

Latvia NHDR 2000/2001
The Public Policy Process in Latvia
Review of some Points relevant for the Global HDR 2002

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The Latvia NHDR 2000/2001 on the Public Policy Process has a number of points related to voice and accountability raised for the Global HDR 2002 . The Report was prepared by the Institution of Philosophy and Sociology of the University of Latvia based on the findings of a major UNDP sponsored survey project, Public Policy and Participation in Latvia, which conducted several polls among 1000 inhabitants, all 100 deputies of the Saeima (of whom 37 responded), directors of all ministry departments and the chairperson of all local governments (of whom 210 returned the questionnaire). The authors interviewed more than 60 political party and NGO leaders, civil servants, media representative and other experts.

The Report was written in a participatory manner as a manifesto for involvement and participation, boldly highlighting a new message: the recognition that individuals themselves are the ones who shape policy, and that by becoming involved in politics, they confirm their civil affiliation. Policy making is not only the exclusive domain of state, parliament or government, notes the Report, and the goal of democracy is not to develop an ideal society, but rather to expand the public arena of freedom and responsibility. Democracy does not establish a state of justice and does not create an ideology of truth, it merely strengthens the public arena within which everyone has the right to act.

Some points relevant to the Global HDR 2002 include:

All sides of the coin

The NHDR tries to test whether a true and effective democracy has taken root and permeated the institutions, processes and practices in Latvia. It looks at four conditions:

1. Whether the socio-economic conditions, and administrative policies of the state and local levels are responsive to the needs and aspirations of people
2. The extent to which individuals and social groupings have opportunities to influence policies that affect them, and whether they are being heard.
3. Whether people actually do take upon themselves the responsibility of partaking in the resolution of the issues that concern them.
4. Whether public administration has the capacity to engage in transparency and allow for participation

The policy making process in Latvian society, argues the report, suffers from dependency of political parties on economic groupings, insufficient level of competence among politicians and dominance of party and politicians' interest over national interest, and little public participation. The report analyzes the efficiency and accountability of policy making, and the challenges to participation (posed both from the above and below), and provides targeted recommendations.

Why public policy is important in the national context:

- The overarching goal of joining the EU and to the NATO Alliance is a political decision which will have direct impact on human development and national security, hence it is important for new policies to be shaped in an open and transparent way to better reach those goals.
- Latvia has inherited, the Report notes, 50 years of a totalitarian regime which engrained mistrust between the state and individuals and weakened civil society. That system has been very quickly replaced by a new market-based society marred by concentration of new economic power, the mass media and IT. Democratic processes must be assessed a decade after they were set up.
- These new paths have opened new opportunities for dialogue and consultation between the state and civil society which require more transparency in decision making processes. The new democracy must have moral and civil foundations: the public is increasingly vocal in demanding honest, responsible and transparent policy making that responds to groups and social strata.
- As the country moves towards the creation of its national development strategy, equal emphasis must be put on investment in economic growth, science and technology as on public accountability, social responsibility and the avoidance of negative social consequences. Cooperation, and not competition between interest and social groups should be promoted through a development path that allows for equal growth, equal voice, and equality of sectors, institutions and social groups.
- With the weakening of previously stable social entities such as class, national, ethnic and religious groups, society is moving towards individualism. Democracy should allow for individual will, but freedom of the individual is possible as long as it does not infringe on the freedom of others. Individual and group interests must be coordinated with the common interest of society
- New networks and new actors (NGOs, professional associations, analysts and active individuals) have entered the arena of politics, and the community of policy makers along side traditional centers of power, the legislature, executive, and judiciary.

Human Development Policies

The Report argues that good governance as a means to Human Development requires

- strengthening of operational capacity of policy making agents,
- capacity for long term planning,
- multi-sectoral cooperation
- reliance on knowledge,
- integrating policy expertise in decision making
- capacity to answer to the public about policies and their results,
- and the capacity to promote participatory decision making.

Three aspects of Human Development are discussed through the NHDR:

- 1) Strategic vision, planning and coordination for HD
- 2) Public policies that promote HD
- 3) Participation as a HD end and mean

1) Elaborating a strategic vision requires seeing the total picture of HD, conducting long term planning, feeling accountability for policy results, and bringing together the various institutions and coordinate their work for common goals

If the country does not have a common vision about its long term development priorities, there would be a lack of consistent priority policies. If budget planners do not place priority on human development, goals will not be realized. However, there is a limited understanding of HD as an integrated development process and as a complex policy goal, and a limited understanding that social factors should be considered along with macroeconomic factors in planning the state budget

2) HD Policies mean the need to put the main values of HD, education, public health, and improving the material and quality of life of the population at the center of public policy. HD policy making also means the implementation of democratic, responsible, competent and open-policy-making. These principles become both means to HD-oriented policies for people, and ends by themselves to allow for participation by people.

3) Human development does not encompass only the goals and priorities, but also the values that guide the government. They represent a moral choice. The basic principles of HD draw attention to ethics of policy making, incorporating equality, justice, participation as well as accountability.

Open policy making creates conditions where the people themselves can decide on issues. Public policy cannot be separated from the individual in society, and is not to be sequestered at the top of the power pyramids. It is not the privilege of the chosen few, but rather the realization by individuals of their inalienable right to decide on conditions affecting their lives. The meaningful participation of a country's inhabitants in public affairs permits them to be real decision makers in development process, on issues that affect them, and permits them to be integrated in their local community, in the national state and in the European community of nations.

The Report outlines “democratic values in policy making “, with “democratic” interchangeable with “HD”

- a) ensuring representation of public interests,
- b) fair and observe the needs of different people, principles of equal right and interest.
- c) transparent so that population has access to information and monitor,
- d) politicians must be responsive to needs and suggestions voiced by population,
- e) they must be aware of importance of participation and cooperate with public.
- f) politicians and civil servants must be capable of making reasoned and far-sighted decisions, demonstrate high moral standards and competence.

Findings:

Some of the findings of the NHDR 2000/2001 are:

- 1) **Low trust in public policy:** Public policy in Latvia has a low degree of legitimacy, is characterized by a lack of openness and accountability. Only one tenth of those surveyed (inhabitants, Saeima deputy and local government leader) believe that Latvia is a country where the public supports its politicians and that politicians are accountable to the public. Only a small part of the population and local government leaders believe that the adoption of important decisions serves the interests of the majority of population.
- 2) **State Capture:** Like many other post-socialist countries, Latvia suffers from “state capture” or “economic capture”, under which “laws, regulations and other decisions adopted by State institutions are passed in the interests of small groups or individuals, and under which public officials and politicians have received illegal private benefits.” The study for the Report confirms that there are two parallel systems of decision making:

one that is legal, multiparty, public and based on democratic principles, and another that is based on corporate and corrupt interest groupings and a personal contact system. Both systems exist side by side.

3) **Opinions and beliefs**

- a) State institutions, especially cabinet of ministries, ministries and ministry institutions, get the highest mark in decision making *competence*, but the lowest ranking in decision making *transparency*. Decision making in NGOs was marked as highly honest and transparent, but their competence was rated lower than state institutions.
- b) Majority of polled (78%) believe that decisions made by politicians affect their lives to a great extent, but very small proportions (5%) believed that they can significantly influence decisions.
- c) Most believed that they can influence policy making more at the local government level than at national level.
- d) Important political issues are those that are so considered by corporate business, while issues that affect the public sector and social policy that do not directly affect business interests are usually classified as less important.
- e) An analysis of public opinion which is regularly monitored (August 1999 to December 2000) reveals that the most important agenda for the public is economic growth, while the foreign policy priority of integration into the EU and external security (defense) and integration of society (minorities) are not mentioned. Public and government agendas are almost the same, except the government does not mention agriculture issues, corruption, alcoholism, drug addiction, public order and personal security.

The Three Entry Levels for Policy Making in terms of Effectiveness, Accountability and participation:

1) Rural Development

The local level is identified by those surveyed (and by the Report) as being the most appropriate entry point for participation. Surveys conducted in 2000 shows that 54% of the population trusts their local governments, more than political parties. Local governments are the state institutions with the closest links to people.

Local governments are responsible for a wide array of services, are capable of identifying their priorities and allocating their budgets: the more capacity they show, the more responsibility is allocated to them. When deciding on rural or local development priorities, experience shows in Latvia that people attempt to participate more in decision making both because the channels are more open to them, and because the results have a more direct and immediate effect on their lives. Rural policy is an opportunity to promote communication, education and innovation projects, as well as decentralized and equal participation of rural organizations and the public.

However, the capacity of local governments to effectively carry on their responsibilities (which also includes allowing for participation) is hampered by:

- **Duality of local governments** which affect their policy making practices. On the one hand, territorial local governments are elected in general elections, on another, their autonomy is limited as their functions are fixed in law in accordance with decisions of the Cabinet or the parliament. They are, in a sense, the representatives of the state's executive institutions in districts, cities and parishes.
- **Lack of coordination:** District level plans have to coincide and conform to regional strategies, as well as to several dozen sectoral concepts at the national level. In the absence of

an overall national development concept, strategy and plan, it is difficult to coordinate among themselves.

- **Feeling of isolation** from higher level politicians. 90% of local government leaders surveyed believe that Latvia lacks a clear State Policy regarding local governments, and that the national government's priorities do not conform to the actual needs of local governments.
- Lack of unified **training** system which misses opportunities to upgrading skills effectively.
- **Lack of resources** and regulation of finances through the Local Government Equalization Fund
- **Lack of vision** among political leaders, many of whom are political appointees. Two third of those surveys believe that economic growth is more important than social justice and equality, while among the public, this choice was split 50/50

The capacity of local governments needs to be strengthened through internal audits, civil service reform, unification of training systems for civil servants, better use of IT for information sharing and infrastructure building.

2) *The National Level*

Policy making at the national level, argues the Report, suffers from two problems:

Lack of coordination and cooperation and lack of an overall national development agenda

A National Development Plan as a mid-term planning document for 6 years was initiated in March 2000, which envisaged the analysis of the socio-economic situation in Latvia, assignment of priorities and the stipulation of the steps to implement them. A management Group has been set up with high ranking ministry employees, accountable for the preparation of the NPD, and a Unity Group is responsible for the day-to-day elaboration of the Plan, being currently written in parts by experts. The elaboration of the NPD, notes the Report, has been a learning process, as there has been no previous experience.

The difficulties with the elaboration of this NPD are related to:

- **Fragmented management structure**, which lacks coordination and gives no feeling of responsibility. There is no neutral ministry in charge of coordination (the coordination is the responsibility of the Secretariat of the Ministry of Special Assignment for Cooperation with IFIs)
- Lack of high level **political pressure** from above, and from the outside
- Lack of **horizontal coordination among the ministries**, and a cooperation mechanism, leading to inter-ministerial struggles for influence and funding, replicated between central and local government structures. The Cabinet of Ministers has approved 200 programmes and strategic documents that are not coordinated.
- Lack of **correlation with the State budget planning** which makes the allocation of resource a separate and unrelated exercise, and the NPD goals ultimately unrealistic. Investment in long term development requires a rational allocation of budget funds and accountability for the spending of public resources.
- **Rapidly changing government** (the average life-span of the government since the election of the 5th parliament in 1993 has been about 10 months)
- **Lack of long term strategy** and agreement on the strategic direction of development under which a Medium term plan could be elaborated. An earlier proposal, Latvia 2010, developed by the Economists' Association, was seen as the unofficial national development concept, but was based on a neo-liberal paradigm (rapid transition to market economy, widespread privatization, minimal interference of the state in economic activity, macro-economic

stability, etc., with social issues seen as secondary). But Latvia 2010 has now lost relevance within a national and global environment that has proven the un-viability of these paradigms

The lack of a strategic vision at the national level complicates co-ordination of decision making at all level, but has been surrogated by the existence of sectoral concepts and policy documents and the Euro-integration priority that pushes for the harmonization of Latvian regulatory enactments with EU documents.

The Report concludes that Latvia has done well fulfilling activities entrusted to it by the outside (namely, correlating efforts to integrate into the EU and join the NATO Alliance), but has to learn to assume internal commitments in a cooperative way as well.

Lack of Vertical coordination

Effective policy making requires good coordination and cooperation across departments, both for overall programmes (like the NPD) and those requiring coordination among 2-3 ministries (poverty reduction, regional development, etc), Within integrated and coordinated multi-sectoral policies, priority must be given to social justice, rational balance of economic growth and the transparent allocation of resources through cooperation. Poverty eradication, social integration, poverty reduction, gender equality, regional development, environment protection and the rational use of resources, crucial elements of human development, cannot be done by one department and ministry only.

Good examples of inter-departmental horizontal cooperation have been noted in Latvia in rural policy and Euro-Integration, and have been facilitated by outside factors. Characteristics of good coordination have included

- Institutional mechanism
- Strong management
- Principles of unanimity
- Coordination by politically neutral department
- Regulation and monitoring by the outside (EU)
- Incentives/perspectives for civil servants
- Urgency of the matter

Challenges to vertical coordination, however, are:

- Putting interests of one ministry over the other
- Competition between ministries. Competition can be positive and increase efficiency, but it can also be negative and lead to contradictions in state policy.
- Lack of an overall development plan, and agenda
- Budgetary competition, with each ministry worried about the "dilution" of limited human resources and ultimately "pulling the blanket on one side".
- Party rivalries within the coalition government as each ministry belongs to a different party.
- Lack of coordination bringing about delays and inefficiencies
- Lack of a neutral institutional for inter-department policy coordination

3) Regional integration

Integration into the EU, one of the main strategic priorities of Latvia, represents the other side of the spectrum from the local level policy making in as far as participation is concerned.

Integration has long term consequences on the GDP, on social security, on rural development, on

education opportunities, etc. However, public opinion sees this level of policy making as too far-reaching, and shows less interest in it.

From the human development point of view, integration into the EU has many positive outcomes: the majority of European countries consider social welfare as a basic asset and precondition for peace, stability and development, and the EU's social policy is about employment, free movement and legal relations of labor, social security and protection of labor force. EU policies, notes the Report, promote growth while protecting and strengthening social guarantees for the population. However, what this means concretely for Latvia requires a thorough study of the costs and benefits in the short and long terms. The Report notes that "the average person's opportunity to benefit from integration will depend on the quality and openness of internal decision-making in each country." Because increased competition will inevitably bring about risks and different opportunities for different groups within the country, integration as a whole and specific integration policies need to be opened up to debate with the public. Although these policies are considered "low priority" for the policy agenda, they nonetheless have high important consequences for the public.

The fact that integration policies have been put on the policy agenda, the Report argues, is not necessarily because of public demand, but because a failure to do so would hamper accession negotiations with the EU (and the WTO). A paradoxical situation has therefore risen under which international institutions have acquired the opportunity to influence the Latvian policy agenda, while local interest groups and NGOs have rather limited influence channels. Euro-integration issues arrive on the government's agenda without any wider public participation or debate. A general lack of public interest has resulted in the adoption of decision within a narrow group of civil servants. But, notes the Report, the government itself should promote public interest in these activities and extend contacts with potential interest groups.

Accountability: "Closed" and "Open" Policy making

The report develops two models of interest: open and closed policy making processes (pages 26-27)

- 1) An **open policy-making process** puts emphasis on institutions that allow people to become involved in decision making process, leads to the improvement of the quality of decisions, their more effective implementation, and an increase in their legitimacy.
 - The local level is more prone to open policy. An example is the Eastern Latvia's Latgale region, where the local government has drafted, debated and adopted a development plan on a consensus basis which resulted in rural development partnerships. Partnerships are driven by a concern for community development, a wish to improve general living conditions, volunteerism and the desire to work for the common good.
 - In the Latvian political scene, the closer one comes to Riga, the more the interests of parties and economic groupings linked to them begin to dominate over common and nationally significant interests.
 - At the national level, "open policy" is the cooperation of government ministries with sectoral associations and NGOs leading to decision making in joint drafting of laws. But cooperation happens more often between NGOs and ministries that are not involved in large amounts of money but that address important public issues affecting large segments of population (such as social welfare, education, etc)

Open and responsible policy-making must meet these conditions:

- a) Law is abided by (rule of law)

- b) information on draft decisions is made accessible
- c) decisions are based on research studies and policy analysis
- d) politicians are accountable to public and ensure that policy making is responsible, fair and efficient
- e) Public is informed of political decisions and solutions
- f) Public participation assumes a greater role in policy implementation
- g) There is sufficient base of NGOs that provide social services and defend public interest
- h) Policy is regularly monitored and evaluated

2) **“Closed public policy”**, which characterizes Latvia according to this NHDR, has inclinations towards seclusion. Its features are: small number of decision-makers, considerable influence by business groups in the decision of political issues, lack of transparency in procedures, and a disregard for public interests. “Closed policy-making” does not promote a balance between individual and collective forms of HD, or between private and public figures. It does not allow equal access and open competition, even among businesses, with the balance tilted towards the economically strongest.

- In Latvia, decision making is closed on crucial economic subjects such as privatization, regulation of monopolies, regulation of most profitable types of business and questions affective large companies and business groupings.
- This type of closed policy mechanism operates as a relationship between party financiers and political leaders, and “gray cardinals” who operate out of the public limelight. Closed style politics is also abetted by institutions of power established by the ruling parties, but that are the most part extra-parliamentary, such as coalitions and co-operation councils, and the proportional representation of the ruling parties on the boards of large state enterprises. It is also manifested through the political lexicon.
- Closed policy processes flourish in conditions where the inhabitants of a country display little interest, are not familiar with its policy making mechanisms and do not believe they can influence policy making. The myth of closed policy processes promotes a practice of non-participation, which then promotes the establishment of closed processes. The Report argues that this cycle must be broken, People must demand transparency, declare their own priorities and seek their realization.
- The Report points to a low degrees of trust in politicians, low degrees of mutual trust among politicians and the public, and low degrees of political self confidence among the public, with all three feeding into each other. Mutual distrust among political agents reflects the fact that they do not believe in their ability to improve policy and vice versa.
- There is therefore a vicious myth around mistrust- incompetence - lack of transparency - lack of participation – inefficiency

Accountability: Learning Process

Policy making for HD in this Report comes off as being one that is first of all a learning process. Among the many tools that the Report analyzes for improved accountable and efficient policy making, two are of noted interest:

1) Use of IT for accountability

Communication technologies and the Internet are providing a new and welcome tool for consultation between policy makers and the public. For this NHDR, the Home Pages of Latvian ministries were evaluated for their annual reports, budgets, laws, research and interactivity, with

the conclusion that Home Pages are fast becoming a form of public accountability. As an example, a chat system developed by the Ministry of Social Welfare opens social policy to the public, and allows for feedback on specific issues, ranging from employment policies to reproductive health.

2) Use of Policy experts and policy analysis

Use of policy experts can facilitate objectivity, analytical view to policy making and build a bridge between policy makers and the public. Analysis of policy looks at effectiveness, political viability, feasibility, efficiency, justice of the policy. Consultation with experts is promoted by a government programme that sponsors research through the State Budget. However, an analysis of the reports by the NHDR shows that many do not have direct link with policy analysis and do not have forecasting or study the policy consequences. The use of experts is further hampered by lack of resources, limited capacity within independent policy institutions, think tanks, weakness of NGOs, and a lack of independent experts. Although new independent think tanks, issue-oriented NGOs and academic institutions are coming into the policy scene, they suffer from a lack of experience in social sciences, interdisciplinary and policy. There is also a cycle: a lack of demand by policy makers and a poor supply by independent experts/institutions does not create further demand.

Causes and Consequences of Voice and Participation

Participation is seen in the NHDR as both the ends and means of public policy. Latvia has a good preconditions for participation:

- b) An educated public
- c) For most part, politicians are competent, responsible and aware of their mission
- d) Public is increasing demanding accountability
- e) Good institutional framework and legal bases
- f) New Links are forming between politicians, NGOs, Govt
- g) Number of NGOs and citizen groups wishing to be involved is increasing
- h) New partners are participating in formulation of public policy
- i) Politicians expressed desire to improve policy making that is open and overcome shortcomings

Despite these advantages, actual participation is very limited:

- Only 5-7% of those polled are actively involved in policy making. About 20% of respondents admitted to lacking interest in public processes, citing that they had enough problems of their own.
- During the Soviet period, the public did not have access to the policy arena, which was the pejorative of the State. To this previous experience was added ten years of transition, rushed policies, and fast democracy.
- The Report argues that passivity is rooted within society, that people do not believe they can influence policy processes and that perception of the irresponsibility of the State is used as an excuse for a cynical public attitude against state institutions, giving rise to justification for not paying taxes and corruption, which further diminished the power of the state.
- Patterns of participation are also visible: participation depends on motivation; the more educated and informed they are the better they participate; Latvians participate twice as often in discussions of development plans as non-Latvians. The most active participants in the political process are Latvians, rural inhabitants and people of retirement age, and those with higher level of education.

Given the very small number of people who do participate (or who want to be involved) the observance of democratic procedures is important. Participation should be facilitated by:

- a) appropriate legal and institutional environment
- b) promoting skills, abilities and knowledge
- c) support by the state and sufficient financing.
- d) motivation and incentives
- e) support from institutions and like minded people (networks)
- f) knowledge and information sharing
- g) Promoting the accommodation of public interests by state institutions
- h) Improve public monitoring mechanism
- i) Promoting cooperation with NGOs for public interest

Modes of participation

Indirect participation is realized with the help of democratic representation, access to information, public debates, policy monitoring by the media, manifested in entrustment of power and reliance on democratic institutions and procedures.

The Report examines the roles, responsibilities, effectiveness and openness of such institutions as the Media, the Parliament and NGOs.

- **NGOs** (which number in the 6000 in Latvia), were created initially for information sharing and project implementation, and are only now moving towards advocacy. Their sources of funding comes from the outside, and they suffer from financial difficulties, lack of support, etc.
- Public trust is very low in the **media**: The majority of those polled (between 62 and 78%) answered that they trusted the media “not very much”. Yet, the media has a dual role: act as watchdog, and present society with broad and multifaceted overview of events, giving citizens the opportunity to participate fully in the process of democratic governance. The media must generate debate on topics of general political importance, and there are a number of cases where they have done so. But perceptions of the role and ethical responsibility of the media is not properly understood (The Report delves into this factor through a discussion on the perception and origin of the thinking of the “fourth estate/fourth power”)
- Other means of participation, namely elections and referendum are analyzed in the Report and data is presented along gender, ethnicity, rural/urban and even social group

Direct participation demands more political will, activity and political skills. People have to have the political self confidence, and rely on systems and institutions, as well as on their own experience of individuals.

The experience of public participation in Latvia is massive, campaign style and short term. The mass demonstrations of the late 1980s and January 1991, for example, led to the establishment of independence at the end of the Soviet Union. It has been possible to mobilize for specific issues, but not for political problems that require long-term attention. Direct mass public participation has been reactionary, as a protest against an already initiated or implemented state policy, and it has also dissipated quickly afterwards.

Challenges to Participation

- Systems for including a participatory process are hampered within the policy making process which are **overly hasty or lengthy**.
- The other side of coin of a lack of transparency is the **lack of knowledge** displayed by public. Over half of surveyed inhabitants agreed that policy making should be left to experts,

because of their insufficient knowledge or them being “too emotional to effectively participate”. The public manifests a low self evaluation of its awareness and capabilities

- The Report argues that the public lacks, but should have, the necessary competence to engage politicians on such issues like privatization, etc. This lack of competence is based on lack of **a) trust in the policy making process, b) information, d) desire, e) enough previous positive experiences** which have created a cycle that have broken the cycle..

The Report recommends that public participation should be promoted, and mechanisms should be introduced for public participation, because it would:

- a) improve the public’s ability to practice in decision making over the long-term.
- b) allow policy decisions to benefit from views and valuable suggestions, which is more advantageous than repealing an ill-adopted decision,
- c) improve political dialogue and decision making quality, and decrease the chance of small groupings to have undue influence on decisions,
- d) lessen skepticism and the gap between public and the political elite, open new ideas and new politicians.
