

IPA210A – Bachelor's thesis in planning and administration

Regional development in Latvia and the impact of the EU

How does the EU impact regional development and migration in Latgale, Latvia?

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HØGSKULEN
I VOLDA

Preface

This Bachelor's thesis is marking the end of my three years of educative and comprehensive studies in planning and administration at Volda University College. The work on the thesis has been very insightful and thought-provoking. During my work I have learned a lot and immersed myself in a topic that is very interesting. I would like to thank everyone who contributed to the making of my thesis, especially my supervisor Nathalie who always had good feedback, input and advice. Also I would like to thank all the people who contributed to my thesis working at Latvian Ministry of Environmental Protection and Regional Development and Latgale planning region remigration coordinator. Without them this bachelor's thesis could not have been possible.

Summary

During my years of studies I have gained a greater understanding of the challenges in regional development and how it encourages economically disadvantaged societies to develop their economic, cultural, social and environmental wellbeing by realizing the full potential of a region's resources and its residents. Therefore I have chosen to study the issue of regional development and its challenges by using Latvia and the impact of the EU as my arena.

With my research I wanted to find out more about the challenges Latvia faces in regional development and migration, specifically in the region of Latgale and how the EU is impacting this growth in rural areas. My research was possible thanks to data that was already collected beforehand which I used and analyzed in my work. Also it wouldn't have been possible without the people working in Latvian ministries and governmental organizations who helped me with this data and contributed to my research by joining interviews where they answered the questions that I prepared for them.

During my research I found out the importance of regional development and how it is connected to migration tendencies. The possible negatives and positives on these issues by being a part of the EU. By applying existing theories of migration and regional development it was possible to conduct my research and analyze the data to find out the current situation in this area. The migration and regional development challenges it faces and what role in all this the EU plays. The concepts of push- and pull-factors of migration are used to elaborate a categorization of migration, economic factors are the main causes in Latgale. Therefore focus being the economic factors, theories that could supplement this like polarization theory and the rural-urban module were used in my research.

The results were close to my assumptions that I had before starting with the thesis and my research. There are many factors that impact regional development and migration in an area. There are both positives and negatives when it comes to the EU and the impact it has on regional development and migration in a member state. Negatives being that by open borders travel is made easy and attractive. Positives being that there are various funds by the EU that go towards regional development which then help reducing migration from rural areas and even attracting people moving to these areas.

Forord

Denne bacheloroppgaven markerer slutten på mine tre år med pedagogiske og omfattende studier innen planlegging og administrasjon ved Volda University College. Arbeidet med oppgaven har vært veldig innsiktsfullt og tankevekkende. I løpet av arbeidet har jeg lært mye og fordypet meg i et tema som er veldig interessant. Jeg vil takke alle som bidro til å lage oppgaven min, spesielt veilederen min Nathalie som alltid hadde gode tilbakemeldinger, innspill og råd. Jeg vil også takke alle menneskene som bidro til avhandlingen min ved arbeidet med det latviske departementet for miljøvern og regional utvikling og koordinering av remigrasjonsplanlegging i Latgale. Uten dem kunne ikke denne bacheloroppgaven ha vært mulig.

Sammendrag

I løpet av årene jeg har studert, har jeg fått en større forståelse av utfordringene i regional utvikling og hvordan det oppmuntrer økonomisk vanskeligstilte samfunn til å utvikle deres økonomiske, kulturelle, sosiale og miljømessige velvære ved å realisere det fulle potensialet i en regions ressurser og dens innbyggere. Derfor har jeg valgt å studere problemet med regional utvikling og dens utfordringer ved å bruke Latvia og EUs innvirkning som min arena.

Med forskningen min ønsket jeg å finne ut mer om utfordringene Latvia står overfor i regional utvikling og migrasjon, spesielt i regionen Latgale, og hvordan EU påvirker denne veksten i landlige områder. Forskningen min var mulig med alle data som allerede var samlet inn på forhånd, som jeg brukte og analyserte i arbeidet mitt. Det hadde heller ikke vært mulig uten menneskene som jobbet i lettiske departementer og statlige organisasjoner som hjalp meg med disse dataene og bidro til forskningen min ved å delta i intervjuer der de svarte på spørsmålene jeg forberedte dem.

I løpet av forskningen min fant jeg ut viktigheten av regional utvikling og hvordan den er knyttet til migrasjonstendenser. De mulige negative og positive sidene ved å være en del av EU. Ved å anvende eksisterende teorier om migrasjon og regional utvikling var det mulig å utføre min forskning og analysere dataene for å finne ut den nåværende situasjonen i dette området. Migrasjonen og den regionale utviklingsutfordringene den står overfor, og hvilken rolle EU spiller i alt dette. Begrepene push- og pull-faktorer for migrasjon brukes til å utdype en kategorisering av migrasjon, økonomiske faktorer er hovedårsakene i Latgale. Derfor var fokus de økonomiske faktorene, teorier som kunne supplere dette som polariseringsteori og den landlige-urbane modulen ble brukt i forskningen min.

Resultatene var nær mine antagelser som jeg hadde før jeg startet med oppgaven og forskningen min. Det er mange faktorer som påvirker regional utvikling og migrasjon i et område. Det er både positive og negative når det gjelder EU og innvirkningen det har på regional utvikling og migrasjon i et medlemsland. Negative er at det ved åpne grenser blir gjort enkelt og attraktivt. Positivt er at det er forskjellige midler fra EU som går til regional utvikling, som deretter bidrar til å redusere migrasjon fra landlige områder og til og med tiltrekke folk som flytter til disse områdene.

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1. Introduction

The population of Latvia has been declining for a long period of time already. The population has shrunk by more than 500 thousand in the last 20 years alone, moreover, a large part is related to population migration. A half million decrease in population is more than 20% of the population, it's a major hit on the country as a whole. During the economic crisis starting in 2008, a rapid migration of population to other countries was observed in Latvia, there were significant changes in society's attitudes towards values, people's perception to the world changed, and the role of information in society increased. (Roztockki, Soja, & Weistroffer, 2019)

In recent years, the issue of promoting remigration of the Latvian population has become pressing, significant measures are being taken at the level of state ministries. Initially, the ministry of finance was entrusted with the implementation of the remigration support action plan for the years 2013-2016, which was one of the key policy makers in diaspora and remigration policies documents, however, it was not successful. Since 2018, the environmental protection ministry and the regional ministry developed a remigration project, while from 2019 the diaspora law was adopted by the state, local governments and the private sector are also involved in the remigration process. (Cabinet of Ministers, 2019)

Regional development can be seen as an overall effort to reduce regional disparities by supporting economic activity in the regions and creating new benefits. With creating new benefits it is possible to reduce poverty, inequality, unemployment and raise welfare of the people. These benefits also play an important role in reducing or even reversing migration, since poverty, inequality and unemployment are drivers of migration. Regional development involves a set of activities that result in economic, social or environmental change in a given area. In my case I have chosen the region of Latgale in Latvia. As a result of positive changes the region becomes more competitive, productive and beneficial both to the individuals who live there and to the country as a whole. (Daume, 2018)

As regional development is becoming more important, more and more countries and organizations are getting involved to create a sustainable future. The European Union spends a lot of resources for this matter and helps the member countries.

The purpose of this bachelor's thesis is to understand how the EU is impacting the migration changes in the region Latgale. Has the EU helped reduce migration from rural areas with the various projects and funds or has it done the opposite by making travel and working abroad easier? To achieve this I will be using various sources of information, like statistics, planning documents, qualitative interviews and databases.

This kind of research can help discover the weaknesses with regional development and the correlation between that and migration trends. When an issue like that is studied better, it's easier to find solutions to reduce regional disparities and migration from the regions to centers, bigger cities and eventually moving abroad.

1.1 The purpose of this thesis

To understand how the EU is impacting economically disadvantaged societies to develop their economic, cultural, social and environmental wellbeing. By realizing the full potential of a region's resources and its residents and the migration changes in the region Latgale. Has the EU helped reduce migration from rural areas and helped develop the regions with the various projects and funds or has it done the opposite by making travel and working abroad easier.

Problem statement:

How does the EU impact regional development and migration in the region of Latgale in Latvia?

Research questions:

- What are the challenges of regional development that Latvia faces, specifically in the region of Latgale?
- Where is the EU funding going to in Latgale, what kind of EU projects already have already taken place in Latgale and what is planned for the future?
- How to develop the region Latgale in a sustainable manner and reduce regional disparities and how can the EU help?
- What is the impact of the EU on migration in Latgale?
- How to attract people to remigrate to Latgale?

2. Background

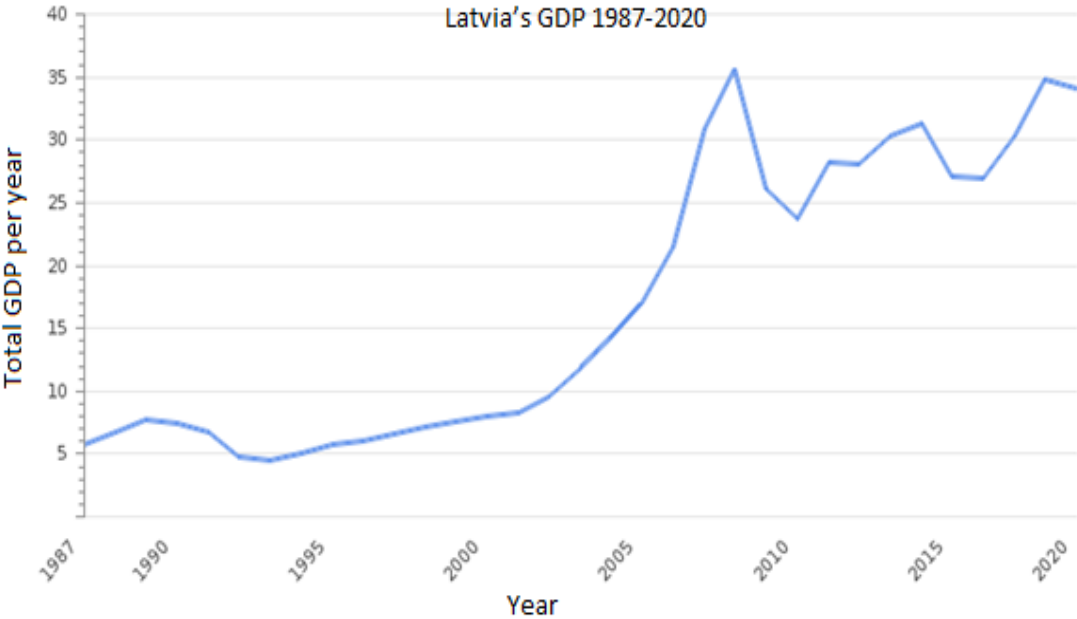
Geographically Latvia is a country located in the Baltic region of northern Europe. With less than 2 million inhabitants and a territory of 64,589 km² and according to Eurostat data (2021), Latvia is the 5th smallest country by population in the European Union (EU) and the 4th poorest country. Capital and largest city is Riga and is home to around 650,000 inhabitants. The country is subdivided into 110 one-level municipalities and 9 republic cities. These have their own city councils and municipal administrations.

A referendum on European Union membership was held in Latvia on 20 September 2003, joined May 1 of 2004. Latvia is a Schengen area member since 21 December 2007, adopted the Euro on January 1 2014 and has 8 seats in the European Parliament.

As can be seen in Figure 1 by World Bank, Latvia has experienced a sustainable economic growth in the last decades, especially, since joining the EU. The GDP has been growing, but the population has been decreasing and mainly due to migration. (Organisation for Economic Co-operation and Development, 2019)

Figure 1

GDP of Latvia 1987-2020



(World Bank, 2019)

2.1 Planning regions

Figure 2

Latvia regions



(Planning regions of Latvia, 2021)

The map above shows the five planning regions of Latvia, in my research I will be focusing on the Latgale region, which is located in the south east of the country. Latgale Planning Region (LPR) was established in 2006 by the Law of Regional Development of the Republic of Latvia. The Region of Latgale contains 2 cities under state jurisdiction (Daugavpils and Rezekne) and 6 administrative districts (the districts of Balvi, Daugavpils, Kraslava, Ludza, Preili, and Rezekne). It is a regional body that consists of 21 local governments and its function is to coordinate cooperation and development at all levels. Latgale Region has an evenly spread population density and two big regional centers. Co-operation between the regional centers is good and in the future, this might provide the incentive for the overall growth of the region. The region's infrastructure is quite underdeveloped in terms of social necessities and services. Moreover, the region's relief and poor soil delay the development of agricultural production. During the Soviet period, a strong industrial infrastructure was created in the region's towns, with large enterprises and huge production areas that are not adequately utilized yet, just some of the enterprises have reorganized production or have found new markets for their products in both the East and the West. (Eurostat, 2021)

Due to slow growth rates within the region, Latgale suffers from a migration of its educated population to Riga and other regions of Latvia. Furthermore, the working-age population of the region finds it hard to compete successfully on the market for trained labor because it lacks the essential professional qualifications. The recent creation of new educational institutions in the region should improve the professional structure of the population, as well

as help to keep the young people in the region. Further, the creation of new jobs should improve the social and economic situation in the region. The main functions of LPR include representation of the region and its interests at the national level, planning and coordination at the regional level and to increase social inclusion. (Latgale Planning Region, 2021)

Latgale Planning Region organizational structure consists of:

Latgale Planning Region Development Council - decision-making body;

Latgale Planning Region Administration – executive body;

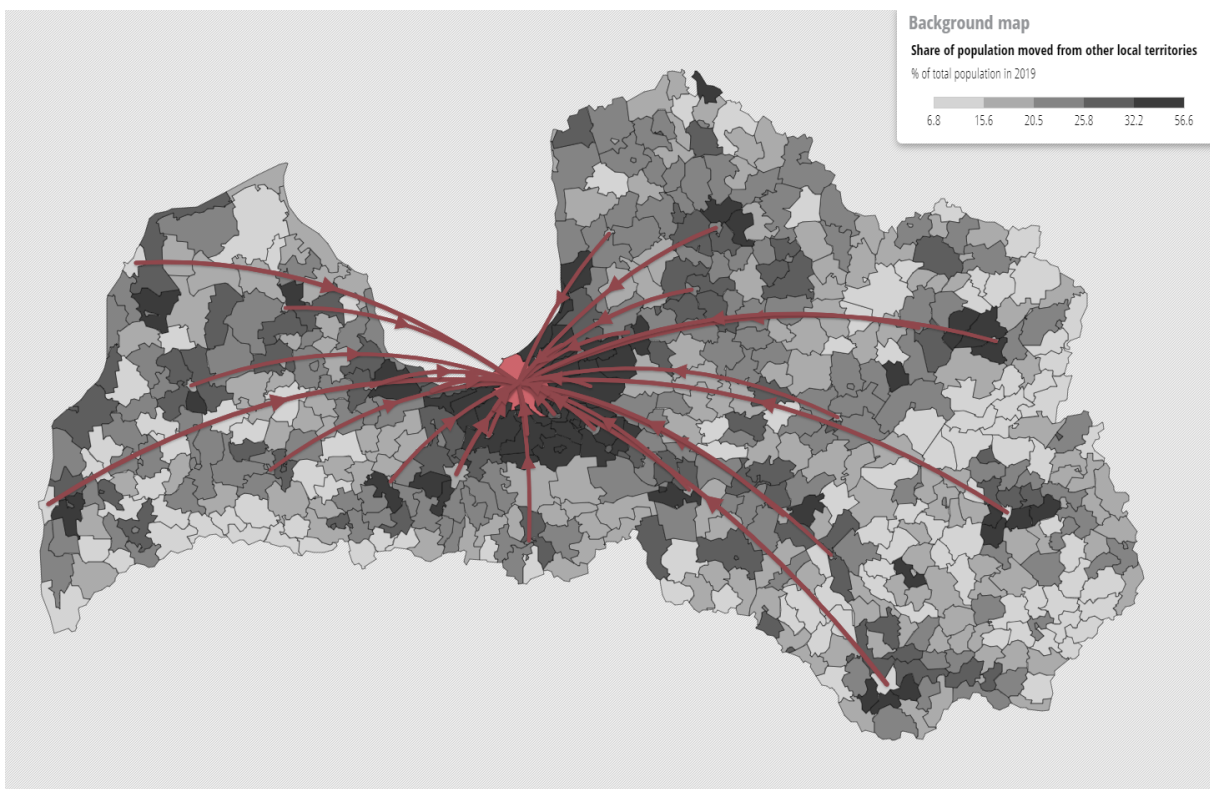
Cooperation Committee – ensures the cooperation of the region with the Ministries;

2.2 Regional development and disparities

Rural-urban migration has been happening for quite some time now and it doesn't just stop at urban centers, like bigger cities and more populated areas. The map below shows migration tendencies in Latvia between the years 2000 and 2019. It clearly indicates how people migrate from rural areas to the center of the country which is the capital Riga and areas around it. This is the most populated area in the country which also offers more job opportunities and a better quality of life. But not everyone stops there or already from the start they choose to migrate to other countries in hopes to have a better life elsewhere.

Figure 3

Migration in Latvia



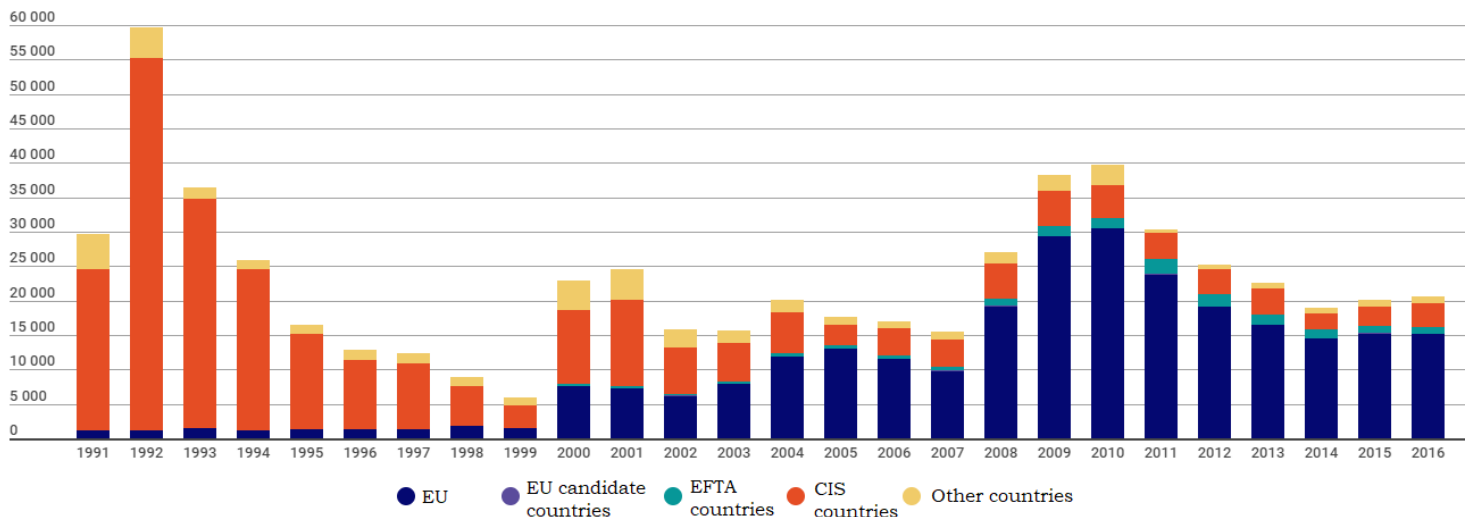
(Central Statistical Bureau of Latvia, 2021)

People migrate completely out of the country, primarily to other countries in the EU or the EEA, thanks to the Schengen agreement it's easier than ever. But due to this migration Latvia has been experiencing large regional disparities.

Figure 4

International long - term migration by groups of countries (Latvia) 1991-2016

Starptautiskā ilgtermiņa migrācija pa valstu grupām



(CSB, 2017)

Figure above shows long-term migration from Latvia to other countries. In the 20th century not a lot of people migrated to EU countries, most people moved to CIS (Commonwealth of Independent States) which was formed following the dissolution of the Soviet Union in 1991. CIS consists of 9 member countries, biggest being Russia where most of the people also moved after the collapse of Soviet Union. But already starting from the year 2000 more and more people started to choose EU member states as their new homes. And it is because discussions about joining the EU started already then, finally in 2004 Latvia became a member of the EU and it was easier than ever to start a new life in one of the other EU member states, since EU citizens are free to move to and work in other member countries.

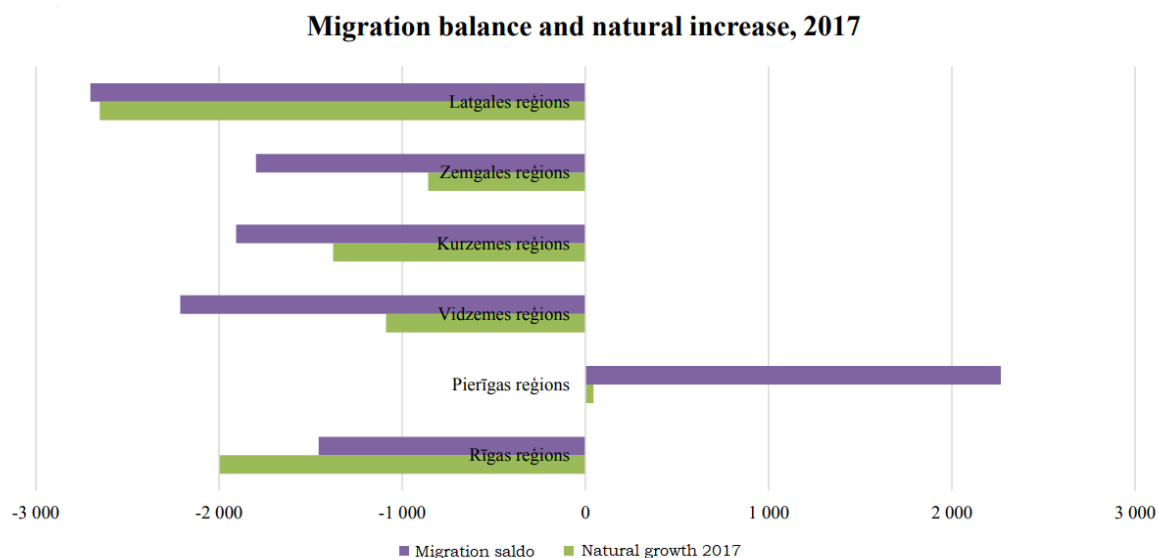
The large-scale emigration that Latvia has experienced since the restoration of independence in 1991 is the main reason for the deteriorating demographic indicators and now poses problems for the further development of the domestic economy. Since 1991, almost 800 thousand people have left Latvia, according to the Central Statistical Bureau (CSB). In 1991, more than 2.65 million people were registered in Latvia, but after 30 years - in 2021 - there were only 1.86 million of them. Although the Great Recession affected many EU countries, a situation as difficult as in Latvia was rare. In 2009, the unemployment rate reached 17.5%, but after another year almost every fifth inhabitant of the labor force in Latvia was unemployed. (CSB, 2017)

The main challenges of regional development in Latvia are the reduction of regional development disparities, which is a long-term challenge. Regional development differences in

Latvia are one of the highest not only among the EU, but also among OECD member states. In the Riga region, the GDP per capita is 2.6 times higher than in the Latgale region.

Figure 5

Migration balance and natural increase, 2017 in regions, Latvia



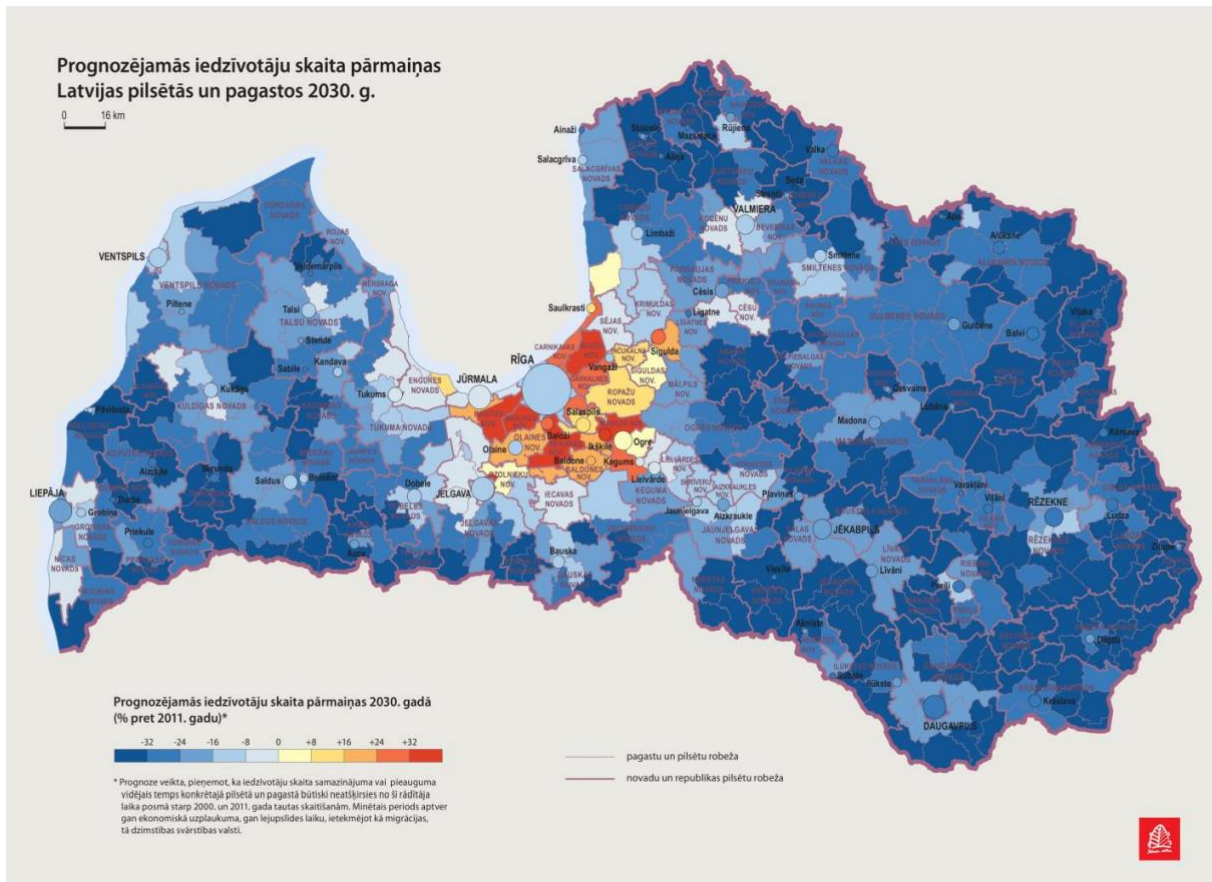
(Bremsmits, 2014)

Here, for example, the migration balance in 2017 is shown and there's major differences between the regions and the capital, only around the capital, in the Pierīgas region the migration balance is positive. There's a negative balance for the Riga region and this is because of suburbanization, a population shift from central urban areas into suburbs. Although this is nothing new, lately this phenomenon can be observed more and more often. This sprawl is mainly the result of difference in land value and real estate prices. (Brody, 2013) Latgale region has the most drastic migration trends in the whole country, main reason for this being economic factors.

In addition, the ability of merchants to attract investments differs significantly - the differences in non-financial investments are 5 times between the Riga and Latgale regions. As a result, the income pay gap between planning regions is more than 1.5 times, Riga having the highest incomes and Latgale the lowest (or 5 to 10 year gap between regions).

Figure 6

Forecast of population in Latvia for 2030

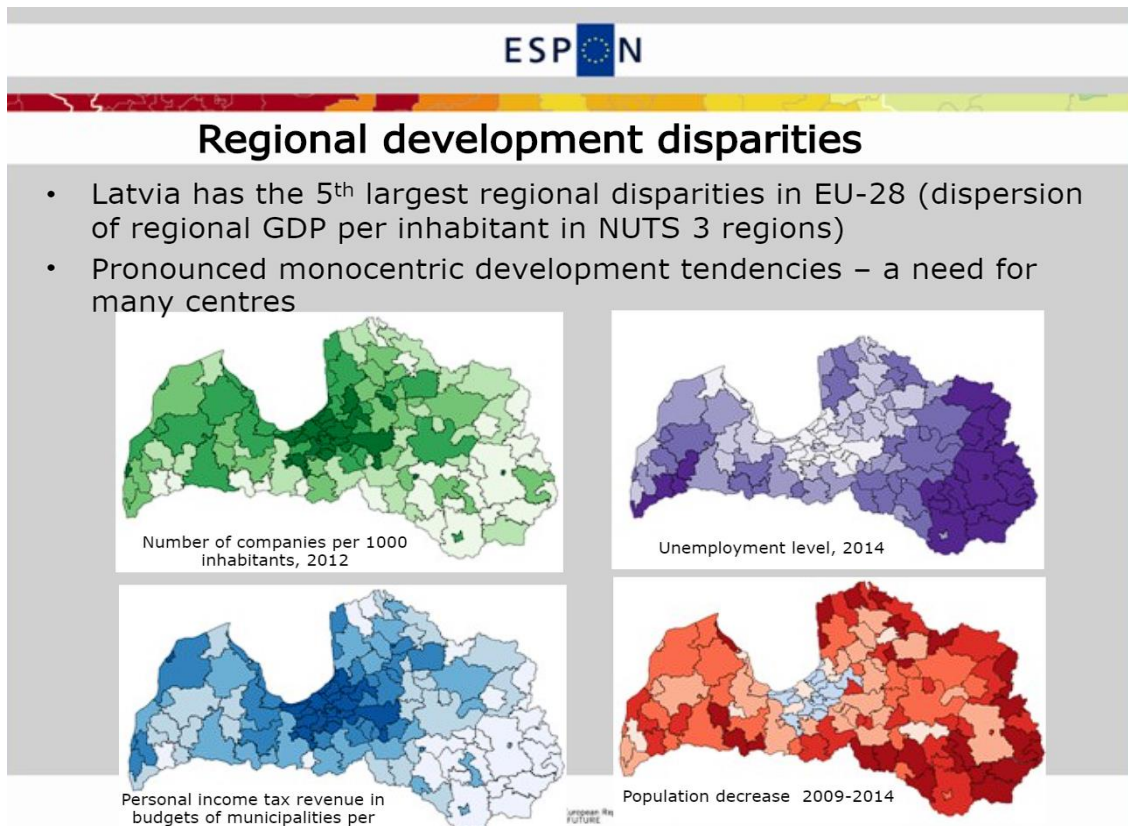


(Bremssmits, 2014)

Looking at the population forecast for 2030 shown in Figure 5, it does not look great for the more rural areas in Latvia. Actually growth is expected only in the capital of Riga and around it, and any other area or city is expected to decrease in population. Unfortunately, if nothing changes these predictions will become reality very soon and it is not going to stop there, the population will continue to decrease.

Figure 7

Regional development disparities in Latvia



(Bremsmits, 2014)

The figure above shows good the disparities between regions in Latvia and that the most drastic negative differences are in the region of Latgale. The Latgale region has long had one of the highest socio-economic problems among the regions of Latvia (outflow of population, high unemployment rate, low income level, low business activity). Residents move from Latgale region to other regions or other countries due to higher prosperity and wider employment opportunities. Similar tendencies, although slightly less pronounced, can be observed in other regions of Latvia outside Riga and its surroundings, to which the majority of residents who move within the country migrate. As a result, there is a disproportionate concentration of population and economic activity in Riga and its surrounding areas compared to other regions of the country.

As regional development disparities are a long-term problem, the immediate disappearance of development disparities cannot be expected. In order to achieve change, it is very important to ensure systematic and long-term support for Latgale region, therefore it is necessary to implement measures that promote employment and economic activity in Latgale region. This means to promote faster development of Latgale region and increase of competitiveness, and within it to reduce disproportions in the development of territories, with territories with lower development indicators approaching the most developed territories. This can be achieved by increasing the growth of the region and local governments, making more efficient use of the resources at their disposal, as well as receiving support from the national regional policy support instruments adapted to the respective territories. These support instruments include

support measures to promote entrepreneurship, improve the quality and accessibility of services, and increase the capacity of public administration and civil society, as well as increase public participation in decision-making processes. (Ministry of Environmental Protection and Regional Development, 2021)

2.3 Regional development policies and funds of the European Union

The EU has an important role to play in reducing regional development disparities in all EU Member States, as investments from EU funds play an important role not only in the economic development of Latvia, but also in other countries. Latvia has access to programs and projects in various fields, such as regional and urban development, employment and social integration, agriculture and rural development, maritime and fisheries policy, research and innovation, and other areas. As an EU member state, Latvia receives this financial assistance under the Cohesion Policy, which is the most important EU investment policy to help create jobs, support the competitiveness of enterprises, economic growth, and sustainable development and improve the quality of life of the population. (European Commission, The EU's main investment policy, 2014)

The EU has lot of policies around regional development and there are various funds that are there to help with this development, and they are –

- European Regional Development Fund
- Cohesion Fund
- European Social Fund
- EU Solidarity Fund
- Instrument for Pre-Accessions Assistance (IPA)

EU regional policy works to make a difference in 5 key areas:

- investing in people by supporting access to employment, education and social inclusion opportunities
- supporting the development of small and medium size businesses
- strengthening research & innovation through investment and research-related jobs
- improving the environment through major investment projects
- modernising transport and energy production to fight against climate change, with a focus on renewable energy and innovative transport infrastructure (Regional policy | European Union, 2016)

2.4 Relationship between regional development and migration

Underdevelopment, poverty and differences in living standards and in income are key factors in migration. People who migrate are seeking better life opportunities and they are doing so by moving from their current place of living to another one either inside the country or migrating out. Places that have high immigration are innovation and productivity hubs that attract people who are looking for jobs and establishing their own businesses. So maybe by creating new hubs, making new opportunities for people in the regions could potentially make them stay there. Of course there are some benefits of migration as well, not only migrants send money home, which contributes to the economics in their home country. But also helps expand social networks, learn new world views and new skills. Ideally the people would take the newly acquired skills and knowledge back and put them to good use in their home country. (European Parliament, 2020)

3. Theory

The term development may mean a lot of different things to diverse people, so it is important to distinguish that there is a core perspective on it. Without defining this we would not be able to determine which country has a growth in their development and which has decline. Development in general is a growth, a positive change in something. In this case regional development is a growth in the regions, either in wealth or employment to reduce regional disparities. (Todaro & Smith, 2015)

The goal is for this development to be practiced in a sustainable manner. Sustainable development is development that meets the needs of today's generation without creating difficulties for future generations in meeting their needs. Development is a concept of quality that includes ideas for improvement and progress, as well as improvement of the social and economic sphere. Sustainable development is people-centered and aims to improve people's living conditions, preserving nature and the environment, so it is necessary to respect the nature that supplies people with resources and everything necessary for life. From this perspective, sustainable development means people improving the quality of living conditions, provided that the ecosystem is not exceeded capacity.

Balanced and sustainable development of the region as a territorial unit of the state is the basis of the state overall growth. Balanced and sustainable regional development is based on purposeful regional development policy, regional development planning and targeted progress in line with the established strategy. Regional development issues, incl. areas are sustainable and balanced development, the most effective solution is to integrate a 'regional approach' into all also in the common development priorities of individual sectors and the state already at the planning stage. (European Commission, 2021)

There are various terms and theories to support this, in my thesis I will be mainly looking at migration theory, polarization theory and Myrdal's push- and pull-factors, in addition to that a large portion of the theoretical part will be based on a model about migration from rural areas to urban ones. To better understand the causes and factors by this migration and what kind of impact does the EU have on it, I will be looking at these theories to later on support my research and findings.

3.1 Migration

Development and migration is not a new topic by any means. Migration largely impacts development and economic conditions are important factors to migration. People migrate for various reasons, but most often it is economic driven or as it is called labor migration. Migration theory suggests that labor markets and economies move towards stability in the long run through trade and migration. Neoclassical theory considers that migrants are rational actors and that they move from areas where the labor market is rich and the wages low, to more developed areas where labor rare and the wages are high. (Haas, 2008) Theories like neo-classical and historical-structural of migration commonly fail to explain exactly why

some of the people in a certain country or region decide to migrate, but others doesn't. (Massey, et al., 1993)

Many different factors can cause migration, but the main one of them all is economic migration. And this especially can be observed in the Western world, where most migration is caused by economic factors. Of course other motives like escaping conflicts, asylum seekers are large causes for migration, people fleeing their current homes to move to the more peaceful Western world.

3.2 Push- and pull-factors

Push- and pull-factors help to better understand the various reasons for migration. A push factor is something that emboldens an individual to migrate away from one place to another. These factors, basically, force a person to leave said place, an example for this can be – war, natural disasters, unemployment. Pull factors on the other hand are opposite of push factors and attract people to new places, for example – better education, job opportunities and better healthcare. The figure below helps to better understand the various push- and pull-factors.

Figure 8

Push and Pull Factors

Push-factors Countries of origin	Migrants	Pull-factors Countries of destination
⇒ Population growth, young age structure ⇒ Inadequate educational institutions, medicare and social security	Demographic factors and social infrastructure	⇒ Stable population, population decline, demographic ageing ⇒ Welfare state benefits, educational institutions, medicare, social security
⇒ Unemployment, low wages ⇒ Poverty, low consumption and living standard	Economic factors	⇒ Labour demand, high wages ⇒ Welfare, high consumption and living standard
⇒ Dictatorships, shadow democracy, bad governance, political upheaval ⇒ Conflict, (civil) war, terrorism, human rights violation, oppression of minorities	Political factors	⇒ Democracy, rule of law, pluralism, political stability ⇒ Peace, security, protection of human and civil rights, protection of minorities
⇒ Ecologic disaster, desertification, lack of natural resources, water shortage, soil erosion, lack of environmental policy	Ecological factors	⇒ Better environment, environmental policy, protection of natural resources and environmental protection
⇒ Decisions of the family or the clan ⇒ Information flows, media,	Migrant flows and migrant stocks	⇒ Diaspora, ethnic community ⇒ Information flows, media, transferred picture of

(Jaccob, 2013)

The figure above has these factors broken down into 5 categories – demographic, economic, political, ecological and migrant flows.

Primary motivation of push-pull theory are economic based. Demographic, environmental, cultural and social characteristics influence the probability of migration. Migration is not one-directional, it is either bilateral or multilateral. All that being said this theory has a focus on cost-benefit analysis.

3.3 Polarization theory

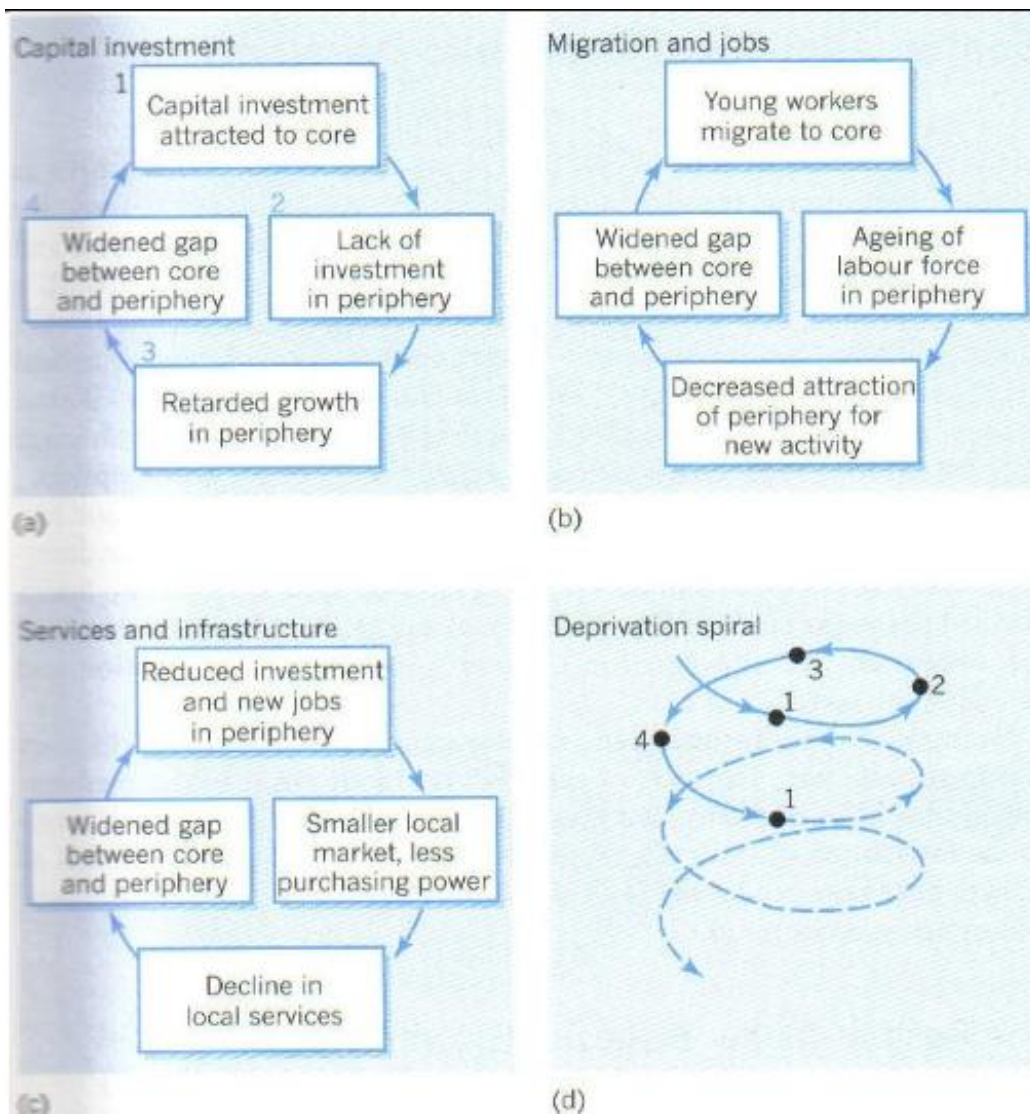
As a reaction to criticism of neoclassical approach, polarization theory was developed in regional development. This Western regional development model suggests that creating growth poles or as they are also known – “poles of attraction” in a depressed region will lead to economic growth. Unlike the neoclassical theory, polarization theory doesn’t have any trends towards equilibrium, key factors are that there is a concentration of economic activity. In this theory peripherality is important, it suggests that on average there are higher incomes and lower unemployment rates in central regions. (Lang & Görmar, 2019)

Circular cumulative causation model was introduced by Swedish economist and sociologist Gunnar Myrdal. Dissatisfied by the current equilibrium theories, he started working on his own non-equilibrium theory by investigating polarizing tendencies. The concept of circular cumulative causation theory can be explained as vicious circle of development or underdevelopment. It is a multi-causal approach where the central variables and their connections are defined. The idea is that a change in the form of one institution will lead to successive changes in other institutions. These changes are circular because they continue in a cycle, many times in a negative way without end, and cumulative as they continue in each round. Change does not happen immediately because it would cause chaos, but changes gradually. (O’Toole, 1972)

There are two kinds of effects – positive and negative, the positive being spread effects and the negative backwash effects. According to Myrdal there is increase in inequalities between regions rather than decrease. To better illustrate this I have used a figure that Peter Haggett uses in his book – “A Global Synthesis”.

Figure 9

Backwash effects in the Myrdal model



(Haggett,

2001)

Backwash effects describe movement of people and resources from one region to another. So let's say there is a region that is not so developed and doesn't have much resources, but another region on the other hand is. There will be an outflow of labor and capital from the first region to the other one, Myrdal describes this as backwash effects in his model.

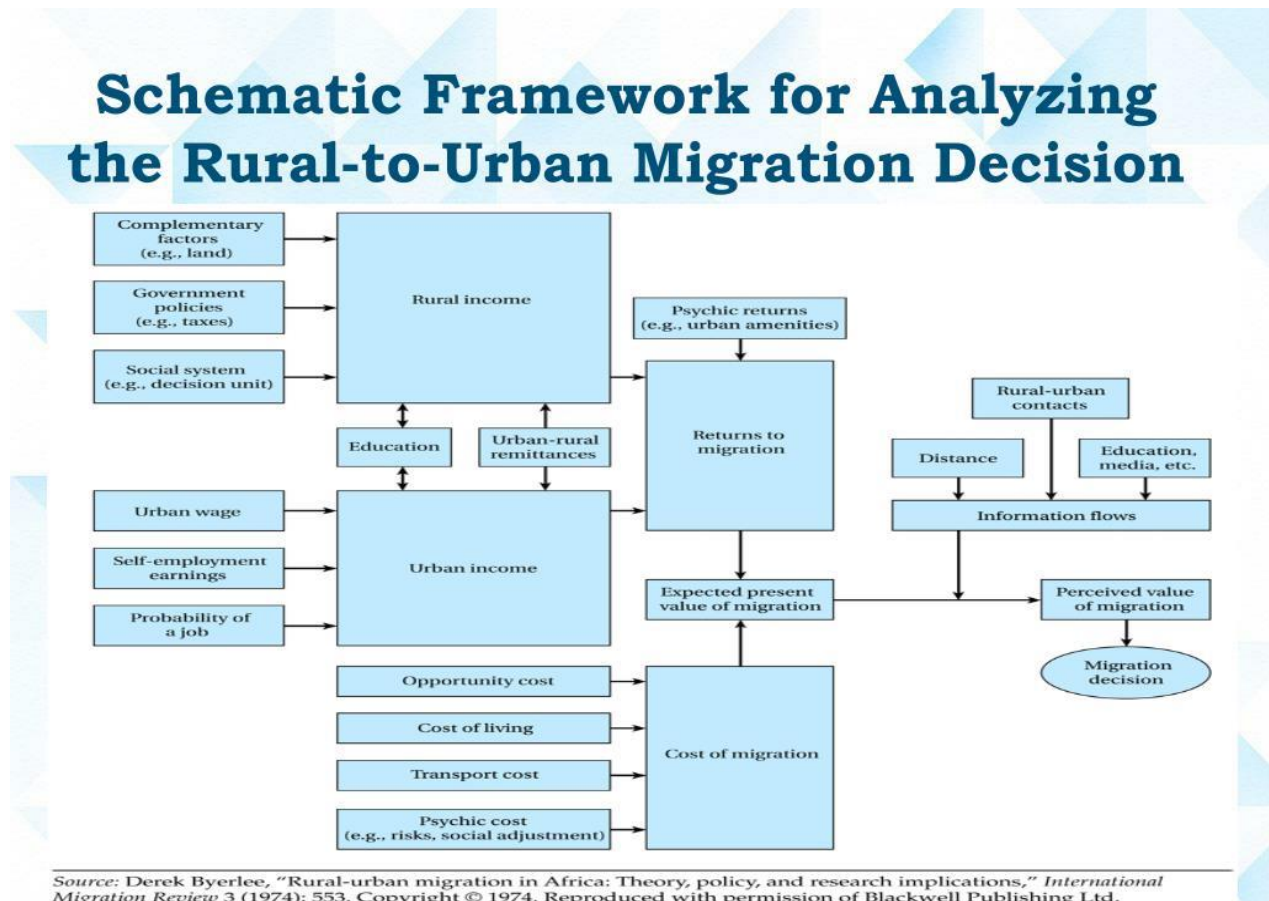
The other effect of Myrdal's model is called spread effects and unlike the backwash effect this effect attracts people to a said region and there is an inflow of labor and capital. This region has industries and attracts investments.

It suggests that regions that already are poor only get poorer and poorer, but the regions that are rich only grow and become richer. He also pointed out that in more developed regions the regions that are poor would experience the negative effects of backwash at a slower pace. On the other hand the regions that are the inflow regions of spread effects would grow even faster in a more developed region or country.

3.4 Rural-urban migration

Figure 10

Rural-urban migration



(Todaro & Smith, 2015)

As pointed out earlier migration plays an important role in economic and regional development. Rural-urban migration is a form of internal migration which means a movement of people within a country. Byerlee presents a schematic framework for the analysis of the migration decision which shows how various factors affect the migration choices. This model is based on assumptions that the migration is an economic phenomenon. Migration is mainly driven by rational economic considerations in terms of relative benefits and costs, as well as financial and psychological ones. The decision to migrate depends on the expected rather than the actual wage gap between urban and rural areas and the probability of getting a job in the city is inversely related to the unemployment rate in the city. (Todaro & Smith, 2015)

This model is similar to other neoclassical economic theories, it makes distinction between actual and expected projected costs and benefits. And these expectation are not always valid, but they still do influence the behavior of individuals.

Even though this model is designed for migration within a country, the model can be adapted to our case as well. The rural income would be the income in rural Latvia, the region of

Latgale specially is of interest. The urban income in addition to the cities can be supplemented with the income in other EU member states. The model illustrates that migrants experience different costs, such as differences in housing prices between their old and new housing area, or psychological costs due to the separation from the family, and in the case of international migration adaptation to new cultures and languages.

4. Methodology

A method – “a way to proceed to gather empirical data” (Jacobsen, 2016, s. 21). This chapter will explain what kind of methods I will be using to conduct my research for the topic – *“How does the EU impact regional development and migration in Latgale, Latvia?”*.

4.1 Introduction

In my thesis I will be using two methods of research, namely– secondary data analysis and interview.

First I will explain the two different types of data that can be collected. Thereafter I will go into secondary data analysis research method, why I chose this as the primary research method and that it can be both qualitative and quantitative. After that I will write about interview as a source of information for the research. Furthermore, I will be discussing the parts of an interview subject and after will look at validity and reliability. I will also look at ethics, privacy and data protection when conducting such research. In the last part I will discuss the implementation of my research.

4.2 Qualitative and quantitative method

When collecting or analyzing data, it’s mainly separate them in two main types – qualitative and quantitative methods. The biggest differences between these two types of research methods are on how many units one will concentrate and research in order to receive information. And the level of depth of the collection of information from each unit.

In qualitative method there typically is a lot of information, but very few research units and usually the researcher himself participates in the data collection, this creates closeness to the research objects. A good example of qualitative method could be an interview.

The quantitative method, on the other hand, is there mainly to obtain little information from many units. Since there are so many units to examine, one cannot go in depth into every single one of them. Naturally this will create a distance between the researcher and the research units. An example for this could be surveys or questioners. (Halvorsen, 2008, ss. 128-152)

4.3 Secondary data analysis

In this bachelor's thesis as the main method of research I've chosen to use secondary data analysis. Due to the current situation with the COVID-19 pandemic and the inability of in-person communication the decision of secondary data analysis as my primary research method was made. Secondary data analysis is the practice of using secondary data in research. As a research method, it saves both time and resources and avoids unnecessary repetition of research work. Secondary analysis is usually analogized with primary analysis, which is the analysis of primary data independently collected by a researcher. Secondary research is a common approach to a methodical study in which the researcher depends only on existing data in the course of the research process. This research strategy involves organizing, collecting, and analyzing these data samples for valid research conclusions. (Toft, 2017) When using secondary data it is important to determine your research questions first so you can identify what secondary data set will be of use for you. After that you have to evaluate if this secondary data is something that is of interest for you and you can do so by following the following steps –

- What was the goal of the original study?
- Who has collected the primary data?
- Which measures were engaged?
- When was the data collected?
- What method was used to collect the data?

As stated earlier when conducting secondary data analysis, the data analyzed can be both quantitative and qualitative, but in my research I will be focusing on the quantitative one as I am more interested in numbers, statistics which will help me conduct my research.

4.4 Interview and interview guide

Interviews are used to collect data from a small group of subjects on a wide range of topics. Generally there are two kinds of interviews – structured and unstructured. Structured interviews are similar to a questionnaire, with the same questions in the same order for each topic and with multiple-choice answers. For unstructured interviews, questions may vary from person to person and may depend on answers given to previous questions. There is no set of possible answers. (Halvorsen, 2008)

Structured interviews can be done over the phone, in person or via email. In a structured interview, the researcher creates a set of interview questions in advance, and these questions are asked in the same order so that answers can simply be placed in related categories. An unstructured interview or non-directive interview is a discussion where questions are not predetermined. These non-directive interviews are considered to be the opposite of a structured interview that offers a definite amount of standardized questions. (Wilson, 2013)

An interview guide is a list of topics that one is planning to cover in the interview, an interview guide also includes the questions that are planned to ask that are connected to the various topics. It is important to understand and plan ahead what is of interest in your research so you ask the right questions to get the information you need. So creating an interview guide helps you stay on track and cover what you have intended to cover during your interview. It is just a guide and you can go off it while conducting your interview depending on how the conversation is going, often you will find that the interviewee will answer some of the questions even without being asked the questions during the conversation, so you will want to skip those and not repeat yourself. You create the interview guide taking into consideration your topics and of course your interview objects. An interview guide is a tool for the one who holds the interview to stay on track and cover all the topics. (Jacobsen, 2016)

In my research I have chosen to interview a senior expert of the territorial development assessment division of the State Sustainable Development Planning department and the remigration coordinator in the Latgale planning region in Latvia. These will also be my interview objects and the interview questions will be adjusted accordingly.

4.5 Validity and reliability

Reliability and validity are terms used to evaluate the quality of research. They show how well a method, technique or test measures something. Validity is about the empirical data being valid and relevant and that the collected empirical data can be used to answer the problem of your research. The empirical evidence should therefore satisfy two requirements; that it is valid and relevant, and must be reliable and trustworthy. (Halvorsen, 2008)

All of the various methods of data collection and research has to have validity and reliability taken into consideration. As mentioned earlier as the main method of research in this bachelor's thesis I will be using secondary data analysis which will mainly be quantitative data and in quantitative research it is very important to contemplate the reliability and validity of the information and methods of measurements.

Validity denotes to how accurately a method measures what it is envisioned to measure. If this criteria is met then it can be considered valid. Four of the main types of validity are – content validity, construct validity, criterion validity and face validity. For information to be valid it also has to be reliable. Also there is internal and external validity. One can distinguish between internal and external validity. Internal validity is whether one has coverage in the empirical data for the conclusions one draws. External validity and relevance is whether the empirical data is transferable, where the result is also valid and relevant in other contexts. (Jacobsen, 2016)

Reliability refers to the consistency of the data, is it trustworthy, unflinching, authentic, genuine, dependable. (Mackey & Gass, 2015)

All the information and data used in my bachelor's thesis is from trustworthy sources which I mainly received from the Ministry of Environmental Protection and Regional Development. Also the conducted interview and the data collected from that is from a specialist who works

in the field of interest of my research. The data in my researched, therefore, can be considered valid and reliable.

4.6 Implementation

The research and analysis was done with the help of working with secondary data with the mix of qualitative interviews. The decision of using secondary data analysis was made due to the current situation with the COVID-19 pandemic. I used data previously collected by ministries and various governmental organization in Latvia. I reached out to Latvian Ministry of Environmental Protection and Regional Development which provided me with useful data which I thereafter used in my research. I also conducted two interviews with specialists in this with the job titles - senior expert of the Territorial Development Evaluation Division of the State Sustainable Development Planning Department and remigration coordinator in the Latgale planning region. Due to the current situation interviews through phone, e-mail and online video conferencing platform were presented. One of the interviewees chose to go through with the interview through e-mail, because it was more convenient for them, the other one on the other hand chose the online video conferencing platform option and the interview was done with the help of that.

5. Analysis and discussion of the collected data

In this chapter I will be analyzing my findings both primary and secondary data will be examined. Primary data in a form of qualitative interviews and secondary data as research papers, graphs and statistics will be analyzed. The purpose of this chapter is to answer the research questions:

- What are the challenges of regional development that Latvia faces, specifically in the region of Latgale?
- Where is the EU funding going to in Latgale, what kind of EU projects already have already taken place in Latgale and what is planned for the future?
- How to develop the region Latgale in a sustainable manner and reduce regional disparities and how can the EU help?
- What is the impact of the EU on migration in Latgale?
- How to attract people to immigrate to Latgale?

5.1 Development regions

Development planning in Latvia takes place on four levels. At national level, at regional level - in five planning regions established by mutual agreement of the administrative districts and big cities. Referring back to **Figure 2**, where these five planning regions in Latvia were presented.

At the district level, development planning is implemented by administrative districts. At the local level, this is done by local governments – civil parishes, counties and cities with development plans, involving local communities in decision-making. Each region of the country is considered to be a unique unit of territory, which brings it into the overall image of the country's identity. It is important to maintain their uniqueness and promote further growth, giving special attention to the full use of regional territories (including available natural resources), and well-being of the population. There are two aspects to this.

The first is related to five regions of Latvia - Kurzeme, Vidzeme, Latgale, Zemgale and Riga - sustainable development of rural and urban areas to make full use of each region's various resources. To promote country's overall growth and economic drivers while reconciling economic activity with the natural and cultural heritage preservation.

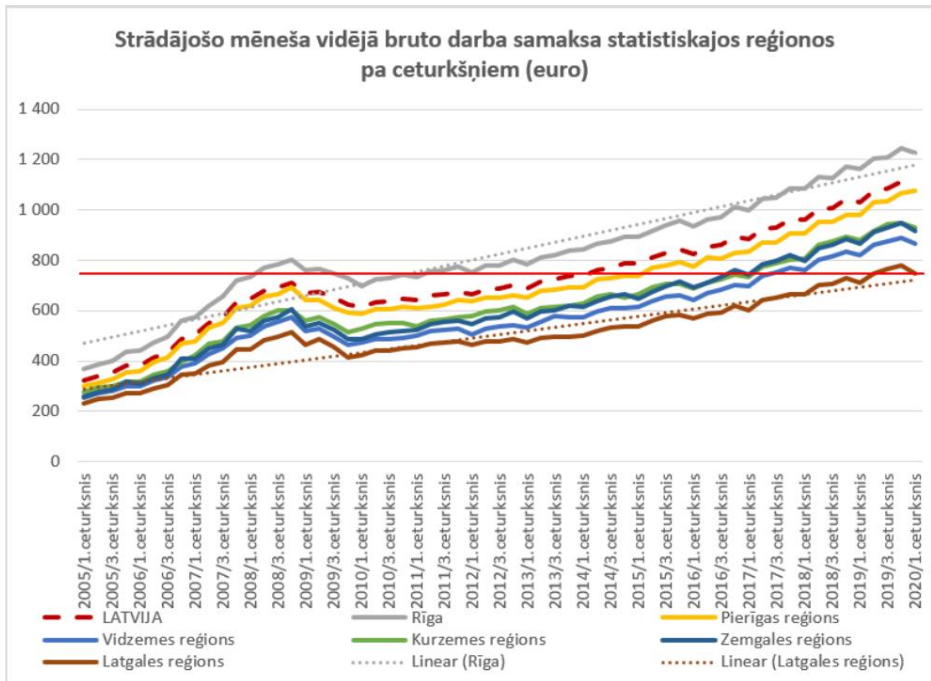
The second aspect stems from the different characteristics of rural and urban areas. The main line of business is economic and social cohesion, which contributes to economic growth balanced development of the state and various groups of society, as well as the multiplier effect throughout in the national territory. (Ministry of Environmental Protection and Regional Development, 2020)

5.2 Challenges and segregation

Wages and, consequently, differences in living standards between Riga and the rest of Latvia has not only not decreased in the last five years, but in many places even increased. (Cabinet of Ministers, 2019)

Figure 11

Average monthly gross earnings of employees in statistical regions by quarters (euro)



(The Ministry of

Agriculture, 2020)

In the figure above with the grey line the average monthly gross earnings of an employee in Riga are shown. With more than 1200 euros it's clearly a lot higher than the average monthly gross earnings in the region of Latgale with the brown line, below 800 euros. This is to show the drastic differences between the regions, unfortunately, this is just one of the issues that Latvia is struggling with - unemployment, education levels, low birth rates and high migration rates in rural areas, quality of life, and lack of suitable and sufficient infrastructure are the biggest problems. Just as in Myrdal's model clear signs of backwash effects can be observed in Latvia. Almost every region in Latvia is a region with backwash effects with few exceptions of some growth poles and the capital Riga being a clear region of spread effects. Attracting people with more job and education opportunities, better pay, better living standards, there is huge rural-urban migration in the country. In addition to that there also is a big part of the population that still lives in the regions that are commuting for work, some even up to 100 kilometers and more one way one daily basis. All these issues are connected and are causing an endless cycle of deterioration in the development processes. As a result of all this people are migrating to other areas and eventually even other countries. Depopulation might be the most serious challenge of them all as no people means no growth.

5.3 Funding and the influence by the EU

According to the decision of the EU Council on the EU multiannual financial framework for 2014-2020, Latvia received 4.4 billion euros for the implementation of cohesion policy objectives through EU funds (ERDF, ESF and CF). This means that in this period Latvia was the fourth largest net beneficiary among all EU member states, per capita approximately 3,000 euros were received from the EU budget. As an EU member state, Latvia receives this financial assistance under the Cohesion Policy. The priority areas of EU funds were very broad: Research, technological development and innovation. In implementing these projects, the following contributed: scientific institutions, merchants, direct administration institutions, local governments, state capital companies, small and medium-sized enterprises, MEPRD, Ministry of Welfare, ALTUM, LIAA, SEA, etc. (Ministry of Finance of the Republic of Latvia, 2020)

During my interviews one of the respondents raised the issue that municipalities have the opportunity to absorb EU funding, but smaller municipalities tend not to use this opportunity because there are no highly qualified specialists who would be able to operate and implement these projects. Often the promised salary is too low, not everyone wants to work and live a life where the only thing that keeps them there are patriotic feelings directed against their county. And this is mostly as a result of that in smaller counties, people, especially young professionals, often do not have the opportunity to work in their specialty, so many young people go away to the larger cities, the capital Riga or abroad. (Melnalksnis, 2021) Brain drain is a pressing issue, the consistent loss of skilled human resources is leaving a huge dent on the country's financial state. Ultimately, involving individuals who are living abroad in creating opportunities at home favors both the preservation and return of national talent.

5.4 EU projects and the future

As regional development disparities are a long-term problem, the immediate disappearance of development disparities cannot be expected. In order to achieve change, it is very important to ensure systematic and long-term support for Latgale region, therefore it is necessary to implement measures that promote employment and economic activity in Latgale region. EU funds co-financing for the implementation of investment projects has facilitated not only the expansion and modernization of existing companies, but also the creation of new companies, for example, the specific support objective 3.1.1. "To promote the establishment and development of SMEs, especially in the manufacturing industry and RIS3 priority sectors" (Ministry of Economics, 2020)

On January 28, 2021, the Cabinet of Ministers approved the implementation rules of the small grant scheme open project tender competition "Support for the implementation of business ideas in Latgale" in order to promote employment and small business development in Latgale region with the support of EEA grants. The grant scheme competition will support projects that will implement a new idea and create at least one new job in the Latgale region. The co-financing of the program available for the competition is 540 000 euros. The co-financing of the program available for one project is between 5,000 and 10,000 euros, and the co-financing

aid intensity does not exceed 55% of the total eligible costs of the project. The grant scheme is planned to support almost all business areas. Any natural and legal person can apply for support - a small or micro enterprise that carries out its economic activity in the Latgale region. The grant scheme manager - Latgale Planning Region - is responsible for organizing the grant scheme competition. (Andra Minkeviča, 2021)

When I asked the question if they could name any projects that have already helped grow a company in the region of Latgale, they mentioned the story about the farm "Kotiņi" in Vilaka region which is located in the region of Latgale. Agriculture and grain growing are widely developing in Latgale. For example, the farm "Kotiņi" in Vilaka region has been operating since 1992. The farm is being developed using all opportunities, including attracting European funding for the purchase of new, modern equipment. Due to the diversity of its activities, the farm works all year round. The turnover of the farm "Kotiņi" last year was 2.909 million euros, which is 70.3% more than a year earlier. In addition to the main activity in seed production, the farm is increasingly developing food production from its own production. In addition, flour, groats, pearls and rapeseed oil are also sold in the online store. The farm is working on exploring new opportunities for issues related to European Union funds projects to promote competitiveness, as well as looking for new partners and markets. (LETA, 2019)

It's great to see these kind of success stories and hopefully the various projects and contests will just create more and more job opportunities and provide a sustainable economic growth in the future.

5.5 Impact from the EU on migration

Since Latvia's accession to the European Union, the nation's migration trends have been characterized by widespread emigration and a population concentration in the central part of the country. The Rural-urban migration theory comes in play when looking at this particular issue. Economic push factors like unemployment in the rural areas, that are causing low wages and a lower level of life are forcing people to move to more urban areas. Either its Rezekne or Daugavpils, the two major cities in the region or the capital Riga. But people that already lived in one of these cities tend to migrate to other countries in the EU, as that is the easiest option with open economic borders. In the Theory chapter I discussed how this rural-urban migration is not limited just to internal migration, people migrate to other countries every day. There are also more non-economic factors that are pushing people to move, like poor infrastructure, poor living conditions and no access to better education and healthcare. As communications and transportation is becoming more and more available and psychical barriers are being torn down. Nowadays political factors - governmental policies play the biggest role in migration rather than the physical barriers.

To better illustrate the effects of migration in more detail I have chosen to look at Ludza, a town in Latgale which also happens to be the oldest city in Latvia with a great history and beautiful architecture. Ludza is also one of the three smallest development centers in the country this means that there is more funds and work put into the development of this town and region. But even with all that the lack of jobs is forcing the locals to leave their

hometown, depopulation is a huge issue and the level of migration in this region is one of the highest in Latvia. In 2019, Ludza had a population of 7777, which is 35% less than in 1989 and most of this loss of population is due to migration. (2021) A big challenge for the municipality is the management of outdated and completely worn-out infrastructure and housing stock, mainly built during the Soviet era. Thanks to EU funds in recent years, a lot has been done in Ludza, especially in the renovation of the historic center, streets and reconstruction of communications, as well as renovation of public buildings. However, not always the state and local governments the investments have been carefully weighed. The most striking example of this is the large-scale rebuilt Ludza hospital, which had to be closed due to insufficient occupancy a few years after the reconstruction. (2021) Unfortunately, the prognosis does not look good at the moment and the population will keep decreasing and schools, shops, businesses and jobs will keep disappearing. If nothing will be changed this is the sad future most towns and rural regions in Latvia faces in the near future.

5.6 Attracting people to remigrate

Understanding what potential remigrants are interested in and the various issues related to relocation:

- Employment;
- Educational institution for children;
- Preparation of necessary documents;
- Latvian language acquisition for children and adults;
- Health Care;
- Relocation of the company to Latvia, etc.

When doing my research about this problem I worked closely with the remigration coordinator in the Latgale planning region Astrīda Leščinska who provided me with useful information about this topic.

Evaluating Latgale from the point of view of access, geographical location and development of the emerging infrastructure, it stands out as one of the best territories with a great export potential in the country. Already now Latgale exporting companies are developing much faster, because the manufactured products and services have wider market opportunities. There are companies in the region that export most of their products, have gained European and even global recognition - such as Ltd. Axon Cable, Corp. VEREMS, Corp. Preiļu Siers, Ltd. Light Guide Optics, Ltd. Regula Balitija, companies with many years of experience in export and millions in measurable investment in production development. In recent years, electronics manufacturers and IT companies have also shown growth. In order to support the development of small business, the Latgale planning region has been organizing the Latgale Day during the Riga City Festival in Independence Square for the seventh year in a row and has become an integral part of the festival. Educating local entrepreneurs and supporting cooperation play an important role in the development of the region. Every year in cooperation with the Latvian Chamber of Commerce and Industry, "Entrepreneur Days in Latgale" are organized, which take place in Daugavpils and Rēzekne two of the biggest cities in the region of Latgale, bringing

together both local governments and entrepreneurs of the region. In this way, many companies based in Latgale find new markets and create mutually beneficial cooperation platforms.

Taking into account the course of the Covid-19 pandemic, more and more Latvian citizens want to return to Latvia. Astrīda Leščinska, the “godmother” of remigration in Latgale Planning Region (LPR), has been successfully operating for the third year in a row within the framework of the support measure “Regional Remigration Coordinator” of the Ministry of Environmental Protection and Regional Development. More and more often the question is asked whether it is safer to carry out the pandemic in Latvia. Families who were approached several years ago have suddenly started to spread the word about themselves and their desire to move back to Latvia. Emigrants working in the service sector suffer most from the pandemic. Families return with students in the middle of the school year, as Latvia is considered the safest place to wait for the pandemic to be over. (Leščinska, 2021)

Thanks to active work and effective measures to promote remigration, more than 200 families have already returned to the region. The positive remigration trend of the Latvian population is also characterized by more than 100 families who have returned to Latgale on their own, but the “godmother of remigration” provides regular informative support. In Latgale, A.Leščinska states that there has been established a network of return correspondents - these are 9 remigrant entrepreneurs who have returned to Latvia after their absence. Remigration ambassadors promote their homeland, successfully fill vacancies in business and create new jobs. They are an example to others - those who are planning their return to Latvia, as well as share their experience of integration in Latvia and starting a business. Gives people inspiration and a desire to return. (Leščinska, 2021)

A.Leščinska points out that in order to promote remigration, business support is of great importance, where colleagues of the LPR Business Center are involved in providing consultations.

6. Conclusion

In my research about regional development and migration in Latgale, Latvia and the impact of the EU, I have learned that the situation is more serious than I thought before starting my research. That there's both positive and negative impacts from the EU, but the resources are there and it is up to the government how successfully it distributes them through various projects. Regional development and migration are very closely connected to each other. Development in the regions is a key factor to attract new people to an area and keep to current residents from migrating. In order to reduce migration one has to study and understand the reasons for it.

In the distribution of funding by regions, Latvia does not take into account all of the EU policy objectives to support the socio-economically disadvantaged regions. Latvia distributed the largest amount of EU structural funds to those regions with the highest GDP, and thus not meeting the main EU policy objective, but on the contrary, even increasing the level of socio-economic development disparities and the backwardness of less developed regions.

This study was an attempt to acquire more knowledge about this topic, which in my opinion is very pressing in most parts of the world. Applying existing theories to my topic and problem statement gave me a better understand of the importance of regional development and migration tendencies and what role the EU plays in all this.

In my opinion, Latvia needs to develop a more detailed and targeted demographic policy that is aimed specifically at increasing population growth and stopping regional disparities. I believe by adapting such policy, with the help of the EU and their funding if distributed correctly it is possible to turn the country in a more positive direction than it is going at now.

7. Terminology

Diaspora - a scattered population whose origin lies in a separate geographic locale.

Emigration - the act of leaving one's own country to settle permanently in another; moving abroad.

Globalization - the process of interaction and integration among people, companies, and governments worldwide.

Labor migration - the movement of persons from one State to another, or within their own country of residence, for the purpose of employment.

Migration - the movement of people from one place to another with intentions of settling, permanently or temporarily, at a new location.

Migration change – the net change in the total population of an area due to migration.

Region - an area, especially part of a country or the world having definable characteristics but not always fixed boundaries.

Regional development - general effort to reduce regional disparities by supporting economic activities in regions.

Regional disparities - differences between economic performance and welfare between countries or regions.

Remigration - the act of migrating again; especially: the act of returning to one's original or previous home after a migration.

Rural - in general, a rural area or countryside is a geographic area that is located outside towns and cities.

Urban – relating to a city or densely populated area.

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9. Attachments

Interview guide

Topic: Regional development in Latvia and the impact of the EU

Problem statement: How does the EU impact regional development and migration in Latgale, Latvia?

Type of interview: Due to the challenges caused by COVID-19 pandemic and not being able to travel to do a face-to-face interview, the interview objects were given the choice of phone interview, online interview or an e-mail interview. One of the respondents chose to conduct the interview through a video communications software, while the other chose to go through with the interview with the help of e-mail. They were provided with the questions over e-mail and they provided me with the answers.

Introduction: Before asking the questions, I introduced myself to the informants and thanked them for going through with the interview. I also asked if they agree to the interview and explained them the purpose of it.

Interview questions:

Questions for the remigration coordinator in the Latgale planning region –

1. What are the main challenges of regional development that Latvia faces, specifically in the region of Latgale?
2. Has the EU funds so far helped/impacted (if yes, then how), that the people in Latgale wouldn't migrate to bigger cities and eventually to other countries?
3. Do You think that the EU funds have helped establish long-term businesses in the region of Latgale, if so maybe You could name them and can you say something about employment generated by these businesses (number of jobs, etc.)?
4. Will it be sufficient just with the EU funds without any Latvian government funding to develop the region in a sustainable manner and make it attractive for people, especially for the youth?
5. How do You does the Latvian government and the EU is doing a good enough job to at least preserve existing human resources?
6. How to attract people to remigrate to Latgale?
7. Maybe You have something else you wanted to add?

Questions for the senior expert of the Territorial Development Evaluation Division of the State Sustainable Development Planning Department –

1. What are the main challenges of regional development that Latvia faces, specifically in the region of Latgale?
2. How do You think is there a way to develop the region of Latgale in a sustainable manner and reduce regional disparities in the near future and what role should the EU play in this?
3. Do You think that the EU funds with the funds already distributed with multiannual financial frameworks (MFF) has helped to create new businesses in Latvia (if yes, then which ones)?
4. How do You think which region(-s) in Latvia could use a greater response from the Latvian state in attracting EU funds? And what could be the reasons for the low activity of the region(-s) in absorbing EU money?
5. Despite the availability of EU funds over a long period of time, natural growth and long-term unemployment (even more than 3 years) are still the highest negative indicators in the Latgale region. What else could be done with EU funds to change this demographic and economic situation?
6. Maybe You have something else to add?

End of interview: As the last question of the interview they were given the option to add something that they thought was important to the topic, but was not asked previously. After the interview I asked them if they think of anything else to feel free to contact me at any time.