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ASSOCIATION LETTONE DES COLLECTIVITÉS LOCALES  
LATVIAN ASSOCIATION OF LOCAL AND REGIONAL  
GOVERNMENTS

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Anders Knape,  
President of the Congress of Local and Regional Authorities of  
the Council of Europe

**About threats to local and regional democracy in Latvia**

The Latvian Association of Local and Regional Governments calls on the Congress of Local and Regional Authorities of the Council of Europe to perform extraordinary monitoring of adherence to the European Charter of Local Self Government in Latvia.

The latest monitoring report of the Congress of Local and Regional Authorities of the Council of Europe (the Congress) about local and regional democracy in Latvia gave good adjudgment. The report CG34(2018)11prov, presented at the 34<sup>th</sup> Session of the Congress on March 2018 in particular stresses that local authorities enjoy extensive autonomy and a broad range of powers, and that there is effective dialogue between the central government and local governments. It praises the systematic references made in the Constitutional Court's case-law to the European Charter of Local Self Government (Charter), thus ensuring its applicability.

However, it must be noted that perspectives of local and regional democracy are substantially worsened after parliamentary elections in 2018. Declaration of the Intended Activities of the Cabinet of Ministers headed by Arturs Krišjānis Kariņš determined the course towards centralisation: "236. We will continue to implement the National Administrative Reform Plan, with a particular attention to the centralization of the public administration functions and the reduction of red tape"

LALRG declared the reduction of red tape or overregulation as a priority already ten years ago, it became the leading guideline of our organization in its congress in 2018.

No reduction of overregulation can be observed in the country, but the course towards centralisation and concentration is performed intensively. Firstly, it is continuation of Administrative Territorial Reform (ATR) with many violations of the Charter. Secondly, it is decreasing of local governments fiscal autonomy with many violations also of national law. Thirdly, those are threats from the central government intent to amend local and regional government legislation.

**Violations of the Charter during the continuation of ATR:**

Preamble of Charter clarify that the common goal is construction of a Europe based on the principles of democracy and decentralisation of power. Cases of centralisation need to be based

on facts regarding “extent and nature of task and requirements of efficiency and economy” (principle of subsidiarity, Art.4.3).

Intent of the above mentioned declaration of the government of Latvia is not based on any facts proving absence of quality or accessibility in the presently existing 119 local governments: “223. We will implement the local government reform before 2021, by merging local governments in more sustainable and economically robust units capable of ensuring the performance of the autonomous functions of local governments referred to in the law in a comparable quality and accessibility.”

After the previous ATR reform in 2009 (abolishing of 26 district governments, amalgamation of 550 local governments into 119), collection of territorial statistics about the previous administrative territories was interrupted. Thus, assessment of the reform performed in 2013 was not based on facts about the social and economic impact of amalgamations, particularly, there was absence of assessment of the impact on peripheries created during the reform. The comparison of achievements in small, medium and large territories was not performed. Hence, the necessity for the next step of further amalgamation was not proved. Proposing the model of 36 local governments to be introduced in 2021, no comparison of the experience of small and large local governments after the previous reform has been made, the researchers have been commissioned to provide advocacy of political decisions not the analysis of facts and data.

The Charter includes special requirements for “prior consultation of the local communities concerned, possibly by means of referendum where this is permitted by statute” (Art.5) in the case of changes of local authority boundaries. Local referenda are legal in Latvia (Law on Self Governments, Art. 61.<sup>3</sup>), however, the draft law on local referenda for many years is under discussion in Parliamentary Commission. Hence, local referendā can be performed by the decision of the local government council and can be only consultative.

Launching the new stage of ATR, the minister in charge of the reform - Juris Pūce, Minister of the Environmental Protection and Regional Development started the process by intimidation, by the order on termination of consultation with residents in Ikšķile municipality. During the consultations in May 2019 conducted with the registration of participants (the procedure of the consultations was close to the procedure of a referendum, participated 42% of those who have rights to elect local council) the result was 98,45% votes for preserving the municipality in its present territory.

The intimidation hampered qualified clarification of the opinions of citizens. The consultations conducted by the ministry during the preparation of the political documents for the reform were organized hastily, without opportunity to present the fact-based opinion of local community.

In its meeting on 2 October 2019 Ikšķile Municipality Council called on the Parliament to reject the reform proposal as submitted by the Ministry of Environmental Protection and Regional Development, but should the law be adopted it would turn to the Constitutional Court regarding the illegality of the reform. Ikšķile Municipality Council also asked the Constitutional Court to cancel the order of the Minister of the Environmental Protection and Regional Development, the court will start hearings in the middle of January 2020.

Intimidation impacted the opportunity to express opinion of local communities. In thirty-two municipalities public opinion poll was organized, but not as fundamentally as in Ikšķile

Table. Municipalities which have organized public opinion polls and percentage of votes against the proposed model of the reform.

No	Municipality	Population	Number of respondents (*)	Percentage of votes for preserving boundaries of the existing administrative territory
1	Aglona	3470		Poll is not finished yet
2	Aizpute	8726	409	54,3
3	Alsunga	1392	238	92,4
4	Auce	6980	712	98
5	Baldone	5773	856	85,9
6	Baltinava	1061	269	94
7	Brocēni	6264	1807	97
8	Carnikava	9359	1082 (valid 897)	84,62
9	Durbe	2848	525 (valid 524)	77
10	Iecava	8993	1293	97
11	Ikšķile	10090	3299	99
12	Ilūkste	7274	2509	99
13	Inčukalns	8216	456	82
14	Jaunjelgava	5620		No results yet
15	Jelgava	23706		Poll was terminated by the order of the minister. The local government submitted an application to the Constitutional Court
16	Kandava	8265	348	83
17	Koknese	5383	214	90
18	Lielvārde	10330		No results yet
19	Mālpils	3542	226	78
20	Mazsalaca	3194	226	83
21	Naukšēni	1837	198	82
22	Nereta	3544	246	30
23	Ozolnieki	10705	882	95
24	Rauna	3196	437	52 – to merge with Cēsu municipality 48 – to merge with Smiltene municipality
25	Rundāle	3691	973	96
26	Rugāji	2193	336	79
27	Salacgrīva	7801		Poll is not finished yet
28	Salas	3647	584	Petition in favour of existing municipality was signed by 584 out of 3647 residents
29	Skrunda	5003	265	87
30	Tērvete	3429	113	93
31	Vārkava	1938	77	73
32	Ventspils	11760	348	72

*\* Representativeness was diverse, it was influenced by termination of the first polls by the order of the minister*

There were sociological surveys, petition signing, meetings of residents organized in the municipalities. Without interference of the ministry the data might have been more precise.

Additionally, Kocēni Municipality Council has decided to turn to the Constitutional Court regarding illegality of the reform.

From June to September 2019, the Minister of the Environmental Protection and Regional Development had conducted 30 meetings in the centres of potentially amalgamated municipalities. In all cases that was a monolog of the minister. The proposals of municipal councillors were not taken into account, but questions about local needs and local interests were ignored. It led to the decisions of the Council of the Latvian Association of Local and Regional Governments (LALRG) calling for the resignation of the Minister Pūce and proposing to organize reform task force under leadership of the Prime Minister (translation of the decisions enclosed in the Annex).

Among potential losers from reform there would be not only 74 municipalities (their centres are potential peripheries), but also six out of nine republican cities. The minister in charge is not able to show any plan based on facts and calculations how to ensure availability of public services and how to preserve interest of private investors in potential losers' territories.

LALRG is of the opinion that prior to the establishment of new criteria for local governments, a new concept of regional governments is necessary. After seven regional conferences with participation of universities, a discussion document about complex territorial government reform was prepared and sent to the central government. Its main idea is that ATR needs to be the instrument of regional development of the country, not vice versa. That proposal of independent researchers consists of the reform of boundaries (directly elected regional governments), fiscal reform (new principles of tax sharing and improvement of self-governments' finance equalization) and functional reform (decentralization of important central government functions and centralization of several local government functions to regional governments). If the reform is started only by transforming local level, the mistakes are inevitable.

### **Violations of fiscal decentralization:**

Two years ago, a tax reform was implemented with introduction of additional progressivity to Personal Income Tax (PIT). Reform leads to change of proportion between two parts of workforce taxes – Mandatory Social Insurance Contributions substantially increased, but PIT - decreased. PIT is a shared tax – 80% are paid into local budgets and 20% - into the state budget. It is source for close to 50% of local governments expenditure. In this tax reform the central governments' function – reduction of inequality of incomes by single rules in whole country – is financed by the money of local governments. Furthermore, it leads to substantial increase of local governments' revenues inequality before financial equalization. That leads to serious problems in all territories, where salaries are lower than medium level.

During negotiations with the central government a compromise was achieved – proportion of 19,6% (own revenues from shares of taxes plus general grant) from all taxes shall be guaranteed by a general grant from the state budget. That agreement was included in the framework budget for three years. The position of LALRG is that this proportion can be changed only in the case of substantial redistribution of competences between the central government and local governments.

The central government, together with launching a new stage of ATR, proposes to the Parliament a draft budget for 2020 with substantial violation of the “Law on Framework Budget for 2018, 2019 and 2020” and previous agreement with local governments. Total effect of the breach of the law is 170 million euro:

- reduction of the proportion of local government taxes and compensating grant from 19,6% to 18,8%;
- reduction of tax revenues by 28 million euro by prematurely enlarging non-taxable part of the tax base;
- unlawful exclusion of 38 million euro from Riga city own revenues;

- unlawful redistribution of shares of Environment Resources Tax and Gambling Tax from local government budgets to state budget.

The unlawful reduction of finances constitutes approximately 8,5% of total local budget own revenues (6% of total expenditures). All those events, including worsening of the fiscal situation of the capital of the country, are pure political decisions. The State also “delegates” half of its own function – to finance catering in the primary schools (Grades 1-4) – thus increasing without compensation local government expenditure by 9,8 million euro.

All these acts of local governments fiscal autonomy reduction are violation of the Charter (Articles 9.1, 9.2 and 9.3) and violation of many Latvian parliamentary statutes and secondary laws of the Cabinet of Ministers. Such legal nihilism, if it will be continued during next stages of reform, could lead to crucial effect on local democracy and sustainability of the state.

### **Threats from intents to change local government legislation:**

In general, the Latvian Law “On Self Governments” corresponds to the Charter (it has been approved by three monitoring missions of the Congress). It includes several democratic norms which are stronger than principles of the Charter (about mandatory consultations with the association of self-governments, presenting more than half of all types of self-governments, about property as economic basis of local governments etc.).

In the situation, when the central government declares centralisation and concentration among its main goals, it is dangerous to change main acts of local government legislation. Presently the Cabinet of Ministers has declared intent to prepare:

- New law on self-governments, decreasing role of elected councillors and increasing role of executives;
- New law on elections, decreasing number of elected councillors (majority of previous administrative territories can lose their representatives);
- New law on administrative territories and habitats (excluding norms about regional governments);
- Legal norms decreasing opportunities of local governments to invest in sports and culture infrastructure, to establish local government enterprises;
- New law on local finance equalization, decreasing financing public services and increasing financing business stimulation measures.

The recent fiscal decisions of the central government are not objective (concerning “punishment” of Riga city for the previous mistakes of the central government, determination of new mandatory functions without money etc.).

Suspending Mayor of Riga from his duties in April 2019, Minister of Environmental Protection and Regional Development used extraordinary measure instead of exercising opportunity to submit to Riga City Council facts about violation of law and proposal to use rights of the council to change mayor. As a result, the Regional Administrative Court now only starts to gather materials in the case of suspension from duties. In the case of opinion poll in Ikšķile, the order issued by the Minister will be assessed by the Constitutional Court only next year, but its influence on the reform process is tremendous.

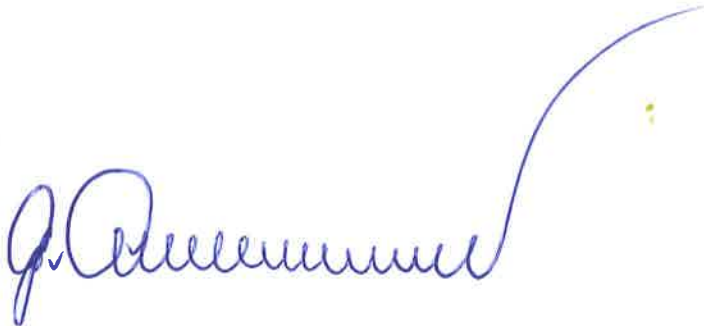
In the situation of confrontation, creation of new legislation could be very dangerous for local and regional democracy.

Substantial influence on worsening the local democracy situation comes also from the recent changes in the public media policy. This year, newsletters of local governments will be excluded from the register of mass media. Legal norms are adopted substantially limiting rights to provide direct information to the local community about the policy of the self-governments.

Hereby we request the Congress of Local and Regional Authorities of the Council of Europe to assess the current situation and to appoint extraordinary monitoring of adherence to the European Charter of Local Self Government in Latvia

Appendix: Translation of Decision No 4 and Decision No 5 of the LALRG Council from 16 September 2019.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'G. Kaminskis', with a long, sweeping flourish extending upwards and to the right.

Gints Kaminskis,  
Chairman  
Latvian Association of Local and Regional Governments

**LATVIAN ASSOCIATION OF LOCAL AND REGIONAL GOVERNMENTS**  
**Decision of the Council**

16 September 2019

No.4

***On the continuation of the administrative territorial reform (ATR)***

The continuation of the ATR in the current format is in contradiction with Articles 1 and 101 of the Constitution of Latvia, Article 5 of the European Charter of Local Self-Governments, as well as the recommendations of the Committee of Ministers of the Council of Europe to member states on the processes of reform of boundaries and/or structure of local and regional authorities, and the principle of good governance contained in the recommendations of OECD on good public consultation practise:

- instead of consultations with local governments and communities, informing about the views of the Ministry is taking place;
- no answers are given as to why the borders of successful local governments need to be reformed, how the effect of peripheries will be avoided, no estimates have been made for the increase in the budget expenditures needed for the reform;
- propaganda of the new division proposed by the Ministry of Environmental Protection and Regional Development (MEPRD) is spread out, violating the principles of good governance;
- there is no reaction to the proposal to assess at first the establishment of districts and the redistribution of the functions and funding resulting therefrom, and then to define the criteria for the establishment of municipalities;
- the reduction of the share of municipalities in the consolidated general government budget is discussed ahead of the implementation of the reform breaching the commitments undertaken by the government.

The Council of LALRG asks the government:

1. To establish a task force under the leadership of the Prime Minister, to take over and undertake continuation of the ATR, inviting LALRG and involving other ministries in charge of the reform and representatives of local governments.
2. To include in the conceptual report a solution for the establishment of regional administrative territorial division of the state (district governments – *apriņķi*) as stipulated by the decision of the Parliament dated 21 March 2019.

Gints Kaminskis,  
Chairman



**LATVIAN ASSOCIATION OF LOCAL AND REGIONAL GOVERNMENTS**  
**Decision of the Council**

16 September 2019

No.5

***On the motion of no confidence in Juris Pūce, Minister of Environmental Protection and Regional Development***

The continuation of the ATR in the current format is in contradiction with Articles 1 and 101 of the Constitution of Latvia, Article 5 of the European Charter of Local Self-Governments, as well as the recommendations of the Committee of Ministers of the Council of Europe to member states on the processes of reform of boundaries and/or structure of local and regional authorities, and the principle of good governance contained in the recommendations of OECD on good public consultation practise:

- instead of consultations with local governments and communities, informing about the views of the Ministry is taking place;
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- propaganda of the new division proposed by the Ministry of Environmental Protection and Regional Development (MEPRD) is spread out, violating the principles of good governance;
- there is no reaction to the proposal to assess at first the establishment of districts and the redistribution of the functions and funding resulting therefrom, and then to define the criteria for the establishment of municipalities;
- the reduction of the share of municipalities in the consolidated general government budget is discussed ahead of the implementation of the reform breaching the commitments undertaken by the government.

The Council of LALRG asks the Parliament to announce no confidence in minister Juris Pūce and demand his resignation

Gints Kaminskis,  
Chairman

