The purpose of the Human Development Reports (HDRs), which the UNDP has published since 1989, first with Global Human Development Reports, and subsequently with National HDRs, has been to stimulate public debate about important factors influencing the development process. The authors of these Reports thereby seek to influence policy – both at the global and national levels. The Reports have done so with a concept of development that goes beyond a simple economic perspective. This concept sets human development – defined as the enlargement of choices available to people – as the ultimate goal, and as the only true yardstick of development. The Human Development Index (HDI) that underpins this concept incorporates indices of economic achievement with indices measuring health and education. This Index has become a powerful tool – albeit imperfect and often controversial – for measuring the performance of individual countries over time, and for comparing the performance of individual countries in terms of the degree of attention that human development is being given in policy-making.

Thus, the five previous Latvia Human Development Reports have analysed the social costs and human dimension of Latvia’s transition to a market economy. They have focussed on such issues as social protection, health, education and growing regional, ethnic and income disparities. While it may be difficult to prove a direct causal relationship, important legislative reforms and national programmes in Latvia can arguably be traced to the analysis of structural problems in Latvian society that was first brought out in these Reports, and to the subsequent public debate and awareness that the Reports helped to stimulate. The present, sixth, Latvia Human Development Report takes this analysis one step further by focussing on the public policy process in Latvia itself. In so doing, this Report focuses not just on whether the socioeconomic conditions of Latvia today – and administrative policies at the State and local levels – are responsive to the needs and aspirations of the population, but also on the extent to which individuals and social groupings have opportunities to influence policies that effect them, and on whether they are being heard.

As a Human Development Report this is a ground-breaking publication, not just in Latvia, but in the World today in which it would be possible – in a report by a United Nations agency – to gauge whether true and effective democracy has taken root and permeated the institutions, processes and practices of policy-making. Indeed, a report that asked similar questions could well be controversial even in countries with well-established democracies. The openness with which large numbers of decision-makers, Saeima deputies, senior government officials, representatives of the media, academia and NGOs have contributed to the analysis and recommendations of this Report is a sign of how far Latvia has come since regaining its independence, and augurs well for its desire to become an open, participatory democratic society.

Public policy process is a term that only makes sense in the context of a democratic society. As this Report shows, this process is in Latvia still conditioned by the effects of more than fifty years of totalitarian regimes that weakened civil society and created a gulf of distrust between the State and individuals, a gulf that the new democratic institutions are still trying to overcome. At the same time, the concentration of economic power and mass media and IT-technology in the new, market-based economy creates new conditions for influence and control over people’s behaviour. This Report attempts to draw a balanced picture of the development of public policy making in independent Latvia by focussing sharply on areas that remain characterised by a lack of transparency and openness, and by undue concentration and influencing of policy-making processes. The Report also focuses on positive achievements and new opportunities that have enlarged the opportunities for dialogue and consultation between the State and civil society. I hope that the analyses and recommendations in this Report will contribute to further strengthening the public policy process as a dynamic that itself contributes to a more open and more people-centred society.

JAN SAND SÖRENSEN
United Nations Development Programme
Resident Representative
Introduction
Tālis Tisenkopfs

Chapter 1
Tālis Tisenkopfs, Valts Kalniņš, Aija Rieba

Chapter 2
Valts Kalniņš, Jānis Ikstens

Chapter 3
Aivita Putniņa, Pauls Raudseps, Vladimirs Meņšikovs

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Politics is the sphere in which adopted decisions affect human development in the most direct manner. For example, Latvia’s goal of acceding to the European Union and the NATO Alliance is not an end in itself, but rather a means for guaranteeing the security of the country and for promoting its rapid and sustainable development. Similarly, it is possible through politics to increase the level of prosperity and welfare of the people with the aid of qualitative pension, health care and rural development policies.

While the adoption of political decisions and the capacity of State institutions to implement them has improved greatly since Latvia regained its independence, I fully realize that the expectations and demands of our citizens have grown just as quickly. People have grown more critical. They wish to see policy-making conducted in a professional manner, and they want reasoned decisions to be taken with predictable outcomes.

Decision-making should not be restricted to the competence of professional politicians. Politicians must listen to the voice of public opinion and must be interested in seeing increased citizen participation in policy processes, as well as responsibility for one’s actions. It is a positive sign that Latvia’s six-thousandth non-governmental organization was registered this May, and that the participation of NGOs is increasing in the preparation of draft regulatory documents. The National Trilateral Co-operation Council is successfully serving its role as a forum for the harmonisation of opinions with the Latvian Employers’ Confederation and the Latvian Association of Free Trade Unions. Any inhabitant of the country can now receive information on documents that have been submitted or approved by the Cabinet, by accessing them directly on the government’s home page on the Internet.

The above reflects my subjective opinions as a politician. In order to obtain a full and objective overview of the total picture, the analyses of independent experts are vitally necessary in evaluating the notions and conceptions of politicians, civil servants, entrepreneurs, NGOs, the mass media and other groupings. As the British author and theologian G. Chesterton once wrote, practically everyone wishes to receive honest, impassionate and truthful information that conforms to their opinions. But sometimes in order to obtain an accurate picture one must be prepared to receive honest, impassionate and truthful information that does not conform to one’s opinions and even refutes them.

For several years, the UNDP-supported Latvia Human Development Report has been the best example of such research available in Latvia. I can attest to this because I have personally participated in the formulation of past issues as an employee of the Latvian Ministry of Welfare. While the 2000/2001 Report does contain some disputable contentions and conclusions, its overall level of research, as always, is very high. I would like to stress that the authors of this Report have taken pains not only to criticize, but also to highlight the positive trends and to provide recommendations for improving policy-making in Latvia. I hope that their efforts will be appreciated and that this Report will be widely used as a tool for both policy analysis and the resolution of practical issues.

ANDRIS BĒRZIŅŠ
Prime Minister of Latvia
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Basic facts about Latvia (2000)

Population
Number of inhabitants (millions) 2.4
Natural increase (%) −0.8
Population density (persons per sq. km.) 36.6

Population distribution (%)
Rural 31
Urban 69

Gender distribution (%)
Males 46
Females 54

Age distribution (%)
0–14 years 17.8
Of working age 59.9
(males 15–59 years, females 15–57 years)
Of retirement age 22.3

National composition (%)
Latvians 57.7
Russians 29.6
Belarussians 4.1
Ukrainians 2.7
Poles 2.5
Lithuanians 1.4
Others 2.0

Human Development Index rank 63/174
(Global Human Development Report 2000)
Adult literacy rate (%) 99.8

Health
Average life expectancy (years) 70.4
Men 65
Women 76
Infant mortality (per 1000 births) 10.4
Number of physicians (per 10,000 inhabitants) 34.4

Economy
Gross Domestic Product (GDP - millions of lats) 4333
GDP per capita (1995 average prices, in lats) 1243
Actual GDP per capita (PPPS, 1998) 5802
Actual GDP growth (%) 6.6
Unemployment rate (%) 7.8

Employment distribution by sector (%)
Agriculture 17
Industry 24
Services 59

Government expenditures (% of GDP)
Total: 40.3
of which:  Defence 1.0
Education 6.8
Health 4.8
Social security 14.3

Average exchange rate of LVL per USD 0.606
Area 64,600 sq. km.
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Introduction

This Chapter provides a general overview of public policy in Latvia, and considers the results of Latvian pension, health care, agricultural development and euro-integration policies from the human development perspective. It also analyzes manifestations of closed policy-making and discusses how public policy in Latvia could be made more open. In addition, this Chapter assesses the extent to which individuals, non-governmental organizations (NGOs), citizens’ groups and other political agents are involved in policy-making and implementation, and whether public interests are sufficiently taken into consideration in public decision-making processes.

This Chapter makes use of data obtained by polling the public, deputies of the Saeima (Parliament), local government leaders and ministry department directors. It also uses information obtained from interviews with politicians, business people, NGO representatives, journalists and other participants in the political process in order to provide a comparative overview of the political processes in Latvia. Recommendations on how to strengthen the democracy and openness of public policy in Latvia are provided at the end of the Chapter.

Public policy in Latvia

The term “public policy” has many faces. Of the more important components of public policy, first and foremost are institutions, laws, political agents, values and norms, political activity, specific policies, and the legitimacy of policy or its public justification (the proportion of the public that accepts it, considers it legitimate and fair). The following Chapters comprehensively analyze public policy in all these aspects, but this Chapter describes it from a general viewpoint, paying special attention to the consideration of democratic values and norms in Latvian politics.

Democratic values in policy-making

In order for policy making to be democratic, it must observe certain principles already recommended in the 1998 Report and raised again in this Report (see Chapter 4). Policy-making must ensure the representation of public interests in decision-making processes. It must be fair and observe the needs of different groups, as well as the principle of equal rights of interests. Policy-making must be transparent so that the population has access to information and can monitor public decision-making processes. Politicians must be responsive to the needs and suggestions voiced by the population, be aware of the importance of participation, and be prepared to co-operate with the public. Furthermore, politicians and civil servants must be capable of making reasoned and far-sighted decisions, as the public is increasingly expecting them to display high moral standards and competence in their activities.

During the ten years since Latvia regained its independence, Latvian politics has moved towards these ideals of democracy. However, as shown by the study entitled Public Policy and Participation in Latvia, public policy still has many shortcomings in this Baltic country. The majority of those polled from the general population, Saeima deputies, local government leaders and civil servants do not believe that issues of the political agenda are openly decided in Latvia, and that the views of all interested groups are taken into consideration to the greatest possible extent (see Figure 1.1).

Only every tenth inhabitant, Saeima deputy and local government leader polled believed that Latvia is a country where the public supports its politicians and that politicians are accountable to the public. A very small part of the population (15% of respondents) and local government leaders (21% of respondents) believe that the adoption of important political decisions in Latvia serves the interests of the majority of the population. Slightly more
than half of the country's legislators believe this (57% of respondents), while slightly less than half of the highest-ranking civil servants (44% of respondents) do so. This raises fundamental questions on the reasons why public policy has such a low degree of legitimacy or public justification in the opinion of the public, politicians and civil servants, and on whose behalf it is being implemented.

When comparing the views of the public, Saeima deputies, local government leaders and civil servants concerning the characteristics of public policy in Latvia, it is evident that the main individual political agents are critical of the lack of openness and accountability in politics. However, they also believe that the public wants to be involved in the country's development and that mechanisms should be introduced to increase public participation in politics. This correlation of opinions reveals promising potential for co-operation and for the improvement of policy-making in Latvia.

The public policy climate is also influenced by the observance of such democratic principles as competence, honesty, accountability, transparency, and public participation. Studies for this Report determined how the public, Saeima deputies and local government leaders assess the observance of these principles by the Saeima, Cabinet of Ministers, ministries and ministry institutions, local governments and non-governmental organizations (see Table 1.1).

All respondent groups gave Latvia's State institutions the highest rating in decision-making competence, but the lowest rating in decision-making transparency. (The exception is the Saeima, where honesty in decision-making was rated even lower than transparency by all respondent groups, including the parliamentarians themselves.)

Parliamentary deputies (as well as local government leaders and the public) considered the lack of decision-making transparency to be most acute in the Cabinet of Ministers, ministries and ministry institutions.

As opposed to decision-making in Latvia's State institutions, all respondent groups deemed decision-making in NGOs to be highly honest and transparent (except by local government leaders, who gave much higher ratings to transparency in their own institutions). However, NGO competence was rated lower than that of State institutions by both local government leaders and the public.

All in all, the embodiment of democratic values in the activities of Latvia's political institutions must be considered to be insufficient. In no case did the number of respondents rating the activities

---

**Figure 1.1**

**Public policy as seen by various political agents in Latvia**

(\% of respondents who answered “to a very large extent” or “to a fairly large extent”)

- Latvia definitely is not a country where decisions are made transparently and where the views of all stakeholders are given due consideration
- Latvia is a country where politicians enjoy wide public support and are accountable to the public
- Important political decisions in Latvia serve the interests of the majority of the population
- The public is eager to take part in the country’s development
- Mechanisms must be introduced to encourage public participation in the policy-making process

---

Inhabitants  Saeima deputies  Local government leaders  Ministry department directors
of these institutions as honest, responsible and/or transparent reach even half of those polled.

Opportunities for the public to influence policy-making

In order for democracy to be effective, the population must have the opportunity to realize its will and to influence public policy, as political decisions often have a direct affect on people’s lives. The majority of inhabitants polled (78%) believe that decisions made by politicians affect their lives to a great extent. Ten percent believe that these decisions affect their lives to a small extent, while 5% believe that they don’t affect their lives at all. However, the proportion of those who believe that they can significantly influence decisions made by the Saeima, the government and its ministries is very small: 6%, 4% and 5% of respondents respectively (see Figure 1.2). The majority of respondents believe that their ability to influence the actions of these decision-makers is either slight or nonexistent.

Most members of the public believe that they have more opportunities to influence policy making and implementation at the local government level than at the national level. Twenty-two percent of those polled believe that they can influence local government decisions to a great extent, another 46% believe that they exercise partial influence, while only 29% of respondents think that they have no opportunity to influence such decisions.

Although a democratic parliamentary system has been successfully re-established in Latvia, and although various forms of public participation are gradually emerging, relations between the country’s civil society and State institutions are generally characterized by “scissors” of political dependency and influence. In general, the population does not believe that it has the opportunity to apply political influence. This is largely due to the fact that politicians and civil servants do not sufficiently practise procedures of democratic openness, and is compounded by a low level of public participation in decision-making. More open decision-making processes must be established in Latvia at all levels of governance, and the specific forms of political participation available to the public must be used more widely.

Table 1.1

The observance of democratic principles in Latvian institutions
(% of respondents who answered “to a very large extent” or “to a fairly large extent”)

<table>
<thead>
<tr>
<th>Institutions</th>
<th>Evaluators</th>
<th>“To what extent is decision-making by the following institutions honest, competent, responsible and transparent?”</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Honest</td>
</tr>
<tr>
<td>The Saeima (Parliament)</td>
<td>The public</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Saeima deputies</td>
<td>54</td>
</tr>
<tr>
<td></td>
<td>Local government leaders</td>
<td>25</td>
</tr>
<tr>
<td>Cabinet of Ministers (government)</td>
<td>The public</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>Saeima deputies</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>Local government leaders</td>
<td>22</td>
</tr>
<tr>
<td>Ministries and institutions under their supervision</td>
<td>The public</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Saeima deputies</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>Local government leaders</td>
<td>23</td>
</tr>
<tr>
<td>Local governments</td>
<td>The public</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>Saeima deputies</td>
<td>49</td>
</tr>
<tr>
<td></td>
<td>Local government leaders</td>
<td>95</td>
</tr>
<tr>
<td>Non-governmental organizations</td>
<td>The public</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>Saeima deputies</td>
<td>74</td>
</tr>
<tr>
<td></td>
<td>Local government leaders</td>
<td>58</td>
</tr>
</tbody>
</table>
Public policy to date and its impact on human development

There are practically no public policy issues that do not affect human development. This Chapter addresses Latvia’s pension policy, health care policy and rural development policy, and their impact on human development in the country. These spheres of public policy have a direct impact on such important human development indicators as the welfare of the older generation, public health conditions, life expectancy of the population, and opportunities for the rural population to lead a quality life.

On the other hand, integration into the European Union (EU), which is also analyzed in this Chapter, is considered to have an indirect affect on human development. While this Chapter does not fully evaluate the efficiency of these policies, it does note that policies directed towards the reform and strengthening of these systems may not necessarily result in a considerable rise in the quality of life of the population, or alter the effects on consumers of public services. In realizing specific policies it is important to achieve co-operation among the groups targeted by these policies.

Pension policy

Pension policy in Latvia is crucial from a human development context, as more than a quarter of the population receives old age pensions (27.1% at the end of 2000, compared to 26% at the end of 1999). Due to the ageing trend of Latvia’s inhabitants, pension policy may serve to promote generation solidarity, as well as the responsibility of the working generation to provide for its old age. Since 1995 the pension system has seen great changes, none of which have helped much to improve the living conditions of pensioners.

In 1996 a new method for calculating pensions came into effect. Pensions are now calculated according to the income of socially insured persons on which social tax has been paid. A three-tiered pension system is gradually being introduced, where the first level encompasses a small State-guaranteed minimum pension. The second level includes individual pension accounts to which mandatory individual social insurance payments are made (in effect since July 1, 2001). The third level includes voluntary savings in pension funds (in effect since 1998).

The pension system in Latvia has changed dramatically and its role as a distributor and equalizer is diminishing. It has been cited as an example for other Central and Eastern European countries to follow. According to the Ministry of Welfare and the World Bank, Latvia was the first country in this region to begin reforming a pension system inherited from the Soviet regime. Initially based on generation solidarity, it is changing to a system of pension funds and insurance payments. However, Poland and Hungary have now overtaken Latvia in reforming their pension systems. This is due to delays in introducing second-level pension funds in Latvia, along with public distrust of third-level private pension funds and the fact that these reforms have hardly affected actual pension amounts.
At the level of the individual pension recipient, progress has been quite modest indeed. The main indicator of changes in the Latvian pension system is the increase in pension amounts, which manifests itself in the form of pension indexing. The average increase in old age pensions has not been large. In 1997 pensions rose by 4.25 lats, in 1998 by 9.02 lats, in 1999 by 7.35 lats and in 2000 by only 0.84 lats.

The average Latvian pension still remains considerably below the value of the minimum goods and services basket, although the difference between these two indicators is steadily diminishing (see Table 1.2).

Pension reform has succeeded in ensuring a sustainable pension system in Latvia, to a certain extent differentiated according to the amount of social tax paid by the individual, and in line with available financial resources. The reform of the pension system has been more rapid than an improvement in the situation of pension recipients, partly because reforming such a system requires much less financial resources than improving the general welfare of such a large group of the population.

The gradually diminishing difference between the amount of the average pension and the minimum consumption basket shows that the present pension system has the potential to significantly improve the welfare of a large part of the population, and thus promote human development as a whole.

Studies show that even now Latvian pensions, however small, still offer a stable source of income and place pensioners in a better situation than other groups of the population. The future effectiveness of the pension system in the context of human development will largely depend on how well the population is informed on the procedures for calculating pensions, so that the people themselves can consciously decide on their expected old-age security.

### Health care policy

Latvia’s health care system has also undergone significant reforms since the beginning of the 1990s. One of the main accents has been placed on changing the financing of health care. This is a very important issue because, as already indicated in the 1997 Report, the insufficient financing of health care, the inability of the poor to pay for medicines and treatment, and the low standard of living have led to a deterioration in overall health levels not only in Latvia, but also in other European transition countries.

In 1997 mandatory national health insurance was introduced, along with a list of minimum medical services covered by the State. Patients also cover a small portion of service costs in the form of patient’s fees. Medical service funds from the State budget are administered by the National Mandatory Health Insurance Agency, which divides them among eight territorial insurance funds. However, the resources at the disposal of these health insurance funds are not sufficient to cover health care expenses. Hospitals are already turning away patients who have applied for elective surgery or other planned treatments. The modest funds of the national budget are sometimes supplemented on an unofficial level by the patients themselves, resulting in corrupt practices at Latvian medical facilities. A study by the Delha branch of Transparency International showed that 25% of respon-

| Table 1.2 | Average old-age pension and subsistence minimum goods and services basket |
| Average old-age pension (in lats) | 38.30 | 42.55 | 51.57 | 58.92 | 59.76 |
| Subsistence minimum goods and services basket value (in lats) | 73.78 | 78.78 | 82.15 | 83.18 | 84.47 |
| Percent ratio of average old-age pension to subsistence minimum basket value | 52 | 54 | 63 | 70 | 71 |
dents who had been treated at medical facilities admitted to engaging in bribery or other unofficial forms of payment in order to receive better or more rapid medical services.

While a health care system has indeed been established with the potential to cover the costs of medical services, the lack of funding allocated from the national budget and the low level of health insurance activity among the population shows that any significantly positive effect by this system on human development indicators may only be expected in the distant future.

The introduction of family doctors in the place of local general practitioners represented a significant element of reform in primary care. Eighty percent of the Latvian population has registered with family doctors, and two-thirds of those registered are satisfied with their doctors’ services. Primary medical care, which is generally provided by family doctors, has been evaluated as either good (33% of respondents), or satisfactory (19% of respondents) by over half of those polled. However, every third member of the population considers the level of care provided by family doctors to differ little from that which was formerly provided by local general practitioners.

Parallel to reforms in the health care system, some positive trends can also be observed in the population’s self-assessment of health. A poll carried out in February 2000 showed that 40% of those questioned considered their health to be either good or fairly good (compared to only 25% in 1994), 43% considered it to be average (compared to 49% in 1994), and 16% considered it to be bad or fairly bad (25% in 1994).

However, these gradual improvements have failed to prevent some serious health care problems. The 2000 Social Report states that 48% of those polled do not visit a doctor even when ill because they lack the funds for treatment. One-third of those polled can find the means for treatment only with great difficulty in the case of serious illness. And less than one-fifth (19%) can afford treatment without worrying about having enough money left over for other needs.

The low wages of medical personnel are another serious problem. In March 2001 a protest by the country’s registered nurses drew a great deal of public attention. Many nurses have expressed the readiness to leave Latvia and to work at medical facilities in other countries, due to their low pay and the perceived lack of respect for their profession.

The difficulties experienced by health insurance funds show that in contrast to the pension system, Latvia’s health care system is not yet stable and its sustainability is not guaranteed. At the level of the individual recipient of health care services, no meaningful progress can be observed. Here Latvia’s macro-economic indicators play a significant role. The country’s GDP began to grow rapidly only recently, the unemployment rate continues to be high, and national budget funds for the health care system are limited. Thus, the overall economic condition of the country is and will continue to have a deciding impact on public health conditions.

Rural development policy

The development of Latvia’s rural areas, small towns and regions is essential in order to assure equal opportunities to the entire population, and has already been discussed in the 1997 and 1999 Reports. This Chapter considers Latvia’s existing rural policy from the human development perspective, based on an analysis of the country’s Rural Development Programme.

Latvia’s Rural Development Programme was drawn up in 1998 by the Environmental Protection and Regional Development Ministry, in co-operation with the ministries of Agriculture, Education and Science, Transport, Welfare, and Culture, as well as scientists, local governments and rural organizations.

The programme was approved by the Cabinet of Ministers and the Saeima. It was designed to reduce rural problems and lessen the large difference in development levels between Riga and the rural areas. The programme provides diverse and sustainable rural development goals, and draws attention to the fact that rural development encompasses not only farming, forestry and fishing, but also other types of business. The programme encourages the diversification of the rural economy, environmental protection, and the provision of educational, cultural and health care services for rural residents. The programme has two particularly important goals from the human development perspective: the reduction of rural poverty and the increase of employment opportunities.

To achieve these goals, the programme encompasses several sub-programmes, such as Agriculture, Education and Culture in Rural Areas, Health Care in Rural Areas, the Rural Road Programme, and
others. These are to be implemented by the relevant ministries in charge of each particular area.

However, a unified rural policy system has yet to be established. As opposed to pension policy and health care policy, rural policy is scattered among different institutions. This is reflected in the various sources that finance it, mainly: the national budget (under ministry programmes) a World Bank loan (under the rural development project), and technical assistance from other countries.

Last year 45.6 million lats were diverted from the national budget for the rural development programme, compared to 34.8 million lats in 1999. About half of this amount (51.3%) consisted of financial support from Ministry of Agriculture programmes for agricultural production, and from Ministry of the Economy programmes for business and municipal projects. 37.7% was invested in the infrastructure and environment of specific populated areas under Ministry of Regional Development and Environmental Protection programmes. About 10% was spent on the development of human resources, mainly to promote employment and training of the unemployed, and carried out by institutions of the Ministry of Welfare. Slightly less than 1 percent was devoted to other expenditures.

Each ministry implements its part of the Rural Development Programme independently, and diverts funds to rural areas under specific sub-programmes. Thus the Rural Development Programme is essentially a mechanical compilation of different ministry programmes, which do not result from a coordinated policy. The same may be said for the institution monitoring the Rural Development Programme – the Regional Development Council – which is made up of Ministers, Saeima deputies and representatives of the Association of Local Governments. The activities of this Council have been rather formal, and have failed to generate a long-term vision. Although the funds diverted into Latvia’s rural development have been fairly significant, the eclectic structure of the Rural Development Programme and the inefficiency of its management have made it difficult to monitor the funding and to evaluate the results.

The largest amount of national budget funds is diverted to rural areas through the Ministry of Agriculture. This year 20.56 million lats are to be allocated in agricultural subsidies, compared to 19.93 million lats in the year 2000. During recent years a trend can be observed in the use of subsidies to support rural education, research, non-traditional farming and rural environmental projects. Basically, however, agricultural subsidies are intended to raise the competitiveness of each particular sector.

In Latvia only a limited number of farmers and processing plants (namely, the most successful ones) receive agricultural subsidies. Eighty percent of Latvian subsidies go to large farms and only 20% of all Latvian farms receive subsidies. This 80:20 proportion also exists in the EU countries and is being subject to increased criticism. While such a policy does promote modernization and improves the conditions of the economically stronger farmers, it may also lead to increased rural unemployment as smaller farmers drop out of the business.

The amount of funds diverted to rural education, employment and poverty reduction projects is insufficient. Additional resources are needed to support community initiatives and innovative projects, as this would help rural residents to overcome the widespread poverty that has led many people to sink into depression or move into towns where there are better opportunities.

A step towards a more integrated rural policy was observed in 2000 - 2001. The Latvian Ministry of Agriculture has now become the principal coordinator of the country’s Rural Development Programme. The Ministry has assumed the political will to address the country’s serious rural problems and to promote rural development in Latvia as a whole. It will also administer the EU’s pre-accession structural funds for agriculture and rural development. The Ministry prepared and submitted a rural development plan to the EU last year, indicating five directions for agricultural and rural development in Latvia during the pre-accession period: investment in agricultural business, improving food processing and expanding marketing, diversifying farm production, improving the rural infrastructure, and promoting environmentally friendly farming methods. The government considers this rural development plan to be one of the most important instruments of the Latvian Rural Development Programme.

A number of non-governmental organizations are active in Latvia’s rural areas, including the Farmers’ Federation, the Farmers’ Saeima, the Young Farmers’ Club, the Rural Support Association, the Association of Agricultural Statute Companies, and some 40 agricultural sector associations. A Farmers’ Co-operation Council was established in 2000 to draft legislation for the Ministry of Agriculture and
to promote openness and participation in addressing rural problems. Unfortunately, the interests of farmers from all regions are not represented in the Council.

The Cabinet of Ministers has charged the Ministry of Agriculture with drafting a long-term concept on Latvian rural development that is intended to link rural needs to actual funding. However, representatives of other ministries have expressed concern at whether the Ministry of Agriculture, as coordinator, will sufficiently consider non-agricultural aspects. The Ministry of Agriculture should ensure that its previous agricultural focus does not become an obstacle to developing an integrated rural policy. The ministry lacks sufficient experience in working with NGOs from other sectors that represent a broader section of the rural population.

All in all, the implementation of the Rural Development Programme has not been satisfactory, mainly because no positive effect on the welfare of rural residents can be observed. The actual income of the rural population has actually decreased (see Table 1.3 and the analysis in the Appendix), and employment, education and health care indicators have not improved. In a number of rural regions (Balvi, Krāslava, Preiļi and Rēzekne) the registered unemployment rate has been consistently high and exceeds 20% of employable residents.

The insignificant impact of the Rural Development Programme on rural residents permits one to reach several conclusions.

The implementation of the programme is made difficult not only by the depth of the country’s rural problems, but also by the lack of policy alignment and co-ordination between the ministries that address rural problems.

Rural policy is obstructed by an erratic regional policy and a delay in administrative territorial reform.

The main directions of the Rural Development Programme, which would enable the execution of a concentrated rather than a diffused policy, have not been declared on a national scale.

Rural policy is dominated by agricultural policy. Education, rural innovations and the introduction of new technologies have not received sufficient attention or funds.

However, some signs of open policy-making can be seen in the implementation of the Rural Development Programme, through consultations with various rural organizations. Nevertheless, future rural policy should be even more decentralized, and the equal participation of rural organizations from all of the country’s regions must be attained.

Recently rural residents have been appearing to display increased self-confidence in the form of rural initiatives and participatory efforts in addressing community problems. Rural policy must support such local initiatives.

Latvia needs to take a new look at its rural policy, which must promote communication, education and innovative projects in rural areas. The establishment of rural development partnerships must be supported, along with community development projects and regional co-operation. The distribution of the 40 - 50 million lats presently allocated to rural development sub-programmes should be re-evaluated in order to divert more funds towards the development of human resources, the introduction of new technologies, and community co-operation projects. Latvia consists not only of the capital city of Riga, but also of other regions and rural areas.

### Table 1.3

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<thead>
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</thead>
<tbody>
<tr>
<td>Monthly income per household member (in lats)</td>
<td>Rural</td>
<td>47.71</td>
<td>49.86</td>
<td>51.40</td>
<td>50.39</td>
</tr>
<tr>
<td></td>
<td>Urban</td>
<td>53.11</td>
<td>57.80</td>
<td>67.26</td>
<td>70.93</td>
</tr>
<tr>
<td>Rural income compared to urban income</td>
<td>90</td>
<td>86</td>
<td>76</td>
<td>71</td>
<td>68</td>
</tr>
<tr>
<td>Percentage of job seekers among economically active residents</td>
<td>Rural*</td>
<td>10.8</td>
<td>6.9</td>
<td>7.4</td>
<td>10.7</td>
</tr>
<tr>
<td></td>
<td>Urban</td>
<td>21.3</td>
<td>17.6</td>
<td>16.4</td>
<td>16.0</td>
</tr>
</tbody>
</table>

* The monitoring of the labour force in accordance with International Labour Organization methodology reveals that those rural residents who work their own land and have not registered as unemployed usually do not consider themselves to be unemployed, even though they may not be working outside of their own farm.
order to provide equal development opportunities to the entire population, rural development funds must be significantly increased and rendered more goal-oriented.

Integration into the European Union

The 1999 Report found that the scale of economic, social and cultural opportunities available to Latvia's inhabitants is changing under the Euro-integration process, and that interaction on an international scale is significantly increasing. The upcoming integration of Latvia into the European Union will have an impact on many important human development indicators, such as GDP per capita, social security and education opportunities.

Although free-market capitalism is widespread in the world, competition between countries and regions is increasing, and as a result social issues are sometimes ignored. The EU has accepted the tradition of the majority of European countries, tested by experience, to consider social welfare as a basic asset and precondition for peace, stability and development. Among the central concerns of the EU's social policy are employment, the free movement and legal relations of labour, social security and the protection of the labour force, safe working conditions, gender equality, and public health. In some of these areas, such as safe working conditions, the EU has very detailed regulations.

Two important challenges from the Euro-integration and human development perspective are general economic growth and the impact of the common market on social indicators. Projections on the rapidity of the EU's economic growth following its eastward expansion are contradictory. If economic growth is rapid, then it will create favourable conditions for human development in Latvia and other European countries. If, on the other hand, economic growth is slow, then Latvia's integration into the EU may not fulfill hopes for a rapid increase in people's quality of life. Regardless of the projections, such European political sectors as the internal market, energy, transport and others are targeted to promote economic growth and thus, human development.

Another challenge lies in protecting and strengthening the social guarantees of the population under conditions of increasing competition. In certain cases competition may encourage further inequality among the inhabitants of the EU's candidate countries. The conditions of economically weak farmers may deteriorate even further, while economically stronger farmers should benefit because they will be able to make use of opportunities offered by new European markets.

On the other hand, the EU's legal environment could strengthen the interests of the most vulnerable social groups. Two EU basic documents – the Treaty of Rome and the Treaty of Amsterdam – stress the inter-dependency of the economic and social spheres. In 1989 the European Council adopted the Charter of Basic Social Rights of the Community, which recognizes many basic social rights, such as the right to a professional education, employees' right to training, consultation and participation in decision-making, etc. However, the Charter is not legally binding and can only be considered as a manifestation of political will.

Some researchers believe that in Latvia and other associate countries the average person's opportunity to benefit from integration into the EU will depend to a great extent on the quality and openness of internal decision-making in each country. Many important labour and social rights issues are still addressed within the individual member states. Both during the pre-accession period and as a full-fledged member country, Latvia will have access to financial support for such social aims as the reduction of long-term unemployment, particularly among young people and minorities. Therefore the ability of Latvia's administrative structures to apply financial resources effectively will be of decisive significance.

While Latvia's membership in the EU offers great potential for promoting human development, one must also be aware of the risks resulting from increased competition. Unfortunately, it is difficult to accurately assess the impact of Euro-integration on human development in Latvia over the longer term. There is reason to believe, however, that overall this impact will be positive.

During its accession negotiations with the EU, Latvia should pay particular attention to factors that may threaten the conditions of specific social groups. If necessary, debates should be encouraged with these groups and attempts should be made to achieve solutions that will be of greatest benefit to them.
The negative consequences of closed public policy

The publication Latvia Human Development Report 200/2001 strongly espouses an open public policy, under which a large community of policy makers – which includes not only political leaders and State administrators, but also non-governmental organizations, interest groups, professional associations, independent experts and other political agents – is involved in policy-making and implementation.

Open policy-making leads to an improvement in the quality of decisions, their more effective implementation, and an increase in their legitimacy, which works to the advantage of the entire population. Open policy-making does not mean that every individual must be active in politics at every single moment. But it does mean that effective mechanisms should be in place for people to become involved in decision-making processes and to achieve the consideration of their interests.

In Latvia, public policy is marred by a strong inclination towards seclusion. Closed policy-making is marked by several features: a small number of decision-makers, considerable influence by business groupings in the decision of political issues (a factor that may be linked to corruption), a lack of transparency in decision-making procedures, and a disregard for public interests. This Chapter analyzes and criticizes the manifestations of seclusion in politics, keeping in mind, however, that as a whole the public policy process in Latvia is still fairly open.

A study of public policy and participation shows that important political issues in Latvia are often decided by a few people rather than through democratic debate. Leaders of business groupings, together with political leaders and the so-called éminences grises or “grey cardinals” who operate out of the public limelight, often decide important national issues in which various groups of the public should have an input. The more closed the political decision-making process, the more restricted it is to a limited circle of individuals, and the more other policy makers are pushed away from influencing the final outcome of decisions (even members of the ruling parties and “rank and file” parliamentary deputies).

A summary of models of closed and open policy-making in Latvia is shown in Figures 1.3 and 1.4. These models were based on interviews with political party leaders, parliamentary deputies, business people, NGO representatives, and journalists. They illustrate the environment and procedures of important decision-making, and show that both closed and open decision-making mechanisms exist in Latvia. Although the models are generalized figures, they are analogous with situations existing in political practice.

There are several issues in Latvia where decision-making tends to be closed. As a rule these concern such crucial economic subjects as privatization, the regulation of monopolies, the regulation of the most profitable types of business, and other questions affecting the interests of large companies and business groupings. Closed decisions in such crucial economic issues are anti-democratic, because they affect the interests of the entire population and demand public debate.

Although different politicians and experts, independently of each other, almost unanimously named a select few persons who often rule on important political issues, closed policy decisions in Latvia cannot be identified directly with specific parties and specific politicians. Rather, the closed policy mechanism operates as a relationship between party financiers and political leaders that is concealed from both the public and the media and is difficult to monitor. Its nucleus is a tripartite commitment between business groupings (party financiers), political leaders and the so-called “grey cardinals.” Such relationships ensure the advancement of the interests of party financiers in political decisions, and often serve to satisfy the hidden interests of the politicians involved in such decisions.

Closed-style politics is also abetted by institutions of power established by the ruling parties, but that are for the most part extra-parliamentary, such as coalition and co-operation councils, and the proportionate representation of the ruling parties on the boards of large state enterprises. These mechanisms help the ruling parties to protect their influence and monitor each other, but as a whole they do not promote open policy.

Tendencies of seclusion also come to light when analyzing political discourse, namely the political lexicon, speeches and expressions of those people involved in deciding important issues or who are well-informed about them (see Information 1.1). Political discourse shows what people think about
politics, how they think and act within it, and what they think should or should not be done in politics. This discourse reflects many expressions of seclusion in political practice.

The economic basis of closed decision-making in Latvia is largely linked to the departing model of the economy, and is characterized by an orientation toward the CIS markets and demands for extensive government protectionism. Those businesses that exercise particular influence in politics are usually joint stock companies that are actually owned by a small circle of individuals. Therefore closed decisions often depend not only on the economic interests of these companies, but also the personal views of their owners. Those business people whose companies are most often cited as the most influential business groupings, tend to publicly downplay their actual political influence, and express the view that decisions in Latvia are adopted as foreseen by the laws of the land.

26

LATVIA HUMAN DEVELOPMENT REPORT 2000/2001

Figure 1.3

Model of closed policy-making in Latvia

Criticalism by international organizations of administrative shortcomings in Latvia

"Key figures" and "grey cardinals"

Political leaders

Business groupings and party financiers

Impact on policy by corporate business

Quarrels among politicians and ineffective policy

Public distrust of politicians and problems of legitimacy of power

Weak links and influence — Strong links and influence  ○ Closed borders  ○ Open borders
Closed decision-making generates an environment where corruption can thrive. A World Bank study published in 2000 on the spread of corruption in the Central and Eastern European countries recognizes that corruption concerning issues of national importance in Latvia most often manifests itself as the influence of economic groupings in government decisions, pressure on parliamentary deputies, the sale of deputies’ votes regarding parliamentary legislation, and the lack of transparency in the financing of political parties. The potential for corrupt practices to occur in cases of closed decision-making is also evidenced by the following examples of political discourse (see Information 1.2).

“Important” political decisions in Latvia

Among politicians in Latvia it is customary to divide public policy issues into “important” and “less
### Dictionary of closed policy-making

The following expressions characterize closed policy-making, and were obtained in interviews with politicians, Saeima deputies, “grey cardinals,” NGO leaders, business people, and media representatives. The language of the respondents has been retained in the expressions, with quotes placed in quotation marks, and the meaning of each quote is described in the context of the interview. The profession of each speaker has also been identified. These quotes do not refer to the entire political process, but only to cases of closed decision-making. The veracity of the expressions has not been verified. Most of the people interviewed were negatively disposed to manifestations of seclusion in deciding issues of importance to the public.

<table>
<thead>
<tr>
<th>Word or group of words</th>
<th>Context, meaning</th>
<th>Speakers</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;10, 40, 50, 80 people&quot;</td>
<td>This number of people is mentioned as the main circle of political decision-makers: “There are some 10 people among the ruling parties who in fact decide everything, and they are pressured by another 10 people. Altogether there are no more than 40 to 80 people who decide policy.”</td>
<td>Politicians, NGO representatives</td>
</tr>
<tr>
<td>“Depending on the [telephone] call” “Key figures”</td>
<td>“If political decisions affect important economic interests, then they are made by a narrow circle, depending on the [telephone] call.” An often-used group of words. Usually it describes the most influential people within the political parties. They may be officials, party and parliamentary faction leaders, or influential persons within the parties who do not hold official posts, as well as representatives of economic groupings influencing the leadership of parties. “They describe themselves as party leaders, while others call them grey cardinals.” One of the main functions of such key figures is to consolidate the links between parties and party financiers.</td>
<td>Saeima deputy</td>
</tr>
<tr>
<td>“Outside the Saeima”</td>
<td>“During recent years the centre of gravity in making important decisions has moved outside the Saeima to the coalition. This is bad for openness.”</td>
<td>NGO leader</td>
</tr>
<tr>
<td>“Quickly or not at all” “Business lobbying”</td>
<td>“Decisions affecting the interests of large business groupings are made either incredibly quickly or not at all.” “Specifically co-ordinated initiatives were taken by several deputies in adapting the law on sugar. “I believe that it manifests itself as rather blatant lobbying on the part of individual deputies or factions.”</td>
<td>Saeima deputies</td>
</tr>
<tr>
<td>“Tit for tat” “Among friends” “Economic groupings”</td>
<td>“Pay your money before the elections and then cash your dividends in the decision of important issues.” “Important decisions are made among friends, who are linked by friendship and financial ties.” A group of words often used by politicians and experts to describe the political environment. Usually no more than three or four “large groupings” are named, indicating a sector (oil, transit, banking), ethnic background or the geographic orientation of operations (“eastward”). At times it is admitted that “new economic groupings are emerging, who wish to gain more influence in politics.”</td>
<td>Media representative, Government official</td>
</tr>
<tr>
<td>“Yes, yes, yes!”</td>
<td>A Saeima deputy answering the question: “Are there significant differences in the decision-making process when important decisions affecting the interests of large business groupings are made?”</td>
<td>Saeima deputy</td>
</tr>
</tbody>
</table>
important” categories, not according to their public importance but rather according to whose influential business interests are affected. Often “the most important political issues” are those that are so considered by corporate business. Issues that affect the public sector and social policy (for example, social insurance reforms, health care, educational issues, poverty reduction, etc.) and that do not directly affect business interests are usually classified as “not as important” or “also important.”

Such an approach to rating the importance of political issues and drawing up the political agenda discriminates against public interests in two aspects. First of all, the criteria of a policy’s impor-
Price list of closed policy-making

The following price list of closed policy-making illustrates expressions heard during interviews with politicians, NGO representatives, business people and journalists on how money influences the decision of important issues if they are made in a small circle. The price list does not prove anything in relation to specific cases of corruption and may not be attributed to the decision of all political issues. It does show, however, how political agents interpret the role of money in politics and what amounts they attribute as equivalent to specific political services. The price list does not legally prove facts of corruption, but is merely a linguistic diagnosis of corruption and indicates that corruption is a real problem in Latvian politics. All of those who provided the following quotations condemned the existence of corruption.

<table>
<thead>
<tr>
<th>Price (money, user value, corrupt practices)</th>
<th>Political equivalent (what it can buy in politics)</th>
<th>Speaker</th>
</tr>
</thead>
<tbody>
<tr>
<td>“2000, 5000, 10,000 (in both lats and dollars)”</td>
<td>“Two thousand, sometimes five or ten - in lats or dollars. It’s all the same to them.” An indignant businessman complaining about corruptible politicians.</td>
<td>Businessman</td>
</tr>
<tr>
<td>“New car”</td>
<td>“I see a new [type of car] in the Saeima parking lot, where a month ago there was an old Opel. That wagon costs something. I try to recall what has happened recently. Aha! There was indeed an important vote!”</td>
<td>Journalist</td>
</tr>
<tr>
<td>“25,000 lats”</td>
<td>“Certain party deputies do not have free voting options. Their hands are tied by 25,000-lat agreements on the violation of party discipline.”</td>
<td>Saeima deputy</td>
</tr>
<tr>
<td>“100,000 lats”</td>
<td>“Those who generate a large smuggling operation, for example, worth five or six million, can certainly allocate a million to bribe politicians. They donate 100,000 lats to each party, and give out 10,000 lats to individual people. What is that compared to five million?”</td>
<td>Representative of a sector association</td>
</tr>
<tr>
<td>“A new house”</td>
<td>A new house in a respectable area is becoming an object of desire for consumer-type politicians and often motivates their political activities. The value of the house may indicate the price of corrupt politicians and government officials and evidence a peculiar threshold of political corruption. “Politician X is building a house in the name of a relative, but lives like a simple worker in a rented apartment.”</td>
<td>A politician from another political party</td>
</tr>
<tr>
<td>“1 million lats”</td>
<td>“Two thousand, sometimes five or ten - in lats or dollars. It’s all the same to them.” An indignant businessman complaining about corruptible politicians.</td>
<td>Businessman</td>
</tr>
<tr>
<td>“Politic”</td>
<td>“I see a new [type of car] in the Saeima parking lot, where a month ago there was an old Opel. That wagon costs something. I try to recall what has happened recently. Aha! There was indeed an important vote!”</td>
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<td>A politician from another political party</td>
</tr>
</tbody>
</table>

Speaker | Businessman | Journalist | Saeima deputy | Representative of a sector association | A politician from another political party | Businessman | Journalist | NGO leader | NGO representative | NGO leader | Politician | Government official

Information 1.2
tance are set to suit the interests of a small circle of people, and secondly, public priorities, as well as the principle of public debate, are not observed.

The manner in which issues are divided into "important" and "less important" categories also determines how they are decided. If the issue at hand is classified as "economically important," then decision-making is executed in closed channels. If, however, politicians interpret an issue as "less important" or "of public importance," then open procedures are widely applied. Various studies are carried out before resolutions are drafted. These resolutions are then put to public debate, NGOs are consulted, etc.

The losers and losses resulting from closed policy-making

Closed policy-making does not promote sustainable development because it does not promote a balance between individual and collective forms of human development, or between private and public interests (see Figure 1.5). Democracy requires some form of harmonization between the private and public arenas. In the private arena people form their individual identities and satisfy their individual interests. However, ties of solidarity to other individuals and a common identity shaped by various forms of participation in the public arena are also important (see the analysis of Chapter 3).

The public manifestation of individual interests and identities, as well as their complete realization and proportionate balancing, is only possible in the public arena. The public arena permits the realization of the common good, and the fulfilment of interests that cannot be met individually (the need for a legal environment, social security, etc.). Public policy acts as a mechanism for the co-ordination of interests and identities in the public arena. This task is best performed when policy-making is democratic and open.

If policy-making is closed and important issues are decided within a narrow circle, then other potential participants are rejected from the decision-making process, mainly interest groups, NGOs, sectoral and professional associations, policy analysts, and the opposition. This leads to a narrowing of the public base for deciding issues, and the entire spectrum of interests of civil society is no longer properly represented in the decision-making process. As certain groups of the public "drop out" of decision-making and political leaders show bias in favour of business interests, the public arena is reduced and the interests of specific groups begin to dominate over the interests of other groups.

Closed policy-making may serve specific businesses and party financiers, but it does not serve business as a whole, because some businesses will exercise greater influence on economic policies, while many others will be rejected – particularly the small and medium-sized ones, which do not appear attractive to politicians as sources of funding for their parties. In such cases policy-making also fails to consider the views of sectoral associations.

In the context of a free market and economic globalization, it is not the companies attempting to "merge" with policy that come to the forefront of their sectors, but rather those companies that operate under conditions of free competition. This applies particularly to companies working under the new economic sectors, such as information and communications technology. These enterprises consider the opportunities of the free market to be more important than obtaining economic advantages by questionable means.

In the closed policy-making process it is difficult to provide an analytical reasoning for political choic-
es, because issues are decided without proper debate. Nor are the public consequences of implementing closed decisions sufficiently considered. The reduction of the degree of political debate is a serious shortcoming. Rational arguments that may also appear in closed decision-making do not receive sufficient confirmation because they cannot be compared with alternative views.

Politicians involved are also placed in an embarrassing situation. Left one-to-one with a business-

man, the politician is placed in an unequal situation where the scales are usually tilted in favour of the economically stronger. As opposed to the businessman, who may be guided by legitimate but self-centred private interests, the politician is committed to represent the interests of society as a whole. It is difficult to ensure this if decisions are made without the participation of public interest groups.

Closed political practices do not allow minority and opposition views to be properly expressed.

**Figure 1.5**

The rejected and the drop-outs in closed policy-making

![Diagram showing the equilibrium between the private and public arenas as a precondition for human development.](image-url)
The response of Saeima deputies to questions in the study poll show that the views of opposition deputies in the Parliament are not sufficiently heard. Such forms of parliamentary practice as questions and enquiries – which are also part of the policy-making mechanism – are provided in the Saeima’s Rules of Procedure but do not work properly, and this too encourages free reign by the centres of power.

Although the tendency to seclusion creates many shortcomings in politics, it must be stressed that this does not apply to the entire political process in Latvia. As shown by the analysis provided in the following Chapters, there are many examples in the work of the Saeima, the Cabinet of Ministers, ministries and local governments of decisions that have been made responsibly, ably, transparently and openly. The public reaction to closed policy-making practices has been negative, and the majority of the population, Saeima deputies, local government leaders and civil servants are publicly in favour of open policy-making procedures.

**Developing open public policy in Latvia**

As previously noted, some characteristics of open policy include a public that is potentially informed about current decisions, public participation in policy-making, the use of experts in drafting policies, accountability for decisions made, and public participation in policy implementation. It is this style of public policy that best corresponds to the goals of human development and that creates a positive image of Latvia in the world. The following Chapters describe the institutional preconditions for open policy-making and the specific mechanisms for ensuring its realization. This Chapter examines other preconditions, such as increased political self-awareness, mutual trust, overcoming political bias and the promotion of widespread participation. It also addresses recommendations made by Saeima deputies on making the political process more open and on improving policy-making and policy implementation.

The mechanisms and procedures for open policy-making are being developed and introduced more rapidly at the local government level (parishes, districts, and municipalities) than at the national level, and are establishing themselves more rapidly in the regions than in the administrative structures of Riga, the capital city.

In describing policy-making openness at the local level, Latvia’s eastern Latgale region is a good example. Local governments have established the Latgale Development Council, which has drafted, debated and adopted a development plan on a consensus basis for the entire region. This plan is now being used to attract funding from the EU PHARE programme. During 2001, rural development partnerships have developed in various parts of Latgale. The partners include local governments, national and municipal institutions, business support organizations, NGOs and volunteer individuals. Partnerships run by local communities and residents are leading to the drafting of community development strategies in order to implement specific projects and attract funding for them.

Examples of open policy-making may also be found in other parts of Latvia. Democracy at work can be observed particularly in the smaller communities, which meet to discuss joint plans of action and the formation of districts. These 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 “little politics,” cases where the interests of specific groups take precedence over public interests are much rarer than in “big politics.” In the Latvian political scene, the closer one comes to Riga, the more cases one will find where the interests of parties and the economic groupings linked to them begin to dominate over common and nationally significant interests.

Open policy-making mechanisms are also being introduced more often at the national level and in the work of State institutions (see Chapter 4). The recent co-operation of a number of government ministries with sectoral associations and NGOs has led to successful decision-making in the joint drafting of laws. For example, the Ministry of Welfare is currently working with the Association of Physicians in amending the country’s health care policy. The Ministry of the Economy has drafted an important concept on electronic commerce, arrived at in cooperation with the Information and Communications Technology Sector Association. The Ministry of Agriculture, working together with the Co-operation Council of Farmers’ Organizations, has drafted a plan on the introduction of the EU’s farm and rural
support programme in Latvia. The Ministry of Transport and the Ministry of Regional Development and Environmental Protection are also working together with NGOs.

Ministry departments work most often with sectoral associations in drafting sectoral policies, at times involving the Association of Latvian Municipalities in the process.

Ministry staff have observed that work with NGOs is more active in those Ministries “that are not involved with large amounts of money but that address important public issues affecting large segments of the population.” For example, departments of the Ministry of Welfare are working with trade unions, the Organization of the Disabled, the Organization of Large Families and other NGOs.

From the viewpoint of participatory democracy, the participation of NGOs in the decision-making process should be more widespread. However, such participation is time-consuming and delays the decision-making process as a whole. Both ministry staff and local government representatives admit that the workload of civil servants is already substantial, and that it is increased even more by involving NGOs in decision-making. Yet the ministries’ political leaders demand speed. Thus, the evaluation and remuneration of civil servants should include stimuli for involving NGOs in policy-making.

### Enhancing political self-confidence

An open and effective public policy is not possible without a high degree of political self-confidence, which permits individuals to feel like full-fledged political partners. Therefore, enhancing political self-confidence and increasing mutual trust are important tasks. For the purposes of this Report, political self-confidence does not result from public education alone, but also from the personal actions of the individual. Essential factors affecting self-confidence are based not only on the observance of democratic principles in public policy, but also on the experience of the individual in personal participation, which permits him or her to overcome biases and afford more trust.

It is common in Latvia to mention the low degree of public confidence and trust in politicians and government institutions. The 1996 and 1998 Reports already indicated this, but the problem has not disappeared. The study carried out for this Report revealed that the majority of the population places little trust in those institutions that are considered to have the largest decision-making capacity. Less than one-fifth of those polled (see Figure 1 of Chapter 2) trust the Saeima, the Cabinet of Ministers and political parties. Professional experts were the only category out of 16 choices to receive the trust of more than half of those polled. This low degree of trust is related to the fact that people are far from convinced that decisions made by the country’s executive institutions are competent, honest and fair.

Other factors beside shortcomings in the activities of executive institutions include the low self-evaluation of political agents, a low mutual evaluation, and negative stereotyping. In polling the public, Saeima deputies, ministry department directors and local government leaders, all four groups of respondents were asked to answer the following questions in their own words:

- **What are the principal characteristics of politicians in Latvia?**
- **What are the principal characteristics of the civil service in Latvia?** and
- **What are the principal characteristics of local government leaders in Latvia?**

Thus a self-evaluation of participants in the Latvian political process was obtained, in which negative descriptions far outweigh positive ones, as shown in Figure 1.6.

The assessment by the public of other participants in the political process is the most critical. Members of the public accuse politicians of egoism and selfishness, while civil servants are deemed to be bureaucratic and arrogant. The public’s description of local government leaders is more balanced, ascribing not only negative traits such as selfishness and incompetence, but also many positive traits, of which the most often cited are a willingness to work and responsiveness.

As opposed to the public, politicians, civil servants and local government leaders view each other less critically, although negative traits far outweigh the positive in their mutual assessments. Civil servants and local government leaders accuse politicians of the same shortcomings as the public: egoism, economic vulnerability, and the representation of narrow interests. Only rarely do they describe politicians in positive terms.

Politicians, for their part, see arrogance, rudeness and a lack of professionalism as characteristic...
Figure 1.6

Self- and mutual evaluations by members of the public, politicians, civil servants and local government leaders

The public on politicians

+4 –87 ←9

Main traits are egoism, selfishness and greed. “I do not admire any Latvian politician. Everyone thinks only about himself — schooling for his children in foreign countries, expensive apartments and houses, vacations abroad. None can really be trusted and I doubt their honesty. Many are tactless and rude to each other and behave like boxers in the ring — who will get whom. And all that right in front of the people. I would be happy to say that I like politicians and admire them.”

Self-evaluation of politicians

+9 –82 ←10

Egotists, do not think of the country, dependent on business and act in its interests. Few real, professional politicians.

Civil servants on politicians

+10 –80 ←10

Incompetent egotists, economically vulnerable, greedy and at times corrupt. Want to be popular and are dependent on their party. Rarely honest, competent and willing to work.

Politicians on civil servants

+30 –44 ←26

Lack of competence and initiative. The fear of change and the wish to hold onto one’s chair alternates with action and initiative. Are closest to the interests of the people.

The public on civil servants

+6 –91 ←3

Most characteristic trait — corrupt (“as soon as they come to power, they begin to stuff their pockets”) and bureaucratic (“send us scurrying from office to office like dogs”), quite arrogant (“the lower the civil servant, the bigger the boss”).

Self-evaluation of civil servants

+25 –69 ←6

Arrogant and bureaucratic, lack initiative. More likely to be competent than incompetent. Awareness of mission interspersed with insecurity. Rarely corrupt.

Politicians on local government leaders

+17 –74 ←8

Egoism and the representation of narrow interests are placed first, followed by populism, incompetence and dependence on their party. Renoge on promises.

Local government leaders on politicians

+18 –54 ←7

Commonly viewed as arrogant and bureaucratic (“do not see the people from behind their papers”), as well as incompetent and corrupt. On the positive side, sometimes seen as responsive and competent.

The public on local government leaders

+24 –69 ←7

There is no one special trait. The characteristics vary and the negative alternates with the positive. The shortcomings most often cited are selfishness (“everybody thinks of himself first”) and incompetence, but they are doing what they can, want to work, are active and responsive.

Self-evaluation of local government leaders

+56 –23 ←21

Diligent and skillful, know how to survive. Responsive and understanding. Concerned about the well-being of the population, but lack training and professional education.

Civil servants on local government leaders

+18 –54 ←27

Patriots and local patriots. More likely to be incompetent than competent. No strangers to egoism and selfishness. Oppositional frame of mind alternates with insecurity, but the willingness to work is there. Rare traits: corruption, greed, arrogance and ambition.

Numbers in parentheses represent the proportion in percentages of positive (+), negative (–) and neutral (←) descriptions offered by respondents of the relevant groups.

The public

“I don’t believe that my initiative could influence decision-makers.”

Yes – 81%

No – 15%

Hard to say – 4%
of civil servants, although they admit that there are also many competent specialists among this category of people. The assessment by Saeima deputies of local government leaders is the most favourable of all the descriptions provided. The deputies use such terms as thrift and closeness to public interests, but consider the local government leaders’ main shortcomings to be incompetence, fear of change and the wish to hold on to their chairs. Local government leaders, for their part, describe politicians and civil servants equally critically, seeing different weaknesses in each group and only rarely mentioning positive traits.

The mutually negative description among the participants in the political process indicates a general climate of distrust and the lack of a positive attitude in Latvian society. It is interesting to note that politicians and civil servants have also given themselves very low ratings. The public, although very critical of politicians and civil servants, is far from convinced of its own ability to influence decision-makers. Thus the mutual distrust among the country’s political agents reflects the fact that they do not believe in their ability to improve policy and vice-versa. This vicious circle of a lack of self-confidence cannot be overcome with abstract enlightening, but only by constantly practising procedures of openness and participatory politics.

Overcoming political biases

The development of public policy in Latvia is obstructed by several widespread biases against politics, as described below.

“Politics is dirty.” This is an often-heard bias, based on the generalization of the negative manifestations of politics. Unfortunately, people are more likely to remember the mistakes of politicians rather than their good deeds and achievements. The media as well, in their role as watchdogs of democracy, prefer to highlight scandals and suspicious deals rather than to analytically inform the public about positive events in politics, such as specific development programmes, improved access to information, successful legislation, the strengthening of administrative capacity, etc.

This situation compels the public to see politics in a generally negative light and results in pessimistic evaluations. Although politics certainly has its shortcomings, this does not justify political cynicism, because these shortcomings also stem from the inability or unwillingness of individuals to improve politics. Those who insist that “politics is dirty” should first of all answer the question: “What have I done to make politics clean?”

“I am not interested in politics.” Such an attitude reveals the manifestation of political scepticism in the form of individualism and alienation. People who think in this manner stress the primacy of individual interests and fail to consider the importance of public interests and political solutions. For example, the human need for a clean environment, convenient public transport, well-kept towns and cities, social security and other public benefits may be satisfied only in the public arena with the assistance of politics. In separating themselves from politics, such people also greatly reduce their own individual opportunities.

“Politics does not affect me. Let the government and the Saeima handle it.” In this stereotypical idea politics is seen as the domain of “higher institutions,” with no role for the common citizen. In addition, this mindset indirectly expresses high expectations in relation to the State. People who adopt this frame of mind expect most political issues to be resolved without their participation, and believe that State institutions are entirely responsible for “providing political services” to the people. This narrows down the understanding of politics and opens the way to centralization. In fact, policies are implemented by a large community of policy developers, involving not only the State, but also groups of civil society and political networks representing diverse interests.

“Elections are the only time when the people can influence politics.” This mistaken judgment narrows down participation to activity during elections, which is certainly important, but not the only form of political action at the disposal of the public (see Chapter 3).

“We can have good politics only if we have the right people in the right places.” In Latvia people identify politics with specific persons and the desire for a strong leader of high moral character is quite prevalent. Political parties make use this public mindset and base their public relations strategies on attractive personalities rather than on procedures of democratic openness. Parties tend to hone the public image of their leaders and eagerly assess the impact of political cosmetics on their ratings. In drawing up their lists of candidates, the approach of “the right people” is also used. Personalities are indeed an important factor in politics, because voters place their trust in specific, rather than abstract
politicians. Yet the steadfast observance of procedures of democratic openness and accountability is even more important.

“In politics you don’t need ideals, the main thing is to know how to haggle.” This approach is also promoted by the politicians themselves when they negotiate ministerial portfolios and spheres of influence during the formation of national governments and local government councils. At such times politicians are apt to forget their party platforms and election campaign promises, turning politics into a marketplace and acting as if they were bartering goods. “I for you, you for me, and we together against them” cannot be considered a suitable frame of mind for the public arena. Such activities distance politics from ideals and give rise to cynicism.

“Voluntary participation in politics is naive. Smart people make money and build a career.” This is one of the most contradictory challenges in the life of today’s individual, who must find a way to balance his or her individualism with collective responsibility. As soon as one accepts the necessity for a sense of solidarity with a community that consists of other people and that extends beyond one’s family, then one is faced with the choice to become politically involved. This choice requires a strong ability to engage in self-reflection. As soon as a person has chosen participation (as, for example, active members of NGOs have done), he or she must be prepared to face a number of obstacles, such as the hostility of officials, public indifference and a loss of friends. Only by overcoming such obstacles does participation in politics lead to the confirmation of the public good, a broadening of personal experience and personal gratification.

**Promoting participation**

The logic behind political participation is the assurance of the interests of the agents of civil society in decision-making processes. For the purposes of this *Report*, participation (comprehensively analyzed in Chapter 3) is both the means and the end of public policy. Participation may be considered broadly as indirect and impersonal participation in politics, and more narrowly as direct and personal participation. Indirect participation is realized with the help of democratic representation, access to information, public debates, policy monitoring by the media and other mechanisms. It provides citizens with a sense of security that their interests are publicly voiced and taken into account, although they may not involve themselves in politics directly or may do so rarely, for example, by voting in elections or by writing a letters to their newspapers. Therefore in the case of indirect participation, democratic traditions play an important role in creating a sense of security that those in power will observe democratic principles even without the active participation of all inhabitants. In other words, indirect participation manifests itself in the entrustment of power and in the reliance on democratic procedures.

Direct participation is manifested in the personal political involvement and action of the individual. It may be irregular or regular (in the latter case continuity of action is important), and it may take place in individual or collective forms. Direct participation demands much stronger political will from the individual, as well as activity and political skills.

It should be noted that the degree of actual participation is always limited. About 20% of respondents openly admit to lacking interest in public processes, as they feel that they have enough to worry about with their own problems. About 7% of those polled say that they lack the required knowledge for participating in decision-making, while 56% do not believe that their participation will change anything. Only a small proportion of the population is already involved in deciding important issues (5% of respondents) and is active in NGOs (6%). The following phenomenon can be observed: the more regular activities a public undertaking demands, the smaller the circle of participants. For example, 6% of respondents have taken part in public debates concerning the development of their community or town, but only 2% have continued to work in implementing specific development projects.

Participatory democracy is best suited to the needs of present-day society, but it demands an active approach to politics and the investment of effort on the part of all political participants. Politicians, officials and civil servants must be open to the public even though this requires additional effort from them. The country’s inhabitants, for their part, must become actively involved in debating and addressing public issues despite their preoccupation with personal issues. Since not all people wish to be actively involved in politics and since many favour the indirect representation of their interests, the observance of democratic procedures as a whole is important in public administration and politics.
Although people in Latvia are not very convinced of their ability or opportunities to influence politics, they are interested in it. The most frequently undertaken political activities are those that are generally not considered to fall within the realm of politics: following the course of events; discussing political issues within the family, at the workplace and with friends; voicing one’s opinions and listening to the views of others. Two-thirds of those polled stated that they talk about political issues, and another 7% said that they seek to access decision-makers if they are not satisfied with a decision. The strength of Latvia’s political system manifests itself in “low politics,” or people’s democracy – in conditions where political issues are actively discussed in social micro-environments, and where people formulate their democratic values and their demands to politicians. This is a good base upon which to strengthen open policy-making.

Recommendations by Saeima deputies on improving policy-making

Saeima deputies contributed greatly to this Report by responding to our survey and by expressing their opinions in personal interviews regarding decision-making on important political issues and obstacles to open policy-making. Their recommendations for improving the policy-making process are listed below.

The summary of deputies’ answers reveals five principal shortcomings in decision-making on important political issues: the dependency of political parties on economic groupings, an insufficient level of competence among politicians, the dominance of party and politicians’ interests over national interests, little public participation and corruption (see Figure 1.7).

Guest author

Gidon Kremer, violinist, leader of the Kremerata Baltica chamber orchestra

To open the soul means to open borders

What am I proud of in Latvia? That is a difficult question because there are many things not to be proud of. I can be proud that music has not been completely forgotten. I can take pleasure in the exceptional developments in the Latvian musical community, such as the Opera and the choral culture that has always existed in Latvia and continues to evolve. Anyone who devotes himself to culture is more than just a Latvian cultural representative or a Latvian citizen, because culture cannot be viewed from just within the borders of one’s country. Like one’s conscience, culture is open to the world and to life. I can be proud of everything that finds expression and is reflected in Latvia. At the same time I am concerned that music and musical education is not taken as seriously as before. If that continues, then music will in a sense die out and only pop music will remain, which might be insufficient for the future.

That is why the Kremerata Baltica chamber orchestra is important as an open and international musical project without borders. And I am proud that there were people who committed themselves to establishing the orchestra’s headquarters in Riga. With this orchestra I have in some way returned to the city where I was born and which is a part of me, including all the good and bad moments I have experienced here. With Kremerata Baltica I want to build a bridge for young musicians who believe that music is an important part of people’s lives and a channel of communication.

It is important for us to speak in many languages, but it is just as important that we speak in one common language – the language of music. And I am proud that there have always been people in Latvia who can communicate in that language. Under the Soviet system there were many conditions that inspired us to resist mentally, and that has helped us in life. We must not forget that.

But I am disappointed that currently economic considerations are taking priority. Music and culture are the foundation upon which national development can be ensured, and a country can be great and strong only if it based on its culture. If we forget that, then I cannot be proud.
**Figure 1.7**

**Insights by Saeima deputies on overcoming political bottlenecks**

### Problems*

“Based on your experience, what are the main problems in the adoption of important political decisions in Latvia?”

1. **Dependency on sponsors**
   “Dependency of political parties on sponsors or on the business groupings standing behind each party.” “Influence of business circles.”

2. **Lack of competence**

3. **Dominance of party interests**
   “Party and politicians’ interests are put first.” “Deputies do not consider the national interests sufficiently.” “Personal economic interests.” “Ignoring public interests.” “Egoism of political forces.”

4. **Little public participation**
   “No public debates or involvement.” “The public is poorly informed.” “Lack of skills to explain decisions to the public.” “Lack of contact between authorities and the public at all levels.” “Draft decisions are not sufficiently debated in public.”

5. **Corruption**
   “Financial influence in decision-making.” “Important decisions are financially influenced.”

*Problems, obstacles and solutions are listed in the sequence of how often they were mentioned. Quotes from deputies’ replies are shown in italics and separated by quotation marks.

### Obstacles*

“What are the main obstacles to developing open public policy in Latvia?”

1. **Sellfish interests of parties**
   “Excessive influence of personal interests in national politics.” “Concealing the true interests of political parties or individual deputies.” “Political parties coalescing with business groupings.” “Corruption.” “Important economic decisions are not made by official institutions of power but by unknown persons in the background.”

2. **Lack of contact with the public**
   “Undemocratic thinking.” “Legacy of the past totalitarian society when authorities had no need to consider the public.” “Lack of contact with the public, mutual distrust, lack of public influence on power structures.” “Problems of exchanging information between authorities and the public.” “Little interest in politics on the part of the public.”

3. **Lack of competence**
   “Lack of education and understanding on the part of politicians and the public.” “Incompetence, lack of information.” “The bicycle is being reinvented. [They] fail to view the development of processes as a whole.”

### Solutions*

“What is the best way to render the decision-making of important political issues more open and transparent?”

1. **Working with the public**
   “Need more debate with social groups and associations.” “The public must be informed and involved in decision-making.” “Decisions should be debated publicly.” “Every interested party should act professionally to have its interests heard.” “Tolerance must be a two-way street. The public deserves respect in order to encourage discussions, but so do politicians. They should not be bad-mouthed before a decision has even been made, and should be assisted in finding the right solution.”

2. **Working with the media**
   “Drafts of important decisions should be published in advance and public debates should be organized on TV, radio and other media.”

3. **Increasing politicians’ accountability**
   “The competence of politicians must be raised.” “Politicians should account personally for the consequences of decisions they have made.” “Elected and appointed officials should account for their activities.” “Politicians should declare their finances.” “Politicians should openly declare the direction of their lobbying.”

4. **Consulting with experts**
   “Different solutions should be considered with the help of expert advice.” “Social studies should be conducted.”

5. **Funding parties by the State**

6. **Observing existing laws**
   “Currently available opportunities and laws should be used more fully.”
These problems of high-level politics are not isolated phenomena, but interacting shortcomings that feed on each other and create serious obstacles on the road to open policy-making. In answering the question: “What are the main obstacles to developing open public policy in Latvia?” deputies mentioned three main impediments: the selfishness of party interests, the lack of cooperation with the public and political incompetence. These obstacles echo the previously indicated problems in decision-making. Deputies stated that “excessive influence of personal interests can be observed in national politics,” that “political parties coalesce with business groupings” and that frequently “important economic decisions are not made by official institutions of power but by unknown persons in the background.” In the opinion of some deputies, this can be explained not only by the dishonesty of certain politicians, but also by their lack of contact with the public. While increased contact with the public would help to promote greater openness, there is still a widespread attitude inherited from the Soviet period that “[State] power need not take the public into account.”

The recommendations put forth by Saeima deputies for the development of more open and transparent policy-making concur with the main recommendations of this Report and were taken into consideration as it was being written. It is interesting to note that many deputies placed priority on better contact with the public: “Need more debate with social groups and associations.” “The public must be informed and involved in decision-making.” “Decisions should be debated publicly.” “The watchdog role of NGOs should be strengthened.” Deputies allocate an important role to the media in their rapport with the public, although their relations with the media are sometimes strained (see Chapter 3).

Another priority, according to Saeima deputies, is raising the accountability of politicians. This might be achieved by demanding that elected and appointed officials report to the public, that politicians openly declare their finances and lobbying, and that they assume personal liability for their actions, which includes resigning or being recalled from their posts in the case of violations.

Parliamentarians believe that funding political parties from the national budget would promote open policy-making, because it would reduce the significant dependency of political parties on business groupings and sponsors. As is also shown by other studies, party financing is closely linked to the closed policy-making model. Parties continue to be funded by both large corporations and the privatization process. Small businesses in comparison provide little funds, and most parties do not seriously consider them as potential donors. The present model of party financing reveals a certain estrangement between the political elite and small business, which to a certain extent explains the chronic delay in policies supporting this particular sector of entrepreneurship. As long as the issue of party financing from the national budget has not been resolved, the parties themselves must assume much greater responsibility for ensuring the transparency of their funding.

According to polled Saeima deputies and ministry staff, the provision of high quality political analysis is becoming one of the most important tasks in public policy (for more details on this issue see Chapter 4), as the efficient drafting and implementation of policies will increasingly depend on the use of qualified experts. Ministries are already making use of business-type policy analysis studies. Saeima deputies believe that these should be used much more and that such studies help politicians and civil servants to consider different options in finding solutions. Thus independent policy analysis institutes must be strengthened. A favourable precondition for this is the fact that Saeima deputies, government officials and local government leaders trust professional experts more than any other participants in the public policy process.

In answering the question: “What main courses of action are needed to improve policy making in Latvia?” Saeima deputies mentioned four main tasks: increasing the political accountability of parties, using the advice of professional experts, improving existing legislation and encouraging public participation. In answer to the question: “What main courses of action are needed to improve policy implementation in Latvia?” deputies indicated three immediate tasks: consolidating the civil service, using more professional expertise, and promoting public participation. “The role of NGOs must be increased in the realization of policies and the monitoring of their implementation.”

**Consolidating public accountability procedures**

The public accountability of policy-making is coming to the forefront of the political agenda not only in Latvia, but also other democratic countries and the EU. In many democratic countries, political
accountability procedures – by which participants in the political process attempt to ensure that adopted decisions and implemented policies are socially acceptable – are becoming ever more important. Public accountability procedures and participation are the two principal mechanisms of open policy-making. Participation increases the influence of the public on policy-making and implementation, while public accountability procedures ensure that the public can monitor policy implementation.

Public accountability procedures form a transparent and responsible link between those who govern (the government, ministries, local governments, politicians) and those who are governed (citizens, inhabitants, the public). These procedures are based on access to information and openness.

It must be noted, however, that the principle of public accountability must be observed not only by the Saeima, the government, ministries and local governments, but also by NGOs.

In Latvia public accountability procedures have manifested themselves in practical projects by which administrative institutions have attempted to improve access to information, and by the activities of Delna and other public organizations that are working to ensure openness in public policy. In many cases public accountability procedures coincide with specific forms of participation. Participation and openness have been promoted, for example, by the ministry practice of inviting NGOs to take part in the drafting of sectoral policies, and by local government co-operation with NGOs in the development of local policies.

To date the greatest success in introducing public accountability procedures has been achieved in the legislative area, thanks to the existence well-drafted open information laws. Practical steps have also been taken to implement these laws. For example, the Saeima, the Cabinet of Ministers and ministries now place information on draft laws and decisions in their Internet websites. However, access to information alone does not ensure openness and participation, as such access must also be widespread and uniform. Various groups of the public, such as urban and rural residents, must have equal opportunities to access information on the country’s administrative decisions. If only some groups are informed and influence legislation, then the public legitimacy of decisions may even be reduced, even though the proper procedures of openness appear to have been observed.

Access to information is not a sufficient precondition for people to properly follow and influence the policy-making process. The amount of information in many areas is increasing more rapidly than it can be assimilated. The politically popular struggle for access to information in itself does not ensure control over decisions if individuals and NGOs do not learn to make use of the information at their disposal.

Both the decision-making of political issues and the administrative implementation of these decisions must be open and responsible. In addition, sanctions must be considered and introduced for the public to apply against administrative institutions that fail to abide by procedures of openness. An institution carrying out functions similar to that of an ombudsman could provide the public with an extra means to pressure the country’s administrative institutions into working within the confines of the law.

Conclusions

In Latvia strong tendencies of seclusion and a lack of accountability in public policy are evident, even though the public policy process as a whole cannot be considered to be closed.

The compilation of responses by Saeima deputies and other political experts shows five main shortcomings in political decision-making: party dependency on business groupings, an insufficient degree of competence among politicians, the dominance of party and politicians’ interests over national interests, a lack of public participation and corruption.

A closed political decision-making process is characterized by a narrow circle of decision-makers, the significant influence of business groupings in the decision of political issues (a feature that may be linked to corruption), the lack of transparency in decision-making procedures and the non-observance of public interests.

The nucleus of closed policy-making is formed by tripartite commitments between business groupings (party financiers), political leaders and “grey cardinals.” Such relationships ensure the advancement of the interests of party financiers in political decisions, and often serve to satisfy the hidden interests of the politicians involved in such decisions.

There are several issues in Latvia where decision-making tends to be closed. As a rule these concern such crucial economic subjects as privati-
zation, the regulation of monopolies, the regulation of the most profitable types of business, and other questions affecting the interests of large companies and business groupings.

It is customary among politicians to divide public policy issues into “important” and “less important” categories, not according to their public importance but rather according to whose influential business interests are affected. Issues that affect the public sector and social policy are often classified as “not so important.”

Although the tendency to seclusion creates many shortcomings in politics, it must be stressed that this does not apply to the entire political process in Latvia. There are many examples in the work of the Saeima, the Cabinet of Ministers, ministries and local governments of decisions that have been made responsibly, ably, transparently and openly.

In “little politics,” cases where the interests of specific groups take precedence over public interests are much rarer than in “big politics.”

All respondent groups – parliamentary deputies, ministry staff, local government leaders and the public – gave Latvia’s State institutions the highest rating in decision-making competence, but the lowest rating in decision-making transparency.

According to Saeima deputies, the lack of decision-making transparency is most prevalent in the work of the Cabinet of Ministers, ministries and ministry institutions.

As opposed to decision-making in Latvia’s State institutions, all respondent groups deemed decision-making in NGOs to be highly honest and transparent. However, NGO competence was rated lower than that of State institutions by both local government leaders and the public.

In general, the population does not believe that it has any meaningful capacity to influence public policy, although it agrees that policy affects the course of people’s daily lives. This is largely due to the fact that politicians and civil servants do not sufficiently practise procedures of democratic openness, and is compounded by a low level of public participation in decision-making.

This low degree of trust is related to the fact that people are far from convinced that decisions made by the country’s executive institutions are competent, honest and fair.

Other factors beside shortcomings in the activities of executive institutions include the low self-evaluation of political agents, a low mutual evaluation, and negative stereotyping.

The public reaction to closed policy-making practices has been negative, and the majority of the population, Saeima deputies, local government leaders and civil servants are publicly in favour of open policy-making procedures.

Open decision-making mechanisms and democratic procedures are becoming institutionalized in Latvia. Open policy-making is characterized by cooperation between politicians, civil servants, NGOs, professional associations, public groups, independent experts and other agents in the drafting and implementation of policies.

The mechanisms and procedures for open policy-making are being developed and introduced more rapidly at the local government level (parishes, districts, and municipalities) than at the national level, and are establishing themselves more rapidly in the regions than in Riga proper. Examples of open policy-making can be observed particularly in the smaller communities, which meet to discuss joint plans of action and the formation of districts.

Several ministries (Welfare, Economy, Agriculture, Transport, Environmental Protection and Regional Development) working with sectoral associations and NGOs are developing a successful decision-making practice based on the joint drafting of laws and regulations.

Ministry departments work most often with sectoral associations in drafting sectoral policies, at times involving the Association of Latvian Municipalities in the process.

In the context of a free market and economic globalization, it is not those companies attempting to “merge” with policy that come to the forefront of their sectors, but rather those companies operating under conditions of free competition.

The strength of Latvia’s political system manifests itself in “low politics,” or in conditions where political issues are actively discussed in social micro-environments, and where people formulate their democratic values and their demands to politicians.

Latvia’s human development policy regarding pensions and health care has achieved very modest results at the individual level. Improvements have been slow and gradual. These policies have been geared more to long-term than short-term human development goals.

The efficiency of human development policy at the individual level has been lessened in Latvia by such macro-economic factors as a low GDP per capita and the limited funding available from the national budget.
The State pension and health care systems are still unable to form a safety net for the population in the event of macro-economic instability.

The implementation of rural programmes is made difficult by the depth of Latvia’s rural problems, as well as by political disarray and the lack of co-ordination between those ministries that address rural issues.

The public is not certain that State policy as a whole is directed to improving the living conditions of the population.

**Recommendations**

In the opinion of Saeima deputies, policy-making would become more open and transparent if the link to the public was strengthened and politicians’ degree of accountability was raised. This might be achieved by demanding that elected and appointed officials report to the public, that politicians openly declare their finances and lobbying, and that they assume personal liability for their actions, which includes resigning or being recalled from their posts in the case of violations.

Since most people do not actively participate in politics and prefer an indirect representation of their interests, policy-making must occur in accordance with open democratic procedures at all times.

Various groups of the public, such as urban and rural residents, must have equal opportunities to access information on the country’s administrative decisions.

In addition, sanctions must be considered and introduced for the public to apply against administrative institutions that fail to abide by procedures of openness. An institution carrying out functions similar to that of an ombudsman could provide the public with an extra means to pressure the country’s administrative institutions into working within the confines of the law.

Open policy-making would also be promoted by financing political parties from the national budget, as that would reduce their considerable dependency on business groupings and sponsors.

As long as the matter of financing parties from the national budget has not been resolved, the parties themselves must take greater responsibility for ensuring the transparency of their finances.

A law is needed for regulating lobbying procedures and ensuring their openness.

A law is also needed to ensure public debate before the final resolution of complex issues that have a long-term influence on human development.

Regulations must be passed to ensure that no decision is made without consulting those people and interest groups affected by it. The Cabinet of Ministers should order every draft law or decision to be supplemented by a consultation document where interested groups and NGOs can express their assessments and recommendations and offer alternative solutions. These statements should be published and used in the adoption of final decisions.

In the evaluation and remuneration of civil servants’ performance, stimuli should be provided for involving NGOs in policy-making and implementation.

Appropriate policy analyses and studies should be used more effectively in drafting and implementing policy. Independent policy analysis institutes should be strengthened, and advantage should be taken of the fact that Saeima deputies, ministry department directors and local government leaders trust professional experts more than any other participants in the political process.

In the interests of rural and regional development, the establishment of partnerships should be supported where parish and municipal governments, rural support institutions, NGOs and private organizations work together to develop and implement district and regional development strategies. Such partnerships will play an increasingly important role in attracting EU structural funds.

In order to accelerate rural and regional development, community funds must be established with contributions from the State, local governments, businesses and private persons. These community funds could finance projects for the common good and ensure co-financing for EU structural fund programmes designed to develop Latvia’s regions. In establishing community funds, local governments and State institutions must work actively with businesses. Both the national and local governments should find the means to contribute to such funds.

The use of funds presently allocated for rural support sub-programmes should be re-evaluated in order to direct more funds to human resources, the introduction of new technologies, education, and co-operation projects.
Introduction

The purpose of this Chapter is to describe the public policy process in Latvia from a human development perspective. The manner in which the policy process has been defined in the Constitution, national legislation and other documents, and the manner in which this process actually takes place have been analyzed in the study of regulatory enactments, interviews with people involved in policy-making, and observations of policy processes. Particular attention has been devoted to decisions adopted by the Saeima (Parliament), the Cabinet and local governments, as well as to the identification of problems, the definition of alternatives, and the implementation and evaluation of decisions in these institutions.

Institutional framework of public policy

The Constitution (Satversme) states that Latvia is a parliamentary republic and clearly establishes the so-called parliamentary supremacy system in the country. The Latvian Saeima has 100 deputies who are elected in direct, universal, secret and proportional suffrage. The Saeima is elected for four years and its deputies can only be removed from office under exceptional circumstances.

Latvian citizens may vote once they have reached the age of 18, but must be at least 21 years of age in order to stand for office. The right to be elected is denied to persons who are serving prison sentences, have been sentenced for deliberate crimes and whose conviction has not been voided or annulled, or who are incapacitated.

Bearing in mind the historical inheritance left by the Soviet occupation, the right to be elected is subject to some limitations connected with activities during the occupation. Several political forces have contested the legality of these limitations on human rights grounds and have appealed to the Constitutional Court. However, the Constitutional Court ruled on August 30, 2000 that existing limitations conform both to the Constitution and to several international human rights documents. The Court pointed out that “the purpose of limitations on passive voting rights is to protect the democratic system of the State, its national security and the unity of the territory of Latvia. They are not aimed against the plurality of ideas in Latvia or against any person’s political views, but rather against persons who have actively attempted to undermine the democratic system of the State and have thus turned against Article 1 of the Constitution.”

The Saeima elects the President to a four-year term. While the President performs mainly representative functions, his or her area of responsibility includes such politically significant activities as nominating candidates for the position of Prime Minister, proclaiming laws adopted by the Saeima, and convening extraordinary sessions of the government. The President also has the right to initiate legislation. The President can be recalled from office only with the consent of at least 67 Saeima deputies. The President, in turn, can initiate a general referendum on the dissolution of the Saeima and on the holding of new elections. Public discussions on whether the President should be elected directly by the people occasionally come to the fore.

The Saeima also approves the government or Cabinet of Ministers, which consists of the Prime Minister and his chosen ministers. The government must receive a vote of confidence from the Saeima before it can assume power, and is accountable to the Saeima for its performance. The Cabinet is the most significant executive organ in the country because the laws of Latvia have given it extensive authority. Article 81 of the Constitution also gives it limited legislative powers. However, as both decentralization and the delegation of duties are proceeding slowly, the government continues to be overburdened.

The functional division of powers between the legislative and the executive branches of the State can be partially circumvented by the fact that
**Public policy agents**

Much has changed in Latvia since the end of 1980s, when the Communist Party strictly determined and limited the participation of individuals and organizations in policy-making. Nowadays, at least formally, an unlimited number of agents may participate in the policy-making process. (The term “political agent” is understood here as either an individual or an institution that purposefully participates in the policy process and that has a certain autonomy and freedom to act.) Political agents that could not exist until the end of 1980s have now become involved in the policy-making process. Among them are autonomous non-government organizations (NGOs), enterprises and business groupings, and media not controlled by the government.

These have not been merely formal changes. The United Nations Organization has acknowledged that Latvian NGOs are increasingly participating in the decision-making process:

“For example, since 1998 trade unions have played an active and important role in the work of the Trilateral Advisory Council, which unites worker, employer, and government representatives. NGOs can now participate in various committee meetings of the Saeima, and members of minority NGOs are widely represented in integration councils at the local government level.”

Yet in Latvia, as in many other post-socialist countries, the phenomenon known as “state capture” has been detected, 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. Latvia has been qualified as a country with a high level of “state capture” or “economic capture.” Since state capture occurs through channels that give “capturing companies” distinct privileges, and since those not involved in such decision-making process are subject to de facto discrimination, there is basis for the hypothesis that a very limited circle of agents participates in the Latvian public policy process. This is at least partially confirmed in interviews conducted by the authors of this Report.

Answers received in interviews with the public and deputies of the Saeima show that both the public and Saeima deputies agree that the main political decision-makers in Latvia are the Cabinet, the Saeima, leaders of business groupings, political party leaders, parties in power and the so-called “grey cardinals,” or éminences grises. Citizens’ groups, NGOs and rank-and-file political party members are deemed to have less influence on policy-making (see Table 2.1). Members of the public believe that position parties, party leaders and leaders of business groupings have less influence on legislation than elected deputies themselves believe. Parliamentary deputies believe that the media, ministry officials, sectoral association representatives and public opinion leaders have more influence on legislation than the public believes.

In qualitative interviews, people connected with the policy-making (party leaders, business people, media and NGO representatives) were asked to answer the question: “Who are the main players in the policy-making process?” Many pointed out that the pol-
The decision-making process in Latvia is rather closed and that the circle of chief players is small. Among the most significant policy agents, they mentioned economic groupings (using such labels as “economic interests,” “economic groupings,” “party sponsors,” and “business people”). Interviewed experts mentioned the following agents slightly less frequently: the mass media, the international community and the European Union (EU), political parties and their leaders, and party financiers, as well as the bureaucracy and the government.

Former “komitečniks” (KGB employees), who are still well-provided with information and contacts, were also mentioned as significant influence-exerting elements, as were the Latvian government’s intelligence services, who, according to some experts, are also beginning to become engaged in politics. For example, news that the SAB (Latvia’s chief intelligence-gathering agency) has provided advice to a power company’s former president on concrete business transactions can be interpreted as this agency’s involvement in politics.

Regarding legislative and public affairs, various policy agents have different levels of influence in the hidden decision-making process. In the legal process, the more important players are the bureaucracy, which is working together with the European Union, as well as the mass media and leading political “old-timers,” who have unofficial personal influence. In the hidden decision-making process the main players are business people or economic groupings, party leaders and “party

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### Table 2.1

**The most influential decision-makers and the degree of trust placed in them**

(\% of respondents from the public in bold numbers; \% of 37 Saeima deputy respondents in brackets)

<table>
<thead>
<tr>
<th>Who, in your opinion, influences important policy decisions in Latvia, and to what extent?</th>
<th>Decision-makers</th>
<th>How much or how little do you trust the following people and organizations to make competent, honest and just decisions?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cabinet (government)</td>
<td></td>
</tr>
<tr>
<td>84 (100)</td>
<td>12 (1)</td>
<td>4 (1)</td>
</tr>
<tr>
<td>82 (92)</td>
<td>13 (3)</td>
<td>5 (3)</td>
</tr>
<tr>
<td>79 (89)</td>
<td>13 (9)</td>
<td>8 (6)</td>
</tr>
<tr>
<td>73 (84)</td>
<td>19 (4)</td>
<td>7 (1)</td>
</tr>
<tr>
<td>68 (77)</td>
<td>24 (3)</td>
<td>8 (1)</td>
</tr>
<tr>
<td>63 (81)</td>
<td>21 (11)</td>
<td>15 (9)</td>
</tr>
<tr>
<td>45 (77)</td>
<td>47 (29)</td>
<td>8 (1)</td>
</tr>
<tr>
<td>18 (57)</td>
<td>79 (43)</td>
<td></td>
</tr>
<tr>
<td>17 (44)</td>
<td>79 (34)</td>
<td></td>
</tr>
<tr>
<td>8 (9)</td>
<td>86 (89)</td>
<td></td>
</tr>
<tr>
<td>6 (3)</td>
<td>86 (83)</td>
<td></td>
</tr>
<tr>
<td>11 (11)</td>
<td>66 (83)</td>
<td></td>
</tr>
<tr>
<td>4 (6)</td>
<td>11 (11)</td>
<td></td>
</tr>
<tr>
<td>13 (40)</td>
<td>79 (57)</td>
<td></td>
</tr>
<tr>
<td>8 (3)</td>
<td>13 (10)</td>
<td></td>
</tr>
<tr>
<td>6 (3)</td>
<td>6 (3)</td>
<td></td>
</tr>
<tr>
<td>6 (3)</td>
<td>13 (11)</td>
<td></td>
</tr>
<tr>
<td>62 (94)</td>
<td>31 (21)</td>
<td></td>
</tr>
<tr>
<td>6 (3)</td>
<td>62 (14)</td>
<td></td>
</tr>
</tbody>
</table>

- To a very large or large extent
- To a small extent, not at all
- Difficult to say
cashiers.” Three important political agents – economic groupings, the mass media and NGOs – are described below.

**Economic groupings**

It is significant that nearly all interviewed experts mentioned economic groupings and their interests, along with party financiers, as crucial policy agents. One-fifth of interviewed Saeima deputies also mentioned party dependence on sponsors (i.e. economic groupings) as one of the principal obstacles to quality policy-making. Only parties’ subjective interests and political egoism were pointed out more frequently as a problem. It is a paradox that Saeima deputies, who have been given legitimacy by the people who elected them, mention that their work is hampered by economic groupings that lack such legitimacy. The results of the Saeima deputy interviews show that party leaders (if it is accepted that they are in charge of their parties’ platforms) and business groupings (or their leaders) have greater influence on political decisions than rank-and-file Saeima deputies. One of the interviewed deputies acknowledged that “various party interests ‘torpedo’ effective decision-making in important cases.”

**The mass media**

Almost all experts admitted that the media have great influence on the policy-making process, yet at the same time several experts pointed to a lack of

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**Table 2.1 (continued)**

<table>
<thead>
<tr>
<th></th>
<th>Professional experts</th>
<th>Opposition parties</th>
<th>Local government leaders</th>
<th>Ministries and their subordinate institution employees</th>
<th>Rank-and-file political party members</th>
<th>Professional associations</th>
<th>Public opinion leaders</th>
<th>NGOs</th>
<th>Civil society groups</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To a very large or large extent</td>
<td>To a small extent, not at all</td>
<td>Difficult to say</td>
<td>To a very large or large extent</td>
<td>To a small extent, not at all</td>
<td>Difficult to say</td>
<td>To a very large or large extent</td>
<td>To a small extent, not at all</td>
<td>Difficult to say</td>
</tr>
</tbody>
</table>
editorial independence, and to their belief that the media are not sufficiently dependent on their audience. According to one expert: “It is absolutely clear that Preses nams publications have no editorial freedom. Other publications also have their sympathies, but they don’t pronounce them so openly. In other countries the media also exhibits certain trends, such as liberalism or conservatism. But here these are not openly declared.” The ability of some media to be political agents is thus questioned, because their news content is deemed to be controlled by their owners and their freedom of action correspondingly limited.

Non-governmental organizations (NGOs)

While non-governmental organizations (NGOs) may have the largest potential to involve the broader public in policy-making, this study’s interviewed experts evaluated the role of NGOs as either very limited or unclear: “The possibility for NGOs to influence political decisions is close to zero,” said one expert. Several experts, while recognizing that formally State institutions have created a mechanism for co-operation with NGOs, doubted whether these organizations really have any notable effect on political decisions. For instance, in connection with Latvia’s accession negotiations with the European Union, meetings between government representatives and Latvian sectoral associations do occur, but sometimes they only take place for the sake of appearance. Only one expert claimed that any active and educated person can influence decision-making in the country.

The policy-making process according to experts

During research on public policy and participation in the preparation of this Report, experts were asked: “How are important political decisions made?” This question was intentionally general so that each interviewee would mention those aspects and decisions that seemed most essential to him or her. Although several common tendencies appeared, the answers were quite diverse. Therefore the following analysis will also feature some important viewpoints that were mentioned in only a few interviews.

One business leader strongly emphasized at very outset of his interview that decisions in Latvia are made according to the procedures set down by the Constitution. The other interviewees referred either to shortcomings in decision-making generally, or to the fact that certain categories of decisions are made behind closed doors and in a manner that is often incomprehensible to the wider public.

NGO leaders evaluated policy-making most critically. One NGO representative said that “politicians use senseless arguments because they lobby business.” In addition, there are grounds for concern that policy decisions are not prepared by State officials: “Decisions are made not in the Saeima, but somewhere else.” This, according to individual experts, is confirmed by several political decisions that have not been comprehensible to the wider public and that have subsequently been revoked. Two such examples are the widely unpopular amendments to the Law of Pensions, and the increase in the excise tax for used cars that were passed by the government of Andris Šķēle in August 1999 and later repealed.

A number of interviewed participants in the policy process doubted or even denied that important political decisions in Latvia are adopted according to the principles of a law-abiding State, and indicated that even the highest Latvian government officials don’t believe that this is the case: “In talking about negative phenomena, for instance, corruption, all of those with any power – the State Auditor, the courts, the Prosecutor’s Office, deputies – complain about a feeling of helplessness.” These observations lead one to conclude that there are two parallel systems of decision-making in Latvia: 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.

Yet a large proportion of interviewed Saeima deputies (86.4%) and members of the public (59%) agreed either completely or in part that parliamentary debates play a significant role in shaping policy because they provide an opportunity for the discussion of contentious issues in public. If such a large proportion of respondents feels that public debates in such a constitutionally important institution as the Saeima are essential, then the policy process that has been foreseen in the Latvian Constitution still has significance.

In those cases of decision-making where there is no pressure from specific interest groups (for example, in issues that are not tied to such important
economic processes as privatization and the fight against corruption), the public has a greater opportunity to exert its influence because “there is no outside interest about these decisions.” In such cases civil servants are also more open in the policy-making process.

Channels of policy influence

Answers by experts to the question: “Through which channels can policy-making be influenced in Latvia?” confirm the hypothesis that the policy-making process in Latvia is rather closed. Regarding channels of influence, most respondents mentioned financial resources as being of great significance and evaluated the situation quite radically: “There is only money.” The strong opposition by the Fatherland and Freedom (Tēvzemei un Brīvībai / LNNK) party to granting non-citizens living in Latvia the right to vote in municipal elections is explained by its wish to protect its economic influence in Riga: “Is it not important to [some businessman], as the chief financial source, for Fatherland and Freedom to be in politics? Everybody knows that if non-citizens are granted the right to vote in municipal elections, then the [forces of the] left will come in power in Riga and a revision of economic influence will take place.” Experts also acknowledged that the payment of money as a channel of influence is becoming more intricate and thus more entrenched. “Commercial channels are becoming more refined. From a simple envelope with two or three thousand – thanks to which a small firm receives a government contract – to credit cards and the like.”

There are also references to the secrecy of influence channels. “In Latvia there can be no discussion about modern government, because hidden influence channels are too important, which is characteristic of the mafia and oligarchic structures.” Personal contacts, which in many cases are not available to a wider circle, are among the main channels of influence. There is no official lobbying mechanism and influence is therefore based on personal relationships. Certain NGO representatives, having personally gained certain people’s trust, have also gained corresponding influence opportunities.

Indications of hidden and illegitimate (and sometimes illegal) influence channels are counterbalanced, at least to some extent, by such open and legitimate influence channels as the mass media, which was mentioned by some respondents. Also mentioned were the opportunity to join political parties or to lobby them in various manners, as well as the opportunity to form non-governmental organizations. It was also pointed out that decision-making can be influenced by contacting specific politicians directly. While politicians do consider what they might have to gain from contacts with members of the public, it does not necessarily have to be money. If they see that by solving a certain problem they can gain good publicity, then they may wish to get involved.

The policy influence channels outlined in the interviews can be grouped according to two features – openness and legitimacy. Some of these influence channels are grouped in this manner in Table 2.2. An influence channel is considered to be open if it is accessible to most of the public, while a closed influence channel is accessible to only a small part of society. The second feature – that of legitimacy – has a normative characteristic in the sense that it determines whether the corresponding channel is acceptable to democratic government and will promote human development. A limited circle of policy agents in Latvia actively and effectively uses closed and illegitimate influence channels. However, the significance of open and legitimate channels in everyday policy is increasing slowly. It must be added that violent mass demonstrations are mentioned in the illustration as theoretical alternatives and are not characteristic of the Latvian policy-making process.

Successful political decisions

The experts consulted for this study were asked to describe some cases of successful decision-making that they had experienced personally. Some were able to name such cases without delay, but others could do this only with difficulty, sometimes after considerable thought. As positive decisions respondents mentioned the government’s conceptual decision to form a corruption prevention office, the review of the privatization of the Latvenergo utility company following a nation-wide petition campaign, the decision to provide State support for sports, the adoption of Cabinet regulations for implementing the State Language Law, the election of Vaira Vīķe-Freiberga as President of Latvia, the adoption of the country’s Freedom of Information Law, several decisions linked to Euro-integration, Latvia’s decision to seek admittance to the European Union, the Association and Free Trade Agreements with the European Union (which, however,
were not widely discussed and assessed), the creation of the Constitutional Court, the decision to denationalize State property, and other examples. Thus, although there are serious deficiencies in Latvia’s public policy process, a whole string of decisions, judging by their content, have been successful.

Interestingly, several of the cited examples of successful policy-making were carried out in a closed process, where public participation was limited. Among them were almost all of the most important decisions linked with European integration, and the election of Vaira Viķe-Freiberga as President of Latvia. Thus decisions having a positive effect on human development can occur by coincidence in the closed policy process, but since the results of such decisions cannot be predicted beforehand, the closed policy process cannot be entirely relied upon by the public.

### The public policy agenda

Generally it can be said the most important human development policy issues are those that influence the welfare, education and health of the population. However, in public life and day-to-day politics some issues at certain times are more urgent than others. For some issues political solutions are actively sought, whereas other issues are hardly mentioned. In order for a societal problem to be solved politically, it must first be placed on the policy agenda.

The policy agenda is essentially a short list of issues that are considered to be most important by the wider public or the political elite. The creation of the agenda is a process where policy issues are arranged in order of importance. The policy agenda can to a large extent be regarded as individuals’

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**Table 2.2**

Channels of political influence

<table>
<thead>
<tr>
<th>Legitimate influence channels (acceptable in a democratic State and promoting human development)</th>
<th>Open channels (available to the largest part of society)</th>
<th>Closed channels (available to a small part of society)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- activities in non-government organizations, political parties;</td>
<td>- legitimate and large donations to political parties;</td>
<td>- illegitimate payments or other benefits to parties, politicians or businesses connected with them;</td>
</tr>
<tr>
<td>- expression of views in the media, participation in public discussions;</td>
<td>- personal contacts based on lengthy acquaintanceship, competence and trust, the result being improved decisions.</td>
<td>- personal contacts based on lengthy terms of acquaintance or friendship by which wider public interests are sacrificed;</td>
</tr>
<tr>
<td>- participation in referendums, elections;</td>
<td>- participation in strikes, pickets, meetings, demonstrations;</td>
<td>- use of “key people” and political “movers” enabling the adoption of laws that are not explained properly to the government or members of the Saeima;</td>
</tr>
<tr>
<td>- public contacts with politicians, letter writing.</td>
<td>- violent mass demonstrations (not characteristic of political activity in Latvia).</td>
<td>- use of security structures in illegitimate ways;</td>
</tr>
</tbody>
</table>

- other channels not known to the public.
perceptions of the importance of the issues at hand. This is shown quite accurately by public opinion surveys.

In Latvia public opinion about the policy agenda is regularly monitored. Survey respondents are asked to name three issues that they think should be addressed as priorities by the government. Table 2.3 shows the most urgent problems as envisaged by the population in July 2000. It also shows the percentage of respondents who viewed these same issues as most important in March 2000 and August 1999.

Table 2.3 reveals great concern among the population about issues connected with the country’s economic growth. At least five out of the ten most important issues mentioned fall into this category, including unemployment and job creation, social security and social policy, raising the standard of living, education, economic development and the elimination of corruption. Of course, economic resources are also necessary for addressing all of the other issues mentioned.

Among the ten most important issues, the Latvian foreign policy priority of integration into the European Union and other government priorities such as external security (defence) and the integration of society (minorities) are not mentioned. It is significant that in the year 2000 the proportion of respondents who named corruption as an urgent issue nearly doubled. This can be explained by the increased attention accorded by the media, NGOs and politicians to this issue following the publication of a World Bank study on the spread of corruption in post-socialism countries. In previous surveys, corruption did not figure among the three most important problems listed by respondents. This can be explained by the limited number of choices offered in the polls and by an apparently tolerant attitude towards corruption by a large proportion of society, as revealed in other research (e.g. The Face of Corruption in Latvia).

The creation of the policy agenda

In order for political solutions to be sought for a particular problem, it must first be included in the policy agenda. In other words, it must be politically activated and debated. Therefore, a very significant political resource of political organizations (government, Parliament, parties, etc.) is their ability to activate (include in the policy agenda) or deactivate (exclude from the agenda) the resolution of particular issues. The creation of the policy agenda can be explained exactly in this manner – as the political activation or deactivation of issues.

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<tbody>
<tr>
<td>1. Social security and social policy issues</td>
<td>38</td>
<td>35</td>
<td>29</td>
<td>47</td>
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<tr>
<td>2. Unemployment issues and the creation of new jobs</td>
<td>30</td>
<td>35</td>
<td>33</td>
<td>43</td>
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<tr>
<td>3. Raising the population’s standard of living</td>
<td>26</td>
<td>26</td>
<td>22</td>
<td>18</td>
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<td>4. Education issues</td>
<td>23</td>
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<td>5. Corruption</td>
<td>21</td>
<td>11</td>
<td>10</td>
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<td>6. Development of the economy</td>
<td>17</td>
<td>15</td>
<td>21</td>
<td>26</td>
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<td>7. Health protection issues</td>
<td>16</td>
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<td>8</td>
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<td>8. Alcoholism and drug addiction</td>
<td>10</td>
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<td>9. Agricultural issues</td>
<td>9</td>
<td>18</td>
<td>12</td>
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<td>10. Public order and security</td>
<td>8</td>
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* Data not available
The mass media play an important role in the development of the policy agenda. Their role is so important that it can be compared to the role of the most influential State institutions: the Saeima and the Cabinet. The mass media do not always determine how people think, but in many cases they determine about what people think. The interviews conducted by the authors of this Report also confirm that all political organizations and interest groups involved with the policy agenda must go through the media, which holds a strategically important position.

There are several issues that the media have almost continuously kept on their agenda during the last few years. One of those is corruption. A few years ago the so-called Latvenergo three-million-lat affair came to the forefront of public attention due to the diligence of the press, and corruption is still high on the media’s agenda. In July, August and September of 2000, the Latvian national mass media published 393 articles connected with corruption.

The corruption issue illustrates the influence of the media agenda (and also that of such international organizations as the World Bank) on the general population. The greater the number of publications in the mass media about corruption, the greater the number of people who see corruption as one of the country’s three most important problems. Therefore, it is possible that the media has brought corruption to the fore among the concerns of many people.

The media have kept the social (minority) integration issue on their agenda in a similar manner. In 1999, close to 270 publications appeared in the Latvian mass media about the Naturalization Board and the naturalization process. Not only do the mass media reflect the agenda of the population, they also actively develop it.

**Guest author**

**Ingrida Blüma**, Chairman of the Board of Hansabanka

**My assessment of political processes in Latvia**

In assessing the political environment in Latvia, I generally adopt the business point of view. Latvia’s political system has undergone great changes during the last ten years, and the country’s political environment now reflects a realistic multiparty system. All parties operating in Latvia openly cite the development of a truly democratic nation as one of their priorities.

Another undoubtedly positive signal to the international community and a new impulse within domestic politics was the election of Vaira Vīķe-Freiberga as the President of the country. For the first time in the history of the Baltic nations, a woman has been elected as head of State. She has displayed a strong political stand and great resolve. With this step Latvia showed that it is more advanced than other new democracies in Central and Eastern Europe regarding women’s role in society.

It is harder to evaluate the aspect of political processes that specialists would call political culture. In other European countries, democracy has been maturing for decades, and these societies know how to ensure careful control over social processes in order to minimize conflicts of interest, and to keep the business and political arenas separate. In my opinion, the “fusing” – in any shape or form of political activity and entrepreneurship should not be allowed in a democratic nation. The power of leading political parties and high-ranking civil servants is generally extensive in any country. Therefore in my opinion politicians should not be allowed to get too deeply involved in regulating the economic environment. I think that entrepreneurship should be allowed to flourish under simple free-market conditions and healthy competition. These are issues that Latvian society still needs to work hard on.

A positive indicator of Latvia’s healthy attitude towards these issues is the mass media’s activity in analysing a variety of situations. Residents are also active and do not hesitate to state their opinion in various debates over economic issues. For instance, there was a surprising amount of citizens’ activism during the referendum regarding the privatisation of the Latvenergo energy supply company in June of 2000.

Latvian businesses have also matured, and are increasingly working through professional associations to publicize their viewpoints on various issues and legislation that affects entrepreneurship. I predict that over time these processes will only expand.
Other political agents can and do form the country’s policy agenda by making use of their right to initiate legislation. This right is provided by Article 65 of the Constitution to the President of Latvia, the Cabinet, the Saeima commissions, no less than five Saeima deputies and – in certain cases – one-tenth of the electorate. The international community also has an important role to play in setting Latvia's policy agenda, as it prepares for accession to the European Union and the NATO Alliance (see Information 2.1).

**Differences between the public and government agendas**

Research of the government agenda can be conducted by examining various information sources. At the official level, the government agenda is listed in the Cabinet’s declaration, which outlines the government’s planned activities. The advantage of this source is that the Cabinet’s policy platform is listed in one single document. However, its deficiency lies in the fact that Cabinet declarations are not always executed fully in practice. This discrepancy can be explained by the fact that government declarations are often created in haste by various coalition partners in order to gain rapid approval of the new Cabinet by the Saeima.

In the preamble of Premier Andris Bērziņš’s government declaration, several tasks or spheres of activity are declared as being most important. These are foreign policy (accession to the European Union and NATO), economic development, social issues, promoting trust in the government, strengthening the rule of law (each process in the nation should be based on strict legal foundations), and increasing the capacity of the State’s administrative institutions.

The priorities listed in the government declaration’s preamble coincide to a great degree with the public’s priority agenda. However, the government document does not directly mention agricultural issues, corruption (unless strengthening the rule of law falls into that category), alcoholism and drug addiction, public order and security, all of which have been mentioned in public opinion polls. The most significant differences between both agendas lie in the high priority placed by the government on foreign policy issues, which in July 2000 were mentioned as foremost by only 5% of the general public.

The role of foreign policy in the policy agenda can be assessed from at least two viewpoints. Some may view that the government’s foreign policy priorities, including the question of integration into European Union, are significant only to the political elite, and that a great divide exists between public opinion and the considerable resources allocated by the government to further Latvia’s integration into the EU. From another perspective, it can be argued that integration into the European Union is not solely a foreign policy issue, as Latvia’s eventual accession could help to solve many problems considered important by the population. Several of the European Union’s priorities correspond with those listed in Latvian public opinion polls, such as the reduction of unemployment, the fight against terrorism and organized crime (which includes the drug trade), the strengthening of the economy, social security and assistance to farmers.

The political party relationship agenda has a particularly great influence on the development of the government’s agenda (see Information 2.2).

**Privatization on the government and public agendas**

Since the first half of the 1990s, when Latvia initiated the privatization of State companies, privatization has steadily remained at the forefront of the government agenda, regardless of who has been in power. However, this significant issue has not been listed among the most important priorities of the public at large.

The most important agents involved in resolving Latvia’s privatization issues are political parties, political leaders, potential privatizers (influential business groupings) and the media, some of which are controlled by the country’s leading business groupings. This has given rise to allegations that privatization has been “privatized” by the political and economic power elite.

The privatization of four large enterprises – Latvijas Kaļķniecība (the Latvian Shipping Company), Latvenergo (the State energy utility monopoly), Lattelefons (the partially State-owned telecommunications monopoly), Latvijas Gāze (the partially State-owned gas supply monopoly) has yet to be completed, due to ongoing conflicts within the
The European Union as a creator of Latvia's policy agenda

Since 1997, when the European Commission began to prepare its regular progress reports on the European Union's candidate countries, Latvia's policy agenda has been determined in large part by the EU. As is known, in order for Latvia to join the Union, it must first adopt the EU's Acquis communautaire, which covers 31 areas, including agriculture, manufacturing, education, social policy, domestic affairs, and law.

The European Commission's annual reports on Latvia's progress provide the government with a general assessment of Latvia's success in carrying out the required reforms. The Accession Partnership documents prepared by the European Commission in order to “promote the priority areas for further work within one common framework” list the political and economic tasks that Latvia and other EU candidate countries must accomplish in the short and medium term, particularly regarding internal markets, agriculture, fisheries, the power industry, transportation, employment and the social sphere, economic and social cohesion, the environment, law and internal affairs, administration and the strengthening of court capacity. (For more information, see Accession Partnership 1999. Latvia // www.europa.eu.int. For more information about Latvia's Euro-integration efforts and their links to human development, see Chapter 1 of this Report.)

Based on the European Commission's recommendations, Latvia has developed a National Programme for the Adoption of the Acquis, whose purpose is to implement the priorities listed in the Accession Partnership. For example, while such questions as civil service reform, the strengthening of public administration, and the termination of the fixed telecommunications monopoly are indeed important for Latvia itself, they have been placed on the policy agenda because a failure to do so would hamper accession negotiations with the European Union (and in the case of telecommunications, relations with the World Trade Organization as well). A paradoxical situation has arisen 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.

Although in some cases questions linked to Euro-integration have resulted in heated debate, as was the case with the import of pork from European Union countries, most issues linked with integration into the European Union do not reach the agenda of the public. Potential conflicts with the public may arise after the enforcement of individual EU standards, which may affect various interest groups.

Euro-integration issues arrive on the government's agenda almost without any wider public participation. While this agenda-forming process is not secret (anyone can read up on Latvia's Euro-integration plans), the general lack of public interest has resulted in the adoption of such decisions within a narrow group of civil servants. Consultative councils, where ministry officials and interested groups discuss legal regulations that need to be adopted, are the exception.

One project initiated in 2000 by the European Movement in Latvia and supported by the Baltic-American Partnership Program is a positive step forward. This project seeks to promote the involvement of NGOs in the implementation of the European Union's legal norms in Latvia.

Since currently the wider public is not displaying an active interest about certain issues arriving on the government's agenda, the government itself should promote public interest in its activities, and within its means, extend its contacts with potential interest groups and NGOs. Ongoing consultations between government institutions and sectoral associations (such as the Chamber of Industry and Trade) concerning Latvia's EU negotiations show promising potential.
Public participation in the privatization of the country’s largest enterprises is barely noticeable. This may be explained by the fact that the link between privatization and human development seems to be indirect, in the sense that a successful privatization process might serve to promote macroeconomic growth and improve overall human development indicators, but should have little immediate effect on the public at large.

The as yet uncompleted privatization of Latvenergo was subject to a period of brief but intense public attention, when the Latvian Social-democratic Workers’ Party (LSDSP) conducted a successful campaign to collect 130,000 signatures in support of a bill to limit the extent of Latvenergo’s privatization. Cynical observers believe that this campaign was actually the brainchild of oil transit groupings from Latvia’s port city of Ventspils, which have contributed to the LSDSP’s party coffers. Public discussions about the privatization of Latvenergo and other large companies have been limited mostly to media debates by various specialists, journalists, and politicians.

Because an objective evaluation of the privatization of such large companies requires economic expertise, and because only well-funded individuals and enterprises can apply for a meaningful share of such companies, the majority of the public is excluded from the evaluation and decision-making process of issues connected with privatization. A more extensive presentation of information, more openness in the preparation and adoption of such decisions, and particularly the promotion of public discussions might decrease the sense of estrangement among the population. Experts should strengthen the public’s level of competence.

The privatization of Latvia’s largest enterprises, or lack thereof, will influence the country’s macroeconomic situation and gross domestic product (GDP) growth rates (which are significant human development indicators), as well as the microeconomic situation of many companies. Unfortunately, as the public is given only minimal opportunities to control the process, and as powerful groupings have vested interests in the outcome, privatization issues are being decided in a closed environment and in an unpredictable manner.

As a result of various activities by interested parties, the political conflicts and adopted decisions are not always comprehensible to the public.

**Information 2.2**

The party relationship agenda

The official government declaration does not really reveal the actual government agenda or those issues that are truly important to the Cabinet and to the political forces forming the government. One agenda indicator lies in those issues that appear to be the most significant in the relationships between the government-forming parties. In September 2000 an open conflict broke out between the Popular Party (Tautas partija) and the Fatherland and Freedom (TB/LNNK) party, both of which are part of the ruling coalition. The Popular Party was angered by Fatherland and Freedom’s refusal to support the appointment of its party member, Edmunds Krastīņš, as head of the country’s powerful Finance and Capital Market Commission, as well as by Fatherland and Freedom’s proposals to amend the Law on Power Industries. The Popular Party – through its Minister of the Economy, Aigars Kalvītis – reacted by preparing changes to the statutes of the Latvenergo State energy supply monopoly, which Fatherland and Freedom accurately perceived as an attempt to reduce its influence on Latvenergo’s Council. Fatherland and Freedom responded by supporting an unsuccessful motion by the opposition to remove Aigars Kalvītis from office. During this conflict, the stability of the government was called into question.

Here we can discern several issues of importance to two of the government-forming parties: their own general relationship, the head of the Finance and Capital Market Commission, amendments to the Law on Power Industries, changes in the statutes of Latvenergo, and the post of Minister of the Economy. Hardly any of these issues apply directly to the most significant problems of the nation. Most of them (including the portfolio of the Minister of the Economy) do not resolve those questions that are seen as priorities by the public. It appears that such conflicts have served to widen the growing divide between the public and the political elite of the country.
and are deepening the estrangement between the government and society. While questions concerning the general standard of living and economic development dominate the agenda of the public, these priorities cannot be clearly seen in the actions of political parties and their leaders, who seem to be according greater importance to the distribution of economic resources among various business groupings.

Since the privatization process is nearing completion and since the government intends to liquidate the Latvian Privatization Agency, the work of this institution should be objectively and independently evaluated to determine the successes and failures of its activities. Such an evaluation would help to ensure the future observation of public interests in situations where the State controls significant economic resources, and could be carried out by one of the policy institutes that is currently being established (see the analysis in Chapter 4).

Decision-making in the Saeima

The right to present issues for discussion in the Saeima is accorded only to a limited number of persons or institutions: the President, the Cabinet, Saeima commissions, at least five Saeima deputies, and one-tenth of registered voters. These submissions must be in the form of draft laws. Only the President has the right to initiate legislation that is more generally formulated, thus leaving room for deputies to work on the fine print themselves.

The Saeima’s plenary sessions are open. Draft laws go through three readings, except for the national budget and urgent bills, which go through two readings.

Each draft law is evaluated by the relevant standing parliamentary commission, which may also offer alternative legislation. After receiving the commission’s evaluation, the Presidium of the Saeima decides whether to include the bill on the parliamentary agenda. A draft law that has been rejected by a Saeima commission must nevertheless be presented to the Saeima for evaluation in cases where the Cabinet or at least one-tenth of voters demand it.

During the first reading, the general principles of the draft bill are discussed. The responsible parliamentary commission then compiles amendment proposals by individual deputies or factions, other Saeima commissions, the President, the Prime Minister or other Cabinet ministers for the bill’s second reading. The Saeima examines the bill by sections during the second reading and debates are permitted only on individual parts of the bill. Additional proposals are again compiled by the relevant Saeima commission for the third reading. During the third reading the Saeima discusses only those sections that have received amendment proposals. Following the acceptance or rejection of these proposals the entire bill is put to a vote. If the Saeima rejects the bill, it is returned to the relevant commission and prepared for another third reading. If the Saeima then passes the bill as law, it is sent to the President for proclamation. If the President proclaims the law, then it must be published in the newspaper Latvijas Vēstnesis (the official Gazette of the Republic of Latvia).

The President has the right to delay the proclamation of legislation and may also send it back to the Saeima for review, along with a motivated letter explaining the reasons for this. In such a case the Saeima assigns the bill to a commission for review by a certain date, after which the bill is again passed to a vote according to the regulations applying to third readings. If the Saeima does not take the President’s proposed amendments into consideration and passes the bill again unchanged, then the President must proclaim it.

By request of at least one-third of Saeima deputies, the President may withhold the proclamation of a law for up to two months. This provision is provided to give time for the collection of signatures by at least one-tenth of eligible voters, which, if successful, is followed by a referendum on the bill, or to allow the population itself (at least one-tenth of the country’s voters) to initiate alternative legislation. If the required number of signatures is not collected for the holding of a referendum or for the presentation of alternative legislation, then the President proclaims the law after two months.

According to the Constitution, certain laws cannot be put to a national referendum. Among these are the national budget and laws concerning loans, taxes, railway tariffs, customs duties, the military draft, mobilization and demobilization, declarations of war, conclusions of peace, the implementation or cancellation of states of emergency, and agreements with foreign countries.

The structure of the Saeima and the principles of its work provide numerous opportunities for follow-
ing its decision-making processes. This is promoted not only by the openness of the discussions at the Saeima's plenary sessions – which are broadcast by radio – but also with the assistance of the Internet, through which it is possible to establish the status of draft legislation. Nevertheless, public opinion surveys reveal a consistent lack of confidence and trust in the Saeima, which is possibly fuelled by dissatisfaction in the Parliament’s decision-making processes.

The Saeima is the most influential and most politicized State institution, where distinct public segments and their interests are represented by means of political parties. The 5th Saeima (1993-1996) was dominated by right-wing political organizations actively working to ensure a rapid transition to a market economy and extensive privatization, with little attention paid to the resolution of social issues. This and other factors led to the election of populist parties in the 6th Saeima (1996-1999). Unsuccessful attempts to form a left-wing centrist government led to the fragmentation of these parties and to the formation of centre-right government. The influence of populist parties has decreased in the current 7th Saeima and centre-right parties are still in power, but left-wing parties have made a serious entrance in the parliamentary arena.

As mentioned in the 1999 Report, the Saeima has been dominated since 1993 by centrist or right-wing parties, but these have been unable to unite their efforts to promote a harmonious national development concept that could form a basis for Cabinet declarations. The lack of such a concept is exacerbated by frequent government changes, which occur almost once a year. While a draft National Development Plan has been developed, it has yet to be publicly discussed and adopted by the Saeima. A working group created by the Prime Minister has also prepared a sustainable development concept that has been made public, but it too, has yet to be discussed and implemented.

One can also observe the lack of a clear development concept in individual party policies. This is evident not only in the slow pace of fulfilling pre-election promises, but also in the divergence of party activities from their documented programmes. Party representatives agree that tactical considerations and the interests of party sponsors greatly hamper efforts that might be directed to implementing certain party platforms.

Compared to the early 1990s, the role of legislators in the preparation of bills has been greatly reduced and increasingly undertaken by the Cabinet (see Table 2.4). As was pointed out by a deputy of the Saeima: “The Saeima at this moment screens and clarifies the government’s proposals.” This pronouncement also indicates various other tendencies, including the ruling coalition’s tendency to reject and disregard the usefulness of bills submitted by the opposition. This tendency is in sharp contrast to the widely disseminated views by deputies themselves (89% of those polled), that debates and discussions in the Saeima should ensure the review of opposition viewpoints and proposals. An overwhelming majority (86 %) of surveyed Saeima deputies felt that discussions in the Parliament are an important element in policy-making, because they provide opportunities for the public debate of controversial questions. This point of view corresponds to that of the public, of whom over four-fifths (81%) believe that opposition arguments must be given due consideration, and of whom 61% see discussions in the Saeima as a significant policy-making element.

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<tr>
<th>Table 2.4</th>
<th>Institutional and voter activity in submitting bills to the Saeima</th>
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<tr>
<td><strong>Number of bills submitted</strong></td>
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<tr>
<td><strong>Cabinet</strong></td>
<td><strong>Saeima deputies</strong></td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>Monthly average</strong></td>
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<tr>
<td>5th Saeima</td>
<td>472</td>
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<tr>
<td>6th Saeima</td>
<td>715</td>
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<tr>
<td>7th Saeima*</td>
<td>513</td>
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* Until December 2000. |
The prevalent disregard of opposition proposals has not promoted good fellowship in the Parliament and has compelled the opposition to use radical, yet constitutional methods to promote its interests, thus contributing to a strained political climate in the country. In addition, the insufficient discussion of opposition proposals and their unsubstantiated rejection has led to opposition-induced delays in the adoption of decisions (e.g. the 1999 amendments to the Law on Pensions) and tangible financial losses (e.g. the collection of signatures to maintain Latvenergo in State hands).

Secondly, the fact that the government’s legislation-drafting role has increased indirectly means that the number of alternative solutions has decreased – and that the possibility of choice has narrowed – because in most cases few changes are implemented in the government’s proposals, and alternatives are not sought. This is determined by the fact that the Saeima relies to a great extent on the proposals of its commissions, which co-operate quite closely with the government’s ministries.

The Saeima’s resources cannot compensate for the decreasing number of offered alternative solutions. Many parliamentary commission consultants also perform technical and administrative duties, and these positions frequently are given to senior university students. Therefore, the consultants’ opportunities to work out alternative solutions are limited.

The Saeima deputies’ assistants also do not contribute sufficiently to the development of bills, and there are no analytical services available to facilitate the decision-making of parliamentarians.

In such a situation the main information source for alternative proposals comes from consultations with sectoral associations or other groups that are specifically interested in the passage (or rejection) of a particular bill. Consultations with individual entrepreneurs are a less significant source of initiative for legislation, and consultations with trade unions also occur to a very small degree.

Saeima deputies rarely commission official research from independent experts, although they trust them the most. Instead, they prefer to consult such experts on an unofficial basis. Consultations with foreign experts or international institutions are rarely conducted.

Deputies mention consultations with voters as one way to improve decision-making, yet politicians admit that public opinion is rarely taken into consideration. This coincides with the view by numerous Saeima deputies that opportunities for the public to influence parliamentary decisions are extremely limited. The above leads one to conclude that consultations with voters (the public) are mostly formal in nature and create a mere image of political participation.

In the context of these tendencies one can agree with the viewpoint of many Saeima deputies that the most influential State institution is the Cabinet. However, Saeima decisions are also greatly influenced by the parties of the ruling coalition, political party leaders, leaders of business groupings, the so-called “grey cardinals,” and the mass media. In interviews for this study, politicians mentioned numerous times that in Latvia no more than 50 people have the capacity to substantially influence policy-making in the country, and they are not elected Saeima deputies or government ministers. Many Saeima deputies claim not to trust political parties or leaders of business groupings, or influential behind-the-scenes activists.

Bearing the above in mind, one can conclude that a certain seclusion, centralization, and elitism is often characteristic in the decision-making process of the Saeima, particularly when dealing with economic issues of interest to business groupings or sectoral associations. Interviews with politicians revealed that in such cases a direct dialogue takes place between party leaders and leaders of the interested groupings. The “grey cardinals” play the role of contact makers and consultants in this process, yet they are not lobbyists who perform certain tasks for an immediate fee and who co-operate with all parties at the same time. There are very few professional lobbyists in Latvia, as political bargaining, for the most part, takes place directly between interested parties.

Although most of the public believes that politicians operate under the complete control of their parties’ financial supporters (a view that is reinforced by the direct dialogue between parties and their sponsors), politicians themselves see such a viewpoint as overly simplistic and stress that they try to balance the interests of various conflicting groupings in order to attain greater independence in the adoption of decisions.

NGOs, citizens’ groups, other initiative groups and municipal leaders also have little or no influence on parliamentary decisions, as these political agents have few resources of power at their disposal. However, politicians know very well that the public controls the most important resource.
required by them – votes during elections. Therefore, many politicians consider the mass media as important players in the policy-making process.

Public participation in the policy-making process should be promoted for several reasons. Firstly, it would improve the public’s ability to participate in decision-making over the longer term. Secondly, certain elements of the public are already capable of formulating valuable suggestions, and the perceived disadvantage of longer and more inclusive discussions more than offsets the greater disadvantages involved in repealing an ill-adopted decision. Thirdly, increased public participation would improve political dialogue and decision-making quality, and would decrease the chance for small groupings to have undue influence on decisions. Fourthly, public participation and the overcoming of scepticism would lessen the gap between the public and the political elite, as well as open paths for new ideas and new politicians. Here the mass media are perceived to be among the most important agents for promoting public participation.

On the parliamentary level there are several institutional mechanisms that provide the public with opportunities to participate in the policy-making process. Deputies elected to the Saeima occasionally arrange meetings with their constituents, and may submit suggestions for legislative amendments based on recommendations from their voters. The public can examine bills that have been submitted to the Saeima through the Internet (www.saeima.lv). It may also initiate legislation on its own or turn to the President, who may initiate legislation on the public’s behalf. In addition, people may organize pickets, demonstrations, petition drives, and other activities.

The public receives a regular flow of information about the work of the Saeima, which is constantly under the scrutiny of the press, radio and television. However, it is not always easy to find information that is essential to the adoption or influencing of the decision-making process. Politicians often refrain from speaking about problems analytically and usually answer questions in a formal or superficial manner. This sometimes raises public doubts about their professionalism and competence. The mass media themselves often fail to provide analytical evaluations of decisions taken, as this depends on the professional qualifications of journalists, the ideological bent of the mass media, and the level of editorial autonomy in several press publications. Therefore, the acquisition of information that is essential for conducting rational analyses is not always possible, unless political analysts and experts are involved.

Political dialogue with the wider public intensifies during election campaigns at both the national and municipal level. However, the consistent failure to fulfil pre-election promises, even among the ruling coalition, indicates a lack of political responsibility, which in turn promotes the development of cynical views in society about politics and politicians, and decreases public trust in the country’s elected institutions.

Politicians’ lines of communication with sectoral associations and in particular with business groupings are the most enduring. Since these groups have access to a greater degree of useful information, greater efforts are expended by politicians in maintaining communications links with them, either directly or through the mediation of the “grey cardinals.”

Among parliamentary politicians there is talk about the necessity to reform the policy-making process. Saeima deputies interviewed for this survey viewed the lack of competence and democratic transparency, as well as the selfish interests of parties, as impeding factors. While they do see corruption and the interests of business groupings as an obstacle to quality decision-making, they believe that better results would be obtained by improving political activity, involving more young, competent professionals and perfecting existing laws.

Even though the solutions mentioned by politicians could significantly improve the policy-making process, the implementation of clear and conceptual policies in an atmosphere of political responsibility would provide a far greater investment in decreasing the confidence gap between the public and the political elite. It would also raise the prestige of politicians and create favourable conditions for the advent of a young and competent generation of politicians in Latvian parliamentary politics.

Decision-making in the government

The highest collegial executive institution in Latvia is the government, or Cabinet, which is approved by the Saeima. The Cabinet includes the Prime Minister, the Deputy Prime Minister, ministers who are politically responsible for the work of their ministries, and state ministers who are politically
responsible for the work of individual sectors of their relevant ministries. The state secretary of each ministry is its highest civil servant. He or she manages the ministry’s administrative activities and co-ordinates the actions of ministry departments and divisions. Each ministry also has a parliamentary secretary, who maintains a permanent link between the ministry and the Saeima and its commissions, and who is appointed by the Prime Minister.

Draft documents for both individual ministries and the Cabinet are mostly drawn up at the departmental level. If a document is being prepared for approval in the Cabinet, then the draft – which is first approved in the relevant ministry and accepted by the Minister – is taken for discussion at a meeting of state secretaries. Other ministries or institutions under the authority of the Cabinet provide their opinions and recommendations regarding the document no later than two weeks after its examination at the state secretary meeting. In certain cases, an evaluation must also be received from the Latvian Local Government Association and from the European Integration Bureau.

The draft document is evaluated at a Cabinet meeting usually no later than two weeks after it has been examined to co-ordinate viewpoints and supported at a Cabinet committee meeting. Cabinet committee decisions are usually taken unanimously.

Issues may be examined at Cabinet meetings only if all members of the Cabinet have received the relevant materials beforehand. Cabinet meetings are not open to the public and only a restricted number of persons may participate in them. The Cabinet adopts its decisions by a simple majority vote. The Prime Minister, Deputy Prime Minister, ministers and ministers for special assignments have voting rights at Cabinet meetings. State ministers also have voting rights regarding issues that affect their sectors. The Prime Minister may invite experts to Cabinet meetings for advice and explanations on the issues put up for discussion.

Under Article 81 of the Constitution, the Cabinet is entitled to adopt regulations with the force of law between sessions of the Saeima. In accordance with the Rules of Order of the Saeima, the Cabinet must submit these regulations to the Saeima no later than three days after the new session of the Saeima has commenced. If the Saeima does not transfer these regulations for examination to standing committees or does not approve them in the final reading within a period of six months after they have been transferred to committees, then the regulations are repealed.

Citizens do not have many institutional mechanisms with which to influence the preparation and adoption of decisions by individual ministries or the Cabinet. The public may direct proposals and recommendations to State institutions, and may gain a certain insight into the legislation prepared by ministries from the State Chancellery’s home page on the Internet (www.mk.gov.lv), where information is available regarding all draft documents submitted at state secretary meetings.

As mentioned previously, Latvia has a parliamentary supremacy system, and the direction of each government’s activities is in fact decided by the Saeima, as it votes for the approval of the Cabinet following debates regarding the government declaration.

The government declaration is created by negotiation and is based on the programmes and tactical interests of the political parties belonging to the coalition. Normally the declaration is not based on clearly defined models of national development – not only because compromises need to be found between the various political forces, but also because there is a lack of alternative models.

The average government lifespan since the election of the 5th Saeima in 1993 has been about 10 months. Notwithstanding such instability, the overall political orientation of Latvia’s governments has remained unchanged, which is also reflected in the government declarations. Except for the State Foreign Policy Concept, which was accepted in 1995, no strategic national development documents have been adopted. Therefore, it is not surprising that the cornerstones of Latvia’s internal and external policies are based on the country’s efforts to integrate into the European Union and the North Atlantic Treaty Organization (NATO).

A programme prepared several years ago by the Latvija 2010 economists’ association has become an unofficial national development concept that is reflected in government declarations. This programme, which is based on a neo-liberal paradigm and Washington Consensus principles, provides for a rapid transition to a market economy, the widespread privatization of government property, minimal interference of the State in economic activity, and the maintenance of macro-economic stability. The resolution of social issues has been given a secondary role.

However, this programme has lost some of its relevance due to several significant factors, such as the mixed results of privatization to date, the aggra-
vation of social problems, the banking crisis of 1995, the political instability of transit business, and paradigm reviews in the world political economy. Therefore, the recent completion Latvia's national development plan and Latvia's development strategy project can be evaluated positively.

Latvia still has no strategic vision regarding its future that has won clear political support and acceptance at the State level, and there is no adequate development concept. The lack of such basic principles significantly complicates co-ordinated decision-making.

The lack of widely accepted development concepts is partly compensated by two factors. Firstly, Latvia's unchanged Euro-integration priority has led to the harmonization of Latvian regulatory enactments with European Union documents. Secondly, several sectors in the period following the restoration of independence have had development concepts and sector policy documents prepared (see Chapter 1). However, one cannot help but notice that these concepts and documents have not been mutually co-ordinated.

Draft decisions regarding policy priorities and concrete solutions are usually prepared by the relevant ministry's own specialists, who consult mainly with colleagues from other departments within their own ministry, as well as interested groups and NGOs. A slightly unusual fact is that ministry management and politicians play a relatively smaller role in preparing both tactical and strategic decisions (see Chapter 4).

This is partly explained by another observation. In a September 2000 survey of ministry department directors, half of the respondents indicated that higher-level policy makers do not support them politically, and that the priorities advanced by the government do not conform to the real needs of the country. The department directors also expressed widespread distrust of both government and opposition parties, party leaders, éminences grises ("grey cardinals"), and leaders of economic groupings. From the above, one can surmise that a gap is forming between politically appointed ministry leaders and the civil servants working under them.

The services of independent experts are usually used very little, and the results of the survey for this study suggest that the attitude towards them is contradictory. On the one hand, most respondents trusted professional experts and indicated that there is a shortage of them in the country. The lack of professional employees and the shortage of funds for paying them was also seen as a significant obstacle that is not allowing for an improvement in the preparation of decisions. On the other hand, respondents expressed dissatisfaction with the quality of expert studies. Government commissions are delayed or fulfilled superficially, and concrete solutions and alternatives are not offered. This may be one of the reasons why unofficial consultations with experts are undertaken more often (as is the case in the Saeima, mentioned earlier in this Chapter). The assistance of international organizations and experts is used even less.

Consultative councils and discussions with social partners have a generally restricted role in the preparation and adoption of decisions. One of the oldest such institutions is the National Tripartite Co-operation Council, which was established in 1993 to promote discussions among employers, employees and the government. Some achievements were reached, such as increases in the minimum wage, social guarantees for the employees of insolvent undertakings, and the co-ordination of draft worker protection laws. Nevertheless, in several cases the government and the Saeima have ignored the Council's recommendations and agreements reached with it, thus reducing the relevance of such consultations. Similarly the Council of the Economy, which was established in 1999 under the Ministry of the Economy and which is composed of many acknowledged specialists, cannot boast of a large impact upon policy-making.

The impact of large population groupings on the Cabinet's policy-making procedures has been negligible. Politicians and ministry employees admit that policy-makers do not sufficiently observe the interests of the public and that there should be greater public participation in policy-making. Yet many also doubt whether ordinary citizens are capable of contributing to policy-making processes in a meaningful manner. Unfortunately, the public usually does not receive sufficient information regarding draft decisions. Only those documents that have already been submitted to state secretary meetings are accessible in the Internet, and information regarding the earlier stages of the formulation of draft decisions is provided only in individual cases.

Cabinet regulations regarding policy-making procedures provide for draft decisions to be carefully co-ordinated with interested institutions, and here the opinion of the Ministry of Finance is especially important. This ministry often has the final say, as it can reject the allocation of additional
funds for the implementation of draft regulations or laws. Therefore, it is sometimes insufficient for theoretically good laws to be adopted (such as the Freedom of Information Law) if there are insufficient funds for their implementation (as in the education of civil servants).

However, the Prime Minister may ensure that any issue is examined in detail at a future Cabinet meeting, thus by-passing the usual co-ordination procedures. Yet if politically sensitive issues are repeatedly examined in this manner, then differences of opinion among the government's coalition partners can arise. This was the case when Andris Šķēle was Prime Minister from 1995-1997 and 1999-2000. On several occasions, the Premier was reproached for convening Cabinet meetings on issues about which views had not been co-ordinated beforehand.

It must be said that unofficial discussions by members of the governing coalition on the co-ordination of views prior to the decision of various issues do occur in the Co-ordination Council, or Coalition Council, which is a forum for the expression of party interests and political bargaining. Since the Cabinet structure is centralised, this council could be a productive forum for the government's coalition partners to influence the policy-making process and to arrive at common positions, particularly since its meetings are reflected very little in the mass media. However, interviews with politicians indicate that these council discussions are used mainly for the exchange of information and to establish each party's position on a certain issue, rather than to formulate a common point of view. Moreover, the manner in which this council functions and the degree of its effectiveness is largely dependent on the Prime Minister.

Issues submitted to the Cabinet by ministries in which party representatives have no direct interest, but for which there are possible alternative solutions, are initially discussed in the Cabinet at the conceptual level. This simplifies the co-ordination of draft laws and accelerates the arrival at a consensus. Once the Cabinet has taken a conceptual decision, the ministry responsible prepares a concrete solution based on the approaches approved by the Cabinet.

The proportion of conceptual issues on the Cabinet agenda is fairly large, and the government is actually overloaded with an excessive number of minor issues to scrutinize. These should be resolved at a lower level, thereby increasing the opportunities for strategic management by the Cabinet. However, government's civil servants are reluctant to assign tasks to lower-level executive institutions, as they do not have faith in the capacity of such institutions to deal with the issues entrusted to them.

One problematic feature of the policy-making process is the lack of horizontal co-ordination. The government's ministries do not sufficiently co-ordinate the advancement of priorities and the formulation of draft laws among themselves. This situation has resulted from the centralization of executive institutions, which is furthered by the Cabinet's decision-making procedure regulations. In an attempt to eliminate this problem, the State Chancellery established a Policy Planning and Coordination Department in September 2000. Its principal task is to improve policy-making in the State apparatus, prepare relevant legislative recommendations, co-ordinate the implementation of the government declaration, analyse the activities of State institutions, and generate ideas for the country's development strategy.

The lack of a unified strategy and co-operation mechanism, along with the introvertive tendencies in each ministry, are also manifest in inter-ministry struggles for influence and funding, which are replicated between central and local government structures. Such an undesirable state of relations does not allow the institutions involved to fully perform their functions and encumbers the State administration system.

It is becoming apparent that ministers are not always able to control the ministries entrusted to them. Although in Latvian circumstances it is possible for party scores to be settled through ministry subordinates, the principal contributing factor to such conflicts is, in all probability, the increasing influence of the civil service, which is furthered by the frequent changes of government.

However, the role of the civil service in the policy-making process is not overly large. Only 4% of polled ministry department directors claimed to have sufficient knowledge about the policy-making process to take part in it in a meaningful manner, and only 32% believed that their initiatives could influence the views of policy-makers. Moreover, both the public at large and local government employees, as well as civil servants themselves, rate the influence of ministry employees far behind that of economic groupings, "grey cardinals," the Saeima, the government and political parties.
A tendency to politicise the higher civil service has been observed in Latvia. This was especially evident in personnel changes at the Ministry of Education and Science in 2000, as well as at the Ministry of the Interior. Thus, the civil service appears to be progressively abandoning its political neutrality and professional competence, which are so necessary for the successful administration of any country, and is acquiring increasing political loyalty to the ministers in office. Moreover, in such cases hierarchical subordination is often ignored and the principles of professional career advancement are distorted.

**Decision-making in local governments**

The duality of local governments (such as municipalities) fundamentally affects their policy-making practices. On the one hand, territorial local governments are elected in general elections, and therefore society has given them a political mandate. On the other hand, the autonomy of local governments is limited by the fact that their functions are fixed in law and can expand or contract in accordance with new decisions by the Saeima or the Cabinet. Local government finances are regulated through the Local Government Equalization Fund, which means that in a sense, local governments can be seen as representatives of the State's executive institutions in Latvia's districts, cities and parishes. In fact, up until 1998 local governments were considered as a component of the State executive authority.

The duality of local governments is highlighted at annual discussions with the government regarding a wide spectrum of issues. Experts in the work of local governments believe that the results of these discussions depend on the attitude of the governing coalition towards local government issues and on the will of the national government to implement achieved agreements. In recent years government politicians appear to have adopted a more favourable attitude towards local governments than previously. One reason for this is the greater degree of public trust in local governments than in political parties. A second contributing factor is the Council of Europe's continued monitoring of the Latvian government's relationship with local governments, following the submission of a complaint by Latvian local governments in 1996.

Another fundamental problem lies in the fact that the country's administrative territorial and regional reform has not been completed. The slow course of this reform reflects the unclear policy of the State's central institutions towards local governments. Since the reestablishment of independence, elected second-level local governments have been abolished, with district management assigned to delegated councils made up of, and chosen by, the chairpersons of city and parish councils in each district. The effectiveness of such an innovation is doubtful, as in these district local governments it is not easy to examine issues that transcend the dimensions of one single administrative territorial unit.

The continued uncertainty over the final form of an eventual regional reform model is giving rise to disagreements and competition between potential regional centres, and is encumbering their cooperation.

A new accent is now being placed in the establishment of so-called planning regions, in order to promote the attraction of finances from the European Union's structural reform funds. The establishment of such planning regions is an acknowledgement of the necessity to create larger territorial entities with tangible economic potential, and where resources could be utilised more rationally. The as yet uncompleted administrative territorial reform is directed to this end, and is being accepted with great misgivings by many local governments, as confirmed by the results of a survey conducted in October 2000 with local government leaders. The slow pace of voluntary local government amalgamation also testifies to this reticence. Most local government leaders support closer cooperation with neighbouring parishes or cities, but reject amalgamation as an option. They argue that the marginalization of peripheral local governments will increase, and that accessibility to services will be reduced for inhabitants and institutions located outside of the main regional centres.

In addition to their direct duties, local governments perform an important political link between the country's administrative institutions and its inhabitants, as they are the State institutions with the closest links to the people. Only 20% of this survey's respondents have met with Saeima deputies or ministry department heads, while 30% have met with their local government councillors. A similar (though less marked) tendency can be seen in the proportion of letters written to politicians, ministries and local government representatives.
However, geographical proximity is not the only factor determining the closeness of links between the country’s inhabitants and local governments. Saeima deputies, ministry department heads, members of the public and local government leaders all unanimously agree that local government decisions (as opposed to Saeima and Cabinet decisions) have the greatest impact on the public. The frequency of contact with any public institution also depends on the extent to which people believe they can influence decision-making, and the degree to which their views are taken into account.

Over half of the local government leaders questioned for this study asserted that the public wishes to participate in policy-making activities, and that people often use public meetings as a means to scrutinize important issues. However, local government politicians also believe that many inhabitants are not sufficiently competent to resolve important local government issues.

Local government politicians place a great degree of trust in professional experts, even though they rarely use their services. Consultations with ministries and Saeima politicians also occur rarely. This is determined partially by the general scepticism and distrust that local government leaders feel for these institutions, and by the perception that opportunities for achieving favourable results are very limited. More than 90% of surveyed local government leaders 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. Local government leaders also said that they do not feel supported by higher-level policy makers, and that government priorities frequently change, which makes the development course of local governments unpredictable in the long-term.

This sense of isolation from higher-level politicians is compounded by the local government view that decisions taken by the Saeima and the Cabinet are not sufficiently transparent, and that neither local government politicians nor the public can do much to influence them.

There is a widespread view by both local government leaders and the public that decisions in

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**A wealth of creative potential**

Latvia stands out in a positive light as a country with a rich cultural heritage and great future cultural potential. Regardless of its weaknesses in other areas (political, economic, and social welfare), Latvia’s achievements in culture, art, science and sports are lasting values. They are proof that Latvia has a wealth of unique traditions and creative potential.

Since Latvia regained its independence in 1991, State financial support to culture and sports has dramatically declined, but Latvia’s artists and athletes still stand out in the global arena. The excellent results of Latvian athletes in the Sydney Olympics and in world and European sports championships are all significant, particularly because Latvia is a fairly small nation with only 2.3 million inhabitants. Latvia has been especially successful in hockey, for instance. Not only due to its national championship team, but also because Latvian hockey players take their place among the world’s top professional players in the North American National Hockey League.

Latvian opera singers have also risen to stardom, performing in some of Europe’s most esteemed opera companies. The pop group Prāta vētra (Brainstorm) was extremely successful at the Eurovision song competition in 2000, and its subsequent popularity in Europe proves that Latvian artists are able to compete on the global pop music stage. The Latvian post-folklore group Ļūdī is described in America’s respectable traditional music magazine Rootsworld as one of the best post-modern folk music arrangers and performers in the world.

Latvia has proven that even in economically difficult times and with virtually no financial support from the State, sports and culture can thrive and reach great results thanks to initiative and commitment.
the country’s higher institutions are determined by economic groupings, which are more influential than the Saeima or the government itself. When asked: “Who do you believe influences the adoption of important political decisions in Latvia, and to what extent?” more than half (59%) of surveyed local government leaders and nearly half (44%) of the surveyed public said that in their opinion, leaders of economic groupings influence higher-level decision-making to a large extent. Another 31% of local government politicians and 35% of inhabitants said they believed this was the case “to a fair extent.”

Under circumstances of a higher-level conceptual vacuum, local governments are actively formulating their own regional development strategies. Such strategies for the regions of Latgale and Zemgale have been prepared locally, without any significant input from national State institutions. Extensive planning is also occurring at the district level to conform to these regional strategies, as well as to several dozen sectoral concepts at the national level.

Professional experts are being consulted in the formulation of these district plans, and the public may also express its views in the discussion of these plans at their draft stage. Even though these plans are being carefully thought out, they are not mutually linked and co-ordinated, and in the absence of a common national development concept, there is concern as to whether they will be successful.

The distrust by local government leaders of both the Saeima and the country’s central executive institutions, their scepticism regarding the consultative capacity of the public, and their limited consultation of professional experts in policy-making places them in a peculiar, cocoon-like situation of seclusion. The most popular method for acquiring information is through consultations with other local government representatives. The similarity of problems faced and the holding of regular contacts is generating a sense of internal solidarity among local government leaders.

The most widespread and one of the most serious problems identified by local government leaders is the lack of funding, which affects both local government policy-making and work capacity. Local governments are particularly dissatisfied with the fact that they are being delegated more and more new duties, for which they are granted insufficient funds from the State budget (the allocation of which is perceived to lack transparency).

While the Law On Local Governments outlines the mechanisms and sources for the formation of local government budgets, this process is complicated and does little to stimulate development. The basic source of local government budgets is personal income tax, but only the local governments of Riga, Liepāja and Ventspils directly collect this tax. The others receive their funding through the State budget and the Local Government Finance Equalization Fund, which has been established to ensure that all local governments receive at least a minimum level of funding. Resources for this fund are transferred from the State budget, and therefore the link with the amount of income tax paid by the residents in each local government’s jurisdiction is very approximate. The amount of State funds to be disbursed to each local government is calculated by using two-year-old data. If additional personal income tax is collected, then the relevant local governments do not receive this additional income. This is why several larger local governments are seeking to administer the personal income tax collected within their jurisdiction on their own.

In 1997, the functions of the second (district) level of local government were changed, and their budgets were tangibly reduced. Presently, district local governments receive earmarked subsidies for the performance of a few functions, based on the number of inhabitants living in each district.

The chronic lack of funding is one of the reasons why some local governments have adopted questionable tactics to increase their budgets, as was the case with donation-seeking by the city of Jūrmala. Several other local governments have also solicited donations or services from entrepreneurs in return for the adoption of one decision or another.

Entrepreneurs have a large impact on local government decision-making. One could say that local governments are like the State in microcosm. Just as powerful and large-scale economic groupings have considerable influence at the national level, so individual local entrepreneurs or their groupings acquire importance at the local government level. This influence is particularly felt when decisions are taken about local government procurements. In such cases the policy-making process is often transparent only in theory.

Local governments are entitled to borrow funds, but under restricted circumstances. Latvia has not acceded to the article in the European Local Government Charter that provides for the free movement of capital. Therefore, local govern-
ments are denied the possibility of obtaining credit directly from banks. Instead, they must petition the Ministry of Finance’s Credit Council for a loan from the State Treasury.

One solution to this problem might be to delegate individual functions to NGOs. However, local governments generally lack confidence in NGO capabilities. Nearly half of the local government leaders surveyed indicated that they were not sure how successfully NGOs could carry out functions that might be delegated to them in the future.

However, the division of funds in local governments themselves is not always transparent and their use is not always effective. State Audit Office data indicate that in 2000 only 120 of 581 Latvian local governments completely complied with Latvian law and compiled reports with a comprehensive list of their expenditures. The budgets of other local governments are not even recorded in writing, which gives rise to splendid opportunities for the manipulation and ineffective use of resources. While the State Audit Office perceives the incorrect compilation of financial reports to be a significant violation, individual local government officials consider this to be an insignificant detail. Many claim that they don’t have the funding to commission such reports. In any case, the above clearly indicates an urgent need for greater transparency in the activities of some local governments.

Under conditions of limited funding, the effectiveness of the use of resources becomes especially important, and there is reason to doubt whether local government funding is being used effectively in all spheres. For example, the attempt to decentralize the provision of social assistance and to involve local governments in this activity does not appear to have been successful. Research by the Ministry of Welfare has shown that the lowest income per capita is usually in families with children. However, such families usually do not receive appropriate support from local governments, which direct a much larger proportion of funding to social assistance for pensioners. The fact that local governments do not sufficiently follow up on the implementation and results of their decisions is a serious problem.

This lack of effectiveness is partially associated with various other characteristics of local government decision-making. In many cases local government leaders are influential figures, whose status is determined not only by law, but also by the force of their personality and whether or not they work full-time in municipal politics. Some local government leaders choose not to observe such decision-making regulations as the obligation for draft decisions to be prepared and submitted in a timely manner to other local government councillors, or regulations concerning budget formation and control.

This Report’s survey of local government leaders’ value orientations is worthy of attention, considering the influence that these people have in their communities. Two-thirds of local government leaders believe that the economic growth of the country is more important than social justice and equality. (Opinions were evenly divided among the public: 48% shared the view that social justice is of secondary importance, 47% believed it to be of primary importance, and 5% had no opinion).

More than 90% of surveyed local government leaders believe that mechanisms should be established to promote increased public participation in policy-making processes. However, two-thirds also believe that the public is overly emotional and badly informed, and thus cannot successfully participate in policy-making activities. Nearly 70% of local government leaders also gave low ratings to their own political influence, and doubted whether their initiatives could influence the views of policymakers at the national level.

The surveyed municipal politicians believed that the public is well-informed about decisions that have already been adopted, but admitted that information about draft decisions is not widely available. In general they gave very low ratings to the mass media, which they viewed as lacking competence, responsibility, honesty and independence.

**Characteristics of Latvian public policy**

The facts expressed above, along with other information, indicate that the public policy process in Latvia does not occur strictly in accordance with the country’s constitutional and legal framework. In some cases, decision-making counters the letter and/or spirit of the Latvian constitutional system (the preparation and adoption of unofficial and secret political decisions, known as “state capture”), while in other cases civil society groups do not make full use of the opportunities provided by a democratic State system, because many people lay excessive responsibility for the problems of society on State institutions.
CHAPTER 2

The preparation and adoption of parallel decisions

It is characteristic for Latvian political leaders to sometimes “work out their relationships” (or consult with each other) not in the premises of the Saeima or the Cabinet – which by their very nature are public institutions – but in such private and closed spaces as suites in the Hotel de Rome. In interviews with the country’s inhabitants, members of the Saeima, ministry department directors and local government leaders, the following points of view were expressed: important political decisions are prepared outside of public institutions (for example, in private firms); the political platforms of party and State institutions on various important issues are determined by individuals who are not State officials and who sometimes hold no office in any political organization; open and legitimate institutions (such as the Saeima) formally approve decisions that have already been made previously in an informal manner.

These opinions testify that parallel to the public preparation, adoption and implementation of policy decisions as provided for by the Constitution, a secret and illegitimate system is operating partly outside the framework of State institutions. It is probable that this secret and illegitimate system does not operate all of the time and in relation to all issues, as the majority of surveyed political agents indicated that legal and open institutions are also very important. However, this illegitimate system does play a large role in the creation of Latvian public policy, a role that cannot be precisely determined due to its behind-the-scenes manifestations. For illustrative purposes, Information 2.3 provides an extreme model of a closed and illegitimate policy-making process.

The dominance of State institutions

On the one hand, many policy decisions are prepared and adopted outside of official State institutions, as evidenced by a transparency deficit in the activities of these institutions, and by the fact that State officials tend to consult a very narrow circle of potential political agents.

On the other hand, the public itself tends to accord an excessively dominating role to State institutions. Many members of the public are eager to place the responsibility for the resolution of various issues upon State institutions in such large measure that the role of civil society is sharply reduced.

In research conducted by the Delna branch of Transparency International, 74% of respondents from the public believed that the government should assume the main role in combating corruption. Only 12% believed that this role should be taken on by the people themselves. About 3% believed that NGOs should undertake this task, and just as many named the mass media. However, taking into account that in most corrupt transactions (for example, bribe-taking), at least one member of a State institution is involved, it would be logical to assume that responsibility for combating corruption should be undertaken jointly by the State and by civil society. Such a division of responsibility has not yet been strengthened sufficiently in the consciousness of the wider public.

The lack of transparency in public policy

The lack of transparency in public policy not only hinders its effectiveness, but also violates the right to free speech as outlined in Article 100 of the Constitution: “Everyone has the right to freedom of expression, which includes the right to freely receive, keep and distribute information and to express his or her views. Censorship is prohibited.” The public policy process in Latvia is insufficiently transparent both at the administrative level (employees of State institutions sometime refuse to provide inhabitants even with information that should be accessible to them according to law), and at the political level, where decisions are occasionally taken in a closed and secluded manner. Therefore, we can differentiate two aspects of this issue – administrative transparency and political transparency.

In 1999, the Delna branch of Transparency International conducted a study on access to information at State and local government institutions. Information requested in writing was immediately supplied in only about 30% of the cases. The other 70% of requests were answered with a letter of
refusal. When the information was requested again for a second time (usually citing a legal provision), approximately half of the second requests received a satisfactory reply, while the other half either remained unanswered or were again turned down.

The perception that Latvian public policy is characterized by a marked lack of transparency is extremely widespread among the Latvian public. In 1999, nearly half (47%) of surveyed Riga residents and over a third (34%) of surveyed rural residents believed that State or local government institutions conceal important information from the public either often or very often, while almost a third of Riga residents (32%) and 41% of rural residents believed that this occurs occasionally.

Notwithstanding this deficiency, there has been noteworthy progress during the past year in the field of administrative transparency. The Freedom of Information Law is being more fully realised, and an increasing number of officials are becoming aware that the public does have the right to request information that has not been restricted by law. However, it does not appear that political transparency in the discussion and adoption of important political decisions has increased. The average inhabitant of Latvia does not have access to complete, reliable and accurate information regarding funding received by political parties, or regarding the origin of funds obtained for the purchase of property by high-ranking State officials. This lack of information

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**Information 2.3**

**Extreme model of a closed and illegitimate policy-making process**

1. A private person (for example, an influential entrepreneur) or firm becomes aware of an issue requiring a political solution. He or she determines the options at hand.

2. This person contacts political decision-makers (Saeima deputies, ministers, “party treasurers,” “grey cardinals,” and the like). Sometimes the essence of such contacts lies in earlier or current monetary payments, which might include the financing of political parties.

3. Following consultations, the private person’s (or firm’s) lawyer prepares the basic precepts of a draft law or even its entire text.

4. Ministry civil servants may also become involved at the drafting stage of the law, but other groups whose interests might be affected are ignored.

5. The minister linked with the relevant private person brings the issue to the Cabinet. Through closed discussions the minister gains support for the draft law from other ministers of his or her party, and from the other governing coalition parties.

6. The draft law is put forth to the Saeima, where party leaders, “key figures” (or “movers”) ensure the support of their relevant faction members. Other members of Parliament do not receive full information about the issue, but rely upon their party/faction leadership.

7. The public administration implements the adopted law. The influential private person, with the help of his or her political contacts, ensures that the law is implemented according to his or her interests.

Under such a policy process model, stages 1, 2 and 3 are completely hidden from the wider public. In stage 4, information may reach the public through “leaks” sent to the media by people opposed to the draft law. The public is usually informed no later than at stage 5, once the draft has been submitted to the Cabinet. In such a closed process the observance of human development priorities is difficult, if not impossible. While there may not be many actual cases in Latvia conforming entirely to such an extreme model, its elements have frequently been detected in practice.
also applies to the background of relations between political parties and many other important political matters.

The “other side of the coin” of a lack of transparency lies in the lack of knowledge displayed by the public itself. Results obtained from public surveys correspond to those obtained in surveying ministry department directors. Over half (61%) of surveyed inhabitants agree or partly agree that they have insufficient knowledge of the policy-making process to participate in it. Even more (65% of inhabitants) agree or partly agree that policy-making should be left to experts, because the average citizen is either insufficiently informed or too emotional to effectively participate in this process. Nearly two-thirds (64%) of surveyed ministry department directors also believe this to be the case. The low self-evaluation of inhabitants regarding their awareness and capabilities is a serious barrier to any increase in public pressure for more political transparency.

Massive, campaign-style, but short-term public participation

In the beginning of the 1990s the political participation level of Latvia’s inhabitants noticeably subsided. Recent years have been characterized by uneven, but growing political activity among individual social groups (see Chapter 3 for more details). In Latvia public participation is often massive, campaign-style and short-term. Such were the teachers’ strike at the end of 1999, the farmers’ protests during the summer of 2000 at Latvia’s border crossings, and the collection of signatures to amend the Law on Power Industries and restrict the privatization of Latvenergo (see Information 2.4).

Meanwhile, average political participation levels (with the exception of voting at Saeima and local government elections) remain at a very low level in Latvia. According to the 1999 Survey of Living Conditions in Latvia, only 14% of those aged 18 or over had signed a petition (political demand) or other political document during the past five years, or provided financial support to a public or political organization or movement. A mere 4% had taken part in a political rally, demonstration, or meeting, published their views in the press, participated in the organization of election campaigns, or partici-}


cated in meetings or conferences regarding political issues (see Chapter 3 for details on the forms and intensity of public participation).

While some of those who displayed political activity did succeed in having their demands at least partly satisfied, such participation cannot ensure permanent and full public control of public policy.

Firstly, up until now it has been possible to mobilise broad societal groups mainly for the resolution of relatively straightforward issues, such as wage increases or restrictions on the privatization of a State enterprise (farmers’ demands were slightly more elaborate). Other issues to which easily formulated solutions are more difficult to apply, cannot be resolved in this manner.

Secondly, campaign-type or short-term political participation does not allow for the resolution of political issues that require long-term attention. Thus, for example, if the public wishes to ensure that the interests of various social groups are observed in Latvia’s negotiations with the European Union, then a permanent form of monitoring will have to be instigated over several years.

Thirdly, participation in politics to date has nearly always been associated with protests against an already initiated or implemented State policy. The broader public does not mobilise in order to take part in policy-making while “nothing bad has yet happened.”

Overly hasty or lengthy stages in the public policy process

The public policy process is usually divided into several stages: the submission of proposals, the formulation of alternatives, the adoption of decisions and their implementation. All four stages are essential. If one of them is missed, carried out too hastily or delayed for too long, then the public policy process may be less effective (see Information 2.5).

Even though it is difficult to establish scientific criteria by which to assess the desired length of each stage, there are examples in Latvia where disproportionally hasty (or lengthy) stages of the public policy process have negatively impacted the quality of decisions made. In several cases the formulation of alternatives has been too hasty, as in the exclusion of essential agents from the process,
or in the selection of a single option within a narrow circle of decision-makers. One such example is the decision by the Ministry of Education and Science to merge the Medical Academy with the University of Latvia. Up until the time when this issue attracted wide public attention and dismay, the two universities themselves had not even been invited to participate in the debates on their own future during the second stage (the formulation of alternatives).

Policy without analytical substantiation

The research conducted for this Report testifies that there are examples in Latvia where disproportionately hasty (or lengthy) stages of the policy-making process have negatively impacted

Information 2.4

Petition against the privatization of Latvenergo

The State-owned Latvenergo energy supply monopoly was first slated for privatization in February 1996. Since that time discussion has continued regarding the following issues: whether Latvenergo should be preserved as a single company or be divided; the degree of foreign participation in the company’s privatization; and the extent of its privatization.

In February 2000, the Cabinet decided to divide Latvenergo into several smaller companies and to privatize 49% of its thermoelectric plants. The opposition in the Saeima, led by the Latvian Social Democratic Workers’ Party (LSDSP), the New Party and the Association for Human Rights in a United Latvia, objected to these plans, and particularly against the division of Latvenergo. The Energy Trade Union and the Latvian Association of Free Trade Unions also joined in the opposition.

The trade unions prepared amendments to the Law on Power Industries and successfully collected the 10,000 signatures required to initiate another signature collection drive. Under this second campaign, the signatures of 130,000 citizens, or one-tenth of eligible voters, were gathered in support of the trade unions’ amendments. According to the Constitution, the Saeima must examine a draft law that has been submitted by at least one-tenth of Latvian voters. If the Saeima does not support the draft law or if a markedly different version of the law is adopted, then a referendum must held on the issue. The Fatherland and Freedom/LNNK faction of the ruling coalition voted together with the opposition, and the draft law submitted by the voters was adopted.

Up until the year 2000, the only influential agents in the political debates for and against the privatization of Latvenergo had been political parties, and in all likelihood the economic groupings standing behind them. While the collection of signatures was initiated by the trade unions, it was actively supported by the opposition political parties. Sceptics accused these parties of continuing their battles with the ruling coalition through the manipulation of voter sentiments.

The essence of the conflict lay in the collision of interests between various potential privatizers, but some inhabitants may have acted in accordance with populist and not particularly well-founded convictions against the privatization and reform of the energy monopoly. Public opposition to the government decision was also based on a well-founded distrust of the privatization process in general, based on several previous negative experiences.

As a result of the two signature collection drives, the privatization of Latvenergo turned from an issue that had been examined in a very closed circle to one that any Latvian citizen could influence. If one does not count the non-citizens living in Latvia, no-one was excluded.

The restrictions on the privatization of Latvenergo had both positive and negative results. On the negative side, the important decision to stop the privatization of Latvenergo was taken without seriously evaluating professional economic arguments and analyses for and against it. A non-privatised Latvenergo may have difficulty withstanding future competition in the European energy market. On the other hand, a large segment of the population was shown that the democratic mechanisms provided in the Latvian Constitution for the expression of the will of the voters – the submission of draft laws and referenda – can be an effective means in deciding important issues.
CHAPTER 2

the quality of decisions made (see the analysis in Chapter 4). Another study entitled Independent Public Policy Analysis in Latvia: Assessment of the Situation and Conclusions determined that “the problem is an undeveloped decision-making culture in the country. Only in very rare and specific cases is there a demand for high-quality policy analysis and research (such is the case within the government itself), not to mention demands for an independent analysis. Applied research commissioned by the government is only in rare cases directly associated with policies and their evaluation or formulation.”

Conclusions

Since the end of the 1980s, Latvia has been experiencing the transition from a situation where the Communist Party strictly regulated and restricted individual and organizational participation in policy-making, to a situation where – at least formally – an unlimited circle of agents can participate in the policy-making process.

The most influential political decision-makers and influencers of the policy-making process are the Cabinet, the Saeima, leaders of business groupings, political leaders, “grey cardinals” and the media.

The most effective political influence channels are closed, and for the most part associated with large payments of money and personal contacts.

Frequently even successful political decisions in Latvia have been taken in a closed and non-transparent manner.

The policy agenda of political parties and the government differs greatly from the policy agenda of the population at large. This is resulting in public alienation and distrust of the country’s administrative institutions. International organizations such as the European Union have such wide institutionalised opportunities to influence the agenda of the Latvian government, as has almost no other political agent.

During the course of privatization, sharp conflicts have broken out between political and economic

Information 2.5

Hasty amendments to the Law on Pensions

In August 1999, the Latvian government announced that senior citizens were in danger of not receiving their pensions because the social insurance budget was experiencing a large and growing deficit. The Law on Pensions was radically amended later that month. The age limit for receiving pensions was increased, and the pension that a working pensioner could receive was reduced. The opposition in the Saeima believed that the main cause of the deficit was associated with problems in the collection of taxes, and that the Law on Pensions should not be amended.

The opposition initiated a referendum regarding the Law on Pensions, which took place in November 1999. Between August and November the governing coalition reconsidered the amendments it had adopted and proposed a new set of “softer” and more sensible amendments. As a result, less than 50% of citizens took part in the referendum, and the “softer” version of the Law on Pensions came into force in December 1999.

In this case a political decision affecting a very large social group – working pensioners and those approaching retirement – was formulated and adopted with haste and in a closed environment. Those directly concerned were excluded from the decision-making process, resulting in a widespread confrontation with the government. As a result, the government’s pension policy was hastily re-formulated for a second time, leading to the adoption of the “softer” amendments to the Law on Pensions.

This example of an unsuccessful policy process showed that despite the imperfections of Latvia’s civil society, the democratic system does not allow for the adoption of closed or hasty decisions if a large part of society opposes them. In the long-term, such experiences may heighten the consciousness of a civil society and promote increased public participation in the policy-making process. The creators of public policy, for their part, should recall that in a democratic society the adoption of closed, insufficiently justified and hasty decisions regarding issues that affect the vital interests of a large social group is not acceptable.
elite groups, and the wider public has had almost no chance to influence this important process. The exception has been in the privatization of Latvenergo, which was suspended for an indefinite period following a successful campaign to collect the signatures of one-tenth of the country’s voters. The participation of the public is also hindered by a lack of economic competence and the lack of transparency in the privatization process.

The Constitution provides for a democratic decision-making procedure with very wide possibilities for influencing draft decisions. The Saeima is formally the most influential policy-making centre. The public does have institutional means to engage in the policy-making process, but these means are used very little because the public places little trust in politicians and does not believe in its own strength. This is compounded by a general lack of specific knowledge, skills and information.

The policy-making process in the Saeima is closed, centralised and elitist, in which party leaders, “grey cardinals” and business groupings play an important role. Even though the Saeima is seen as a very good forum for discussions, little substantive discussion actually takes place. Opposition proposals are frequently rejected outright, which compels it to resort to such extra-parliamentary means of influence as petition drives.

Sometimes the decisions of the Saeima lack conceptuality and internal consistency. Therefore, the wish by some parliamentarians to overcome their incompetence and narrow-mindedness is understandable.

While most draft decisions are formulated in ministries, the analytical capacity of the Saeima is limited. To compensate for this deficiency, unofficial consultations are conducted with experts.

The average lifespan of post-independence Latvian governments has been very short and this threatens the continuity and conceptuality of policy-making.

The priorities advanced by the political leadership of ministries often differ from real needs, causing civil servants to lose confidence in the leadership of their ministries. Higher civil servants wishing to reduce this gap have themselves become politicised, and this in turn threatens the normal functioning of the bureaucratic apparatus.

Draft ministry decisions are often prepared without involving outside resources, and only occasionally in consultation with interested groups or NGOs.

It is difficult for the public to influence government policy-making activities due to the lack of the relevant institutional mechanisms. Various consultative councils and social partners have only limited influence.

Departments in several ministries (Welfare, Agriculture, Transport, Environmental Protection and Regional Development) co-operate in the preparation of draft laws with sector associations and NGOs, but this practice is not regular.

The political co-ordination of draft decisions within the governing coalition is insufficient, and this often threatens the stability of the government.

The government is acquiring increasing influence at the expense of the Saeima. This is because the preparation of draft laws is occurring mainly in executive institutions, and is determined by the need to resolve increasingly complex issues requiring specific knowledge.

The autonomy of local governments in Latvia is strictly limited. In relations with State institutions, they must rely on the European Local Government Charter because their status is not defined in the Latvian Constitution.

Local governments do not feel the support of the government and the Saeima, and do not see wide opportunities for co-operation with the public in order to achieve more advantageous decisions by higher-level institutions. This has promoted the “encapsulation” of local governments and the development of closer ties between local government leaders.

The work of local governments is restricted by incomplete administrative territorial and regional reform.

Local governments have insufficient funds for the performance of the functions entrusted to them. This has led some local governments to seek the acquisition of resources by questionable means at the fringe of legality. However, there are grounds to believe that the effective use of funding by local governments may increase.

Local government leaders are sometimes very influential within their communities. This may negatively impact both decision-making and the formation of local government budgets. Local entrepreneurs can substantially influence local government decisions, which together with the influence of local government leaders reduces the transparency of decision-making and creates fertile ground for corruption.

Alongside a public policy system is provided for by the Constitution in the preparation, adoption
and implementation of decisions, a parallel, closed and illegitimate system exists partially outside of the existing State institution structure.

The public itself tends to accord an excessively dominating role to State institutions. Many members of the public are eager place the responsibility for the resolution of various issues upon State institutions in such large measure that the role of civil society is sharply reduced. As a result, a transparency deficit remains in the work of State institutions.

There have been practically no signs in recent years of an increase in the transparency (or political openness) of the discussion and adoption of the more important draft political decisions.

In Latvia public participation is often massive, campaign-style and short-term.

Meanwhile, the average level of political participation (with the exception of voting at Saeima and local government elections) remains very low.

There are examples in Latvia where disproportionately hasty (or lengthy) stages of the public policy process have negatively impacted the quality of the decisions made.

Political decisions in Latvia are sometimes taken without a sufficient analysis of the situation and an evaluation of the possible consequences.

**Recommendations**

In order for the preparation and adoption of policy decisions to change significantly for the better, the dependence of the parties elected to the Saeima on narrow interests must be reduced. This dependency is connected with costly pre-election advertising campaigns. Political advertising strategies must therefore be changed.

In order to lessen public cynicism and reduce the estrangement between the public and the political elite, real consultations with voters must take place. Politicians must make greater efforts to observe pre-election promises, and show a positive example in the performance of their leadership functions.

The discussion of opposition proposals in the Saeima would contribute to a climate of mutual trust.

The analytical capacity of the Parliament should be strengthened by according additional funding to each faction, or by establishing a separate analytical service that would increase the decision-making capacity of the Saeima.

Public mass participation in political parties could be an effective means for strengthening political transparency and quality. Party leaders would be subject to dual control – both from their voters and from rank-and-file party members.

The policy-making process could be improved by a more demanding public and by its increased participation in this process. It would thus be easier to ensure that greater policy attention is paid to human development goals.

The quality of government decisions could be improved by unburdening the Cabinet, and by delegating the decision of less important technical issues to ministries. This would significantly strengthen the Cabinet’s strategic leadership role.

The approval of a long-term and mutually co-ordinated national development strategy would facilitate the work of civil servants and promote greater political manageability.

The more intensive involvement of independent experts in the preparation of draft decisions would provide an opportunity to increase the amount of alternative solutions and facilitate the involvement of the public in the policy-making process.

Renouncing the politicization of the country’s higher-level civil servants would help to promote the employment of a more professional and highly educated staff.

The implementation of the government declaration and other conceptual documents would be facilitated by the promotion of horizontal inter-ministry co-ordination.

Increased public involvement in the decision-making process would be facilitated if the preparation of draft decisions became more transparent already at the ministry level. A publicly accessible draft document register should be established for the public to examine even before such documents are presented at state secretary meetings.

Political instability would be reduced and government lifespans would be increased if coalition partners devoted more effort to discussing controversial Saeima and Cabinet agenda issues amongst themselves.

All state and local government institutions should strictly abide by regulatory enactments that guarantee public access to information.

In order to reduce the importance of concealed and illegitimate political influence channels, anti-corruption institutions should be strengthened and legislative loopholes should be closed.

In order to generate a longer-term perspective at the local government level, the country’s admin-
Introduction

The extent of public participation in politics and policy-making has already been evaluated in the 1996 and 1998 Human Development Reports on Latvia. These Reports analyse the various forms of participation and the obstacles that delay it. In this new Report, which focuses on public policy, participation is examined as a component of policy-making. In contrast to previous Reports, participation will be evaluated here from the perspective of the public, the individual and everyday practice.

In the previous Chapters we have described the phenomenon known as closed policy-making. One of its pre-conditions is the passivity of the public. Closed policy-making flourishes in conditions when a country’s inhabitants display little interest in public policy, are not familiar with its mechanisms and do not believe that they can influence policy-making. The myth that politics is a closed process promotes a practice of non-participation, which itself promotes the establishment of closed policy-making processes. In order for the public to break this cycle, it must actively demand the practice of open policy-making that is geared to serve the broadest possible range of interests. It must also declare its own priorities and seek ways to realize them.

The main task of this Chapter is to analyse successful, open and responsible policy-making examples, as well as the participation strategies, mechanisms and resources used to realize them. In 2000 the authors of this Report conducted research regarding public policy and participation. Their findings show that only 5-7% of Latvia’s inhabitants are actively involved in policy-making. Active involvement in this Chapter is referred to by the term “participation.” In analysing participation, this Chapter initially focuses on two issues – the participation arena (or space) that is institutionalized by law, and the type of participation taking place in this arena.

The mass media have a significant role to play in the formulation of open public policy. They must monitor the transparency of the policy-making process, and report on both the good deeds and the misdeeds of those in public office. As an integral part of civil society, the mass media should also enlarge the public arena, and create not only a public forum for discussion, but also initiate these discussions and advance the interests of society. However, in order for the media to honourably fulfil this role, its journalists, editors and publishers must be conscious of this calling and be worthy of the public’s trust.

The public arena as the central domain of participation

During the Soviet period, State institutions dominated the formation of the political and public arenas. With the restoration of independence, the public regained the opportunity to become a new political agent. On the one hand, individuals and groups have made use of this opportunity and have acquired new knowledge and skills in order to become involved in the public policy process. On the other hand, the public has entered a political arena in which a specific division of authority and political traditions had become entrenched over a period lasting several decades. The totalitarian, centralized Soviet State had generated perceptions regarding authority in the public arena that endure to this day, and that have been manifest in the overly assertive activities of more than one State representative.

The task of the new participants in the public arena – interest groups, professional associations, NGOs, socio-economic strata and other emerging participants from civil society – has been not only to declare their presence in the public policy process and to establish new traditions of co-operation, but also to break from previous traditions and to forge better ones. Business interests have emerged as the most powerful participants in the public arena. As has been noted in the previous
two Chapters, these interests are dominated by a narrow circle of people, and may at times differ diametrically from those of the public at large. The interests of business leaders are so closely associated with public policy at the national level that this Report considers the participation of influential business leaders to be a crucial component of State policy.

The participation of the public is possible through the interplay of three factors. Firstly, participation requires an appropriate legal and institutional environment, which encompasses both the opportunities for participation guaranteed by law and the existing participation practice. Secondly, in order for people to make use of these opportunities, they must possess the relevant desire, abilities and knowledge. Thirdly, the participation of the public must be supported by the State and receive the appropriate financing.

Legal framework of the public arena

A solid legal framework has been established for Latvian citizens to participate in the public policy process. In addition to the first two Articles of the Constitution, which institutionalize the democratic foundations of the country and the sovereignty of the people, a new Chapter on Fundamental Human Rights (Chapter 8) came into force in 1998. This Chapter gave increased legal rights for both citizens and non-citizens to participate in political activities.

The Law On Local Governments stipulates that local government council meetings are open to those living or working within a given territory, and that the minutes of council meetings and the texts of adopted decisions are to be made publicly available.

The adoption of the Freedom of Information Law in 1998 has made it easier for the public to obtain information on adopted decisions and signed agreements. Even though the Freedom of Information Law encapsulates norms already included in other regulatory enactments, it has given the public a unified overview of its rights to seek and obtain information.

The law ensures an arena for the realization of stable co-operative practices between State structures and the public, and allows for the expression of public interests. These forms of co-operation are defined in the 1998 Cabinet regulations On the Delegation of State Administrative Functions to Authorized Institutions. Under these regulations, the executive body of a State institution is entitled to entrust State administrative functions to NGOs or individuals.

Access to information in the country is gradually improving. Draft regulatory enactments and amendment proposals are accessible on the government's and the Saeima's Internet home pages (www.mk.gov.lv, www.saeima.lv). The availability of electronic versions of such draft documents to any member of the public provides opportunities to follow and influence their adoption procedures. While Internet resources are available to a comparatively small part of the population, they have the potential to strengthen links between the public and State institutions and to promote the transparency of the public policy process.

Politically active participants stated in the Report's survey that they are satisfied with the participation opportunities offered in Latvia's regulatory enactments, but acknowledged that difficulties arise in applying these rights in practice. Latvia's regulatory enactments set the scene for the functioning of a civil society, but personal experience and perceptions sometimes bear out that the public policy process is closed and that many inhabitants are excluded from it.

Important policy issues and those associated with the acquisition of considerable material resources are frequently decided outside of the public arena. This has created a gap between those who wield power and the public's understanding of fairness (see the analyses in Chapters 1 and 2). Representatives of the country's administrative institutions are perceived pay little attention to the interests of the public, as revealed by a fragment from an interview with a representative of a non-governmental organization (NGO):

“What complicates things is that you personally do not suffer. It is the city, or in a sense, the common good that suffers. You cannot submit a claim [in court] if you have not been injured. [There needs to be] a means for the public to litigate with the Riga City Council. When we investigate State and local government matters, [we are told], what's it to you? You do not live there and you are not the direct recipients of the service. When we inquire how [State structures] are working, – [we are told] leave it alone.” (NGO representative)
However, politically active inhabitants are breaking more frequently into the public arena, which is dominated by State institutions. They are interpreting the public interest in a language understandable to the members of the public arena. In the case that follows – the construction of a parking garage on Basteja bulvāris in Riga – the public interest and benefit does not seem to have appeared as a criterion for the evaluation of the project. Representatives of the public presented legal arguments on the public's right to defend the city’s natural environment and its so-called Green Zone. Riga City Council representatives and the entrepreneur involved dismissed the alleged non-conformity of their interests with those expressed by representatives of the public as a “political assignment” (or “commission”), thus not calling the public’s right to represent its interests into question, but rather the true motivations of the garage’s opponents. The representation of the public interest in this case was limited to one public discussion, as formally required by law. Very few people participated in this discussion, which ultimately did not serve as a mechanism to hear out and reconcile differing interests.

The methods of influence available to the public are frequently not effective enough for people to realize their interests in a meaningful manner. The Freedom of Information Law does not resolve situations that arise when a State institution fails to issue requested information. It is possible to initiate court proceedings against withholders of information, and in cases where the activities of a State institution affect the public interest. The power of the courts in democratic countries is an important instrument for realizing the public interest and deciding on issues of importance to the public. However, NGOs in Latvia assess the defence of the public interest in courts as an expensive, time-consuming and often ineffective procedure. Rarely could any of the surveyed NGO representatives name a case where the wider interests of society gained the upper hand following a court case. Research indicates that the public has little trust in the country’s judicial system. In a survey conducted by the Delna branch of Transparency International in 2000 regarding corruption, nearly half (48%) of respondents considered court representatives to be either “very dishonest” or “fairly dishonest.” Nearly a third (32%) of respondents who had been involved in court cases indicated that they had to pay additional (unofficial) fees or make use of unofficial channels (personal contacts, services in return for services) to further their interests.

However, there have also been positive experiences in court cases. The Ogre Tenant’s Society has successfully used the courts as a means to defend low-income families. Court judgments have forced local governments to review and co-ordinate public utility tariffs, and many low-income families have been saved the fate of being evicted from their places of residence.

The enshrinement of people’s rights in the laws of the land is not sufficient for the public interest to be realized. State institutions must feel the need to hear the views of the public and to obtain its support. They must also educate the public and create new opportunities for co-operation. One way of ensuring that the public uses its rights more fully is by actively encouraging its participation. A practice of such mutual co-operation exists with many smaller Latvian local governments. We will look at such targeted strategies later in relation to the Ventspils Programme for the Integration of Society. Another way to increase the public’s decision-making capacity is through public pressure itself, which forces those in power to take note of the public’s interests.

### Public participation resources

The public arena (or public space) is formed by representatives of society and their associations in all of their various forms. Such activities as singing in a choir, acting in a theatre or partaking in a knitting group, while superficially not associated with politics, also have an important role in the formation of the public arena, public networks and skills development. These skills and networks can be mobilized by the participants of the activities referred to in order to defend their interests if necessary. Within such groups, manifestations of small-scale democracy (or “home democracy”) are expressed. Together with everyday concerns, the policy process can be discussed, and people's interests can be defined and formulated.

The high level of public activity at the end of the 1980s and in January 1991 was a significant factor that led to the reestablishment of Latvia's independence. Once Latvia recovered its sovereignty, this activity collapsed and did not grow into a broad movement of political or non-governmental organi-
zations. It would be difficult to maintain such sustained wide-scale public activities as during Latvia's struggle for independence in any country. The basis for the activity of that period was a pervasive feeling of enthusiasm and hope that could not be sustained for long. For the greater part of the population, Latvia's independence struggle turned out to be a once-only and spontaneous process of participation. Only a small minority continued the activities that they undertook, either as representatives of the structures of a reborn country or as participants in non-governmental and sectoral organizations.

One can mention a number of causes for the fall in public participation. Firstly, public passivity has deep roots in Latvia. Since the Soviet period, passive resistance was a conscious form of protest against the policies of the day. This is indirectly shown in the effectiveness of spontaneous protests in Latvia, which are provoked not only by the unwillingness of the country's administrative institutions to listen to public demands, but also by the inability of the public to seek other channels of participation.

Secondly, public activity depends upon people's ability to take responsibility both for their action and inaction. In the participation research conducted for this Report, the public mentions irresponsibility as a characteristic feature of all State structures. In the secret adoption of decisions, the responsibility for them also becomes secret and opaque. The lack of responsible policy-making impedes the development of the country, and does not permit the formulation of a sequential and goal-oriented public policy. Irresponsible policy-making is an example and an excuse for a cynical public attitude against State institutions. It gives rise to justifications for not paying taxes and corruption, thus denigrating the idea of the public good.

Thirdly, many people do not participate in political activity because they do not believe that they can influence the policy process. Irresponsible and closed policy-making makes for a passive society with low self-esteem. On the other hand, it is also the end product of a passive society. The public consistently places all the active forms of public influence in last place among a range of options available, even though representatives of State and local government institutions evaluate some of these forms (such as political activity by sectoral organizations and NGOs) a little more highly. Both the public and representatives of State and local government institutions consider NGOs and initiative groups to have the least influence in policy-making.

Fourthly, the majority of the public is living under varying conditions of economic hardship. A number of studies have determined that most people are preoccupied with ensuring a means of subsistence for themselves and their families. In combating their everyday problems, they feel that they do not have the time and the energy to become involved in the resolution of issues affecting the whole of society.

The study for this Report on public policy and participation reveals that publicly active respondents are slightly better educated and substantially better informed about policy-making processes than their more passive counterparts. They also evaluate their material circumstances and capacity to act more positively.

Publicly active persons live in the same environment and see the country's political processes in the same light as passive persons. They also consider, for the most part, that decisions taken in Latvia do not serve the interests of the majority of the country's inhabitants. Even though their outlook is substantially more optimistic, they also see the dominant political model as one of closed policy-making, in which the public does not play a significant role. On average, an overwhelming majority (about 83%) of inhabitants do not believe that any initiative of theirs can influence the views of the country's policymakers. In contrast, slightly less than half (48%) of publicly active respondents (those who would actually try to contact the relevant policymakers following the adoption of an unsatisfactory decision) felt this way.

While the political environment does influence the level of public participation, it does not determine whether the public will opt for participation. In a more detailed analysis of the causes that give rise to participation, we can see three factors:

- Motivation for participation (drives);
- Support of institutions and like-minded persons;
- Knowledge and ability to participate.

Motivation for participation

Research cites a sense of duty and caring for fellow human beings as the most important drives for involvement in public activity. Similar motivations are cited among NGO leaders and volunteers seeking to influence and take part in policy-making (see Information 3.1).
Support of institutions and like-minded persons

An important sustainer of motivation for participation is membership in an official or unofficial group in which ideas are listened to, discussed and realized. While not all participants of organizations or interest groups are equally active, joint activity provides inspiration and support for other activity. The opportunity to become socially active and to spend one's free time in an interesting manner is itself a drive for public activity. A membership group collectivizes individual views and transforms them into public or interest group views, creating an opportunity to involve individuals in the public policy process.

Local governments have an important maintenance and support function for public activities. Thus, for example, in the parish of Èslîce public activities are organized by the chairperson of the parish council herself, who also gathers the youth of the parish to concerts, lectures and discussions. Similarly, public activity in the district of Preiļi is expressed through the local government in cooperation with local cultural and educational institutions.

Both Latvians and non-Latvians are equally active in NGOs, which are most frequently open by their nature, and in which nearly anyone can participate. Information regarding NGOs and their activities is freely available on the home page of the Non-governmental Organization Centre www.ngo.org.lv. Even though none of the organizations surveyed by the authors of this Report acknowledged that their circle of participants was restricted, in practice each organization includes a particular circle of like-minded persons. A certain selection criterion lies in the commonality of interests and inclinations of an organization's members. Education, ethnicity, age, sex or profession may also play a role.

Knowledge and ability to participate

Data acquired in researching public policy and participation reveals that respondents' level of knowledge of the policy-making process is closely correlated with their level of participation in policymaking. Only about 8% of respondents believe that they fully understand the policy-making processes in Latvia. Another 22% "tend to disagree" with the notion that they might have limited knowledge about the decision-making process. NGOs, in which the buds of civil society are being formed, are a significant school of democracy.

Members of public interest organizations acknowledge that work skills can be acquired main-

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Information 3.1

Stories of motivation for participation

"I became involved [in the public movement] in 1996, when an intensive racket involving the forced evacuation of motor vehicles was occurring. The window at my workplace looked out onto a lot where illegally parked cars had been impounded. I myself was not a victim. Unfortunately, here most people become involved only after they themselves have become victims, not when the victims are others. I understood that in this city an open, sordid form of villainy was occurring, and that it was being carried out by an institution allegedly created for ensuring the public order. I understood that the process could be influenced. From a passive person I became an activist. In each party the majority of people are passive. Not everybody works actively. So I moved to the active minority. One needs to overcome oneself. Many people believe that they cannot influence anything. They lack the experience. I am the same type of person as they are, but once one understands that one can influence things …" (NGO representative)

"In this country there is a large bureaucracy and a lack of funds. One needs to be bold and to be driven by a sense of indignation if one wants to reach one's goals. Material security is not as significant as experience and contacts. If necessary, the evening and night hours [can be devoted to public activities]. I know that the project will be ready without my help. But what if some mistakes occur? Will I later think that things could have been different? I have often asked myself why have I taken this on." (NGO representative)
ly through experience. The representatives of Latvia’s older NGOs acquired their initial skills in such a manner. A network for the further transfer of knowledge and skills has developed with the active participation of numerous NGOs. Training is organized and co-ordinated by the Non-governmental Organization Centre, the Latvian Adult Education Union (laca@parls.lv) and other organizations.

The establishment of Latvian NGOs has been, and continues to be supported by foreign NGOs and foundations. Many of the NGOs that were established in the first half of the 1990s drew their inspiration from the activities of émigré Latvians, who are mentioned to have contributed with a positive attitude towards life, an ingrained understanding of democracy and its forms, and skills in the formulation and presentation of views.

NGOs with long-term work experience indicate that the quality of their activities has improved tremendously. Initially their activities were mainly associated with the provision of information and education. Their main focus has now turned to influencing policies and defending various interests. This new direction requires a continuing upgrade of skills in such areas as:

- The ability to express one’s views and to coordinate them with those of like-minded persons;
- The establishment of contacts with like-minded persons and participation in collective activities;
- The initiation and management of collective activities;
- Co-operation with the mass media and with State authorities;
- The preparation of information and the attraction of support for one’s cause;
- The ability to engage in self-evaluation.
- The foundations of public activity are formed by both knowledge and skills, and by the ability to use this knowledge.

At present public interest groups still lack the ability to mobilize people into collective action. One issue that always arises when the interests of State authorities clash with the public interest as expressed by NGOs, concerns the rights of each party to represent the public interest. The legitimacy of State authority is also based on this precept.

Organizations established for the resolution of concrete issues or the popularization of an idea or viewpoint are in a less advantageous position. For example, one group of professionals that does not represent any particular segment of society works within the Delna branch of Transparency International. Delna has declared itself as a defender of the public interest and is often mentioned in this Report. It acts as an intermediary by hearing complaints from the public and conducting subsequent research. One of its ongoing tasks is to activate society and to gain public support for its work – in other words, to continually increase its degree of public legitimacy.

Financial resources for participation

Freedom of association is guaranteed to Latvia’s inhabitants by the country’s Constitution. Nevertheless, the stable and long-term association of people requires financial resources. There is a widespread perception among the Latvian public of NGOs as volunteer organizations that do not require considerable funding. This is not so in reality. While the activities of many organizations are indeed conducted by volunteers, funding is necessary for the implementation of projects. Environmental activists, for example, voluntarily take part in protest activities, but require resources for the preparation of their informative materials.

In order for NGOs to conduct truly independent operations, they require stable funding to cover administrative expenses and the rental of office space. The lack of funding for such needs is mentioned in more than one interview, as in the following quote from an NGO representative:

“The lack of resources is one of the most serious obstacles to the formal organization of interest groups. (…) One can find people with energy and motivation, but they need to be available when the State is available – during working hours. (…) Consultations with a lawyer cannot be conducted on Sundays. An organization must have resources in order to become actively involved.” (NGO representative)

The activities of most Latvian NGOs subside soon after their foundation because they are unable to attract volunteers and ensure the necessary funding. According to data from Latvia’s Non-
governmental Organization Centre, of the more than 4500 NGOs registered in Latvia by 1999, only a small proportion (about 15%) receive funding exceeding 5000 lats (8000 USD) per year. About 23 to 33 per cent of NGOs receive 500 lats or less per year.

Financial regulations regarding association in official organizations are not particularly favourable to the activities of public interest groups. Firstly, public activity is not distinguished from various other activities. The same financial requirements are applied to both profit and non-profit organizations. The Law on Non-profit Organizations provides for the granting of non-profit status to both profit undertakings (companies), and non-profit (public) organizations. Similarly, the Law on Public Organizations permits public (non-profit) organizations to engage in profit-seeking activities.

Secondly, the use of financial means for public pursuits is impeded by the imposition of taxes on the financial activities of public interest organizations, including on donations received. Latvia lacks a comprehensive law on the operation of foundations or funds, which are compelled to register as non-profit organizations. For example, the parents of schoolchildren who establish a school support foundation as a public organization will be forced to pay taxes twice, since this organization will operate with donated funds from which taxes will have already once been paid.

Activity can be qualified in one of two ways: either as entrepreneurial (or profit-seeking activity, which is defined in the Commercial Law as commercial activity), or as economic activity that is either non-profit or takes place only once. Neither current regulatory enactments nor the already adopted Commercial Law provide any tax or other relief.

The third obstacle hindering NGO operations lies in fund-raising difficulties. While the tradition of donating to public activity is developing slowly in Latvia, there is currently no law that regulates government tax policies regarding the financing of NGOs. Existing regulatory enactments do not provide equal rebate criteria for all organizations. In 1998 the Law On the Income Tax of Enterprises was amended, according to which public, cultural, educational, scientific, religious, sports, charitable, health and environmental protection organizations

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**Guest author**

**Irina Kulitāne**, Director of the White House (*Baltā māja*) Foundation in Livāni

*Our wealth lies in our people*

My country and my people have often had to start over from scratch. The people of our time have felt this directly and painfully, and therefore I can only admire their faith in goodness, their ceaseless desire to work and their ability to look towards the future with hope.

I am proud of my compatriots; of those whose accomplishments have surpassed day-to-day expectations and who shine like stars because of it, as well as of those who I have passed by without seeing the true meaning of their existence. Through our work at *Baltā māja* we become involved with people’s destinies, both directly and indirectly. One can draw great strength and motivation from these destinies. It comes for free and does not cost one santim.

Our wealth is in our people. Their good deeds and their good will are the key to building our tomorrow. I have many builders of our tomorrow around me: invalids, pensioners, the unemployed, businessmen, single people and families. These are more or less successful people who help each other morally and materially. They support education, culture, social welfare and sports; they create and cultivate business. All of them search for and find pleasure in the small things of life: working together on cultural events, educating themselves, doing honest work, and taking part in community projects whose significance and influence will only be appreciated after many years.

As long as there are those who need help, people will be capable of doing good deeds. Not by dividing up state funds and giving away what is left over, but by listening carefully, looking deeply, empathizing and looking for common solutions. Over the past four years, *Baltā māja* has come across thousands of people like that all over Latvia. Is that not reason enough to be proud?
and foundations could receive a tax rebate amounting to 90% of donated funds. However, this rebate does not apply to all organizations with a specific type of activity or goal, but only to those that have made it onto a list that is approved by the Ministry of Finance. Income tax is also imposed on financial donations. Four organizations have managed to obtain this special status: the Soros Foundation – Latvia, the Latvian Culture Foundation, the Latvian Children’s Foundation and the Latvian Educational Foundation. Only the first of these is not a State foundation.

According to Non-governmental Organization Centre data, 80% of the funding received by Latvian NGOs is obtained from abroad. However, even international support has been irregular and restricted, as international donors do not always have a concentrated and organized approach to the support of organizations or activity sectors. The financial basis of Latvian NGOs is usually not varied, as most organizations rely upon only one or two main sources for their funding. Latvia has few financially stable NGOs and most must rely on support for a succession of specific projects.

Research regarding corporate donations in Latvia shows that donations by private entrepreneurs form nearly a quarter (24%) of NGO budgets. These donations are often in the form of goods, premises or transport. They are mainly motivated by support for the aims of a particular organization (usually in regard to social services), and may stem from the philosophical and value system of the company itself, which may be inclined to the provision of a specific type of assistance.

Donors usually support individual events and activities. Therefore, organizations with long-term goals focusing on the defence of broad public interests (such as “watch-dog” organizations) find it harder to attract local resources. These organizations require long-term financial support, as the goals of these organizations are not achievable in the short term.

Currently Latvian public interest organizations operate mainly with the assistance of foreign funding. During the next few years, foreign-based funding for the consolidation of a civil society in Latvia will be reduced by such international donors as the Soros Foundation – Latvia and the United Nations Development Programme. This funding will be replaced in part, but not fully, by funds from the European Union and the Baltic-American Partnership Foundation. Thus any tax breaks offered to local donors by Latvian legislation will become significant, along with funding from the State budget for the activities of NGOs. An important source of NGO funding may also come from local governments, which, according to data from the Baltic-American Partnership Programme, currently allocate an average of not more than 0.5 to 1.5% of their budgets for the support of NGOs.

The media in the public arena

The media have a dual role in policy-making. The easiest and most visible assignment is to act as a watchdog, uncovering corruption, incompetence and negligence in the State administration. A second, more complicated task is to present society with a broad and multifaceted overview of events, giving citizens the opportunity to participate fully in the process of democratic governance. This second task, which is inevitably connected with the need, the duty and the responsibility to participate in setting the political agenda, requires both higher journalistic standards and greater trust in the media on the part of society and its institutions.

The past years have shown that the Latvian media perform their watchdog role with gusto. Hardly a day passes without some story appearing in a newspaper or on TV about suspicious dealings in the State administration. As in any democratic society, some of the stories dug up by the press result in the resignation of the implicated politician or civil servant, some influence the outcome of elections, but others have no tangible results. In the last few years there have been a number of occasions when information discovered by the press or TV has led to the resignation of State or municipal officials. Nevertheless, those cases when media coverage does not have any results sometimes leave a deeper impression and can lead to a feeling of powerlessness. Such cases simply underline the fact that the media are only one part of a functioning society. The media will not have the necessary impact in the absence of influential nongovernmental organizations and the effective working of the judicial and executive branches of government.

Even if the media were completely effective as watchdogs, they would still have a limited role in the formation of public policy. They could point to
mistsakes and deficiencies in the policies pursued by the government and State administration, but they could not assume a fully active role in developing and implementing new policies.

The media represent civil society, not the power of the State, and their mission is to serve society. On the one hand this is a passive role, with the media acting as a conduit, generating opportunities for diverse opinions to be expressed and to become known. On the other hand, this is also an active role. The media must act as the eyes and ears of society, constantly trying to discover and understand the truth about issues that are important to society. They must scrutinize both what is happening in society itself and the actions of government and State institutions. As has already been noted in Chapter 2 of this Report, the media have a great deal of influence in setting the policy agenda.

This means more than simply being a watchdog. If that is their only goal, then the media risk acquiring the reputation of “being interested only in scandals.” The media must also generate debate on topics of general political, economic and social importance. The press is especially suited for developing such discussions, because, in contrast to the electronic media, the printed media are more suited for the exposition of complicated arguments and the development of the kind of extended, multifaceted debates that lie at the core of participatory democracy.

There have been a number of occasions during the last ten years when the press has actively worked to influence the policy agenda and to promote public debate. For instance, in 1992, when the Latvian Parliament (still known at the time as the Supreme Council) was drafting a new election law, the press sparked a public discussion on the proposal to limit the number of parties that could be elected to the soon-to-be-renewed Saeima by setting a minimum percentage of the vote that a party would have to obtain in order to gain representation in Parliament.

Remembering the problems that Latvian democracy faced in the interwar period, when a large number of parties with only one or two deputies threatened the Saeima with paralysis, the press argued that society should consider whether to set a threshold which would not allow parties receiving less than four or five percent of the vote to get into Parliament. Although a number of smaller parties objected, the Supreme Council decided as a result of these debates to set a threshold of four percent. Although this may not have been a panacea for Latvian democracy, it has significantly contributed to the structure of the party system, giving voters a relatively clear political choice when they vote in elections to the Saeima.

There have been other cases when the press has addressed important issues. For instance, the business newspapers Dienas Bizness and Biznes & Baltiya have initiated a wide-ranging debate on the recently adopted Commercial Law. It is too early to say what the results of these discussions will be, but they demonstrate a commendable desire to get involved in the formation of public policy.

Nevertheless, in spite of these examples, Latvian journalists in general do not sufficiently appreciate the fact that their vocation includes active support for public participation in the formation of public policy. The situation is, in a sense, paradoxical. On the one hand, both society and journalists themselves have an exaggerated sense of the media’s ability to solve a variety of specific, everyday problems. On the other hand, neither journalists nor society sufficiently appreciate the ethical and social responsibility incumbent on the media.

Soviet conceptions about the role of the media in society are still very much alive. The phrase “the fourth power” has gained widespread currency all over Eastern Europe when speaking of the media. Unfortunately, it creates a skewed perception of the media’s place in society and of their ability to affect the course of events. “The fourth power” (“ce turā vara”) is clearly an imprecise translation of a two-hundred-year-old English phrase, “the Fourth Estate,” which was coined by the famous English politician Edmund Burke. The French Revolution, which began with the summoning of the Estates-General, helped to popularize the idea that Parliament represents three estates: the nobility, the clergy and the “Third Estate”, i.e. all the rest. During a debate at Westminster Burke is reported to have directed the attention of his fellow parliamentarians to the press gallery and said that there sits a fourth estate, more important than all of them.

In its essence every “estate” is part of a broader society. Estates are social groups, not administrative institutions. The concept of three “powers” carries a completely different meaning. Emerging from the eighteenth-century political philosopher Montesquieu’s theories on the proper ordering of the State, it gives each of the three “powers” or branch-
es of government – the legislative, the executive and the judicial – a definite place in the constitution of a law-based State. These branches of government wield power in a literal sense, since they make decisions, laws, decrees or verdicts that are binding on others.

The media do not wield such power. Their strength lies elsewhere, in the fundamentally different yet no less important ability to address, influence and convince the participants of the policy process. But the media do not have the final say in the decision-making process and their opinions are not binding on others.

Thus, the term “the fourth power” is largely an atavism. In the Soviet system, where all the media belonged to the State and every public utterance had to reflect official State policies, any public criticism – even if it was uttered by a journalist – carried the weight of an official condemnation. When this power was not used for purposes of political persecution, many people without any other means of affecting events saw it as a means of solving a variety of every-day problems.

As a number of qualitative and quantitative studies show, many people still think that the media, especially the press, do play or should play this role even now. Approximately 40% of Latvia’s inhabitants say that “writing letters to newspapers” or “meeting journalists” are a very effective or fairly effective means of affecting policy. As a means of participating effectively in politics, these methods are outscored only by participation in elections and referendums. They are considered to be the most effective of all the forms of participation in which citizens present reasoned arguments to convince State officials or their fellow citizens of the correctness of their views. Nevertheless, these methods are not as effective as they were in Soviet times, as can be seen from this excerpt from a focus group discussion on the chances for effectively fighting corruption:

“... God forbid, if somebody wrote to a newspaper back then. We had this conflict in our communal apartment. The guy responsible for our apartment came and said – fix it yourself for your own money! ... All the renters got together and decided to write to the newspaper Pravda. We wrote a letter, and a correspondent came. A half-hour later the building supervisor ran over and changed everything himself.

- And now?
- You can write what you want! So what! You can throw whatever dirt you want at them, they’ll just wipe it off.”

During the Soviet period the media could on occasion serve as something of an ombudsman, helping average people solve their every-day problems. The media were influential thanks to the fear that any publicly expressed criticism aroused in the strictly controlled Soviet “public arena.” In a democratic State both the role of the media and the mechanisms through which society influences events are completely different. There is a functioning administrative and judicial system, and daily conflicts between landlords and renters are not played out on the pages of the country’s most influential newspapers.

Confusing the term “the fourth estate” with “the fourth power,” people reinforce this misleading view of the real role of the media in a democratic society. Imagining that the media’s power is comparable to that of the legislative or executive branches of government, society can get the impression that problems can be solved simply by publicizing them. If a problem is not immediately resolved after a newspaper article or a TV newscast, people can start feeling helpless. Sometimes they blame the media for the lack of results. In this way the term “the fourth power” not only reflects, but also reinforces false conceptions about the ways in which citizens can actually affect the political process.

Unfortunately, Latvian journalists themselves are not united in their views on the values and standards that should guide them in their work. Just five years ago there was a lively debate in the Latvian press about whether journalists may take money from the people they write about and whether paid advertisements should be clearly distinguished from editorial material. Even now a columnist for one prominent newspaper defines the standard by which journalists should be judged as the ability “to present reality ... in a complete and multi-faceted way, to be an honest mediator between the reader and this reality,” while a columnist for another well-known newspaper says: “I find the pseudoneutrality of Latvian journalism revolting. It’s better to let everyone know who the journalist is supporting and then let them draw their own conclusions, rather than have the journalist try to fool everyone with his ‘objectivity,’ but really be advertising his favourite party.”

Latvian journalistic codes of ethics can provide some insight into the system of values of the Latvian media. Perhaps they do not always reflect the actual behaviour of the journalists, but at least they affirm their ideals and give society a point of reference for evaluating these journalists’ work (see Information 3.2). A wide-ranging debate about jour-
nalistic ethics arose in Latvia after the municipal elections in the spring of 2001. As a result, a number of publications and electronic media signed a code of professional ethics, thereby joining the ranks of those media that already had written codes of ethics. It is to be hoped that active discussions about questions of ethics will continue and thus help to diminish the problems that have existed until now and that are outlined in this Report.

This is especially important because without such ethical principles the media are unable to fulfill the role of the “Fourth Estate” in the policy system. These principles must be generally accepted and publicly declared in order to serve as an effective basis for media activity and for the public’s evaluation of the work of the media.

It is important for the media to be ready to play the role of the “the Fourth Estate,” but it is almost equally important for the other participants in the political system to perceive the media as something more than simply a hindrance or a weapon in political struggles.

As the surveys done for this Report demonstrate, the opinions of Saeima deputies, civil servants, the leaders of municipal governments and the population as a whole differ to a certain extent on the influence, honesty and competence of the media. For instance, when asked: “Who influences the adoption of important decisions in Latvia, and to what extent?” nearly three-quarters (72%) of Saeima deputies – whose work is under constant scrutiny by newspaper, radio and TV journalists – answer that the media affect important decisions “to a great extent” or “to a significant extent.” In contrast, only 42% of the population as a whole and of municipal government leaders believe that the media has such significant influence (see Table 3.1).

Information 3.2

Journalists’ codes of ethics

The spring of 2001 witnessed a fruitful debate on journalistic ethics in Latvia. A study on hidden political advertising that came out soon after the March municipal elections caused quite a stir. Partly in answer to this study, a number of prominent media (including Neatkarīgā Rīta Avīze and the leading Russian-language newspaper Chas) jointly signed the Professional Code of Ethics of Latvian Press, TV, and Radio Journalists. This code now joins others that were worked out in the first half of the 1990s by the Latvian Union of Journalists (LUJ), the News Division of Latvian Television (LTV) and the newspaper Diena.

The newly adopted code and the older ones adopted by the LUJ, LTV and Diena all aim to ensure that the information provided by journalists is complete and truthful. “A journalist’s main goal is to ensure that society receives accurate information.” (LUJ) “Journalists must not represent any interests other than society’s right to know the truth about events that it finds important or interesting.” (Diena) “The information that journalists communicate must be believable, objective and complete.” (LTV) “The media must reflect the truth, as far as this is possible. The interests of the readers/listeners/viewers are more important than the interests of the owners, the sources of information or the advertisers.” (Professional Code of Ethics of Latvian Press, TV, and Radio Journalists) The LTV and Diena codes demonstrate a commitment to preventing journalists from becoming involved in real or seeming conflicts of interest and to strictly separating editorial materials from advertising. These codes are clear and detailed, stating, for instance, that journalists are not allowed to “broadcast materials in order to gain some hidden material benefit, to accept gifts, or to include hidden advertising in broadcasts” (LTV) and that “journalists and their employers must conduct their personal lives in such a way as to avoid real and potential conflicts of interest.” (Diena) These principles are also reflected, in less detail, in the other codes: “An author’s text must not imitate advertising.” (LUJ) “Editors and journalists must be objective and must not use the content of articles or radio or TV broadcasts in their personal interest.” (Professional Code of Ethics of Latvian Press, TV, and Radio Journalists)

A written, publicly available code of ethics creates a reference point that allows society to evaluate the work of the media. It is much more effective in stimulating quality work than references to unwritten “universal ethical norms” or to confidential clauses in a journalist’s contract. Journalists themselves and society at large must use these publicly declared principles as a means of improving the work of the media.
<table>
<thead>
<tr>
<th>Nr.</th>
<th>Inhabitants</th>
<th>Saeima deputies</th>
<th>Local government leaders</th>
<th>Ministry department directors</th>
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<tbody>
<tr>
<td>1.</td>
<td>Cabinet of Ministers (government) (84)</td>
<td>Cabinet of Ministers (government) (100)</td>
<td>Leaders of business groupings (90)</td>
<td>Cabinet of Ministers (government) (96)</td>
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<td></td>
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<td>Ruling political parties (97)</td>
<td>Ruling political parties (88)</td>
<td>Leaders of business groupings (92)</td>
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<td>2.</td>
<td>The Saeima (82)</td>
<td>Political party leaders (94)</td>
<td>Cabinet of Ministers (government) (85)</td>
<td>Ruling political parties (90)</td>
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<td>The Saeima (92)</td>
<td>Political party leaders (82)</td>
<td>Political party leaders (88)</td>
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<td>3.</td>
<td>Leaders of business groupings (79)</td>
<td>Leaders of business groupings (89)</td>
<td>The Saeima (79)</td>
<td>&quot;Grey cardinals&quot; and behind-the-scenes activists (84)</td>
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<td>The Saeima (78)</td>
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<td>4.</td>
<td>Political party leaders (73)</td>
<td>&quot;Grey cardinals&quot; and behind-the-scenes activists (80)</td>
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<td>5.</td>
<td>Ruling political parties (68)</td>
<td>The media (92)</td>
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<td>6.</td>
<td>&quot;Grey cardinals&quot; and behind-the-scenes activists (63)</td>
<td>The media (72)</td>
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<td>7.</td>
<td>The media (45)</td>
<td>Employees of ministries and ministry institutions (46)</td>
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<td>8.</td>
<td>Professional experts (35)</td>
<td>Public opinion leaders (37)</td>
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<td>9.</td>
<td>Local government leaders (28)</td>
<td>Sector and professional associations (37)</td>
<td>Opposition parties (20)</td>
<td>Employees of ministries and ministry institutions (44)</td>
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<td>Professional experts (34)</td>
<td>Professional experts (18)</td>
<td>Local government leaders (36)</td>
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<td>11.</td>
<td>Employees of ministries and ministry institutions (25)</td>
<td>Rank-and-file political party members (13)</td>
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<td>Sector and professional associations (32)</td>
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<td>12.</td>
<td>Rank-and-file political party members (21)</td>
<td>Local government leaders (29)</td>
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<td>Professional experts (20)</td>
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<td>13.</td>
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<td>Opposition parties (23)</td>
<td>Public opinion leaders (7)</td>
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<td>14.</td>
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<td>15.</td>
<td>Non-governmental organizations (8)</td>
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<td>16.</td>
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<td>Citizens' and initiative groups (1)</td>
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Nevertheless, in comparing the answers to this question, it is clear that there is a broad agreement on the main trends. Each of the groups surveyed places the media in seventh place among the sixteen participants in the political system. Each of the groups considers the most influential of these participants to be the ones who are either part of the political and economic elite or the main institutions of the State (the Cabinet of Ministers, the parties in the governing coalition, the leaders of the political parties, business groupings, the Saeima and the “grey cardinals”). All of the other participants in the political process are seen as being less influential. The relative ranking within these two broad categories is fairly dissimilar, which makes it all the more significant that the big picture remains the same: the elite has a crucial influence on decisions, the rest of the participants in the system have relatively little influence, and the media are somewhere in the middle.

All four groups surveyed have similar views on the competence and honesty of the media. In response to the question: “To what extent do you trust the media to make competent, honest and just decisions?” less than 3% in each of the groups surveyed answered that they trusted the media “to a large extent,” 20 - 28% answered that they trusted them “to a fair extent,” but the majority of between 62% and 76% answered that they trusted them “not very much” or “not at all.”

These results are especially significant because in each of the groups there was at least one organization or group of people that was trusted by more than 50% of those surveyed. In the population as a whole this was true of only one group, the professional experts, who are trusted to a fair or large extent by 52% of those surveyed. Civil servants trust not only themselves and the Cabinet of Ministers, but also the Saeima (52%) and industrial and professional organizations (56%). Saeima deputies trust the Saeima, the Cabinet of Ministers (57%), local government leaders (60%) and professional experts (83%). Local government leaders trust themselves the most, but trust professional experts only a little less (80%).

When asked what interests the media, all four of these groups broadly agree. Over half (51%) of the inhabitants as a whole, 68% of civil servants, 69% of local government leaders and 78% of Saeima deputies agreed fully or partly with the statement that “journalists are not interested in serious political analysis, they only search for scandals.”

The fact that the competence and honesty of the media receive fairly low ratings may seem surprising because surveys have consistently placed TV, the press and radio among those institutions that people trust the most. A survey done in the fall of 1999 indicated that the media’s level of trust (69%) was the highest for any State or societal institution.

This seeming paradox could be explained by assuming that society has defined the role of the media relatively narrowly, seeing them only as bearers of information and as watchdogs (or as “only looking for scandals,” which is the same thing, only in a negative light). Insofar as the media fulfil this role, they can be trusted. The public seemingly does not think that the media can effectively fulfil any broader functions. Although a large number of people in the previously mentioned survey do not trust the government (54%), when asked who should take the lead in fighting corruption, 74% answer that it should be the government. Only 3% answer that it should be the media.

Thus, it is clear that the Latvian media play a more or less effective role in watching over the work of State institutions. However, they only vaguely perceive the role they could play in policy formation and, judging by public opinion, do even less to actually fulfil this role.

Forms of participation and public perceptions of their effectiveness

Participation can nominally be divided into election activities, short-term and spontaneous participation, and long-term participation. The establishment of contacts with State structures and partaking in public discussions can be distinguished as separate mechanisms.

The most popular form of participation in Latvia is election activities, or voting in Saeima and local government elections and referendums. Since the restoration of Latvia’s independence three Saeima elections, three local government elections and two national referendums have been held. A third national referendum regarding draft amendments to the Law on Power Industries did not take place. After a sufficient number of signatures had been gathered for holding the referendum, the Saeima adopted the amendments that had been proposed by the opposition.
Voter activity since the beginning of the 1990s has slightly subsided but remained generally stable (see Figure 3.2). In a survey conducted by the Central Electoral Commission following the 1997 local government elections, respondents explained the relatively low participation rate with a lack of suitable candidates and with the conviction that voting in elections would not bring about any meaningful changes.

The 2000 study conducted regarding public policy and participation showed that people consider local government elections as a more effective form of influence than Saeima elections, even though the participation rate in local government elections has been lower (see Figure 3.2). Forecasts conducted at the beginning of 2001 indicated an increase in voter activity for the March 2001 local government elections. The political parties involved also devoted a great deal of campaign activity to these elections.

Partaking in referendums is seen as the most effective form of participation. The 1997 referendum took place together with local government elections and attracted a larger number of inhabitants with voting rights than might otherwise have been the case. The initiatives on pension reform referred to in Chapter 2 are the only ones not to have made it to the referendum stage.

Latvians participate more actively in elections than other ethnic groups. This is partly explainable by the smaller proportion of Latvian citizens among the other ethnic groups, which is also reflected in their lower rate of pre-election campaign activity. Activity in elections also increases with one’s level of education. The higher the level of education, the more likely one is to vote in elections. In Latvia, women have been more active voters (particularly in local government elections), while men have been more active in the organization of election campaigns. The most active voters are persons of pre-retirement and early retirement age. Voting activity decreases for those aged over 65. The most inactive voters are young people between 18 and 24 years of age.

The most active voters in Saeima elections are from Latvia’s Vidzeme region, or of the upper middle-class and higher income groupings. The most active voters in local government elections are from Latgale, as well as people who place themselves in the lowest social group and expect a slight decline in their material well-being. Latgale stands out as a region with close cooperation between local governments and the public.

Generally the most active voters are satisfied with the available participation mechanisms. Demands for the introduction of additional democratic mechanisms are also less likely among those with a higher level of education, family income and position in society.

The most active voters in referendums are rural inhabitants, persons of pre-retirement and early retirement age, and persons who predict a decline
**Figure 3.2**

**Forms of participation and evaluations of their effectiveness**

(\% of surveyed inhabitants who took part in [light blue] or viewed various forms of participation as effective [dark blue])

<table>
<thead>
<tr>
<th>Activity</th>
<th>Light Blue</th>
<th>Dark Blue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voted in Saeima elections</td>
<td></td>
<td>47</td>
</tr>
<tr>
<td>Voted in local government elections</td>
<td></td>
<td>62</td>
</tr>
<tr>
<td>Signed petitions in support of a referendum</td>
<td>26</td>
<td>64</td>
</tr>
<tr>
<td>Met with local government councillors</td>
<td>16</td>
<td>34</td>
</tr>
<tr>
<td>Participated in rallies, pickets, demonstrations</td>
<td>13</td>
<td>40</td>
</tr>
<tr>
<td>Encouraged people to vote for a particular political party</td>
<td>11</td>
<td>29</td>
</tr>
<tr>
<td>Met with journalists</td>
<td>11</td>
<td>42</td>
</tr>
<tr>
<td>Participated in public discussions</td>
<td>11</td>
<td>29</td>
</tr>
<tr>
<td>Met with ministers and civil servants</td>
<td>13</td>
<td>40</td>
</tr>
<tr>
<td>Wrote letters to newspapers</td>
<td>26</td>
<td>64</td>
</tr>
<tr>
<td>Wrote letters to my local government</td>
<td>7</td>
<td>22</td>
</tr>
<tr>
<td>Turned to NGOs for assistance</td>
<td>6</td>
<td>22</td>
</tr>
<tr>
<td>Participated in the organization of at least one election campaign</td>
<td>6</td>
<td>37</td>
</tr>
<tr>
<td>Participated in the discussion of my municipality’s or parish’s development plan</td>
<td>6</td>
<td>31</td>
</tr>
<tr>
<td>Member of an NGO</td>
<td>6</td>
<td>28</td>
</tr>
<tr>
<td>Met with members of the Saeima</td>
<td>6</td>
<td>23</td>
</tr>
<tr>
<td>Participated in strikes</td>
<td>5</td>
<td>23</td>
</tr>
<tr>
<td>Wrote letters to ministries and civil servants</td>
<td>13</td>
<td>37</td>
</tr>
<tr>
<td>Actively distributed information regarding a particular political issue</td>
<td>37</td>
<td>77</td>
</tr>
<tr>
<td>Wrote letters to the President, Prime Minister</td>
<td>13</td>
<td>17</td>
</tr>
<tr>
<td>Donated money to political parties</td>
<td>33</td>
<td>69</td>
</tr>
<tr>
<td>Lobbied to have a political decision taken</td>
<td>11</td>
<td>47</td>
</tr>
</tbody>
</table>
in their material well-being. The most passive are young people aged 18 to 24, non-Latvians, employers and entrepreneurs.

Other forms of participation associated with elections are also mentioned as being effective, such as partaking in the organization of election campaigns and distributing information regarding particular political issues.

Short-term and spontaneous participation is seen to be the most effective form of political participation after voting in elections. As can be seen in Figure 3.2, the effectiveness of strikes, rallies and demonstrations rates highly, but only a small proportion of respondents have participated in them. The highest proportion of persons attending pickets, demonstrations and rallies is in Riga. The most active participation in strikes has been by rural inhabitants from the Zemgale region, where the largest farmers' protests have taken place, including those of the summer of 2000.

Those engaged in long-term forms of participation (6 or 7% of respondents) are about half as numerous as those who have engaged in short-term participation. While approximately one-third of those surveyed see activity within a political party as an influential form of participation, only 1 to 2% have chosen to engage in it.

Activities in NGOs are seen to be comparatively less effective but have a higher participation rate, particularly in Riga and other Latvian cities. The most active NGO participants are of pre-retirement age (45-54 years). While ethnicity is not a deciding factor, NGO data indicate that the leadership of such organizations is assumed mostly by Latvians.

The establishment of direct contacts with State authorities and the mass media may be used as a mechanism for both spontaneous and long-term participation. The influence achieved by writing letters to newspapers or meeting with journalists is much greater than that which can be achieved by writing letters and meeting with local government councillors, employees of ministries and State institutions, the Prime Minister or the President. Of contacts with State institutions, writing to and meeting with local government councillors is twice as effective as writing to and meeting with representatives of other State structures. In general, letter-writing, especially to newspapers, is more prevalent in Riga, while the inhabitants of Latgale are more likely to meet with officials.

Participation in public meetings (a practice undertaken by 11% of respondents) or in discussions on one's municipal or parish development plan (6% of respondents) could develop into a stable practice. About one-third of those surveyed believe such participation mechanisms to be either very or fairly effective. Participation in public meetings is approximately equal in Latvia's cities and rural areas, but rural inhabitants, particularly in Latgale and Vidzeme, are nearly three times more active in discussions of city or parish development plans. Latvians have been involved twice as often in discussions of development plans as non-Latvians.

About 18% of respondents had not participated in any political activities. Non-participation was characteristic of older persons and respondents with a low level of education. Young people aged 18-24 also had a comparatively high non-participation rate.

Overall, the most active participants in the political process are Latvians, rural inhabitants, and people of pre-retirement or early retirement age, as well as those with a higher level of education. In evaluating the political process, most inhabitants do so through the prism of the realization of their own interests.

Certain similarities are discernable among those respondents who actively participate in policy-making by using one or more of the participation forms and mechanisms referred to. For the most part, such persons are not entirely satisfied with the currently available forms of democracy and consider that improved political participation mechanisms should be developed. Latvians and rural inhabitants form a greater proportion of such publicly active persons.

Political participation is significantly facilitated by access to information regarding decisions taken by State institutions and knowledge of the decision-making process. In total about one-third of respondents claimed to be informed to a large or fairly large extent about decisions already adopted by State institutions. Half as many claimed to be informed about draft decisions. A higher-level education could be mentioned as only the last of several significant participation factors. The provision of participation mechanisms by State structures is of fundamental importance for promoting the participation of politically active persons.

Overall this Report's research data corroborates that of NGOs: Latvia has a good legal framework for
Participation strategies

In a more extensive analysis of the forms of public participation in Latvia, this Report distinguishes six different participation strategies (see Figure 3.3). Various types of skills, as well as experience and funding are required to implement them. Participants can use several strategies at the same time, and with the accumulation of experience, can shift from one strategy to another.

Spontaneous and short-term political participation strategies have great potential, as many people react to events in the form of “home democracy.” This Report’s participation survey shows that 56% of respondents discuss what they view as unsatisfactory political decisions with their colleagues, members of the family and friends. Through the public expression of their opinion in various manners, people sometimes even hope to indirectly influence the policy process. A typical arena for such spontaneous participation is the mass media, which, as has been mentioned previously, is a medium in which many people place high hopes and which many consider to be an instrument of authority. While it is possible to publicize one’s views by addressing the media, this is rarely sufficient to achieve the realization of one’s interests. This strategy sometimes occurs in the form of individual expression, or in the spontaneous mobilization of like-minded people. Even though the interests thus represented may be of a collective nature, their proponents rarely defend them actively over the longer term. This is one reason why the use of such a strategy is unlikely to have a direct influence on the public policy process.

The environment formed by spontaneous participation and “home democracy” creates a basis for broader participation. Publicly active persons state twice as often as passive ones that within the environment of their families and friends it is acceptable to become actively involved in public activities.

The strategy of spontaneously expressing one’s views is used not only by individuals, but also by interest groups and professional organizations. In such cases, problems affecting the interests of the organization are defined and a group is delegated to defend the organization’s interests. Any resolution is seen to occur in the short-term process of dialogue or spontaneous protests, without engaging in long-term participation. This is shown in the fragment of an interview with the head of a professional organization:

“The Architects’ Union is a public organization. It is not associated in any way with policy in State institutions. It is a voluntary organization with membership fees, congress meetings, and board elections.” (Chairman of the Union)

Spontaneous reaction without further participation in the resolution of a problem is a form of participation that does not require large resources. It can provide a basis for the further expansion of activities with the participants’ increasing awareness of more effective forms of participation.

Another noteworthy form of spontaneous participation is the spontaneous formation of groups for the resolution of concrete issues. This form of activity is expanding rapidly, and one striking example has been in the form of tenant associations, which have been created to manage privatized apartment buildings. Such associations arise in answer to such concrete issues as heating and insulation, home repair and the privatization of land. Most frequently these associations arise spontaneously, with the initial tenant meetings occurring outdoors next to the apartment building or in one of its stairwells. In some cases, this participation grows into permanent activity through the creation of an official organization with legal status, as was the case with the Ogre Tenants’ Society.

Similar working strategies are used in Latvia’s rural areas, where many small business ideas have arisen through discussions in unofficial groups. Latvia’s Rural Development Programme has already been described in Chapter 1. In response to the opportunities provided by the World Bank-financed Rural Development Project, local initiative groups have been established in several parishes to generate local development strategies. These have provided the basis for further business ideas and entrepreneurial activity projects generated to attract rural development credits.

Spontaneous participation mechanisms may be used also for the defence of long-term interests in such cases where co-operation attempts do not bear fruit. A protest organized in a non-traditional manner has a greater chance of gaining the mass media’s attention and influencing public opinion.
**Figure 3.3**

**Public participation strategies in Latvia**

**Active defence of one’s own group or public interests.**

*Mechanisms:* submission of proposals and recommendations, participation in the preparation of programme documents and regulatory enactments, influencing public opinion.

*Resources:* donor funds and membership fees, experience, knowledge regarding policy-making and influence, skills, volunteer and paid work.

**Participation in response to public involvement promoted by State administrative structures.**

*Mechanisms:* regular participation through institutionalized channels.

*Resources:* support provided by State administrative structures, funding, volunteer and paid work, joint projects with other donors.

**Assuming functions delegated by the State administration, and providing social assistance through the NGO network.**

*Mechanisms:* delegation of functions, volunteer work, fund-raising.

*Resources:* volunteer and paid work, skills and knowledge, donor funds and membership fees, competence, registered professional associations and interest groups.

**Monitoring the activities of State administrative structures and their representatives.**

*Mechanisms:* publicising possible illegal activities, informing the mass media, influencing public opinion, initiating court proceedings.

*Resources:* donor funds, skills, volunteer and paid work.

**Spontaneous grouping in reaction to concrete events, as a means of expressing one’s interests and becoming involved in problem-solving activities.**

*Mechanisms:* formation of spontaneous associations for the resolution of concrete issues.

*Resources:* individual skills, “stairwell democracy.”

**Spontaneous and short-term reaction to events based upon one’s own group interests, without becoming involved in the policy-making process.**

*Mechanisms:* expression of views through various means of communication.

*Resources:* individual and collective skills, competence within the scope of registered professional associations or interest groups, public recognition and “home democracy.”
The Environmental Protection Club has organized both officially registered and unannounced protest activities. One of these took place in December 2000 in opposition to the felling of trees for the construction of a parking garage in Riga's Kronvalda Park. A sharp conflict between public and private interests concluded with the felling of the trees, as described by the environmental activist:

"We were unable to climb the trees. The enemy was more alert. (...) We were outmanoeuvred. It was hard to react. The trees were felled very early in the morning or at night, when everybody is sleeping. Were it not for the Green opposition, the public might have noticed maybe a week later. (...) It became a funeral procession for the felled trees." (Representative of the Environmental Protection Club)

Protest activities are commonly conducted by the Environmental Protection Club to draw public attention to particular problems, and to put pressure on State and local government authorities.

Protest activities are sometimes an extreme form of participation that is adopted after other participation methods have failed to yield the desired results. A group of low-income inhabitants from Ventspils, having felt unable to achieve the recognition of its interests through co-operation and non-traditional rallies, took the radical step of burning an effigy of the city council chairman at one of its assemblies. This drew greater attention to the group's problem than might have been the case with other methods.

In Latvia, individual unconventional activities have led to more permanent co-operation and provided long-term results. The blockade of border crossing points by farmers in the summer of 2000 compelled the Ministry of Agriculture to pay greater attention to farmers' issues. A stable co-operative instrument has evolved in the form of the Farmer's Co-operative Council, through which farmers can co-ordinate their interests with State institutions.

Examples from experience show that spontaneous protest activities are an appropriate strategy for the defence of one's interests and the resolution of local issues, and that these provide participants with experience, skills and knowledge that can be used in regular activity strategies.

The participation of the public can also be initiated by State structures, and is successful in cases where representatives of the public are offered suitable participation channels and partnership (see the section on Ventspils' Integration of Society Programme later in this Chapter).

Some public organizations undertake to monitor the activities of State administrative structures and their representatives. Such a strategy is directed to preventing and publicising possible illegal activities with the participation of the mass media, and co-operating with State institutions in the adoption of decisions that are important to society. This is a permanent and responsible form of activity and most often is directed to the defence of the public good. In order to implement such monitoring activities, an official form of organization is necessary to keep abreast of possible illegal activities or to be an intermediary in the assessment of such cases.

Public interest organizations often undertake an intermediary role between State institutions and members of society. This occurs in cases where the link between State structures and the public is weak and where inhabitants are not informed about adopted decisions. Public interest organizations then step in to provide the missing information and support network. Since the exposure of hidden policies is an important element of such a strategy, information regarding decisions most often is acquired through unofficial channels. Many public monitoring groups and organizations have their own channels for the acquisition and further transfer of information:

"Last week J. M. informed us that a group of nouveaux riches is levelling [seaside] sand dunes with bulldozers. This has not been approved. Later, of course, it will be." (NGO representative).

Public organizations thus ensure openness with an alternative information transfer system. Such organizations also provide support and practical knowledge for the resolution of various issues:

"It is ironic that personal contacts with people in the Riga City Council shorten the information acquisition process. Theoretically we have many problems with this. People inform us that such and such an event is occurring. We request information from the Riga City Council or the [Greater Riga] Regional Environment Administration. Theoretically, anyone should be able to go and find this information for himself. But either they are unable to obtain it or its acquisition time is very long. People are unaware of the fact that municipal employees are their servants, whose duty it is to provide information." (NGO representative)
Public interest organizations have undertaken a unique law enforcement (ombudsman) role, as they serve the interests of inhabitants who have not gained or do not know how to acquire support in State institutions.

The supervision of State structures is usually done in a professional manner and requires knowledge about State administrative mechanisms and regulatory enactments. Public organizations usually have a small core of paid employees who ensure the continuity of activities. This type and volume of work requires a full or part-time commitment because contact with State institutions must be made during working hours, when most of the working public is indisposed and unable to directly use such participation activities. Moreover, in contrast to the previously discussed strategies that do not require the investment of considerable resources, this type of permanent participation is possible only with the assistance of donor funding. An example of this strategy is later described regarding the construction of a parking garage in Riga.

Another participation strategy is the assumption of functions delegated by the State to NGOs. Enduring traditions of co-operation have thus been established between stable NGOs and State institutions. In some cases the NGOs assume their tasks before the adoption of the relevant national legislation, as with Latvia’s medical professional organizations, which have been performing broad regulatory and educational functions in their sectors for years.

According to data from the Non-governmental Organization Centre, some 80% of public organizations co-operate with State and local government structures in the adoption of decisions and preparation of regulatory enactments. Participation may also occur on an unofficial level through the provision of unofficial consultations to the relevant decision-makers. Such a strategy requires long-term participation, knowledge regarding policy-making, interest-defending ability and stable contacts with State administrative structures. This strategy will later be examined in more detail regarding reproductive health policy.

### Practical aspects of participation

Three examples of effective participation will be featured further in this Chapter, and special attention will be paid to the participation strategies used in these cases.

One example concerns the Ventspils Integration of Society Programme, which was established to promote the participation of residents, and particularly non-citizens, in the preparation and discussion of decisions by their local government. Obstacles to the existence of an integrated and open society were determined, and methods for their optimal resolution were proposed. The programme looks at integration from the perspective of the local community and the individual. The people of Ventspils, and particularly its non-citizens, were encouraged to take part in discussions of the programme and to increase their level of participation.

The second example of participation concerns the construction of several underground and multi-storied parking garages in the centre of Riga. These construction activities resulted in acrimonious public and NGO confrontations with the Riga City Council. Various issues were discussed in relation to this case, including construction in the natural territories and green zones of Riga, the fate of trees and gardens, the fate of the city’s cultural and historical heritage in the designated construction sites, and the improvement of the traffic flow in the city. Opponents of the projects viewed them as unethical, and as the manifestation of a nation-wide encroachment by State structures and entrepreneurs onto public green space. Public participation partially influenced decision-making on these issues. In one case the planned garage was not built, while in the others compromises were reached.

The third case of participation is related to reproductive health policy, which in the widest sense is directed to the regulation of the demographic situation in the country. Latvia has one of Europe’s lowest birth rates and is not experiencing a full renewal of its population. Reproductive health and economic indicators reveal much about the level of a country’s development. Reproductive health policy is understood as policy regarding family planning, sexual health, medical treatment of infertility, maternity assistance and public education. This is a wide field where State institutions must co-operate with local governments, schools,
NGOs and all levels of medical service providers, beginning with primary care doctors and ending with specialized service professionals.

Public participation: the example of the Ventspils Integration of Society Programme

The Ventspils Integration of Society Programme was initiated by the chairman of the Ventspils City Council and was worked out in about ten months from a basic idea to a final document (see Information 3.3).

One of the issues considered in forming the integration programme was increasing public participation by creating new forms of public participation and encouraging the public to use them. In analysing the development of the programme, one can determine several successful factors.

The formulation of the programme was skilfully managed and the varied interests of residents were co-ordinated. The city’s residents formulated the

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Information 3.3

Formulation of the Ventspils Integration of Society Programme

May 1999. The Ventspils City Council chairman presents his initiative.

May-July 1999. Four City Council-organized meetings take place with the participation of representatives from local government institutions and various NGOs. The significance of the initiative is assessed and a solution is proposed. The public is involved in formulating the first ideas regarding the practical side of integration.

On 26 July 1999, the City Council formally authorizes the formulation of the Ventspils Integration of Society Programme (SIP) to facilitate the City Council’s work in promoting the consolidation of a civil society, to ensure the implementation of the national State Integration Programme in a timely manner, and to foster the development of Ventspils as a dynamic, open and modern city.

July 1999 to January 2000. A working group is established with the participation of City Council and other municipal representatives, the Ventspils School of Graduate Studies, the Naturalization Board’s regional office, the Ventspils branch of the Latvian Society for the Blind, the public organization Nāc lidzi! (Come Along!) and Ventspils High School No. 3.

The working group agrees on the definition of integration and on the course of work to be followed. It considers the means at its disposal for co-operation with NGOs, the hearing of non-citizens’ interests and the use sociological research.

The working group discusses the programme’s structure and agrees on an implementation strategy. The draft programme is published in the mass media. Experts are invited to comment, and an annual public forum is organized.

In February 2000 public discussions of the integration programme are held. Some 50 residents directly take part. Reviews and opinions regarding the draft SIP are published in the newspaper Ventas Balss.

On 17 April 2000, the Ventspils City Council approves the final version of the Ventspils Integration of Society Programme and establishes a permanent commission for its realization.

On 29 April 2000, a forum entitled Integration of Society in Europe, Latvia and Ventspils takes place. The forum is attended by the President of Latvia, foreign diplomats, local government representatives, the OSCE mission and UN representatives (as Ventspils SIP experts), NGO representatives, representatives of local government institutions, and the public. The Ventspils SIP is formally put forward and the tasks of local governments in realizing full societal integration in the country are discussed.

In January-March 2000 a candidate list for the city’s Consultative Council for Non-citizen Issues (KPNJ) is published and discussed.

In May 2000 the Ventspils Consultative Council for Non-citizen Issues (KPNJ) is published and discussed.

In May 2000 the Ventspils Consultative Council for Non-citizen Issues is established. It is granted local government commission status, along with the right to delegate its representatives to other commissions established by the City Council where the KPNJ has been accorded voting rights.
programme with their own resources, using available statistical data and sociological survey materials. They also prepared sectoral assessments and problem descriptions. Every resident had a say regarding the content of the programme. Outside experts were invited in the last phase of the project.

The draft programme was provided for discussion to the widest possible circle of Ventspils residents, who were invited to partake in the discussions. All local mass media were informed of its progress, and the full text of the draft programme was published in both Latvian and Russian. The two public discussions were attended by both individual residents and NGO representatives. The most active participants were Russian-speaking non-citizens, whose inability to speak the Latvian language and non-citizen status would normally restrict their participation.

The residents of Ventspils were involved, and not simply informed about the contents of the programme, with special attention being paid to Russian-speaking residents. In one of the places for discussion of the integration programme – Pārventa, where the majority of residents are Russian-speaking – the discussions took place in Russian at the request of those present. This show of respect raised the prestige of both the working group and the programme itself.

Even though the nation-wide Integration of Society Programme had been widely discussed in Ventspils proper, not much information had reached the city's Russian-speaking residents. It was actually the Ventspils integration programme that generated interest about the nation-wide programme and gave rise to local-level discussions.

The Ventspils Integration of Society Programme was designed to establish enduring, reciprocal dialogue between the public and the city's local government institutions. During the formulation of the programme, the City Council opened (and continues to operate) a "hot telephone," through which any resident could express his or her concerns. Post boxes were also placed in various locations throughout the city for the submission of written recommendations, which were replied to by city officials.

As a result of the formulation of the Ventspils integration programme a new type of institution in Latvia was established – the Ventspils Consultative Council for Non-citizen Issues, which is made up of non-citizens and recently naturalized citizens. The Consultative Council has an advisory function and may delegate its members to local government commissions. At present, representatives of the Council are participating in the work of 13 local government commissions, with the right of one vote in each commission.

The Consultative Council for Non-citizen Issues is an intermediary institution between a municipal authority and the public. For non-citizens and new citizens it provides a stable and long-term participation arena, as non-citizens are denied the opportunity to use the most popular and most effective participation forms (at least according to respondents' replies) – elections and referendums. The sense of rejection that many non-citizens feel gives rise to insecurity about their status and makes them reluctant to use other forms of participation that are available to them by law. In the participation study for this Report, non-citizen respondents acknowledged that they often did not turn to local governments with their problems, because they considered that local governments work only for their electors.

The Council ensures a communications network between residents and the local government through the activity of the residents themselves. It is significant that this network arose from the wish of the local government to hear the concerns and interests of the city's residents and to transform them into equal partners. As one of the members of the Consultative Council said, the opportunity to work in such a council is helping people regain respect for the State. Some of the non-Latvian intelligentsia who were actively involved in the independence movement during the 1980s became non-citizens without voting rights in the restored Republic of Latvia. Many felt superfluous, unwanted and betrayed. Their withdrawal from participatory activities as a whole was a passive protest not against the State as such, but against the expression of State authority:

"I have four generations living here, and yet I have to prove that I am loyal to the country. What is this country? Political parties? I have not been in prison, and I do not have to prove my loyalty. I know Latvia's history fairly well. Also the language and the national anthem. That is why I did not assume citizenship." (Member of the Consultative Council)

The formulation of the Ventspils integration programme gave rise to several other forms of participation, including the establishment of a union of national cultural societies, cultural events projects, and a people's diplomacy initiative. Within the scope of this last activity, Ventspils residents of Russian origin – referring to the poor political relations between Latvia and Russia – established
links with Russians in Russia in the search for new forms of political, economic and cultural co-operation. They also shared their thoughts about the circumstances of the Russian-speaking minority in Latvia.

Chapter 1 of this Report shows that trust in Latvia’s State institutions is low not only among non-citizens, but among a wide spectrum of the country’s inhabitants. The formation of co-operation networks at various levels – and doted with real powers – between State authority structures and the public, could become a viable trust-promoting venture. The Ventspils Integration of Society Programme is one example where a co-operation network was established with the support of a local government, and which generated public activity from a part of the population that had not been active up until then.

Monitoring of State and local government institutions: the example of the construction of parking garages in the centre of Riga

The controversial construction of several parking garages in Riga brought forth several participation strategies from the public. Individual protests appeared in the form of both daily conversations under “home democracy” procedures, and in the form of visits, telephone calls and letters to the mass media and NGOs. The reaction of some members of the public was quite emotional, and expressed in concerns about the disappearance of Rigans’ favourite rest areas, reduced air quality in nearby apartment buildings, and the felling of trees in city parks. Public organizations combined this individual activity into collective action, and individual concerns were translated into a political level of communication (see Information 3.4).

In this case only a few interest groups engaged in active work. “Green” interests were represented by members of the Environmental Protection Club and the Green Party of Latvia. The Delna branch of Transparency International and the Soros Foundation – Latvia worked against the exclusion of the public from the decision-making process and the adoption of decisions against the public interest. The Latvian Architects’ Union also expressed its dissatisfaction with the projects supported by the City Council.

The most successful dialogue was between the entrepreneurs who planned the parking garages and the Riga City Council. The entrepreneurs had carefully prepared projects, well-trained employees with good communications skills and their own “good name” at their disposal. The City Council took a strong stand that went counter to its own Riga development plan for 1995-2005, and classified its contributions to the construction of the parking garages as investments.

The co-ordination of interests with the public was not of decisive importance. Even though public discussion of the Jēkaba Arkāde parking garage was organized as provided for by law, it did not appear to be seriously aimed at clarifying the views of the broader public. One entrepreneur described it as follows:

“I placed advertisements in Diena and Rīgas Balss. It is their own fault if they do not read the newspapers. There is nothing I can do about that. About 20 people showed up. It was very good – no problems. There were no ‘Greens.’ That was their problem.” (Entrepreneur)

Public discussions are often poorly advertised and take place for form’s sake. Newspaper notices tend to “disappear” in the sheer volume of printed information.

“It is not that people are not interested, but that it is not organized so that people come (…) If a noise is not made, then the mass media are not involved. There was a discussion. Where were you then?” (NGO representative)

Public discussions regarding the projects did not take place in the context of Riga’s development and were held merely for form’s sake. The only exception was with the project at the Vērmanždārzs Park, for which the City Council placed a suggestion book in its vestibule, and which allowed any member of the public to express his or her opinion. However, this concession by the City Council did not receive a universally positive evaluation:

“Two books were filled. We wanted to publish [some of the materials] but couldn’t get near them. Only for half an hour. On the one hand the views are written, but on the other they are still kept hidden.” (NGO representative)
In the end, the Riga City Council took the views of the public into account and decided against the construction of an underground parking garage at the Vērmanģerzs Park. However, a full compilation of the views expressed remained inaccessible to the public.

The entrepreneurs involved in the other cases form a powerful interest group that seems to have had a greater influence on city councillors than discussions with the public. While these entrepreneurs do not ignore the public interest, they look at it primarily from an economic perspective. Market surveys show that parking garages around Old Riga will be used by employees of the Saeima, government ministries and financial institutions, residents of Old Riga and entertainment seekers. The reaction of the public to the projects is not seen to be as objective and significant as market surveys and expected profits. The initial public reaction to the construction of the Jēkaba Arbāde parking facility was mostly negative, and potential clients from the neighbouring Jēkaba kazarmas building complex also protested. Nevertheless, the project went ahead as planned. A compromise agreement reached in discussions with City Councillors and public organizations was not fully implemented, as several trees that were supposed to be left standing were later cut down, and a number of the trees saved as a result of the compromise were damaged.

This openly demonstrates the weak position of some public organizations and State and local government institutions in the face of private capital interests. Neither the public nor the supervisory municipal institutions involved could ensure the full implementation of promises made during discussions. The public was poorly organized in this case, and the public organizations involved were unable to mobilize broad and sustained public activity.

Information 3.4

Participation attempts and mechanisms regarding the construction of parking garages in the centre of Riga

Agents involved:
• Riga City Council
• Entrepreneurs
• Individual residents
• Public interest organizations

Stages and mechanisms of participation
1. Residents provide information to the mass media and public interest organizations through letters, telephone calls, visits, and subsequent publications in the press.
2. Representatives of the public take part in the public discussions announced by the entrepreneurs.
3. An exchange of views takes place in the mass media.
4. The Environmental Protection Club organizes various protest activities.
5. Public interest organizations co-ordinate their views about the projects with the Riga City Council and arrive at compromise solutions.
6. The legal aspects of the parking garages' construction are investigated with the financial support of the Soros Foundation - Latvia.
7. The Soros Foundation verbally asks the Minister for Special Assignments Regarding the Reform of the State Administration and Local Government Affairs, the Prosecutor-General, the plenum of the Supreme Court and the State Audit Office to bring the matter before the Constitutional Court, but is turned down.
8. The Soros Foundation submits a written request to the Constitutional Court and asks it to investigate the matter. The Court does not take up the issue.
9. Protest activities continue, but the number of active supporters decreases as this form of activity loses its effectiveness.
10. The Environmental Protection Club considers changing its participation mechanisms and turns to the courts.
On the other hand, the builders of the parking garage did agree to archaeological excavations on the site, felled less trees than originally planned, planted new trees following the completion of the project, and made serious architectural efforts to ensure that the structure clashed as little as possible with its surroundings.

As mentioned previously, public pressure compelled the City Council to rule against the construction of a parking garage at the Vērmanjārdz Park, and compromises were achieved in the other cases, including the announcement of a new tender for the construction of a parking facility at the riverfront.

The public defended its interests through the use of two different forms of influence. Protest activities drew the most public attention, had a greater effect on influencing public opinion, induced dialogue and achieved compromise solutions. However, the Greens did not manage to sustain the momentum of their protests and mobilize sufficient public support.

Resorting to court action has not been any more effective. The Soros Foundation – Latvia became involved in the dispute after reading publications in the mass media and after receiving personal and telephone complaints by individual representatives of the public. The issue was discussed by the Foundation’s Civil Society Commission, which ruled that the Foundation should investigate the issue further before taking a concrete stand. To date there have been no concrete results affecting the actual realization of these projects. Having received unofficial verbal refusals, the Soros Foundation and the Delna branch of Transparency International continued to correspond with various State institutions in order to get the car park issue examined by the Constitutional Court. While there is little likelihood of this happening, the main aim of the Soros Foundation has been to use its monitoring actions to direct the activities of local governments towards transparent and responsible policy-making.

“[Success] in the car park matter was 50:50. From the point of view of a court battle we have lost. But the public has won by showing that the local government cannot do whatever it likes. We have made the local government think about how it will operate next time. (…) We raise questions and get things moving. Then people become more educated. The local government has to answer for its activities.” (NGO representative)

With protest activities having lost their effectiveness, the Environmental Protection Club has considered taking the Riga City Council to court. This activity is really directed towards the future. According conservative estimates, in the case of a defeat, it would take several years for the matter to go through the entire Latvian court system and reach an international court. By then other issues will have assumed greater importance.

Organizations fulfilling a “watchdog” role in the public interest seek effective ways to improve the situation step by step. Even if no concrete result is achieved, such activities have the positive effect of activating the public and making it more difficult to disregard public interests in the future. According

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**Guest author**

**Romāns Vainšteins, Professional world cycling champion**

**A small nation with great resolve**

I like the fact that Riga is being renewed and modernized at such a fast pace. Riga’s central area is kept clean and tidy. Parks in Riga’s central area and other cities are in order and well taken care of. I am particularly pleased with Ventspils, where development is taking place at full speed. The construction and modernization of the sports centre in that city is a great step forward, because young people will have a place to entertain themselves as well as the opportunity to become high-class athletes.

I am glad that every inhabitant has the opportunity to work and take responsibility for his own prosperity and happiness as he chooses. I am proud that Latvia is an independent nation and I want it to remain that way in the future. Our forefathers fought for centuries to be free. I am proud to be Latvian and I want my children and grandchildren to be Latvian. We are a small nation but in our hearts and souls we are as large as any other.
to representatives of such public interest organizations, activities of this nature help to form and to stabilize participation channels, and render each successive form of participation easier to implement and more effective.

Policy-making and the defence of interests: the example of reproductive health policy

Reproductive health policy is one field where NGOs have become actively involved, co-operating with State institutions and assuming some of their functions. Nationally this policy is not defined. A draft reproductive health law has been in preparation since 1994 and was passed in its first reading by the Saeima only in 2000.

The long road of the reproductive health law through the corridors of power can be explained by a lack of interest on the part of those in political office. Reproductive health policy is very costly. Health services, investments in the purchase of technology, and social assistance to families with children incur great expenses. Reproductive health policy affects a broad yet “scattered” part of the population, as it does not address as concrete a target group as, for example, pension policy. Therefore, politicians have not advanced it to the centre of their activities.

In the previously discussed cases of participation the policy process was directed by powerful local governments and entrepreneurs (with the Ventspils integration programme it was the local government, while with the Riga parking garages it was the Riga City Council together with entrepreneurs). In contrast, reproductive health policy is being put forward by a group of health specialists and representatives of the public. These people have assumed part of the State’s functions in the formation of reproductive policy, and are seeking to defend their own interests in the process.

The reproductive health sector can be divided into two policy traditions that exist in parallel. One tradition is characterized by centralized, closed and hidden decision-making dominated by intrigues, as other interested participants and rank-and-file doctors stay in the sidelines and quietly criticize the process amongst themselves: “X does not really want to leave the Riga City Council and begin to work. In principle he is right. That is related to elections. X is the State proxy in hospital B. He forces hospital B to its knees, which has to do the same [as the hospital managed by X]. Well, the manager of one hospital cannot be the State proxy in another. That is the way it happens. Nobody gets let in.” (Doctor)

Passivity is upheld by several circumstances. Many doctors do not believe in their abilities to intervene. A stable view has evolved regarding the authority hierarchy in the medical sector: in order to intervene one must work in “high” positions and be linked to political parties. A second contributing factor is the insecure position of reproductive health specialists. With cardinal changes in the health care system, the number of places for doctors is decreasing. The birth rate is falling and the demand for maternity specialists has rapidly decreased. Several maternity departments in Latvia have been closed. Many district centre hospital maternity sections are underworked and the staff fear losing their jobs in the case of hospital mergers. Financial resources in the sector are limited and there is a constant battle for them. In such a situation it is not easy to overcome personal interests and to work in the name of collective goals.

The perception of a centralized policy is echoed in the education system. Active youths from the Latvian Family Planning Association Papardes zieds (Fern Blossom) characterized the practice of health education in their schools as reflecting closed, incompetent, and non-transparent teaching methods. Only one of the youths said that it was possible to freely express one’s own views on reproductive health in his school.

The second tradition in the reproductive health sector is one of involvement and participation, particularly by NGOs, which have been active in the formulation of reproductive policy. For example, Latvia was also represented by NGO workers at the 1994 UN Cairo conference on population and development. A serious assessment of the situation at the national level began only in 1997, when the Latvian Ministry of Welfare, in co-operation with the UN Demographic Fund and NGOs, conducted research and prepared a draft reproductive health strategy.

Interest in Latvia’s reproductive health policies has been shown by foreign NGOs and foundations, the World Health Organization and the UNDP. Papardes zieds – the first Latvian NGO in this field – was
established with the direct assistance of émigré Latvians, who provided personal leadership and inspiration for the activities of the organization. Joint activities provided an opportunity to establish a collective strategy for reducing the level of abortions and educating the public on reproductive health.

A powerful organizational network with extensive work experience has now developed in this field, uniting both professional and public organizations. According to data from the Non-governmental Organization Centre, about 250 NGOs mention reproductive health in their spheres of activity at least once, while about 40 professional and public interest organizations actively operate in this field.

The largest number of public interest organizations associated with reproductive health work in Riga – about ten in total. Nine organizations operate in Kurzeme, six in Zemgale and Vidzeme, and five in Latgale. Some of the regional organizations, such as the Youth Health Centre in Dobele, have managed to attract foreign donors. The principal problem outside of Riga is the lack of personnel with management and co-ordination skills, which is exacerbated by the exodus of talented young people to the larger cities to further their education. It was due to this circumstance that the successfully established youth centre in Saldus closed its doors.

The outstanding and long-term leader among Latvia’s reproductive health organizations is Papardes zieds, which has been operating in the educational field since 1993. Representatives of the organization acknowledge that its initial goals have been largely achieved. A volunteer teaching network has been established and teaching materials have been provided to schools. The level of knowledge among young people has improved. Now the task of influencing policy, and the acquisition of skills associated with this, has been brought to the foreground.

“We are travelling along two roads. Educating the public – providing information and opportunities. Teaching people that they have rights, and then promoting an active attitude towards reproductive health, and participation in policy-making. The second is to work with policy-makers. We have educated members of the Saeima. I spoke with M in Cairo for a whole week. All of those who were there from the ministry – Z, P, K – have changed. In this field we have educated the entire higher echelon. (…) B is the [next] patron of the Baltic Gynaecological Congress. He agreed while he was still the mayor of Riga. I hope that at the congress we will still be able to say: Prime Minister B, ex-mayor of Riga.” (Representative of Papardes zieds)

It is significant that young people who are not satisfied with the information acquired at school regarding reproductive health have become involved in the activities of Papardes zieds, and gained an education as volunteers in this NGO. Thus, while not yet being aware of their participation in political life, they have become policy implementers. Politics and democracy are also associated with “grassroots” forms of participation, which initially may be unwitting, but which provide valuable participation experience.

The participation of public organizations in the formation of reproductive policy allows one to make several conclusions regarding methods of influence and participation. One of the methods used most often by the organization is personal contacts with influential politicians and civil servants. Various situations are taken advantage of – both when officials become patients and through joint participation in various events. Influential officials involved in the realization of projects bring them attention and raise their prestige.

The second widely used method involves soliciting the participation of other NGOs in both official and unofficial working groups. The draft reproductive health law, for example, was developed in an unofficial working group with the active participation of representatives from professional and public organizations.

Another method of influencing policy is through official requests and legislative proposals. For example, Papardes zieds and the Menopause Association asked the State to partially fund hormonal therapy for women during menopause. This request was based on predicted savings in health care funds, as complications that can arise by not using such therapy might cost the State even more.

As a whole, reproductive health policy reflects the entire policy process in the country. The dissatisfaction of people working in this sector and of patients receiving medical services has fuelled their desire to improve the situation. This is an important political factor that stimulates people to become active agents of policy formation. The defence of interests must be formulated and expressed in a language and level that conforms to the policy process. People become political agents from the moment that they formulate and express their interests.
Summary and recommendations

The public arena, in which there is a place for all public interests, is beginning to appear in Latvia. The first steps have occurred in small local governments, which have themselves undertaken to build bridges toward a civil society, and in individual State institutions. However, the ruling political model is still far from the ideal of a civil society. Even though the legal framework for it has been secured, participation in practice has been increasing at a slow pace and with difficulty. On the one side stands the public, which does not know the extent of its rights and which does not believe in either the promises given by the government or in its own ability to influence the implementation of these promises. On the other side can be found the State administrative system, which does not consider the views and desires of the public to be an integral part of its work motif. Each side mentions the other's unwillingness and inability to participate as a reason for non-co-operation.

A large potential for activity lies dormant within Latvian society, where there is a comparatively high interest in the public policy process. Only 22% of those surveyed said that they are not interested in politics. Currently this public interest is not being used to its full extent. It is mainly used in elections and referendums, and in the discussion of politics under “home democracy” procedures. Most people are not aware or have a limited knowledge of the public policy process and their right to influence it.

The NGO sector has reached a certain level of maturity and competence. Several NGOs can work as equal partners with State and local government institutions in deciding on issues and implementing adopted policies. Clearly, not all members of society can resolve all issues. But the benefit of societal participation is more than just competent decisions. The most important benefit is public support for the policies adopted by State institutions.

Public support cannot be gained by simply “going through the motions” with formal consultations. There must be long-term co-operation with public interest groups following the adoption of a decision and its implementation. The quality and implementation of decisions is thus improved, and a competent and active society is formed.

The advent of public participation in policy-making would be facilitated by following four parallel steps:
- Promoting the accommodation of public interests by State institutions;
- Strengthening the ability of the public to participate;
- Improving public monitoring mechanisms;
- Promoting co-operation between NGOs in the defence of public interests.

Promoting the accommodation of public interests by State institutions

This direction of development on the road to increased public participation arises through the awareness that State structures cannot and must not take decisions in the name of society without consulting with it. The divide that separates the State administration from society is conducive to closed policy-making that serves mainly private interests. It is strongly inhibiting the development of the country and an improvement in the well-being of the population. Closed policy is costing the country dearly, and in the future these costs could be even greater. Only with the purposeful opening of State and local government institutions to the public will irresponsible, chaotic and corrupted policy-making be reduced.

Politicians and civil servants will not acquire this awareness suddenly and unexpectedly, but as the result of systematic education and the acquisition of knowledge. The relevant political education programmes must be presented without delay, without awaiting the natural change of generations in the future. The competence of State and local government structures is analysed more in detail in the next Chapter.

State structures need to offer real co-operation mechanisms directed both to the hearing of public interests and to accountability for decisions taken. NGOs are one step ahead of State structures in the sense that a broad database has been established regarding Latvian NGOs and their areas of activity. This database can help State and local government institutions to find appropriate co-operation partners.
Strengthening the ability of the public to participate

A second road that must be travelled in order for the public to enter and participate in politics, is the strengthening of its participatory abilities. This could be achieved with the civic education of society. Some educational functions have already been assumed by NGOs in cooperation with the mass media, but the popularization of educationally positive examples is only one step in the process. Civic education must enter school curricula and continuing education institutions with the support of the State.

State support in both moral and financial form must be provided for NGOs, which form the participatory base for public participation. In Latvia social activity is increasing despite the lack of a unified and conscious State NGO policy, rather than because of any consistent policy. As Latvia prepares for membership in the European Union, we should recall that Latvia wishes to approach a model that accords civil society greater importance in State policy-making.

In the previous Reports from 1996 and 1998, many recommendations were made for strengthening the NGO sector. These have not, however, gained widespread support. The authors of these reports maintain that:

• The State must establish a clear tax policy in relation to NGOs;
• Organizations operating with donated funds in the name of the public good must not be taxed (NGOs share all donations with the State);
• The State must promote philanthropic activities by offering advantageous tax breaks to donors and by facilitating the establishment of foundations.

The current experience of cooperation between the State and NGOs must be assessed. The success or failure of the delegation of State administrative functions to NGOs has still not been appropriately evaluated. At this time there is no common understanding of the usefulness and effectiveness of such practices, and there is no policy regarding their further development. The fields in which the assistance of public and private organizations could be useful need to be clearly determined. In some ministries and State administrative organizations co-operation with NGOs has been successful, while in others it has not gained the required support or has turned out to be unsuccessful. Allegations regarding an unwillingness to cooperate have been made by both sides. An evaluation of cooperation to date will not only help to better organize future policy, but also provide the positive effect of openly recognizing the important role of the public at large.

Improving public monitoring mechanisms

The third path involves the strengthening of mechanisms that promote the realization of public interests. A good legislative framework already exists in the definition of people’s rights, but it is also necessary to provide guarantees and mechanisms for the realization of these rights. The 1998 Report recommended the establishment of an institution that would fulfil the role of ombudsman, whose functions are currently being carried out in Latvia by various NGOs. In Lithuania such an institution is operating successfully. One can also choose an alternative to the appointment of an ombudsman by strengthening existing mechanisms. In such a case, NGO activities would require strong support from the country’s court institutions.

With the expansion of opportunities for the public to monitor State institutions, the implementation of this Report’s first two recommended steps will be more easy to realize. However, one should remember that an improvement in public monitoring mechanisms requires first and foremost the political will of those in power.

Promoting co-operation between NGOs in the defence of public interests

The public at large still does not get sufficiently mobilized and does not use all of the mechanisms at its disposal. NGOs could implement more unified and purposeful activities in the defence of public interests. They would achieve better results with consolidated and consistent action. Expanding contacts and co-operation with other interest groups would also help. The non-governmental agents with the greatest influence in policy-making are experts and professional organizations. This
potential should be activated, and in case of neces-
sity, organized and supported.

The basic reason behind the lack of a consistent
policy regarding civil society is the previously men-
tioned inability or unwillingness of State structures
to understand the country’s national development
priorities. If the contribution of civil participation and
non-governmental organizations to national devel-
opment is not fully appreciated, then public activity
will continue to remain sidelined as unimportant.
Administrative territorial and regional reform should be completed as soon as possible, though not overly hastily and in a considered manner.

Sufficient funds must be provided for the performance of local government functions, and to ensure the effective use of these funds. Administrative territorial reform, educational and consultative measures, and fully functional accounting systems should help in this regard.

The manner in which the preparation and adoption of decisions occurs at the local government level, and the fact that currently this process is only relatively open, indicates that the mutual estrangement between decision-makers and the public at large must be reduced. Only then will the public evaluate the decision-making activities of State institutions more positively, and only then will the legitimacy of the policy-making process increase.
Introduction

Latvia has two main levels of public administration: central (or national) and local (or municipal). Each level has its own specific functions and tasks, and ideally, their execution should be balanced, as high quality public administration requires the same basic implementation principles in both cases. The concentration of resources and the optimization of governance at only one level threatens the uniformity of human development as a whole. Chapter 4 examines the possibilities of implementing effective and high quality public policy for promoting human development at both levels of governance in Latvia.

In the context of this Chapter and from the human development perspective, the activities of Latvia’s administrative institutions will be examined from various aspects:

• management – the capacity for long-term planning from a human development perspective;
• multisectoral co-operation – the capacity to work in a team and to plan policies in co-operation with other departments;
• knowledge – the capacity to integrate policy expertise in decision-making, to understand human development trends and to observe these trends for the most effective formulation and implementation of policy;
• accountability and reporting – the capacity to answer to the public about policies and their results, and the capacity to promote participatory decision-making.

The capacity of administrative institutions depends on many factors that are difficult to define and to measure – from their infrastructure and environment to their management methods, financial and human resources, and finally to their underlying values. Since modern technology plays a significant role in effective and successful governance, the extent of its use at Latvia’s administrative institutions will also be examined.

Only through good governance will Latvia be able to attain its human development goals, and in order for this to happen, the operational capacity of the country’s policy-making agents will have to be strengthened in all aspects. Good governance has several specific principles based on democratic values (see Information 4.1).

The operational capacity
of Latvia’s central administrative institutions

The aim of the next four sections is to analyze the capacity of the State’s central institutions to develop and implement sustainable human development policies. This will involve a study of the institutions’ leadership capacity, co-operation skills, use of policy expertise and degree of accountability (or readiness to answer to the public in a clear and transparent manner).

Several Latvian and foreign experts have stated that Latvia’s central administrative institutions do not possess the capacity to ensure the country’s integration into the European Union. This capacity has also been deemed insufficient for overcoming the impediments of the transition period and for forming a modern, law-abiding and autonomous democracy. Capacity is tied to decision-making, human resources, infrastructure, and the use of modern technology. As pointed out in the European Commission’s reports of 1999 and 2000 concerning Latvia’s readiness to join the European Union, the country’s low ratings in institutional capacity are linked to the slow pace of administrative reform.

Analytic reports on administrative reform in Latvia often mention various objective reasons for Latvia’s lack of success in raising the operational capacity of its policy-making institutions at the national level:

• For historic reasons there is a lack of senior civil servants with extensive experience in open policy-making practices.
• Latvia’s rapid transition pace has not permitted the devotion of much attention to the learning process of policy-making. The fact that policy decisions sometimes occur “in order to put out fires” leaves little time for evaluating alternatives and involving the public in extensive dialogue.

• In many instances ministry salaries are too low to attract and to maintain the extended interest of competent employees, which makes it difficult to ensure “institutional memory” in government ministries. Furthermore, the employee salary system in State institutions has not yet been reorganized. The European Commission has pointed out that management contracts are popular both within and outside of the civil service framework. While these add to the basic salaries of ministry employees, they also create a split salary system, promote the development of semiautonomous administrative institutions, and render control, monitoring and transparency more difficult.

• There is a lack of a unified system to attract capable university graduates.

• Foreign experts have mentioned that there are not enough civil servants in Latvia to implement good governance effectively.

Latvia’s ministries understand these problems well. The Ministry of Justice in its 1999 annual report writes that: “One of the most serious problems has been the change of staff. In 1999, 31 employees left the ministry (24% of all employees), while in 1998, 20% of our employees left. The frequent change in staff prevents the development of a unified group of employees and retards the implementation of a strategic plan for the ministry. The principal reasons for the changes in personnel are the limit-

Guest author

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Increased regional awareness and activity

The year 2000 was a turning point in Latvian regional politics. Debates over the most suitable model of regional development for the country took place not only on a regional level, but also at the national level of governance and with the participation of the public, which closely followed the search for a common solution.

Latvia’s regions were particularly active in 2000, taking advantage of favourable decisions passed by the Cabinet of Ministers, as well as the European Union’s Phare programme aimed at supporting Latvia’s National Programme for the Equalization of Social and Economic Development. This regional activity was echoed at the national level. The government and other central institutions supported grassroots initiatives, included regions in the development of the Phare-funded national programme, and found the means to support regional development institutions. These were good examples of how the government and the Saeima can support development efforts outside of the nation’s capital.

A testimony of regional activity can also be found in the cooperation and coordination that takes place within Latvia’s regions in the drafting of regional development strategies, and in the establishment of regional development agencies as implementing institutions. The development of joint projects testifies to the large degree of activity and cooperation that has already taken place.

Although Latgale is the region with Latvia’s lowest economic indicators, it was the first to produce a development plan that complied with all of the European Union’s requirements – the Latgale Regional Development Strategy. All of Latgale’s local governments have agreed to its implementation, as have the region’s politicians under the Latgale Development Council. The Latgale Regional Development Agency has also been established in this regard. Thanks to their ability to clearly formulate their priorities, Latvia’s regions can participate actively in politics on the national level. As a result they are acquiring the opportunity to defend their interests and influence policy-making.

The search for region-to-region cooperation, led by well-educated regional development specialists, has emerged as a new trend. Regional awareness is increasing along with the regions’ political influence, and this will serve to decrease the “brain drain” of talent from the regions over the longer term, increase economic activity, and ensure balanced development across the country.
ed career opportunities in the ministry and the higher salary offers in the labour market. This is tied to the low, set salaries at the ministries and to the delay in developing and improving this system.”

While higher salaries do help to attract young, well-qualified employees, they do not in themselves guarantee that the institutions in question will be able to formulate policies that serve to promote sustainable human development. Similarly, while outside factors and Latvia’s historic background may partially explain the country’s administrative shortcomings, they do not provide an excuse for these shortcomings. In this Chapter we shall examine the strong and weak points of Latvia’s administrative institutions, and establish how to develop their strengths and minimize their weaknesses in the formulation of high quality, human development-oriented public policy.

In search of a strategic vision

A government must have a strategic vision in order to work effectively. Namely, it must be able to:

- see the total picture of human development;
- conduct long-term planning;
- feel accountable for its policy results;
- bring together the various institutions involved in policy-making, and coordinate their work to the achievement of common goals.

At present the Latvian government lacks a specific strategic direction. It does not have a “unified vision” or an official plan directed to reaching human development goals over the next 10 – 15 years and supported by all political agents.

Information 4.1

Principles of good governance

**Participation.** All people must have the opportunity and the ability to participate in decision-making processes (either directly or through the mediation of interest groups).

**Rule of law.** Governance must be based on laws that are just and impartially applied.

**Transparency.** Decision-making processes must be transparent, and this requires a free flow of information. Decision-making processes, institutions and information must be sufficiently accessible for the population to understand and monitor the public policy process.

**Responsiveness.** Institutions of governance must respect and take into account the interests of various groups of society.

**Consensus.** Institutions of governance must act as mediators among various groups, promoting compromise and the arrival at a consensus.

**Equality and social justice.** Men, women, and the least protected population groups must have equal opportunities to participate in governance and improve their quality of life. The promotion of social justice is the basic criterion for quality policy-making.

**Efficiency.** Institutions of governance must try to achieve an optimal cost-benefit relationship in performing their functions.

**Accountability.** Policy-makers must be accountable to the public that has delegated them power and the right to decision-making.

**Strategic vision.** Governance must be directed towards both short-term and long-term goals. Human development must be foremost in mind, taking historic, cultural and social factors into account.
While the government declaration could promote a common vision for the country’s administrative institutions, it cannot guarantee the institution of a common national strategy. There are several reasons for this.

First, any government declaration is a political document that applies only while the acting government is in power. Thus, its sustainability is far from guaranteed. In addition, such declarations are too all-encompassing for the Cabinet to oversee their implementation. They address a great deal of issues, goals and tasks, of which many are second- and third-level priorities. Furthermore, because the drafting of government declarations has no direct link to the drafting of State budgets, it is highly unlikely that the priorities written within such declarations can be co-ordinated and implemented effectively. As a result, government declarations lose their overall significance, and become formal documents for whose implementation neither the politicians themselves nor the country’s administrative institutions feel entirely responsible.

The present policy-making processes in Latvia also have other features that indicate the lack of a strategic vision. The Cabinet of Ministers has approved almost two hundred programmes and other strategic policy documents (strategies, concepts, et al.) that are only rarely co-ordinated. Focused human development cannot be attained without a far-reaching vision. Again, the State budget’s detachment from the implementation of these programmes must be mentioned. Although ministry employees are assigned to work out the many programmes prescribed in any government declaration, the allocation of national budget funds is usually not connected with these programmes, which consequently cannot be implemented effectively.

There is no institutionalized government monitoring mechanism under which the government would have to systematically produce reports on the fulfilment of its policy programmes and on the realization of its priorities (see also Government accountability later in this Chapter). However, the roots of the problem lie deeper within the policy-making process itself, where the country’s political leaders are unable to agree upon long-term human development goals. This problem is reflected in the continuing inability to arrive at a National Development Plan, which is meant to be a medium-term development programme connected with Latvia’s plans to join the European Union (see Information 4.2).

Politicians have a limited understanding of human development as an integrated development process and as a complex policy goal. For example, in order to distribute the country’s resources more equally among the population and increase the general level of prosperity (which is one of Latvia’s main human development assignments), social factors should be considered along with macroeconomic factors in planning the State budget. Worldwide experience shows that economic growth alone cannot guarantee human development. Human development is based on social justice, equality and participation. Latvia’s policy makers should be thinking more in the long term, and should plan budget resources for projects and programmes that will provide a long-term investment in the development of the entire country. This entails both a rational allocation of budget funds, and accountability for the spending of public resources.

As long as Latvia does not have a single, common vision about its long-term development priorities, it will also lack consistent priority policies. Furthermore, as long as Latvia’s budget-planners do not place priority on sustainable human development, there is no basis to believe that any priority policies will be effectively realized.

Finally, it is worth noting that any vision of the country’s development strategy must encompass not only goals and priorities, but also the basic values that guide the government. The government must first identify its basic values in order for the public to understand what to expect of it, and it is not sufficient for government employees themselves to be aware of these values. These must be stated clearly and publicly. As the political analyst William Dunn writes, the policy-making process is actually a form of practical ethics, since the process of granting preference to a particular policy is not only a “technical” decision, but also a moral choice.

More attention must be paid in Latvia to the ethical principles of policy-making. The assurance of sustainable human development is closely linked to such ethical principles as, for example, equality and participation, as well as accountability (see the analysis in Chapter 1). Therefore, politicians, civil servants and the “community of political movers” must gain a better understanding of the basic principles of human development. This can be achieved to a great extent by attracting qualified policy expertise.
Co-operation and co-ordination

The formulation of open, human development-oriented policies is often hindered by the lack of horizontal co-operation between a country’s administrative structures. Integrated and co-ordinated multi-sectoral policies are just as important or even more important than single sector policies from the human development perspective. In multi-sectoral policies priority is given to social justice, the rational balance of economic growth and the transparent allocation of resources, which can only be achieved through co-operative efforts. In view of the prerequisites for sustainable human development and the priorities connected with them (social integration, poverty reduction, gender equality, regional development, environmental protection and the rational use of resources), it is obvious that these issues cannot be resolved by one single department or ministry.

Information 4.2

The National Development Plan – an attempt to create a strategic vision for the country

In March of 2000 the Cabinet approved the preparation of a National Development Plan (NDP) that would reflect the development directions expressed in other strategic planning documents, and that would conform to the requirements of the European Commission. The Cabinet determined that the NDP should be a mid-term planning document for the next six years. It should analyze Latvia’s socio-economic situation, assign development priorities and stipulate the steps to be taken to realize these priorities.

A management group formed by high-ranking ministry employees is politically accountable for preparing the NDP. This includes approving the NDP’s preparation methodology, work plan, and programme priorities. A so-called “unity group” consisting of specially selected ministry employees is responsible for the NDP’s day-to-day preparation work. The experts who have been hired to write up the NDP must also consult with this “unity group.”

To those involved, the preparation of the NDP has been a significant learning process. Up until now there had been no attempts to work out a similar plan in Latvia, which means that there is no previous experience to rely on in implementing the project.

Several problems have already arisen in the preparation of the NDP. The project management structure does not promote a feeling of responsibility for the end result. Although the Secretariat of the Minister of Special Assignments for Co-operation with International Financial Institutions is managing and co-ordinating the preparation of the NDP, the management and co-ordination structure remains very fragmented. There is no politically neutral institution capable of simultaneously leading this process and putting aside ministry-level interests in favour of a “common cause” and human development priorities. There is also no higher-level political pressure to induce the maximally effective preparation of the NDP as a document supported by the entire government. Currently no one feels particularly responsible for the NDP as a whole, and the quality of the work put in is suffering as a result.

Those working on the preparation of the plan cite the lack of a long-term development strategy as a major impediment. At present there is no agreement on the direction of Latvia’s development over the next ten to twenty years, and this is delaying effective medium-term planning as well. The State budget planning process remains entirely separate from the NDP planning process. Several people involved in the preparation of the NDP have stressed that there is little sense in speculating about Latvia’s mid-term political priorities if specific budget funds are not allocated for the realization of the NDP. A positive element is that steps are now being taken to unite both processes.

It is significant that the NDP is being developed independently, and that it is not controlled by the European Union or influenced by outside forces. While the Latvian government has generally been able to fulfil activities entrusted from outside in an efficient manner, it must still learn to assume internal commitments and to fulfil them in a co-operative manner for the good of the entire country.
Research indicates that poor inter-departmental co-operation in Latvia’s administrative institutions is hindering the realization of the country’s human development priorities. Although there are several successful examples of inter-ministry co-operation (such as in rural policy and Euro-integration), civil servants still place the interests of their own ministry above all others, and lack the required determination to co-ordinate their efforts in realizing a common policy. This problem is not unique to Latvia, but afflicts all democratic countries to a larger or smaller extent. “Competition” between ministries is not a universally negative phenomenon, as it may also be a motivating factor and give rise to innovations. On the negative side, competition can lead to contradictions in State policy. The implementation, monitoring and evaluation of planned policies and programmes may become practically impossible due to the existence of conflicting goals, tasks and activities. Latvia’s administrative institutions must seek to establish a greater balance between healthy and unhealthy competition.

Latvia’s policy makers themselves have discovered the negative consequences of insufficient co-operation between the government’s ministries. Surveyed ministry department directors mentioned the lack of inter-departmental co-ordination as one of the largest obstacles to high quality policy-making. Ineffective co-operation is also cited as delaying the development of specific policy programmes. This has occurred in cases requiring the co-operation of all or nearly all of the government’s ministries (such as the formulation of the National Development Plan), or in the establishment of programmes requiring the co-operation of two or three ministries (such as a complex plan for reducing poverty, the assessment of regional development and the introduction of health studies in schools). An increasing number of ministry employees are realizing the need for strengthening inter-departmental co-operation, yet statements referring to the negative effects of a lack of co-operation remain mostly at the rhetorical level, and the situation is improving only marginally. Therefore, particular attention must be paid to those factors that are impeding increased co-operation, and to solutions that might serve to improve it (see Table 4.1).

As previously mentioned, the insufficient degree of policy coordination is linked to the absence of a strategic vision of the country’s future, and to the weak link between national budget and policy planning. As long as the budget and policy planning processes remain separate and distinct, each ministry will focus on protecting its own interests, rather than on implementing the interests of the country as a whole. In the absence of a common framework programme with fixed development priorities, the principal mechanism for influencing the budget’s hidden planning processes is each ministers’ self-seeking protection of his or her ministry’s interests and priority programmes (a rather common phenomenon in many countries). Co-operation with other ministries is deemed to be of secondary importance, as is the joint resolution of problems not figuring high on each ministry’s priority list and which would require the “dilution” of already limited human resources. Each ministry attempts to “pull the blanket to its side” and to avoid extra duties. Party rivalry within the coalition itself is also hindering effective horizontal co-operation. Individual ministries are frequently under the control of one party or another. Each party is inclined to protect the interests of “its own” ministry at the expense of cooperation with others. For example, the Ministry of Welfare has traditionally "belonged" to Fatherland and Freedom/LNNK, while the Ministry of Foreign Affairs has for years been the domain of Latvia’s Way. The Ministry of Agriculture, for its part, is controlled by the People’s Party. The coalition government continues to operate for better or for worse, as its ministries vie with each other in the competition for resources.

Other factors also serve to hinder inter-ministry or inter-department collaboration. Again, the slow pace of administrative reform must be mentioned. The European Commission’s report on Latvia’s readiness to accede to the EU stresses that continued delays in the reform of the country’s public administration system have weakened policy co-ordination and the ability of Latvia’s administrative institutions to adopt EU legislation. One must also mention the underdeveloped policy-making culture in Latvia, where emphasis is placed on “formal and official co-ordination” and the avoidance of legal contradictions in policy making. Practical co-ordination aimed at ensuring optimal policy planning results for the population occurs rarely. Furthermore, policy-making is based more on the country’s legislative framework than on consultations and research (see the next section of this Chapter).

While there are several positive examples of horizontal co-operation, these are exceptions that have been induced by such outside factors as Euro-integration (see Information 4.3). The strengthening
of inter-ministry and inter-departmental co-operation is not “a question of time,” but must be actively promoted without further delay.

In individual cases interdepartmental policy coordination mechanisms have been developed regarding such issues as integration, poverty reduction, rural development, and the formation of unofficial working groups. However, the results and effectiveness of these mechanisms have suffered due to the aforementioned negative conditions. A year ago there still was no neutral institution responsible for inter-departmental policy co-ordination. Such an institution must be politically neutral, yet have the power and authority to achieve most of the practical work required for inter-departmental co-ordination. It should also support the

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<th>Table 4.1</th>
<th>Manifestations of weak policy co-ordination. Factors and solutions</th>
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<tr>
<td><strong>Factors</strong></td>
<td>• The civil servants involved work mostly within one single ministry, and not within a united civil service. Therefore, there is no strong commitment to work for the sake of a co-ordinated, harmonized policy. • There is no strategic State vision for the consolidation of executive policies. • The national budget’s planning process is separate from policy-making processes. • Individual ministries are frequently under the influence of one party. As a result, parties tend to protect the interests of “their” ministry instead of cooperating with others. • Ministries will continue to compete with each other for as long as coalition governments remain in power. • The reform of the State administration has been slow and is still not completed. • Emphasis is placed on “formal and official co-ordination,” but real co-ordination ensuring optimal policy results occurs rarely.</td>
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<td><strong>Solutions</strong></td>
<td>• A common development priority programme and plan must be worked out. • The government’s ability to manage and oversee the implementation of an overall strategic vision and National Development Plan must be increased. This would strengthen the policy “centre” in Latvia. • Policy-making must be based not only on the country’s legislative framework, but also on policy analysis, research and consultations. • Policy makers should learn from successful inter-ministry and inter-departmental examples of co-ordination (such as Euro-integration), and should adopt successful co-ordination and co-operation mechanisms. • Policy makers should ensure greater co-ordination and co-operation between regional institutions of governance under ministry control. • The newly created Policy Co-ordinating Department of the State Chancellery must become an effective inter-departmental policy co-ordinator.</td>
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government’s leadership by ensuring and overseeing the execution of the national strategic vision and plan. Some experts see this as the necessity to strengthen the “policy centre.”

The first steps towards creating such a policy co-ordination institution have already been made. In the summer of 2000 the State Chancellery’s Policy Co-ordination Department was created (see Information 4.4). It is hoped that the new department will be able to mend some major holes in the policy-making process. One significant accomplishment would be the co-ordination of the budget planning process and fiscal policy with other priority policies.

The public administration’s content capacity, or ability to use policy expertise

In public administration the ability to delegate individual tasks to others is of prime importance. Delegation ensures more effective results, as policy planners cannot be experts in all of the fields for which they might be responsible. If the chief role of policy makers (especially at the department direc-

Information 4.3

Euro-integration – an example of positive horizontal co-operation

Policy planners questioned within the framework of research for this Report often mentioned Euro-integration as a positive example of horizontal co-operation. Euro-integration is one of the rare policy areas where all of the ministries have managed to agree.

Since strengthening inter-departmental co-operation within the Latvian administrative apparatus is of prime importance, it would be useful to establish what factors have made co-operation effective in the field of Euro-integration. Analysis indicates that the main factors for effective co-operation have been the following:

• The institutional mechanisms of Euro-integration ensure the continuity of decisions. Political responsibility is entrusted to European Integration Council (EIC), which is composed of several government ministers. (It could almost be called “the second government,” because all ministries are represented except for the Ministry of Defence.) This Council has defined Euro-integration as a policy priority. The “executive power,” in the form of the Senior Personnel Committee, is a professionally able and responsible unit that ensures the execution of priorities at the ministry level. The balance of political and executive power is an essential requirement for policy co-ordination and effectiveness.

• Strong management. The Prime Minister, as the highest figure in the executive, has been a strong and focused leader regarding Euro-integration. He has used his influence to ensure that the highest-ranking members of the government work towards one common goal.

• Principle of unanimity. The principle of unanimity or consensus rules within the Senior Personnel Committee. This means that all members must agree on decisions, and that in the case of disagreement the issue in question must be referred to the European Integration Council. The principle of unanimity strongly stimulates the search for compromises and the need to work together. It is also one of the basic principles of good governance.

• Co-ordination. The Euro-integration process is co-ordinated by a politically and professionally neutral State institution, the European Integration Bureau, which oversees the unified picture of Euro-integration and does not compete with ministries.

• International regulation. The rules of the Euro-integration process are to a large extent dictated by outside agents, and therefore the government does not have to agree or disagree about the main parameters of the integration process.

• Perspectives for civil servants. Euro-integration is a political orientation and value that unifies ministry civil servants. In addition, policy-making in a broader context – between Riga and Brussels – offers tempting career opportunities for young civil servants.

• Urgency. Euro-integration is an urgent priority. The government cannot afford to be uncooperative.
CHAPTER 4

It is necessary for them to seek the advice of other policy experts. Although highly professional policy makers are extremely knowledgeable about the spheres that fall under their competence, they often require assistance in researching and analyzing a given situation in depth. This involves preparing concrete policy solutions and writing up broad-ranging predictions that would evaluate not only the short-term financial costs and expected results of these solutions, but also incorporate such human development factors as social justice and gender equality, environmental protection, and poverty reduction.

Countries with entrenched democratic traditions entrust the preparation of source information and problem-solving to experts from both State institutions and independent policy analysis institutes (see Information 4.5).

In Latvia there are three principal means and mechanisms at the central level of governance for attracting non-government policy expertise:

- unofficial consultations with experts and NGOs,
- official consultations with local and international experts through the use of donor funding,
- the assignment of government research contracts to Latvian experts within the framework of Research Projects Commissioned by State Administrative Institutions, for which the State annually provides resources.

Independent expertise provides policy planning with an analytic and a scientific foundation. Given the opportunity, experts can produce information that makes it easier for policy makers to understand the total picture through the analysis of one particular policy issue in the context of others. In addition, independent expertise improves the quality of the policy-making process by assuring objectivity. It is also a link or a “bridge” between the policy-making processes and the public.

An analysis of the policy-making processes in Latvia reveals that policy expertise is used officially only in rare cases. A survey of ministry department officials during the preparation of this Report confirmed this. Approximately 60% of surveyed department directors said that they frequently, or

Information 4.4

The creation of the State Chancellery’s Policy Co-ordination Department – a step towards ministry co-operation and integrated policies.

Realizing that the government’s policy-making and administration processes lack horizontal co-ordination, the Cabinet created a new Policy Co-ordination Department under the State Chancellery in the fall of 2000.

The planned functions of the department include:

- Co-ordinating suggestions for national development goals, setting priorities and formulating policy;
- Creating and co-ordinating a united national development planning and result-forecasting system;
- Co-ordinating the development, realization and completion of the inter-ministry activity plan regarding the Government Declaration on the Work of the Cabinet of Ministers;
- Evaluating draft laws and regulations submitted to the Cabinet and to the Prime Minister (if necessary from the policy co-ordination aspect), and submitting reports on these documents if required;
- Analyzing how State institutions are faring in policy making and implementation, and providing suggestions for improvement if required;
- Organizing co-operation with local and foreign institutions, within the limits of its competence;
- Analyzing individual problems and offering suggestions for solutions at the request of the Prime Minister.

It is too early to tell how effectively this newly created institution will function, but some positive signs are already visible. For example, in the autumn of 2000 the Department analyzed how State decisions are adopted and how policies are developed and implemented in Latvia. In co-operation with the Soros Foundation – Latvia, the Department has also begun a review and evaluation of policy research commissioned by the State. It is hoped that such a “systems analysis” will become a basis for strengthening the policy development process and horizontal co-operation.
almost always, make use of unofficial consultations with experts and NGOs. But most directors said that they rarely or “practically never” officially involve independent experts in commissioning research for policy planning. As described in Chapter 2 of this Report, decision-makers use unofficial, “quick” consultations much more often than commissioned expert research. Even though unofficial consultations do contribute to policy development, they do not contribute to transparency and public accountability. Written suggestions in the form of officially requested expert solutions provide a transparent basis for the evaluation of an offered policy solution. They can be objectively

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**What is policy analysis?**

**Definition.**

Policy analysis seeks to:
- a) explain a policy problem, b) analyze possible solutions to the problem (examining the consequences of various activity options, including the financial, social and other costs), c) offer a solution that will improve the situation, based on the obtained conclusions and forecasts d) evaluate the consequences of an already implemented policy.
- the result of the analysis is a policy analysis document.

**Policy analysis criteria.** In working out a policy, decision-makers must ensure that the chosen solution is the right one, or the best of several proposals. An open policy system requires the offered solutions to be evaluated by objective criteria. This not only makes it easier for politicians to make decisions, but also makes their decisions more easily explainable and transparent to the public. Impartial policy choice criteria are the basis for transparency. Transparency, in turn, is the basis for open policy. Policy analysis is the instrument that provides the opportunity to implement policy choice criteria and to make the correct decisions.

Usually the suitability of offered policy solutions is determined by the following criteria:
- **Effectiveness** – to what extent will the solution solve the identified problem?
- **Political viability** – does the solution conform to the decision-makers’ strategic vision?
- **Feasibility** – are there enough resources available (human, systems, financial)?
- **Efficiency** – what is the relationship between the benefits and the costs?
- **Justice** – have the situation and needs of the vulnerable segments of society been considered? Will the gap between the affluent and the needy increase? Will men and women equally benefit from the offered solution? Will the solution have a sustainable effect?

**The methodology of policy analysis.** Policy analysis specialist William Dunn writes that policy analysis can be effective only if it has a good methodology. During the last 50 years, the practice of policy analysis has evolved considerably and has become more complex, but there is a methodological nucleus on which experts agree. This nucleus is described as the **critical diversity principle**.

The critical diversity principle requires the synthetic unification of several methods and points of view. Its precepts include:
- using several research methods,
- attracting experts from several fields and academic disciplines,
- using several criteria and indicators for the evaluation of a situation,
- analyzing information from several sources and using several models in forecasting results.

The diversity of methods in policy analysis helps to ensure a certain objectivity and quality. Analysing a problem from various points of view reduces the possibility that the basis of a solution will be a faulty analysis or prejudiced theoretical assumption.

In Latvia, policy analysis processes must still be developed further in order for critical diversity principles to be fully observed. The strengthening and wider use of policy analysis in the country is one of the most significant prerequisites for policy improvement.
discussed and evaluated by the population according to objective criteria. Unofficial consultations do not provide such opportunities for public discussion.

**Policy analysis research financed by the State budget**

Official policy expertise can be divided into two categories: expertise and research financed by foreign donors, and expertise and research financed from the State budget. Expertise from the first category is more difficult to analyze, because there is no systematic information about what research has been requested, who has financed it and what the results have been. In addition, the goals of the expertise conducted under the first category are not always set by Latvian policy makers.

However, an analysis of the second category of expertise (that is, State-financed policy analysis research and its results) reveals several problems. The analysis presented below refers to specific research procured with science budget resources and regulated by Cabinet Regulation No. 77 On the Financing and Evaluation of Research Commissioned by State Administrative Institutions. While research commissioning and budget planning for this kind of research is co-ordinated by the Ministry of Education and Science, each ministry has a separate coordinator who is responsible for administering the research process in his or her ministry. These are the only State resources available to government ministries for financing policy analysis research.

The following picture is revealed in analyzing over 300 studies commissioned by Latvian State administrative institutions in 1998 and 1999.

**Link with policy analysis.** Only about half of the research commissioned by government ministries deals with policy analysis. The rest deals with the preparation of teaching materials and other issues (history research, public relations materials, book printing, computer programme development, et al.). Research financing regulations do not specify that research must be related to policy analysis and that requested funds must be directed to scientific research. Nevertheless, many research studies not classifiable as policy analysis have been quite useful and well executed. Cabinet regulations state that research “may be, for example, a study course project.” The question does arise, however, of how rationally the resources meant for research have been used.

**The level of policy analysis.** Very little policy analysis research has actually been conducted even among those research cases categorized as “policy analysis.” While frequently a situation is described and analyzed, and general recommendations and conclusions are provided, only 5% of all studies offer a comprehensive forecast of policy consequences, model possible solutions, and give recommendations based on the study’s forecasts. In the social policy area such in-depth research on the use of State funding has never been commissioned. While this could be due to the limited availability of resources for research (see below), the fact remains that most of the research conducted in this area has not provided a maximum contribution to the policy analysis and planning processes.

The reasons for this trend lie rooted in both objective and subjective factors:

- In Latvia there is no policy-making tradition requiring the execution of objective, high-quality policy analyses. Such analyses should demonstrate that the offered policy solutions are the best out of several options. Policy analysis is not a precondition for the Cabinet’s approval of a policy, and such research is not viewed as an indispensable part of the policy-making process.
- Policy makers themselves do not always have the ability to commission high-quality policy analysis studies. In order to expect good results, more attention must be given to the formulation of practical policy research questions and assignments.
- State budget resources for policy analysis research are limited. Usually less than 5000 lats are granted per research study. Although high quality research can also be effected with relatively little funding, the overall lack of resources hinders the commission of deeper analyses and the application of the “critical diversity principle.” In any case, the most rational division of the scarce resources available and choice of research priorities should be at the forefront of government research planning.
- The fact that ministries submit their practical research projects individually results in inter-ministry competition and does not promote much-needed multi-sectoral research. Consequently, there is a lack of State-funded research projects analyzing issues of national importance from a multi-sectoral aspect.
There are several contradictions in the Cabinet regulations concerning the use of research resources, particularly in regard to research goals. Experts from the Latvian Academy of Sciences assigned to evaluate research submissions often are not policy analysis specialists. Frequently they stress the importance of academic research rather than policy analysis. Furthermore, ministry employees do not always organize research competitions, and sometimes assign research studies to “trustworthy” scientists and practitioners who may not be policy analysis experts.

Latvia's administrative institutions are not permitted to hire foreign experts in State-funded research. While this is dictated by the legitimate desire to promote Latvian expert capabilities and to support local analysts, there has been no consideration of the fact that Latvian experts working together with experts from other countries would increase their own qualifications more rapidly. Latvian experts would learn more about the methodology of modern policy analysis, and benefit greatly from co-operation with the international policy analysis community. This is borne out by the fact that past research financed by foreign institutions and featuring joint research by Latvian and foreign experts is generally of a higher level and quality.

Independent policy analysis in Latvia

As mentioned earlier in this Report, independent experts play an essential role in the policy-making processes. In Latvia, policy expertise is obtained most frequently on the individual level through individual consultants. In other countries policy research is entrusted to independent policy institutes, or think tanks. Both individual experts and policy institutes play an important role in the diverse policy analysis community (see Information 4.6).

Several experts have concluded that the level of policy analysis in Latvia is fairly low, although there are some exceptions. This is a problem not only in Latvia, but also in other Central and Eastern European countries, as there are several common factors that hinder policy analysis in this region, such as the weakness of the NGO sector and the rather widespread public mistrust of policy-making processes.

However, another element that significantly determines the quality of policy analysis is the capability of policy researchers. When asked to outline the principal problems inhibiting the development of high quality policy-making in Latvia, policy makers mentioned the shortage of independent experts (along with the inefficiency of available expertise), directly after the limited availability of finances and the lack of co-operation among different ministry departments. According to one ministry department director, Latvia lacks “a scientific research institute that could study the development of the national economy on a high, professional level.”

Research conducted in 1999 shows that several organizations in Latvia partly fulfil the role of policy institutes or think tanks. These can be divided into three categories: academic institutes, NGOs that examine specific issues, and sociological and marketing research firms. The most serious in-depth analyses and recommendations have been conducted by public interest organizations with specific issues in mind, as well as academic research groups and project teams, which consist of individuals hired to conduct joint research on one issue or another. Sociological research firms and academic institutes have conducted the most reliable data collection and classification. While several organizations have worked productively with ministry staff and other policy makers, there are no real policy institutes and think tanks in Latvia. Policy institutes, of course, are not the only solution, as individual experts also can be hired to assure an analytic base for high quality decision-making. However, as several ministry employees have admitted, finding qualified individual experts is not always easy.

This deficiency can be partly attributed to research traditions inherited from the Soviet era. In several fields, such as chemistry and physics, Latvian researchers educated in the Soviet system are of world calibre. However, these achievements do not apply to quality policy analysis and interdisciplinary research, where Latvia lacks the necessary expertise (for a more detailed analysis about the situation in the sciences see the 1999 Report). In general, there has not been much scientific activity in the social sciences, which generate the necessary milieu for political analysis. Furthermore, there are no policy analysis programmes at Latvia’s universities. While several universities do offer a Human Development course, this is not sufficient to pro-
What is an independent policy institute?

In European countries, independent institutions that work in the field of policy analysis usually are called *policy institutes*, while in the United States the term *think tank* is also widespread. The term *think tank* originated in the United States during the Second World War and designated places for military policy experts to work out military strategy. During the 1960s the meaning of this term widened to include designated expert groups or institutions working on concrete policy analyses and recommendations. While all experts and analysts do not agree on the definitions of *policy institute* and *think tank*, most of them agree that such institutes must be:

**objective** – Studies must be based on research and scientific analysis methodologies, rather than on ideological viewpoints.

**professional and competent** – In order to maintain its trustworthiness, a policy institute must be able to analyze a situation professionally and in depth. It must use its analysis to develop policy solutions and predict the efficiency of each solution, not only from the financial point of view, but also from the perspective of social justice, gender equality, environmental protection and other factors essential for sustainable human development.

**independent** – Policy analysis must not be subordinate to political parties or other interest groups, including business groupings.

Policy analysis institutes must also:

**endeavour to promote and strengthen the entire policy-making process** – Although policy institutes play an important role in working out and popularizing policy alternatives, this is only one part of the process of policy analysis. This process also involves the formulation of questions and problems, the evaluation of policy, the promotion of dialogue and other activities.

**be capable of influencing the policy-making process** – The work of a policy institute cannot be isolated or removed from policy-making processes, because a policy analysis has little significance if it is not considered by policy makers.

**be capable of influencing public opinion** – A policy institute must have a good reputation among the media, and must be recognized as a trustworthy authority by the public.

Besides offering qualified policy expertise, the ideal policy institute should also build bridges between the public and policy makers. A policy institute can play an important role as a policy mover by strengthening contacts and links between politicians and public interest groups, and by promoting the growth of the policy-making community. The illustrations below show the ideal role of policy institutes in narrowing the gap between the public and politicians.

The public is frequently removed from policy-making processes.

If a policy institute represents only its own interests, then it has no influence on the public or on policy-making processes.

If a policy institute restricts its activities to strengthening dialogue on policy issues in society, or to consulting only with policy makers, then it fulfils only half of its basic role.

A good policy institute must build a bridge between civil society and policy-making processes by offering quality policy solutions and by promoting political dialogue in society.
duce “a critical mass” of qualified policy analysis specialists. As a result, there is very little competition among Latvia’s highest quality researchers.

An analysis of all of these factors together shows that the resolution of this problem must be approached from two facets, one of which concerns Latvia’s State institutions themselves, where currently there is little demand for independent, high-quality policy analysis. The few State employees who request such analyses sometimes lack the capability to attract the necessary expertise, and therefore policy analysts do not receive much stimulus to improve the quality of their work.

The other facet concerns independent policy analysis itself, where the situation is no better. Although there are some exceptions, independent policy analysis conducted in Latvia is generally not concrete enough, of inferior quality, and cannot be applied practically. Therefore, the demand for such analyses is not growing, nor is there any meaningful development in those areas where analyses of this type would be required. To improve the situation, the developmental potential of policy analysis will have to be promoted in both directions.

Lately some positive tendencies have appeared, and there have been signs of growth opportunities. A number of independent policy analysis expert groups are now developing and organizing themselves “from below.” In 1999 and 2000 several academic institutions and social scientist groups began to look for the means to develop as policy institutes. Some have already found cooperation partners to strengthen their role as potential think tanks. This institutionalizing process has continued in 2001. These new policy institutes are beginning to implement both research and practical projects geared to promoting public participation.

The Soros Foundation – Latvia (SFL) has played an important role in strengthening policy analysis activities and the development of policy institutes. Since 1999 it has implemented a complex programme designed to raise the quality and promote the growth of policy analysis. Its activities include a number of research studies, support for policy analysis research in the Foundation’s priority spheres, and the organization of seminars or teaching sessions for policy analysis researchers. In the summer of 2000 the Foundation organized a Policy Analysis Forum, in which the Prime Minister and other high-ranking officials and leading researchers participated. In January of 2001 seven young policy analysis students began a one-year programme of policy analysis research and study, and have been assigned to five developing policy institutes.

To render research results more widely accessible and to promote an exchange of information among policy analysts, the SFL opened a new Internet access portal on policy analysis in the summer of 2001. The SFL, in collaboration with the Open Society Institute, granted over 127,000 USD in 1999 and over 231,000 USD in 2000 to the Local Government and Public Service Reform Initiative, and to the Constitutional and Legal Policy Institute for the development of public policy analysis. In addition, the SFL granted 36,000 USD in 2000 for the initiation of an Education Policy Development Programme.

The fact that Latvian decision-makers and politicians place considerable trust in professional experts may boost the potential role of future policy analysis experts. More than 80% of questioned Saeima deputies said that they trust professional experts “to a large extent” or “to a fairly large extent,” although many deputies admitted that experts have little influence on decisions affecting important political issues. This indicates that the role of competent experts in Latvia’s policy-making processes must be increased in a systematic manner by developing and strengthening policy institutes, and by developing mechanisms for involving consultative experts in the planning, implementation and evaluation of policy.

**Government accountability**

One of the most fundamental principles of good governance is accountability, or the readiness, the desire and capacity of State officials to report in a transparent manner about what they have (or have not) done, and to answer to the public for their actions.

In the context of open policy-making, reports on State administrative activities are a particularly significant link between the public and the country’s policy makers. The people have the right to know for what purposes State funding has been allocated, as well as the criteria by which financial resources have been disbursed. It is the State’s obligation to make this information easily accessible and understandable to the public, and to be accountable for it.

During the last few years, the government of Latvia has taken significant steps towards the establishment of greater transparency in this
regard. From a legislative perspective, the most significant event was the adoption of the *Freedom of Information Law* in 1998. Although this law guarantees the right to information from State institutions, Latvia’s institutions of governance must work proactively to ensure transparency in the use of financial resources, as well as in policy implementation and evaluation. A positive step in this direction is the 1998 Cabinet resolution under which ministry annual reports must be made public. In addition, all Cabinet meeting protocols and resolutions are now electronically accessible at www.mk.gov.lv.

While the public can now access information through the Internet on adopted State policies and read the texts of various programmes, it still faces hurdles in obtaining information on the implementation of policies and specific budget expenditures. For example, although almost all ministries publicize their budgets in their annual reports, the figures are mostly presented in such a general manner that they do not reveal a great deal. The budgets of specific programmes, for example, are not listed. The Ministry of Justice has been an exception in this regard. In its 1999 report, the ministry listed how much was spent on each of its programmes and how many of the planned activities were implemented. If all ministries presented such information in a clearer manner, then resource spending would become more transparent and public participation in dialogue about policy development processes and priorities would become more active.

While the number of Internet users in Latvia is growing, “normal people” wishing to acquire information by telephone or in person on the distribution of their tax money may not find this to be an easy task. Ministry home pages on the Internet are by far the most accessible route for obtaining information and for expressing suggestions or complaints.

To establish how much and what kind of information about ministry activities is available to the public on the Internet, each ministry’s home page was evaluated for this Report according to the following criteria:

- Annual reports about ministry activities – Are these available in the home page?
- Ministry budgets – Are they published and is the information clearly presented?
- The laws and policies of each department – Are the laws and policy documents regulating the department’s activities available in the home page? Are there explanations and information about policy implementation, and how complete are they?
- Ministry commissioned research – Is there any information about research studies, their budgets, and the research teams consulted? Is the information limited to brief research annotations or are complete research reports included?
- Interactive opportunities – Is contact information listed in the ministry’s home page, and are other interactive opportunities offered?
- Other aspects – Has the ministry taken advantage of technological opportunities in the creation of its home page? Are other participation or transparency opportunities offered?

Each ministry’s home page was evaluated according to these six criteria and could receive a maximum of 60 points. The results in Table 4.2 indicate that some ministries, such as the Ministry of Welfare, Ministry of Environmental Protection and Regional Development, and Ministry of Defence, have created their home pages skilfully as a form of public accountability for their policies. Other ministries, however, have not made full use of the latest technology to ensure greater public accountability.

Several home pages made use of innovative ideas and provided good examples of how information technology can be used to create a bridge between policy makers and the public. The Ministry of Welfare, for example, offers a “chat” feature that permits correspondence with high-standing ministry officials about current social policy themes (www.sarunas.lm.gov.lv). Although the “chatting” on each subject is for a limited time period, all Internet users may continue to read notice exchanges and send in their comments even after the advertised discussion has ended.

The examination of issues that are vital to social policy from the viewpoint of ordinary people is a welcome new feature. For example, in the fall of 2000 the following themes were offered for discussion:

- Women and employment opportunities
- HIV/AIDS – Does it affect you or not?
- Why should youth be concerned about their pensions?
- Who is responsible for contraception?
- Is a poverty reduction strategy necessary and what would it achieve?

Through the use of information technology, the Ministry of Welfare has found a way to establish a closer link between the State’s policy-making processes and the daily life of the people. Considering that one can read a wide variety of opin-
ions in the chat archives – starting with those of the minister, higher officials and department experts, and ending with youth, students and pensioners – it appears that the chat feature promotes the accountability of public policy, as well as transparency and public participation.

Much still remains to be done in order to ensure the transparency and accountability of Latvia’s administrative institutions, but information technology has already opened new opportunities that should be used by all of the government’s ministries.

The public administration capacity of local (or municipal) governments

Local governments play a significant role in the implementation of human development policy. This role can be examined from two aspects, the first of which concerns public participation in administrative decision-making on local-level issues. The opportunity and the necessity for people to participate in the resolution of public issues and the development of their community is even more pronounced at the local level than at the national level. For many people, local governments represent the closest, the most familiar and the most understandable level of administration. The system of relations between individuals and their local government must induce public participation in the resolution of issues that concern not only individuals and their families, but also their local communities.

A beneficial precondition for participation at the local level is the fact that the public trusts local governments more than the country’s central administrative institutions. Research studies conducted by social survey companies testify that trust in local governments is more pronounced in the countryside and in small urban centres than in Riga and other big cities. According to a survey conducted in the year 2000, over half (54%) of Latvia’s rural residents trust their local government, compared to only slightly more than a quarter (28%) of people living in Riga. In Riga a greater proportion of respondents chose to answer “I don’t know,” which indicates that the relationship in Riga between the municipality and the individual is much more formal and distanced than it is in Latvia’s rural areas and other cities.

Local governments implement a whole string of important functions that concern the economic development of the territory they administer and the quality of life of those living within it. They are responsible for health care, social welfare, education, public transportation services, the upkeep

<table>
<thead>
<tr>
<th>Table 4.2</th>
<th>Latvian ministry Internet home pages – examples of accountability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry</td>
<td>Home page address</td>
</tr>
<tr>
<td>Ministry of Welfare</td>
<td><a href="http://www.lm.gov.lv">www.lm.gov.lv</a></td>
</tr>
<tr>
<td>Ministry of Environmental Protection and Regional Development</td>
<td><a href="http://www.varam.gov.lv">www.varam.gov.lv</a></td>
</tr>
<tr>
<td>Ministry of Defence</td>
<td><a href="http://www.mod.lv">www.mod.lv</a></td>
</tr>
<tr>
<td>Ministry of Finance</td>
<td><a href="http://www.fm.gov.lv">www.fm.gov.lv</a></td>
</tr>
<tr>
<td>Ministry of Foreign Affairs</td>
<td><a href="http://www.mfa.gov.lv">www.mfa.gov.lv</a></td>
</tr>
<tr>
<td>Ministry of the Economy</td>
<td><a href="http://www.lm.gov.lv">www.lm.gov.lv</a></td>
</tr>
<tr>
<td>Ministry of Agriculture</td>
<td><a href="http://www.zm.gov.lv">www.zm.gov.lv</a></td>
</tr>
<tr>
<td>Ministry of Justice</td>
<td><a href="http://www.jm.gov.lv">www.jm.gov.lv</a></td>
</tr>
<tr>
<td>Ministry of Education and Science</td>
<td><a href="http://www.izm.gov.lv">www.izm.gov.lv</a></td>
</tr>
<tr>
<td>Ministry of Culture</td>
<td><a href="http://www.km.gov.lv">www.km.gov.lv</a></td>
</tr>
<tr>
<td>Ministry of Transport</td>
<td><a href="http://www.sam.gov.lv">www.sam.gov.lv</a></td>
</tr>
<tr>
<td>Ministry of the Interior</td>
<td><a href="http://www.lm.gov.lv">www.lm.gov.lv</a></td>
</tr>
</tbody>
</table>

*Out of a maximum score of 60 points.
and management of municipal administrative territories, the provision of communal services and other functions. The wide range of services delegated to local governments is based on the assumption that they are able to evaluate their own needs and capabilities, and to plan their development priorities and expenditures accordingly. Over the past few years, the functions and responsibilities delegated to local governments have been increasing. Municipalities are thus acquiring a more significant role from the human development perspective, as their responsibility and competence increases in the fields of education, health, participation, prosperity, and quality of life.

The following sections analyze the capacity of Latvian local governments to implement good governance and to carry out the human development functions that have been entrusted to them. This capacity is analyzed from the following aspects: the capacity to separate decision-making and executive functions, local administrative capacity (or the competence of local government staff), technological capacity (or the ability to use information technology in administrative operations), the capacity to promote public participation in decision-making, and the capacity to present reports to the public.

In analyzing the capacity of Latvian local governments to ensure good governance that favours human development, certain factors must be taken into consideration.

- The population in Latvia’s local governments is unevenly divided and varies widely. Large and small municipalities operate side by side. Small local governments are far greater in number. The size of a local government frequently determines its available resources and its ability to work effectively.

- There is as yet no joint database from which information about all local governments can be collected. On certain subjects, such as the education, gender and age of municipal employees, no data are available at all. This makes it difficult to portray an overall picture of the country’s local governments.

- Latvia’s local governments have considerable autonomy and freedom to choose their own priorities and development solutions. Therefore, they each devote varying attention to the aspects of capacity (education, information technology, public participation) that are analyzed in this section.

### The relationship between the decision-making and the executive powers in Latvia’s local governments

Although most local government activities are devoted to everyday social and maintenance issues, there is a growing tendency to engage in long-term planning. The ability of a city or parish to present itself in a positive light from a long-term perspective can help it to attract much-needed investment and participate in various development projects. Long-term planning requires the appropriate allocation of time and human resources.

In connection with the yet-to-be-clarified administrative territorial and public administration reforms, there is much discussion about separating local government decision-making and executive powers as a precondition for effective management. Yet there is still no agreement on the extent and manner as to which this precept should be applied. Should the position of executive director be declared as compulsory for all local governments? The current law on local governments permits them to decide for themselves. Consequently, in many municipalities the decision-making and executive powers are not separated, and the head of the municipal council is also its chief administrator. Currently slightly more than a quarter of Latvian local governments (28%, or approximately 160) have executive directors.

Arguments for and against the separation of the decision-making and executive powers are of both a theoretical and practical nature. Theoretically most local governments agree on the necessity to separate the two powers, as this would promote greater competence in municipal decision-making. Frequently local government councillors lack the knowledge and experience necessary for executive administrative tasks. The goal of the executive is to alleviate the burden of decision-makers and relieve them of the need to work on time-consuming day-to-day issues. This enables decision-makers to adopt better policy decisions and to eliminate the frequently-seen contradiction where the head of a city council is involved in both the preparation and execution of municipal decisions.
In addition, the executive can ensure administrative continuity, as theoretically executive personnel do not have to leave their posts following changes in the decision-making administration. The greater stability of executive positions helps to ensure the continuity of decisions taken, and that initiated development priorities, plans and projects will not radically change together with a new decision-making administration.

Furthermore, the separation of decision-making and executive powers promotes mutual control, supervision and stability. The parallel existence of two branches of power decreases the opportunities for illegal lobbying and corruption.

As stated above, most local governments support the separation of the decision-making and executive powers, but only about one quarter of them have implemented it. The reason most frequently cited for combining the positions of municipal leader and executive director is the lack of financial and human resources. This is a particularly pressing problem in Latvia's smaller municipalities, where financial resources are very limited. Local government leaders also fear losing control and influence in delegating powers that they presently hold. Furthermore, there is widespread concern that two antagonistic powers may develop and prove unable to co-operate. Some municipal leaders are afraid that with the establishment of a separate executive, their municipality's autonomy may be threatened by a merger of local executive interests with those of central State executive authorities.

Although the separation of decision-making and executive powers is a useful instrument for promoting local government efficiency and human development, one cannot unequivocally conclude that such a separation at the local level would be beneficial in all cases. It would probably not be sensible to impose such a separation of powers in the country's smaller municipalities, considering their difficult socio-economic situation and shortage of resources. Administrative territorial reform, which would lead to the formation of larger municipalities, remains a pressing necessity. Only then might it be more practical to separate the decision-makers from the executive. In any case, the honesty and competence of municipal employees, and their ability to respect democratic principles, must be upheld.

Local government administrative capacity – education and knowledge

In this section the administrative capacity of local governments is examined from the aspect of staff professionalism and competence. At the
beginning of local government reform in 1992, the necessity for a new and high quality continuing education system for municipal leaders and employees was outlined, in part, to promote a parallel development of democratic processes in Latvia's local governments. From a practical point of view, the implementation of a local government's varied and responsible functions – which include health care, social services, education and cultural services – requires well-educated and independent-minded decision-makers.

As previously stated, the lack of both human and financial resources is preventing a number of local governments from adequately fulfilling all of their assigned functions. For example, in one vital sphere of local government work – social assistance – 91% of municipal employees had no education in social work in 1999. The data obtained from a survey of local government leaders shows that 36% of them have studied agriculture, 17% have studied engineering, 13% economics and 10% teaching. Most municipal leaders have no specialised administrative education, which once again illustrates the necessity for increased education opportunities to raise qualifications. The specifics of local government work require the skills and knowledge to follow changes in legislation, process a great deal of information, and understand municipal activity and community development in the broader context of economic globalization, Euro-integration, and political participation.

At present the education of local government employees is entirely in the hands of the municipalities themselves. The leader of each local government can personally determine how many and which employees to hire, the extent of their qualifications, their salaries, and further educational opportunities. A precondition for the optimization of the administrative system as a whole is a uniform personnel development system for all levels of management, permitting the education of a professional, qualified civil service that works under democratic principles of governance and high standards of conduct (see the introduction of this Chapter). Theoretically under the present public administration concept, a civil service with the same personnel management system as that of the country's central administrative institutions must be implemented in Latvia's local governments. This would entail the same system of quality demands, career planning, work performance and evaluation, salaries, disciplinary monitoring and promotion.

Currently, however, a personnel planning system is being implemented only at the State administrative level, for which State budget resources have been allocated. An institutional data base has also been established and the appropriate regulations have been enacted. The new Law on the Civil Service, which was adopted in September 2000, does not foresee the implementation of State civil service practices in local governments. One unintentional exception can be noted. In 2000 the State School of Administration organized and paid for the training of 22 municipal executive directors. However, this was merely a lucky coincidence that occurred thanks to individual activity and initiative, and which is not expected to continue in the next few years. The current situation can be described as one that excludes municipalities from the uniform establishment of a civil service in public administration.

Various public administration models used throughout the world differ according to the centralization level of specific public administration components. In Latvia the State administration's ability to create a professional civil service – which is one of a State's central functions – is still in question. There still has been no clear decision for or against the centralization of Latvia's administrative system, under which the civil service would operate at all levels of governance.

There is still no clear place for local governments in the overall scheme of State administrative reform. Yet as stated above, the current public administration concept foresees the inclusion of municipal workers in a unified civil service. Although the viewpoints of municipal leaders vary on this issue, one overriding fear is that the autonomy of local governments will be threatened by centralization tendencies. Not many municipalities wish to be integrated into a joint personnel-planning system, which admittedly would have the positive effect of providing certain guarantees and social protection measures for municipal employees. This issue must really be viewed together with the need for a sensible administrative territorial reform. If a large number of smaller municipalities eventually does consolidate into a smaller number larger entities, then there will be more reason not only to separate executive power from decision-making power, but also to integrate Latvia's local governments in one common civil service.

To satisfy the local government need for additional education opportunities, a whole series of institutions have become involved – the Latvian Local Government Studies Centre, the University of Latvia's
State and Local Government Project Management Studies Centre, the Consultation Centre of the Association of Local Governments, and several ministries. These are all individual institutions with independent municipal employee training programmes. Currently in Latvia there is no common system of goal-orientated municipal employee training. The teachers and trainers of these institutions do not have a common teaching strategy or programme content (themes, theories, proportion of practical work, priorities) or approach (direct teaching, correspondence courses, study groups), or methodology, or teaching qualifications, or target audience. In addition, there is no local government studies co-ordination mechanism for supervising the training process. Furthermore, study finances must be provided by the local government and are determined by the head of each municipality. The reception of additional financing from the State for further municipal training is one of the chief demands of Latvia's local governments.

The Phare State Administrative Reform Programme was initiated in 1999 to overcome the ad hoc approach to municipal employee training and to implement a common local government training system, yet its implementation has been suspended and there is no sign of it resuming in the near future. Once again, resources and time have been spent without the assurance of continuity. As a result, the training of local government politicians and employees is continuing in an uncoordinated manner. In such a situation each local government must decide on the training option that best conforms to its needs and resources.

Without an organized municipal training system and one unified system of criteria, the quality of local government services is not likely to improve quickly, as these should be provided by adequately prepared specialists. Several essential questions have not been answered concerning the required educational background, skills and evaluation of municipal specialists for the provision of quality services to the population.

Local government administrative capacity – information technology

In the 21st century, information technology (IT) has become a precondition for local governments to be at the forefront of national development processes. IT facilitates the acquisition and organization of quality information, without which a successful municipality cannot operate (for more details see the 1999 Report). High quality computer technology has become necessary for local governments to provide such essential services as the registration of residents, social assistance, health care, educational and cultural opportunities, support for local enterprises, environmental protection, employment promotion, as well as the upkeep of the local infrastructure, streets, and roads.

The acquisition of information technology has depended mainly on the financial capabilities of each local government and on the initiative of its municipal leaders. Therefore the use of IT computers and software varies widely among Latvia's local governments (see Table 4.3).

As shown in the table, a fairly large proportion of local governments is still not equipped with computers, and about a third of those in use are outdated. (Computers with 486 processors should be replaced as soon as possible, because they do not have the capacity to deal with modern information systems.) Local governments with Pentium I and Pentium II computers are able to use modern information systems. The proportion of Pentium III computers reveals the percentage of local governments that have been able to acquire computer technology within the last year.

Most of the software mentioned in Table 4.3 is required for municipal operations according to modern standards. Accounting software should be used by all local governments, yet at present only two out of three local governments do so. Only one in eight municipalities is linked to the NAIS Regulatory Enactment Information System, while only one-fifth uses the Internet. The contrast with Latvia's central government institutions could not be greater, where the Internet has become a daily and universal means of communication, as well as a document search and information tool.

Those local governments with no computer technology are faced with a slower flow of information and documents. Traditional means of document circulation can no longer assure effective results. Municipal activities require co-operation with the central government, which possesses centralized (and computerized) information on the population, real estate, taxes, et al. While part of this data is collected in the municipalities, the variety of means used to collect, organize, preserve,
and process it reduce local governments’ capacity to partake in the optimal circulation of information. In addition, municipal computer systems are often isolated and not linked with similar systems elsewhere — even within the same municipality, not to mention other parts of Latvia and centralized State information systems.

The computerization of local governments, like employee training, must ultimately be resolved at the State level. A significant step in this direction has been the implementation of the government-approved Unified Local Government Information System. By the year 2004, all municipalities are to be linked to a single data transmission system, with access to State registers and with information about each municipality provided on the Internet. The first steps for implementing the programme were taken in 2000, when the extent of local government computerization was established through a comprehensive survey. In addition, the Local Government Information System Concept was worked out, and State funds were allocated for the acquisition of computers and software, as well as the consolidation of the data transmission infrastructure. Local governments will also provide partial funding in order to increase their participation and interest in the project.

The fact that the State has already invested 450,000 lats (over 700,000 USD) to support the computerization of local governments gives hope that the work started will continue. The implementation of modern information technology should greatly improve municipal administrative work by speeding up decision-making, and decreasing both the number and volume of documents and notices to be submitted. It should also promote a greater degree of information exchange among State institutions, municipalities and the public, and provide the public with better local government information services.

Public participation and accountability

A survey of local government leaders and the public during the preparation of this Report gave the opportunity to clarify the views of both sides

<table>
<thead>
<tr>
<th>Table 4.3</th>
<th>The use of computer technology and software in Latvian local governments (no data on Riga included)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of local government</td>
<td>Use of computers (% of local governments)</td>
</tr>
<tr>
<td>City</td>
<td>72</td>
</tr>
<tr>
<td>District</td>
<td>92</td>
</tr>
<tr>
<td>Parish</td>
<td>64</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Use of software</th>
<th>Type of software</th>
<th>Used by % of all local governments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting software</td>
<td>69</td>
<td></td>
</tr>
<tr>
<td>Computerized calculation of real estate property tax</td>
<td>51</td>
<td></td>
</tr>
<tr>
<td>Computerized registration of residents</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td>Computerized registration of natural migration</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>Use of the Internet (with permanent or modem connection)</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Use of the NAIS Regulatory Enactment Information System</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Use of the GIS programme</td>
<td>7</td>
<td></td>
</tr>
</tbody>
</table>
about public participation in the decision-making process. An overwhelming majority (86%) of surveyed municipal leaders believes that the public has either very extensive or fairly extensive opportunities to influence decision-making at the local government level. However, only 22% of the public thinks so. One-third (33%) of municipal leaders perceive the passivity of the population and the lack of participatory motivation as a very serious problem, while another 58% see it as a fairly serious problem. Most of the surveyed local government leaders believe that the public has sufficient opportunities to participate in local decision-making processes, but is impeded by its own passivity and lack of interest. Most surveyed members of the public feel that they cannot influence decision-making in their local government, although they generally believe that people do want to participate in the development of their community, and that mechanisms should be introduced to increase public participation in policy-making.

Besides attitudes and opinions, the research conducted for this survey also sought to establish what local governments and the public are currently doing to promote local participation (see Table 4.4). Local government leaders indicate that municipalities engage in consultations and various forms of co-operation with the public, civil society groups, NGOs and State institutions. A certain initiative and activity on the part of both municipalities and the public is evident regarding meetings with deputies and municipal employees, and regarding public discussions. However, local government initiatives regarding consultations with interest groups and NGOs, and regarding the delegation of functions to NGOs have not been as successful.

Overall, the democratic link between the various political agents at the local government level is still at the search and development stage, and thus ineffective. This is also shown by the public evaluation of available forms of participation in local government decision-making. For example, in many of the surveyed municipalities, elected politicians and councillors have met with the public and held public discussion meetings. Yet less than one-third of the surveyed public has participated in such activities and only one-third regards these participation forms as effective. The survey results show that participation, public involvement, and openness in local government activities are priority issues that must be fully, rather than formally implemented.

One determinant of local government capacity is the quality of adopted and implemented decisions and their evaluation by the various parties involved. The evaluation of municipal activities can occur either through the form of an internal control system, or through various means of public control with the participation of the inhabitants, the mass media and public organizations. The Law On Local Governments indicates that city or parish council meetings must be open, and that council decisions, council chairmen's directives, audit commission conclusions and open meeting resolutions must be accessible to the public.

One step towards the promotion of greater openness and accountability may be soon be taken with an expected amendment to the Law on Local Governments, under which local governments would have to submit annual public reports, as has been the case with government ministries since 1999. The first such local government reports may be submitted in 2002 on the current calendar year. While this expected amendment can be considered as a positive step, there are serious doubts about its effective implementation. Some local governments have already said that they lack the means for funding such reports, as well as the human resources for writing and publishing them. Others doubted the usefulness and practicality of such reports.

The above again confirms the often-stressed contention in this Report that the availability of information on its own does not necessarily entail participation.

Internal audits

Internal audits are one mechanism for ensuring the internal control and accountability of local governments. The basic task of such audits is to establish whether local government activities have conformed to the law and to the interests of the electorate. Unfortunately, current internal audits or control systems do not work in practice or are ineffective. As a result, such democratic principles of governance as the transparent use of financial resources and accountability for adopted policy decisions have not acquired the needed momentum.

A well-organized and planned internal control and financial monitoring mechanism can also serve as a valuable policy analysis instrument. Currently internal audits are much better organized and more seriously conducted in Latvia's central administra-
Ministries have developed special departments for this purpose, organized training sessions, issued handbooks, developed report forms and attracted foreign investments.

According to law, each local government must submit an annual report listing all of its revenues, expenditures, loans and special budgets to the State Treasury. The most essential part of the report – an evaluation of the efficiency of the local government’s spending practices – is prepared by an audit committee that is part of the local government structure. The Law On Local Governments states that audit committees must establish whether funds have been spent in accordance with their intended purposes.

### Table 4.4

**Local government activity in promoting public participation, and actual public participation in municipal policy-making processes**

<table>
<thead>
<tr>
<th>Local government activity in promoting public participation</th>
<th>Public participation in municipal policy-making processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>What methods and resources do you use, and how often do you use them for resolving important issues at the local government level? (% of surveyed local government leaders*)</td>
<td>Have you partaken in any of the activities listed below? (% of surveyed inhabitants*)</td>
</tr>
<tr>
<td>Consultations and co-ordination with other local governments</td>
<td>Wrote letters to my local government</td>
</tr>
<tr>
<td>Meeting with members of the public</td>
<td>Met with municipal deputies</td>
</tr>
<tr>
<td>Consultations with interest groups and NGOs</td>
<td>Participated in discussions about my city’s development plan</td>
</tr>
<tr>
<td>Consultations and co-ordination with entrepreneurs</td>
<td>Include myself among the category of entrepreneurs and self-employed</td>
</tr>
<tr>
<td>Consultations with the Association of Latvian Local Governments</td>
<td>Turned to NGOs</td>
</tr>
<tr>
<td>Public discussion meetings</td>
<td>Participated in public discussion meetings</td>
</tr>
<tr>
<td>Consultations with ministries and ministry departments</td>
<td>Met with ministers and civil servants</td>
</tr>
<tr>
<td>Consultations with political parties, politicians</td>
<td>Met with Saeima deputies</td>
</tr>
<tr>
<td>Delegation of functions to NGOs</td>
<td>Active member of an NGO</td>
</tr>
</tbody>
</table>

* The answer “cannot decide” is not included in the Table.
intended use as outlined in the annual budgets. The committees must also verify the efficiency of spending by local government agencies, enterprises and employees. In addition, they must ascertain whether municipal property has been upheld in accordance with the law and in the interests of the public. The audit committee reports to the local government council of deputies, reports all irregularities and provides recommendations for their future prevention.

An analysis of the work of audit committees reveals that many local governments do not have the capacity to plan their financial resources effectively, evaluate the efficiency of budget spending, and implement transparent budget-planning and reporting procedures that conform to the law. The work of many audit committees is only conducted for form’s sake. Only in rare cases do committees include evaluations on the efficiency of resource spending in their reports.

Several reasons can be given for the development of such a situation. The lack of capable specialists or human resources has already been mentioned. The Law on Local Governments does not stipulate the required professional expertise of committee members. The formation of audit committees is actually a political decision that is left to the discretion of the dominant political forces in each local government. As a result, there is a risk that such audit committees will turn a blind eye to discovered irregularities. Practically no attention has been devoted to training audit committee members or providing them with handbooks and practical recommendations on the execution of their work. Minimum standards of professional competence should be established for audit committee members.

The fact that audit committee members work on a voluntary basis in their free time also contributes to the formal nature of such audits, which may pay more attention to economic activities than on the quality of governance and management efficiency. Although by law audit committee work should be paid for from local government budgets, in practice funding for such work is usually not provided. Resources are also not allocated to hire professional audit companies or certified auditors, who by law must be invited by the local audit committee at least once a year to conduct a professional audit. Last year, according to State Auditor data dating from September 2000, annual audits conducted by certified auditors had been submitted only by 30% of local governments. The main argument presented for not submitting the required reports has again been based on the inability of local governments to pay the high fees of certified auditors or auditing companies. Furthermore, in Latvia there are only 131 certified auditors for 578 local governments. In addition, many certified auditors specialize in auditing private companies, but not public institutions. These factors have also hindered compliance with the demands of the law.

Since the size of Latvia’s local governments and the resources available in each municipality varies greatly, co-operation in the development of efficient auditing systems could occur through the joint formation by smaller local governments of common internal audit systems that would decrease audit expenses and improve their quality. Emphasis should be given to the publication of audit results that are accessible to all inhabitants.

Administrative characteristics of Latvia’s smaller local governments

Latvia is administratively divided into local governments of varying size, the vast majority of which are very small (see Information 4.7). The population in almost a third of Latvia’s local government territories does not exceed 1000 people, and does not exceed 2000 people in 71% of local government territories. An overwhelming majority of local governments (84%) administer territories whose population numbers less than 3000. This fragmentation of Latvia’s territory has been inherited from the first period of independence (1918–1940), and from the subsequent Soviet period, which lasted until 1991. The fact that municipalities remain small is also influenced by demographic processes, namely, the migration of inhabitants to larger urban centres, and by the slow process of voluntary local government unification. While the optimal size of local governments has not yet been determined, several political analysts and experts from Phare projects in public administrative reform and regional development have pointed to the necessity of forming larger local governments. Although the size of a local government is not always the determining element in its development, the smaller a local government, the larger the
risk that its development will be slower and that it will have less resources at its disposal than larger local governments.

Several potential risks threaten the efficiency and democracy of smaller local governments.

- **The limitations of political choice.** In order to develop successfully, a local government must have democratically elected politicians and capable leaders at its helm. Since democratic elections are based on choice, they work best under conditions of wider choice. Small local governments have a small electorate that is reduced even more by the fact that on average only half of eligible voters use their right to vote in local government elections (56% of eligible voters participated in the 1997 municipal elections). Small local governments have a smaller number of deputies to be elected and a limited choice of candidates. Therefore, the complaint that there is “nobody to choose from” is widespread in smaller local governments. To promote greater political activity and wider choice, the Saeima decreed that in the 2001 elections, each local government must have at least two lists of candidates.

- **The presence of personal biases.** In smaller local governments the subjectivity of personal likes and dislikes is much more pronounced. For example, local government leaders frequently assemble people they know and like in choosing their staff, and rarely use professional qualifications as criteria for the selection of employees. Smaller local governments have a greater likelihood of becoming captive to specific interests, which could lead to the unjustifiable use of resources and the introduction of undemocratic styles of governance.

- **The lack of human resources.** By law all local governments must perform the same set of functions and provide the same range of services. Smaller local governments experience greater difficulty in hiring a sufficient number of competent personnel to perform these services. This deficiency is particularly evident in the smallest and least developed rural municipalities, and is partially fuelled by the migration of young and talented people to more developed urban centres, including Riga. Smaller local governments cannot afford to hire many employees and therefore their functions are performed by less people, who simultaneously perform secretarial work, social work, supervise registry offices, and conduct other tasks. As some local government functions require specific knowledge, they are either not implemented or are performed poorly due to the lack of specialists. The lack of qualified lawyers is an acute problem in many municipalities. The problem of finding competent people to work in local government auditing committees has already been mentioned. In smaller local governments financial savings are usually implemented at the expense of staff, and often five or six functions are performed by two or three employees.

### Information 4.7

**Breakdown of Latvian local governments at the end of 2000**

**Breakdown of local governments by status** (in November 2000 Latvia had 578 local governments)

<table>
<thead>
<tr>
<th>Status</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parishes</td>
<td>473</td>
<td>31%</td>
</tr>
<tr>
<td>District cities</td>
<td>65</td>
<td>40%</td>
</tr>
<tr>
<td>Counties (newly formed joint municipalities)</td>
<td>7</td>
<td>13%</td>
</tr>
<tr>
<td>Republic cities</td>
<td>7</td>
<td>12%</td>
</tr>
<tr>
<td>Districts</td>
<td>26</td>
<td>3%</td>
</tr>
</tbody>
</table>

**Breakdown of local governments by size of population** (except for the 26 district local governments)

<table>
<thead>
<tr>
<th>Population Range</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 1000</td>
<td>170</td>
<td>31%</td>
</tr>
<tr>
<td>1001 – 2000</td>
<td>220</td>
<td>40%</td>
</tr>
<tr>
<td>2001 – 3000</td>
<td>72</td>
<td>13%</td>
</tr>
<tr>
<td>3001 – 10,000</td>
<td>66</td>
<td>12%</td>
</tr>
<tr>
<td>10,001 – 30,000</td>
<td>17</td>
<td>3%</td>
</tr>
<tr>
<td>30,001 – 900,000</td>
<td>7</td>
<td>1%</td>
</tr>
</tbody>
</table>

1 Latvian Department of Local Government Affairs
• The weakness of administrative procedures. The Law on Local Governments requires the establishment of one permanent committee for financial and social issues and one for educational and cultural issues in each local government. These committees develop and prepare draft decisions for review at city or parish council meetings. The work of local government institutions and enterprises, budget projects and expense estimates are under the authority and control of these committees. Again, due to the lack of human resources, these committees do not even exist in some small local governments. This in turn has a negative effect on the quality of decision-making. In order to promote the reorganization of administrative procedures, the Law on Local Governments requires each local government to work out its own statutes. Theoretically, these statutes regulate the organization of local government activities and decision-making procedures. The statutes of Latvia’s larger municipalities have been more or less developed, are operational and are regularly up-dated, whereas in the smaller municipalities they are frequently of poor quality, out-dated and not always followed. This results in a greater risk of spontaneous and subjective decision-making that is concentrated within a narrow circle.

• The shortage of financial resources. The capacity of local governments to implement administrative activities designed to promote human development depends to a great degree on the financial resources at their disposal. Good governance costs money. In most cases, the wealthier the municipality, the more opportunities and tendencies for it to advance and develop.

An analysis of local government revenues and administrative expenditures shows that revenues from taxes and non-taxed income per resident increase along with the size of local governments, while administrative expenditures and State subsidies from the Local Government Equalization Fund correspondingly decrease (see Figure 4.1).

The weak financial capacity of smaller local governments is reflected in all three financial analysis sections. The smallest municipalities have the smallest revenue and their upkeep is the most costly. As a result, smaller local governments cannot support themselves and properly perform their assigned functions, which is why they receive the largest State subsidies. The proportion of administrative expenditures in local government budgets fluctuates from two percent to one quarter. The higher the proportion of administrative expenditures, the less resources available to perform other
important tasks, not to mention long-term investments for community development. An examination of the ratio of taxed and non-taxed local government income per person – which is an indicator of a local government’s economic capacity – shows that the country’s smaller municipalities are in the least favourable position.

It must be stressed, however, that in spite of the potential risks (which can apply to any municipality) and their unfavourable position, many small municipalities are working quite successfully, and skilfully coming to terms with their unenviable situation. An analysis of their performance mechanisms and degree of efficiency would be useful.

The power to reduce the many risks facing smaller local governments does not depend solely on the skill and honesty of their personnel. Other factors, such as their location and infrastructure, are also important. One proposed solution for strengthening local governments involves the consolidation (or amalgamation) of smaller municipalities into larger ones. This process is slowly being implemented within the framework of administrative territorial reforms begun in 1992. However, to date only 28 local governments have merged into 11 consolidated local governments that include seven counties, and it is still too early to judge whether their overall operational capacity has increased.

The slow pace of reforms to date shows that in spite of the promised advantages of amalgamation, many local governments are reluctant to engage in it. Experts who have surveyed several districts admit that the amalgamation process itself presents some difficulties. The main benefits of amalgamation would include the improvement of administrative and economic capacity (which in turn should lead to higher service quality), the increased specialization and higher qualification of employees, a greater concentration of financial resources, improved territorial development planning and participation in international projects, and the further decentralization of State governance in the favour of local governments (through the allocation of more functions currently executed by the State).

The main drawbacks include public opposition to amalgamation, the costs incurred by such changeovers, and the distancing of councillors from their electorate. The chief benefit of maintaining the fragmented administrative territorial division in its current form would be the preservation of closer contact between local government councillors and the public. Yet the losses are many: a heavy, inefficient and slow administration process, encumbered budget planning, a possible increase of administrative expenditures, an arduous process of outlining activity priorities, the continuing uncertainty about further development perspectives and the ultimate prospect of forced amalgamation.

Amalgamation is the most convenient route from an administrative point of view, as it would alleviate the supervision, co-ordination, and execution of administrative tasks and attract specialists. This would also promote quicker economic growth and encourage human development. Whatever route is taken in the course of reforms, it is essential to ensure that all principles of good governance are strengthened, namely: participation, transparency, responsiveness, equality and justice, efficiency, accountability and strategic direction.

Conclusions and recommendations

If planned national programmes are not granted sufficient resources, then their implementation will remain in doubt. In order for policy-making to promote human development, budget planning and adoption processes must be linked to the strategic priorities and vision of the country.

A long-term development vision must first be agreed upon for the country, before human development goals can be set and their implementation monitored and evaluated. The State Chancellery’s Policy Co-ordination Department has an essential role to play as the principal co-ordinating institution for working out this vision.

National programmes and budget allocations reflect national priorities and values. In order to promote transparency and understanding about its vision for Latvia’s future, the government must publicize a declaration of its values, ethical foundations and fundamental principles of governance. These fundamental principles must be formalized and embodied in the daily functions of the State’s administrative institutions. Mechanisms for monitoring the observance of these fundamental principles should be established, with emphasis being placed on the prevention of bad governance, rather than on penalties in the event of transgressions.

In order for the multi-sectoral co-ordination of human development policies to become more efficient, and for all individuals to feel that they also
have a role to play in the country's overall development, the principle of team activity must be strengthened among ministry staff. Unhealthy competition between ministries must be diminished, and obstacles to inter-ministry co-operation in policy-making must be eliminated.

Governmental public relations mechanisms must be developed to increase transparency and accountability. Besides the "traditional media," the Internet and the latest technologies should also be used.

Annual reports are useful instruments that promote ministry responsibility, but do not incorporate concrete policy goals or indicators to measure them. Therefore, the reader (in this case, the public) has little opportunity to analyze the efficiency of the country's administrative institutions. Information about budget expenditures must also be linked to information about the execution of concrete programmes. These principles should be observed in the local governments' forthcoming annual reports.

In order for quality policy analysis to play an increasing role in Latvia's national policy-making processes, the capacity of policy analysts and the institutions requesting such analyses must be increased. Changes must also be made to the State system of commissioning policy analyses in order to facilitate the transfer of international experience to local policy analysts and increase the level of co-operation between Latvian and foreign researchers. Research by foreign experts is usually conducted outside of local policy analysis circles. Consequently, the capacity of Latvia's clients and local analysts is not increased.

Inter-ministry co-operation in the research of multi-sectoral issues must also be promoted, and policy analysis priorities should reflect national priorities.

To improve the quality of public policy in the nearest future, the capacity of independent policy analysis experts and policy institutes must also be raised in order to permit them to conduct qualitative analyses of public policies and to forecast the consequences of such policies through cost-benefit studies, including the evaluation of social costs. Here social costs are understood as the widening of inequality or misunderstanding between various social or ethnic groups or between men and women.

In this regard, the opportunities for potential specialists to gain the necessary policy analysis skills must be increased in Latvia's higher education system.

Decisions on important issues that concern municipal development, their implementation and their adequate supervision are dependent on the knowledge and skill of local government politicians and employees. The necessity for skilled and honest people is compounded by the fact that local governments are more difficult to supervise and control than the central State apparatus.

Increased public participation in local government decision-making must be promoted, particularly regarding such essential issues as community development and improving the quality of life. This can be done by organizing more public discussions, by involving public interest groups in decision-making and development planning, and by organizing partnerships between local governments, NGOs and businesses.

In order for local governments to perform their functions according to modern requirements, priority must be placed on increasing their technological capacity.

The autonomy and decentralization of local governments is not always the best solution for improving municipal capacity. A single overall approach for improving the administrative capacity of local governments must be developed and implemented. To date the greatest emphasis has been placed on strengthening the capacity and improving the quality of the country's central (or national) institutions.

In promoting high standards and demanding high quality services from local governments, appropriate financing must be provided and a municipal support programme must be established at the national level. The development of a unified training system for municipal politicians and employees would be a positive step. Only then would it be possible to implement uniform and compulsory standards of service in all local governments. Resources must also be allocated to increase the administrative capacity of local governments. Without an appropriate local government infrastructure, which includes information technology, local governments will be able to ensure neither a qualitative flow of information, nor document circulation, nor an effective decision-making process. In many local governments the principal means of document circulation is still the national postal service. Some local governments have no faxes or computers or Internet connections, and their telephone lines are of poor quality.
Local government capacity could be raised by developing various local government co-operation models, thus respecting their municipal sovereignty and permitting them to choose on their own whether or not to amalgamate.

Administrative capacity is not developing at the same speed and equally successfully in Latvia's central and local institutions of governance. In certain aspects of capacity, achievements have been much more pronounced at the central level of governance (some examples include access to information, internal auditing and public accountability procedures, and uniform training systems). In order for human development in Latvia to be more uniform, the capacity of the country's administrative institutions must be more evenly balanced out.

In certain aspects of capacity not much has been achieved at either the central or local government level. The attraction and use of policy expertise has not been effective, and assessment indicators are not used. Therefore it is impossible to evaluate the results of several development processes. Evaluation and transparency are still insufficiently applied in the country's administrative institutions. This hinders policy continuity, as well as the participation of an informed and knowledgeable public.