

# Public Administration Reforms in Latvia

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## ABSTRACT

Latvia, which renewed its independence in 1991, is now in a transition period from command economy to a free market economy. One of the most important tasks in the transition period is public administration reforms. The public administration reforms in Latvia, as in other Central and Eastern European countries, are wider than in developed Western countries. Reforms are organized on the central government and local government levels. They are based on such principles as legality, honesty, openness, respectful attitude towards an individual, efficiency, etc.

The main directions of public administration reforms in Latvia are:

- the decentralization of functions of state administration;
- the reorganization of institutions of public administration;
- public civil service reforms;
- the improvement of the system of the state budget;
- formation and development of information systems;
- providing information for society and involving it in public administration.

## INTRODUCTION

The purpose of this article is to show the creation of the new public administration system in Latvia. Latvia, which renewed its independence in 1991, is now in a transition period from command economy to a free market economy. One of the most important tasks in the transition period is public administration reforms. In Latvia the public administration reforms are organized at the central government and local government levels.

The role of public administration reforms was not evaluated sufficiently in the first years of the transition period in Latvia. The reforms of central government began only in the middle of 1993 after the elections of the 5-th Saeima. The reforms of local government began sooner – in 1992.

Today public administration in Latvia has many shortcomings.

Influence of the previous socialist system on newly created organizational structures and management methods is sensitive. Many officials from the old regime are still employed in the public administration. They have studied and have worked under the circumstances of command economy, of directive centralized planning and strong subordination. If some of them honestly fulfil their tasks with necessary skills for them then there are also some who have outwardly adopted new methods but are nevertheless truly convinced in the ways of the old regime. The principles of previous thinking still dominate today, that is, the official is the "king" of society and gives orders, but actually he is a servant of society. Many officials still have not mastered the principles of management and economics according to a market economy and democratic principles. Their qualification do not satisfy today's needs.

Despite all efforts to reduce the number of state officials, there is still high number of them in Latvia, especially at the central government level, although the number of ministries has been decreased. There is too little attention given to strategic problems and too much attention to the operational decisions at all levels of management.

The activities of civil servants in Latvia are still not open to public scrutiny which increases the possibilities for error, illegalities, as well as the dangers of corruption.

These shortcomings are addressed in the process of public administration reforms. The public administration reforms in Latvia, as in other Central and Eastern European countries, are wider than in developed Western countries because the old public administration system in Latvia has completely changed, including the functions and structure of public administration institutions, relationships between public administration and society, public civil service reform, etc.

The reforms are based on such principles as legality, honesty, openness, respectful attitude towards an individual, efficiency, etc.

## DECENTRALIZATION OF PUBLIC ADMINISTRATION FUNCTIONS

The period of socialism in Latvia, as well as in other socialist countries, can be characterized by exaggeration of the role of the state. The expansion of state functions could serve as the mirror of democracy. The opinion that democracy is stronger in cases of narrower state functions has a reasonable basis.

In determining the distribution of the functions among the state (central government), local governments and private sector, as well as social organizations, the principle of subsidiarity should be used: the best solutions to problems are found at the lowest level, that which is closest to the people. No task should be solved at a higher level than necessary. Every function should be analyzed in the following sequences: can the given function be performed in the private sector or by social organizations? If not, can the function be successfully performed in the first level of local government (municipality)? If not, can it be performed by the second level (district) of local government? If the answer again is negative, performance of the function remains with the state.

In decentralizing state functions and giving them over to local governments, we must consider the demand that with the transfer of functions, corresponding financial resources must be provided, as stated in the European Charter of Local Governments, passed in 1985 in Strasbourg (European Charter, 1985), and in the Law of the Republic of Latvia "On Local Government", passed on May 19, 1994 (On Local Government, 1994). Functions, kept by the state, should not be necessarily performed at the level of the central government. They should be decentralized as much as possible within the state sector, for example, giving them to territorial (city, district, regional) state institutions, as well as organizations subordinate to and supervised by the ministry.

The main goal of local government reforms is the further democratization and decentralization of state power and administration, improvement in the quality of public services, rendered to the local residents, as well as involving them in the process of administration. The reform of local government anticipates reorganization of the administrative territorial divisions of Latvia and local government institutions, improvement of the system of local budget management, creation of territorial information systems, development training centres for councillors and staff of local gov-

ernment, and so on.

There were long discussions about the number of levels in the system of local governments. One level system of local government is found only in some countries in Europe (Finland, Estonia, Lithuania, Poland, Iceland, and Luxembourg). In most developed countries (USA, Canada, Germany, Sweden, Denmark, Norway, etc.) there is a two level system of local government, but in some (France, Belgium) – a three level system. In the two level system of local government there are elected councils at the second level, and in the Latvian case not appointed by central government county (district) governor.

It was finally decided in Latvia that a two level system of local government will remain, but the competence of each level of government must be strictly defined and submission of the first level local governments to the second level must be abolished.

The first level includes rural and urban municipalities, the second includes district level governments. The seven republican cities (Riga, Jurmala, Jelgava, Liepaja, Ventspils, Rezekne, Daugavpils) simultaneously represent both levels.

There are 492 rural municipalities, 69 district towns, 7 republican cities, and 26 districts. The average population of the rural municipalities is about 1700, but in one third of all rural municipalities the population is less than 1,000.

The optimum project of the administrative territorial division is being worked out and reviewed together with representatives of local governments. In any case the point of view and proposals of local inhabitants and councillors must be taken into account.

A system of negotiations between the Cabinet of Ministers and local governments has been created. The Union of Local Self-Government represents local governments in the negotiations. In the Satversme of 1922 there is no information on local governments, but it is advisable that the Satversme defines the role of local governments in the public administrative structure similar as in constitutions of Estonia and Lithuania.

## REORGANIZATION OF PUBLIC ADMINISTRATION INSTITUTIONS

According to the Satversme (Constitution) of the Republic of Latvia (Satversme, 1994), passed in 1922, and renewed in 1993, Latvia has a typical parliamentary democracy. Ultimate political responsibility lies on the head of the government

– the President of Ministers while the President of State performs mainly representation functions. The President of State chooses the President of Ministers, requests him to establish the Cabinet of Ministers, and introduces it to the Saeima (Parliament). The Saeima votes for confidence or non-confidence to the President of Ministers and the established government. The Cabinet of Ministers consists of the President of Ministers, his deputies, ministers, and state ministers. There are many members in the Cabinet of Ministers in Latvia – 26 (in Estonia 15, in Lithuania 19). Some positions of ministers were formed as the result of ambitions of some political parties.

The Cabinet of Ministers discusses all issues included in its responsibility according to the Satversme and laws. Article 81 of the Satversme states that in the periods among sessions of the Saeima the Cabinet of Ministers has rights to issue regulations with force of law. The Cabinet of Ministers exercises these rights rather frequently.

The role of ministries essentially changes during public administration reforms. A ministry is a central institution of executive power by help of which the Cabinet of Ministers realizes tasks determined in the Satversme and the laws. The Cabinet of Ministers confirms regulations of each ministry.

During the reorganization of public administration institutions, a standard ministry structural model has been developed. In the ministries the number of levels of administration is reduced. Attention is paid to horizontal links among different ministries and, within one ministry, among departments and offices.

The work of a ministry is politically managed by a minister who is responsible to the Saeima. The minister rallies political employees, such as state minister, parliamentary secretary, press secretary. He is also responsible for institutions which are subordinated to the ministry. The Prime Minister, by informing the appropriate minister, can appoint a subordinate state minister to manage a branch within the competence of that ministry. The parliamentary secretary can represent minister's political point of view and defend draft laws, prepared by ministry, in the Saeima, its committees or other state institutions.

The state secretary manages ministry's administrative work. He may have substitutes. The state secretary is appointed by the minister and serves as head of the civil service. Employees of ministries are appointed and dismissed from their positions on the basis of civil service law. The civil

service law requires employees as a duty to be politically neutral in their activities. It also guarantees work to the employee irrespective of the party which holds power.

The number of ministries and their structure changed sharply and often after the declaration of independence of the Republic of Latvia. There were 19 ministries in Latvia in 1990, 16 – in 1991, 13 – in 1994 and 12 – in 1995.

There are the following ministries in Latvia today: Ministry of Defence, Ministry of Foreign Affairs, Ministry of Economy, Ministry of Finance, Ministry of Interior, Ministry of Education and Science, Ministry of Culture, Ministry of Welfare, Ministry of Transport, Ministry of Justice, Ministry of Environmental Protection and Regional Development, Ministry of Agriculture.

Although the number of ministries has decreased and certain public administration functions have been decentralized and delegated to local governments, the number of employees in central administration institutions (together with subordinate and supervised organizations) has increased from 3044 in 1990 to 5316 in 1995 or by 75%. This phenomenon can be partly explained with the fact that some new ministries were established, for example, the Ministry of Defence and the Ministry of Foreign Affairs which are necessary for an independent state. New subordinate and supervised organizations have also been established in order to realize land reform, privatization, etc. But in any case, there is no doubt, that the number of employees in ministries and other central administration institutions is too big.

If maintenance expenses of state administration in 1990 constituted 1.4% of total state budget expenditures, in 1995 these expenses had increased to 4.8%, that is 3.5 times.

## PUBLIC CIVIL SERVICE REFORM

In implementing the reforms the experience of the Republic of Latvia between two world wars as well as the experience of Western countries, especially of Germany, are applied.

According to the Latvian public administration reform concept, public civil service is built on the following principles:

- the apolitical principle;
- the principle of universal application of civil servants;
- the principle of career (a consistent upgrading of qualifications);

- the principle of care, which guarantees benefits to all civil servants;
- the principle of ethics, which determines that within the system of the civil service public interests are primary over private ones (Concept, 1994).

The Saeima passed the Law "On Public Civil Service" on April 21, 1994. Latvia was the second country in Central and Eastern Europe (after Hungary) which passed such law and started civil service reform (Estonia and Lithuania passed the civil service laws in 1995). As defined by the law, public civil institutions in Latvia are the following: the State Chancellery, all national and local government administrative institutions, courts, prosecutor's and state control institutions, as well as other public civil institutions established in accordance with the Satversme, by legislation, and by the Cabinet regulations or local government decisions (Civil Service, 1994).

A civil service candidate is a person who has successfully passed the qualification examination for civil service candidates.

The following persons may apply for a civil service position:

- the citizens of the Republic of Latvia;
- those having at least a general secondary education;
- those speaking Latvian and at least one foreign language;
- those over 18 years of age and under the legal retirement age;
- persons with no criminal record, except persons exonerated;
- persons that are not otherwise restricted by the law from holding the position of a civil servant (Civil Service, 1994).

Internal or open competition can be organized for applicants for civil service positions.

Civil servants and civil service candidates shall take qualification examinations at the Latvian Public Administration School to obtain the desired civil servant qualification category. Civil service positions in the Republic of Latvia are divided into 12 categories. A civil servant can receive 15 different tenure ranks.

A civil servant may be promoted to a position requiring a higher qualification category only after passing a qualification examination and receiving the respective qualification category. The State Civil Service Administration is responsible for the implementation, direction, and control of the civil service system.

The organization of training a system of civil servants is the central issue of civil service re-

form. To carry out training of all civil servants, the Latvian School of Public Administration was established in 1993. The goal of the activities of the school is to prepare and coordinate the training process for civil service candidates and to organize their licensing.

The Latvian School of Public Administration will direct its attention to the training of candidates for the civil service during the next 3–4 years. The training is organized by comprehensive unified program for positions at all levels and specialities. The unified program includes the following subjects: foundations of management; communication, social psychology and ethics; office management; market economics: microeconomics and macroeconomics; foundations of law and public administration; Latvian history and civics; computer skills.

Future civil servants can obtain bachelor's and master's degree at the universities in the different specialities. The bachelor's program of studies for the "Organization of Local Government", was started in September of 1991, the master's of public administration program was started in the fall of 1994 at the University of Latvia. The master's degree program is coordinated with programs of the United States Baltic Foundation (USBF).

The USBF sends visiting professors from the USA, and organizes internships of Latvian lecturers, councillors and civil servants at universities and public administration institutions in the USA. The civil service system in Latvia need improvement. Today it is too centralized and inflexible. There are too many civil servant positions in Latvia. Their number must be reduced. According to the Latvian Civil Service Law there are too much privilege for civil servants.

A different system is in Estonia, where the Law on Civil Service has discarded a lifetime career model. It does not prescribe a universal qualifying exam and status of civil service candidates (Sootla, Anton, 1996).

## **THE IMPROVEMENT OF THE SYSTEM OF STATE BUDGET**

In the transition period to a market economy, a reform of the state budget system is necessary. First, the state tax system needs to be changed because taxes are the major source of state revenues.

Therefore a new state tax laws package that is much closer to international standards has been

worked out. For example, value added tax has been introduced instead of turnover tax, income tax from business enterprises – instead of profit tax.

The new package of tax laws reduces tax exemptions that were excessive until now. The Law "On Taxes and Dues in the Republic of Latvia" which was adopted on February 2, 1995, serves as basis for separate taxes laws (Taxes, 1995). On March 24, 1994, the Law "On Budget and Finance Management" (Budget, 1994) was passed. Experts from the USA took part in working out the new law, and the experience of Western countries was widely used. Law on local government budgets was passed by the Saeima in 1995. The system of equalization of local governments budgets is has been worked out and realized.

The process of preparing and executing the state budget until now has several drawbacks:

- insufficient communication between the Ministry of Finance and other ministries;
- publicity of developing the state budget and discussing draft budget has not been sufficient;
- confirmation of the budget in the Saeima takes place too late;
- lack of scientific basis for the budget expenditure norms;
- lack of sufficient regulations, governing the process of the budget development, discussions, agreement and confirmation;
- lack of capital investment programs for several years;
- too high frequency of changes in the confirmed budget;
- insufficient cooperation between state and local budget;
- subjectivity in some cases of allocating the state subsidies; – insufficient control of the state budget execution and poor control of the state taxes collection.

Strictly observing the provision of the Law "On Budget and Finance Management", the government will be able to liquidate most of the above mentioned drawbacks. The law provides strict regulations for preparing, submitting and accepting the draft state budget, as well as implementing budget execution controls.

Along with improving the state budget system, reforms include measures to train civil servants to use budget resources efficiently.

## ESTABLISHING AND IMPROVING OF PUBLIC ADMINISTRATION INFORMATION SYSTEMS

Efficient work in public administration institutions is not possible without providing information for decision-making. Information in the modern world is a resource just as important as labour, financial and material resources.

Data bases and local information networks are being established in ministries and other public administration institutions. A further goal is to unite all automated public administration information systems in one common territorial network. In this connection, on May 24, 1994 the Cabinet of Ministers issued Regulations No.107 "On State Automated Information Systems" (Information Systems, 1994). These regulations govern state, automated information systems – Residents' Register, Enterprises' Register, Real Estate Register, Information Systems of the Parliament and the State Chancellery, as well as others – and their work, establish terms and technical demands to be met by the state and local government information systems to ensure uniting state systems in one common network. Until now centralized data registers have served only for solving specific tasks and not applied for general use in different public administration institutions.

The National Council of Information and State Unified Information and Communication Centre were established in 1995 to coordinate the activities in the field of information technology, to formulate and implement an information policy, define standards in a coordinated public system, etc.

To ensure automated information exchange among different public administration institutions, only officially confirmed codes should be used in information systems. On July 26, 1994 the Cabinet of Ministers issued Regulations No.151 "On Establishing of Unified Economic Information Classification System" (Classification System, 1994). According to the regulations, unified economic information classification system is compulsory for all public administration institutions, local governments, as well as enterprises and organizations, compiling and submitting or exchanging official information of all kinds, establishing state information systems and registers of all kinds, as well as in foreign economic relations. International classifiers should be widely used. Regulations determine functions of ministries and other public administration institutions in developing, maintaining and using of classifiers. The main coordinator of establishing and

managing the unified classification system of economic information is the Central Statistical Bureau of Latvia. It has a significant role in providing necessary information for state authorities and administration institutions, local governments, residents, etc.

The basic trend of the statistical system of the Central Statistical Bureau is introducing international statistic standards in classification, statistic indicators, and data processing systems. It will provide an opportunity not only to introduce in Latvia methodology and statistic indicators, used in the developed countries, but also to ensure international comparability and regular reports to international statistic and other organizations (Eurostat, OECD, UN Statistics Bureau, International Monetary Fund, World Bank).

### **PROVIDING INFORMATION TO SOCIETY AND INVOLVING IT IN PUBLIC ADMINISTRATION**

One of the tasks of public administration is involving society in public administration and its reforms. Reforms of public administration should encourage society, ensuring that every individual feels his/her role in development of state activities, realizes his/her duties to the state and defends his/her rights. The importance of social organizations should be increased, in some occasions on voluntary basis, transferring to them functions and tasks of government agencies, giving them rights to represent their interests before legislative and executive institutions (Concert, 1995).

If society is indifferent to public administration reforms, then reforms can hardly be successful. The ultimate goal of all reforms is to ensure democracy, increase the quality of life, and provide security for everyone.

Citizens can be involved in public administration in various forms: active participation in elections, referendums, discussions of draft laws, regulations, resolutions, etc., participation in open "round table" and other conferences, carrying out sociological questionnaires, organizing discussions with the help of newspapers and other kinds of mass media, involving citizens in different working groups, establishing interest groups, advisory councils, etc. The laws of the Republic of Latvia provide rights for the residents to unite in social organizations and political parties, rights of complaints and applications, rights of reception, rights to question administrative documents

of government institutions, etc. For example, on October 27, 1994, the Saeima passed the Law "The Order of Reviewing of Applications, Complaints and Proposals in the State and Local Government Institutions" (The Order, 1994).

Activity of residents and their participation in public administration depends, to some extent, on being informed. Carrying out the principle of openness, the task of government agencies is to inform residents on the latest developments in legislation, public administration, economy, and on achievements, failures and plans of the government. Only comprehensive information to the residents provide a basis for successful cooperation between government and citizens, residents' trust to government agencies. The basic principle should not be forgotten: the government agencies serve the people, not the other way round.

The Department of Government Reform of the State Chancellery is working out basic principles of the functioning of non-governmental organizations.

The action of the Ethics Council is a good example of involving society in public administration. It was established in April 1995. The Ethics Council includes Board and Consultative Council. The main tasks of the Ethics Council are to turn society's attention to ethical problems, to explain issues of ethics to state officials and the society, to promote the mutual relations between the society and state institutions, to reduce the possibilities of conflicts. The Ethics Council has worked out criteria for good election behaviour and evaluated election campaign of the 6-th Saeima, appeal to the 6-th Saeima councillors, draft of Ethics Code for Civil Servants, etc.

The former Ministry of State Reforms worked out and implemented the framework of the Programme "Link with the Citizen". After the liquidation the Ministry of State Reforms, i.e., from July 1, 1995 the programme was transferred to the National Human Rights Office at the Ministry of Justice. The goal of the programme "Link with the Citizen" is to realize state responsibility in providing individuals with continuous information concerning their rights, guarantees and responsibilities. Within the framework of the programme a lot of booklets have been published, including such as "Getting Citizenship", "Order of Receiving Passport of Republic of Latvia", "Getting Visa of Republic of Latvia", "Income Tax", "Privatization", "Getting and Using Certificates", "Draft of State Budget for 1995", "Fulfillment of State Budget of 1994", "Children Benefits", "Local Government Benefits for Poor People", "Health Care", etc.

## CONCLUSIONS

The main directions of public administration reforms in Latvia are:

- the decentralization of functions of state administration;
- the reorganization of institutions of public administration;
- public civil service reform.
- the improvement of the system of the state budget;
- formation and development of information systems in public administration;
- providing information to society and involving it in public administration.

In the process of public administration reforms in Latvia the central government functions are reduced, giving them over to local governments, private sector and social organizations. For the most part in ministries using the model structure of a ministry, the number of levels of administration has been reduced. Despite the number of ministries is reduced the number of employees in the central institutions of state administration increases.

The State Civil Service Administration and the Latvian School of Public Administration have been established. The certification of candidates for the civil service is organized and their training has started.

The activities of public administration institutions have become more open, providing information to the society.

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