

*Līga Baltina*

University of Latvia, Centre for European and Transition Studies, Raina bulv. 19, Riga, LV-1586;  
baltina.lu@gmail.com

## **THE NEED FOR A PLACE-BASED APPROACH IN BOOSTING DEVELOPMENT. THE CASE OF RIGA**

**Abstract:** The global economic crisis that hit all the national economies in the EU area stimulated the need for new approaches in the planning and implementation of regional development policy. This paper investigates the debates about the role of the city of Riga and its development potential as the biggest city in Latvia, whilst also looking at the challenges and opportunities created by the need to respond to global changes. The article discusses the relevance of certain factors and demonstrates the actions taken by national authorities to promote the more balanced development of Latvia, as well as the opportunities to apply a place-based approach in promoting the development of Riga as the capital city of Latvia.

**Keywords:** place-based approach, capital cities.

## **WYKORZYSTANIE KONCEPCJI POLITYKI UKIERUNKOWANEJ TERYTORYALNIE W CELU POBUDZENIA ROZWOJU. PRZYKŁAD RYGI**

**Streszczenie.** Globalny kryzys gospodarczy, który osiągnął gospodarek krajów Unii Europejskiej, uświadomił potrzebę nowego podejścia do planowania i realizacji polityki rozwoju regionalnego. Artykuł analizuje dyskusję dotyczącą znaczenia Rygi – jako największego łotewskiego miasta – i jej potencjału rozwojowego w kontekście wyzwań i możliwości związanych z koniecznością reagowania na globalne zmiany. W artykule omówiono znaczenie niektórych czynników mających wpływ na obecną sytuację, a także przedstawiono działania podjęte przez władze krajowe w celu równoważenia rozwoju na Łotwie. Ponadto ukazano możliwości zastosowania podejścia ukierunkowanego terytorialnie w promowaniu rozwoju Rygi jako stolicy Łotwy.

**Słowa kluczowe:** podejście ukierunkowane terytorialnie, miasta stołeczne

### **Introduction**

The discussions about the need to apply a place-based approach in regional development policy planning and implementation were raised due to changes in the European economy that occurred as a result of the global economic and financial crisis in 2008. These changes increased the debate about the efficiency of urban policies and how prepared cities were to respond to future socio-economic threats, and were closely linked to the need to ensure the more efficient use of available territorial and financial resources, including the more efficient

use of EU funds. In particular, the discussion of whether there is a need for more investments to boost the development of the capital city, or if there is a need for continuous efforts to promote the development of territories that are lagging behind has been added to the agenda of regional development policy. What is the contribution of a capital city and other cities to national competitiveness? The existing regional disparities among EU regions serve as evidence for the necessity to increase the efficiency of regional development policy measures in meeting territorial challenges (EC, 2014). The need for changes in the approaches of regional development has surfaced due to such factors as changes in external environment (e.g. global economic and financial crisis, technological development), development of new policy initiatives at the European level (e.g. new financial framework, integrated territorial investments, smart specialisation strategies), and changes in national legislative frameworks.

The place-based approach was put forward to highlight the importance of territorial resources and a need to increasingly focus on efficiency and consider existing differences among economic, social, and institutional settings in order to increase development potential. The focus on territorial assets and their development potential is not a new concept. Initially the place-based approach was applied in the education sector (Gruenewald, 2005). Gradually, a place-based approach was applied in solving sustainable environment issues (Mason, 2008), and later it was one of the central elements in the development of local communities (Brennan et al., 2013). Since 2009, with several reports produced by the EC (known as Barca report; Barca, 2009) and international organisations (Crosta, 2006; World Bank, 2008), the place-based approach has been placed on the agenda of EU institutions and its member states, and is seen as a comprehensive, inclusive, and integrated approach to regional development. The main element of a place-based approach is a focus on respecting territorial needs that includes coherence among development objectives and territorial specificities. It also applies to the context of urban development and requires cities to play a more active role in helping to boost economic development at national, regional, and local levels. Thus, the place-based approach has become an important element in national, regional, and local development strategies.

The place-based approach is considered to be one of the potential solutions to the development problems faced by cities, enabling them to respond to the economic crisis. It is based on the clear acknowledgement of territorial resources, such as social and human capital, knowledge and innovation, financial capital, and physical resources. In practice, the use of a place-based approach is highly dependent on institutional capacity and cooperation practices. Lately, several authors have questioned the importance of the relationship between territory, economy, and governance (Capello et al., 2012), as well as new approaches and tools for shaping the regional and urban policies.

The author discerns the following main steps in the application of a place-based approach in regional development:

- 1) Evaluation of territorial resources and their development potential;

- 2) Determination of regional development goals and their mutual coordination for the utilization of territorial development potential;
- 3) Selection and development of suitable regional development tools;
- 4) Creation of a suitable and flexible institutional structure;
- 5) Assessment of changes in resources and their development potential, as well as the output of investments in territorial development (Baltina, 2011).

The persistent regional disparities in Europe and the increasing importance of external factors have stressed the significance of place and a need to apply a place-based approach to regional development. The growing importance of endogenous resources, such as human capital, innovation, and accessibility highlighted by New Economic Geography theory has been complemented by the growing importance of institutions as a key factor in achieving balanced regional development (Stimson et al., 2011). Territorial impact of globalisation for regions varies across Europe. It has made cities and their interaction with other territories more important in terms of economic growth.

The place-based approach strengthens the importance of each city in developing comparative advantages and thus contributing to the development of the national economy. By assuming that each geographical context really matters, the place-based approach focuses on social, economic, cultural, and institutional characteristics, and emphasises the importance of knowledge in developing place-based policies. According to the OECD, public policies aimed at promoting territorial development and limiting territorial disparities should first and foremost help areas develop their territorial capital (OECD, 2009).

The main focus of this article is a discussion of existing practices, key challenges, and opportunities for applying the place-based approach to regional development policy amelioration and boosting development in Latvia. The city of Riga serves as a case to discuss how a place-based approach is integrated into regional development policy. In promoting polycentric and balanced territorial development, as well as ensuring global competitiveness of regions based on strong local economies, a place-based approach in regional policy implementation is of great interest in Latvia. Thus the interaction between geographic context, tailored policies, and institutional capacity is important in achieving regional policy goals.

### The socioeconomic development of Riga city at the regional and national level

When discussing the geographic context of Latvia it is important to acknowledge that Latvia has a monocentric development structure, and that most of the cities in Latvia are small – not even medium-sized cities when compared to other cities in Europe. Riga is the biggest city in Latvia in terms of both the number of inhabitants and the volume of economic activities. It is one of 30 municipalities forming the Riga planning region (see Figure 1).

However, Riga city faces its own challenges. Even though Riga has 643.6 thousand inhabitants (Central Statistical Bureau, 2013), which is 1/3 of the total population of Latvia, since 2007 the total number of inhabitants in Riga city has

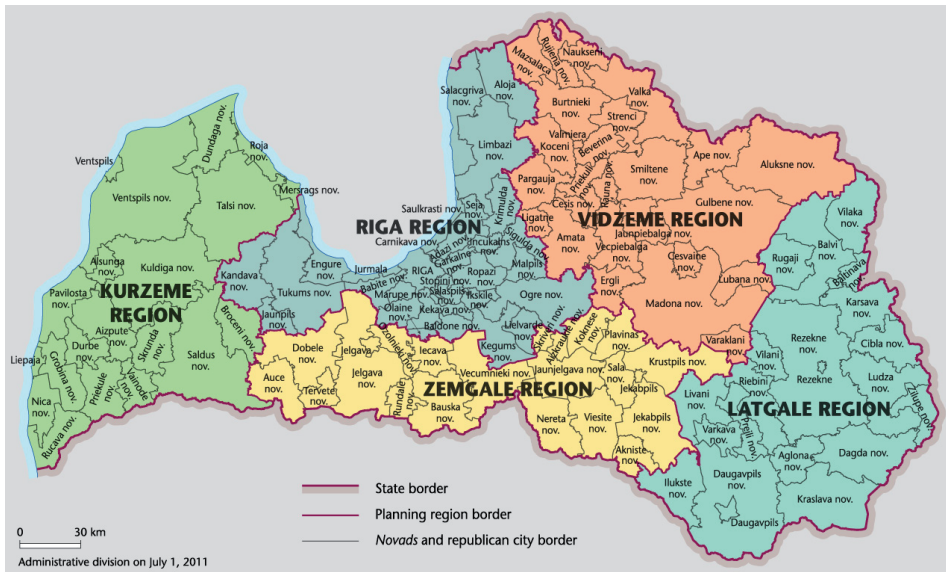


Figure 1. Five planning regions of Latvia

Source: *Development of Regions 2011*. State Regional Development Agency, RĪga, 2012.

been constantly decreasing. This decrease (see Figure 2) means that in six years Riga has lost 9% of its inhabitants. If this negative tendency continues, there is a high risk that Riga might also lose its important position in Northern Europe, as some other Nordic cities, such as Oslo or Helsinki, are experiencing a continuous increase in the number of inhabitants. For example, in Helsinki the number of inhabitants has increased from 564.5 thousand in 2007 to 623.1 thousand in 2013 (Statistics Finland, 2013).

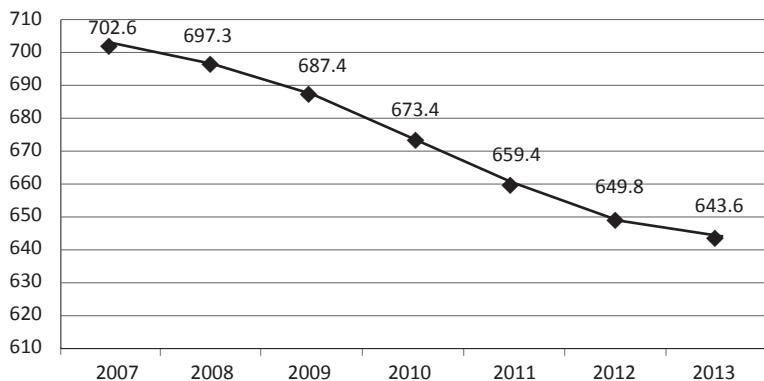


Figure 2. Number of inhabitants in Riga 2007–2013 (in thousands)

Source: Central Statistical Bureau, 2013.

According to the Sustainable Development Strategy of Latvia until 2030, Riga and the eight other biggest cities of Latvia are considered to be development centres of national importance. However, the other eight cities are significantly smaller than Riga in terms of both the number of inhabitants and the size of economy (see Table 1). The total number of inhabitants in the nine largest Latvian cities is 1.14 million (Office of Citizenship and Migration Affairs, 2011). At the European level, only Riga is ranked among the 500 largest cities in terms of population (ranked at 47th place).

Table 1. Number of inhabitants and number of economically active enterprises in the nine biggest cities of Latvia

City	Number of inhabitants in 2014	Number of economically active enterprises in 2012
Rīga	643,368	60,601
Daugavpils	87,403	4,427
Jelgava	57,332	3,203
Jēkabpils	23,269	1,275
Jūrmala	49,750	3,064
Liepāja	71,926	4,143
Rēzekne	29,948	1,843
Valmiera	23,657	1,874
Ventspils	36,677	1,996
<b>Total</b>	<b>1,023,330</b>	<b>82,426</b>

Source: Central Statistical Bureau, 2014.

It is evident that Riga makes a significant contribution to the national economy of Latvia. In addition, among the biggest cities in Latvia Riga is the only one that has a positive territorial development index.<sup>1</sup> Both of the above-mentioned indicators mean that Riga produces more than 50% of the total GDP in Latvia. However, it must be noted that during the economic recession the share of Riga's GDP dropped from 57% to 53% of total GDP in Latvia (See Figure 3).

<sup>1</sup> Territory development index is a synthetic indicator that provides an opportunity to characterise and compare territory development according to several demographic, socioeconomic indicators simultaneously. A territory development level index is calculated in Latvia for more than ten years by the State Regional Development Agency in order to assess the development of various territorial units, and it reflects the relative development level of the territory during the reported year.

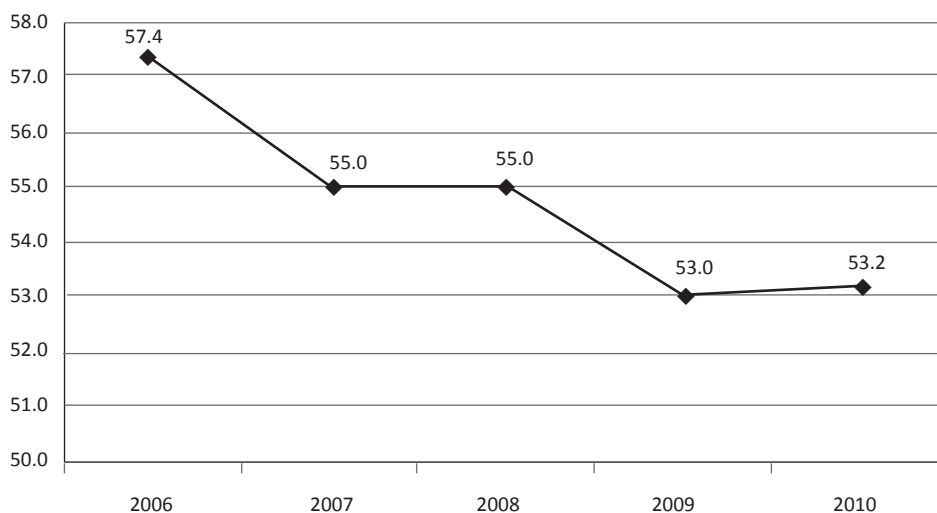


Figure 3. Changes in Riga's contribution to the national GDP in 2006–2010 (%)

Source: Riga City Council, 2014a.

Even though Riga's contribution to national GDP decreased during the economic and financial crises, it has attracted more businesses, and the number of businesses registered in Riga has continued to rise (see Figure 4). Also, most of the biggest enterprises registered in Latvia are located in Riga. This shows that most of the businesses have favoured Riga as an area that contributes most to generating income if compared to other locations.

A similar reason is behind choosing Riga as a living place: people prefer to live in a place that provides greater long-term benefits (services, labour market opportunities, etc.). This shows that geographical location does matter. This is in line with Location Theory, which stresses that the territorial location of business activities is influenced by the availability of raw materials, intermediate goods and services, and access to markets (Rose et al., 2012). This theory has been developed further and shows that accessibility is still one of the main factors affecting regional development (Rodrigue, 2013). Thus, thanks to the beneficial geographic location of Riga city and its accessibility at a national and international level, it has attracted an educated workforce and has developed an attractive business environment. The share of GDP, the number of business entities, the amount of investments, and other indicators determine that Riga's economic development has a clear impact on the development of the rest of Latvia. Through its high concentration of most of the available business opportunities and jobs, Riga city ensures good access to various services, such as health care, education, infrastructure, and others. Also, the concentration of most scientific institutions and high-tech companies in Riga results in a higher innovation capacity.

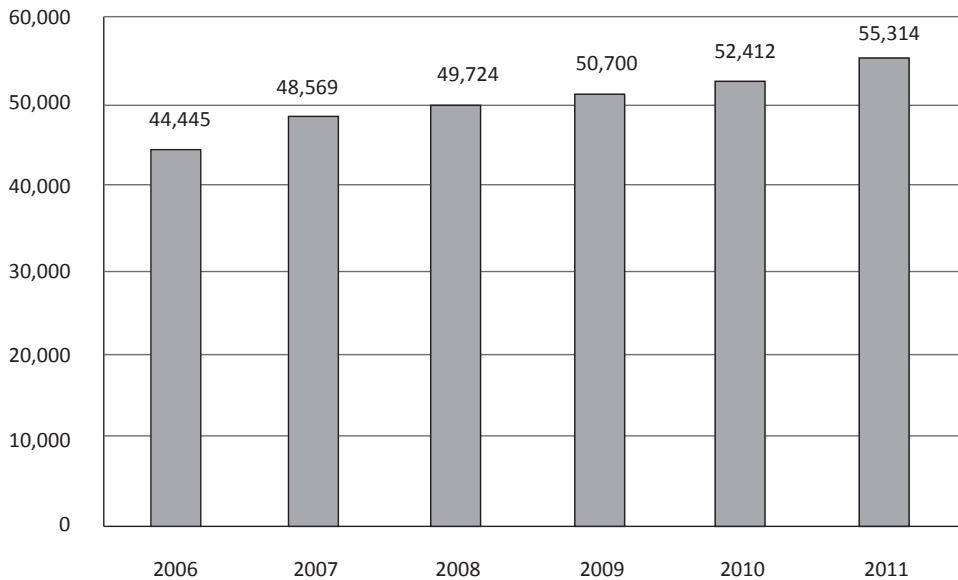


Figure 4. Economically active enterprises in Riga, 2006–2011

Source: Riga City Council, 2014a.

It is evident that other cities in Latvia are highly dependent on Riga's development. The concentration of economic activities in Riga and surrounding areas, together with undeveloped road and railway infrastructure, results in the lower competitiveness of other areas in Latvia. It has been concluded in the study analysing socioeconomic developments of the cities in Latvia that the greater the distance from Riga, the smaller the market potential (State Regional Development Agency, 2008). However, even the high contribution of Riga to the total GDP in Latvia does not result in the expansion of the urban area of Riga city, and thus prevents it from being a major feature of economic growth. Also, the monocentric structure of Latvia contributes to labour mobility and urban migration processes from other territories into Riga, rather than the economic growth of those territories.

There is a significant gap between Riga and its agglomeration as a central part of the country and the rest of the Latvian territory (State Regional Development Agency, 2012). The regional disparities between Riga and other territories are growing, which shows that the regional development policy measures that have been implemented in Latvia so far have not contributed to the reduction of regional disparities in Latvia.

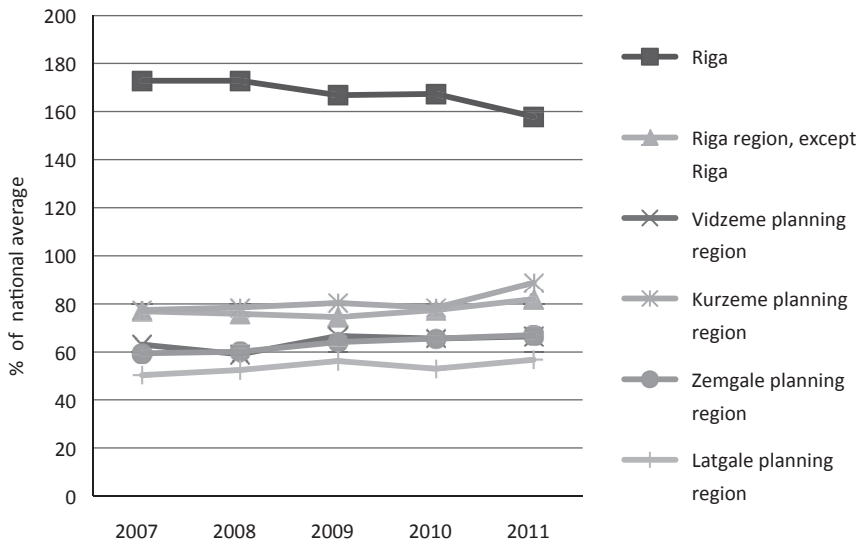


Figure 5. Regional GDP per capita to national average level

Source: Author's calculations based on data from the National Statistical Bureau.

GDP per capita calculations demonstrate regional disparities and show that in Riga GDP per capita is above 150% of the national average, while in other regions it ranges between 50% in the Latgale planning region and 89% in the Kurzeme planning region (see Figure 5). However, the graph shows that since 2009 these disparities between Riga and other territories have only slightly decreased. When compared to the average level for the EU, Riga managed to reach only 63% of the EU's average GDP per capita. Also, at the EU level Latvia is the country with the largest regional disparities and is one of the most unevenly developed countries in Europe (Baltina, 2011). The survey of the development centres in Latvia and their areas of influence demonstrated similar conclusions regarding the importance of Riga city at the national level (State Regional Development Agency, 2013). Riga as a capital city hosts the main public administration institutions, along with the biggest share of higher education and cultural institutions and organisations. Riga is also the country's main transport and infrastructure hub. The survey reaffirmed that Riga is the most important employment and service delivery centre in Latvia and has the greatest impact on territorial development throughout the country. However, this study lacked a comparative analysis of Riga city and other capitals and the biggest cities in the Baltic region and the EU, only discussing the role and competitiveness of Riga at a macro regional level.

The study analysing the socio-economic development of the cities in Latvia mentions several other cities of Latvia as potential development centres that could serve as alternatives to Riga (State Regional Development Agency, 2008). The author believes that none of the other cities of Latvia should be called an alternative development centre, because they would not be able to serve as



a substitute for Riga. However, this conclusion points to the need for functional complementarity among cities of Latvia in order to promote overall growth and development. In regards to this conclusion, it must be remembered that there is a weak track record of cooperation among the local authorities of Latvia (Bite, 2012), and the role of planning regions in Latvia is not well defined in regional development policy.

Taking into account the high concentration of economic activities in Riga city and the surrounding area, one of the issues at stake is how the development potential of Riga city can be used for boosting the development of other territories in Latvia. This includes various collaboration options as well as the transfer of existing territorial development knowledge and competencies from Riga to other territories in Latvia. This is also emphasized by the place-based approach, as it focuses on achieving results directed at the development of neighbouring areas. For example, improving the living environment in a disadvantaged area would also bring improvement to the people living nearby (Fritsch and Noseleit, 2013). Various academics have discussed the fact that regional development is a dynamic process and the growth of the neighbouring regions and the economic benefits such growth brings may play an important role in the development of a territory (Capello et al., 2008). This exposes the contradiction within existing efforts to limit the development of Riga city by, for example, exempting Riga city from the list of beneficiaries of some EU-funded activities and concentrating support on less developed territories in Latvia. Consequently, we can conclude that given the current socio-economic indicators and the weaknesses of regional development in Latvia, there is an urgent need to clearly define development priorities at national, regional, and local levels, aimed at increasing cooperation among local and regional authorities and the better use and development of territorial assets.

### The development potential of Riga city in an international context

In order to understand the likely impact of regional development policy implemented in Latvia, the specifics of a wider international context should be considered. The sustainable development plan of Riga city stresses that at the international level, Riga finds itself at a crossroads of West-East and North-South transport corridors, and is located at the Baltic Sea. This allows Riga to serve main export industries and to be an important tourism destination. It is evident that Riga has the potential to make substantial contributions to economic growth at the national and macro regional level. Also, according to the National Development plan for 2014–2020, Riga is the only city of international importance in Latvia. However, Riga's position in the Baltic Sea area in comparison to other EU member states shows another dimension. At the European level, among the cities of Latvia only Riga is considered to be a big city. Thus, among the objectives of sustainable development of Latvia leading up to 2030 is the following: to strengthen the international competitiveness of Latvia and its regions by increasing Riga's role as a metropolis of Northern Europe, and the international role of the other largest cities of the state. In addition, the degree of connectivity of cities in Latvia is

low, while to many small and medium sized cities in Europe a high degree of connectivity is a dominant competitive advantage (McCann, 2013).

Some other studies that include the comparison of key indicators of European cities and regions often argue that only regions with a population of one million inhabitants or more can be considered important players in regional policies. For example, the survey carried out by the Regional Studies Centre in Hungary states that a region of 1–2 million people is considered to be the optimal size for an elected regional government in order to be able to implement regional development policy aimed at achieving clear economic goals, developing modern infrastructure, and ensuring proper regional development planning and implementation structure (Horvath, 2011). It is also a good size for a region to become a strong player in decision-making process at the EU-level. At the EU level, Riga and other cities of Latvia are lagging behind considerably and there is a strong need to raise the international competitiveness of Latvia, its regions, and cities by promoting the integration of Latvian cities into economic structures and networks at the level of Baltic Sea regions and the EU.

With regard to international co-operation, it is important to mention that only Riga ensures proper territorial accessibility in terms of the available transport infrastructure that is needed to attract, among others, foreign business partners. Also, in the ESPON study on functional territories, which described 1595 functional areas with more than 50 000 inhabitants, of which 64 areas are metropolitan areas and only 40–60 are seen as essential contributors to the European economy, Riga was seen as the biggest functional territory in Latvia (ESPON, 2007).

The ESPON study analysed the following five functions:

- The administrative functions (e.g. capital city, chief towns, cities hosting headquarters of important European and international institutions);
- The decision functions (e.g. localisation of the headquarters and subsidiaries of the biggest national and international companies);
- The transport functions (e.g. the connectivity of a city with other cities; road and rail connectivity, air traffic and sea transport);
- The knowledge functions (e.g. localisation of the most important universities, research centres, and high-technology production);
- The tourism functions (e.g. scale of touristic activities).

According to the above-mentioned functions, six potential functional areas were identified in Latvia: one metropolitan area, two medium-sized cities and three small city areas. The study showed that at the EU-level, most Latvian towns are considered small and are not classified as potential growth poles around which potential functional areas could be developed. At the EU level the only competitive functional region is Riga metropolis; however, there is a need for further measures to support its international competitiveness.

## Use of EU funds for implementing the place-based approach

Key statements of regional development in policy documents have not significantly changed since 1996, when the first regional development policy concept was approved (Cabinet of Ministers, 1996). The main regional development goal remains that of reducing negative territorial and social inequalities, mainly between Riga and surrounding areas, and the rest of the territory of Latvia. Since 2004 when Latvia joined the EU, the EU funds are the main source of funding for the promotion of regional development, and to reduce regional disparities in Latvia. However, studies on the impact of EU funded projects on territorial development in Latvia have concluded that the socio-economic disparities between different areas of the country have not been reduced (State Regional Development Agency, 2008; Ministry of Finance, 2014). This conclusion contributes to the debate on the efficiency of EU funds and a place-based approach as a tool to achieve more balanced territorial development.

The place-based approach was not explicitly mentioned in the planning documents of 2007–2013. Some distant references to the place-based approach are found in the guidelines on the EU SF horizontal priority ‘Balanced Territorial Development and the International Competitiveness of Riga’. However, the emphasis that was put on this horizontal priority indicated an increased focus on urban development. The guidelines stated that in order to ensure balanced territorial development, it is necessary to promote polycentric development and the implementation of spatially differentiated support tools responding to the growth potential and needs of territories.

The report on the implementation of EU SF horizontal priority ‘Balanced Territorial Development and the International Competitiveness of Riga’ in 2007–2013 (Ministry of Finance, 2014) concludes that there are no significant changes in reaching balanced territorial development in Latvia and only the Riga Planning Region is above the average national socioeconomic indicators. However, it states that the reduction in the value of the territorial development index in the Riga region indicates the declining dominance of Riga region, and considers that reduced dominance of Riga is a precondition towards reaching balanced territorial development. There is a clear tension in policy documents and discussions in Latvia, between the simultaneous need to promote more balanced patterns of development whilst at the same time strengthening the international competitiveness of Riga.

In 2007–2013, the Riga Planning Region received the largest amount of EU funding (31.7% or 703.9 million Euros from total allocated funding of 2217.6 million Euros) out of all regions in Latvia for activities with regional and local impact. Riga city had attracted 50.6% of all the EU funds received by the Riga Planning Region. However, in terms of allocation of funds per inhabitant, the Riga Planning region shows the lowest value of 644.4 Euros per inhabitant among all regions, whereas the Kurzeme region reached 1665.7 Euros per inhabitant. This is mainly because of a high number of inhabitants in Riga city. The biggest

share of funds in Riga city was targeted at improving infrastructure; mainly transportation, water management, ICT, and social and tourism infrastructure.

In 2007–2013, the largest amount of funding, and the main activity contributing to the application of a place-based approach in regional development in Latvia, was implemented under the ERDF priority ‘Polycentric development’. The main objective of the priority was to foster polycentric development in Latvia by providing support aimed at strengthening competitiveness, accessibility, and attractiveness factors for the development of the urban environment according to integrated development programmes of local governments. The total funding of 323 million Euros was allocated to the following three ERDF activities: growth of national and regional development centres; sustainable development of Riga; growth of amalgamated municipalities. Riga city was an eligible beneficiary only within the activity on sustainable development of the city of Riga, aimed at raising its competitiveness by developing deprived neighbourhoods. Approximately 11.7 million euros within the priority of polycentric development were allocated to Riga city. Under this activity, Riga could propose projects considered essential in the development of Riga city and foreseen in the development strategy of Riga city. Within this activity Riga city proposed two projects for revitalising two deprived neighbourhoods, both of which mainly included the improvement of road infrastructure and public spaces.

The priority ‘Polycentric development’ is presented by the Ministry for Environmental Protection and Regional development as the main example of applying the place-based approach in Latvia. However, in practice the above-mentioned three activities funded under the priority of polycentric development served mainly for the purpose of allocating the EU funds to 17 selected cities in Latvia, as no in-depth analysis of the territorial development resources and development potential was carried out prior to the decision of EU funds allocation. The idea behind this approach was the initiative of the Ministry for Environmental Protection and Regional Development to develop a new local investment planning system envisaging support to the following spaces of national interest highlighted in the long-term sustainable development strategy Latvia 2030: development centres, rural areas, Riga metropolitan area, the Baltic Sea coast, and the Eastern border. This approach foresees certain investment priorities for each of these focus areas and the application of the quota approach in the distribution of EU and national funding.

The analysis of the projects funded in 2007–2013 under the priority ‘Polycentric development’ showed that the projects implemented either in Riga or other cities were mainly focused on the development of road and social infrastructure rather than on business infrastructure (Baltina, 2014). These projects were only remotely related to the use of existing territorial potential for promoting innovation and entrepreneurship activities, and thus the efficient use of EU funds and conformity with the place-based approach was questioned. Based on the previous experience of 2007–2013, the new partnership agreement for 2014–2020 also marks the inefficient use of territorial resources as being among the main challenges to ensuring territorial cohesion. Similar conclusions were reflected in the results of

the report evaluating adherence with envisaged objectives and the sustainability of projects funded by the European Agricultural Fund for Rural Development and the ERDF (The State Audit office, 2014). It showed that there is a strong need to move from EU funds allocations to EU funds' investments, thereby ensuring a more efficient and sustainable use of EU funds towards reaching cohesion policy objectives. The specific focus of the report was on the support provided to innovation and business development activities. It was concluded that the current implementation and monitoring system of EU funds is not motivating the EU funds' beneficiaries towards the more sustainable and long-term development of their activities, and thus are limiting in terms of making use of territorial opportunities.

It is envisaged that in 2014–2020, the priority of polycentric development will continue to support the nine biggest cities in Latvia. It is planned that the development of other bigger cities of Latvia will reduce the concentration of economic activities in Riga. Among other priorities for 2014–2020, the largest share of EU funding in Riga city are foreseen for improving transport infrastructure (e.g. development of public transport infrastructure, improvement of multifunctional public infrastructure, promotion of safety of ports).

The financial crisis highlighted a need to discuss the real achievements made by EU funding in Riga and other cities in Latvia and the real contributions of cities to the economic development at the national level. In the beginning of the previous financial period of 2007–2013, economic growth was also promoted by high levels of public investments. However, the crisis uncovered the real economic and social problems faced by Riga, ones that were masked by the financial growth thanks to the boom of the real estate market and financial services. This highlighted a need for better tools for monitoring socioeconomic development, which would help identify main territorial development changes and would ensure the high quality territorial information for supporting policy making and implementation, including the planning of territorial investments. Considering the continuous lack of such tools, one of the main questions in the new financial period of 2014–2020 remains that of strategic investment priorities and the real impact of EU funds on territorial development.

While entering into the new financial period 2014–2020, one of the key questions is about raising the efficiency of public and private sector resources, enhancing the growth of cities, and reducing economic and social gaps within the country, namely between the capital city and other territories. In Latvia the implementation of a place-based approach is mainly linked to the allocation of EU funds. However, it is important to focus more on analysing the contextual and place-based information in order to identify those areas in which there is not only the highest need for EU funds allocation, but which also provide a clear strategy for enhancing the development potential of available territorial resources.

## **Main challenges of the place-based approach**

With regards to the place-based approach, the main challenge is to find the best ways to use the available advantages and resources for growth as efficiently as possible. The changes to the present monocentric settlement structure in Latvia are planned by promoting the polycentric settlement structure. It is expected that polycentric development would help to reduce the regional disparities among the regions and within regions themselves. The place-based approach highlights a need to develop such policy measures that would encourage the use of existing territorial advantages and the unique competences of Riga and other cities. The application of a place-based approach in regional development as defined by the author would entail the creation of policy instruments and institutional structure that would enable a clear contribution to the use and development of territorial potential by increasing the capacity of human resources, institutions, and infrastructure. It has been acknowledged that there is a lack of coordinated planning of development at the national and regional level in Latvia.

The emphasis on the application of a more integrated and place-based approach might contribute to better cooperation among Riga city and surrounding local governments and serve as a tool for coordinating different interests at national, regional, and local levels. However, since the economic downturn, Riga city has put more effort into promoting its own interests and emphasising the benefits of Riga as a living area, and is not contributing to more cooperative measures. It does not see the importance of neighbouring areas in boosting the development in Riga city (Riga City Council, 2014b).

Major themes for further discussion remain the use of a place-based approach in promoting territorial development and combating the effects of the economic crises in Riga and other cities in Latvia. The question of how to increase the positive effects of the development of Riga city on the socioeconomic performance of other regions in Latvia remains on the agenda of policy makers. One of the instruments is the elaboration of territorial development initiatives that combine investments in infrastructure, promotion of economic development, and social inclusion. However this approach is not sufficiently discussed.

## **Conclusions**

The Riga region, among the other planning regions, thanks to the socio economic indicators of Riga city, stands out appealingly in terms of population and the number of economically active enterprises. The analysis of literature and statistics carried out by the author showed that, in line with the place-based approach, even though most of the economically active enterprises are concentrated in Riga, the dominance of Riga cannot be assessed as a key determinant in regional development planning; rather, there is a need to create conditions promoting development in the rest of the country. There is a strong need to create necessary conditions for promoting the development potential and its more effective use for the further development of Riga and other territories. This is also important

in terms of EU funds planning and implementation, as analysis of the projects funded in 2007–2013 showed a lack of a clear link to the use of existing territorial resources and their development potential. In order to build this link, there is a need for high quality information at national, regional, and local levels, as well as for extensive knowledge and skills to manage territorial information in order to set up a proper institutional framework and develop place-based policies. It is important to ensure the regular re-assessment of the territorial resources of Riga and other cities and their development potential. The city of Riga could increase its contribution to the integrated territorial planning at national and regional levels, which may also include increased participation in monitoring territorial development. In line with the need to increase the international competitiveness of the city of Riga, it is essential to carry out comparative analysis of the Latvian regions and cities with other European regions and cities in order to gather the necessary evidence for assessing the position of the city of Riga at the European level.

There is also a continuous need to develop measures contributing to a more integrated approach in regional development planning; for example, in such areas as transportation infrastructure, economic cooperation, and other areas where cooperation among authorities at a local and regional level is essential for the achievement of cohesion policy goals. Thus, a need for other solutions in promoting the vertical and horizontal cooperation remains. This situation is also fully applicable to Riga, as cooperation with its neighbouring territories at the functional level is not mentioned in any of its planning development documents.

When developing new financial instruments it is important to emphasise the need to create conditions for the more efficient utilisation of the development potential of territories, instead of efforts to reduce the Riga dominance factor. It is also important to create a proper institutional and legal framework that is considered an important variable in, ensuring not only the exploitation of territorial resources, but also in the further exploration of development potential.

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