

Public Policy and Human Development



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.)

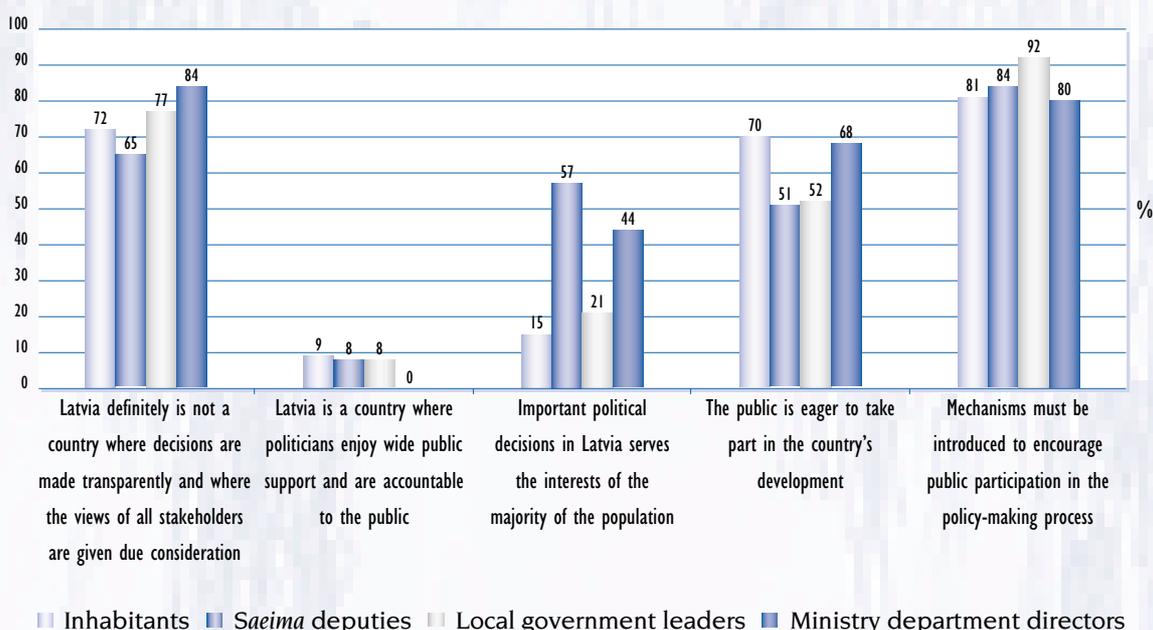
Parliamentary deputies (as well as local government leaders and the public) considered the lack of decision-making transparency to be most acute in the Cabinet of Ministers, ministries and ministry institutions.

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")



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")

Institutions	Evaluators	"To what extent is decision-making by the following institutions honest, competent, responsible and transparent?"			
		Honest	Competent	Responsible	Transparent
The <i>Saeima</i> (Parliament)	The public	14	39	24	19
	<i>Saeima</i> deputies	54	85	57	58
	Local government leaders	25	58	30	28
Cabinet of Ministers (government)	The public	18	45	27	17
	<i>Saeima</i> deputies	40	83	60	17
	Local government leaders	22	57	39	17
Ministries and institutions under their supervision	The public	16	33	21	15
	<i>Saeima</i> deputies	37	77	54	20
	Local government leaders	23	56	26	9
Local governments	The public	32	45	40	28
	<i>Saeima</i> deputies	49	69	60	32
	Local government leaders	95	82	93	79
Non- governmental organizations	The public	37	33	35	29
	<i>Saeima</i> deputies	74	40	46	54
	Local government leaders	58	38	40	39

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

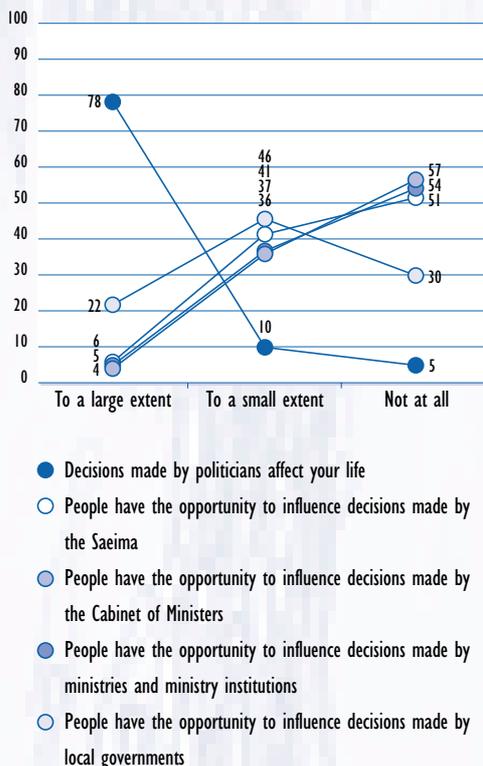
Pension policy in Latvia is crucial from a human development context, as more than a quarter of the population receives old age pensions (27.1% at the end of 2000, compared to 26% at the end of 1999). Due to the ageing trend of Latvia's inhabitants, pension policy may serve to promote generation solidarity, 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.

Figure 1.2

Political dependency and influence in relationships between the public and those in positions of power (% of population polled)



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 *Delna* branch of Transparency International showed that 25% of respon-

Table 1.2

Average old-age pension and subsistence minimum goods and services basket

Year	1996	1997	1998	1999	2000
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. In

Table 1.3

Household income and unemployment in rural and urban areas

Year		1996	1997	1998	1999	2000
Monthly income per household member (in lats)	Rural	47.71	49.86	51.40	50.39	52.13
	Urban	53.11	57.80	67.26	70.93	76.69
Rural income compared to urban income		90	86	76	71	68
Percentage of job seekers among economically active residents	Rural*	10.8	6.9	7.4	10.7	10.8
	Urban	21.3	17.6	16.4	16.0	16.0

* 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 fulfil 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 popula-

tion 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

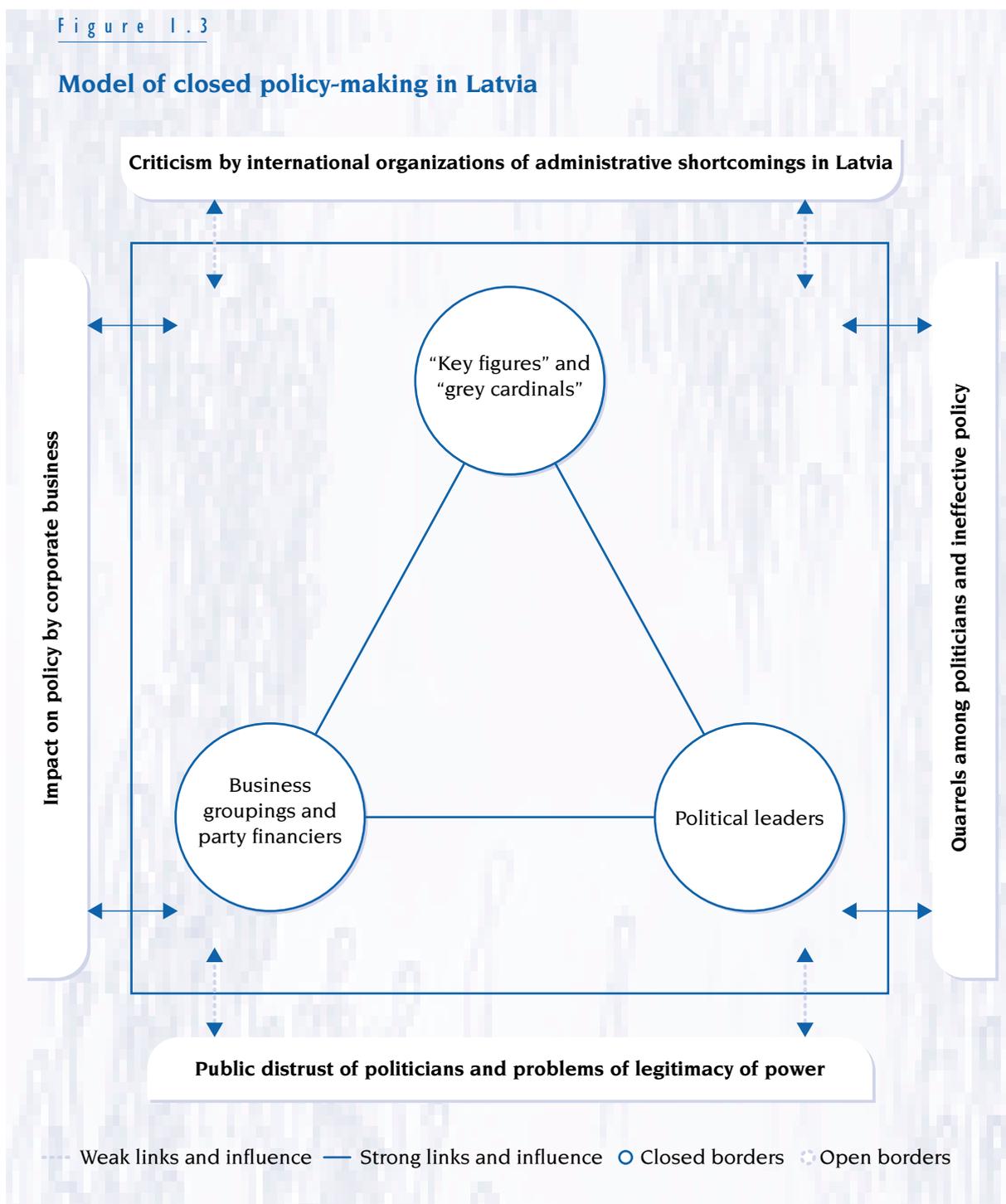
politics, how they think and act within it, and what they think should or should not be done in politics. This discourse reflects many expressions of seclusion in political practice.

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.

Figure 1.3

Model of closed policy-making in Latvia



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 prac-

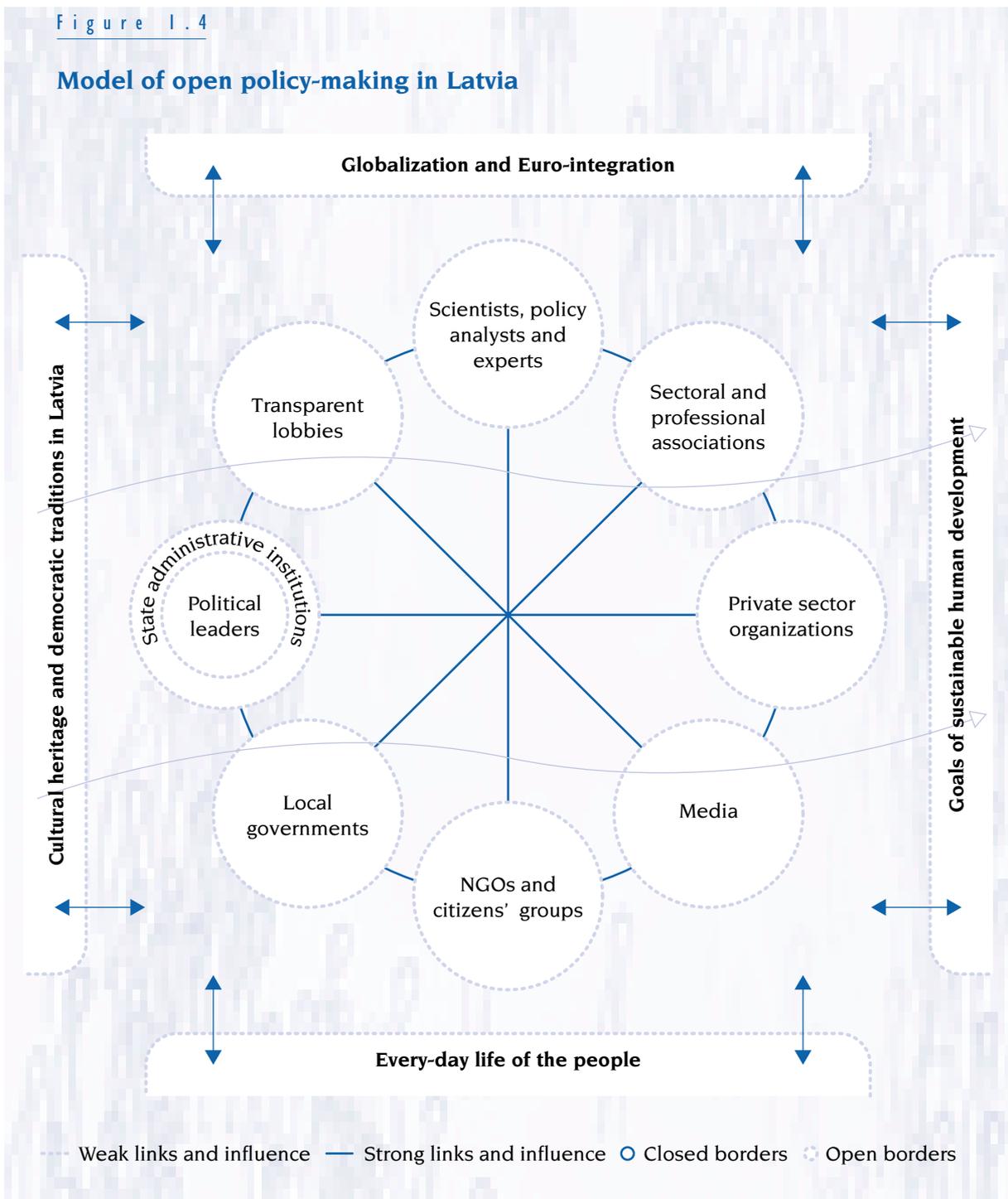
tices to occur in cases of closed decision-making is also evidenced by the following examples of political discourse (see Information 1.2).

“Important” political decisions in Latvia

Among politicians in Latvia it is customary to divide public policy issues into “important” and “less

Figure 1.4

Model of open policy-making in Latvia



Information 1.1

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.

Word or group of words	Context, meaning	Speakers
"10, 40, 50, 80 people"	This number of people is mentioned as the main circle of political decision-makers: <i>"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."</i>	Politicians, NGO representatives
"Depending on the [telephone] call"	<i>"If political decisions affect important economic interests, then they are made by a narrow circle, depending on the [telephone] call."</i>	Saeima deputy
"Key figures"	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. <i>"They describe themselves as party leaders, while others call them grey cardinals."</i> One of the main functions of such key figures is to consolidate the links between parties and party financiers.	Politicians, business people, NGO representatives
"Outside the Saeima"	<i>"During recent years the centre of gravity in making important decisions has moved outside the Saeima to the coalition. This is bad for openness."</i>	NGO leader
"Quickly or not at all"	<i>"Decisions affecting the interests of large business groupings are made either incredibly quickly or not at all."</i>	Saeima deputy
"Business lobbying"	<i>"Specifically co-ordinated initiatives were taken by several deputies in adopting the law on sugar." "I believe that it manifests itself as rather blatant lobbying on the part of individual deputies or factions."</i>	Saeima deputies
"Tit for tat"	<i>"Pay your money before the elections and then cash your dividends in the decision of important issues."</i>	Media representative
"Among friends"	<i>"Important decisions are made among friends, who are linked by friendship and financial ties."</i>	Government official
"Economic groupings"	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 <i>"new economic groupings are emerging, who wish to gain more influence in politics."</i>	Politicians, business people, NGO representatives
"Yes, yes, yes!"	A Saeima deputy answering the question: <i>"Are there significant differences in the decision-making process when important decisions affecting the interests of large business groupings are made?"</i>	Saeima deputy



Information 1.1 (continued)

"Peculiar decisions"	"There are many peculiar and absurd decisions. We see them but do not really understand them. But it is important to understand them, because that's where the money is."	Media leader
"Influence of money"	"The influence of money in politics has reached dangerous proportions and there are no arguments to regulate it." "As we know, important decisions may be influenced by money - absurd decisions."	Politician, journalist
"Money bags"	"In Latvia important decisions are influenced by the chief money bags - those throwing money around and considering it as a tool for achieving policy."	Party leader
"Not for nothing"	"People who act as party sponsors and decision-makers do not do it for nothing."	Government official
"Unexpected coincidence"	"A solution beneficial to Latvia is reached only as a result of an unexpected coincidence, for example, in the election of Latvia's President."	Businessman
"Official and unofficial channels"	"Decisions may be influenced through official or unofficial channels. Officially one can write letters, offer recommendations, or involve the press, but practice shows that personal contacts and unofficial meetings are often more important."	NGO leader
"Short-cuts"	"Making short-cuts - achieving the adoption of favourable decisions by giving a direct bribe."	Businessman
"Party centralization"	"In many parties the decision-making process is centralized and ignores the opinions of individuals. Therefore the votes sometimes reveal surprising results"	Saeima deputy
"Grey cardinals"	"The grey cardinals are people who do not hold officially visible positions, but sit on boards and centres of influence and feed on these. I was a grey cardinal myself."	"Grey cardinal"
"Privileges in privatization"	"Of course, there are considerable differences in decision-making, because Government commissions and privileges in privatization are granted to groupings who have previously financed the decision-makers."	Saeima deputy
"Visible and invisible decision-makers"	"Visible decision-makers are the Parliament, its deputies, the Cabinet of Ministers and members of the government. The invisible decision-makers act when decisions are made in a peculiar way. At that point it comes to light that deputies are the owners of homes and property."	Businessman
"Closed circle"	"Agreement on person A was reached in a closed circle. Agreement on person B will also be reached in a closed circle. Afterwards the Saeima will play out democracy."	Party leader
"The most important decisions"	"The most important decisions are those of an economic nature. They are linked to privatization and to the establishment of new institutions to which the government is attached. Less important issues related to the budget are decided by the Cabinet of Ministers."	NGO representative
"In the right hands at the right moment"	"Put it all together in a package and bring it to me. I will place it in the right hands at the right moment. The process has taken off and there can be no further delay." A "grey cardinal" answering his cellular telephone during an interview.	"Grey cardinal"

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-

Information 1.2

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.

Price (money, user value, corrupt practices)

Price (money, user value, corrupt practices)	Political equivalent (what it can buy in politics)	Speaker
"2000, 5000, 10,000 (in both lats and dollars)"	"Two thousand, sometimes five or ten - in lats or dollars. It's all the same to them." An indignant businessman complaining about corruptible politicians.	Businessman
"New car"	"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!"	Journalist
"25,000 lats"	"Certain party deputies do not have free voting options. Their hands are tied by 25,000-lat agreements on the violation of party discipline."	Saeima deputy
"100,000 lats"	"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?"	Representative of a sector association
"A new house"	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." "A very good house can be built for 100,000." "Houses are indirect cases that are now surfacing."	A politician from another political party Businessman Journalist
"1 million lats"	"Politics is becoming more expensive. Before the previous Saeima elections our party spent about a million. The municipal elections [in 2001] will cost more."	Party leader
"3 million lats"	"When talking about the robbing of the country, one is reminded of the [Latvenergo] three million affair. "Nobody actually stole that amount directly, but many were there when it happened and the money did go somewhere."	NGO representatives
"Five shipments of smuggled fuel"	"I don't know how much this country costs! Two or maybe five shipments of smuggled fuel!"	Saeima deputy
"15 million US dollars"	"Lattelekom's lawyers were paid 15 million. There is talk that afterwards smaller amounts were transferred to party treasuries."	NGO leader
"Give to key figures"	"For the most part [money] is given to individual key figures, and in larger amounts. Smaller amounts are given to parties."	Politician
"Hunting together"	"Money ties them together. This week a hunting club will be opened, owned by company X. Politicians A and B will also be there. They should not be. It is clear that money is involved there!"	Government official



Information 1.2 (continued)

"Buy votes"	"[They] buy votes for Saeima voting sessions."	Saeima deputy
"Buying journalists and experts"	"There are honest people among journalists, but there are also those who can be bought. And experts, too, can be bought."	Politician
"Organizing peculiar competitions"	"Municipal orders often work by the principle of 'buying a T-shirt and paying for a fur coat.' When spending not one's own, but public money, peculiar competitions and peculiar winners often appear."	Journalist

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.

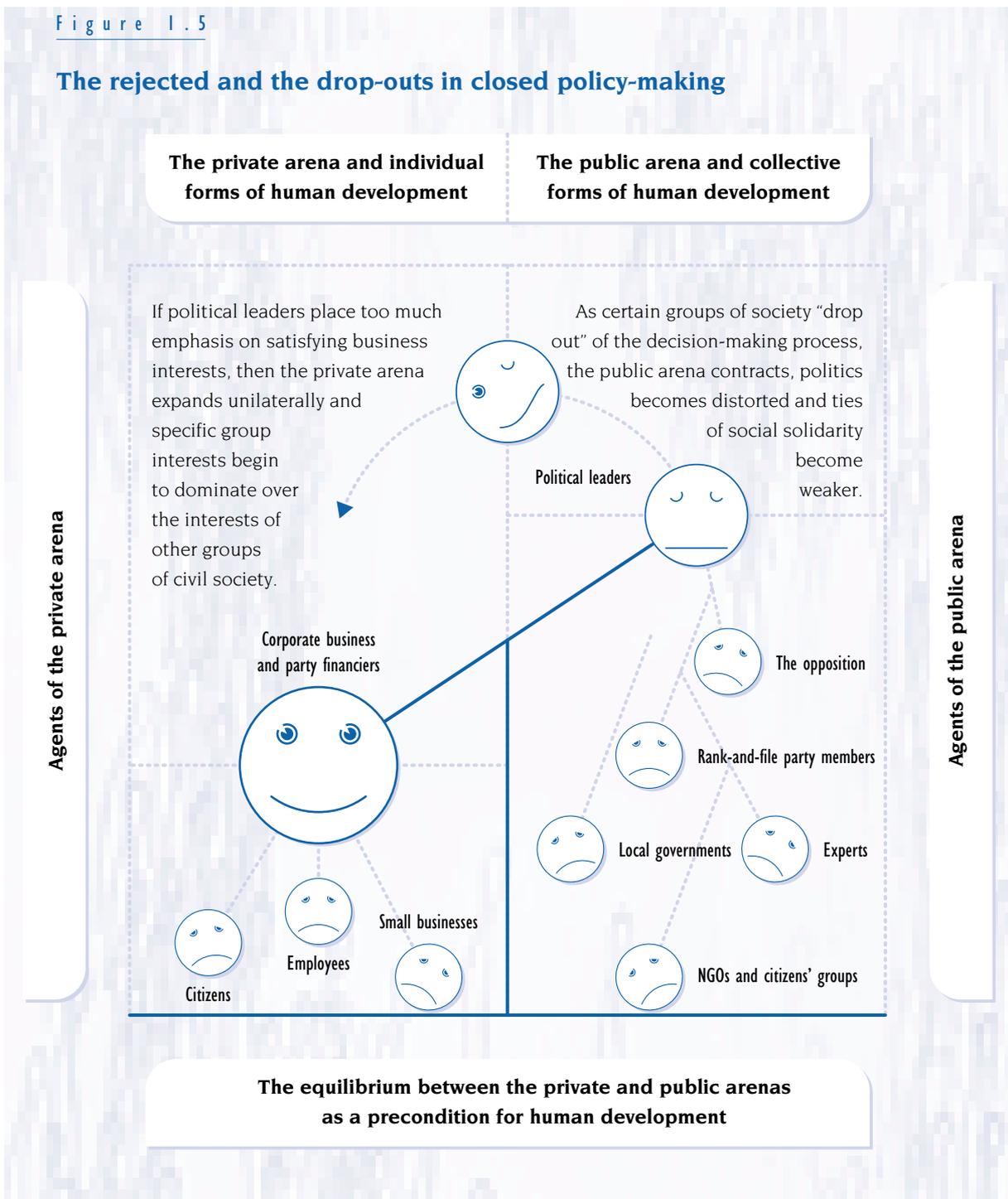
Politicians involved are also placed in an embarrassing situation. Left one-to-one with a business-

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





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 nation-

al 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 co-operation 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



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 of 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 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
“Lack of experience on the part of deputies.” “Lack of competence and accountability.” “Failure to anticipate consequences.” “Lack of strategy.” “Unreal, wrong priorities.” “Bad decisions.” “Adopted decisions do not serve long-term public interests.”
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.”

Obstacles*

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

1. Selfish 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.”

*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.

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 co-operation 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 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.