includes Article 10 which delineates many competences of the municipal council such as enacting binding regulations, formulating and approving plans and public policies; deciding on dividing or merging the administrative territory; establishing and reorganising the municipal administration etc. Municipalities have the right to establish associations or foundations and capital companies; acquire and expropriate movable and immovable property; privatise facilities owned by the local government; enter into various transactions; introduce some local fees and determine their rate; decide on tax rates and tax relief; bring actions in court and raise complaints with administrative institutions.<sup>30</sup>

40. Councils may issue binding regulations in order to ensure the performance of autonomous functions. Binding regulations ensuring the performance of autonomous functions of a local government may provide for the right of the local government to issue administrative acts laying down legal obligations and setting forth administrative offences and administrative penalties applicable thereto. Local authorities in Latvia may approve local regulations on a wide range of issues e.g., buildings and urban planning; protection and maintenance of public forests and waters; markets and street trading; public order; the protection of domestic animals, and the organisation of public transport.

41. Local government expenditure as a proportion of the national general, government consolidated budget, is internationally regarded as an indicator of the significance of local government’s role. Latvia ranks below Scandinavian countries but marginally higher than the other Baltic states and better than most East European states. Figure 1 illustrates Latvia’s comparative standing regarding local government expenditure.

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28. Available at: <https://portal.cor.europa.eu/divisionpowers/Pages/Latvia.aspx>, accessed 15 March 2024.

29. Available at: <https://likumi.lv/ta/id/336956-pasvaldibu-likums>, accessed 15 March 2024.

30. Akmentiņa, L. 2023, available at: <https://www.arl-international.com/knowledge/country-profiles/latvia>, accessed 15 March 2024.

**Figure 1 Subnational government expenditure**

Country	% of GDP	% of public expenditure
LATVIA	10.8	24.59
Lithuania	9.1	24.2
Estonia	10.1	24.4
OECD 38	16.9	37.1
EU 27	17.8	34.5

Source: OECD Nuancier 2023

42. A fact-finding Congress mission carried out in 2019<sup>31</sup> (see page 7), which raised concerns about the ATR, pointing to centralisation, limited consultation and decreased local budget autonomy, concluded that municipalities “own” resources remain inadequate and their funding depends too much on government budgetary priorities, issues that they perceive as running counter to Article 3.1.

43. During this monitoring visit interlocutors raised the issue of the ongoing dependence of local government on central funding for implementation of their competences, the high proportion of grants which are earmarked, the limited opportunities for local governments to leverage own resources and difficult financial situations in some municipalities who struggle to balance their budgets. Some interlocutors stated that they consider that local government is constrained by state requirements. The LALRG contends that in the new local government law restriction of local authorities’ voluntary initiatives is envisaged. The Association also referred to over-regulation and the tendency to expect greater uniformity in local services which they perceive as reducing local authorities’ discretion.

44. The rapporteurs are of the opinion that the legislative provisions assigning a substantial share of public affairs to local government in Latvia satisfy the requirements of Article 3.1. However, they consider that in practice some local authorities still lack the capacity to effectively manage a substantial share of public affairs *under their own responsibility* and in the interests of the local population due to inadequate financial resources. This constraint is further compounded by rather tight administrative and financial control exercised by the state (which will be developed under the analysis of Articles 9 and 8.3 of the Charter), particularly the detailed rules of the Cabinet of Ministers.

45. Therefore, the rapporteurs conclude that Article 3.1 is partially complied with.

### 3.2.2 Article 3.2

46. Article 3, paragraph 2 declares that the right of self-government must be exercised by democratically constituted authorities, it confirms that local autonomy does not solely involve the transfer of powers and responsibilities from central to local authorities but also requires local government to transmit and reflect, the will of the local population. The Article also indicates that direct and participatory forms of democracy play complementary roles to that of representative forms of democracy.

47. In Latvia, the 2022 Local Government Law outlines the institutional structure of local government and decrees that councils shall be composed of elected councillors the number of whom shall be determined by the Law on the Election of Local Government Councils. Section 27 of the 2022 Act specifies that council shall take decisions during a quorate council meeting. The local council is the body for debate and decision-making. Council members are directly elected by the citizens of the municipalities, in equal, direct, secret, and proportional elections for a four-year term. A proportional representation list system with a 5% threshold is in place. Since 2020, lists of candidates may no longer be submitted by associations of voters in municipal elections, but only by registered political parties, registered associations of registered political parties, or two or more registered political parties that have not joined a registered association of political parties. Only candidate lists from registered political parties are valid. This provision drew criticism from some interlocutors who felt that voters’ associations should be allowed to nominate candidates, thereby avoiding monopolisation by political parties. However, the Constitutional Court has upheld the constitutionality of certain aspects of this system.<sup>32</sup> Seats are

31. Congress of Local and Regional Authorities, [Fact-finding mission to Latvia: Monitoring Committee concerned about the conditions of implementation of territorial reform - Congress of Local and Regional Authorities \(coe.int\)](#), accessed 15 March 2024.

32. Available at: [https://www.satv.tiesa.gov.lv/web/viewer.html?file=/wp-content/uploads/2014/01/2014-03-01\\_Spriedums\\_ENG.pdf](https://www.satv.tiesa.gov.lv/web/viewer.html?file=/wp-content/uploads/2014/01/2014-03-01_Spriedums_ENG.pdf), accessed 15 March 2024.

allocated using the Saint-Lagüe method to determine which list is the winner. Then, within each list votes are counted to determine which candidate on each list has received the most votes.

48. The number of councillors per municipal council is indexed to the population of the municipality. For the 2021 local elections:

- 15 councillors were elected in municipalities with a population of up to 30,000;
- 19 councillors in municipalities with a population of between 30,001 and 60,000;
- 23 councillors in municipalities with more than 60,000 residents;
- 13 councillors in cities with population of up to 50,000 residents and
- 15 councillors in cities with over 50,000 residents.<sup>33</sup>

49. Elections are held in accordance with the Law on the Election of Local Councils (originally adopted in 1994 and most recently amended in 2022). Citizens of Latvia and other Member States of the European Union over the age of 18 have the right to participate in local government elections. All voters must be registered in the Electoral register. Citizens of the European Union must be registered in the Latvian Population Register 90 days before the elections in order to participate in local government elections in Latvia. Voters have the right to vote in the constituency where they have their registered place of residence 90 days before the election day or in the municipality where they own real estate.

50. Latvian local councils elect the mayor who leads and organises the work of the local council. S/he represents the local entity in various forums and for formal procedures. The Local Government Law provides for other bodies such as standing committees with councils obliged to establish a finance committee, a development committee and committees responsible for social, educational, and cultural matters. Councils may also establish other committees all of which are elected from among the elected councillors. Standing committees prepare draft decisions for the local council. Elected councils make important political decisions affecting the municipality or city, reflecting the various legal competences of the councils. These decisions include the local budget, local generally binding regulations, the local economic and development plans, local internal by-laws, the local master plan, the naming of streets and public places, remuneration of council members and the mayor. The sessions of the council are open (except for the cases laid down in law). Local governments must provide a live audiovisual transmission of the council meeting on its official website.

51. In addition to direct democratic procedures, Latvian local authorities facilitate various participative democratic opportunities. Until recently, many such activities were of an *ad hoc* nature with significant inter-municipal variations. The new Local Government Law includes a separate chapter (Chapter VI) *Involvement of Society in the Work of a Local Government* that significantly extends the legal basis for citizen participation. Some of the instruments include (a) local referenda, as regulated by the Local Government Referendum Law (b) collective submissions (c) direct involvement of residents in allocating 0.5 per cent of the annual municipal spending through a participatory budgeting process. (d) Advisory Committees and Commissions. (e) public discussions and public information (f) Inhabitants' Councils - Section 58 of the Local Government Law declares that 'in order to ensure the representation of the interests of the inhabitants of local communities and the development of the territory of the local government by promoting mutual cooperation and coordinated action of the inhabitants for the common good, advisory local government authorities may be established in the local government - inhabitant councils'. Municipal councils are required to issue the by-laws of the inhabitants' council - binding regulations which determine the conditions for the establishment and operation of the inhabitant council. Some interlocutors expressed disappointment with the optional nature and advisory role of the inhabitant councils.

52. An innovative online platform called *Mana Balss* (My Voice) empowers individuals to formulate and circulate citizens' initiatives digitally. In 2022, the platform submitted 23 initiatives to parliament and 14 to local governments. Eight of these initiatives were incorporated into law, addressing issues like animal protection and recycling policy. Additionally, three initiatives garnered support from local governments.<sup>34</sup>

53. The Local Government Referendum Law is due to come into effect on 1 September 2024. Its purpose, as articulated in Article 1 is 'to promote the participation of local government residents in deciding issues of local importance'.<sup>35</sup> It allows for a referendum to be called for three issues, namely, the sustainable development strategy of the local government; the decisions of the council by which the

33. Available at: <https://www.cvk.lv/en/article/cec-determines-number-councillors-be-elected-municipal-elections-0>, accessed 15 March 2024.

34. Available at: <https://bti-project.org/en/reports/country-report/LVA#pos16>, accessed 15 March 2024.

35. Available at: <https://likumi.lv/ta/id/331194-vietejo-pasvaldibu-referendumu-likums>, accessed 15 March 2024.



municipality proposes the construction of a new public building, as well as on dissolution of the municipal council. The LALRG was critical of the limited scope of the new law, considering it not adequate for organisation of decision-making about important local government issues.

54. Regulations of the Cabinet of Ministers, No. 769 of 2023 determine the procedure for the Cabinet of Ministers to coordinate with local governments on issues affecting the interests of all local governments. Such co-ordination is specified for draft laws and draft Cabinet of Ministers' regulations that concern local governments as well as for the annual budget-determination process.

55. From the above it is clear that, in Latvia, the principles of local democracy (both representative and direct) underpinning Article 3.2 are upheld. The rapporteurs consider that Article 3.2 is complied with in Latvia.

### 3.3 Article 4 – Scope of local self-government

#### Article 4

1. The basic powers and responsibilities of local authorities shall be prescribed by the constitution or by statute. However, this provision shall not prevent the attribution to local authorities of powers and responsibilities for specific purposes in accordance with the law.
2. Local authorities shall, within the limits of the law, have full discretion to exercise their initiative with regard to any matter which is not excluded from their competence nor assigned to any other authority.
3. Public responsibilities shall generally be exercised, in preference, by those authorities who are closest to the citizen. Allocation of responsibility to another authority should weigh up the extent and nature of the task and requirements of efficiency and economy.
4. Powers given to local authorities shall normally be full and exclusive. They may not be undermined or limited by another, central or regional, authority except as provided for by the law.
5. Where powers are delegated to them by a central or regional authority, local authorities shall, insofar as possible, be allowed discretion in adapting their exercise to local conditions.
6. Local authorities shall be consulted, insofar as possible, in due time and in an appropriate way in the planning and decision-making processes for all matters which concern them directly.

#### 3.3.1 Article 4.1

56. This paragraph of the Charter requires, in the interests of clarity and legal certainty, that the basic powers and responsibilities of local authorities be stipulated in the constitution or by statute, so as to ensure predictability, continuity and protection for local self-government.

57. Unlike many other countries, Latvia's Constitution does not include any specific chapter dealing with the structures or powers of local government. However, as referred to in previous sections, Article 101 of the Constitution does articulate important principles of local government. As evidenced by its rulings, the Constitutional Court regards Article 101 on citizen participation in local authority activities as a safeguard for local self-government. Furthermore, the European Charter of Local Self Government directly provides additional protection for local government because acts of international law take precedence over domestic legislation and regulations in Latvia, except for Constitution.

58. A range of statutes underpins local government structures and practices in Latvia. Currently, the most significant piece of Latvian legislation dealing with local self-government is the 2022 Local Government Law (which replaced the 1994 Act which had been revised continually) with the most recent amendments signed into Law in March 2024.<sup>36</sup> Until its withdrawal in October 2022, the Law on Local Governments, which was adopted in 1994, regulated the general rules and economic basis of the operation of Latvian local governments, the competence of local governments, the council and its institutions, as well as the rights and duties of the chairman of the council, the relations of local governments with the Cabinet of Ministers and ministries, as well as the general rules of mutual relations between local governments. Current provisions dealing with these issues are contained in the 2022 Local Government Law. As Ikstens concludes 'the overall distribution of powers and municipal functions remained largely intact'.<sup>37</sup> The Law decrees that voluntary initiatives may be planned and funded by municipalities if this does not interfere with the performance of autonomous functions and delegated administrative tasks. Section 10. point 19 of the 2022 Local Government Law enables councils to "take

36. Available at: <https://likumi.lv/ta/en/en/id/336956-local-government-law>, accessed 15 March 2024. See also <https://likumi.lv/ta/id/350992-grozijumi-pasvaldibu-likuma>, accessed 21 May 2024.

37. Ikstens, J. (2023), Latvia: Political Developments and Data in 2022. European Journal of Political Research Political Data Yearbook, 62: 309-325, available at: <https://doi.org/10.1111/2047-8852.12393>, accessed 15 March 2024.

decisions with respect to procedures for the performance of the autonomous functions of the local government and for determining the officials responsible for the performance thereof". Regulation of the territorial divisions has undergone many changes from the 1998 Law on Administrative Territorial Reform, to the 2020 Law on Administrative Territories and Populated Areas,<sup>38</sup> a new law which institutionalised the current units of local government.

59. The "Cabinet of Ministers" is the name originally bestowed on the government in Latvia's Constitution of 1922 and reinstated in 1993. Local governments are subject to the Regulations adopted by the Cabinet of Ministers because the Regulations are generally binding legal acts, binding on every person and institution in Latvia. Among recent important regulations affecting local government are: Regulations of the Cabinet of Ministers of June 15, 2021 No. 386 "Rules for changing the status of administrative centre, village and city, as well as determining, amending and updating the territorial division of administrative territory, district and village boundaries" and Regulations of the Cabinet of Ministers of December 19, 2023 No. 769 "Procedure in which the Cabinet of Ministers coordinates with local governments issues affecting the interests of all local governments". Some interlocutors suggest that over-regulation is increasing since local authorities' duties are described in detail in the rules adopted by the Cabinet of Ministers.

60. The 2022 Law on Local Governments makes a clear distinction between autonomous, voluntary and assigned competences. The law also establishes general rules regarding the organisation of work, election of chairs and committees, functions of chairs and executive directors, audit, property, inter-municipal cooperation, etc. The powers and responsibilities of local government in Latvia are laid out by statute although differences in interpretation occasionally arise between levels and between political and administrative actors, as was evident in the various discussions during the monitoring visit and in the submissions to the rapporteurs during the consultation procedure.

61. The rapporteurs consider that Latvia is in compliance with Article 4.1

### 3.3.2 Article 4.2

62. Article 4, paragraph 2, decrees that local authorities must have the right to exercise their initiative on matters not explicitly excluded from their competence by law. It also articulates the need for "full discretion to exercise their initiative", thereby condemning any restrictions on local authorities' discretion which might arise from management, fiscal or budgeting rules that require a sound legal basis for spending. Article 4.2 also draws attention to the need for clarity about the manner in which responsibility is shared between local and national bodies.

63. The 2022 Local Government Law assigns to local government a range of autonomous competences. Section 5(3) states that "voluntary initiatives shall be planned and financing for the fulfilment thereof shall be provided if it does not interfere with the performance of autonomous functions and delegated administrative tasks within the competence of the local government". Local government interlocutors pointed out that, in practice, the autonomy of local authorities is constrained by inadequate resources and the increasing number of obligatory tasks and centrally-set standards for certain assigned tasks. Article 6 of the Local Government Law states that "when delegating an administration task, the financing necessary for the performance of the respective administration task shall be provided to the local government". Funding is provided but the payments do not always correspond with the full costs incurred at local level. e.g., the non-wage costs of municipal policing. Some interlocutors observed that "MEPRD sets up a list of different voluntary initiatives to be performed by local authorities not in order to develop their diversity, but with an intention to reduce opportunities of voluntary initiatives". MEPRD interlocutors affirm that local governments implement voluntary initiatives from their own budgets and themselves choose which voluntary initiatives should be implemented. It was also pointed out that, in the public interest, it is necessary to specify in detailed laws the conditions and procedure for the exercise of certain competences. Thus, the extent of the discretion of local authorities varies between spheres. The task of dealing with at risk youth was cited as a task about which it was not clear at which level responsibility lies. Similarly, it was pointed out that while hospitals may be owned by cities, the services to be provided by them are predominantly assigned by central government, thereby reducing local discretion. Interlocutors from MEPRD explained such involvement by asserting that the Law on Local Governments stipulates that the state can undertake the performance of a task that is part of the autonomous function of the local government, observing the principle of subsidiarity and

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38. Available at: <https://likumi.lv/ta/id/315654>, accessed 15 March 2024

proportionality. This means that an administrative task that is part of the function is performed by a subject which is closer to the citizen and can perform the task more efficiently’.

64. Some interlocutors referred to tendencies towards over-regulation since local authorities’ duties are often described in detail in the rules of the Cabinet of Ministers. During the consultation procedure the LALRG also pointed out that local issues are excessively regulated by the Regulations of the Cabinet of Ministers. The issues of autonomy and over-regulation have also been addressed by external observers. The 2022 SGI Report for Latvia<sup>39</sup> on Sustainable Governance Indicators asserts that “the central government has a tendency to overregulate, a practice that may negatively affect the local government’s discretionary authority”.<sup>40</sup> The same publication cites the warning from the President’s Strategic Advisory Council that over-regulation is seriously encroaching on local government autonomy. The Council has called for a limit to bureaucratisation and a reduction in the volume of regulations governing functions that are mandated as autonomous. Both national and municipal interlocutors from the sector, decried the over-regulation and curbs which directly and indirectly limit local government autonomy.

65. For some tasks, the expenses related to performing government tasks imposed on municipalities are not fully covered from the state budget because the full costs had not been anticipated. Aspects of school reform and the non-pay costs of municipal policing were cited as examples. Interlocutors from the local government sector assert that such shortfalls limit the discretionary spending of municipalities.

66. The rapporteurs consider that local authorities in Latvia do have legal discretion to implement their initiatives as specified, particularly, in Article 5 of the Local Government Law. However, in practice centrally-set service standards for assigned tasks, funding gaps and the need to adapt local spending to the state budget priorities negatively impact this discretion. Consequently, the rapporteurs assert that Article 4.2 is partially complied with in Latvia.

### 3.3.3 Article 4.3

67. This Article reinforces the principle of subsidiarity which aims to ensure that decisions are made at the most appropriate level. The Charter urges the execution of public responsibilities at the level closest to citizens. This principle is perceived in the Contemporary Commentary as “vitally important for the protection of local authorities against trends towards upscaling and re-centralisation that threaten to render local self-government meaningless”.

68. Both upward and downward subsidiarity are in place in Latvia. The section of Chapter 2 of the 2022 Local Government Law, which deals with local government’s autonomous competences, concludes with a provision which upholds the principle of subsidiarity, namely: “the State may take over the performance of a task falling within the autonomous function of the local government in the cases and in accordance with the procedures laid down in law by complying with the principles of subsidiarity and proportionality”. The State Administrative Structure Law includes the principle of subsidiarity among ten main principles of public administration.

69. The 2022 Voluntary National Review (VNR) of Latvia’s compliance with the Sustainable Development Goals portrays the planning system as evidence of subsidiarity, stating that “the Latvian planning system is decentralised and follows the principle of subsidiarity. Specific action is initiated by the planning level closest to the respective problem to be solved. The national government addresses issues that cannot be best addressed at the local government, community or individual level. The national and local governments support and encourage citizens’ initiatives”.<sup>41</sup>

70. Section 2.1 of the 2022 Local government Law states that “a local government is a derived public entity, i.e. a local administration, which has a decision-making body, i.e. a council, elected by the inhabitants and which independently ensures and is responsible for the performance of the functions and tasks laid down for it in legislative acts in the interests of the inhabitants of its administrative territory”. It clearly provides that local governments, within the scope of their competence and the law, shall act independently. However, implementation of the principle of subsidiarity, is inextricably linked to the organisational, financial and professional capacity and autonomy of local authorities. The reforms

39. Available at: [https://www.sgi-network.org/docs/2022/country/SGI2022\\_Latvia.pdf](https://www.sgi-network.org/docs/2022/country/SGI2022_Latvia.pdf), accessed 15 March 2024.

40. *ibid.*

41. Latvia – Implementation of the Sustainable Development Goals – 2022, Report to the UN High Level Political Forum on Sustainable Development 2022, Voluntary National Review 2022 available at <https://hlpf.un.org/sites/default/files/vnrs/2022/VNR%202022%20Latvia%20Report%201.pdf>, accessed 15 March 2024.

have led to improvements in organisational and professional capacity but local authorities' financial dependence on the centre, as evidenced by the high proportion of grants which are earmarked and the limited opportunities for local governments to leverage own resources, restricts its autonomous decision-making.

71. The issue of national approval of local authorities' general binding regulations was raised by some interlocutors in the context of subsidiarity. Section 44.2 of the 2022 Law on Local Governments states that "binding regulations ensuring the performance of autonomous functions of a local government may provide for the right of the local government to issue administrative acts laying down legal obligations, insofar as they are necessary for the implementation of the norms included in the binding regulations." Section 45 gives councils the right to issue binding regulations and to provide for administrative liability for the violation thereof. However, Section 47 decrees that "the council shall send in writing the binding regulations referred to in Section 45 of this Law, and also the binding regulations regarding matters of social security and protection of the rights of the child and regarding the rates of taxes and fees of the local government and the explanatory memorandum thereof to the Ministry of Environmental Protection and Regional Development for the provision of an opinion, or in the case of the binding regulations and the explanatory memorandum thereof laid down in another law - to the ministry specified in the relevant law". The Minister for Environmental Protection and Regional Development may suspend the unlawful binding regulations or separate provisions thereof on the basis of a reasoned order. Section 66 outlines the entitlement of a council to submit an application to the Constitutional Court for the revocation of the order of the Minister on the suspension of the binding regulations. Some local government interlocutors perceive the requirement for an opinion as a constraint on their autonomy and a violation of subsidiarity, while central government interlocutors perceive this review process as a means to ensure alignment with national objectives and regulations. It was also pointed out that the range of binding regulations on which the MEPRD provides an opinion has been reduced significantly with the introduction of the Local Government Law.

72. Notwithstanding the issues outlined above, the rapporteurs conclude that Article 4.3 is complied with in Latvia.

### 3.3.4 Article 4.4

73. Compliance with Article 4.4 requires that limitations on the powers given to local government should be exceptional and should be based on objective reasons and interpreted narrowly. This provision also discourages the overlapping of responsibilities between levels of government.

74. The 2018 Monitoring Report criticised the qualified nature of many tasks designated as autonomous but restricted by terms such as participation or collaboration in the provision of a public service. It also drew attention to the many and detailed regulations governing the way local governments in Latvia must exercise their own competences and deliver the local public services, stating in Paragraph 60 that "this fact seriously undermines the real capacity of local governments to design and to implement local public policies". While the 2022 Local Government Law provides greater clarification of the respective areas of competence and the 22 autonomous tasks listed in Article 4 of Chapter 2 are without qualification, some interlocutors assert that their discretion is still limited. LALRG points to the number of new autonomous functions which are compulsory established (e.g., municipal police and establishment of sobering centres) and which obligations constrain local authority freedom to prioritise their selected autonomous tasks. Similarly, other local interlocutors asserted that dependence on state financing compromises municipalities' autonomy and their ability to address local priorities effectively and independently.

75. During the monitoring visit, the distribution of competences also came in for criticisms by interlocutors with local actors citing the lack of clarity about competences and the overlapping of competences (e.g., auditing). LALRG expressed fears that, with its emphasis on uniformity, the 2022 Local Government Law will lead to restriction of local authorities' voluntary initiatives. National commentators asserted that "the Local Government Law includes an improved model of the organisation of municipal operations, which reduces the possibility of different interpretation and application of legal norms and is aimed at more efficient administration and public involvement in municipal work, and mutual cooperation between municipalities". Local government interlocutors also raised the issue of multiple auditing processes which they believe is an overlapping of competences. It was asserted by LALRG representatives that in evaluating the quality and efficiency of local authorities' performance, the SAO overlaps with the functions of the MEPRD and external audit.

76. The 2022 Local Government Law ordains that the state continues to have a role in certain autonomous functions. Section 4.4 of Chapter 2 of the 2022 Local Government Law states that “in the cases and by the procedures provided for in external legal acts, the State shall participate in the implementation and financing of specific autonomous functions”.

77. In the opinion of the rapporteurs, local governments in Latvia have significant legal capacity and many important “governmental” powers which are clearly specified in the 2022 Local Government Law. Various legislative acts and regulations issued by the Cabinet of Ministers seek to clarify the division of competences, but interlocutors assert that ambiguities sometimes exist. Clarification is still required in some aspects of the allocation of powers to different levels. Therefore, the rapporteurs believe that Article 4.4 is partially complied with in Latvia.

### 3.3.5 Article 4.5

78. The Contemporary Commentary affirms that Article 4, paragraph 5 aims at protecting local authorities as decision-makers and ensuring that, insofar as possible, local authorities have discretion to adapt the exercise of their delegated powers to local conditions. The Contemporary Commentary asserts that such discretion ensures that local authorities are not merely acting as agents of higher-level authorities.

79. In accordance with the procedures laid down in Latvia’s State Administration Structure Law<sup>42</sup> an administration task falling within the competence of the state or another derived public entity may be delegated to a local government. When performing the administration tasks delegated by the State, the local government represents the State and is subordinated to the Cabinet of Ministers. The State is liable for the lawful and efficient performance of the delegated administration task.<sup>43</sup>

80. Local councils can shape the exercise of their delegated functions, albeit within the oversight of central government ministries, to take account of local circumstances.

81. During the visit, interlocutors referred to many instances where municipalities adapt their delegated powers to local conditions with the details and conditions of the execution of those functions following from special local regulatory enactments. Examples included social services, public transport, land use, etc.

82. While cognisant of the negative effect the multiplicity of regulations may have on local authorities’ discretion to adapt the exercise of their delegated powers to local circumstances, the rapporteurs consider that Article 4.5 is complied with in Latvia.

### 3.3.6 Article 4.6

83. Through Article 4 paragraph 6, the Charter introduces a procedural requirement for timely and appropriate consultation of local authorities. This implies that local authorities should be able to obtain full information on proposals, decisions and policies that concern them directly; that local authorities should have the opportunity to feed into the policy-making process before decisions and policies become legally binding and that local authorities should have the time and ability to formulate and present their perspective. As the Contemporary Commentary asserts, this principle aims to ensure the genuine participation of local stakeholders in decision-making of those entities having power to define the rights of local authorities.

84. The report following the Congress fact-finding mission of 2019 was very critical about the limited consultation which took place prior to major reform of local government system stating that “neither the local authorities concerned nor the national association itself took part in the design of the reform, as the plan was drawn up solely by experts from the ministry concerned”.<sup>44</sup> In addition to criticism about the lack of meaningful consultation during the ATR, some interlocutors pointed out during the visit that Covid-19 pandemic and Russia’s war in Ukraine led to rushed decisions and limited consultation with local authorities and social partners.

42. State Administration Structure Law, available at: <https://likumi.lv/ta/en/en/id/63545-state-administration-structure-law>, accessed 15 March 2024.

43. Local Government Law section 6, available at <https://likumi.lv/ta/en/en/id/336956-local-government-law>, accessed 15 March 2024.

44. Congress of Local and Regional Authorities, Report on local and regional democracy in Latvia, CG34(2018)11, Monitoring Committee, Council of Europe Publishing, Strasbourg, available at: <https://rm.coe.int/local-and-regional-democracy-in-latvia-monitoring-committee-rapporteur/1680792d98>, p. 22, accessed 15 March 2024.

85. LALRG considers that, in legal terms, Latvia has one of the most developed consultation systems in Europe. Section 48 of the State Administration Structure Law (as consolidated in December 2022) requires that institutions shall involve representatives of public organisations and other organised groups and/or individual competent persons in their activities by including such persons in working groups, advisory councils or by asking them to provide opinions. Latvia has very clear requirements for consultation of local authorities. Section 82(1) of the 2022 Local Government Law states that: “The Cabinet shall agree with local governments upon all issues that affect the interests of all local governments”. The section specifies the requirement for consultation regarding draft laws and draft Cabinet regulations that pertain to local governments and consultation regarding financial and budgetary matters. (See also the section on Article 9.6).

86. Section 79(2) of the Local Government Law states that “ a local government association in which more than half of all city governments, and also more than half of all municipality governments have joined as members, is entitled to represent local governments in discussions with the Cabinet”.<sup>45</sup> LALRG plays a key role in such negotiations. In addition to the budgetary negotiations outlined above, there are annual discussions with each ministry. The non-mandated consultation system includes weekly participation in State Secretary meetings, meetings of the Cabinet of Ministers with advisers having right to vote; and participation at *Saeima* committee meetings when preparing draft laws for all three readings of draft legislation. LALRG representatives participate at co-decision process in more than 40 consultative councils, formed by central government ministers or the Cabinet of Ministers, as well as tripartite social dialogue meetings.

87. The Local Government Referendum Law, although limited and specific was welcomed. There seemed consensus among interlocutors that the situation with regard to consultation has improved. One interlocutor stated that “in the past, local government was treated as the enemy, but the situation is gradually changing”. There was general agreement that the situation has improved significantly in recent times, though interlocutors would welcome discussions on the reason for decisions which seem to ignore or reject the content of consultation processes. Although some interlocutors consider that there are still limitations to the effectiveness of the consultation mechanisms, when decisions are made without adequate consideration of the resources and capacities available to municipalities, the rapporteurs conclude that Article 4.6 is currently complied with in Latvia.

### 3.4 Article 5 – Protection of local authority boundaries

#### Article 5

Changes in local authority boundaries shall not be made without prior consultation of the local communities concerned, possibly by means of a referendum where this is permitted by statute.

88. Article 5 of the Charter states that changes in local authority boundaries shall not be made without prior consultation of the local communities concerned, possibly by means of a referendum where this is permitted by statute. Thus, Charter does introduce procedural rules for changes in local authority boundaries. According to the Contemporary Commentary “it is therefore a mandatory procedural requirement that no change in local boundaries may be adopted without consultation, which must take place at a timely stage before a final decision on the matter is made”.<sup>46</sup> The Commentary (paragraph 94) clarifies that consultation in accordance with the Charter does not rule out obligatory mergers or boundary changes, but that the procedures must be laid down by law.

89. The issue of boundary changes has long been contentious in Latvia. A 2011 monitoring report noted that “central government was accused of insufficient consultation and discussion with its interlocutors” regarding boundary changes.<sup>47</sup> Written during a time when controversy raged in Latvia about reform of local government units, the 2020 Report from the fact-finding visit draws attention to the difference in nuance between the French and English versions of the Charter. It asserts that “the spirit

45. See: <https://likumi.lv/ta/en/en/id/336956-local-government-law>.

46. Congress of Local and Regional Authorities, A contemporary commentary by the Congress on the explanatory report to the European Charter of Local Self-Government, (Contemporary Commentary), CG-FORUM (2020)02-05final, 7 December 2020, para. 90, Monitoring Committee, Council of Europe Publishing, Strasbourg, available at: <https://rm.coe.int/contemporary-commentary-by-the-congress-on-the-explanatory-report-to-t/1680a06149>, accessed 15 March 2024.

47. Congress of Local and Regional Authorities, Recommendation 317(2011) “Local and regional democracy in Latvia”.

of the Charter seeks to ensure the genuine and effective participation not only of local executive and governance bodies but also, and above all, of the residents".<sup>48</sup>

90. Such participation was not fully enabled in the lead up to the 2021 Administrative Territorial Reform. In the lead up to and implementation of the 2021 reform and the changing of municipal boundaries, concerns were expressed by politicians, citizens and representative groups about "job losses in the public sector (a major source of employment in more isolated rural regions) and that the larger towns in the merged units would attract greater resources, centralize services and weaken already faltering smaller towns and villages".<sup>49</sup> There was widespread disquiet about many of the new municipal boundaries and resentment that meaningful consultation had not taken place. Academic commentators state that the "reform initiative was criticized by the municipalities because of insufficient communication among the levels of governance and political ignorance of the opinions expressed by local communities towards possible mergers"<sup>50</sup>. Reference was also made to cases taken to the Constitutional Court regarding the lack of consultation. The 2020 Congress rapporteurs were unambiguous in their conclusion that "neither the individual local authorities concerned, nor the national association was able genuinely to negotiate on the key aspects of the reform, as the government plan was only altered in respect of certain minor and technical points".<sup>51</sup> During the 2024 Monitoring visit, interlocutors referred to the failure, during the ATR process, to consult local communities or to take into consideration opinions expressed by communities who wished to retain their existing municipal boundaries asserting, for example, that the opinion of 98% of Ikšķile municipality inhabitants (expressed in a representative survey) was not taken into account. It should be noted that the Constitutional Court of Latvia decided on the constitutionality of the merger of Ikšķile and Ogre in the Case No 2020-37-0106.<sup>52</sup> In the same case, the inclusion of the Skulte parish in the Saulkrasti municipality was declared unconstitutional. As stated earlier, in 2021, the Constitutional Court declared the integration of Varakļāni municipality into Rezekne municipality unconstitutional. Also in the case 2020-41-0106, the inclusion of Ilūkste municipality in the Augšdaugava municipality and the inclusion of Ozolnieki municipality in the Jelgava municipality were declared unconstitutional. However, in all these cases, the Constitutional Court held that the consultation with municipalities had taken place in accordance with the applicable legal regulation. It recognised the contested provisions of the legislation (the Annex Administrative territories, their administrative centres and territorial units to the Law on Administrative Territories and Populated Areas) as being compliant with Article 4.6 and Article 5 of the Charter.

91. A linguistic issue about the Latvian translation of the Charter was brought to the attention of the delegation by NGO members from Ogre municipality. They assert that the Latvian wording "prior consultation with the relevant local authority" is interpreted to mean consultation with the local municipality rather than consultation with the local community residents".<sup>53</sup> They claim that the interests of the residents of the former Ikšķile, Lielvārde, and Ķegums municipalities cannot be represented in the newly created Ogre municipality because the population of these three former municipalities is significantly smaller than that of the former Ogre municipality and the city. Therefore, the current Ogre municipality council usually represents the interests of the city of Ogre, without adequately developing the areas and territories annexed to the newly established municipality. Thus, Article 5 was clearly not complied with during the ATR and, as a result "residents of the annexed territories lack the opportunity to find full-fledged representation in the municipality due to significant differences in population size between the municipalities' inhabited areas".<sup>54</sup> In addition, the NGO referred to Article 58 of the 2022 Local Government Law which states that "a consultative municipal institution - the Residents' Council ("the Council") - may be established in the municipality". They perceive that the law does not give residents themselves the opportunity to establish such councils. Therefore, they argued, the involvement of local communities depends solely on the goodwill of the newly established municipalities - whether they are interested in establishing such a Council or not. The rapporteurs consider that citizen participation in local public affairs should be promoted, which seems to be the objective of the said legal provision. They thus encourage the establishment of the residents' councils in municipalities. As for the issue of consultation during the ATR in Latvia, it has already been thoroughly examined in the previous

48. Congress of Local and Regional Authorities, Fact-finding report on territorial reform in Latvia CG-FORUM (2020)02-02final, p. 11.

49. Auers, D., (2021), Continuity in change? Latvia's Local Governments after Regional Reform and Local Government Elections", p. 4, available at <https://library.fes.de/pdf-files/bueros/baltikum/18054.pdf>, accessed 15 March 2024.

50. Iveta Reinholde, Malvīne Stučka, (2022). Latvia: Electoral drama in local governments. In: Gendźwiłł A., U Kjaer U., Steyvers K. 'Routledge Handbook on Local Elections and Voting in Europe' Routledge International Handbooks.

51. Fact-finding report on territorial reform in Latvia CG-FORUM (2020)02-02final, paragraph 122.

52. <https://www.satv.tiesa.gov.lv/en/press-release/the-merger-of-ikskile-municipality-and-ogre-region-complies-with-the-constitution-the-inclusion-of-skulte-parish-in-saulkrasti-region-does-not/>

53. Association "Towards an Educated Society".

54. *ibid.*

fact-finding report by the Congress, which identified violations of Articles 4.6 and 5 during the reform process at that moment. Consequently, the rapporteurs consider there is no necessity to reanalyse the same issue in the current report, as the circumstances have changed since then.

92. The situation seems to be improving gradually. Section 6 (5) of the 2020 Law on Administrative Territories and Populated Areas states that “when amalgamating or dividing an administrative territory, and also when modifying its borders, the interests of the residents of the country and local government, the Cabinet opinion, and decisions of the councils of interested local governments shall be evaluated”. The rapporteurs assert that the term “evaluated” is weak and does not necessitate responsiveness to consultation processes. Section 10 (5) of the 2022 Local Government Law states that only a council can: “decide on the division or amalgamation of the administrative territory of the local government with another administrative territory, the modification of the boundaries of the administrative territory, or the change of the name”. Such provisions, if fully implemented, should avoid recurrence of such problems.

93. Interlocutors expressed disappointment that “the new Local Government Law does not provide an opportunity to organise a referendum in case of modification of local authority borders”. Section 54 of the 2022 Local Government Law, while advocating consultation, also limits such consultation, stating that in order to promote citizens' participation in the decision-making of issues of local importance and to respect the interests of citizens, the local government shall hold a public consultation on matters of its autonomous competence. Such consultations shall not be held on issues such as the municipal budget, municipal service fees, tax or fee rates, appointment and dismissal of municipal officials, on issues of the internal work organisation of the municipality, as well as on issues within the competence of other institutions.

94. In 2022 a Local Government Referendum Law was adopted and will enter into force in September 2024. It aims to promote the participation of local government residents in deciding issues of local importance. It allows for a referendum to be called for three issues, namely, the sustainable development strategy of the local government; the decisions of the council by which the municipality proposes the construction of a new public building, as well as on dissolution of the municipal council. Some interlocutors asserted that, although welcome, the law limits the type of issues on which local referendums may be held and criticised the failure to include a requirement for referendums on boundary issues.

95. Cabinet Regulations, due to come into effect in 2025, aim to improve the situation regarding consultation on boundary issues. Regulations of the Cabinet of Ministers, No. 386 of 2021 determine: 1) procedures for determining, amending and updating the boundaries of the territorial division of administrative territories; 2) procedures for determining the status of the administrative centre, city and village, amending and updating the borders.

96. The ATR led to controversy about the processes for changing local authority boundaries, with 21 challenges by councils ruled on by the Constitutional Court. The rapporteurs note the greater awareness of the need to consult affected persons and bodies and welcome the recent measures that have been put in place to foster better consultation processes and urge introduction of a mandatory community consultation process prior to boundary changes. Meanwhile, the rapporteurs conclude that currently in Latvia, Article 5 is partially complied with.

### **3.5 Article 6 – Appropriate administrative structures and resources**

#### **Article 6**

1. Without prejudice to more general statutory provisions, local authorities shall be able to determine their own internal administrative structures in order to adapt them to local needs and ensure effective management.
2. The conditions of service of local government employees shall be such as to permit the recruitment of high-quality staff on the basis of merit and competence; to this end adequate training opportunities, remuneration and career prospects shall be provided.

#### **3.5.1 Article 6.1**

97. This provision aims to safeguard local autonomy by ensuring that local authorities can independently put in place administrative structures and arrangements appropriate to the needs of their citizens and which enable them to provide a full range of public services in a manner appropriate to local circumstances. The Contemporary Commentary advocates that power of local entities to organise their



affairs should be exercised with due respect for the generally accepted principles of effective and efficient governance while meeting collective needs and expectations.

98. Latvian local authorities have clear self-organisation powers. Article 2 of the 2022 Local Government Law states that the local government is responsible for the activity of the council and local government administration, unless otherwise provided by law. Article 10 gives municipal councils the power to establish and reorganise the municipal administration, including establishing, reorganising and liquidating its constituent institutions, as well as issuing regulations of municipal institutions. Article 20 states that the structure of the municipal administration is determined by the municipal regulations and that the council establishes a central administration - a municipal institution that provides organisational and technical service to the council and committees and performs other functions specified in the municipal regulations. In order to ensure the availability of services provided by the municipality in regional parishes and regional cities, Article 23 empowers the municipal council to establish a parish or city administration or an association administration of territorial units. It also states that the municipal council may establish the administration of the association of territorial division units (parishes or parishes and cities), if the territorial division of the district specified in the municipal regulations includes a union of territorial division units, providing services in each unit of territorial division forming the union. The Local Government Law, Section 7 states that the municipality may delegate certain administrative tasks falling within its autonomous competence to another person.

99. Interlocutors did not express any dissatisfaction regarding administrative structures and arrangements. Some referred to the fact that the ATR has resulted in municipalities being now able to streamline their administrative processes, improve communication and transparency, centralise functions and employ staff with a higher level of skills and experience. MRDEP interlocutors indicated that the increased availability of staff and provision of specialists in municipalities allows entrepreneurs to utilise various support mechanisms, thereby fostering business development and innovation. The Ministry also referenced the optimisation of the education system as a result of the mergers stating that now there is at least one secondary school in all municipalities, and the costs of inter-municipal settlements have decreased. Local interlocutors referred to the learning that has taken place through interaction with other municipalities and the opportunities to create new structures for maintenance etc. so that administrative structures and processes are more effective.

100. Consequently, the rapporteurs are satisfied that Article 6.1 is complied with in Latvia.

### 3.5.2 Article 6.2

101. Article 6 paragraph 2 is concerned with the organisational and institutional autonomy of local government, asserting indicating that local authorities should have discretion regarding recruitment of personnel and the freedom to determine the conditions of service of their employees. The Contemporary Commentary on the Charter (paragraph 106) urges that local authority employees should be entitled to training opportunities, remuneration and career opportunities similar to employees at other levels of government.

102. Local governments in Latvia enjoy autonomy in the field of human resources and in the management of their staff. They can appoint and dismiss their own employees without the need to get the approval from State authorities. Local governments have discretion to decide on the remuneration of their staff but as Article 23.3 of the 2022 Local Government Law states, remuneration of employees of the municipal administration is determined in accordance with the 2009 Law on Remuneration of Officials and Employees of State and Local Government Authorities (as amended). This law ensures that equal conditions are observed in determining the remuneration of officials (employees) in state and local government institutions. Some interlocutors mentioned inclusion of local government personnel within the Single Remuneration system as limiting motivation, but this criticism was not widespread.

103. The rapporteurs are satisfied that Article 6.2 is complied with in Latvia.

### 3.6 Article 7 – Conditions under which responsibilities at local level are exercised

#### Article 7

1. The conditions of office of local elected representatives shall provide for free exercise of their functions.
2. They shall allow for appropriate financial compensation for expenses incurred in the exercise of the office in question as well as, where appropriate, compensation for loss of earnings or remuneration for work done and corresponding social welfare protection.
3. Any functions and activities which are deemed incompatible with the holding of local elective office shall be determined by statute or fundamental legal principles.

#### 3.6.1 Article 7.1

104. Article 7 paragraph 1 seeks to ensure that citizens are free to serve as elected representatives and are not prevented from holding political office owing to financial or material considerations and that, local councillors should not be prevented from discharging their duties. The Contemporary Commentary interprets Article 7.1 as providing that each local authority be able to take its “own discretionary decisions” concerning the precise conditions of office that apply to elected representatives within its jurisdiction.

105. Section 71 of the Local Government Law lists positions which Councillors of a Local Government Council are restricted from holding. Latvia's Law on the Prevention of Conflict of Interest in the activities of public officials is continually updated. Articles 9-11 contain clear guidelines with regard to limitations on earnings, restrictions on commercial activity and restrictions on issuing, supervising, controlling, investigating, or punishing functions of administrative acts and concluding contracts. Such clarifications are prudent and avoid ambiguity.

106. Interlocutors referred to a range of legal norms that they perceive as reducing motivation to obtain the status of council member or mayor, “for example, too long a ‘cooling down period’ during which it is forbidden to work in local government institutions and enterprises after leaving the office. When losing the office, compensation is not provided. After leaving the office, it is difficult to find a new job”.

107. Interlocutors alerted the delegation that moves were afoot to introduce some form of security check for mayors. There was some wariness about such developments, but interlocutors were awaiting details. Since the visit, a law has been passed on 21 March 2024 and local government officials will need a special permit for access to state secrets, according to a law proposed by the President of Latvia and endorsed by the Saeima. The permit will be required for the head and deputy head of a municipality, as well as for the executive director and their deputy. It is anticipated that the municipality will have to send a request to the competent state security authority to grant a special permit to the mayor and their deputy no later than one month after their election to office. The same deadline is also set for the municipality's Executive Director and Deputy Director<sup>55</sup>. Some interlocutors pointed to the risk that security check power could be abused in peace times, for political motives. Currently, at national level, the Latvian State Security Service (VDD) conducts checks on the circulation of state secrets according to the requirements within the institutions supervised by VDD and also consults the respective institutions on protection of state secrets and safeguarding their circulation. VDD issues the second and third category security clearances for work with state secrets, which correspond respectively the classification level secret and confidential.

108. The 2020 fact-finding delegation considered that the manner and process of the dismissal of the Mayor of Riga was in breach of Article 7.1 of the Charter.<sup>56</sup> Changes since then have not tightened such processes. The legality of the dismissal was upheld by three levels of administrative courts, the final decision being adopted by the Supreme Court in November 2023.<sup>57</sup> Article 69 (1) of the 2022 Local Government Law states that “the Minister for Environmental Protection and Regional Development may suspend a chairperson of a council from fulfilment of the duties of office on the basis of a justified order if the chairperson of the council fails to comply with or violates external legal acts or fails to enforce court judgements”. Section 4 allows for judicial appeal, decreeing that “within one month after the publication

55. Available at: <https://eng.lsm.lv/article/politics/politics/22.03.2024-latvian-municipal-leaders-will-be-subject-to-more-security-checks.a547662/>, accessed 15 April 2024.

56. Congress of Local and Regional Authorities, Fact-finding report on territorial reform in Latvia CG-FORUM (2020)02.

57. <https://www.lsm.lv/raksts/zinas/latvija/28.11.2023-tiesa-par-likumigu-atzist-usakova-atstadinasanu-no-rigas-mera-amata-pirms-cetrarpus-qadiem.a533310/>

of the order of the Minister for Environmental Protection and Regional Development, a chairperson of a council has the right to apply to the court for the revocation of the order". Articles 69(4) and (5), state that if the chairperson does not appeal against the suspension order or if a court upholds the suspension order, then the chairperson is not only suspended but dismissed from the position. LALRG expresses concerns, asserting that in such cases, multiple and significant violations of law are identified by experts' opinion, not based on decision of the court. An opportunity to appeal to court does not improve the situation, since the process usually lasts for several years. The process as it currently operates risks abuse because of possible political bias in the obtaining of expert assessment and as LALRG asserts, the responsible minister may use suspension of a mayor as a tool for fighting with their political competitors. Interlocutors from the MEPRD assert that this provision is more about supervision process in Latvia and not about conditions of office of local elected representatives for free exercise of their functions.

109. The Contemporary Commentary on the Charter states that Article 7 "provides that disqualification from the holding of local elective office should only be based on objective legal criteria". It also states that 'the fight against corruption should be balanced against the need to ensure that local politicians are not unduly threatened by the prospect of arbitrary prosecutions'.<sup>58</sup> The possibility of suspending an elected mayor by the discretionary decision of a politician is incompatible with such principles. The Congress fact-finding delegation in 2020 determined that 'this power is not limited by substantive criteria or by any other criteria which could ensure that any suspension measure is proportionate and neither arbitrary nor unreasonable. In this connection, the rapporteurs believe that even though this mechanism is provided for by law, it does not satisfy the minimum requirements for legal certainty and does not offer enough safeguards to prevent the administrative power being exercised arbitrarily'.<sup>59</sup>

110. The rapporteurs consider that the continued existence of the extraordinary powers by which the Minister for Environmental Protection and Regional Development may suspend the Chair of a council (mayor) and the parliament's power to dissolve a local council (with the MEPRD responsible for triggering the procedure) may risk abuse and can be construed as potentially restricting the holding of a representative position at local level. In its ruling on the 2021 dismissal of Riga city Council (Case No. 2020-16-01) the Constitutional Court, although upholding the legal grounds used for dismissal, noted "that in a democratic state governed by the rule of law the relations between the state and local governments should be developed in the form of a dialogue, abiding by the principle of good faith and mutual respect, to ensure effective public administration and use of resources".

111. In light of the above, the rapporteurs consider that Article 7.1 is partially complied with in Latvia.

### 3.6.2 Article 7.2

112. Article 7 paragraph 2 of the Charter aims to ensure that local elected representatives receive appropriate financial compensation and to avoid situations where the conditions of office might prevent, limit, or exclude potential local candidates from standing for office due to financial considerations. Article 7.2 is also concerned with ensuring that elected representatives receive appropriate compensation and remuneration so that they are not at a financial loss due to their public role. Paragraph 113 of the Contemporary Commentary advocates "that local bodies should provide adequate remuneration for work done by elected representatives and that remuneration should realistically reflect the workload of their office".

113. In accordance with Article 10 of the 2022 Local Government Law, one of the competences of a municipal council in Latvia is to determine the remuneration of the chairman of the council, as well as other salaried positions in the council and the remuneration for them. Such salaries are determined in accordance with the 2009 Law on Remuneration of Officials and Employees of State and Local Government Institutions (as amended). This Law decrees that the monthly salary of members of the

58. Congress of Local and Regional Authorities, A contemporary commentary by the Congress on the explanatory report to the European Charter of Local Self-Government, CG-FORUM (2020)02-05final, 7 December 2020, Council of Europe Publishing, Strasbourg, available at: <https://rm.coe.int/contemporary-commentary-by-the-congress-on-the-explanatory-report-to-t/1680a06149> (Contemporary Commentary), paragraph 164

58. Congress of Local and Regional Authorities, Fact-finding report on territorial reform in Latvia, CG-FORUM(2020)02-02final, Council of Europe Publishing, Strasbourg, available at: <https://rm.coe.int/fact-finding-report-on-territorial-reform-in-latvia-monitoring-committ/1680a05b6f>, accessed 22 May 2024.://rm.coe.int/contemporary-commentary-by-the-congress-on-the-explanatory-report-to-t/1680a06149 (Contemporary Commentary), paragraph 164.

59. Congress of Local and Regional Authorities, Fact-finding report on territorial reform in Latvia, CG-FORUM(2020)02-02final, Council of Europe Publishing, Strasbourg, available at: <https://rm.coe.int/fact-finding-report-on-territorial-reform-in-latvia-monitoring-committ/1680a05b6f>

municipal council may not exceed the amount of the base monthly salary, to which the coefficient determined by law is applied<sup>60</sup>. In Latvia, many councillors are part-time and receive an allowance for attending meetings etc. In bigger cities, councillors are full-time employees, receiving a salary but they do not usually receive additional financial benefits. Some interlocutors pointed to the need to increase such salaries and allowances to reflect changing financial circumstances.

114. The rapporteurs consider that Article 7.2 is complied with in Latvia.

### 3.6.3 Article 7.3

115. This paragraph focuses on functions and activities that could be incompatible with the position of an elected councillor. It deals with compatibility between the holding of a representative position at local level and other activities, either public or private, establishing that the “functions” and “activities” that cannot be made compatible with holding a local position once the candidate has been elected shall be determined by statute or fundamental legal principles. Paragraph 120 of the Contemporary Commentary urges that restrictions on holding elected office should be as limited as possible. The Contemporary Commentary (paragraph 122) perceives this Paragraph as serving to discourage the simultaneous holding of more than one political mandate.

116. Since 2002, Latvia has had a Law on Prevention of Conflict of Interest in Activities of Public Officials, which aims to promote the openness and responsibility of public officials before the public, as well as public trust in the activities of public officials. The Corruption Prevention and Combating Bureau (KNAB) monitors implementation of the Law which has been amended on several occasions with further amendments in force from April 2024. In its 2023 Rule of Law Report, the European Commission positively assessed the measures extending the income restrictions applicable to members of local government councils under the Law. The amendments prohibit the members from being remunerated by organisations and companies from funds that have been provided by the respective municipality. These officials will also not be allowed to receive remuneration from an organisation for two years after they have made a decision or participated in decision making to grant public funds to the organisation<sup>61</sup>. This restriction does not apply in cases where funds have been awarded as a result of an open competition or for the performance of a delegated administrative task. Officials are also prevented from receiving remuneration from an organisation for two years after they have been involved in decision making to grant public funds to the organisation.

117. The rapporteurs commend the ongoing efforts to ensure compatibility between the holding of a representative position at local level and other activities and the various anti-corruption measures being implemented in Latvia. They consider that Article 7.3 is complied with.

## 3.7 Article 8 – Administrative supervision of local authorities’ activities

### Article 8

1. Any administrative supervision of local authorities may only be exercised according to such procedures and in such cases as are provided for by the constitution or by statute.
2. Any administrative supervision of the activities of the local authorities shall normally aim only at ensuring compliance with the law and with constitutional principles. Administrative supervision may however be exercised with regard to expediency by higher-level authorities in respect of tasks the execution of which is delegated to local authorities.
3. Administrative supervision of local authorities shall be exercised in such a way as to ensure that the intervention of the controlling authority is kept in proportion to the importance of the interests which it is intended to protect.

### 3.7.1 Article 8.1

118. This article asserts that any administrative supervision of the activities of local authorities must be exercised according to such procedures and in such cases as are provided for by the constitution or by statute. This provision rules out *ad hoc* supervisory procedures. It also means, as stated in

60. Law on Remuneration of Officials and Employees of State and Local Government Authorities section 5 part one, available at: <https://likumi.lv/ta/en/en/id/202273-law-on-remuneration-of-officials-and-employees-of-state-and-local-government-authorities>, accessed 15 March 2024.

61. SWD(2023) 814 final.

paragraph 128 of the Commentary that supervisory authorities must comply strictly with the procedures established by law for the exercise of such supervision.

119. In Latvia, there is quite an intricate system of control and supervision of local authorities by the state with different bodies and institutions involved in different aspects. Line ministries play a monitoring role concerning activities directly concerned with their sphere of responsibility. The activity of local governments is supervised by the MEPRD in accordance with the Local Government Law. The Ministry of Finance monitors the local government's commitment process related to local government borrowings and guarantees according to the established procedure, and regularly analyses the financial situation of local governments based on monthly reports. Nevertheless, local authorities are autonomous under the law but must perform their autonomous functions in accordance with external regulatory enactments and public law agreements. In addition to the State ministries, local authorities are also under the control of the SAO (see section on Article 8.2), the Corruption Prevention and Combating Bureau and the Competition Council. Strict procurement regulations are also implemented.

120. In Case no. SKA-842/2022, the Supreme Court clarified that the powers of the Ministry are limited when it comes to the supervision of local governments, at least from the perspective of individuals. This supervisory function is between different authorities on the national and local levels and is not part of the administrative processes that concern interaction between individuals and local authorities. The supervisory function of the ministry does not provide individuals with a possibility to request that local authorities are overruled by the ministry in environmental matters.<sup>62</sup>

121. The MEPRD informed the delegation that the Ministry has evaluated the supervision processes and has prepared proposals for reducing supervision in the delegation of municipal tasks to another person. Such issues will be left to the autonomous decision and responsibility of the municipality itself.

122. There is a clear legislative basis for processes of supervision of local government in Latvia. While interlocutors referred to the encumbrance of the processes, no issues regarding misuse of supervisory power were raised. In fact, with reference to Riga, some interlocutors averred that involvement of multiple oversight bodies helps to ensure transparency, accountability, and adherence to regulations, thereby contributing to the effective governance of the city.

123. In light of the above, the rapporteurs are satisfied that Article 8.1 is complied with in Latvia.

### 3.7.2 Article 8.2

124. Article 8.2 outlines the principles and parameters of administrative supervision which may consist of checks on legality or checks on expediency. According to paragraph 132 of the Contemporary Commentary, the Charter proclaims a general preference for checks on legality over checks on expediency.

125. The MEPRD has the right to evaluate the legality of binding regulations, except for the binding provisions on the municipal budget and binding provisions on territorial planning. Binding regulations on the development of municipal budgets are governed by the Law on Municipal Budgets. Binding regulations in the field of territorial planning and their monitoring procedures are regulated by the Territorial Development Planning Law. Once a local authority approves a general binding regulation it has to send it, together with the explanatory memorandum to the MEPRD (or the binding provisions determined by another law and their explanatory text - to the relevant ministry) for the provision of an opinion. Chapter 5 (Section 47) of the Local Government Law lays out the procedures and timing for the process of assuring the legality of binding general regulations passed by local councils. The LALRG stated that up to 13 different ministries can be involved in this regulation-vetting process, thereby creating an administrative burden for local authorities. However, the MEPRD pointed out that since the 2022 Local Government law was introduced, the number of spheres for which it is necessary to receive the opinion of the Ministry, has been reduced.

126. The Minister for Environmental Protection and Regional Development can suspend the operation of illegal binding provisions or their separate norms by a justified order. If the Ministry finds that there is a problem of lawfulness, it will inform the local authority which may amend or change the regulation in conformity with the ministerial opinion. If the local council fails to do so, then the Minister may suspend the regulation by means of a substantiated order. If the local council decides not to revoke or to amend

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62. Yearbook of International Environmental Law, 2022, Vol. 33, No. 1, p. 142.

the local regulation in accordance with the ministerial order, it must submit an application to the Constitutional Court regarding the revocation of the suspensive order of the Minister.

127. The process outlined above, whereby binding regulations must be submitted to the MEPRD and/or line ministry for an opinion, is essentially a control of legality and occurs *ex post facto*. It aims to ensure alignment with national objectives and regulations. The Minister cannot cancel, revoke, quash or suspend decisions (administrative acts) adopted by the local authorities. Despite being cumbersome, this system of inter-administrative control by State ministries does not generally seem to raise serious concern or controversy on the part of local authorities, who understand that the control process is focussed on the legality of the binding regulations. Taking into account that the control exerted through the review process is a legality control only, the rapporteurs consider that Article 8.2 is complied with in Latvia.

### 3.7.3 Article 8.3

128. This paragraph is concerned with the practice of administrative supervision and requires compliance with the principle of proportionality. Under the principle of proportionality, the regional or central body should intervene only to the extent necessary, taking into account the relevance of the interests which the intervention seeks to protect.

129. Administrative supervision of local government in Latvia is multi-faceted but is focused and strictly regulated by various Laws.

130. Serious concerns were raised about two remarkable powers of State authorities in Latvia. The Minister for Environmental Protection and Regional Development has the power to suspend the Chair of a council (mayor) and the parliament has power to dissolve a local council, but the MEPRD is responsible for triggering the procedure. Although these powers are rarely used, both were exercised at the time of the ATR with the Mayor of Riga being suspended and Riga City Council being dissolved. Those developments were criticised severely in the 2020 Congress fact-finding Report.

131. Paragraph 96 of the Report classified the use of those powers as infringing the local self-government of the capital and “a matter of serious concern and [the actions] are in breach of several provisions of the Charter, in particular Article 8.3 and Article 7.1”.

132. However, the 2022 Local Government Law reiterates those powers. Article 69 states that the Minister of Environmental Protection and Regional Development may, by reasoned order, remove the chairman of the council from the performance of his duties, if the chairman of the council fails to comply with or violates external regulatory acts or fails to comply with court rulings. Article 70 decrees that the Saeima may dismiss the council by law “if it: repeatedly fails to comply with or violates the Constitution, binding international legal acts, laws or regulations of the Cabinet of Ministers, fails to comply with court judgments or does not ensure the legality of the operation of the local government administration, or allows significant violations of the aforementioned regulatory acts in its own or the operation of the local government administration”. In such cases the Saeima may appoint a temporary administration in the relevant administrative territory. These powers have been exercised twice in recent years. In case No. 2020-16-01, the Constitutional Court judged that the law “On Dismissal of the Riga City Council” was compliant with Article 1 and Article 101 of the Satversme of the Republic of Latvia”.

133. Although these powers are seldom used, the rapporteurs consider them neither in the spirit nor the letter of Article 8.3 and perceive them as allowing the possibility for disproportional interference by central government in the institutional life of local authorities.

134. Administrative supervision with regard to local government financial activity is quite stringent. The Law on Local Government Budget prescribes strict conditions for budget planning and execution for local authorities. Local authorities must develop their budget no later than two months after the proclamation of the Annual State Budget Law. The budget allocated to the local authorities may not exceed the amounts planned in the state budget. Additional conditions for planning and implementation of subnational budget in order to reduce the impact of economic or social risks are only authorised by the Cabinet of Ministers. This tight linkage between the State budget and local government budgets was perceived by some interlocutors as constraining local governments’ financial autonomy.

135. Financial supervision of local authorities is carried out by various organs of the state. The Ministry of Finance ensures observance of common principles in budget administration, analyses monthly

reports from local councils and provides assistance regarding budget preparation and implementation issues. The Cabinet of Ministers establishes the Municipal Financial Equalisation Fund Council to supervise the operation of the equalisation fund. Municipal loans must be contracted with the State Treasury or within specific funding programmes. Borrowing from another institution must be justified and authorised by the Ministry of Finance. SNG borrowing cannot exceed 20% of current revenues in a given year (excluding earmarked grants and contributions to the Equalisation Fund). In case of non-compliance, the National Treasury can apply sanctions, and local authorities may be placed under supervision. Total local borrowing is overseen by an interministerial Council for Loans and Guarantees.<sup>63</sup> Some interlocutors perceive the restrictions on borrowing as restrictive, others perceive them as prudent.

136. From 1 January 2024, Article 77 of the 2022 Local Government Law places an obligation on the municipalities to establish an internal audit system. Some interlocutors highlighted the financial and HR costs of this requirement and point to the risk of duplication because the SAO also carries out financial audits as well as compliance audits, and performance audits on local councils each year. The State Audit Office performs a yearly financial audit of the consolidated annual financial report of the state, where annual reports of all ministries, central governmental agencies, and local and regional governments are consolidated. Section 75 of the 2022 Local Government Law deals with the financial control of local government. It states that ‘in order to supervise the activities of local governments in accordance with the procedures and to the extent specified in this law, the Ministry of Environmental Protection and Regional Development has the right to invite sworn auditors or sworn auditors of commercial companies for an extraordinary financial audit’. The SAO carries out system-wide audits on specific topics. For 2024 the chosen themes are: municipal budget management and assessment of the effectiveness of the system of incentives and discounts introduced in local and regional governments. Performance audits will be performed with regard to whether local and regional governments management of real estate is efficient. SAO interlocutors identified deficiencies such as the lack of linkage between development plans and budgets; the lack of indicators; financial management shortcomings; inefficient internal control and project management systems. Nevertheless, the SAO is not unaware of the difficulties confronting local authorities. In a 2022 performance audit examining challenges in HR policy for local and regional governments following the ATR, the SAO states that “insufficiency of budget funds to meet all needs is one of the key challenges of local and regional governments”<sup>64</sup>. Not surprisingly, local government interlocutors drew attention to the multiplicity of financial/auditing overseers. The LALRG interacts with the Auditor-General, the SAO, Sworn Officers, Ministry officials, Revenue employees and internal auditors, among others.

137. Interlocutors accept the regulatory-vetting powers of central government discussed in Section 3.7.1. However, the suspension and dismissal powers are disquieting from a democratic perspective. The Contemporary Commentary stresses the principle of proportionality, “whereby the controlling authority, in exercising its prerogatives is obliged to use the method which affects local autonomy, the least”.<sup>65</sup> Although, as the MEPRD points out, the suspension of the chairman of the municipal council or the dismissal of the council are rare, the power of politicians to carry out such measures is extraordinary.

138. The rapporteurs recognise the importance of proper financial management at local level and of the risk of a negative impact of local government debts on the general financial framework of the country. Nevertheless, they perceive the financial supervisory powers over local government in Latvia, as disproportionate and resulting in some duplication.

139. The various forms of supervision of local government in Latvia may be justifiable with regard to delegated tasks but are not proportional in the sense suggested by the Charter. The rapporteurs consider that Article 8.3 is not complied with in Latvia.

63. SNG WOFI, Latvia Country Report 2022.

64. Available at: [https://www.lrvk.gov.lv/en/getrevisionfile/29586-LKs6\\_i7K7Ldfq6kHZE64XNFqkGRD6jo.pdf](https://www.lrvk.gov.lv/en/getrevisionfile/29586-LKs6_i7K7Ldfq6kHZE64XNFqkGRD6jo.pdf), accessed 15 March 2024.

65. Contemporary Commentary, p. 30.

### 3.8 Article 9 – Financial resources

#### Article 9

1. Local authorities shall be entitled, within national economic policy, to adequate financial resources of their own, of which they may dispose freely within the framework of their powers.
2. Local authorities' financial resources shall be commensurate with the responsibilities provided for by the constitution and the law.
3. Part at least of the financial resources of local authorities shall derive from local taxes and charges of which, within the limits of statute, they have the power to determine the rate.
4. The financial systems on which resources available to local authorities are based shall be of a sufficiently diversified and buoyant nature to enable them to keep pace as far as practically possible with the real evolution of the cost of carrying out their tasks.
5. The protection of financially weaker local authorities calls for the institution of financial equalisation procedures or equivalent measures which are designed to correct the effects of the unequal distribution of potential sources of finance and of the financial burden they must support. Such procedures or measures shall not diminish the discretion local authorities may exercise within their own sphere of responsibility.
6. Local authorities shall be consulted, in an appropriate manner, on the way in which redistributed resources are to be allocated to them.
7. As far as possible, grants to local authorities shall not be earmarked for the financing of specific projects. The provision of grants shall not remove the basic freedom of local authorities to exercise policy discretion within their own jurisdiction.
8. For the purpose of borrowing for capital investment, local authorities shall have access to the national capital market within the limits of the law.

#### 3.8.1 Article 9.1

140. The Contemporary Commentary on the Charter stresses that Article 9.1 establishes the right of local authorities to have their own resources and the freedom to spend them. This paragraph focuses on the “own” resources of local government, customarily referring to resources generated locally such as local taxes, charges, fees, etc. Accordingly, states are expected to ensure that local authorities have the legal, budgetary, and fiscal capacity to make use of these rights and the means to implement their policies.

141. In addition to the Local Government Law, the key pieces of legislation dealing with local government finance are Law on Budgets and Financial Management (as amended), the Law on Local Government Budgets (as amended), the Law on Equalisation of Local Government Finances, and the Law on Taxes and Fees (as amended).

142. Section 42 of the Law on Budgets and Financial Management (as amended) articulates the rights of Latvian local governments to revenues, stating that local governments are entitled to budgetary revenue in accordance with laws, in order to ensure a stable and secure revenue base conforming to the requirements of macroeconomic stability.

143. Municipalities prepare their own budgets, but local authority budgets are linked to the national budget with allocations reflecting national priorities. During national budget negotiations, a Memorandum of Understanding and Disagreement between the Cabinet and the LALRG is signed.

144. Section 3(2) of the Law on the Budgets and Financial Management states that local government budgets shall consist of a basic budget, dotations and gifts. The main source of SNG revenue is taxes, which are, however, mostly shared with central government. Tax revenue accounted for half of sub-national government revenue in 2020, well above the OECD average for unitary countries (35.4%) and the EU27 average (40.1%). By contrast, the share of grants and subsidies is lower than the averages for the OECD unitary countries and EU27 (respectively 53.3% and 46.6%), while revenues coming from local public services (tariffs and fees) and property income account for a small share of SNG revenue, below OECD and EU27 averages.<sup>66</sup> Figure 2 shows the various types of local government revenue by type in 2021.

66. SNG WOFI, Latvia Country Report 2022.



**Figure 2. Subnational government revenue by type**

	Taxes	Grants & Subsidies	Tariffs & Fees	Property income	Social contributions
Latvia	49.9%	41.4%	7.3%	0.6%	0.8%
OECD 38	42.2%	41.9%	112.8%	2.0%	1.1%

Source: OECD Nuancier, 2023

145. The Law on Budgets and Financial Management (as amended) also states that local governments are entitled to impose local government fees in accordance with the procedures and in the amounts laid down in laws. However, locally generated charges form a very small part of local government income. In 2020, tariffs and fees accounted for 0.8% of GDP and 7.1% of SNG revenue. Revenue generated by asset sales and rentals, as well as by local public companies, represented 0.4% of the SNG revenue in 2020.<sup>67</sup> There is high dependence of local government on central government funding.

146. A significant share of SNG expenditure is allocated to education, in particular for the payment of teachers' salaries and the financing of the maintenance and operating costs of educational facilities. Education accounts for 37.0% of SNG expenditure, a much larger percentage than the OECD unitary countries and EU27 averages (respectively 18.8% and 18.5%) as well as 4.0% of GDP (vs 2.3% in OECD unitary countries and 3.0% in EU27). Economic affairs and transport is the second most important area of SNG spending (16.9%), followed by social protection (10.2%), health (9.3%) and housing and communities (9.2%). SNGs in Latvia are also responsible for the majority of public spending in housing and community amenities (96.1%) and, to a lesser extent, in recreation, culture and religion (58.3%) and education (55.1%).<sup>68</sup>

147. Interlocutors highlighted the precarious financial situation of some municipalities as a result of inflation, energy costs, depopulation, and inadequate funding. LALRG members pointed out that since the administrative territorial reform (ATR), the volume of functions carried out has increased but the purchasing power of income decreases and the grants from central government do not fully cover the full cost of mandated tasks.

148. Local government in Latvia has legal entitlement to resources and legal autonomy to decide how to spend any own resources, however, local authorities' non-assigned resources are limited, with few opportunities to generate such income. In recent years the fiscal power of local government has been reduced while the proportion of earmarked grants has increased. Earmarked grants are often inadequate to cover the full costs of mandatory tasks and services. Interlocutors highlighted that dependence on central government funding compromises municipalities' ability to address local priorities effectively and independently. Consequently, the rapporteurs conclude that Article 9.1 is not complied with in Latvia.

### 3.8.2 Article 9.2

149. The principle underpinning Article 9.2, i.e., that local authorities' financial resources shall be commensurate with the responsibilities provided for by the constitution and the law, requires that local authorities should have sufficient financial resources corresponding to the responsibilities assigned to them. This paragraph states that the revenues and mandatory tasks of local authorities should be balanced to ensure an adequate relationship between the financial resources available to a local authority and the tasks it performs.

150. In legal terms, the obligation on the state to provide financing commensurate with delegated responsibilities is clear. Article 4, part 5 of the 2022 Local Government Law declares that when transferring a new autonomous function or task to the local government, the performance of which involves increased expenditures, sources of financing for ensuring the performance of such function or task shall be concurrently determined for the local government. Article 6 of the Local Government Law states that "when delegating an administration task, the financing necessary for the performance of the respective administration task shall be provided to the local government". MEPRD provides guidelines

67. Ibid.

68. SNG WOFl, Latvia Country Report 2022.

(recommendations) for local governments in relation to budget issues - on determining service prices, determining administrative expenses, internal control system, etc. The Law on Budget and Financial Management states in Section 15.3.3 that, in order to ensure the stable financing necessary for the performance of local government functions, the distribution of the financing for earmarked grants and grants shall be approved.

151. However, in practice, there are gaps between delegated tasks and financing. Many interlocutors pointed out the 'knock-on' costs of mandated functions, for which the payments from the state do not correspond with the costs incurred by municipalities. Examples included responsibility for working with young people at risk; the non-wage costs of municipal policing, the cost of school meals and the cost of hospital services. Interlocutors pointed out that because of the inadequate funding, each of the 43 municipalities now work differently with young people at risk, leading to varying interpretations of municipal duties, differing capacities among municipalities, and a lack of financial resources. This disparity has resulted in a lack of uniformity in approach across municipalities.

152. Interlocutors believe that while efforts have been made to devolve responsibilities to local authorities, the lack of adequate accompanying financial support has undermined their autonomy and ability to govern efficiently. Similarly, the capital city, Riga, has been assigned various additional responsibilities but there is a notable absence of additional financial support from central government. Interlocutors state that this places strain on the city's resources and compromises its ability to effectively manage these tasks. They argue that since the previous monitoring visit, due to financial and fiscal decisions made by the central government regarding the national budget, there has been a noticeable reduction in the financial autonomy of local authorities. This results from changes in the funding allocated to them and an increase in their functional obligations without accompanying financial support.

153. The ATR was also perceived by some interlocutors as being responsible for unforeseen costs since, prior to being merged, neighbouring municipalities charged different levies and provided varying levels of social assistance. Similarly, in merged conglomerations, where one municipality had previously provided free travel for school children, free travel became compulsory for the whole expanded municipality. Thus, where mergers occurred, many municipalities were required to make upward adjustments to ensure parity so, in Cēsis, for example, expenses rose faster than income.

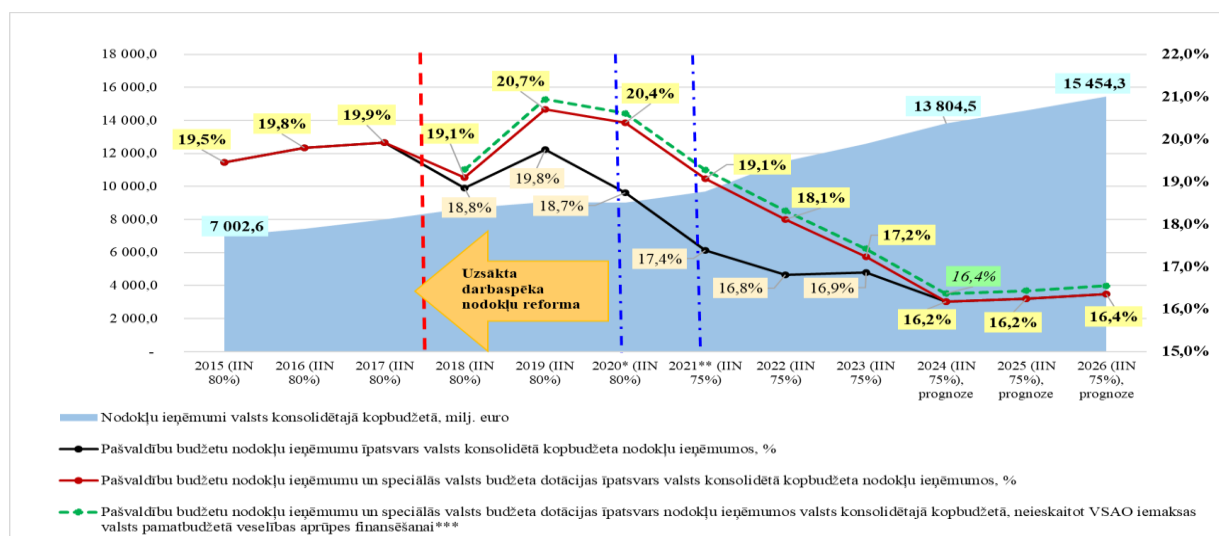
154. In light of the above, the rapporteurs conclude that Article 9.2 is partially complied with in Latvia.

### 3.8.3 Article 9.3

155. The Charter considers tax-levying powers to be a crucial part of local self-government. Article 9.3 focuses on the need for local authorities to derive at least part of their financial resources from local taxes of which they have the power to determine the rate (within the limits of statute). The power to levy local taxes is seen as direct evidence of local financial autonomy. Such taxes are a local government tool for making political choices. The Charter does not state that a local authority's own resources must contain a particular proportion of local taxes, but it does make it mandatory for at least part to derive from local taxes and charges.

156. The 2020 Congress Report, following the fact-finding visit, observed in Paragraph 128, that "no progress was noted in terms of the expansion of local taxation or the weakness of local government funding in Latvia, which is in breach of Article 9.3 of the Charter". The situation has not changed significantly since that Report. Figure 3 shows the declining proportion of tax revenues attributable to local governments with only 16.2% of the 2024 budget coming from this source.

Figure 3 Share of tax revenues attributable to local governments



(Source: LALRG<sup>69</sup>)

■ Tax revenues in the consolidated state budget in million EUR)

----- - The share of self-governments budget tax revenues in the tax revenues of the consolidated state budget, %.

----- - The share of self-governments budget tax revenues and special state budget grants in tax revenues of the consolidated state budget, %.

----- - The share of self-governments budget tax revenues and special state budget grants in tax revenues in the consolidated general budget of the state, not including mandatory contributions of the State Social Insurance to the basic state budget for health care financing.

157. The most significant shared tax is the personal income tax (PIT). Its receipts represented 86.0% of SNG tax revenue in 2020, 43.5% of SNG revenue and 4.8% of GDP. The PIT is regulated and collected by the State Revenue Service. It is partially redistributed to municipalities according to residence criteria.

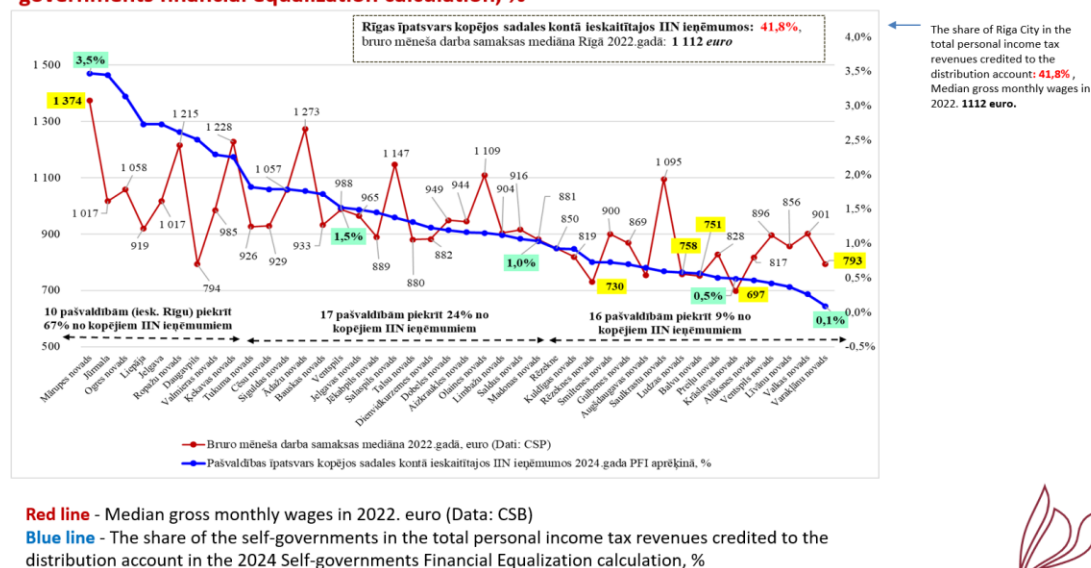
158. A special grant to compensate for the reduction in the share of PIT as a result of labour tax reform was implemented from 2018 to 2023 but was discontinued for 2024 from the state budget. In January 2021, the municipal share of PIT decreased from 80% to 75% and the monthly threshold for non-taxable revenue increased, resulting in a decrease of revenue for local governments. However, during preparation of the 2024 budget "the Government has committed to guarantee 100% of the personal income tax projection for local governments".<sup>70</sup>

69. Self-Governments Budget Revenues 2018 – 2024 (Presentation to Congress delegation, February 2024).

70. Available at: <https://www.fm.gov.lv/en/article/saeima-approves-budget2024-its-final-reading>, accessed 15 March 2024.

Figure 4 below shows the distribution of PIT revenue among municipalities for 2024.

**The share of personal income tax revenue of each self-government in the total personal income tax revenue credited to the distribution account in the 2024 self-governments financial equalization calculation, %**



Source: LALRG, 2024

159. Municipalities also receive a share of the tax on lotteries and gambling, as well as a share of the natural resource tax (which includes, *inter alia*, tax on pollution, radioactive waste and incineration of dangerous waste) which must be used for environmental protection purposes. Since January 2024, in accordance with Section 28, Paragraph 4 of the Natural Resources Tax Law, the distribution of income from disposal of municipal waste and industrial waste has been changed to 80% in the state basic budget and from 15% to 20% in the budget of the local government in whose territory the waste is disposed of.

160. Section 3 (2) of the Law on Taxes and Fees<sup>71</sup> states that i. “a specific tax law may grant local governments the right to apply reliefs to such payments which are payable into the local government budgets and to determine the object and rate of the immovable property tax”. Thus, specific laws may provide for a payment of various fees (e.g., road usage charges<sup>72</sup>). This opportunity is widely availed of with regard to the immovable property tax, which is levied on all land and buildings, whether housing or commercial. It is collected at the central government level and local governments can vary the tax rate within limits set by the state. 100% is redistributed to municipalities but LALRG asserts that share of this tax in local government income is being purposely reduced and replaced with earmarked grants. In 2020, real estate tax accounted for 13.5% of local tax revenue, 6.8% of local revenue and 0.8% of GDP, slightly below the OECD average (1.0% of GDP in 2019).<sup>73</sup> Some local authorities provide immovable property tax rebates which are more than compensated for by increased income tax revenue for the municipalities. Such rebates are also used to attract or revitalise business activity. Consequently, there is tax competition between local governments to attract businesses and residents, particularly, those with high incomes. Some interlocutors referred to municipalities that offered discounts in order to increase the number of residents but did not spend any of their finances on industrial development or employment opportunities. There were also complaints about the municipalities in which the ‘tax tourists’ work having to bear the costs of infrastructure, services etc., while the municipalities which offered the tax reductions reap rewards from increased PIT allocations. With regard to local fee income, the ATR led to some problems where merged municipalities had previously charged different fee levels and had to agree a compromise rate. Some interlocutors also criticised the fact that some local authorities do not endeavour to increase their income from fees etc even though opportunities to do so exist.

71. Available at: <https://likumi.lv/ta/id/33946-par-nodokliem-un-nodevam>, accessed 15 March 2024.

72. <https://likumi.lv/ta/en/en/id/185656-law-on-the-road-user-charge>

73. SNG WOFI, Latvia, country report, 2022.

161. In light of the above, the rapporteurs assert that local authorities in Latvia derive a part of their financial resources from state taxes and local fees for which they have the power to determine the rate (within the limits of statute). However, as this income stream does not seem to be sufficient to ensure the greatest possible financial independence of local authorities and opportunities for locally derived income remain limited, the rapporteurs consider that Article 9.3 is partially complied with in Latvia.

#### 3.8.4 Article 9.4

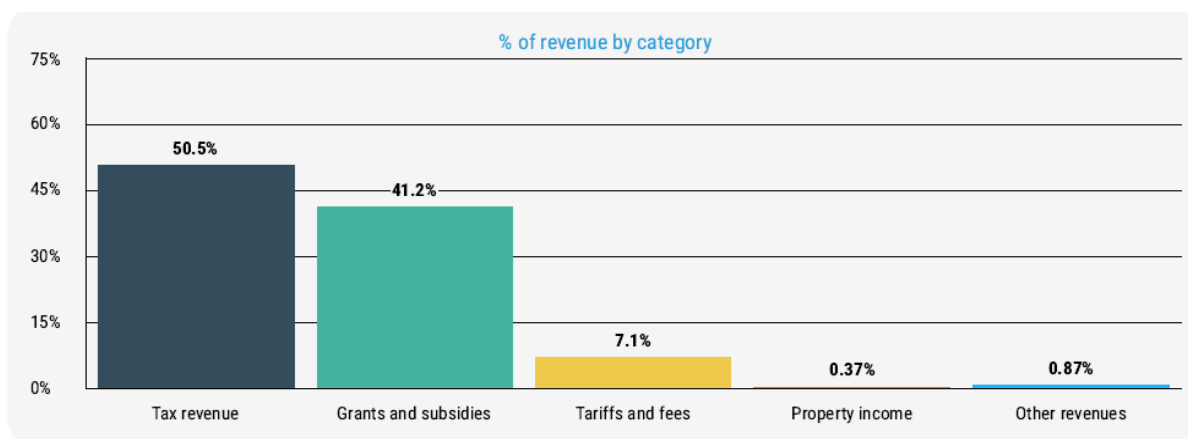
162. Article 9.4 is about the need for local government to have different types and sources of income which ensure local authorities' resilience vis á vis external economic factors. The Contemporary Commentary argues that the diversification of income sources is crucial if local authorities are to maintain their autonomy during fluctuation in economic cycles. Article 9.4 also emphasises that systems of local finance should be buoyant., i.e., "able to adapt to new circumstances, needs and macroeconomic scenarios and be sufficient to cover service delivery".<sup>74</sup>

163. Section 9 of the Law on Local Government Budgets states that local governments have the right to apply tax relief to payments which are made into the local government budgets in accordance with the procedures provided for in the relevant tax law, and also to impose local government duties and determine their rates in accordance with the procedures laid down in the Law On Taxes and Fees.

164. Section 42 (2) of the Law on Budgets and Financial Management states that local governments are entitled to impose local government fees in accordance with the procedures and in the amounts laid down in laws. However, fee income is a very small part of local authority budgets. Local authorities in Latvia are highly dependent on central government financing.

165. The OECD (WOFI 2023) points out that all taxes benefiting SNGs are apportionments in the collection of some state taxes, i.e. shared taxes with local governments not having any real taxation powers. Tax revenue and grants and subsidies together amount to 91.7% of local government income. Figure 5 shows local government revenue by category, illustrating the high dependence on central government funding.

Figure 5. Local Government revenue by category



Source: Wofi 2023

166. Many of the grants to local government in Latvia are earmarked, leaving little autonomy for their dispersal. Interlocutors drew attention to the reductions in income e.g. every year local governments' share of labour taxes decreases and called repeatedly for a system which would bring stability and predictability to local government financing and enable municipalities to plan projects.

167. While local government resources seem relatively diversified, the rapporteurs heard many complaints about their limited buoyancy, which does not enable local authorities to keep pace as far as

74. Congress of Local and Regional Authorities, A contemporary commentary by the Congress on the explanatory report to the European Charter of Local Self-Government, CG-FORUM (2020)02-05final, 7 December 2020, Council of Europe Publishing, Strasbourg, available at: <https://rm.coe.int/contemporary-commentary-by-the-congress-on-the-explanatory-report-to-t/1680a06149> (Contemporary Commentary), paragraph 164, accessed 15 March 2024.

practically possible with the real evolution of the cost of carrying out their tasks. Their sources and types of income are limited, and many finance streams are static rather than dynamic and buoyant, thereby inhibiting the ability to respond to changing needs or opportunities. Therefore, the rapporteurs consider that Article 9.4 is partially complied with.

### 3.8.5 Article 9.5

168. The Contemporary Commentary states that Article 9.5 of the Charter aims to ensure sufficient financial resources, allowing local authorities not only to cover the expenses relating to their own and delegated functions but also those relating to the political and administrative apparatus necessary to carry out the tasks assigned to them. It thus addresses the question of the financial situation of municipalities that are financially disadvantaged.

169. The Latvian system of local government financing includes an equalisation mechanism, the Local Government Finance Equalisation Fund. This fund aims at reducing the disparities between local entities. The Fund is governed by the 2015 Law on Equalisation of Local Government Finances<sup>75</sup> (as amended). This Law (Article 5) states that the assessed revenues of the municipality consist of the municipality's projected revenues from the real estate tax and the share of the income tax revenue distribution determined for municipal budgets in the annual state budget law. Article 6 sets out criteria for the calculation of the financial equalisation of local governments. Criteria characterising local government expenditures are used - statistical indicators independent of local government activity such as population profiles and municipal area. The equalisation formula means that local authorities with a budget surplus transfer part of their surplus to the Local Government Finance Equalisation Fund, which redistributes these transfers to local authorities with a deficit. Interlocutors pointed out that every year the state's contribution to the Equalisation Fund fluctuates, making it difficult for municipalities to plan.

170. Since the ATR, the contributions to the equalisation fund by some municipalities have increased. In 2023, the State's general contribution to the equalisation fund had decreased so that the equalisation process was assessed by some interlocutors as more like mutual redistribution of income among local authorities because of variations in the dotation from the state. Interlocutors pointed out that in at least one third of local authorities, the equalisation algorithm cannot secure performance of autonomous functions at least for minimum quality and volume. In recent discussions with the Minister for Finance, the President of Latvia supported calls for a review of the equalisation system, asserting that the total needs and costs have increased for all municipalities, but the existing funding is insufficient. Interlocutors from the Ministry of Finance indicated that a new mechanism is being prepared which will address issues such as population imbalance. Currently, both financially well-off and less well-off municipalities feel frustrated. Therefore, any new reforms require a review of existing resources.<sup>76</sup> However, for the 2024 budget, new measures were put in place. According to the information from the Ministry of Finance, "for all municipalities, in 2024 an average increase of 8.1% in equalised revenue is planned compared to 2023. A one-off additional grant in the amount of EUR 7 million has also been agreed for 19 municipalities with the lowest revenue."<sup>77</sup>

171. Latvia's equalisation fund continues to evolve and, while noting the concerns expressed by some interlocutors, the rapporteurs state that Article 9.5 is formally complied with in Latvia, although the situation can be improved.

### 3.8.6 Article 9.6

172. This article refers to the general principle of consultation, as enshrined at Article 4.6. but Article 9.6 specifically focuses on consultation about the manner in which redistributed resources are to be allocated to local authorities. The Contemporary Commentary stresses that consultation is required on the way in which redistributed resources are to be allocated to local authorities by other levels of government. Thus, in addition to the general principle of consultation in Article 4.6, the Charter also specifically underlines the right of local governments to be consulted about the way in which redistributed resources are to be allocated to them by other levels of government.

75. <https://likumi.lv/ta/id/274742-pasvaldibu-finansu-izlidzinanas-likums>.

76. Available at: <https://www.president.lv/en/article/president-latvia-and-minister-finance-discuss-current-system-local-government-finance-equalisation>, accessed 15 March 2024.

77. Available at: <https://www.fm.gov.lv/en/article/government-approves-budget2024-latvias-budget-security-and-sustainability>, accessed 15 March 2024.

173. In accordance with Article 79 (2) of the Local Government Law, Latvian local authorities are extensively consulted by State bodies and institutions regarding financing. Local government associations in which more than half of all city governments, and also more than half of all municipality governments are members, may represent local governments in discussions with the Cabinet. LALRG plays a key role in such consultations, representing local authorities in various fora. Section 82.1 of the 2022 Local Government Law states that “the Cabinet shall agree with local governments upon all issues that affect the interests of all local governments:

- 1) draft laws and draft Cabinet regulations that pertain to local governments;
- 2) the amounts of grants and earmarked grants to be provided to local governments for the current financial year;
- 3) State budget subsidy to the financial equalisation fund of local governments;
- 4) sources of financing of administrative tasks delegated to local governments;
- 5) other issues related to planning the local government budget regarding which the Cabinet has agreed to with local governments each year prior to the start of the financial year”.

174. The minutes of negotiations on the agreed issues and disagreements of this process must be discussed by Cabinet. When, forwarding the annual draft law on the State budget or the draft medium term budget framework law to the *Saeima*, the Cabinet must attach those minutes. This protocol is a compulsory component of the state budget preparation process.

175. Some local government interlocutors referred to differing understandings (by local and national actors) of the financing problems confronting municipalities with the result that the consultation processes do not always resolve the issues.

176. The formal structures for consultation on financial matters involve local actors or their representatives in decisions about the allocation of redistributed resources. Therefore, the rapporteurs consider that Article 9.6 is complied with in Latvia but urge vigilance to ensure that the consultation is timely and meaningful.

### 3.8.7 Article 9.7

177. The Contemporary Commentary asserts that the ratio of conditional (earmarked) and unconditional (general) grants is considered a relevant indicator for measuring the financial autonomy of local authorities. Article 9.7 seeks to ensure an effective balance between conditional and unconditional grants, thereby reducing restrictions on a local authority's freedom to exercise discretion with regard to its expenditure priorities. The Article also seeks to ensure that a grant for a specific purpose does not undermine a local authority's freedom to exercise discretion within its own sphere of competence. Even when services are financed with grants, there should still be a basic freedom for local authorities to exercise policy discretion. The OECD (Wofi2023) asserts that all grants from the central government are earmarked and, in 2020, 85.2% of them were current grants against 14.8% of capital grants.<sup>78</sup> Transfers include, in particular, grants for the remuneration of teachers, road maintenance and construction, investment projects or financing of EU projects. LALRG claims that the balance between earmarked and general grants “was destroyed during the last five years. There are increasingly fewer general subsidies and more earmarked grants”.

178. Interlocutors repeatedly referred to the high proportion of earmarked grants as limiting their financial autonomy. Some interlocutors asserted that the high proportion of earmarked grants deters local authorities from taking permitted legal actions against the state because they perceive the allocation of some of such grants as being subjective.

179. As in other countries, earmarked grants are used as a tool to implement national policies uniformly in Latvia, but they restrict the financial autonomy of local authorities. Therefore, the rapporteurs conclude that Article 9.7 is not complied with.

### 3.8.8 Article 9.8

180. Article 9, paragraph 8, refers to local authority access to the national capital market for the purpose of borrowing for capital investment. Such borrowing enables local authorities to finance important projects. Latvia is not bound by article 9.8 of the Charter.

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78. SNG- WOFI, Latvia Country Report 2022.

181. There are strict restrictions imposed regarding borrowing by Latvian local authorities with a debt limit for all municipalities specified in the annual state budget. Legal Instruments include the Cabinet Regulation No. 590 adopted 10 December 2019, Regulations on Local Government Borrowings and Guarantees and the Law on Budget and Financial Management. Municipalities may only carry out long-term borrowing to finance investment projects (e.g., infrastructure), not operational costs, and they can apply for a short-term loan. Borrowings must be approved by a special Commission created at the Ministry of Finance. LALRG has a representative on this Commission. Local governments are supposed to borrow preferentially from the State Treasury and only have access to the private financial markets/banks if the lending conditions are more favourable than the lending conditions offered by the State treasury. For EU projects, state permission to borrow is not required.

182. The issue of local government borrowing was rather contentious among interlocutors, and they also expressed various opinions about whether to ratify Article 9.8.

183. Local government interlocutors were quite concerned by the legal stipulation requiring local government borrowing to be approved by central government and the restrictions on local government borrowing on the capital market, asserting that their autonomy is being restricted. The LALRG asserts that borrowing is overregulated, because the state establishes the permitted goals of borrowing. Central government actors pointed to the prudence ensured by the emphasis on borrowing from the state. They also pointed out the increasing opportunities for borrowing to co-finance EU programmes.

184. The rapporteurs consider that constraints on borrowing and the requirements for state approval of most loans, while prudent, limit the options for voluntary initiatives. They conclude that the requirements of Article 9.8 of the Charter are not yet sufficiently fulfilled in Latvia to warrant ratification of this Article.

### **3.9 Article 10 – Local authorities’ right to associate**

#### **Article 10**

1. Local authorities shall be entitled, in exercising their powers, to co-operate and, within the framework of the law, to form consortia with other local authorities in order to carry out tasks of common interest.
2. The entitlement of local authorities to belong to an association for the protection and promotion of their common interests and to belong to an international association of local authorities shall be recognised in each State.
3. Local authorities shall be entitled, under such conditions as may be provided for by the law, to co-operate with their counterparts in other States.

#### **3.9.1 Article 10.1**

185. Article 10, paragraph 1, of the Charter refers to types of functional co-operation between local authorities either seeking greater efficiency through joint projects or seeking increased effectiveness by carrying out tasks which are beyond the capacity of a single authority. Local authorities in Council of Europe member states have a general right to co-operate with one another in order to deliver local services or discharge their responsibilities. This entitlement to cooperate with other local entities is supplemented by a more specific right, namely the right to form consortia, i.e. to create separate organisations and/or joint institutional structures.

186. The 2022 Local Government Law stipulates that municipalities cooperate in accordance with the regulations set forth in the State Administration Structure Law. Furthermore, municipalities have the right to form joint associations, institutions, and commissions, as well as to join them.

187. Interlocutors stated that municipalities have the right to implement mutual cooperation in accordance with the Public Agencies Law, by forming joint agencies and foundations for the promotion of common interests of municipalities. Municipalities have the right to unite in associations, create foundations for the performance of joint functions, and represent interests in direct state administration. Regarding the formation of associations, the purpose of such associations is to allow the realisation of the joint visions of several municipalities or to discuss issues of joint territorial development. However, associations cannot duplicate the activities conducted by the private sector or be formed in cooperation with private individuals within the framework of this regulation. The municipality ensures the performance of its functions through its administration and capital companies.



188. Thus, in order to solve joint tasks, local governments can establish joint institutions by mutual agreement. Such institutions operate on the basis of regulations approved by the respective councils. Some municipalities have established joint cooperation authorities in the fields of:

- civil protection,
- education,
- waste management,
- the management of the local government property,
- promotion of the economic activity,
- ensuring public order,
- organisation of public transport services,
- protection of children's rights.

189. Examples of inter-municipal collaboration highlighted by MEPRD include collaboration regarding public transportation (state cities, in cooperation with surrounding district municipalities), territorial planning, and investment planning. An example of inter-governmental co-operation was instanced by Sigulda where the municipality operates a client service centre jointly with central government in order to provide social services. In Jurmala, a municipality visited by the delegation, cooperation with neighbouring municipalities takes place, for example, within the framework of the civil protection plan and within the framework of various projects. Interlocutors pointed out that since the ATR, co-operation is obligatory in cases, where, after the reform, a state city is separated from municipalities around that city. In such cases, the main areas of cooperation are the development of a sustainable development strategy and a development programme. Municipalities near the eastern border have established joint committees to ensure security.

190. The rapporteurs are satisfied that Article 10.1 is complied with in Latvia.

### 3.9.2 Article 10.2

191. This provision is concerned with the promotion of common interests through formal organisations. It sets out the right of local authorities to belong to both national associations for the protection and promotion of their common interests and international associations of local authorities. Such associations play a fundamental role in representing and defending the rights, powers and interests of local authorities and carry out many activities on their behalf.

192. Chapter 9 of the 2022 Local Government Law deals with cooperation of local governments and participation in associations and foundations. It gives municipalities the right, within the framework established by the Law on State Administration, to form joint associations, institutions and commissions, as well as join them. Some of the main representative organisations are: the Latvian Association of Local and Regional Governments, the Latvian Association of Large Cities and the Association of Regional Development Centres. As the sections on Paragraph 4.6 and 9.6, *supra*, showed, LALRG represents and defends the rights and interests of local government in various settings. "Voluntary membership of LALRG is relatively high (41 from 43 local governments)". LALRG, on behalf of local authorities, participates in co-decision processes in more than 40 consultative councils, formed by central government ministers or the Cabinet of Ministers, and tripartite social dialogue meeting, co-operating with organisations such as the Latvian Association of Free Trade Unions, Latvian Confederation of Employers, Latvian Chamber of Trade and Industry and the Latvian Academy of science. LALRG representatives informed the delegation that cooperation with interest groups (several of them are organised in associations, others in structural units of the LARG) take place increasingly, because common interests are best served in such collaborations. LALRG is actively involved in international bodies. It is a member of the Council of European Municipalities and Regions (CEMR) and has a permanent representation in Brussels.

193. In light of the above, the rapporteurs are satisfied that Article 10.2 is complied with in Latvia.

### 3.9.3 Article 10.3

194. Article 10.3 refers to the cooperation of local authorities with their counterparts in other states and reinforces the right to engage in cross-border cooperation. This Charter provision sets out the right to engage in transnational, or transborder co-operation, an important form of inter-local co-operation.

195. The 2022 Local Government Law provides for the rights of municipalities and municipal associations to cooperate with municipalities and their associations in other countries, provided such

cooperation does not conflict with the laws of the cooperating countries and complies with agreements mutually concluded by those countries. To ensure this, a municipality or municipal association is required to inform the Ministry of Foreign Affairs about the cooperation agreement concluded with a foreign municipality or municipal association. It is not necessary to inform the Ministry of Foreign Affairs about such cooperation agreements that are concluded under the supervision of the competent authorities and in accordance with the established requirements within the framework of implementing projects financed by foreign financial assistance (e.g., European Union Structural Funds and other instruments).

196. Involvement in EU projects and actions has fostered international cooperation by Latvian local authorities. Latvian municipalities may initiate and participate in joint cross border, transnational and interregional cooperation projects, making partnerships with European institutions and organisations on different levels. The MEPRD informed the delegation that 'during the 2014-2020 planning period in Latvia, around 500 institutions (municipalities, regions, NGOs, entrepreneurs, state institutions) made joint investments and cooperation with more than 2,000 cooperation institutions in Europe'. For the 2021-2027 funding period, Latvian partners (including municipalities) will implement projects in 6 Interreg programs. Already, 205 international projects have been approved, in which 354 Latvian institutions cooperate with more than 1,200 international partners.

197. In view of the above, the rapporteurs conclude that Article 10.3 is complied with in Latvia.

### 3.10 Article 11 – Legal protection of local self-government

#### Article 11

Local authorities shall have the right of recourse to a judicial remedy in order to secure free exercise of their powers and respect for such principles of local self-government as are enshrined in the constitution or domestic legislation.

198. Article 11 of the Charter advocates effective judicial remedies to ensure respect for local self-government. "Recourse to a judicial remedy" means access by a local authority to either a properly constituted court of law or an equivalent, independent, statutory body.<sup>79</sup> This provision requires that local authorities have a right to invoke and defend in the courts the principles of local self-government. This is particularly important in the context of lawsuits in which the rights and powers of local governments are challenged or curtailed, or in instances where those rights are endangered by higher levels of government.

199. The Constitution of the Republic of Latvia, the Law "On Judicial Power," and other procedural laws determine the principles and procedures for examining court cases taken by local authorities. The Constitutional Court, regulated by the Law on the Constitutional Court, functions to address matters related to the conformity of laws, international agreements, and normative acts with the Constitution. Thus, judicial oversight is provided by administrative courts and the Constitutional Court. Administrative courts, created in 2004, review cases brought by individuals. The courts are considered to be impartial. Latvian municipalities and cities have access to the regular courts, where they can defend their interests and rights. Local authorities may sue in civil proceedings and have the status of a legal person. Every local authority also has access to the Constitutional Court if it believes that a measure adopted by a State authority and addressed to it, violates its rights. For example, Article 66 of the 2022 Local Government Law empowers local authorities to submit an application to the Constitutional Court for the annulment of a minister's order, suspending binding regulations or their individual norms. The degree of access to the Court system by local authorities warranted the 2018 Monitoring team's assessment that "the Latvian system is, in this respect, one of the most advanced, progressive and liberal of all Europe".<sup>80</sup>

200. Despite the limited references in the Latvian Constitution to local government, the Constitutional Court guarantees the applicability of the principles of local government and upholds the direct invocability of the Charter in Latvia's courts. According to the case-law of the Constitutional Court, the Constitution and other legislative acts are to be interpreted, insofar as it is possible, in harmony with requirements of international law. The Constitutional Court is regulated by Article 85 of the Constitution

79. Congress of Local and Regional Authorities, A contemporary commentary by the Congress on the explanatory report to the European Charter of Local Self-Government, CG-FORUM (2020)02-05final, 7 December 2020, available at: <https://rm.coe.int/contemporary-commentary-by-the-congress-on-the-explanatory-report-to-t/1680a06149> (Contemporary Commentary), paragraph 206, accessed 15 March 2024.

80. Congress of Local and Regional Authorities, Report on local and regional democracy in Latvia, CG34(2018), Monitoring Committee, Council of Europe Publishing, Strasbourg, paragraph 142.

of the Republic of Latvia and among other functions, it reviews cases concerning the conformity of laws with the Constitution and with international treaties ratified by Latvia. In adjudicating cases the Constitutional Court frequently refers to particular articles in the Constitution of the Republic of Latvia, namely, Article 1 (the principle of the democratic state, which in the view of the Constitutional Court includes also the local authorities); Article 25 (which refers to the role of local authorities in the work of *Saeima* Committees); Article 104 (which refers to citizens' right to address submissions to State or local government institutions and to receive a materially responsive reply) and, especially, Article 101 (which articulates the principle of local direct democracy and the principle of citizen participation and involvement in the work of the local government).

201. Local governments use their power to seek judgements from the Constitutional Court. Interlocutors from MEPRD pointed out that many dissatisfied local governments appealed to the Constitutional Court disputing the compliance of the administrative territorial reform legal measures with the Constitution and the European Charter of Local Self-Government. The Law on Administrative Territories and Populated Areas has been contested by 21 county councils, namely, Aloja, Alsunga, Auce, Babīte, Carnikava, Garkalne, Iecava, Ikšķile, Ilūkste, Inčukalns, Jaunjelgava, Kandava, Limbaži, Mazsalaca, Mārupe, Ozolnieki, Rugāji, Rundāle, Salacgrīva, Sala and Varakļāni. After the law on administrative territorial reform was adopted (on 10 June 2020) and entered into force, Latvia's Constitutional Court ruled<sup>81</sup> that parliament, which had merged Varakļāni with Rēzekne only during the third and final reading of the law, had ignored the key aims of the legislative reform (efficiency rather than cultural history). It also stated that the self-identity of the counties' residents also had to be taken into account (and the overwhelming majority of a poll of Varakļāni residents – 84% – wished to be merged with Madona). Some parliamentarians threatened to ignore the Constitutional Court's ruling and once again vote to merge Varakļāni with Rēzekne. President of the Republic of Latvia intervened to insist that parliament must respect the Constitutional Court's ruling and urgently called a meeting with representatives from the five-party ruling coalition. A compromise was reached that saw parliament vote to keep Varakļāni as a separate county, thereby temporarily solving the issue.<sup>82</sup>

202. Other aspects of the ATR process were declared unconstitutional. e.g., inclusion of Skulte parish in the Saulkrasti municipality (Case 2020-37-0106) and inclusion of Ilūkste municipality in the Augšdaugava municipality and inclusion of Ozolnieki municipality in the Jelgava municipality Case 2020-41-0106, although in these cases the Constitutional Court held that the contested legal provisions of the relevant legislation were compliant with Articles 4.6 and 5 of the Charter.

203. Interlocutors from the Constitutional Court drew the delegation's attention to fourteen other cases which have come before the Court since the 2018 Monitoring visit. The cases relate to in three categories: 1) miscellaneous cases; 2) cases concerning the administrative territorial reform; and 3) cases concerning decisions of the Minister for Environmental Protection and Regional Development to suspend binding regulations adopted by local authorities. Among the cases were:

- Case No. 2022-41-01, judgment of 7 December 2023 (Re Legal Obligations to Dismantle Soviet-era monuments). The Constitutional Court held that the contested provisions were compatible with Articles 1 and 101 of the Constitution.
- Case No. 2022-17-01, judgment of 9 November 2023 (Reform of port governance). Constitutional Court ruled that the contested provisions did not violate the principle of autonomy of local government competencies, the principle of financial autonomy, and the principle of consultation contained in Articles 1 and 101 of the Constitution.
- Case No. 2020-16-01, judgment of 3 December 2020 (Dismissal of the Riga City Council). The Constitutional Court held that the contested provision [Article 91(1) of the law "On Local Governments" (in force at the time)] was compatible with Articles 1 and 101 of the Constitution. The Constitutional Court also referred to Articles 3 and 8 of the Charter (paras. 20 and 25 of the judgment).
- Case No. 2020-37-0106, judgment of 12 March 2021 (applications by the Limbaži regional council and the Ikšķile regional council). The Court reviewed the reasoning behind certain decisions adopted during the administrative territorial reform in the light of the general principles (aims and criteria of the reform) of that reform and held that one aspect of the reform was incompatible with

81. Judgment of the Constitutional Court of the Republic of Latvia in case no 2020-43-0106.

82. Monciunskaitė, B. (2022), "The Risks to Judicial Independence in Latvia: A View Eighteen Years Since EU Accession", *Croatian Yearbook of European Law & Policy*, 18(1), pp. 129-149.

legal provisions of a higher legal force, while another aspect was found to be compatible. Article 4(3) and (6), as well as Article 5 of the Charter were among the provisions of a higher legal force against which the validity of the contested provisions was measured. Therefore, in this case the Constitutional Court applied the respective provisions of the Charter directly.

- Case No. 2022-16-05, judgment of 27 November 2023 (concerning decisions of the Minister for Environmental Protection and Regional Development to suspend binding regulations adopted by a local municipality, i.e., the decision by Jūrmala municipality to charge a fee for motor vehicles entering the city). The Constitutional Court held that the decision of the Minister of Environmental Protection and Regional Development was incompatible with Article 49 of the Law on Local Governments (1994).

204. These cases serve to illustrate the range of local government issues adjudicated on by the Constitutional Court of Latvia and the manner in which the European Charter on Local Self-Government is incorporated into the Court's decision-making.

205. During the visit, interlocutors from the Constitutional Court pointed out that despite reform of the legal regulation of local self-government since publication of the last monitoring report, the extent of legal protection and the right of local municipalities to protect their interests in Latvian courts has not changed significantly. The rapporteurs are of the opinion that legal protection is provided for local government in Latvia. They deem that Article 11 is complied with in Latvia.

#### **4. OTHER MATTERS RELATED TO THE FUNCTIONING OF LOCAL SELF-GOVERNMENT**

206. Since the previous monitoring visit Latvia has experienced social, economic and political change as well as the ravages of Covid-19, the consequences of Russia's war on Ukraine and the resultant economic and security repercussions.

207. In addition to its political impact, the ATR has led to changes in many spheres. MEPRD highlights a number of changes, stating that: the number of deputies in merged municipalities has decreased by 64%, from 1348 to 492; competition for municipal council seats has increased, indicating a strengthening of democracy, and the distribution of municipalities has become more even, with a significant reduction in population disparities between smaller and larger local authorities. Other commentators assert that the diminishing number of political representatives raises the issue of civic democratic representation since both political and administrative authority centres became more distant from the citizens of the merged local governments. Some interlocutors mentioned greater administrative effectiveness, the availability of expertise and the more targeted use of resources (e.g., having fewer but better schools) as positive outcomes from the ATR.

208. Regional disparities and uneven growth are perennial problems for Latvia. Population decline, particularly in rural areas continues. The population density is 29 inhabitants/km<sup>2</sup>, with 68.3% of national population living in urban areas.<sup>83</sup> Internal migration from rural regions to the capital and high rates of net emigration present challenges to local authorities. Poverty among the elderly is on the rise as pensions have not kept pace with economic development, despite a pre-election decision to index old-age pensions. The poorest and oldest municipalities have the biggest problem with demography. The proportion of active (aged 16–64) and economically inactive (aged 0–15 and 65+) residents is most unfavourable in the east of the country. For example, Daugavpils and Rēzekne have more residents of pre-working and post-working age than those who are professionally active.<sup>84</sup> Significant socio-economic differences persist between urban and rural areas. The unemployment rate, the share of young people neither in employment nor in education or training (NEET), the share of early school leavers, and risk of poverty or social exclusion were in 2021 all higher in rural areas than in more urbanised areas (cities, towns and suburbs). People living in urban areas have also a higher educational attainment<sup>85</sup>. The equalisation grants are linked to municipal personal income tax receipts, rather than the local cost of public service provision, which the OECD perceives as reinforcing inequality.<sup>86</sup> However, a draft *Action Plan for the Economic Growth of Latvia's Eastern Border 2024–2026* has been

83. SNG WOFI Latvia country report, 2022.

84. OSW commentary, 2023.

85. European Commission, Country Report 2023: Latvia.

86. OECD (2019), OECD Economic Surveys: Latvia 2019, OECD Publishing, Paris, available at: <https://dx.doi.org/10.1787/f8c2f493-en>, accessed 15 March 2024.

developed, with public consultations conducted at the end of 2023. The Action Plan aims to reduce regional development disparities by ensuring effective measures in various spheres.

209. Membership of the EU has brought many benefits to Latvia. EU funds have contributed significantly to bringing the Latvian economy closer to the EU average. In 2004 Latvia's GDP per capita was 47% of the EU average, while by 2021 it has reached 72%.<sup>87</sup> Latvia will receive €4.6 billion in Cohesion Policy funding between 2021-2027 to support economic and territorial cohesion, and social fairness. Latvia will invest the EU funds in the green and digital transitions, in boosting innovation in the economy, and in healthcare and social services. The Latvian Recovery and Resilience Plan prioritises green and digital transition projects. Agreed in 2021 and updated in December 2023, it now includes a significant REPowerEU chapter. It consists of 60 investments and 25 reforms. These will be supported by grants amounting to EUR 1.8 billion: 38% of the plan will support climate objectives and 21% – digital transition but the Plan also gives precedence to reduction of regional disparities and the strengthening of social inclusion. Thus, the EU continues to frame social, environmental and technological development in Latvia. Eihmanis summarises the wide impact of the EU on Latvia's formal institutions, policies and domestic politics, concluding that 'the EU was a key actor that advocated and financed reforms in public administration. New institutions that separated powers and distinguished between public and private interests boosted state transparency, accountability, and efficacy.'<sup>88</sup> There are however, problems with absorption of EU funds. A 2023 report shows the EU absorption rate of Cohesion Funds at 92 % but Latvia's rate is only 74%.<sup>89</sup> Particular concerns were expressed in 2023 about absorption rates in the transport, health, environmental and regional development spheres.<sup>90</sup>

210. As in other countries, Coronavirus had social and political as well as health and economic impacts in Latvia. The spring 2021 Standard Eurobarometer 94 found just 21% of Latvians satisfied with the measures taken to fight Coronavirus by the government, which is less than half the EU-27 average of 43% and also the lowest level of satisfaction among EU member states<sup>91</sup>. The FES analysis suggests three possible explanations for this seeming disconnect between the comparatively modest economic impact of the pandemic and the public's dissatisfaction with government, namely populism (stirring up negativism among the public), a widening of inequality during Covid and thirdly, a perception, backed up by economic data, that Latvia's neighbours weathered the pandemic better. However, Covid is also perceived to have led to improvements in local governance. The OECD's WOFI assessment asserts that "management of the pandemic and the 2021 administrative-territorial reform reinforced coordination at the municipal level". MEPRD drew attention to the range of projects implemented during Covid. In 2020, a total of 307 municipal investment projects for mitigating the effects of COVID-19 were supported, amounting to 99.6 million euros. In 2021, 303 municipal investment projects for mitigating the effects of COVID-19 were supported, amounting to 118.9 million euros. In 2022, 197 municipal investment projects for mitigating the effects of COVID-19 were supported, amounting to 69 million euros, with the goal of:

- Enhancing energy efficiency of municipal buildings (1 project);
- Developing transport infrastructure (90 projects);
- Construction or reconstruction of bridges, viaducts, and overpasses included in the complex infrastructure of roads and streets (2 projects);
- Replacing municipal services with new contactless or autonomous solutions (1 project);
- Connecting residents' real estate to centralised sewage and water supply networks (1 project);
- Ensuring hygiene requirements in buildings and territories of educational institutions and social care centres (66 projects);
- Adapting municipal buildings or parts thereof for autonomous function execution in providing municipal services (10 projects);
- Renewing, reconstructing, or setting up municipal drainage systems and communal use drainage systems of municipal importance (1 project);
- Developing construction projects for implementation from EU funds and other foreign financial assistance (5 projects);
- Reconstructing or constructing new buildings for general education institutions (8 projects);
- Completing state budget loan investment projects involving construction works started in 2022 (4 projects);

87. Available at: <https://www.fm.gov.lv/>, accessed 15 March 2024.

88. Eihmanis, E. (2019), "Latvia and the European Union", in *Oxford Research Encyclopedia of Politics*.

89. Available at: [https://www.europarl.europa.eu/RegData/etudes/STUD/2023/747284/IPOL\\_STU\(2023\)747284\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2023/747284/IPOL_STU(2023)747284_EN.pdf), accessed 15 March 2024.

90. Available at: <https://eng.lsm.lv/article/economy/economy/16.10.2023-latvia-seeks-solutions-to-rapidly-absorb-eu-funds-ltvs-de-facto-a527877/>, accessed 15 March 2024.

91. Available at: <https://library.fes.de/pdf-files/bueros/baltikum/18054.pdf>, accessed 15 March 2024.

- Covering the increased costs of construction works for investment projects that have been started (8 projects).

211. Interlocutors stated that local authorities performed most of the tasks as voluntary initiatives, coordinating their activities with the central government. Any financial loss was compensated by central government.

212. Russia's war of aggression against Ukraine, created a new crisis that strengthened solidarity in Latvia. Latvia strongly condemned Russia's aggression against Ukraine and provided support including military support, humanitarian aid, and aid for war refugees and ranked first among the countries that have donated the most to Ukraine in relation to its gross domestic product (GDP) with Latvia donating 0.9% of the country's GDP to Ukraine (from 24 January to 3 October 2022).<sup>92</sup> The war also led to increased energy prices, and uncertainty of supply because of the cut-off from Russian energy supplies. Interlocutors stressed that Russia's invasion of Ukraine and Belarus's support for it creates negative conditions for the attraction of investment and human resources. Other interlocutors stated that the aggression has led to inflation and increased energy prices resulting in worsening of the economic functioning conditions, particularly near the borders of Belarus and Russia. Security issues have moved up the governance agenda with local government spokespersons being particularly concerned about municipalities near the eastern border.

213. An international Refugee Response Plan, coordinated by UNHCR, brings together local, national and international civil society and international organisations to assist Ukrainian refugees. In 2023, RRP partners in Latvia assisted 23,300 Ukrainian refugees with support and protection services, providing them with information and assistance so they could be included in national systems.<sup>93</sup> This assistance included food assistance, winter clothing, hygiene kits and non-food items, cash, and humanitarian transport. Of the refugee population 62% were women and girls, 38% men and boys, 2% persons with disabilities.

214. Latvia has a population of non-citizens (approx. 9% or 180,455 persons of the total population at the beginning of 2024) who do not have the right to vote or stand in elections but are living in Latvia (Office of Citizenship and Migration Affairs, 2024). The non-citizens have been granted all political, social, and economic rights, except the right to vote and to be elected in the national parliament and local councils. Non-citizens may participate in local affairs (like community advisory councils) without limits. In addition, they have access to all legal procedures, and the government provides incentives to motivate them to become full citizens of Latvia, taking an equal approach to any person who wants to become a full citizen. Interlocutors pointed out that non-citizens obtain political rights by naturalisation.

215. With regard to climate change, the recent European Commission Recommendation<sup>94</sup> on the draft updated integrated national energy and climate plan of Latvia 2021-2030 does not consider the Plan to be well developed and points out that "the draft plan makes no clear reference to the role of local authorities and cities". Nevertheless, local authorities are quite active in climate change initiatives. For example, the Riga Energy Agency developed an action plan, endorsed by the city mayor, which included directives to municipality institutions and companies to conserve energy by at least 15%. Local interlocutors assert that in terms of support from the central level, there are limited tools available to assist local authorities in mitigating climate change. While individual EU-funded projects exist, the support provided by the state is deemed insufficient given the scale of the challenge. However, MEPRD cites recent central-level initiatives to assist local authorities in mitigating climate change which include the development of renewable energy projects, implementation of energy efficiency programmes, and the promotion of sustainable transportation options. Additionally, there have been efforts to enhance biodiversity conservation to combat climate change effectively.

216. The rapporteurs note the increasing range of opportunities for public participation introduced in Latvia, in recent years. Nevertheless, Latvia has not signed the additional Protocol to the Charter on the right to participate in the affairs of a local authority. Interlocutors expressed different views about ratification. LALRG believes there are no obstacles to ratifying the Protocol. The Association pointed out that the 2022 Local Government Law includes a separate chapter that significantly extends the legal bases for participation. This Law provides wider participation opportunities such as (a) local referenda,

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92. Available at: <https://eng.lsm.lv/article/society/society/latvia-ranks-first-in-aid-to-ukraine-by-gdp-share.a477661/>, accessed 15 March 2024.

93. Available at: <https://www.unhcr.org/neu/121539-with-war-affected-ukrainian-refugees-still-in-need-of-support-un-launches-plan-to-respond-in-latvia-in-2024.html>, accessed 15 March 2024.

94. C(2024)1188 final.

as regulated by the Local Government Referendum Law, (b) collective submissions, (c) direct involvement of residents in allocating 0.5 per cent of the annual municipal spending through a participatory budgeting process, (d) Advisory Committees and Commissions, (e) Public Discussions, and public information, (f) Inhabitants' Councils MEPRD interlocutors indicated that ratification of the Protocol is not currently on the ministry's agenda because public involvement in municipal work is facilitated and regulated by these laws. Notwithstanding the recent legislation on participation and the various effective local government participative networks in operation, Latvian authorities are urged to sign and ratify the Protocol at the earliest opportunity.

## 5. CONCLUSIONS AND RECOMMENDATIONS

217. Local government in Latvia is confronted by many challenges. Political and administrative churning, financial hardship, demographic problems, regional disparities, migration and climate change combine with the impact of Russia's war of aggression against Ukraine to make local governance ever more demanding. Significant reforms have been put in place and both the domestic and international environments have changed enormously since the last monitoring visit. Since the 2022 national elections, there has been greater harmony between local and central government than had been the case in the lead up to the ATR.

218. Assessments of the degree to which recommendations by the 2018 report have been implemented differ widely. The MEPRD perspective is that the recent reforms and legislative changes have led to an improved system and addressed many of the issues raised in the 2018 report. Interlocutors from the local government sector assert that the financial recommendations have not really been addressed, citing reductions in tax allocations (especially prior to the 2024 budget) and ongoing delegation of new competences without adequate financial support. They also state that the problems of overlapping, and duplication continue, particularly in the sphere of financial reporting and audit processes. The Recommendations from the 2019 fact-finding visit<sup>95</sup> contended that the reforms were evidence of "deterioration in the overall situation of local democracy" and lacked proper consultation with local authorities and greatly reduced the financial autonomy of local authorities in Latvia. It is disquieting that the 2022 Local Government Law contains Section 69 (which maintains the Minister for Environmental Protection and Regional Development power to suspend a chairperson of a council) and Section 70 (which continues to allow the *Saeima* to dismiss a council and appoint a temporary administration). These provisions (despite pledges only to use them in exceptional circumstances) do not allay the 2020 Report's concerns that such powers seem diametrically opposed to the fundamental requirements of local democracy. Local government actors expressed serious concerns to this delegation about the existence of such powers and fears of their abuse while national interlocutors reiterated assurances that such powers were only used in exceptional circumstances.

219. Local authorities in Latvia have a wide range of responsibilities and deliver many services to citizens. Consequently, they are key actors in responding to the challenges facing the country but are stymied by issues such as inadequate financing systems, over-regulation and overlapping of competences.

220. Not only have the international and national situations changed but the landscape of local government has also changed noticeably since the previous monitoring visit. The ATR altered the configuration of local government leading to significant structural and processual change. The recent changes to the local government system have been multi-faceted. They have impacted significantly on the workings of local government and frame Latvia's compliance with the Charter.

221. The central and local government systems in Latvia are inextricably linked through a consolidated budget system as well as through functional links, legal obligations, and shared competences. Relationships between local and national politicians and local and national administrators vary but the current climate seems fairly positive, unlike that which prevailed during the 2019 fact-finding visit. There are formal structures and processes for consultation and involvement of local government by national level with Latvia being regarded internationally as having one of the most developed consultation systems. When implemented in a meaningful way, these mechanisms are quite effective but as development of the ATR showed, these systems can be deployed in a cursory manner. The EU also encourages consultation and involvement of local government, stating in a 2023 report that local and regional authorities, social partners and other relevant stakeholders remain important for the successful

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95. Congress of Local and Regional Authorities, Recommendation 447 (2020), Fact-finding report on territorial reform in Latvia.

implementation of the Recovery and Resilience Plan<sup>96</sup> and the national energy and climate plan. The provisions of the 2022 Local Government Law and other recent changes should ensure, if wholeheartedly implemented, that any shortcomings in the system of consultation between central and sub-national levels are overcome. During the visit, the delegation considered that communication channels seem currently to be working well.

222. Latvia's local government has undergone extensive reform since the previous monitoring visit and the reform drive continues with the new provisions on local referendums, for example, about to come into force. These systemic reforms create a climate of opportunity for national and local government to nurture an effective system of governance. During the Covid-19 crisis and in their responses to support the Ukrainian refugees and mitigate climate change, local governments have shown themselves to be innovative, resourceful and resilient. Interlocutors indicated a shared desire to increase the effectiveness of the local government system. Much has been achieved but much remains to be done. In particular, the delegation recommends:

- measures to stabilise local finances and enhance the fiscal autonomy of local authorities;
- restructuring of the systems of tax redistribution and local borrowing and increasing the effectiveness of financial equalisation;
- continual monitoring to ensure consultation processes are comprehensive and timely;
- reappraisal of suspension/dismissal powers at central level in order to eliminate the possibility of abuse;
- further clarification of the competences of local government.

223. Finally, the rapporteurs reiterate their call on the Latvian authorities to sign and ratify the Additional Protocol to the Charter in the near future.

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96. COM(2023) 614 final.



## APPENDIX – Programme of the Congress monitoring visit to Latvia.

**PROGRAMME****CONGRESS MONITORING VISIT TO LATVIA****Riga, Jurmala, Sigulda, Cesis****20-22 February 2024****PUBLIC PROGRAMME****Congress delegation:****Rapporteurs:**

Mr Jorge SEQUEIRA

Rapporteur on local democracy  
Chamber of Local Authorities (SOC/G/PD)<sup>97</sup>  
Mayor of Sao Joao da Madeira  
Portugal

Ms Gobnait NI MHUIMNEACAIN

Rapporteur on local democracy  
Chamber of Local Authorities (ILDG)  
Councillor, Cork County Council  
Ireland**Congress Secretariat:**

Ms Svitlana PEREVERTEN

Co-secretary to the Monitoring Committee

**Expert:**

Dr Brid QUINN

Member of the Group of Independent Experts on the  
European Charter of Local Self-Government (Ireland)**Interpreters:**

Ms Inguna BEKERE

Ms Ilze NORVELE

*The working language of the meetings was Latvian. Interpretation from and into English was provided.*


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97. EPP/CCE: Group of the European People's Party in the Congress  
SOC/G/PD: Socialists, Greens and Progressive Democrats Group  
ILDG: Independent Liberal and Democratic Group  
ECR: European Conservatives and Reformists Group  
NR: Member not belonging to any political group in the Congress

**Tuesday 20 February 2024**  
**Riga**

**JOINT MEETING WITH THE LATVIAN DELEGATION TO THE CONGRESS, THE REPRESENTATIVES OF THE LATVIAN ASSOCIATION OF LOCAL AND REGIONAL GOVERNMENTS AND INDEPENDENT EXPERTS:**

- **Latvian Delegation to the Congress:**

**Mr Gints KAMINSKIS**, Head of the national delegation to the Congress, Chair of the Latvian Association of Local and Regional Governments, Councillor of Auce municipal council

**Mr Andris RĀVIŅŠ**, Deputy Head of the national delegation to the Congress, Chair of Jelgava City Council

**Ms Vita PAULĀNE**, Chair of Ropaži Municipality Council

- **Latvian Association of Local and Regional Governments:**

**Ms Mudīte JUHNA**, Secretary General, Secretary of the national delegation of Latvia to the Congress

**Mr Māris PŪKIS**, Senior Adviser

**Ms Ilze RUKŪTE**, Communication specialist of external relations, Secretary of the national delegation of Latvia to the Congress

**Ms Liene UŽULE**, Public Relations Adviser

- **Independent Experts:**

**Ms Iveta REINHOLDE**, Member of the Group of Independent Experts on the European Charter of Local Self-Government

**Ms Lilita SEIMUSKANE**, Member of the Group of Independent Experts on the European Charter of Local Self-Government

**RIGA CITY COUNCIL:**

**Ms Linda OZOLA**, Vice-Chair of the Riga City Council

**Mr Edgars IKSTENS**, Member of Riga City Council and International Secretary of Party "Vienotība" (Unity)

**Mr Einars CILINSKIS**, Member of Riga City Council, Party "Nacionāla apvienība/ Latvijas Reģionu apvienība" (National Alliance/Latvian Association of Regions)

**Mr Kaspars ADIJANS**, Head of Office (Deputy Chairman Linda Ozola)

**Ms Santa SUHAKA**, Head of Office (Chairman Vilnis Kirsis)

**Ms Marta BENSI**, Advisor on Foreign Affairs

**PARLIAMENT:**

**Ms Daiga MIERIŅA**, Speaker of the Saeima

**Mr Jānis REIRS**, Chair of the Budget and Finance (Taxation) Committee

**Ms Linda CĪRULE**, Head of the Speaker's Office

**Mr Juris PĒKALIS**, Foreign Affairs Advisor to the Speaker

**Ms Ilga LĒMANE**, Senior consultant of the Press Service

**Ms Santa Elīna KAULIŅA**, Latvian-English interpreter

**CONSTITUTIONAL COURT:**

**Mr Aldis LAVIŅŠ**, President  
**Ms Irēna KUCINA**, Vice President  
**Mr Gunārs KUSIŅŠ**, Judge  
**Mr Jānis NEIMANIS**, Judge  
**Mr Artūrs KUČS**, Judge  
**Ms Anita RODIŅA**, Judge  
**Ms Jautrīte BRIEDE**, Judge

**Mr Andrejs STUPINS-JĒGERS**, Adviser to the President  
**Mr Kristaps TAMUŽS**, Head of the Legal Department  
**Ms Ksenija VĪTOLA**, Head of the Communications and Protocol Unit

**Wednesday 21 February 2024**  
**Riga and Jurmala**

**MINISTRY OF ENVIRONMENTAL PROTECTION AND REGIONAL DEVELOPMENT:**

**Ms Inga BĒRZIŅA**, Minister

**Ms Ilze DAMBĪTE-DAMBERGA**, Parliamentary Secretary  
**Mr Mārtiņš GRĪNBERGS**, Adviser to the Minister  
**Ms Sabīne SPURĶE**, Adviser to the Minister on communication issues  
**Ms Ilze OŠA**, Deputy State Secretary  
**Mr Viesturs RAZUMOVSKIS**, Director of the Department of Municipalities

**MINISTRY OF FINANCE:**

**Mr Arvils AŠERADENS**, Minister

**Mr Nils SAKSS**, Director of the Fiscal Policy Department

**STATE AUDIT OFFICE:**

**Mr Oskars ERDMANIS**, Council member  
**Ms Ilze BĀDERE**, Council member and Head of the Audit and Methodology department

**Ms Silvija Nora KALNIŅŠ**, Head of Strategy and International Relations Division  
**Ms Agnese RUPENHEITE**, Head of International Cooperation and Projects

**JURMALA CITY COUNCIL:**

**Mr Guntars ANSPOKS**, Deputy, Committee on Development and Environment, Committee on Transport and Housing, Committee on Urban Management, Security Committee  
**Mrs Ieva TARANDA**, Deputy, Culture Committee; Committee on Social, Health and Integration Affairs  
**Mrs Dace RIŅĶE**, Deputy, Youth and Sports Committee, Committee on Social, Health and Integration Affairs

**Mrs Jekaterina MILBERGA**, Head of unit of Strategical Planning, Development Department  
**Ms Anda ŠVEICA**, Mayor's Office

**Thursday 22 February 2024**  
**Sigulda and Cesis**

**SIGULDA MUNICIPAL COUNCIL:**

**Mr Kristaps ZALAIŠ**, Acting Chair

**Mr Linards KUMSKIS**, Deputy Chairman of the Municipal Council

**Ms Jeļena ZARANDIJA**, Executive Director of the Municipality

**Ms Diāna VĪTOLA**, Deputy Executive Director of the Municipality for Customer Service Issues

**Ms Tatjana KRŪMIŅA**, Head of the Legal Department

**Ms Zane REIZNIECE**, Head of the Finance Department

**Ms Sandra TUKIŠA**, Deputy Executive Director of the Municipality for Education, Culture, and Sports Matters

**Ms Kristīne FREIBERGA**, Head of the Social Department

**CĒSIS MUNICIPAL COUNCIL:**

**Mr Jānis ROZENBERGS**, Chair

**OMBUDSMAN:**

**Ms Ineta REZEVSKA**, Head of the Social, Economic and Cultural Rights Division

**Mr Raimonds KOŅUŠEVSKIS**, Deputy Head of the Social, Economic and Cultural Rights Division

**Mr Edgars LĀKUTIS**, Deputy Head of Communication and International Cooperation Division

**Ms Evita BERKE**, Head of Information Centre