



# Administrative Capacity in the Context of Human Development

## Introduction

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

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

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

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

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

## The operational capacity of Latvia's central administrative institutions

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

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

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

- For historic reasons there is a lack of senior civil servants with extensive experience in open policy-making practices.

- Latvia's rapid transition pace has not permitted the devotion of much attention to the learning process of policy-making. The fact that policy decisions sometimes occur "in order to put out fires" leaves little time for evaluating alternatives and involving the public in extensive dialogue.
- In many instances ministry salaries are too low to attract and to maintain the extended interest of competent employees, which makes it difficult to ensure "institutional memory" in government ministries. Furthermore, the employee salary system in State institutions has not yet been reorganized. The European Commission has pointed out that management contracts are popular both within and outside of the civil service framework. While these add to the basic salaries of ministry employees, they also create a split salary system,

promote the development of semiautonomous administrative institutions, and render control, monitoring and transparency more difficult.

- There is a lack of a unified system to attract capable university graduates.
- Foreign experts have mentioned that there are not enough civil servants in Latvia to implement good governance effectively.

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

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##### **Increased regional awareness and activity**

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

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

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

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

The search for region-to-region cooperation, led by well-educated regional development specialists, has emerged as a new trend. Regional awareness is increasing along with the regions' political influence, and this will serve to decrease the "brain drain" of talent from the regions over the longer term, increase economic activity, and ensure balanced development across the country.



ed career opportunities in the ministry and the higher salary offers in the labour market. This is tied to the low, set salaries at the ministries and to the delay in developing and improving this system.”

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

## In search of a strategic vision

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

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

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

### Information 4.1

#### Principles of good governance

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

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

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

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

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

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

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

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

**Strategic vision.** Governance must be directed towards both short-term and long-term goals. Human development must be foremost in mind, taking historic, cultural and social factors into account.

While the government declaration could promote a common vision for the country's administrative institutions, it cannot guarantee the institution of a common national strategy. There are several reasons for this.

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

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

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

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

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

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

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



## Co-operation and co-ordination

The formulation of open, human development-oriented policies is often hindered by the lack of horizontal co-operation between a country's administrative structures. Integrated and co-ordinated multi-sectoral policies are just as important or even more important than single sector policies from the

human development perspective. In multi-sectoral policies priority is given to social justice, the rational balance of economic growth and the transparent allocation of resources, which can only be achieved through co-operative efforts. In view of the prerequisites for sustainable human development and the priorities connected with them (social integration, poverty reduction, gender equality, regional development, environmental protection and the rational use of resources), it is obvious that these issues cannot be resolved by one single department or ministry.

### Information 4.2

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

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

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

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

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

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

It is significant that the NDP is being developed independently, and that it is not controlled by the European Union or influenced by outside forces. While the Latvian government has generally been able to fulfil activities entrusted from outside in an efficient manner, it must still learn to assume internal commitments and to fulfil them in a co-operative manner for the good of the entire country.

Research indicates that poor inter-departmental co-operation in Latvia's administrative institutions is hindering the realization of the country's human development priorities. Although there are several successful examples of inter-ministry co-operation (such as in rural policy and Euro-integration), civil servants still place the interests of their own ministry above all others, and lack the required determination to co-ordinate their efforts in realizing a common policy. This problem is not unique to Latvia, but afflicts all democratic countries to a larger or smaller extent. "Competition" between ministries is not a universally negative phenomenon, as it may also be a motivating factor and give rise to innovations. On the negative side, competition can lead to contradictions in State policy. The implementation, monitoring and evaluation of planned policies and programmes may become practically impossible due to the existence of conflicting goals, tasks and activities. Latvia's administrative institutions must seek to establish a greater balance between healthy and unhealthy competition.

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

As previously mentioned, the insufficient degree of policy coordination is linked to the absence of a strategic vision of the country's future, and to the weak link between national budget and policy planning. As long as the budget and policy

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

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

While there are several positive examples of horizontal co-operation, these are exceptions that have been induced by such outside factors as Euro-integration (see Information 4.3). The strengthening



of inter-ministry and inter-departmental co-operation is not “a question of time,” but must be actively promoted without further delay.

In individual cases interdepartmental policy co-ordination mechanisms have been developed regarding such issues as integration, poverty reduction, rural development, and the formation of unofficial working groups. However, the results and

effectiveness of these mechanisms have suffered due to the aforementioned negative conditions. A year ago there still was no neutral institution responsible for inter-departmental policy co-ordination. Such an institution must be politically neutral, yet have the power and authority to achieve most of the practical work required for inter-departmental co-ordination. It should also support the

Table 4.1

### Manifestations of weak policy co-ordination. Factors and solutions

#### Manifestations

- The development, implementation, supervision, and evaluation of concrete policies is not co-ordinated. This often gives rise to conflicting goals, tasks, and policies.
- The development of specific policy programmes is hindered by a lack of co-ordination and collaboration between ministries.
- In the competition for limited resources, each ministry's priority is to protect its own interests. Common national interests are secondary.
- In the allocation of the State budget, each minister aggressively protects the interests of his or her sector and fights for the accordance of priority to his or her programmes.
- Ministries “pull the blanket to their side” and avoid the extra responsibilities entailed by co-operation.

#### Factors

- The civil servants involved work mostly within one single ministry, and not within a united civil service. Therefore, there is no strong commitment to work for the sake of a co-ordinated, harmonized policy.
- There is no strategic State vision for the consolidation of executive policies.
- The national budget's planning process is separate from policy-making processes.
- Individual ministries are frequently under the influence of one party. As a result, parties tend to protect the interests of “their” ministry instead of co-operating with others.
- Ministries will continue to compete with each other for as long as coalition governments remain in power.
- The reform of the State administration has been slow and is still not completed.
- Emphasis is placed on “formal and official co-ordination,” but real co-ordination ensuring optimal policy results occurs rarely.

#### Solutions

- A common development priority programme and plan must be worked out.
- The government's ability to manage and oversee the implementation of an overall strategic vision and National Development Plan must be increased. This would strengthen the policy “centre” in Latvia.
- Policy-making must be based not only on the country's legislative framework, but also on policy analysis, research and consultations.
- Policy makers should learn from successful inter-ministry and inter-departmental examples of co-ordination (such as Euro-integration), and should adopt successful co-ordination and co-operation mechanisms.
- Policy makers should ensure greater co-ordination and co-operation between regional institutions of governance under ministry control.
- The newly created Policy Co-ordinating Department of the State Chancellery must become an effective inter-departmental policy co-ordinator.

government's leadership by ensuring and overseeing the execution of the national strategic vision and plan. Some experts see this as the necessity to strengthen the "policy centre."

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

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

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

### Information 4.3

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

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

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

- *The institutional mechanisms of Euro-integration ensure the continuity of decisions.* Political responsibility is entrusted to European Integration Council (EIC), which is composed of several government ministers. (It could almost be called "the second government," because all ministries are represented except for the Ministry of Defence.) This Council has defined Euro-integration as a policy priority. The "executive power," in the form of the Senior Personnel Committee, is a professionally able and responsible unit that ensures the execution of priorities at the ministry level. The balance of political and executive power is an essential requirement for policy co-ordination and effectiveness.
- *Strong management.* The Prime Minister, as the highest figure in the executive, has been a strong and focused leader regarding Euro-integration. He has used his influence to ensure that the highest-ranking members of the government work towards one common goal.
- *Principle of unanimity.* The principle of unanimity or consensus rules within the Senior Personnel Committee. This means that all members must agree on decisions, and that in the case of disagreement the issue in question must be referred to the European Integration Council. The principle of unanimity strongly stimulates the search for compromises and the need to work together. It is also one of the basic principles of good governance.
- *Co-ordination.* The Euro-integration process is co-ordinated by a politically and professionally neutral State institution, the European Integration Bureau, which oversees the unified picture of Euro-integration and does not compete with ministries.
- *International regulation.* The rules of the Euro-integration process are to a large extent dictated by outside agents, and therefore the government does not have to agree or disagree about the main parameters of the integration process.
- *Perspectives for civil servants.* Euro-integration is a political orientation and value that unifies ministry civil servants. In addition, policy-making in a broader context – between Riga and Brussels – offers tempting career opportunities for young civil servants.
- *Urgency.* Euro-integration is an urgent priority. The government cannot afford to be uncooperative.





tor level) is to be competent administrators, then it is necessary for them to seek the advice of other policy experts. Although highly professional policy makers are extremely knowledgeable about the spheres that fall under their competence, they often require assistance in researching and analyzing a given situation in depth. This involves preparing concrete policy solutions and writing up broad-ranging predictions that would evaluate not only the short-term financial costs and expected results of these solutions, but also incorporate such human development factors as social justice and gender equality, environmental protection, and poverty reduction.

Countries with entrenched democratic traditions entrust the preparation of source information and problem-solving to experts from both State institutions and independent policy analysis institutes (see Information 4.5).

In Latvia there are three principal means and mechanisms at the central level of governance for attracting non-government policy expertise:

- unofficial consultations with experts and NGOs,
- official consultations with local and international experts through the use of donor funding,
- and the assignment of government research contracts to Latvian experts within the framework of *Research Projects Commissioned by State Administrative Institutions*, for which the State annually provides resources.

Independent expertise provides policy planning with an analytic and a scientific foundation. Given the opportunity, experts can produce information that makes it easier for policy makers to understand the total picture through the analysis of one particular policy issue in the context of others. In addition, independent expertise improves the quality of the policy-making process by assuring objectivity. It is also a link or a “bridge” between the policy-making processes and the public.

An analysis of the policy-making processes in Latvia reveals that policy expertise is used officially only in rare cases. A survey of ministry department officials during the preparation of this **Report** confirmed this. Approximately 60% of surveyed department directors said that they frequently, or

#### Information 4.4

### The creation of the State Chancellery's Policy Co-ordination Department – a step towards ministry co-operation and integrated policies.

Realizing that the government's policy-making and administration processes lack horizontal co-ordination, the Cabinet created a new Policy Co-ordination Department under the State Chancellery in the fall of 2000.

The planned functions of the department include:

- Co-ordinating suggestions for national development goals, setting priorities and formulating policy;
- Creating and co-ordinating a united national development planning and result-forecasting system;
- Co-ordinating the development, realization and completion of the inter-ministry activity plan regarding the *Government Declaration on the Work of the Cabinet of Ministers*;
- Evaluating draft laws and regulations submitted to the Cabinet and to the Prime Minister (if necessary from the policy co-ordination aspect), and submitting reports on these documents if required;
- Analyzing how State institutions are faring in policy making and implementation, and providing suggestions for improvement if required;
- Organizing co-operation with local and foreign institutions, within the limits of its competence;
- Analyzing individual problems and offering suggestions for solutions at the request of the Prime Minister.

It is too early to tell how effectively this newly created institution will function, but some positive signs are already visible. For example, in the autumn of 2000 the Department analyzed how State decisions are adopted and how policies are developed and implemented in Latvia. In co-operation with the Soros Foundation – Latvia, the Department has also begun a review and evaluation of policy research commissioned by the State. It is hoped that such a “systems analysis” will become a basis for strengthening the policy development process and horizontal co-operation.

almost always, make use of *unofficial* consultations with experts and NGOs. But most directors said that they rarely or “practically never” *officially* involve independent experts in commissioning research for policy planning. As described in Chapter 2 of this **Report**, decision-makers use unofficial, “quick” consultations much more often than com-

missioned expert research. Even though unofficial consultations do contribute to policy development, they do not contribute to transparency and public accountability. Written suggestions in the form of officially requested expert solutions provide a transparent basis for the evaluation of an offered policy solution. They can be objectively

#### Information 4.5

### What is policy analysis?

#### Definition.

Policy analysis seeks to:

- a) explain a policy problem, b) analyze possible solutions to the problem (examining the consequences of various activity options, including the financial, social and other costs), c) offer a solution that will improve the situation, based on the obtained conclusions and forecasts d) evaluate the consequences of an already implemented policy.
- the result of the analysis is a policy analysis document.

**Policy analysis criteria.** In working out a policy, decision-makers must ensure that the chosen solution is the right one, or the best of several proposals. An open policy system requires the offered solutions to be evaluated by objective criteria. This not only makes it easier for politicians to make decisions, but also makes their decisions more easily explainable and transparent to the public. Impartial policy choice criteria are the basis for transparency. Transparency, in turn, is the basis for open policy. Policy analysis is the instrument that provides the opportunity to implement policy choice criteria and to make the correct decisions.

Usually the suitability of offered policy solutions is determined by the following criteria:

- *Effectiveness* – to what extent will the solution solve the identified problem?
- *Political viability* – does the solution conform to the decision-makers’ strategic vision?
- *Feasibility* – are there enough resources available (human, systems, financial)?
- *Efficiency* – what is the relationship between the benefits and the costs?
- *Justice* – have the situation and needs of the vulnerable segments of society been considered? Will the gap between the affluent and the needy increase? Will men and women equally benefit from the offered solution? Will the solution have a sustainable effect?

**The methodology of policy analysis.** Policy analysis specialist William Dunn writes that policy analysis can be effective only if it has a good methodology. During the last 50 years, the practice of policy analysis has evolved considerably and has become more complex, but there is a methodological nucleus on which experts agree. This nucleus is described as the *critical diversity principle*.

The critical diversity principle requires the synthetic unification of several methods and points of view. Its precepts include:

- using several research methods,
- attracting experts from several fields and academic disciplines,
- using several criteria and indicators for the evaluation of a situation,
- analyzing information from several sources and using several models in forecasting results.

The diversity of methods in policy analysis helps to ensure a certain objectivity and quality. Analysing a problem from various points of view reduces the possibility that the basis of a solution will be a faulty analysis or prejudiced theoretical assumption.

In Latvia, policy analysis processes must still be developed further in order for critical diversity principles to be fully observed. The strengthening and wider use of policy analysis in the country is one of the most significant prerequisites for policy improvement.



discussed and evaluated by the population according to objective criteria. Unofficial consultations do not provide such opportunities for public discussion.

## Policy analysis research financed by the State budget

Official policy expertise can be divided into two categories: expertise and research financed by foreign donors, and expertise and research financed from the State budget. Expertise from the first category is more difficult to analyze, because there is no systematic information about what research has been requested, who has financed it and what the results have been. In addition, the goals of the expertise conducted under the first category are not always set by Latvian policy makers.

However, an analysis of the second category of expertise (that is, State-financed policy analysis research and its results) reveals several problems. The analysis presented below refers to specific research procured with science budget resources and regulated by Cabinet Regulation No. 77 *On the Financing and Evaluation of Research Commissioned by State Administrative Institutions*. While research commissioning and budget planning for this kind of research is co-ordinated by the Ministry of Education and Science, each ministry has a separate co-ordinator who is responsible for administering the research process in his or her ministry. These are the only State resources available to government ministries for financing policy analysis research.

The following picture is revealed in analyzing over 300 studies commissioned by Latvian State administrative institutions in 1998 and 1999.

*Link with policy analysis.* Only about half of the research commissioned by government ministries deals with policy analysis. The rest deals with the preparation of teaching materials and other issues (history research, public relations materials, book printing, computer programme development, et al.). Research financing regulations do not specify that research must be related to policy analysis and that requested funds must be directed to scientific research. Nevertheless, many research studies not classifiable as policy analysis have been quite useful and well executed. Cabinet regulations state

that research “may be, for example, a study course project.” The question does arise, however, of how rationally the resources meant for research have been used.

*The level of policy analysis.* Very little policy analysis research has actually been conducted even among those research cases categorized as “policy analysis.” While frequently a situation is described and analyzed, and general recommendations and conclusions are provided, only 5% of all studies offer a comprehensive forecast of policy consequences, model possible solutions, and give recommendations based on the study’s forecasts. In the social policy area such in-depth research on the use of State funding has never been commissioned. While this could be due to the limited availability of resources for research (see below), the fact remains that most of the research conducted in this area has not provided a maximum contribution to the policy analysis and planning processes.

The reasons for this trend lie rooted in both objective and subjective factors:

- In Latvia there is no policy-making tradition requiring the execution of objective, high-quality policy analyses. Such analyses should demonstrate that the offered policy solutions are the best out of several options. Policy analysis is not a precondition for the Cabinet’s approval of a policy, and such research is not viewed as an indispensable part of the policy-making process.
- Policy makers themselves do not always have the ability to commission high-quality policy analysis studies. In order to expect good results, more attention must be given to the formulation of practical policy research questions and assignments.
- State budget resources for policy analysis research are limited. Usually less than 5000 lats are granted per research study. Although high quality research can also be effected with relatively little funding, the overall lack of resources hinders the commission of deeper analyses and the application of the “critical diversity principle.” In any case, the most rational division of the scarce resources available and choice of research priorities should be at the forefront of government research planning.
- The fact that ministries submit their practical research projects individually results in inter-ministry competition and does not promote much-needed multi-sectoral research. Consequently, there is a lack of State-funded research projects analyzing issues of national importance from a multi-sectoral aspect.

- There are several contradictions in the Cabinet regulations concerning the use of research resources, particularly in regard to research goals.

Experts from the Latvian Academy of Sciences assigned to evaluate research submissions often are not policy analysis specialists. Frequently they stress the importance of academic research rather than policy analysis. Furthermore, ministry employees do not always organize research competitions, and sometimes assign research studies to “trust-worthy” scientists and practitioners who may not be policy analysis experts.

- Latvia’s administrative institutions are not permitted to hire foreign experts in State-funded research. While this is dictated by the legitimate desire to promote Latvian expert capabilities and to support local analysts, there has been no consideration of the fact that Latvian experts working together with experts from other countries would increase their own qualifications more rapidly. Latvian experts would learn more about the methodology of modern policy analysis, and benefit greatly from co-operation with the international policy analysis community. This is borne out by the fact that past research financed by foreign institutions and featuring joint research by Latvian and foreign experts is generally of a higher level and quality.

## Independent policy analysis in Latvia

As mentioned earlier in this Report, independent experts play an essential role in the policy-making processes. In Latvia, policy expertise is obtained most frequently on the individual level through individual consultants. In other countries policy research is entrusted to independent policy institutes, or *think tanks*. Both individual experts and policy institutes play an important role in the diverse policy analysis community (see Information 4.6).

Several experts have concluded that the level of policy analysis in Latvia is fairly low, although there are some exceptions. This is a problem not only in Latvia, but also in other Central and Eastern European countries, as there are several common factors that hinder policy analysis in this region, such as the weakness of the NGO sector and the rather widespread public mistrust of policy-making processes.

However, another element that significantly determines the quality of policy analysis is the capability of policy researchers. When asked to outline the principal problems inhibiting the development of high quality policy-making in Latvia, policy makers mentioned the shortage of independent experts (along with the inefficiency of available expertise), directly after the limited availability of finances and the lack of co-operation among different ministry departments. According to one ministry department director, Latvia lacks “a scientific research institute that could study the development of the national economy on a high, professional level.”

Research conducted in 1999 shows that several organizations in Latvia partly fulfil the role of policy institutes or think tanks. These can be divided into three categories: academic institutes, NGOs that examine specific issues, and sociological and marketing research firms. The most serious in-depth analyses and recommendations have been conducted by public interest organizations with specific issues in mind, as well as academic research groups and project teams, which consist of individuals hired to conduct joint research on one issue or another. Sociological research firms and academic institutes have conducted the most reliable data collection and classification. While several organizations have worked productively with ministry staff and other policy makers, there are no real policy institutes and think tanks in Latvia. Policy institutes, of course, are not the only solution, as individual experts also can be hired to assure an analytic base for high quality decision-making. However, as several ministry employees have admitted, finding qualified individual experts is not always easy.

This deficiency can be partly attributed to research traditions inherited from the Soviet era. In several fields, such as chemistry and physics, Latvian researchers educated in the Soviet system are of world calibre. However, these achievements do not apply to quality policy analysis and interdisciplinary research, where Latvia lacks the necessary expertise (for a more detailed analysis about the situation in the sciences see the **1999 Report**). In general, there has not been much scientific activity in the social sciences, which generate the necessary milieu for political analysis. Furthermore, there are no policy analysis programmes at Latvia’s universities. While several universities do offer a Human Development course, this is not sufficient to pro-



## Information 4.6

**What is an independent policy institute?**

In European countries, independent institutions that work in the field of policy analysis usually are called *policy institutes*, while in the United States the term *think tank* is also widespread. The term *think tank* originated in the United States during the Second World War and designated places for military policy experts to work out military strategy. During the 1960s the meaning of this term widened to include designated expert groups or institutions working on concrete policy analyses and recommendations.

While all experts and analysts do not agree on the definitions of *policy institute* and *think tank*, most of them agree that such institutes must be:

**objective** – Studies must be based on research and scientific analysis methodologies, rather than on ideological viewpoints.

**professional and competent** – In order to maintain its trustworthiness, a policy institute must be able to analyze a situation professionally and in depth. It must use its analysis to develop policy solutions and predict the efficiency of each solution, not only from the financial point of view, but also from the perspective of social justice, gender equality, environmental protection and other factors essential for sustainable human development.

**independent** – Policy analysis must not be subordinate to political parties or other interest groups, including business groupings.

Policy analysis institutes must also:

**endeavour to promote and strengthen the entire policy-making process** – Although policy institutes play an important role in working out and popularizing policy alternatives, this is only one part of the process of policy analysis. This process also involves the formulation of questions and problems, the evaluation of policy, the promotion of dialogue and other activities.

**be capable of influencing the policy-making process** – The work of a policy institute cannot be isolated or removed from policy-making processes, because a policy analysis has little significance if it is not considered by policy makers.

**be capable of influencing public opinion** – A policy institute must have a good reputation among the media, and must be recognized as a trustworthy authority by the public.

Besides offering qualified policy expertise, the ideal policy institute should also build bridges between the public and policy makers. A policy institute can play an important role as a policy mover by strengthening contacts and links between politicians and public interest groups, and by promoting the growth of the policy-making community. The illustrations below show the ideal role of policy institutes in narrowing the gap between the public and politicians.

The public is frequently removed from policy-making processes.



If a policy institute represents only its own interests, then it has no influence on the public or on policy-making processes.



If a policy institute restricts its activities to strengthening dialogue on policy issues in society, or to consulting only with policy makers, then it fulfils only half of its basic role.



A good policy institute must build a bridge between civil society and policy-making processes by offering quality policy solutions and by promoting political dialogue in society.



duce “a critical mass” of qualified policy analysis specialists. As a result, there is very little competition among Latvia's highest quality researchers.

An analysis of all of these factors together shows that the resolution of this problem must be approached from two facets, one of which concerns Latvia's State institutions themselves, where currently there is little demand for independent, high-quality policy analysis. The few State employees who request such analyses sometimes lack the capability to attract the necessary expertise, and therefore policy analysts do not receive much stimulus to improve the quality of their work.

The other facet concerns independent policy analysis itself, where the situation is no better. Although there are some exceptions, independent policy analysis conducted in Latvia is generally not concrete enough, of inferior quality, and cannot be applied practically. Therefore, the demand for such analyses is not growing, nor is there any meaningful development in those areas where analyses of this type would be required. To improve the situation, the developmental potential of policy analysis will have to be promoted in both directions.

Lately some positive tendencies have appeared, and there have been signs of growth opportunities. A number of independent policy analysis expert groups are now developing and organizing themselves “from below.” In 1999 and 2000 several academic institutions and social scientist groups began to look for the means to develop as policy institutes. Some have already found cooperation partners to strengthen their role as potential think tanks. This institutionalizing process has continued in 2001. These new policy institutes are beginning to implement both research and practical projects geared to promoting public participation.

The Soros Foundation – Latvia (SFL) has played an important role in strengthening policy analysis activities and the development of policy institutes. Since 1999 it has implemented a complex programme designed to raise the quality and promote the growth of policy analysis. Its activities include a number of research studies, support for policy analysis research in the Foundation's priority spheres, and the organization of seminars or teaching sessions for policy analysis researchers. In the summer of 2000 the Foundation organized a Policy Analysis Forum, in which the Prime Minister and other high-ranking officials and leading researchers participated. In January of 2001 seven young policy analysis students began a one-year programme of

policy analysis research and study, and have been assigned to five developing policy institutes.

To render research results more widely accessible and to promote an exchange of information among policy analysts, the SFL opened a new Internet access portal on policy analysis in the summer of 2001. The SFL, in collaboration with the Open Society Institute, granted over 127,000 USD in 1999 and over 231,000 USD in 2000 to the Local Government and Public Service Reform Initiative, and to the Constitutional and Legal Policy Institute for the development of public policy analysis. In addition, the SFL granted 36,000 USD in 2000 for the initiation of an Education Policy Development Programme.

The fact that Latvian decision-makers and politicians place considerable trust in professional experts may boost the potential role of future policy analysis experts. More than 80% of questioned *Saeima* deputies said that they trust professional experts “to a large extent” or “to a fairly large extent,” although many deputies admitted that experts have little influence on decisions affecting important political issues. This indicates that the role of competent experts in Latvia's policy-making processes must be increased in a systematic manner by developing and strengthening policy institutes, and by developing mechanisms for involving consultative experts in the planning, implementation and evaluation of policy.

## Government accountability

One of the most fundamental principles of good governance is accountability, or the readiness, the desire and capacity of State officials to report in a transparent manner about what they have (or have not) done, and to answer to the public for their actions.

In the context of open policy-making, reports on State administrative activities are a particularly significant link between the public and the country's policy makers. The people have the right to know for what purposes State funding has been allocated, as well as the criteria by which financial resources have been disbursed. It is the State's obligation to make this information easily accessible and understandable to the public, and to be accountable for it.

During the last few years, the government of Latvia has taken significant steps towards the establishment of greater transparency in this



regard. From a legislative perspective, the most significant event was the adoption of the *Freedom of Information Law* in 1998. Although this law guarantees the right to information from State institutions, Latvia's institutions of governance must work proactively to ensure transparency in the use of financial resources, as well as in policy implementation and evaluation. A positive step in this direction is the 1998 Cabinet resolution under which ministry annual reports must be made public. In addition, all Cabinet meeting protocols and resolutions are now electronically accessible at [www.mk.gov.lv](http://www.mk.gov.lv).

While the public can now access information through the Internet on adopted State policies and read the texts of various programmes, it still faces hurdles in obtaining information on the implementation of policies and specific budget expenditures. For example, although almost all ministries publicize their budgets in their annual reports, the figures are mostly presented in such a general manner that they do not reveal a great deal. The budgets of specific programmes, for example, are not listed. The Ministry of Justice has been an exception in this regard. In its 1999 report, the ministry listed how much was spent on each of its programmes and how many of the planned activities were implemented. If all ministries presented such information to the public in a clearer manner, then resource spending would become more transparent and public participation in dialogue about policy development processes and priorities would become more active.

While the number of Internet users in Latvia is growing, "normal people" wishing to acquire information by telephone or in person on the distribution of their tax money may not find this to be an easy task. Ministry home pages on the Internet are by far the most accessible route for obtaining information and for expressing suggestions or complaints.

To establish how much and what kind of information about ministry activities is available to the public on the Internet, each ministry's home page was evaluated for this **Report** according to the following criteria:

- Annual reports about ministry activities – Are these available in the home page?
- Ministry budgets – Are they published and is the information clearly presented?
- The laws and policies of each department – Are the laws and policy documents regulating the department's activities available in the home page? Are there explanations and information about policy implementation, and how complete are they?

- Ministry commissioned research – Is there any information about research studies, their budgets, and the research teams consulted? Is the information limited to brief research annotations or are complete research reports included?
- Interactive opportunities – Is contact information listed in the ministry's home page, and are other interactive opportunities offered?
- Other aspects – Has the ministry taken advantage of technological opportunities in the creation of its home page? Are other participation or transparency opportunities offered?

Each ministry's home page was evaluated according to these six criteria and could receive a maximum of 60 points. The results in Table 4.2 indicate that some ministries, such as the Ministry of Welfare, Ministry of Environmental Protection and Regional Development, and Ministry of Defence, have created their home pages skilfully as a form of public accountability for their policies. Other ministries, however, have not made full use of the latest technology to ensure greater public accountability.

Several home pages made use of innovative ideas and provided good examples of how information technology can be used to create a bridge between policy makers and the public. The Ministry of Welfare, for example, offers a "chat" feature that permits correspondence with high-standing ministry officials about current social policy themes ([www.sarunas.lm.gov.lv](http://www.sarunas.lm.gov.lv)). Although the "chatting" on each subject is for a limited time period, all Internet users may continue to read notice exchanges and send in their comments even after the advertised discussion has ended.

The examination of issues that are vital to social policy from the viewpoint of ordinary people is a welcome new feature. For example, in the fall of 2000 the following themes were offered for discussion:

- Women and employment opportunities
- HIV/AIDS – Does it affect you or not?
- Why should youth be concerned about their pensions?
- Who is responsible for contraception?
- Is a poverty reduction strategy necessary and what would it achieve?

Through the use of information technology, the Ministry of Welfare has found a way to establish a closer link between the State's policy-making processes and the daily life of the people. Considering that one can read a wide variety of opin-

ions in the chat archives – starting with those of the minister, higher officials and department experts, and ending with youth, students and pensioners – it appears that the chat feature promotes the accountability of public policy, as well as transparency and public participation.

Much still remains to be done in order to ensure the transparency and accountability of Latvia's administrative institutions, but information technology has already opened new opportunities that should be used by all of the government's ministries.

## The public administration capacity of local (or municipal) governments

Local governments play a significant role in the implementation of human development policy. This role can be examined from two aspects, the first of which concerns public participation in administrative decision-making on local-level issues. The opportunity and the necessity for people to participate in the resolution of public issues and the development of their community is even more pronounced at the local level than at the national level. For many people, local govern-

ments represent the closest, the most familiar and the most understandable level of administration. The system of relations between individuals and their local government must induce public participation in the resolution of issues that concern not only individuals and their families, but also their local communities.

A beneficial precondition for participation at the local level is the fact that the public trusts local governments more than the country's central administrative institutions. Research studies conducted by social survey companies testify that trust in local governments is more pronounced in the countryside and in small urban centres than in Riga and other big cities. According to a survey conducted in the year 2000, over half (54%) of Latvia's rural residents trust their local government, compared to only slightly more than a quarter (28%) of people living in Riga. In Riga a greater proportion of respondents chose to answer "I don't know," which indicates that the relationship in Riga between the municipality and the individual is much more formal and distanced than it is in Latvia's rural areas and other cities.

Local governments implement a whole string of important functions that concern the economic development of the territory they administer and the quality of life of those living within it. They are responsible for health care, social welfare, education, public transportation services, the upkeep

Table 4.2

### Latvian ministry Internet home pages – examples of accountability

Ministry	Home page address	Evaluation points*
Ministry of Welfare	<a href="http://www.lm.gov.lv">www.lm.gov.lv</a>	50
Ministry of Environmental Protection and Regional Development	<a href="http://www.varam.gov.lv">www.varam.gov.lv</a>	50
Ministry of Defence	<a href="http://www.mod.lv">www.mod.lv</a>	49
Ministry of Finance	<a href="http://www.fm.gov.lv">www.fm.gov.lv</a>	41
Ministry of Foreign Affairs	<a href="http://www.mfa.gov.lv">www.mfa.gov.lv</a>	31
Ministry of the Economy	<a href="http://www.lem.gov.lv">www.lem.gov.lv</a>	31
Ministry of Agriculture	<a href="http://www.zm.gov.lv">www.zm.gov.lv</a>	29
Ministry of Justice	<a href="http://www.jm.gov.lv">www.jm.gov.lv</a>	28
Ministry of Education and Science	<a href="http://www.izm.gov.lv">www.izm.gov.lv</a>	24
Ministry of Culture	<a href="http://www.km.gov.lv">www.km.gov.lv</a>	19
Ministry of Transport	<a href="http://www.sam.gov.lv">www.sam.gov.lv</a>	5
Ministry of the Interior	<a href="http://www.iem.gov.lv">www.iem.gov.lv</a>	4

\*Out of a maximum score of 60 points.





and management of municipal administrative territories, the provision of communal services and other functions. The wide range of services delegated to local governments is based on the assumption that they are able to evaluate their own needs and capabilities, and to plan their development priorities and expenditures accordingly. Over the past few years, the functions and responsibilities delegated to local governments have been increasing. Municipalities are thus acquiring a more significant role from the human development perspective, as their responsibility and competence increases in the fields of education, health, participation, prosperity, and quality of life.

The following sections analyze the capacity of Latvian local governments to implement good governance and to carry out the human development functions that have been entrusted to them. This capacity is analyzed from the following aspects: the capacity to separate decision-making and executive functions, local administrative capacity (or the competence of local government staff), technological capacity (or the ability to use information technology in administrative operations), the capacity to promote public participation in decision-making, and the capacity to present reports to the public.

In analyzing the capacity of Latvian local governments to ensure good governance that favours human development, certain factors must be taken into consideration.

- The population in Latvia's local governments is unevenly divided and varies widely. Large and small municipalities operate side by side. Small local governments are far greater in number. The size of a local government frequently determines its available resources and its ability to work effectively.
- There is as yet no joint database from which information about all local governments can be collected. On certain subjects, such as the education, gender and age of municipal employees, no data are available at all. This makes it difficult to portray an overall picture of the country's local governments.
- Latvia's local governments have considerable autonomy and freedom to choose their own priorities and development solutions. Therefore, they each devote varying attention to the aspects of capacity (education, information technology, public participation) that are analyzed in this section.

## The relationship between the decision-making and the executive powers in Latvia's local governments

Although most local government activities are devoted to everyday social and maintenance issues, there is a growing tendency to engage in long-term planning. The ability of a city or parish to present itself in a positive light from a long-term perspective can help it to attract much-needed investment and participate in various development projects. Long-term planning requires the appropriate allocation of time and human resources.

In connection with the yet-to-be-clarified administrative territorial and public administration reforms, there is much discussion about separating local government decision-making and executive powers as a precondition for effective management. Yet there is still no agreement on the extent and manner as to which this precept should be applied. Should the position of executive director be declared as compulsory for all local governments? The current law on local governments permits them to decide for themselves. Consequently, in many municipalities the decision-making and executive powers are not separated, and the head of the municipal council is also its chief administrator. Currently slightly more than a quarter of Latvian local governments (28%, or approximately 160) have executive directors.

Arguments for and against the separation of the decision-making and executive powers are of both a theoretical and practical nature. Theoretically most local governments agree on the necessity to separate the two powers, as this would promote greater competence in municipal decision-making. Frequently local government councillors lack the knowledge and experience necessary for executive administrative tasks. The goal of the executive is to alleviate the burden of decision-makers and relieve them of the need to work on time-consuming day-to-day issues. This enables decision-makers to adopt better policy decisions and to eliminate the frequently-seen contradiction where the head of a city council is involved in both the preparation and execution of municipal decisions.

In addition, the executive can ensure administrative continuity, as theoretically executive personnel do not have to leave their posts following changes in the decision-making administration. The greater stability of executive positions helps to ensure the continuity of decisions taken, and that initiated development priorities, plans and projects will not radically change together with a new decision-making administration.

Furthermore, the separation of decision-making and executive powers promotes mutual control, supervision and stability. The parallel existence of two branches of power decreases the opportunities for illegal lobbying and corruption.

As stated above, most local governments support the separation of the decision-making and executive powers, but only about one quarter of them have implemented it. The reason most frequently cited for combining the positions of municipal leader and executive director is the lack of financial and human resources. This is a particularly pressing problem in Latvia's smaller municipalities, where financial resources are very limited. Local government leaders also fear losing control and influence in delegating powers that they presently hold. Furthermore, there is widespread concern that two antagonistic powers may develop and prove unable to co-operate. Some municipal leaders are afraid that with the establishment of a separate executive, their municipality's autonomy

may be threatened by a merger of local executive interests with those of central State executive authorities.

Although the separation of decision-making and executive powers is a useful instrument for promoting local government efficiency and human development, one cannot unequivocally conclude that such a separation at the local level would be beneficial in all cases. It would probably not be sensible to impose such a separation of powers in the country's smaller municipalities, considering their difficult socio-economic situation and shortage of resources. Administrative territorial reform, which would lead to the formation of larger municipalities, remains a pressing necessity. Only then might it be more practical to separate the decision-makers from the executive. In any case, the honesty and competence of municipal employees, and their ability to respect democratic principles, must be upheld.

## Local government administrative capacity – education and knowledge

In this section the administrative capacity of local governments is examined from the aspect of staff professionalism and competence. At the

### Guest author

#### **Dainis Rozenfelds, Chairman of the Kandava District Council**

##### **We are living better than before**

No matter what times we may have lived through, I can be proud of being from Latvia. I am proud of my parents, my family, my children and my grandchildren.

Humans will always be driven by the desire to live a better life in the future and this is good. If we look back critically at the last few years, then we must admit that we are already living better than before. We are quickly approaching accession to the European Union, which will provide another guarantee for our further growth and give additional meaning to the lives of our youngsters. The number of people who have difficulty adjusting to the new system is decreasing. I believe that for the next few years our main priority should continue to be the further development of our rural areas.

I am also proud of our notable achievements in culture and in sports. I have often felt proud to witness the advent of modern technology in our daily lives, the implementation of significant projects and the upgrading of our infrastructure.

There are still many problems to deal with, but we will be able to solve these ourselves, without losing our Latvian essence and while maintaining good relationships with our neighbours.



beginning of local government reform in 1992, the necessity for a new and high quality continuing education system for municipal leaders and employees was outlined, in part, to promote a parallel development of democratic processes in Latvia's local governments. From a practical point of view, the implementation of a local government's varied and responsible functions – which include health care, social services, education and cultural services – requires well-educated and independent-minded decision-makers.

As previously stated, the lack of both human and financial resources is preventing a number of local governments from adequately fulfilling all of their assigned functions. For example, in one vital sphere of local government work – social assistance – 91% of municipal employees had no education in social work in 1999. The data obtained from a survey of local government leaders shows that 36% of them have studied agriculture, 17% have studied engineering, 13% economics and 10% teaching. Most municipal leaders have no specialised administrative education, which once again illustrates the necessity for increased education opportunities to raise qualifications. The specifics of local government work require the skills and knowledge to follow changes in legislation, process a great deal of information, and understand municipal activity and community development in the broader context of economic globalization, Euro-integration, and political participation.

At present the education of local government employees is entirely in the hands of the municipalities themselves. The leader of each local government can personally determine how many and which employees to hire, the extent of their qualifications, their salaries, and further educational opportunities. A precondition for the optimization of the administrative system as a whole is a uniform personnel development system for all levels of management, permitting the education of a professional, qualified civil service that works under democratic principles of governance and high standards of conduct (see the introduction of this Chapter). Theoretically under the present public administration concept, a civil service with the same personnel management system as that of the country's central administrative institutions must be implemented in Latvia's local governments. This would entail the same system of quality demands, career planning, work performance and evaluation, salaries, disciplinary monitoring and promotion.

Currently, however, a personnel planning system is being implemented only at the State administrative level, for which State budget resources have been allocated. An institutional data base has also been established and the appropriate regulations have been enacted. The new *Law on the Civil Service*, which was adopted in September 2000, does not foresee the implementation of State civil service practices in local governments. One unintentional exception can be noted. In 2000 the State School of Administration organized and paid for the training of 22 municipal executive directors. However, this was merely a lucky coincidence that occurred thanks to individual activity and initiative, and which is not expected to continue in the next few years. The current situation can be described as one that excludes municipalities from the uniform establishment of a civil service in public administration.

Various public administration models used throughout the world differ according to the centralization level of specific public administration components. In Latvia the State administration's ability to create a professional civil service – which is one of a State's central functions – is still in question. There still has been no clear decision for or against the centralization of Latvia's administrative system, under which the civil service would operate at all levels of governance.

There is still no clear place for local governments in the overall scheme of State administrative reform. Yet as stated above, the current public administration concept foresees the inclusion of municipal workers in a unified civil service. Although the viewpoints of municipal leaders vary on this issue, one overriding fear is that the autonomy of local governments will be threatened by centralization tendencies. Not many municipalities wish to be integrated into a joint personnel-planning system, which admittedly would have the positive effect of providing certain guarantees and social protection measures for municipal employees. This issue must really be viewed together with the need for a sensible administrative territorial reform. If a large number of smaller municipalities eventually does consolidate into a smaller number larger entities, then there will be more reason not only to separate executive power from decision-making power, but also to integrate Latvia's local governments in one common civil service.

To satisfy the local government need for additional education opportunities, a whole series of institutions have become involved – the Latvian Local Government Studies Centre, the University of Latvia's

State and Local Government Project Management Studies Centre, the Consultation Centre of the Association of Local Governments, and several ministries. These are all individual institutions with independent municipal employee training programmes. Currently in Latvia there is no common system of goal-orientated municipal employee training. The teachers and trainers of these institutions do not have a common teaching strategy or programme content (themes, theories, proportion of practical work, priorities) or approach (direct teaching, correspondence courses, study groups), or methodology, or teaching qualifications, or target audience.

In addition, there is no local government studies co-ordination mechanism for supervising the training process. Furthermore, study finances must be provided by the local government and are determined by the head of each municipality. The reception of additional financing from the State for further municipal training is one of the chief demands of Latvia's local governments.

The *Phare* State Administrative Reform Programme was initiated in 1999 to overcome the *ad hoc* approach to municipal employee training and to implement a common local government training system, yet its implementation has been suspended and there is no sign of it resuming in the near future. Once again, resources and time have been spent without the assurance of continuity. As a result, the training of local government politicians and employees is continuing in an uncoordinated manner. In such a situation each local government must decide on the training option that best conforms to its needs and resources.

Without an organized municipal training system and one unified system of criteria, the quality of local government services is not likely to improve quickly, as these should be provided by adequately prepared specialists. Several essential questions have not been answered concerning the required educational background, skills and evaluation of municipal specialists for the provision of quality services to the population.

## Local government administrative capacity – information technology

In the 21<sup>st</sup> century, information technology (IT) has become a precondition for local governments

to be at the forefront of national development processes. IT facilitates the acquisition and organization of quality information, without which a successful municipality cannot operate (for more details see the 1999 **Report**). High quality computer technology has become necessary for local governments to provide such essential services as the registration of residents, social assistance, health care, educational and cultural opportunities, support for local enterprises, environmental protection, employment promotion, as well as the upkeep of the local infrastructure, streets, and roads.

The acquisition of information technology has depended mainly on the financial capabilities of each local government and on the initiative of its municipal leaders. Therefore the use of IT computers and software varies widely among Latvia's local governments (see Table 4.3).

As shown in the table, a fairly large proportion of local governments is still not equipped with computers, and about a third of those in use are outdated. (Computers with 486 processors should be replaced as soon as possible, because they do not have the capacity to deal with modern information systems.) Local governments with *Pentium* I and *Pentium* II computers are able to use modern information systems. The proportion of *Pentium* III computers reveals the percentage of local governments that have been able to acquire computer technology within the last year.

Most of the software mentioned in Table 4.3 is required for municipal operations according to modern standards. Accounting software should be used by all local governments, yet at present only two out of three local governments do so. Only one in eight municipalities is linked to the NAIS Regulatory Enactment Information System, while only one-fifth uses the Internet. The contrast with Latvia's central government institutions could not be greater, where the Internet has become a daily and universal means of communication, as well as a document search and information tool.

Those local governments with no computer technology are faced with a slower flow of information and documents. Traditional means of document circulation can no longer assure effective results. Municipal activities require co-operation with the central government, which possesses centralized (and computerized) information on the population, real estate, taxes, et al. While part of this data is collected in the municipalities, the variety of means used to collect, organize, preserve,



and process it reduce local governments' capacity to partake in the optimal circulation of information. In addition, municipal computer systems are often isolated and not linked with similar systems elsewhere – even within the same municipality, not to mention other parts of Latvia and centralized State information systems.

The computerization of local governments, like employee training, must ultimately be resolved at the State level. A significant step in this direction has been the implementation of the government-approved *Unified Local Government Information System*. By the year 2004, all municipalities are to be linked to a single data transmission system, with access to State registers and with information about each municipality provided on the Internet. The first steps for implementing the programme were taken in 2000, when the extent of local government computerization was established through a comprehensive survey. In addition, the *Local Government Information System Concept* was worked out, and State funds were allocated for the acquisition of computers and software, as well as the consolidation of the data transmission infrastructure. Local governments

will also provide partial funding in order to increase their participation and interest in the project.

The fact that the State has already invested 450,000 lats (over 700,000 USD) to support the computerization of local governments gives hope that the work started will continue. The implementation of modern information technology should greatly improve municipal administrative work by speeding up decision-making, and decreasing both the number and volume of documents and notices to be submitted. It should also promote a greater degree of information exchange among State institutions, municipalities and the public, and provide the public with better local government information services.

## Public participation and accountability

A survey of local government leaders and the public during the preparation of this **Report** gave the opportunity to clarify the views of both sides

Table 4.3

### The use of computer technology and software in Latvian local governments (no data on Riga included)

Type of local government	Use of computers (% of local governments)	Total number of computers in local governments	Computers by type of processor			Average no. of computers per local government
			486	Pentium I, Pentium II	Pentium III	
City	72	982	32	65	3	16
District	92	170	25	70	5	24
Parish	64	1176	35	60	5	3

#### Use of software

Type of software	Used by % of all local governments
Accounting software	69
Computerized calculation of real estate property tax	51
Computerized registration of residents	42
Computerized registration of natural migration	24
Use of the Internet (with permanent or modem connection)	21
Use of the NAIS Regulatory Enactment Information System	13
Use of the GIS programme	7

about public participation in the decision-making process. An overwhelming majority (86%) of surveyed municipal leaders believes that the public has either very extensive or fairly extensive opportunities to influence decision-making at the local government level. However, only 22% of the public thinks so. One-third (33%) of municipal leaders perceive the passivity of the population and the lack of participatory motivation as a very serious problem, while another 58% see it as a fairly serious problem. Most of the surveyed local government leaders believe that the public has sufficient opportunities to participate in local decision-making processes, but is impeded by its own passivity and lack of interest. Most surveyed members of the public feel that they cannot influence decision-making in their local government, although they generally believe that people do want to participate in the development of their community, and that mechanisms should be introduced to increase public participation in policy-making.

Besides attitudes and opinions, the research conducted for this survey also sought to establish what local governments and the public are currently doing to promote local participation (see Table 4.4). Local government leaders indicate that municipalities engage in consultations and various forms of co-operation with the public, civil society groups, NGOs and State institutions. A certain initiative and activity on the part of both municipalities and the public is evident regarding meetings with deputies and municipal employees, and regarding public discussions. However, local government initiatives regarding consultations with interest groups and NGOs, and regarding the delegation of functions to NGOs have not been as successful.

Overall, the democratic link between the various political agents at the local government level is still at the search and development stage, and thus ineffective. This is also shown by the public evaluation of available forms of participation in local government decision-making. For example, in many of the surveyed municipalities, elected politicians and councillors have met with the public and held public discussion meetings. Yet less than one-third of the surveyed public has participated in such activities and only one-third regards these participation forms as effective. The survey results show that participation, public involvement, and openness in local government activities are priority issues that must be fully, rather than formally implemented.

One determinant of local government capacity is the quality of adopted and implemented decisions and their evaluation by the various parties involved. The evaluation of municipal activities can occur either through the form of an internal control system, or through various means of public control with the participation of the inhabitants, the mass media and public organizations. The *Law On Local Governments* indicates that city or parish council meetings must be open, and that council decisions, council chairmen's directives, audit commission conclusions and open meeting resolutions must be accessible to the public.

One step towards the promotion of greater openness and accountability may be soon be taken with an expected amendment to *the Law on Local Governments*, under which local governments would have to submit *annual public reports*, as has been the case with government ministries since 1999. The first such local government reports may be submitted in 2002 on the current calendar year. While this expected amendment can be considered as a positive step, there are serious doubts about its effective implementation. Some local governments have already said that they lack the means for funding such reports, as well as the human resources for writing and publishing them. Others doubted the usefulness and practicality of such reports.

The above again confirms the often-stressed contention in this **Report** that the availability of information on its own does not necessarily entail participation.

## Internal audits

Internal audits are one mechanism for ensuring the internal control and accountability of local governments. The basic task of such audits is to establish whether local government activities have conformed to the law and to the interests of the electorate. Unfortunately, current internal audits or control systems do not work in practice or are ineffective. As a result, such democratic principles of governance as the transparent use of financial resources and accountability for adopted policy decisions have not acquired the needed momentum.

A well-organized and planned internal control and financial monitoring mechanism can also serve as a valuable policy analysis instrument. Currently internal audits are much better organized and more seriously conducted in Latvia's central administra-




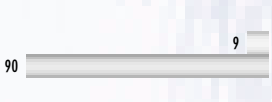
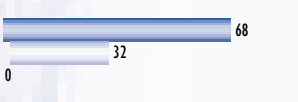
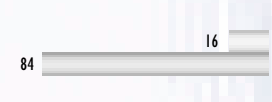
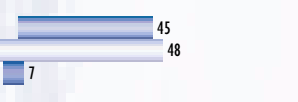

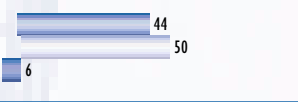
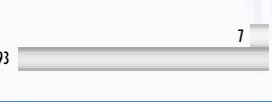
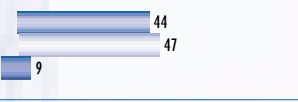
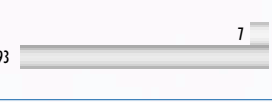
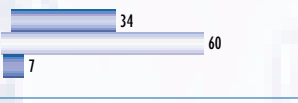
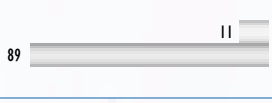
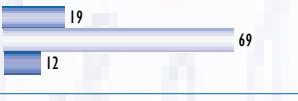
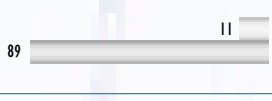
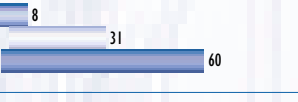
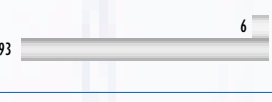
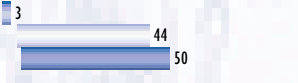
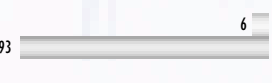
tive institutions. Ministries have developed special departments for this purpose, organized training sessions, issued handbooks, developed report forms and attracted foreign investments.

According to law, each local government must submit an annual report listing all of its revenues, expenditures, loans and special budgets to the

State Treasury. The most essential part of the report – an evaluation of the efficiency of the local government’s spending practices – is prepared by an audit committee that is part of the local government structure. The *Law On Local Governments* states that audit committees must establish whether funds have been spent in accordance with their

Table 4.4

**Local government activity in promoting public participation, and actual public participation in municipal policy-making processes**

<b>Local government activity in promoting public participation</b> <i>What methods and resources do you use, and how often do you use them for resolving important issues at the local government level? (% of surveyed local government leaders*)</i>	<b>Public participation in municipal policy-making processes</b> <i>Have you partaken in any of the activities listed below? (% of surveyed inhabitants*)</i>
Consultations and co-ordination with other local governments 	Wrote letters to my local government 
Meeting with members of the public 	Met with municipal deputies 
Consultations with interest groups and NGOs 	Participated in discussions about my city’s development plan 
Consultations and co-ordination with entrepreneurs 	Include myself among the category of entrepreneurs and self-employed 
Consultations with the Association of Latvian Local Governments 	Turned to NGOs 
Public discussion meetings 	Participated in public discussion meetings 
Consultations with ministries and ministry departments 	Met with ministers and civil servants 
Consultations with political parties, politicians 	Met with Saeima deputies 
Delegation of functions to NGOs 	Active member of an NGO 

\* The answer “cannot decide” is not included in the Table.

■ Often, always   
 ■ Sometimes   
 ■ Practically never   
 ■ Yes   
 ■ No

intended use as outlined in the annual budgets. The committees must also verify the efficiency of spending by local government agencies, enterprises and employees. In addition, they must ascertain whether municipal property has been upheld in accordance with the law and in the interests of the public. The audit committee reports to the local government council of deputies, reports all irregularities and provides recommendations for their future prevention.

An analysis of the work of audit committees reveals that many local governments do not have the capacity to plan their financial resources effectively, evaluate the efficiency of budget spending, and implement transparent budget-planning and reporting procedures that conform to the law. The work of many audit committees is only conducted for form's sake. Only in rare cases do committees include evaluations on the efficiency of resource spending in their reports.

Several reasons can be given for the development of such a situation. The lack of capable specialists or human resources has already been mentioned. The *Law on Local Governments* does not stipulate the required professional expertise of committee members. The formation of audit committees is actually a political decision that is left to the discretion of the dominant political forces in each local government. As a result, there is a risk that such audit committees will turn a blind eye to discovered irregularities. Practically no attention has been devoted to training audit committee members or providing them with handbooks and practical recommendations on the execution of their work. Minimum standards of professional competence should be established for audit committee members.

The fact that audit committee members work on a voluntary basis in their free time also contributes to the formal nature of such audits, which may pay more attention to economic activities than on the quality of governance and management efficiency. Although by law audit committee work should be paid for from local government budgets, in practice funding for such work is usually not provided. Resources are also not allocated to hire professional audit companies or certified auditors, who by law must be invited by the local audit committee at least once a year to conduct a professional audit. Last year, according to State Auditor data dating from September 2000, annual audits conducted by certified auditors had been submitted only by 30%

of local governments. The main argument presented for not submitting the required reports has again been based on the inability of local governments to pay the high fees of certified auditors or auditing companies. Furthermore, in Latvia there are only 131 certified auditors for 578 local governments. In addition, many certified auditors specialize in auditing private companies, but not public institutions. These factors have also hindered compliance with the demands of the law.

Since the size of Latvia's local governments and the resources available in each municipality varies greatly, co-operation in the development of efficient auditing systems could occur through the joint formation by smaller local governments of common internal audit systems that would decrease audit expenses and improve their quality. Emphasis should be given to the publication of audit results that are accessible to all inhabitants.

## Administrative characteristics of Latvia's smaller local governments

Latvia is administratively divided into local governments of varying size, the vast majority of which are very small (see Information 4.7).

The population in almost a third of Latvia's local government territories does not exceed 1000 people, and does not exceed 2000 people in 71% of local government territories. An overwhelming majority of local governments (84%) administer territories whose population numbers less than 3000. This fragmentation of Latvia's territory has been inherited from the first period of independence (1918–1940), and from the subsequent Soviet period, which lasted until 1991. The fact that municipalities remain small is also influenced by demographic processes, namely, the migration of inhabitants to larger urban centres, and by the slow process of voluntary local government unification. While the optimal size of local governments has not yet been determined, several political analysts and experts from *Phare* projects in public administrative reform and regional development have pointed to the necessity of forming larger local governments. Although the size of a local government is not always the determining element in its development, the smaller a local government, the larger the





risk that its development will be slower and that it will have less resources at its disposal than larger local governments.

Several potential risks threaten the efficiency and democracy of smaller local governments.

- *The limitations of political choice.* In order to develop successfully, a local government must have democratically elected politicians and capable leaders at its helm. Since democratic elections are based on choice, they work best under conditions of wider choice. Small local governments have a small electorate that is reduced even more by the fact that on average only half of eligible voters use their right to vote in local government elections (56% of eligible voters participated in the 1997 municipal elections). Small local governments have a smaller number of deputies to be elected and a limited choice of candidates. Therefore, the complaint that there is “nobody to choose from” is widespread in smaller local governments. To promote greater political activity and wider choice, the *Saeima* decreed that in the 2001 elections, each local government must have at least two lists of candidates.
- *The presence of personal biases.* In smaller local governments the subjectivity of personal likes and dislikes is much more pronounced. For example, local government leaders frequently assemble people they know and like in choosing their staff, and rarely use professional qualifications as criteria for the

selection of employees. Smaller local governments have a greater likelihood of becoming captive to specific interests, which could lead to the unjustifiable use of resources and the introduction of undemocratic styles of governance.

- *The lack of human resources.* By law all local governments must perform the same set of functions and provide the same range of services. Smaller local governments experience greater difficulty in hiring a sufficient number of competent personnel to perform these services. This deficiency is particularly evident in the smallest and least developed rural municipalities, and is partially fuelled by the migration of young and talented people to more developed urban centres, including Riga. Smaller local governments cannot afford to hire many employees and therefore their functions are performed by less people, who simultaneously perform secretarial work, social work, supervise registry offices, and conduct other tasks. As some local government functions require specific knowledge, they are either not implemented or are performed poorly due to the lack of specialists. The lack of qualified lawyers is an acute problem in many municipalities. The problem of finding competent people to work in local government auditing committees has already been mentioned. In smaller local governments financial savings are usually implemented at the expense of staff, and often five or six functions are performed by two or three employees.

#### Information 4.7

### Breakdown of Latvian local governments at the end of 2000<sup>1</sup>

#### Breakdown of local governments by status (in November 2000 Latvia had 578 local governments)

Parishes	473
District cities	65
Counties (newly formed joint municipalities)	7
Republic cities	7
Districts	26

#### Breakdown of local governments by size of population (except for the 26 district local governments)

1 – 1000	170	31%
1001 – 2000	220	40%
2001 – 3000	72	13%
3001 – 10,000	66	12%
10,001 – 30,000	17	3%
30,001 – 900,000	7	1%

<sup>1</sup> Latvian Department of Local Government Affairs

- *The weakness of administrative procedures.* The Law on Local Governments requires the establishment of one permanent committee for financial and social issues and one for educational and cultural issues in each local government. These committees develop and prepare draft decisions for review at city or parish council meetings. The work of local government institutions and enterprises, budget projects and expense estimates are under the authority and control of these committees. Again, due to the lack of human resources, these committees do not even exist in some small local governments. This in turn has a negative effect on the quality of decision-making. In order to promote the reorganization of administrative procedures, the Law on Local Governments requires each local government to work out its own statutes. Theoretically, these statutes regulate the organization of local government activities and decision-making procedures. The statutes of Latvia's larger municipalities have been more or less developed, are operational and are regularly up-dated, whereas in the smaller municipalities they are frequently of poor quality, out-dated and not always followed. This results in a greater risk of spontaneous and subjective decision-making that is concentrated within a narrow circle.

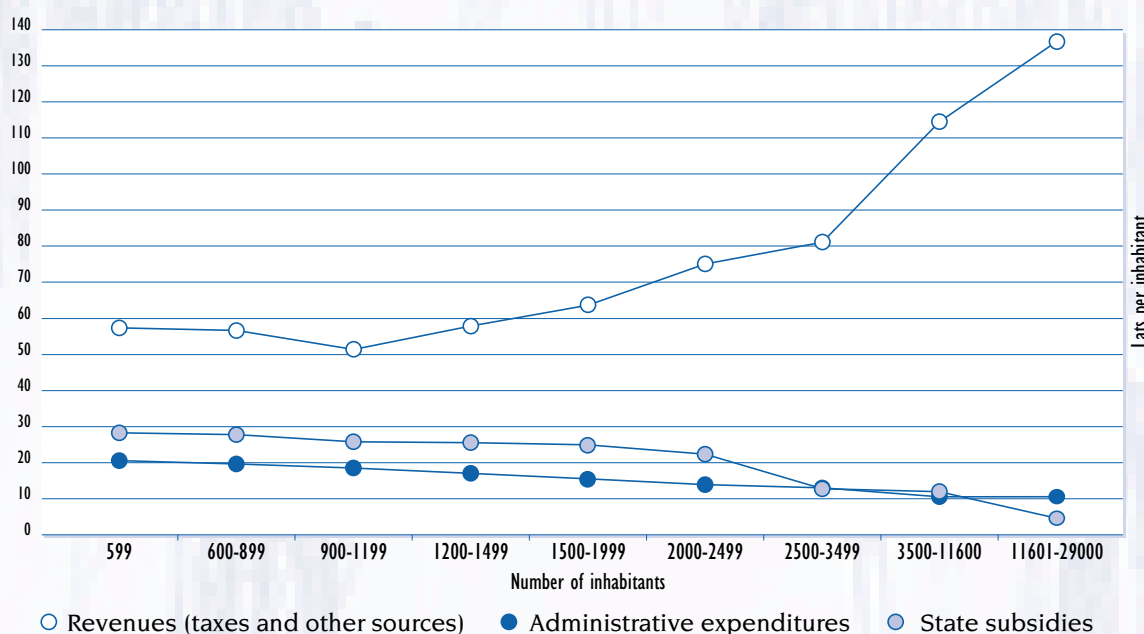
- *The shortage of financial resources.* The capacity of local governments to implement administrative activities designed to promote human development depends to a great degree on the financial resources at their disposal. Good governance costs money. In most cases, the wealthier the municipality, the more opportunities and tendencies for it to advance and develop.

An analysis of local government revenues and administrative expenditures shows that revenues from taxes and non-taxed income per resident increase along with the size of local governments, while administrative expenditures and State subsidies from the Local Government Equalization Fund correspondingly decrease (see Figure 4.1).

The weak financial capacity of smaller local governments is reflected in all three financial analysis sections. The smallest municipalities have the smallest revenue and their upkeep is the most costly. As a result, smaller local governments cannot support themselves and properly perform their assigned functions, which is why they receive the largest State subsidies. The proportion of administrative expenditures in local government budgets fluctuates from two percent to one quarter. The higher the proportion of administrative expenditures, the less resources available to perform other

Figure 4.1

### Local government revenues, expenditures and State subsidies in relationship to local government size





important tasks, not to mention long-term investments for community development. An examination of the ratio of taxed and non-taxed local government income per person – which is an indicator of a local government's economic capacity – shows that the country's smaller municipalities are in the least favourable position.

It must be stressed, however, that in spite of the potential risks (which can apply to any municipality) and their unfavourable position, many small municipalities are working quite successfully, and skilfully coming to terms with their unenviable situation. An analysis of their performance mechanisms and degree of efficiency would be useful.

The power to reduce the many risks facing smaller local governments does not depend solely on the skill and honesty of their personnel. Other factors, such as their location and infrastructure, are also important. One proposed solution for strengthening local governments involves the consolidation (or amalgamation) of smaller municipalities into larger ones. This process is slowly being implemented within the framework of administrative territorial reforms begun in 1992. However, to date only 28 local governments have merged into 11 consolidated local governments that include seven counties, and it is still too early to judge whether their overall operational capacity has increased.

The slow pace of reforms to date shows that in spite of the promised advantages of amalgamation, many local governments are reluctant to engage in it. Experts who have surveyed several districts admit that the amalgamation process itself presents some difficulties. The main benefits of amalgamation would include the improvement of administrative and economic capacity (which in turn should lead to higher service quality), the increased specialization and higher qualification of employees, a greater concentration of financial resources, improved territorial development planning and participation in international projects, and the further decentralization of State governance in the favour of local governments (through the allocation of more functions currently executed by the State).

The main drawbacks include public opposition to amalgamation, the costs incurred by such changeovers, and the distancing of councillors from their electorate. The chief benefit of maintaining the fragmented administrative territorial division in its current form would be the preservation of closer contact between local government councillors and the public. Yet the losses are many: a heavy, ineffi-

cient and slow administration process, encumbered budget planning, a possible increase of administrative expenditures, an arduous process of outlining activity priorities, the continuing uncertainty about further development perspectives and the ultimate prospect of forced amalgamation.

Amalgamation is the most convenient route from an administrative point of view, as it would alleviate the supervision, co-ordination, and execution of administrative tasks and attract specialists. This would also promote quicker economic growth and encourage human development. Whatever route is taken in the course of reforms, it is essential to ensure that all principles of good governance are strengthened, namely: participation, transparency, responsiveness, equality and justice, efficiency, accountability and strategic direction.

## Conclusions and recommendations

If planned national programmes are not granted sufficient resources, then their implementation will remain in doubt. In order for policy-making to promote human development, budget planning and adoption processes must be linked to the strategic priorities and vision of the country.

A long-term development vision must first be agreed upon for the country, before human development goals can be set and their implementation monitored and evaluated. The State Chancellery's Policy Co-ordination Department has an essential role to play as the principal co-ordinating institution for working out this vision.

National programmes and budget allocations reflect national priorities and values. In order to promote transparency and understanding about its vision for Latvia's future, the government must publicize a declaration of its values, ethical foundations and fundamental principles of governance. These fundamental principles must be formalized and embodied in the daily functions of the State's administrative institutions. Mechanisms for monitoring the observance of these fundamental principles should be established, with emphasis being placed on the prevention of bad governance, rather than on penalties in the event of transgressions.

In order for the multi-sectoral co-ordination of human development policies to become more efficient, and for all individuals to feel that they also

have a role to play in the country's overall development, the principle of team activity must be strengthened among ministry staff. Unhealthy competition between ministries must be diminished, and obstacles to inter-ministry co-operation in policy-making must be eliminated.

Governmental public relations mechanisms must be developed to increase transparency and accountability. Besides the "traditional media," the Internet and the latest technologies should also be used.

Annual reports are useful instruments that promote ministry responsibility, but do not incorporate concrete policy goals or indicators to measure them. Therefore, the reader (in this case, the public) has little opportunity to analyze the efficiency of the country's administrative institutions. Information about budget expenditures must also be linked to information about the execution of concrete programmes. These principles should be observed in the local governments' forthcoming annual reports.

In order for quality policy analysis to play an increasing role in Latvia's national policy-making processes, the capacity of policy analysts and the institutions requesting such analyses must be increased. Changes must also be made to the State system of commissioning policy analyses in order to facilitate the transfer of international experience to local policy analysts and increase the level of co-operation between Latvian and foreign researchers. Research by foreign experts is usually conducted outside of local policy analysis circles. Consequently, the capacity of Latvia's clients and local analysts is not increased.

Inter-ministry co-operation in the research of multi-sectoral issues must also be promoted, and policy analysis priorities should reflect national priorities.

To improve the quality of public policy in the nearest future, the capacity of independent policy analysis experts and policy institutes must also be raised in order to permit them to conduct qualitative analyses of public policies and to forecast the consequences of such policies through cost-benefit studies, including the evaluation of social costs. Here social costs are understood as the widening of inequality or misunderstanding between various social or ethnic groups or between men and women.

In this regard, the opportunities for potential specialists to gain the necessary policy analysis skills must be increased in Latvia's higher education system.

Decisions on important issues that concern municipal development, their implementation and their adequate supervision are dependent on the knowledge and skill of local government politicians and employees. The necessity for skilled and honest people is compounded by the fact that local governments are more difficult to supervise and control than the central State apparatus.

Increased public participation in local government decision-making must be promoted, particularly regarding such essential issues as community development and improving the quality of life. This can be done by organizing more public discussions, by involving public interest groups in decision-making and development planning, and by organizing partnerships between local governments, NGOs and businesses.

In order for local governments to perform their functions according to modern requirements, priority must be placed on increasing their technological capacity.

The autonomy and decentralization of local governments is not always the best solution for improving municipal capacity. A single overall approach for improving the administrative capacity of local governments must be developed and implemented. To date the greatest emphasis has been placed on strengthening the capacity and improving the quality of the country's central (or national) institutions.

In promoting high standards and demanding high quality services from local governments, appropriate financing must be provided and a municipal support programme must be established at the national level. The development of a unified training system for municipal politicians and employees would be a positive step. Only then would it be possible to implement uniform and compulsory standards of service in all local governments. Resources must also be allocated to increase the administrative capacity of local governments. Without an appropriate local government infrastructure, which includes information technology, local governments will be able to ensure neither a qualitative flow of information, nor document circulation, nor an effective decision-making process. In many local governments the principal means of document circulation is still the national postal service. Some local governments have no faxes or computers or Internet connections, and their telephone lines are of poor quality.



Local government capacity could be raised by developing various local government co-operation models, thus respecting their municipal sovereignty and permitting them to choose on their own whether or not to amalgamate.

Administrative capacity is not developing at the same speed and equally successfully in Latvia's central and local institutions of governance. In certain aspects of capacity, achievements have been much more pronounced at the central level of governance (some examples include access to information, internal auditing and public accountability procedures, and uniform training systems). In order

for human development in Latvia to be more uniform, the capacity of the country's administrative institutions must be more evenly balanced out.

In certain aspects of capacity not much has been achieved at either the central or local government level. The attraction and use of policy expertise has not been effective, and assessment indicators are not used. Therefore it is impossible to evaluate the results of several development processes. Evaluation and transparency are still insufficiently applied in the country's administrative institutions. This hinders policy continuity, as well as the participation of an informed and knowledgeable public.