

# The Public Policy Process



## Introduction

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

## Institutional framework of public policy

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

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

Bearing in mind the historical inheritance left by the Soviet occupation, the right to be elected is subject to some limitations connected with activities during the occupation. Several political forces have contested the legality of these limitations on human rights grounds and have appealed to the

Constitutional Court. However, the Constitutional Court ruled on August 30<sup>th</sup>, 2000 that existing limitations conform both to the Constitution and to several international human rights documents. The Court pointed out that “the purpose of limitations on passive voting rights is to protect the democratic system of the State, its national security and the unity of the territory of Latvia. They are not aimed against the plurality of ideas in Latvia or against any person’s political views, but rather against persons who have actively attempted to undermine the democratic system of the State and have thus turned against Article 1 of the Constitution.”

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

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

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



*Saeima* deputies may also perform the functions of government ministers or ministry parliamentary secretaries while keeping their deputy mandates. While the *Saeima* has extensive powers in deciding about the activities of the entire State apparatus, its powers are limited by the fundamental human rights established in the Constitution and by several elements of direct democracy. The electorate has to power to dissolve the *Saeima* through a referendum, but this complexity of this procedure makes its use extremely rare.

Referendums are an important element of direct democracy provided for by the Latvian Constitution, which emphasizes the sovereign role of the people and which creates opportunities for the public to change unsuccessful decisions. The *Saeima* may amend those articles of the Constitution that outline the legal foundations of Latvia only following a national referendum.

The power of the courts is strictly separated from the legislative and the executive and as an institution the judiciary has significant independence.

Latvia is a unitary State whose borders have been established in international agreements. While Latvia has several significant cultural and historical regions, these have no particular legal status. For administrative purposes the country is divided into 26 local government districts, in which elections are held every four years. As with the *Saeima*, local governments are elected by Latvian citizens who have reached the age of 18. In order to stand for office one must be a citizen aged 21 or over, subject to the same limitations that apply to the deputies of the *Saeima*.

## Public policy agents

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

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

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

Yet in Latvia, as in many other post-socialist countries, the phenomenon known as “state capture” has been detected, under which laws, regulations and other decisions adopted by State institutions are passed in the interests of small groups or individuals, and under which public officials and politicians have received illegal private benefits. Latvia has been qualified as a country with a high level of “state capture” or “economic capture.” Since state capture occurs through channels that give “capturing companies” distinct privileges, and since those not involved in such decision-making process are subject to *de facto* discrimination, there is basis for the hypothesis that a very limited circle of agents participates in the Latvian public policy process. This is at least partially confirmed in interviews conducted by the authors of this **Report**.

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

In qualitative interviews, people connected with the policy-making (party leaders, business people, media and NGO representatives) were asked to answer the question: “Who are the main players in the policy-making process?” Many pointed out that the pol-

icy-making process in Latvia is rather closed and that the circle of chief players is small. Among the most significant policy agents, they mentioned economic groupings (using such labels as “economic interests,” “economic groupings,” “party sponsors,” and “business people”). Interviewed experts mentioned the following agents slightly less frequently: the mass media, the international community and the European Union (EU), political parties and their leaders, and party financiers, as well as the bureaucracy and the government.

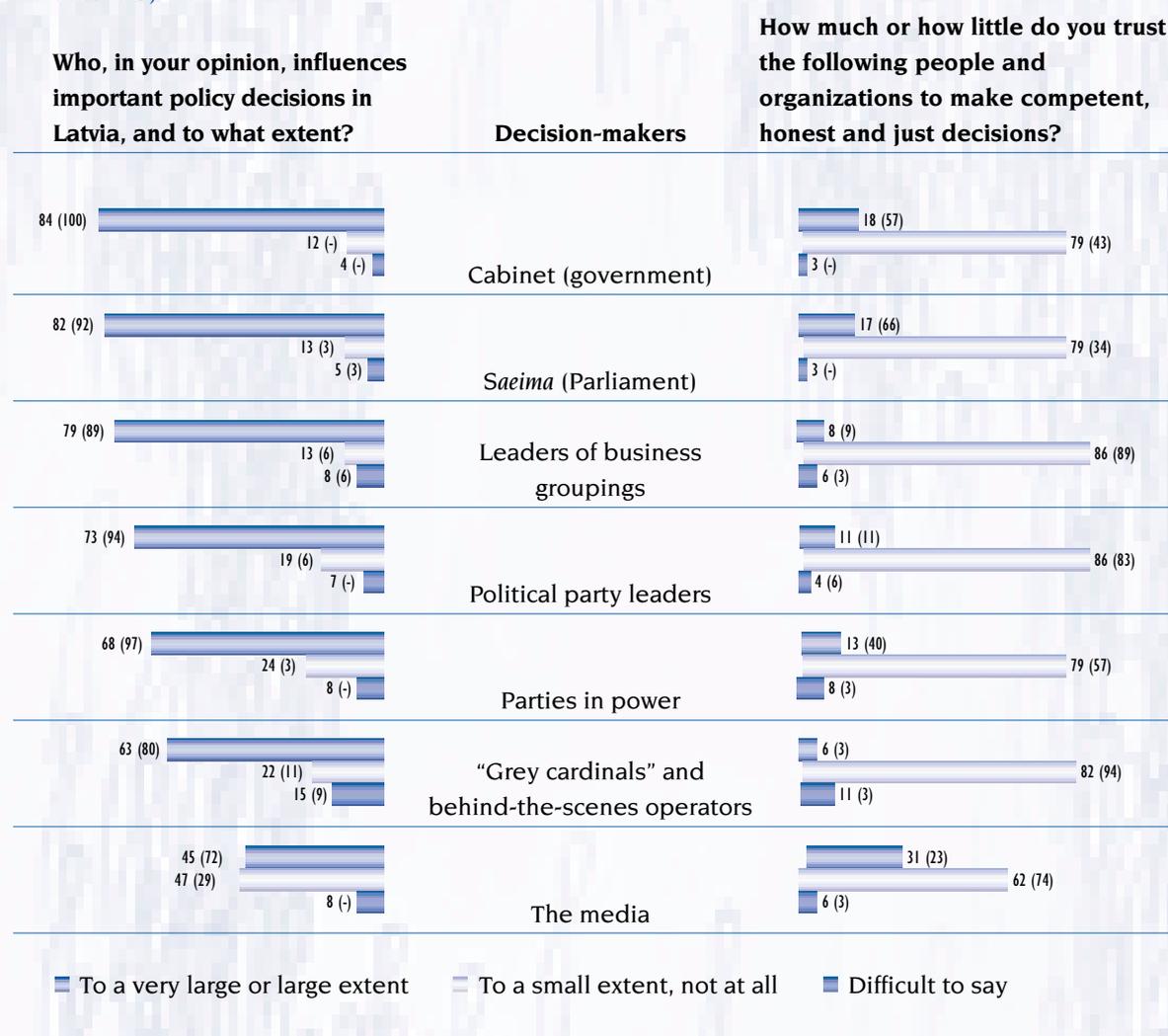
Former “*komitečniki*” (KGB employees), who are still well-provided with information and contacts, were also mentioned as significant influence-exerting elements, as were the Latvian government’s intelligence services, who, according to some

experts, are also beginning to become engaged in politics. For example, news that the SAB (Latvia’s chief intelligence-gathering agency) has provided advice to a power company’s former president on concrete business transactions can be interpreted as this agency’s involvement in politics.

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

Table 2.1

**The most influential decision-makers and the degree of trust placed in them**  
 (% of respondents from the public in bold numbers; % of 37 Saeima deputy respondents in brackets)





cashiers.” Three important political agents – economic groupings, the mass media and NGOs – are described below.

## Economic groupings

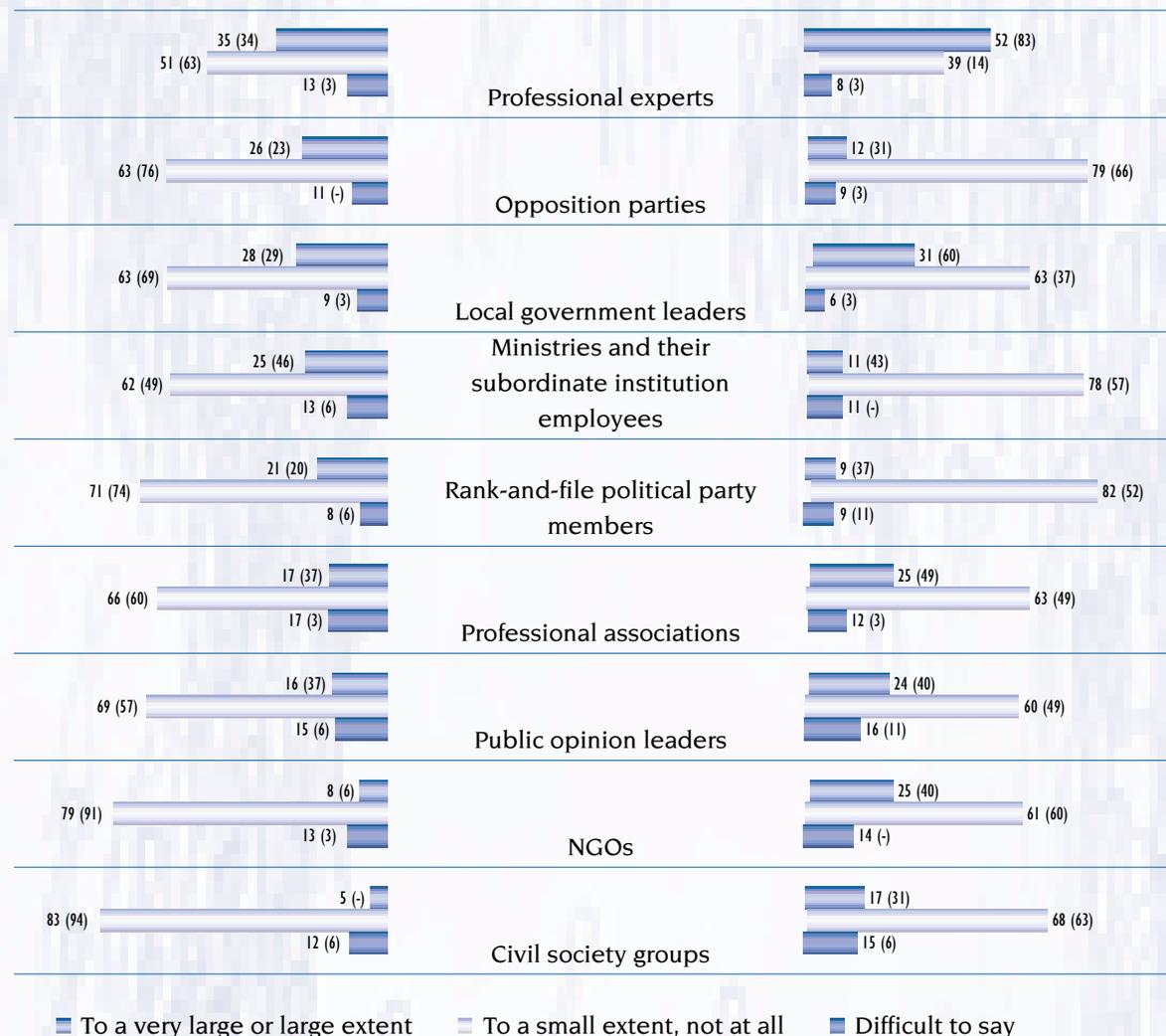
It is significant that nearly all interviewed experts mentioned economic groupings and their interests, along with party financiers, as crucial policy agents. One-fifth of interviewed *Saeima* deputies also mentioned party dependence on sponsors (i.e. economic groupings) as one of the principal obstacles to quality policy-making. Only parties’ subjective interests and political egoism were pointed out more frequently as a problem. It is a paradox that *Saeima* deputies, who have been given legitimacy by

the people who elected them, mention that their work is hampered by economic groupings that lack such legitimacy. The results of the *Saeima* deputy interviews show that party leaders (if it is accepted that they are in charge of their parties’ platforms) and business groupings (or their leaders) have greater influence on political decisions than rank-and-file *Saeima* deputies. One of the interviewed deputies acknowledged that “*various party interests ‘torpedo’ effective decision-making in important cases.*”

## The mass media

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

Table 2.1 (continued)



editorial independence, and to their belief that the media are not sufficiently dependent on their audience. According to one expert: *"It is absolutely clear that Preses nams publications have no editorial freedom. Other [publications] also have their sympathies, but they don't pronounce them so openly. In other countries the media also exhibits certain trends, such as liberalism or conservatism. But here these are not openly declared."* The ability of some media to be political agents is thus questioned, because their news content is deemed to be controlled by their owners and their freedom of action correspondingly limited.

## Non-governmental organizations (NGOs)

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

## The policy-making process according to experts

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

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

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

A number of interviewed participants in the policy process doubted or even denied that important political decisions in Latvia are adopted according to the principles of a law-abiding State, and indicated that even the highest Latvian government officials don't believe that this is the case: *"In talking about negative phenomena, for instance, corruption, all of those with any power – the State Auditor, the courts, the Prosecutor's Office, deputies – complain about a feeling of helplessness."* These observations lead one to conclude that there are two parallel systems of decision-making in Latvia: one that is legal, multiparty, public, and based on democratic principles; and another that is based on corporate and corrupt interest groupings and a personal contact system. Both systems exist side by side.

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

In those cases of decision-making where there is no pressure from specific interest groups (for example, in issues that are not tied to such important



economic processes as privatization and the fight against corruption), the public has a greater opportunity to exert its influence because “*there is no outside interest about these decisions.*” In such cases civil servants are also more open in the policy-making process.

## Channels of policy influence

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

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

Indications of hidden and illegitimate (and sometimes illegal) influence channels are counterbalanced, at least to some extent, by such open and legitimate influence channels as the mass media, which was mentioned by some respondents. Also mentioned were the opportunity to join political parties or to lobby them in various man-

ners, as well as the opportunity to form non-governmental organizations. It was also pointed out that decision-making can be influenced by contacting specific politicians directly. While politicians do consider what they might have to gain from contacts with members of the public, it does not necessarily have to be money. If they see that by solving a certain problem they can gain good publicity, then they may wish to get involved.

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

## Successful political decisions

The experts consulted for this study were asked to describe some cases of successful decision-making that they had experienced personally. Some were able to name such cases without delay, but others could do this only with difficulty, sometimes after considerable thought. As positive decisions respondents mentioned the government’s conceptual decision to form a corruption prevention office, the review of the privatization of the *Latvenergo* utility company following a nation-wide petition campaign, the decision to provide State support for sports, the adoption of Cabinet regulations for implementing the *State Language Law*, the election of Vaira Viķe-Freiberga as President of Latvia, the adoption of the country’s *Freedom of Information Law*, several decisions linked to Euro-integration, Latvia’s decision to seek admittance to the European Union, the Association and Free Trade Agreements with the European Union (which, however,

were not widely discussed and assessed), the creation of the Constitutional Court, the decision to denationalize State property, and other examples. Thus, although there are serious deficiencies in Latvia's public policy process, a whole string of decisions, judging by their content, have been successful.

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

## The public policy agenda

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

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

Table 2.2

### Channels of political influence

	<b>Open channels</b> (available to the largest part of society)	<b>Closed channels</b> (available to a small part of society)
<b>Legitimate influence channels</b> (acceptable in a democratic State and promoting human development)	<ul style="list-style-type: none"> <li>- activities in non-government organizations, political parties;</li> <li>- expression of views in the media, participation in public discussions;</li> <li>- participation in referendums, elections;</li> <li>- participation in strikes, pickets, meetings, demonstrations;</li> <li>- public contacts with politicians, letter writing.</li> </ul>	<ul style="list-style-type: none"> <li>- legitimate and large donations to political parties;</li> <li>- personal contacts based on lengthy acquaintanceship, competence and trust, the result being improved decisions.</li> </ul>
<b>Illegitimate channels</b> (unacceptable in a democratic State and hindering human development)	<ul style="list-style-type: none"> <li>- violent mass demonstrations (not characteristic of political activity in Latvia).</li> </ul>	<ul style="list-style-type: none"> <li>- illegitimate payments or other benefits to parties, politicians or businesses connected with them;</li> <li>- personal contacts based on lengthy terms of acquaintance or friendship by which wider public interests are sacrificed;</li> <li>- use of "key people" and political "movers" enabling the adoption of laws that are not explained properly to the government or members of the <i>Saeima</i>;</li> <li>- use of security structures in illegitimate ways;</li> <li>- other channels not known to the public.</li> </ul>



perceptions of the importance of the issues at hand. This is shown quite accurately by public opinion surveys.

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

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

Among the ten most important issues, the Latvian foreign policy priority of integration into the European Union and other government priorities such as external security (defence) and the integration of society (minorities) are not mentioned. It is significant that in the year 2000 the proportion of respondents who named corruption as an urgent

issue nearly doubled. This can be explained by the increased attention accorded by the media, NGOs and politicians to this issue following the publication of a World Bank study on the spread of corruption in post-socialism countries. In previous surveys, corruption did not figure among the three most important problems listed by respondents. This can be explained by the limited number of choices offered in the polls and by an apparently tolerant attitude towards corruption by a large proportion of society, as revealed in other research (e.g. *The Face of Corruption in Latvia*).

## The creation of the policy agenda

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

Table 2.3

**The most urgent policy issues from the public's point of view** (Compilation, in %, of respondents' views about the three most urgent problems to be addressed by the government)

Problems	December 2000	July 2000	March 2000	August 1999
1. Social security and social policy issues	38	35	29	47
2. Unemployment issues and the creation of new jobs	30	35	33	43
3. Raising the population's standard of living	26	26	22	18
4. Education issues	23	27	22	33
5. Corruption	21	11	10	*
6. Development of the economy	17	15	21	26
7. Health protection issues	16	16	7	8
8. Alcoholism and drug addiction	10	8	4	-
9. Agricultural issues	9	18	12	19
10. Public order and security	8	7	8	-

\* Data not available

The mass media play an important role in the development of the policy agenda. Their role is so important that it can be compared to the role of the most influential State institutions: the *Saeima* and the Cabinet. The mass media do not always determine *how* people think, but in many cases they determine *about what* people think. The interviews conducted by the authors of this **Report** also confirm that all political organizations and interest groups involved with the policy agenda must go through the media, which holds a strategically important position.

There are several issues that the media have almost continuously kept on their agenda during the last few years. One of those is corruption. A few years ago the so-called *Latvenergo* three-million-lat affair came to the forefront of public attention due to the diligence of the press, and corruption is still high on the media's agenda. In July, August and Sep-

tember of 2000, the Latvian national mass media published 393 articles connected with corruption.

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

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

### Guest author

#### **Ingrīda Blūma, Chairman of the Board of *Hansabanka***

##### **My assessment of political processes in Latvia**

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

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

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

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

Latvian businesses have also matured, and are increasingly working through professional associations to publicize their viewpoints on various issues and legislation that affects entrepreneurship. I predict that over time these processes will only expand.



Other political agents can and do form the country's policy agenda by making use of their right to initiate legislation. This right is provided by Article 65 of the Constitution to the President of Latvia, the Cabinet, the *Saeima* commissions, no less than five *Saeima* deputies and – in certain cases – one-tenth of the electorate. The international community also has an important role to play in setting Latvia's policy agenda, as it prepares for accession to the European Union and the NATO Alliance (see Information 2.1).

## Differences between the public and government agendas

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

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

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

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

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

## Privatization on the government and public agendas

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

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

The privatization of four large enterprises – *Latvijas Kuģniecība* (the Latvian Shipping Company), *Latvenergo* (the State energy utility monopoly), *Lattelekom* (the partially State-owned telecommunications monopoly), *Latvijas Gāze* (the partially State-owned gas supply monopoly) has yet to be completed, due to ongoing conflicts within the

political and economic elite. The management of the Latvian Privatization Agency, which is slated for dissolution, has also been a source of conflict.

In early 2001 the *Delna* branch of Transparency International began to monitor the privatization of

*Latvijas Kuģniecība* to ensure that the process proceeded fairly and transparently. Nevertheless, allegations of corruption did not disappear, and the latest attempt to privatise the company ended unsuccessfully.

## Information 2.1

### The European Union as a creator of Latvia's policy agenda

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

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

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

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

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

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

Since currently the wider public is not displaying an active interest about certain issues arriving on the government's agenda, the government itself should promote public interest in its activities, and within its means, extend its contacts with potential interest groups and NGOs. Ongoing consultations between government institutions and sectoral associations (such as the Chamber of Industry and Trade) concerning Latvia's EU negotiations show promising potential.



Public participation in the privatization of the country's largest enterprises is barely noticeable. This may be explained by the fact that the link between privatization and human development seems to be indirect, in the sense that a successful privatization process might serve to promote macroeconomic growth and improve overall human development indicators, but should have little immediate effect on the public at large.

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

Because an objective evaluation of the privatization of such large companies requires economic

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

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

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

### Information 2.2

#### The party relationship agenda

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

Here we can discern several issues of importance to two of the government-forming parties: their own general relationship, the head of the Finance and Capital Market Commission, amendments to the Law on Power Industries, changes in the statutes of *Latvenergo*, and the post of Minister of the Economy. Hardly any of these issues apply directly to the most significant problems of the nation. Most of them (including the portfolio of the Minister of the Economy) do not resolve those questions that are seen as priorities by the public. It appears that such conflicts have served to widen the growing divide between the public and the political elite of the country.

and are deepening the estrangement between the government and society. While questions concerning the general standard of living and economic development dominate the agenda of the public, these priorities cannot be clearly seen in the actions of political parties and their leaders, who seem to be according greater importance to the distribution of economic resources among various business groupings.

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

## Decision-making in the Saeima

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

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

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

During the first reading, the general principles of the draft bill are discussed. The responsible parliamentary commission then compiles amendment

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

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

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

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

The structure of the Saeima and the principles of its work provide numerous opportunities for follow-



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

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

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

*Saeima*. A working group created by the Prime Minister has also prepared a sustainable development concept that has been made public, but it too, has yet to be discussed and implemented.

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

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

Table 2.4

### Institutional and voter activity in submitting bills to the *Saeima*

	Cabinet		<i>Saeima</i> deputies		<i>Saeima</i> commissions		President	Voters
	Total	Monthly average	Total	Monthly average	Total	Monthly average	Total	Total
5th <i>Saeima</i>	472	17	182	7	177	6	8	0
6th <i>Saeima</i>	715	20	374	10	244	7	4	0
7th <i>Saeima</i> *	513	20	120	5	109	4	2	1

\* Until December 2000.

The prevalent disregard of opposition proposals has not promoted good fellowship in the Parliament and has compelled the opposition to use radical, yet constitutional methods to promote its interests, thus contributing to a strained political climate in the country. In addition, the insufficient discussion of opposition proposals and their unsubstantiated rejection has led to opposition-induced delays in the adoption of decisions (e.g. the 1999 amendments to the *Law on Pensions*) and tangible financial losses (e.g. the collection of signatures to maintain *Latvenergo* in State hands).

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

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

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

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

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

Deputies mention consultations with voters as one way to improve decision-making, yet politicians admit that public opinion is rarely taken into consideration. This coincides with the view by

numerous *Saeima* deputies that opportunities for the public to influence parliamentary decisions are extremely limited. The above leads one to conclude that consultations with voters (the public) are mostly formal in nature and create a mere image of political participation.

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

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

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

NGOs, citizens' groups, other initiative groups and municipal leaders also have little or no influence on parliamentary decisions, as these political agents have few resources of power at their disposal. However, politicians know very well that the public controls the most important resource



required by them – votes during elections. Therefore, many politicians consider the mass media as important players in the policy-making process.

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

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

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

tion that is essential for conducting rational analyses is not always possible, unless political analysts and experts are involved.

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

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

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

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

## Decision-making in the government

The highest collegial executive institution in Latvia is the government, or Cabinet, which is approved by the *Saeima*. The Cabinet includes the Prime Minister, the Deputy Prime Minister, ministers who are politically responsible for the work of their ministries, and state ministers who are politically

responsible for the work of individual sectors of their relevant ministries. The state secretary of each ministry is its highest civil servant. He or she manages the ministry's administrative activities and co-ordinates the actions of ministry departments and divisions. Each ministry also has a parliamentary secretary, who maintains a permanent link between the ministry and the *Saeima* and its commissions, and who is appointed by the Prime Minister.

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

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

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

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

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

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

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

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

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

However, this programme has lost some of its relevance due to several significant factors, such as the mixed results of privatization to date, the aggra-



vation of social problems, the banking crisis of 1995, the political instability of transit business, and paradigm reviews in the world political economy. Therefore, the recent completion Latvia's national development plan and Latvia's development strategy project can be evaluated positively.

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

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

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

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

The services of independent experts are usually used very little, and the results of the survey for this study suggest that the attitude towards them is contradictory. On the one hand, most respondents trusted professional experts and indicated that there is a shortage of them in the country. The lack of professional employees and the shortage of

funds for paying them was also seen as a significant obstacle that is not allowing for an improvement in the preparation of decisions. On the other hand, respondents expressed dissatisfaction with the quality of expert studies. Government commissions are delayed or fulfilled superficially, and concrete solutions and alternatives are not offered. This may be one of the reasons why unofficial consultations with experts are undertaken more often (as is the case in the *Saeima*, mentioned earlier in this Chapter). The assistance of international organizations and experts is used even less.

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

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

Cabinet regulations regarding policy-making procedures provide for draft decisions to be carefully co-ordinated with interested institutions, and here the opinion of the Ministry of Finance is especially important. This ministry often has the final say, as it can reject the allocation of additional

funds for the implementation of draft regulations or laws. Therefore, it is sometimes insufficient for theoretically good laws to be adopted (such as the *Freedom of Information Law*) if there are insufficient funds for their implementation (as in the education of civil servants).

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

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

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

The proportion of conceptual issues on the Cabinet agenda is fairly large, and the government is actually overloaded with an excessive number of minor issues to scrutinize. These should be resolved at a lower level, thereby increasing the

opportunities for strategic management by the Cabinet. However, government's civil servants are reluctant to assign tasks to lower-level executive institutions, as they do not have faith in the capacity of such institutions to deal with the issues entrusted to them.

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

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

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

However, the role of the civil service in the policy-making process is not overly large. Only 4% of polled ministry department directors claimed to have sufficient knowledge about the policy-making process to take part in it in a meaningful manner, and only 32% believed that their initiatives could influence the views of policy-makers. Moreover, both the public at large and local government employees, as well as civil servants themselves, rate the influence of ministry employees far behind that of economic groupings, "grey cardinals," the *Saeima*, the government and political parties.



A tendency to politicise the higher civil service has been observed in Latvia. This was especially evident in personnel changes at the Ministry of Education and Science in 2000, as well as at the Ministry of the Interior. Thus, the civil service appears to be progressively abandoning its political neutrality and professional competence, which are so necessary for the successful administration of any country, and is acquiring increasing political loyalty to the ministers in office. Moreover, in such cases hierarchical subordination is often ignored and the principles of professional career advancement are distorted.

## Decision-making in local governments

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

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

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

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

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

In addition to their direct duties, local governments perform an important political link between the country's administrative institutions and its inhabitants, as they are the State institutions with the closest links to the people. Only 20% of this survey's respondents have met with *Saeima* deputies or ministry department heads, while 30% have met with their local government councillors. A similar (though less marked) tendency can be seen in the proportion of letters written to politicians, ministries and local government representatives.

However, geographical proximity is not the only factor determining the closeness of links between the country's inhabitants and local governments. *Saeima* deputies, ministry department heads, members of the public and local government leaders all unanimously agree that local government decisions (as opposed to *Saeima* and Cabinet decisions) have the greatest impact on the public. The frequency of contact with any public institution also depends on the extent to which people believe they can influence decision-making, and the degree to which their views are taken into account.

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

Local government politicians place a great degree of trust in professional experts, even though they rarely use their services. Consultations with

ministries and *Saeima* politicians also occur rarely. This is determined partially by the general scepticism and distrust that local government leaders feel for these institutions, and by the perception that opportunities for achieving favourable results are very limited. More than 90% of surveyed local government leaders believe that Latvia lacks a clear State policy regarding local governments, and that the national government's priorities do not conform to the actual needs of local governments. Local government leaders also said that they do not feel supported by higher-level policy makers, and that government priorities frequently change, which makes the development course of local governments unpredictable in the long-term.

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

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

## Guest author

### Ojārs Kalniņš, Director of the Latvian Institute

#### A wealth of creative potential

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

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

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

Latvia has proven that even in economically difficult times and with virtually no financial support from the State, sports and culture can thrive and reach great results thanks to initiative and commitment.



the country's higher institutions are determined by economic groupings, which are more influential than the *Saeima* or the government itself. When asked: "Who do you believe influences the adoption of important political decisions in Latvia, and to what extent?" more than half (59%) of surveyed local government leaders and nearly half (44%) of the surveyed public said that in their opinion, leaders of economic groupings influence higher-level decision-making to a large extent. Another 31% of local government politicians and 35% of inhabitants said they believed this was the case "to a fair extent."

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

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

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

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

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

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

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

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

Local governments are entitled to borrow funds, but under restricted circumstances. Latvia has not acceded to the article in the European Local Government Charter that provides for the free movement of capital. Therefore, local govern-

ments are denied the possibility of obtaining credit directly from banks. Instead, they must petition the Ministry of Finance's Credit Council for a loan from the State Treasury.

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

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

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

This lack of effectiveness is partially associated with various other characteristics of local government decision-making. In many cases local government leaders are influential figures, whose status is determined not only by law, but also by the force of their personality and whether or not they work full-time in municipal politics. Some local government

leaders choose not to observe such decision-making regulations as the obligation for draft decisions to be prepared and submitted in a timely manner to other local government councillors, or regulations concerning budget formation and control.

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

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

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

## Characteristics of Latvian public policy

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



## The preparation and adoption of parallel decisions

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

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

## The dominance of State institutions

On the one hand, many policy decisions are prepared and adopted outside of official State institutions, as evidenced by a transparency deficit in the activities of these institutions, and by the

fact that State officials tend to consult a very narrow circle of potential political agents.

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

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

## The lack of transparency in public policy

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

In 1999, the *Delna* branch of Transparency International conducted a study on access to information at State and local government institutions. Information requested in writing was immediately supplied in only about 30% of the cases. The other 70% of requests were answered with a letter of

refusal. When the information was requested again for a second time (usually citing a legal provision), approximately half of the second requests received a satisfactory reply, while the other half either remained unanswered or were again turned down.

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

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

### Information 2.3

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

1. A private person (for example, an influential entrepreneur) or firm becomes aware of an issue requiring a political solution. He or she determines the options at hand.
2. This person contacts political decision-makers (*Saeima* deputies, ministers, "party treasurers," "grey cardinals," and the like). Sometimes the essence of such contacts lies in earlier or current monetary payments, which might include the financing of political parties.
3. Following consultations, the private person's (or firm's) lawyer prepares the basic precepts of a draft law or even its entire text.
4. Ministry civil servants may also become involved at the drafting stage of the law, but other groups whose interests might be affected are ignored.
5. The minister linked with the relevant private person brings the issue to the Cabinet. Through closed discussions the minister gains support for the draft law from other ministers of his or her party, and from the other governing coalition parties.
6. The draft law is put forth to the *Saeima*, where party leaders, "key figures" (or "movers") ensure the support of their relevant faction members. Other members of Parliament do not receive full information about the issue, but rely upon their party/faction leadership.
7. The public administration implements the adopted law. The influential private person, with the help of his or her political contacts, ensures that the law is implemented according to his or her interests.

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



also applies to the background of relations between political parties and many other important political matters.

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

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

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

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

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

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

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

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

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

## Overly hasty or lengthy stages in the public policy process

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

Even though it is difficult to establish scientific criteria by which to assess the desired length of each stage, there are examples in Latvia where disproportionately hasty (or lengthy) stages of the public policy process have negatively impacted the quality of decisions made. In several cases the formulation of alternatives has been too hasty, as in the exclusion of essential agents from the process,

or in the selection of a single option within a narrow circle of decision-makers. One such example is the decision by the Ministry of Education and Science to merge the Medical Academy with the University of Latvia. Up until the time when this issue attracted wide public attention and dismay, the two universities themselves had not even been invited to participate in the debates on their own future during the second stage (the formulation of alternatives).

## Policy without analytical substantiation

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

### Information 2.4

#### Petition against the privatization of *Latvenergo*

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

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

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

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

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

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

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



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

## Conclusions

Since the end of the 1980s, Latvia has been experiencing the transition from a situation where the Communist Party strictly regulated and restricted individual and organizational participation in policy-making, to a situation where – at least for-

mally – an unlimited circle of agents can participate in the policy-making process.

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

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

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

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

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

### Information 2.5

#### Hasty amendments to the *Law on Pensions*

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

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

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

This example of an unsuccessful policy process showed that despite the imperfections of Latvia’s civil society, the democratic system does not allow for the adoption of closed or hasty decisions if a large part of society opposes them. In the long-term, such experiences may heighten the consciousness of a civil society and promote increased public participation in the policy-making process. The creators of public policy, for their part, should recall that in a democratic society the adoption of closed, insufficiently justified and hasty decisions regarding issues that affect the vital interests of a large social group is not acceptable.

elite groups, and the wider public has had almost no chance to influence this important process. The exception has been in the privatization of *Latvenergo*, which was suspended for an indefinite period following a successful campaign to collect the signatures of one-tenth of the country's voters. The participation of the public is also hindered by a lack of economic competence and the lack of transparency in the privatization process.

The Constitution provides for a democratic decision-making procedure with very wide possibilities for influencing draft decisions. The *Saeima* is formally the most influential policy-making centre.

The public does have institutional means to engage in the policy-making process, but these means are used very little because the public places little trust in politicians and does not believe in its own strength. This is compounded by a general lack of specific knowledge, skills and information.

The policy-making process in the *Saeima* is closed, centralised and elitist, in which party leaders, "grey cardinals" and business groupings play an important role.

Even though the *Saeima* is seen as a very good forum for discussions, little substantive discussion actually takes place. Opposition proposals are frequently rejected outright, which compels it to resort to such extra-parliamentary means of influence as petition drives.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Alongside a public policy system is provided for by the Constitution in the preparation, adoption



and implementation of decisions, a parallel, closed and illegitimate system exists partially outside of the existing State institution structure.

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

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

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

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

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

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

## Recommendations

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

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

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

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

Public mass participation in political parties could be an effective means for strengthening polit-

ical transparency and quality. Party leaders would be subject to dual control – both from their voters and from rank-and-file party members.

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

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

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

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

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

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

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

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

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

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

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

istrative territorial and regional reform should be completed as soon as possible, though not overly hastily and in a considered manner.

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

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