

Latvia's regional reform and its significance for the transformation of local government in Ukraine and Moldova in a changing environment

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Abstract. The study aimed to identify the preconditions, nature and consequences of the Latvian reform, as well as to assess the feasibility of applying its individual mechanisms in Ukraine and Moldova within an unstable external environment. The methodological framework of the study was based on the integration of institutional, structural-functional, regulatory-legal, comparative budgetary, spatial and comparative analysis, the method of retrospective comparison of time series, case analysis, institutional modelling, analysis of institutional compatibility and the modelling method. The study found that administrative consolidation without prior strengthening of administrative procedures does not ensure the levelling out of regional disparities. The analysis revealed that the adaptability of governance is determined by the level of coordination, human resource capacity and the integration of digital tools. The results showed

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that replicating the administrative consolidation model does not produce the same effects in different countries due to differences in the structure of local government and the resource base. In Ukraine, the constraint was not the number of territorial units, but the imbalance in administrative capacity between communities, which was exacerbated by uneven economic development. In the case of Moldova, the analysis revealed the persistence of a fragmented administrative structure, which limits the effectiveness of devolution and hinders the implementation of cohesion policy. A synthesis of the results showed that the implementation of administrative consolidation approaches in Ukraine and Moldova requires a combination of institutional strengthening, financial diversification and the development of digital governance. The practical significance is determined by the formation of an analytical framework for public authorities, think tanks and policymakers involved in reforming the system of territorial administration in Ukraine and Moldova

Keywords: administrative units; depopulation; public services; consolidation; fragmentations

● INTRODUCTION

The transformation of local government in Central and Eastern European countries in the 2020s is taking place in the context of increased uncertainty, characterised by a combination of demographic shifts, fiscal constraints, European integration requirements and security challenges. In this context, Latvia's 2021 regional reform takes on significance not only as a tool for administrative consolidation but also as an attempt at the state's structural adaptation to the new configuration of socio-economic processes. Its experience extends beyond the national case, as it provides guidelines for transformations in countries with a similar institutional legacy, particularly in Ukraine and Moldova. At the same time, these states operate under conditions of varying depths of reform and differing degrees of external pressure, which leads to heterogeneity in the outcomes of decentralisation. The combination of the military factor in Ukraine, hybrid threats in Moldova and EU integration imperatives shapes a new logic for assessing territorial reforms, where effectiveness is determined not only by economic indicators but also by the capacity for institutional resilience and crisis management.

E. Darbaidze (2024), and M. Brie (2025) dealt with the political and institutional context of the transformations in Moldova, following the complex interaction between external integration imperatives and internal structural constraints. In particular, M. Brie (2025) reconstructed the dynamics of the process of European integration, showing that the progress in the direction of EU-membership was conditioned by the joint influence of geopolitical pressure and a fragmented identity structure in society. Within this framework, it was established that regional imbalances and politically sensitive territories, especially Transnistria and Gagauzia, complicated not only the administrative unification but also the pace of reforms implementation. At the same time, E. Darbaidze (2024) analysed internal barriers to modernisation, highlighting the prevalence of oligarchic practices and institutional weakness as factors preventing change. In this context, the study revealed that the formal adaptation of European models is not accompanied by adequate institutional internalisation, which reduces the effectiveness of reform initiatives. The study pointed to the institutional instability increases dependence on external actors, generating an asymmetrical model of transformation. In turn, A. Armeanic (2025) examined the regulatory and legal aspects of administrative reforms, emphasising mechanisms for harmonisation with the "acquis communautaire". The researcher argued that legal reform is accompanied by a need for financial equalisation between regions, as structural imbalances hinder the full implementation

of reforms. The study also determined that the effectiveness of legal changes depends on the state's ability to provide resource support to local levels of government.

The Ukrainian context of decentralisation reforms was explored in a study by O. Stohova (2024), which conducted a comprehensive analysis of the consequences of the administrative-territorial reform. The author found that the transformation of the territorial structure is accompanied by an increase in the financial self-sufficiency of communities, in particular through the expansion of the revenue base and the redistribution of powers. The study demonstrated that the newly formed territorial communities have become the bearers of administrative capacity at the local level, which has contributed to the institutional strengthening of the public administration system. At the same time, the study noted that the asymmetry in the economic potential of different communities has created unevenness in the implementation of delegated functions. Meanwhile, the historical and institutional dimension of Latvian transformations was examined in detail in the work of I. Reinholde (2022), which reconstructs the evolution of public administration over the long term. The researcher demonstrated that administrative changes were shaped by integration-oriented goals and, at the same time, emphasised the historical continuity of statehood. The study determined that the combination of external normative pressure and internal institutional memory ensured the relative stability of the reforms. The study emphasised that the professionalisation of the civil service serves as a resource for implementing complex administrative decisions. The restoration of agricultural infrastructure as a component of post-conflict territorial transformation was examined by A. Kliuchnyk *et al.* (2025a). The study showed that local communities are central to the reconstruction process, as they are responsible for coordinating efforts between the central government, the business sector and the public. The authors found that the effectiveness of recovery depends not only on the level of funding, but also on the ability of communities to mobilise internal resources and attract external assistance. At the same time, it was noted that, in the context of rural depopulation and migration losses, staff shortages are becoming a critical constraint on reconstruction processes.

An additional aspect of how local government operates was highlighted in a study by E. Lagzdina (2025), which analysed the specific features of implementing circular economy policies. The author found that support for preventive strategies coexists with the dominance of traditional waste disposal practices, indicating a structural imbalance

in municipal governance. The study established that mid-level instruments remain underdeveloped due to limited institutional coordination. The study also noted that the effectiveness of implementing innovative approaches depends on the availability of infrastructure and the level of public engagement. The European dimension of administrative-territorial reforms was expanded upon in a study by J. Dušek (2025), which conducted a comparative analysis of models of municipal consolidation and fragmentation. The author determined that the effectiveness of reforms is determined by the balance between economic expediency and the preservation of local identity, which was evident in various national strategies. The study demonstrated that voluntary amalgamation, supported by financial incentives, enhances the legitimacy of reforms and reduces social resistance. The study by J. Hazners (2024) used a quasi-experimental approach to assess the impact of financial equalisation mechanisms in Latvia. The author noted that the redistribution of resources contributed to an improvement in socio-economic indicators in the recipient regions, in particular an increase in gross value added and social benefits. At the same time, negative effects were observed in the donor regions, manifesting in a slowdown in economic growth and an intensification of migration flows.

Despite the volume of research, the relationship between administrative consolidation, institutional capacity and the security environment, as examined in a comparative study of Latvia, Ukraine and Moldova, has not been sufficiently systematically integrated. The study aimed to provide a comprehensive analysis of Latvia's regional reform as a tool for transforming territorial governance and to assess the potential for its adaptation in Ukraine and Moldova within a changing environment. Within the scope of this objective, the following tasks were set: to analyse the institutional design of the Latvian reform and its consequences; to identify structural constraints on decentralisation in Ukraine and Moldova; and to substantiate the possibilities for adapting the Latvian experience, based on security challenges.

● MATERIALS AND METHODS

The methodological framework of the study was designed as a sequential integration of quantitative, institutional-legal and comparative approaches to the analysis of Latvia's regional reform (2021) and its implications for Ukraine and Moldova in a changing environment, incorporating long-term trends (1990-2023) and the period 2021-2025. The initial section, devoted to a theoretical examination of Latvia's regional reform as an instrument for modernising territorial governance, was developed using institutional analysis, which was used to interpret the reform as a comprehensive transformation. The data set was based on Eurostat (2025) statistics. To analyse demographic depopulation, the method of retrospective comparison of time series for the period 1990-2023 was used. This time period was selected for a retrospective analysis of long-term demographic processes in Latvia, covering the post-Soviet trajectory of depopulation up to the 2021 administrative-territorial reform and creating a comparative basis for assessing changes in the subsequent period. The spatial analysis was conducted based on regional indicators from the Central Statistical Bureau of Latvia (2021),

using the criterion of territorial asymmetry, which involves comparing rates of depopulation between macro-regions and assessing population density as an indicator of the accessibility of public services.

The next stage of the study identified institutional fragmentation and fiscal incapacity among municipalities before the reform. To this end, a structural-functional approach was employed, which was used for an assessment of the alignment between the administrative structure and the functions performed. The source base consisted of Law of the Republic of Latvia No. 11 (2020), as well as statistical data from the Central Statistical Bureau of Latvia (2024). The evaluation criteria were the population size of the municipalities, the level of dependence on intergovernmental transfers, and investment activity. Data processing was conducted by comparing and grouping indicators for small and medium-sized municipalities, which identified structural constraints on their functioning. The analysis of the impact of European cohesion policy was conducted using the tools of multi-level institutional analysis. Policy documents from the European Commission (2021), which define the parameters of the Cohesion Policy 2021-2027, were utilised. The evaluation criterion was the administrative capacity of territorial units as a condition for access to structural funds. Methodologically, this involved comparing Latvia's national administrative structure with the requirements of the supranational level of governance, which was used to interpret the reform as an adaptation to external institutional standards.

The institutional and legal design of the reform was analysed by means of regulatory analysis, based on the text of the "Law on Administrative Territories and Populated Areas" (Saeima of the Republic of Latvia, 2020) and the subordinate legislation issued by the Ministry of Finance of the Republic of Latvia (2021). The methodology involved the dissection of the legislative provisions under the following criteria: configuration of administrative units, inter-municipal coordination mechanisms and instruments for joint service delivery. Applied also institutional modelling for the assessment of transformation of the functional distribution of powers, which was used for the correlation of national changes with the concept of multi-level governance. The section devoted to the administrative and financial effects of the reform was analysed using the comparative budget analysis method. The empirical basis was formed by data from LETA (2024) and the Central Statistical Bureau of Latvia (2025a), covering the period 2022-2024. This period was chosen to assess the immediate fiscal and administrative effects of the administrative-territorial reform in the first years following its full implementation, which was used for an analysis of the dynamics of budgetary indicators as the new administrative system stabilises. The evaluation criteria were the dynamics of tax revenues, the budget balance, and changes in the financing of public services. To identify economies of scale, the method of functional interpretation of costs was applied, which made it possible to correlate changes in the administrative structure with the efficiency of the education and social protection sectors. Amendments to the Cabinet of Ministers of the Republic of Latvia Regulations No. 376 (2022) were used to analyse the transformation of funding for the education network, whilst the case study of the multifunctional centre "Pērle"

was analysed based on European Commission (2023a), using the illustrative example method as a tool for verifying theoretical propositions. The regional asymmetry of the reform's effects was examined using the method of interregional comparison, employing indicators of gross domestic product (GDP) per capita (Central Statistical Bureau of Latvia, 2025b) and Latvian Public Media (2024). The criterion was the differentiation in economic productivity between the capital and peripheral regions. This made it possible to assess the limitations of administrative consolidation as a tool for levelling out development.

The effectiveness of the reform in a crisis environment was assessed using the case study method. The COVID-19 pandemic and the security challenges after 2022 were seen as stress tests of institutional capacity. The source base included reports of the State Audit Office of Latvia (2022; 2023). In addition, the materials of the Ministry of Smart Administration and Regional Development of the Republic of Latvia (2021a; 2021b), Central Finance and Contracting Agency Republic of Latvia (2023) have been used. The criteria of evaluation were the ability to respond to crises, the level of coordination between institutions, funding for the civil protection system and the adaptation of social services. The methodology involved a qualitative comparison of institutional responses with regulatory requirements and actual outcomes.

A comparative analysis of the territorial administration systems of Ukraine and Moldova was conducted using a comparative institutional approach. The source materials consisted of regulatory acts issued by the Cabinet of Ministers of Ukraine (Decentralization reform, n.d.) and statistical data on the administrative-territorial structure (National Bureau of Statistics of the Republic of Moldova 2026). Analytical reports by the OECD (2022) were also examined. The criteria for comparison were the number of administrative units, the level of fiscal decentralisation (the share of local expenditure in the consolidated budget and GDP), the degree of dependence on transfers, and human resource capacity. Data processing was conducted through a synchronous comparison covering the period 2021–2025, which covered the impact of the war in Ukraine on the budget structure. This period was chosen for a synchronous comparison of the budget structures of Ukraine and Moldova as it covers the period of martial law, which addressed the direct (for Ukraine) and indirect (for Moldova) economic consequences of the security crisis. Human resource capacity was analysed using an institutional approach, drawing on materials from the OECD (2023b).

The transferability of the Latvian model was analysed using the institutional compatibility method, which involved assessing the compatibility of legal systems and administrative practices. The analysis drew on the OECD (2023b). The criteria used were the level of centralisation, administrative capacity, the historical trajectory of reforms and the political context. Additionally, an analysis of the role of international partners was utilised. The source base comprised documents from the European Commission (2022a; 2025) and the European Parliament (2025). Materials from the OECD (2024) and the Ministry for Communities and Territories Development of Ukraine (2026) were also utilised. This addressed external factors supporting the reforms. The impact of the security

environment was examined through the integration of resilience and crisis governance approaches. The criteria used were crisis response capacity, flexibility of management decisions, and the integration of digital tools. The final section, devoted to strategic directions for adaptation, was developed using a modelling approach. The source material comprises Law of Ukraine No. 1508-VII (2014). Analytical reports from the UNDP (2022), the European Commission (2022b), and Central Finance and Contracting Agency Republic of Latvia (2023) were also utilised. In addition, materials from the OECD (2023b) were utilised. The criteria for developing the adaptation model were the phased implementation, the set of tools, the expected outcomes and the risks. Data processing involved summarising empirical observations and transforming them into a structured model that reflects the logic of transferring institutional practices.

● RESULTS

Latvia's regional reform as a tool for modernising local government

In the theoretical discourse on public administration Latvia's regional reform is regarded as a systemic institutional change that integrates the principles of territorial consolidation, fiscal decentralisation and the functional separation of powers. The regional reform in Latvia introduced in 2021 was not a stand-alone political project, but was a reaction to the cumulative effect of long-standing demographic, territorial-economic and institutional imbalances (Dahs *et al.*, 2021). Demographic dynamics was one of the triggers of the transformations: according to Eurostat (2025), the population of Latvia has decreased from 2.67 million in 1990 to 1.88 million in 2023, a decline of approximately 29.6%. The territorial asymmetry of this process is obvious: over 34% in the Latgale region, 25% in Kurzeme, while the Riga metropolitan region showed relative stability. This spatially uneven demographic erosion has led to a decrease in population density in peripheral communities to below 10 people per km², imposing structural constraints on the effective delivery of public services (Central Statistical Bureau of Latvia, 2021).

Apart from the demographic trends, the institutional fragmentation of the local self-government system became apparent. Prior to the reform Latvia had 119 municipalities, some of them with a population of less than 5,000 people (Law of the Republic of Latvia No. 2020/119C.1, 2020). These municipalities failed to achieve the minimum efficient scale of governance, which led to a situation in which a considerable share of local budgets was used not for development projects, but for the maintenance of the administrative apparatus (Bunkus & Cane, 2024). These imbalances were compounded by the fiscal insolvency of small communities. Before the reform, Latvian municipalities depended on intergovernmental transfers, which limited their autonomy in decision-making. This model of financial dependence was associated with low levels of investment activity at the local level that, in turn, aggravated regional disparities (Central Statistical Bureau of Latvia, 2024).

Another external factor was the transformation of the EU's cohesion policy. The European Commission (2021) in the programming period 2021–2027 pointed out the need

to strengthen the administrative capacity of local authorities as a prerequisite for the effective absorption of structural funds. This meant that in the context of Latvia, preservation of an excessively fragmented system of local self-government restricted access to funding and reduced the effectiveness of infrastructure and socio-economic programmes. Hence, the reform was not only an internal necessity but also a response to the institutional requirements of supranational governance.

The institutional and legal framework of the reform was formalised through the adoption of the Administrative Territories and Populated Areas Law, which took effect in 2021 and established the new configuration of the administrative-territorial structure (Saeima of the Republic of Latvia, 2020). One element of this was the consolidation of municipalities: their number was reduced from 119 to 43, accompanied by an increase in the average population size of each municipality. This configuration was designed to achieve economies of scale, thereby optimising administrative costs and improving the quality of public services. Changes in the administrative structure were accompanied by the introduction of new mechanisms for inter-municipal coordination. The role of planning regions as platforms for strategic planning and coordination of infrastructure projects was strengthened. At the same time, joint service delivery tools were introduced, which can be used by several municipalities to pool resources to perform administrative functions, particularly in the areas of education, social protection and digital governance (Ministry of Finance of the Republic of Latvia, 2021).

The transformation of the functional distribution of powers has become another key element of the reform. There has been a clearer demarcation of responsibilities between the central and local levels, which has reduced the duplication of functions. Municipalities were granted expanded powers in the areas of economic development, education management and spatial planning, whilst retaining responsibility for basic social services. This approach aligns with the concept of multi-level governance, which entails the vertical integration of policies whilst preserving the autonomy of sub-national actors (Hooghe & Marks, 2021). In summary, the preconditions for reform in Latvia were shaped by interrelated demographic and fiscal-institutional factors, whilst its institutional design reflects a drive to achieve structural efficiency through consolidation, coordination and the redistribution of powers. At the same time, a distinctive feature is the integration of national transformations into the broader context of European cohesion policy, which determines not only the direction of reforms but also the criteria for their evaluation.

The managerial and financial implications of Latvia's administrative-territorial reform following 2021 are not manifested as a linear effect of consolidation, but rather as a multidimensional transformation of institutional capacity, encompassing budgetary, organisational and service-related aspects. For example, the consolidation of municipalities has created the conditions for a reallocation of resources from administrative overheads to functional expenditure; however, this process is accompanied by spatial differentiation of effects (Ketners & Petersone, 2024). In this context, the mechanism involves not only a reduction in the size of the

administrative apparatus but also the centralisation of back-office functions (accounting, IT, procurement), which creates an effect of operational consolidation. Changes in budgetary decentralisation reflect a more complex trajectory. Although formally the level of financial autonomy has not undergone a radical revision, the structure of municipal revenues has transformed. In 2022–2024, there was an increase in tax revenues to local budgets: by the end of 2023, municipal tax revenues exceeded the target by 5.6%, and personal income tax receipts rose by 6.1% compared to 2022 (LETA, 2024). In 2024, local budgets ended the year with a surplus of 68.6 million EUR (Central Statistical Bureau of Latvia, 2025a). This positive trend is not solely the result of fiscal changes but reflects an expansion of the tax base of the enlarged municipalities, which have gained greater economic opportunities.

The economies of scale resulting from the administrative-territorial reform are also evident in the public services sector, particularly in education. The consolidation of municipalities has created the conditions for optimising the school network and improving the efficiency of budget spending. According to estimates, Latvia spends more per pupil than Estonia, which is explained by the inefficient structure of the school network, which requires optimisation (Amendments to the..., 2022). The move to “funding follows the pupil” has created greater transparency in the allocation of resources. At the same time, the reform has created new opportunities for the implementation of specialised social services. For example, the multifunctional social services centre “Pērle” in Cēsis region, established with the support of the European Regional Development Fund (over 1 million EUR) and the European Social Fund (over 9 million EUR), provides services to support independent living for people with psychosocial and intellectual disabilities (European Commission, 2023a). This example illustrates that the effect of consolidation is not only cost savings but also the possibility of creating specialised services that previously were unavailable to individual small communities.

At the same time, the results of the reform reveal marked regional disparities. Economically developed areas integrated into the Riga functional zone have benefited most from the consolidation, thanks to their well-developed tax base and infrastructure. In contrast, peripheral regions, particularly the Latgale region, continue to face constraints linked to demographic decline and low investment attractiveness. According to data from the Central Statistical Bureau of Latvia, in 2023, GDP per capita in the Riga region stood at 30,440 EUR, the highest figure among the country's regions, whilst in the Latgale region this figure was only 11,536 EUR. Thus, the level of economic productivity in the capital region exceeds the corresponding figure in the Latgale region by a factor of 2.6 (Central Statistical Bureau of Latvia, 2025b). According to Latvian Public Media (2024) estimates, Latvia's overall GDP per capita in 2023 was 29% below the EU average, indicating regional disparities at both national and European levels. This suggests that administrative consolidation does not automatically level out regional disparities, but requires additional development policies. A summary of the transformation parameters before and after the reform is presented in Table 1.

Table 1. A comparative analysis of Latvia's administrative-territorial structure before and after the reform

Indicator	Before the reform (up to 2021)	After the reform (2021-2025)	An analytical interpretation of the transformation
Number of municipalities	119	43	Reducing the number of administrative units by more than half marked a shift from a fragmented model to a consolidated system of governance focused on the functional capacity of local areas
Type of administrative structure	Small municipalities with a limited tax base	36 enlarged municipalities (novadi) and 7 state cities (valstspilsētas)	An institutional distinction emerged between urban centres and the periphery, enabling the development of different governance models for different types of territories
Middle management	High variability (1-24,000 people)	Larger and more uniform units	Addressing substantial disparities in the size of local authorities has reduced inequalities in access to services and laid the groundwork for standardising governance
Administrative capacity	Some municipalities failed to provide basic services (only 14 out of 119 had access to jobs for ≥50% of the population)	Focus on "economically viable" communities (following the reform, 30 out of 43 municipalities will have access to jobs for ≥40% of the population)	The reform was specifically aimed at eliminating underperforming units that were unable to conduct their statutory functions
Organisation of public services	Fragmented, with overlapping functions	Consolidated, with potential for network optimisation (schools, healthcare)	Consolidation has paved the way for the reorganisation of infrastructure and the reduction of inefficient costs through economies of scale
Financial capacity	Limited tax revenues in small communities	In 2024, local budgets ended the year with a surplus of EUR 68.6 million	Expansion of the territorial and economic base, as well as the change in the mechanism for allocating personal income tax (75% to local authorities, 25% to central government), has increased the potential for self-financing, although regional disparities have persisted
Spatial control logic	Administrative-historic	Functional-economic (formation of clusters based on transport and industrial concentration)	Transition to a model characterised by economic links, population mobility and infrastructure hubs
Institutional role of local authorities	Limited capacity to implement policies	Expanded powers, but with the risk of the government becoming detached from the public due to reduced representation	Role of the local level as an entity within the public administration has been strengthened; however, to compensate for the reduction in representation, a new body – the residents' council – has been established

Source: compiled by the authors based on OECD (2019; 2023a), Saeima of the Republic of Latvia (2020b), Law of the Republic of Latvia No. 11 (2020), Ministry of Smart Administration and Regional Development of the Republic of Latvia (2021a), J. Radzevics (2023), Central Statistical Bureau of Latvia (2025b)

The changes involved not only a reduction in the number of administrative units, but also a shift in the very logic of territorial governance. Before the reform, the Latvian system was characterised by a high degree of fragmentation, which directly affected the ability of municipalities to perform their basic functions. The reform was followed by institutional standardisation. The consolidation resulted in units that were more uniformly scaled, which guaranteed the standardisation of administrative procedures and greater predictability of management decisions. It takes place in the framework of the EU multi-level governance where municipalities are policy implementers and have to follow equal standards. However, the transformation is not linear at the same time. Another effect that comes about along with the strengthening of administrative capacity is the movement of the centre of governance towards urbanised areas. The challenge of the reform is the balance between effective governance and the preservation of local identity. Consolidation has the economic logic of governance but may be at the same time weakening the social integration at the local level. Another point is the functionalisation of territories. The

reform is based on the assumption that administrative boundaries should correspond to the real flows of population, labour and services. That means a shift from historically constituted units to the economic geography of the territories. The same can be done for the integration of transport, education and social infrastructure planning in one system. But structural imbalances have yet to be fully dealt with. Demographic decline and concentration of economic activity in the vicinity of Riga maintain significant regional disparities. This indicates that administrative reform by itself is not sufficient as an instrument for levelling out development and should be accompanied by regional growth policies.

To summarise the post-reform configuration of Latvia's administrative-territorial system, it is necessary to apply a structural-functional model that reflects the interrelationship between the three components of governance. Within this model, the system functions as a linear-cyclical interaction between institutional consolidation, the organisation of public services and the provision of resources to territories. The basic logic of the model is presented in Figure 1.

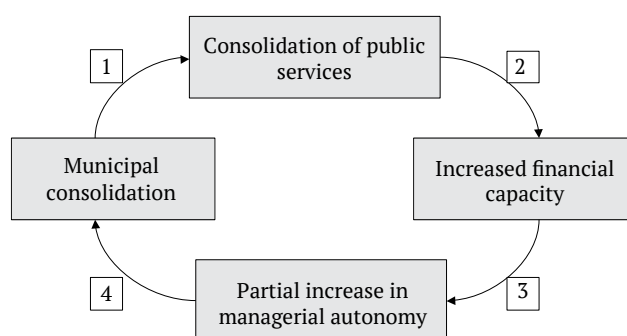


Figure 1. Structural-functional model of control components

Source: compiled by the authors based on Saeima of the Republic of Latvia (2020), Law of the Republic of Latvia No. 11 (2020), Amendments to the Cabinet of Ministers of the Republic of Latvia Regulations No. 376 (2022), European Commission (2023a), Central Statistical Bureau of Latvia (2025b)

In this framework, the first element (consolidation) serves as a structural prerequisite, reducing the fragmentation of the administrative system and creating larger administrative units. The second element (consolidation of services) reflects the functional level of the model, where the education, social services and infrastructure networks are optimised through economies of scale. The third element (financial capacity) captures the resource outcome, which manifests itself in the expansion of the tax base and the growth of local budget revenues. The final element (partial autonomy) reflects the limited feedback effect of the system, as financial independence grows but remains dependent on the state level. Overall, the model demonstrates not linear decentralisation, but a closed adaptation mechanism in which administrative consolidation triggers successive functional and financial changes, yet does not eliminate vertical dependence. This configuration can be used to interpret the reform as a transition to a managed multi-level system with partial functional autonomy for territories.

Assessing the effectiveness of reform in a changing environment reveals further dimensions of its performance. The COVID-19 pandemic (2020-2023) served as the first stress test for Latvia's administrative system. The emergency exposed the weaknesses of Latvia's decentralised civil protection system, where many institutions are involved in management but none bear responsibility, and the search for the most suitable crisis management model continued throughout the pandemic (State Audit Office of Latvia, 2022). At the municipal level, the crisis highlighted the need to adapt social services: social workers were forced to switch to more flexible, remote forms of work, and new crisis support measures for families with children were introduced at the local level. At the same time, an academic analysis of Latvia's institutional response to the crisis showed that the government managed to avoid serious functional breakdowns (Šteinbuka *et al.*, 2022). After 2022, security challenges linked to regional instability heightened the significance of institutional resilience. A state audit found that the civil protection system is underfunded (EUR 6-8 million is required annually for state material reserves, which have not been allocated for at least four

years), and the last nationwide civil protection exercises were held as far back as 2016. In this context, the administrative-territorial reform has laid the groundwork for more consolidated governance, notably through investment in road infrastructure (EUR 91.9 million in 2021) to improve access to administrative centres and public services (Ministry of Smart Administration and Regional Development of the Republic of Latvia, 2021b), as well as through the Recovery and Resilience Fund's plans, which aim to reduce territorial disparities by improving access to social services and employment in the regions (Central Finance and Contracting Agency Republic of Latvia, 2023).

At the same time, critical assessments highlight the risks associated with the reform. The reduction in the number of municipalities decreased residents' representation on local councils, resulting in the government becoming more distant from the population and alienating them (Radzevics, 2023). As a compensatory mechanism, a new institution – the residents' council – was introduced on 1 January 2023; however, it is merely an advisory body with limited powers and cannot replace local self-government. Local authorities do not ensure citizen participation in many matters, especially in the search for solutions, the development of projects and the assessment of the impact of decisions taken, which leads to poor-quality administrative decisions (State Audit Office of Latvia, 2023). In addition, the reform was accompanied by limited consultation with communities and a reduction in the budgetary autonomy of municipalities, which remain overly dependent on state funding and targeted grants, thereby limiting their ability to effectively address local priorities, according to international monitoring reports by the Congress of Local and Regional Authorities of the Council of Europe (Latvia – monitoring report, 2024). Thus, the administrative and financial effects of the Latvian reform are ambivalent. On the one hand, there has been an increase in administrative and fiscal capacity, cost optimisation and an improvement in service quality. On the other hand, regional disparities and social challenges associated with centralisation persist. The conditions of the pandemic and security instability have demonstrated that larger administrative structures are more adaptable, yet their effectiveness depends on the ability to combine institutional rationalisation with mechanisms for local participation and representation.

Implications of the Latvian experience for governance reform in Ukraine and Moldova

A comparative analysis of local government systems in Latvia, Ukraine and Moldova has revealed not only differences in formal institutional structures, but also variations in the extent of decentralisation processes, fiscal autonomy and the human resource capacity at the sub-national level. These differences are the consequence of historical development paths, the extent of integration in European institutions and the intensity of reforms in 2015-2025. After the completion of the 2020 decentralisation reform (Decentralization reform, n.d.), Ukraine's system of territorial governance is based on a three-tier model: communities (1,469 territorial communities as of 2024), expanded districts (136) and regions (24 + the Autonomous Republic of Crimea *de jure*) (Buyukeren, 2025). At the basic level, this model is characterised by a high degree of horizontal

consolidation, bringing it closer to the Latvian approach after 2021. At the same time, Moldova is characterised by a more fragmented structure: 32 districts, 13 municipalities, 54 towns and 915 rural settlements (communes) as of 1 January 2025 (National Bureau of Statistics of the Republic of Moldova, 2026). This configuration is one of partial territorial reform and the retention of small administrative units with low capacity.

The financial dimension of decentralisation in Ukraine and Moldova can be sufficiently analysed through the share of general government expenditure at the local level. In 2021, local budget expenditures accounted for some 34-36% of the consolidated budget, which is approximately 10-11% of GDP (OECD, 2022). This attests to the rather high level of fiscal decentralisation achieved as a result of the reform in 2015-2020. At the same time, the financing structure changed in 2022-2024: the share of intergovernmental transfers increased due to war-related expenditure, which reduced the real autonomy of local authorities despite the preservation of formal indicators (Bedriy *et al.*, 2025). Moldova has a similar, but lower indicator. The share of local expenditure is of the order of 20-25% of total public expenditure, which is of the order of 7-8% of GDP. Local authorities' revenues are still limited and less than half of their budgets, showing a dependence on central funding and little fiscal autonomy (OECD, 2023b). In this case, the significance of the Latvian experience for Ukraine and Moldova is not in the level of indicators as such, but in the structural balance of the system. Ukraine has a high degree of decentralisation in terms of expenditure parameters, but still has interregional asymmetry and dependence on transfers in crisis times. On the contrary, Moldova is marked by institutional fragmentation and weak local budgets which affect the effective implementation of devolved powers. This indicates that quantitative indicators of decentralisation are not sufficient, in themselves, to reflect the real capacity of the local level to develop autonomously.

Several studies treat the human resource capacity of local authorities in Ukraine and Moldova as one of the limiting factors of the effectiveness of decentralisation, but

this assessment is made not via formal educational indicators but via the ability of institutions to perform expanded management functions. As for Moldova, the report of the OECD (2023b) indicates that local authorities lack qualified staff, especially in the areas of financial management and strategic and project management, which limits their ability to implement public policies at the local level. Similarly, it is mentioned that the limited number of administrative units makes it difficult to build a professional workforce because resources are still scattered. The staffing dimension takes a different form in Ukraine: decentralisation reform created institutionally capable communities. But the problem is the uneven distribution of administrative capacity across communities, which is most visible in rural areas and communities with a limited economic base (Patyka *et al.*, 2023). Thus, even with formally expanded powers, not all communities are able to exercise them equally effectively, in particular in the areas of budget planning, attracting investment and rehabilitation of infrastructure.

In this sense, the process of European integration can be seen as an institutional catalyst for change as it involves not only the harmonisation of legislation but also the improvement of public administration. The strengthening of administrative capacity at the local level is needed for the effective implementation of the EU *acquis*, including the management of European funds and the implementation of sectoral policies (Nakrošis *et al.*, 2023). Accordingly, the human resources component of the transformation takes on systemic significance, as it determines the actual, rather than merely declarative, capacity of territorial units to function within a multi-level governance framework. Thus, in Moldova, the human resources problem is structural in nature and linked to the fragmentation of the governance system, whereas in Ukraine, it is manifested in the form of territorial asymmetry of capacity. This reinforces the conclusion that the effectiveness of decentralisation is determined not only by the scope of devolved powers, but by the ability of local institutions to ensure their high-quality implementation. The transformation of territorial governance in Ukraine and Moldova is shown in Table 2.

Table 2. Comparative analysis of local government reform in Ukraine and Moldova (2021-2025)

Indicator	Ukraine	Moldova	Analytical interpretation
Model of territorial reform	Consolidation of local authorities as part of the 2015-2020 decentralisation process has been completed	Partial decentralisation without systematic consolidation of local authorities	Ukraine has transitioned to a functionally consolidated model, whilst Moldova retains a fragmented system
Number of basic administrative units	1,469 local authorities	898 mayors	There has been a significant reduction in the number of small units in Ukraine, whilst small-scale management prevails in Moldova
Administrative structure	Three-tier system: community – district – region	Districts – boroughs – municipalities	The Ukrainian model is more standardised and integrated
Level of fiscal decentralisation	Share of local expenditure is approximately 34-36% of the consolidated budget	Local expenditure accounts for around 20-25% of public expenditure	Ukraine is characterised by a higher degree of financial autonomy at the local level
Financial capacity of local authorities	Expanded tax base and direct intergovernmental relations	Significant dependence on central government transfers	Moldova continues to experience a high degree of financial dependence at the local level
Organisation of public services	Development of the Centre for Administrative Services, the digitalisation of services, and the optimisation of the education and healthcare networks	Fragmented service delivery with limited digitalisation	Ukraine is demonstrating a higher level of functional modernisation in governance

Table 2, Continued

Indicator	Ukraine	Moldova	Analytical interpretation
Human resources capacity	Varies from community to community, but a professionalised local level has been established	Shortage of skilled staff in small local authorities	Fragmentation in Moldova is hindering the development of a sustainable workforce
Spatial control logic	Emphasis on functional links and service accessibility	Primarily an administrative-historical model	Ukrainian reform has partially shifted towards the functional-economic principle
Impact of the crisis environment	The war, since 2022, has transformed communities into actors in crisis management and recovery	COVID-19, the energy crisis, migratory pressures and the Transnistrian factor have exposed the weaknesses of a fragmented system	A changing environment has heightened the significance of institutional resilience at the local level
Key structural constraints	Interregional resource disparities and dependence on transfers during wartime	Administrative fragmentation and limited financial autonomy	Both systems remain vulnerable to external crises, but for different reasons

Source: compiled by the authors based on Decentralization reform (n.d.), OECD (2022; 2023b), World Bank (2022), UNDP (2022), S. Cornea (2022), Law of the Republic of Moldova No. 225 (2023), United Nations High Commissioner for Refugees (2023)

An analysis of the feasibility of transferring the Latvian model of territorial governance to Ukraine and Moldova requires consideration not only of formal institutional parameters, but also of the underlying compatibility of legal systems, administrative practices and political contexts. The consolidation of municipalities, which became a central element of the reform in Latvia in 2021, is of partial relevance to Ukraine, where similar processes have already been implemented as part of the 2015–2020 decentralisation. The Ukrainian model of voluntary amalgamation of territorial communities led to the formation of 1,469 viable communities (Treffers, 2023). Therefore, the Latvian experience is not a novelty but a confirmation of the effectiveness of the consolidation approach as a mechanism for achieving administrative and financial viability. The situation in Moldova is different, of course. The maintenance of 898 municipalities with an average population of 2,500 (Cornea, 2022) implies the absence of systematic consolidation at the basic level of government. In this context, the Latvian model can be taken as a reference point for reform, but its implementation will require adaptation to local socio-political conditions, especially the low level of trust in central government and the limited administrative capacity.

Institutional compatibility is one of the factors determining the feasibility of transfer. Latvia operates within the framework of the “*acquis communautaire*”, which provides for clear regulation of powers, financial discipline and management procedures. Ukraine and Moldova, as EU candidate countries, are gradually harmonising their legislation with European standards. This creates a regulatory framework for the partial adoption of Latvian practices, but does not eliminate gaps in law enforcement. The risks of mechanical adoption lie in the fact that institutional solutions effective in one country may lose their effectiveness in another due to differences in historical development. In the case of Ukraine, decentralisation took place in the context of a profound transformation of public administration after 2014, which shaped a specific model of interaction between the centre and local communities. The success of the Ukrainian reform is due to the combination of fiscal decentralisation with political support at the national level (Bondarenko, 2025). Thus, a blind copying of the Latvian model, without taking this context into account, could lead to institutional dysfunction. In Moldova this is even

more acute, due to the post-Soviet tradition of centralised governance and the limited experience of local financial autonomy. The weakness of local institutions in Moldova is connected not only to resource constraints but also to the poor quality of administrative procedures, estimates the OECD (2023b). This implies that convergence of local authorities without simultaneous improvement of institutional quality may not produce the expected results.

International partners are very important in this process, because they bring not only financial support, but also expert guidance for the reforms. The European Union, using the instruments of its cohesion policy and the European Commission program, finances the development of projects of local self-government in Ukraine and Moldova (2022a). In particular, the “EU4Moldova: Local Communities” project (2022–2025) supports local authorities in Moldova to enhance governance and service delivery in rural communities (European Parliament, 2025). In Ukraine, the EUroBRIDGE_UA_MD project (2025–2029) was launched in 2025 with a budget of 2 million EUR under the Cohesion Policy to strengthen the institutional capacity of border regions and prepare local administrations to implement EU cohesion policy standards (European Commission, 2025). The UNDP (2022) has programmes to support decentralisation, including in Ukraine through the “EU4Recovery” project which in 2023–2024 covered more than 100 communities, contributing to infrastructure recovery and the enhancement of administrative capacity (Ministry for Communities and Territories Development of Ukraine, 2026). For its part, the OECD (2024) provides analytical support and develops recommendations on multi-level governance so that the Latvian experience can be adapted to the specific circumstances of other countries. The rationale and priorities of territorial reforms are greatly influenced by the impact of the security environment. The role of local self-government has been transformed by the war in Ukraine from 2022 into a crucial player in crisis management. Local communities are directly involved in providing essential services in the areas of humanitarian aid, population evacuation and reconstruction of infrastructure.

Therefore, decentralisation in wartime takes on not only an economic but also a security dimension. For Moldova, the factor of a changing environment also had a systemic impact on the transformation of territorial governance, although its configuration differed from the

Ukrainian case and combined epidemiological, energy, migration and security-territorial challenges. The energy crisis of 2022-2023, caused by a sudden increase in prices for imported gas and electricity, became a destabilising factor, increasing the dependence of local budgets on central funding and limiting the resource autonomy of the municipal level (World Bank, 2022). The massive inflow of Ukrainian refugees after the start of the full-scale war in Ukraine also put a significant strain on the local governance system: in 2022, Moldova hosted one of the highest numbers of refugees in Europe in relation to its domestic population (UNHCR, 2022), which increased pressure on municipal infrastructure, the housing sector and the social security system, particularly in the border and urbanised areas. At the same time, the unresolved Transnistrian conflict is a specific source of instability for Moldova, creating a long-standing regime of asymmetric territorial governance and undermining the integrity of the public administration system. The presence of a de facto uncontrolled territory and a Russian military contingent create risks for decentralisation and the coordination of infrastructure development; the Transnistrian factor has also become more important since 2022 because of the increased regional security tensions (Douglas & Wolff, 2024).

In a context of permanent uncertainty, the need for flexible administrative models emerges. Systems that are too rigidly centralised or too fragmented are less effective than models which combine consolidation with mechanisms for local autonomy. Thus, the Latvian reform can be considered as an example of such a hybrid model, but its transfer to Ukraine and Moldova will have to be adapted to the security challenges, institutional legacies and the level of integration into the European space. Therefore, the transferability of the Latvian model is constrained by the conditions of institutional compatibility and contextual specificity. Its implementation is possible only with structural changes, together with the development of human resources, digital management tools and mechanisms of adaptation to the crises, which is of particular importance in the context of the security challenges of the 2020s.

One of the mechanisms for overcoming the limitations of administrative scale is to strengthen inter-municipal cooperation without formal merging of territorial units. Such mechanisms are implemented in Latvia by joint

institutions for service delivery and regional planning platforms after the reform in 2021. In Ukraine, there began to develop similar instruments after the adoption of Law of Ukraine No. 1508-VII (2014), and as of 2024, more than 900 cooperation agreements were signed, covering waste management, water supply, and fire safety. This approach is of particular importance for Moldova considering the high fragmentation of administrative units which makes it difficult to reach economies of scale without the creation of horizontal cooperation networks. The optimisation of administrative units on the basis of functional criteria implies the abandonment of a purely territorial approach to the formation of communities and the emphasis of economic and social ties. The consolidation of municipalities in Latvia was based on transport accessibility, the structure of the labour market and service centres availability. In Ukraine a similar logic was used to some extent during the consolidation of viable communities, but gaps in access to services persisted, particularly in rural areas (UNDP, 2022). In Moldova, the application of functional criteria could be the basis for future consolidation reforms, as the existing network of municipalities does not reflect economic realities (Law of the Republic of Moldova No. 225, 2023).

The development of digital governance forms the infrastructural foundation for improving the efficiency of local government, regardless of the size of administrative units. Latvia is among the countries with a high level of digitalisation of public services: according to the European Commission (2022b), over 84% of public services are available online. Ukraine is demonstrating rapid progress in this area through the development of the "Diya" platform, which, as of early 2025, serves 18.3 million users and offers over 120 digital services (Bulavynets *et al.*, 2026). For Moldova, digital governance is viewed as a tool for overcoming staffing and resource constraints; however, its level of implementation remains lower due to institutional barriers. The institutionalisation of multi-level governance ensures the integration of local, national and supranational levels in the decision-making process. Latvia, as an EU member state, operates within a well-developed system of multi-level governance, where municipalities are directly involved in the implementation of European programmes. The systematisation of strategic adaptation directions is presented in Table 3

Table 3. Model for the adoption of the Latvian experience to Ukraine and Moldova

Direction	Implementation stages	Tools	Expected result	Risks
Inter-municipal cooperation	identification of common needs → conclusion of agreements → creation of shared services	Cooperation agreements, joint ventures	Reduction of costs, improvement in service quality	Conflicts of interest, inequality between partners
Optimisation of units	analysis of functional links → consolidation/redistribution of powers	Spatial planning, legislative changes	Increased accessibility of services, economies of scale	Social resistance, political risks
Digital governance	development of IT infrastructure → service integration → scaling	e-services, digital platforms	Cost reduction, increased transparency	Cyber threats, digital inequality
Multi-level management	harmonisation of legislation → integration into EU programmes	Institutional coordination mechanisms	Improvement of policy efficiency, access to funding	Bureaucratic complexity

Source: compiled by the authors based on Law of Ukraine No. 1508-VII (2014), Law of the Republic of Latvia No. 2020/119C.1 (2020), S. Cornea (2022), European Commission (2022b), UNDP (2022), Central Finance and Contracting Agency Republic of Latvia (2023), OECD (2023b)

An analysis of this model shows that the adaptation of Latvia's experience is not a one-off process, but involves a phased transformation of the institutional environment. The most versatile tool is inter-municipal cooperation, which can be implemented without major structural changes. In contrast, the optimisation of administrative units requires political resources and social legitimacy, which complicates its implementation. Digital governance acts as a catalyst for change, as it can increase the efficiency of governance even whilst maintaining the existing territorial structure. At the same time, its effectiveness depends on the level of digital literacy among the population and the institutional capacity of public authorities. Multi-level governance, in turn, creates the framework for integrating national reforms into the European context, but requires a high level of coordination between different levels of government.

Consequently, the relevant aspect of Lithuania's experience for Ukraine is not the consolidation of territorial units, as the Ukrainian reform has already implemented a large-scale consolidation of communities, but rather the mechanisms for functional integration between the local, regional and central levels of government. The Lithuanian model demonstrates a higher level of institutional coherence between spatial planning, investment policy and sectoral governance, particularly in the areas of healthcare, education and transport infrastructure. Unlike Ukraine, where a significant proportion of local authorities will operate after 2022 under conditions of uneven security, demographic and financial capacity, Lithuania has established a system of regional coordination through integrated mechanisms of strategic planning and multi-level budgetary coordination. Of particular value to Ukraine is the experience of combining decentralisation with a state system of regional equalisation, where the financial autonomy of municipalities is not accompanied by a complete transfer of risks to the local level. In the context of post-war recovery, this is of fundamental importance, as the Ukrainian model is currently characterised by the significant dependence of frontline and depressed communities on transfer support. Ukraine could adopt the Lithuanian approach to establish functional macro-regions for recovery, integrate spatial planning with reconstruction policy, and create sustainable models of inter-municipal cooperation in the context of demographic decline and internal migration.

For Moldova, Lithuania's experience is particularly relevant in the context of overcoming institutional fragmentation and establishing an effective model of territorial governance amidst external security risks and structural marginalisation. The Moldovan system, on the contrary, is still characterised by a large number of mayors who are under-resourced with limited human and financial resources, unlike Ukraine where reform has already changed the basic level of governance a lot. An example is Lithuania where territorial policy combines administrative consolidation with the development of regional growth centres and the digitalisation of public services. This is relevant for Moldova in the context of population out-migration and uneven access to services. There is also the Lithuanian experience of integrating peripheral territories into a single economic and transport space via functional links, rather than administrative boundaries. This is important for Moldova,

considering the Transnistrian factor, which increases the asymmetry of territorial development and complicates the implementation of a unified state policy. Moreover, the experience of Lithuania in strategic use of the European Structural Funds in support of the regional convergence can be a potential model for Moldova in the process of EU standards adaptation, as it can be used for the combination of administrative reform with the economic modernisation of territories, rather than reducing it solely to changes in the configuration of local government bodies.

● DISCUSSION

Synthesis of the findings developed a more comprehensive interpretation of regional reforms as a process that extends beyond mere administrative consolidation. Such integration has shown that the effectiveness of territorial reforms is determined not by individual parameters, but by their interaction, where demographic structure, financial base, human resource potential and the level of digitalisation form a single system that is sensitive to external shocks. A synthesis of the study's findings revealed conceptual similarities with the propositions formulated by G. Malinovska (2020), albeit with a broader interpretative scope. In the aforementioned work, the emphasis was placed on the initial structural imbalances of the Latvian local self-government system, in particular the low population density and the limited administrative capacity of municipalities, which made it impossible to properly perform delegated functions. The present study confirmed these findings, yet demonstrated that institutional failure was not merely a consequence of demographic factors, but arose as a result of the interplay between demographic contraction, fiscal dependency and spatial fragmentation. In contrast, the author, who interpreted the reform primarily as a tool for improving efficiency, this study revealed a shift in the very logic of territorial governance – from an administrative-historical to a functional-economic one. At the same time, the results of a survey of the population of Latgale, as presented by G. Malinovska (2020), correlate with the identified risks of alienation from the authorities and loss of local identity, which were considered in the study as a side effect of administrative consolidation. Thus, empirical observations regarding the population's perception of the reform complemented the institutional analysis, confirming the need to balance the efficiency and accessibility of services.

The findings of S. Karvatska *et al.* (2023) regarding the conditions for the success of local self-government reforms in Ukraine were partially confirmed, but were interpreted in a more nuanced manner. In the aforementioned study, the factors identified were overcoming the Soviet legacy, the existence of a legal framework and human resources, as well as foreign policy considerations. The research conducted demonstrated that even in the presence of institutionally formalised decentralisation and several established territorial communities, territorial asymmetry in capacity remains a decisive limiting factor. This conclusion clarifies the position of scholars, as the problem lies not only in inherited institutional barriers but in the uneven distribution of resources and administrative capabilities among communities. At the same time, the thesis regarding the importance of human resource capacity was

confirmed, but expanded through the interpretation of human resource capacity as a functional category encompassing the ability for strategic planning and resource management, rather than merely formal qualifications. Concerning external conditions, the study demonstrated that the factor of the war after 2022 transformed the logic of decentralisation, turning it from a development tool into a mechanism for ensuring resilience, a point that was not fully reflected in the authors' work.

The findings of P. Fuhelo *et al.* (2022) regarding the financial effects of decentralisation in Ukraine are consistent with the results of this study; however, their interpretation has been further refined by taking the crisis context into account. In that study, the growth in local budgets' own revenues between 2016 and 2020 was considered an indicator of increased financial autonomy. The present study confirmed this trend, but at the same time noted its instability during the period 2022-2025, when the growing role of intergovernmental transfers, driven by military expenditure, limited the real autonomy of local authorities. Thus, the researchers' conclusions are relevant to the pre-crisis period but require adjustment to account for new macroeconomic conditions. Additionally, the study expanded the interpretation of the revenue structure, confirming the dominance of personal income tax as a source of local budget revenue whilst highlighting the risks of such dependence in conditions of economic instability. In this context, the Latvian experience was interpreted not as a model with a higher level of revenue, but as a system with a more balanced structure of financial resources.

The approach taken by A.V. Stefanita (2022) to classifying models of local autonomy in European countries demonstrates conceptual consistency with the findings of this study, but requires further clarification regarding practical implementation. In the aforementioned work, the Baltic states were considered as an example of a relatively simple administrative structure that ensures the transparency of functional autonomy. The present study confirmed this characteristic but showed that even within such a model, regional disparities persist, which are not automatically eliminated through administrative simplification. The thesis regarding the effectiveness of rapid reforms for post-socialist states received empirical confirmation using the example of Latvia, but was supplemented by the conclusion that further institutional fine-tuning is necessary following the formal completion of the reform. In the context of Ukraine and Moldova, the classification by A.V. Stefanita (2022) interpreted them as systems in a transitional state between a centralised and a hybrid model; however, the study showed that the factor driving their transformation is not the type of administrative system as such, but the level of integration into multi-level governance and the ability to adapt to security challenges.

A. Geske *et al.* (2022) Latvia's administrative-territorial reform was examined through the lens of education policy, where the consolidation of municipalities was seen as a factor that complicated the management of education networks, yet simultaneously expanded the analytical scope for assessing the quality of education at the sub-national level. The present study confirmed this duality of effects, but extended its interpretation beyond the education sector, showing that consolidation not only improved access

to aggregated data but also created the conditions for the functional standardisation of management across various public service sectors. Whilst researchers have emphasised the instrumental dimension of educational data use, this study found that a similar logic applies to other areas, notably budget planning and social services, where larger administrative units ensure greater comparability of indicators. At the same time, the findings regarding the uneven distribution of effects are consistent: the variation in the size of municipalities following the reform creates an asymmetry in administrative capabilities, which is reflected in the education sector through differences in the quality of educational outcomes, and in the broader administrative context through an imbalance in financial capacity and access to resources.

In the study by S. Horbliuk & O. Brovko (2022), local government reform in Ukraine was presented as a comprehensive process aimed at institutional streamlining, strengthening communities and establishing a capable territorial framework for public administration. This interpretation is generally consistent with the findings of the present study; however, the latter has identified the internal limitations of this model in greater detail. Whilst the researchers focused on the normative and institutional logic of the reform and its phased implementation, the present study revealed that, following the completion of administrative consolidation, the challenge was not structural fragmentation but the spatially differentiated capacity of communities. Thus, the study clarified that achieving the formal goal of consolidation did not lead to full functional convergence of communities, but instead created a new type of asymmetry that was not central to the authors' study. At the same time, the conclusions regarding the incompleteness of the reform coincide; however, in the study conducted, this incompleteness was interpreted not only as institutional but also as functional-territorial.

The analytical model developed by I. Burmester (2025), which explained Moldova's political transformation through the impact of a security crisis, provided a broader interpretation of the study's findings regarding the relationship between external shocks and institutional changes. The author's work demonstrated that the crisis caused by the Russian invasion of Ukraine accelerated the processes of democratisation and European integration in Moldova. The present study complemented this approach by showing that similar external factors influenced not only the political sphere but also the transformation of local governance. The study found that, in the context of hybrid threats, the importance of institutional resilience at the local level increases, which, in turn, heightens the relevance of municipal consolidation or cooperation. Thus, the conclusions of I. Burmester's (2025) approach regarding crisis as a catalyst for change has been extended to the realm of administrative-territorial reforms, where the security factor has begun to determine not only the political but also the administrative configuration of the state.

In the study by E. Broks *et al.* (2026), Latvia's experience of European integration was examined as an institutionally consistent process of harmonising the legal system and adapting to the "acquis communautaire", which shaped a structured reform trajectory. The study confirmed the relevance of this experience, but the focus shifted to the

limitations of its transferability to the contexts of Ukraine and Moldova. While the researchers highlighted the possibility of using the Latvian case as a benchmark for Ukraine, the results of the study showed that the context shaped by war and asymmetric security risks significantly alters the conditions for implementation. The study established that Ukraine's European integration process was unable to replicate the Latvian model linearly, as it took place under the influence of concurrent crisis processes. Thus, the authors' conclusions were refined by incorporating the factor of an unstable environment, which transformed the classical model of institutional convergence.

The study by A. Kliuchnyk *et al.* (2025b) found that the level of e-government implementation is directly correlated with the investment attractiveness of local authorities: the digitalisation of administrative services reduces transaction costs, increases the transparency of administrative decisions and creates the conditions for attracting external resources. This study confirms this thesis but extends it to the level of regional reforms in Latvia, Ukraine and Moldova. Whilst the authors emphasised digitalisation as a tool for economic development, this study has shown that digital governance also serves to adapt territorial systems to crisis conditions. Latvia, with an online service accessibility rate of over 84%, demonstrated greater resilience of administrative procedures during the pandemic and security crisis. At the same time, unlike the researchers' study, which was based on an analysis of individual communities, the present study found that the positive effect of digitalisation is negated by the persistence of administrative fragmentation (as in the case of Moldova) or territorial asymmetry of capacity (as in Ukraine). Thus, the comparison confirms that digital governance is a necessary but insufficient condition for the success of territorial reforms: its effectiveness is only realised in conjunction with institutional consolidation and the professionalisation of the workforce.

The findings of L. Jankova *et al.* (2020), which highlighted the limited potential of administrative-territorial reform to address regional disparities, have been empirically confirmed by this study, albeit on a larger scale. The researchers' study focused on the Zemgale region, where consolidation did not guarantee economic growth in the newly formed units. This study generalised this conclusion to the national level, showing that even after the 2021 reform, spatial disparities in Latvia persist and are sometimes exacerbated by the concentration of resources in the Riga functional area. The study that consolidation changed the institutional form of governance but did not eliminate structural economic differences between regions. Thus, the findings of L. Jankova *et al.* (2020) are not only confirmed but also expanded by including fiscal and administrative parameters, which can provide a more comprehensive interpretation of the reform's effects. A comparison of these studies with the results of the present analysis has shown that the Latvian reform is multifaceted, being manifested differently across various sectors and countries. This approach integrated individual sectoral and national observations into a coherent analytical framework, where the interaction of institutional reforms with demographic, economic and security processes serve as the explanatory factor.

● CONCLUSIONS

The study concluded that Latvia's 2021 regional reform constitutes an administrative consolidation and a multidimensional institutional transformation, driven by the cumulative effect of demographic decline and the fiscal unsustainability of small municipalities. The reduction in the number of municipalities from 119 to 43 and the introduction of 36 enlarged regions and 7 state cities changed the logic of territorial governance: the transition from an administrative-historical principle to a functional-economic grouping based on transport accessibility and labour markets was a novelty. The study found that the financial consequences of the reform were ambivalent: although local budgets in 2024 showed a surplus of EUR 68.6 million and tax revenues exceeded the target by 5.6%, these gains were distributed unevenly. Economically developed areas integrated into the Riga functional zone reaped the greatest benefits, whilst the peripheral Latgale region remained with a GDP per capita of EUR 11,536, which is 2.6 times lower than the capital's figure.

The Latvian model was compared with the Ukrainian and Moldovan systems, focusing on three aspects: the staffing capacity of local administrations, the role of inter-municipal cooperation as an alternative to formal consolidation, and the impact of the security environment on decentralisation. The study determined that for Ukraine, where 1,469 territorial communities were formed following the 2015-2020 reform, the main constraint was not fragmentation but the territorial asymmetry of administrative capacity: rural communities with a limited economic base are unable to exercise their expanded powers with equal effectiveness. For Moldova, which has retained 915 villages with an average population of 2,500, the Latvian experience of consolidation is recognised as relevant, but the conditions for its implementation require a prior improvement in the quality of administrative procedures, which currently remain low due to the post-Soviet tradition of centralised management. The study also showed how the COVID-19 pandemic and security instability after 2022 transformed the criteria for evaluating the reform: consolidated municipalities demonstrated greater adaptability in crisis management. Digital governance is therefore one of the key factors shaping the system: Latvia, with over 84% of services available online; Ukraine, with the "Diya" platform (18.3 million users by early 2025); and Moldova, which is only just overcoming institutional barriers, demonstrate the link between the level of digitalisation and the effectiveness of territorial reforms, regardless of the formal size of administrative units.

Thus, the Latvian reform cannot be regarded as a universal model to be replicated, and its adaptation in Ukraine and Moldova requires simultaneous consideration of functional links, human resource capacity, security threats and the level of digital maturity. Prospects for further research in this area include a comparative analysis of the long-term effects of the Latvian, Ukrainian and Moldovan models of territorial governance using panel regression methods.

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Регіональна реформа Латвії та її значення для трансформації територіального управління в Україні та Молдові в умовах мінливого середовища

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Анотація. Метою дослідження було визначення передумов, характеру та наслідків латвійської реформи, а також оцінка можливостей застосування її окремих механізмів в Україні та Молдові в умовах нестабільного зовнішнього середовища. Методологічна конструкція дослідження базувалася на інтеграції інституційного, структурно-функціонального, нормативно-правового, порівняльного бюджетного, просторового, компаративного аналізу, методу ретроспективного порівняння часових рядів, кейс-аналізу, інституційного моделювання, аналізу інституційної сумісності та методу моделювання. У ході дослідження було встановлено, що укрупнення без попереднього зміцнення адміністративних процедур не забезпечує вирівнювання регіональних диспропорцій. Аналіз виявив, що адаптивність управління визначається рівнем координації, кадровим потенціалом та інтеграцією цифрових інструментів. Отримані результати засвідчили, що перенесення моделі адміністративного укрупнення не відтворює однакових ефектів у різних країнах через відмінності у структурі місцевого управління та ресурсній базі. В Україні обмеженням виступила не кількість територіальних одиниць, а дисбаланс адміністративної спроможності між громадами, який посилюється нерівномірністю економічного розвитку. У випадку Молдови аналіз зафіксував збереження дрібномасштабної адміністративної структури, яка обмежує ефективність делегування повноважень та ускладнює реалізацію політики згуртованості. Узагальнення результатів показало, що імплементація підходів адміністративної консолідації в Україні та Молдові потребує поєднання інституційного зміцнення, фінансової диверсифікації та розвитку цифрового врядування. Практичне значення полягає у формуванні аналітичної основи для органів державної влади, експертних центрів та розробників політики, залучених до реформування системи територіального управління в Україні та Молдові

Ключові слова: адміністративні одиниці; депопуляція; публічні послуги; укрупнення; фрагментація