

## Development of Local Government Reforms in Latvia

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*Significant local government reforms are being implemented in Latvia. Reforms of local governments include both – strengthening democracy and increasing the efficiency and effectiveness of activities of local governments, using updated methods of management and involving the population in decision – making process. The principles of local government reforms in Latvia are based on the principles of the European Charter of Local Self-Government. The core of these reforms is administrative – territorial reorganisation. It is implemented by voluntary amalgamation and is slow. In result today in Latvia local governments are too small. The functions of local governments in Latvia are quite wide, but their financial resources are insufficient. In Latvia actual is decreasing the unfavourable regional disparities, using the support from the EU Structural Funds. Integration of public administration reforms, territories socio-economic development planning, formation of local government's capital investment and operational budgets, using the EU Structural Funds is proposed.*

*Raktažodžiai: vietos valdžia, reformos, administracinė teritorinė reforma, regionas, vietos rinkimai, integracija, savianalizė, modelis.*

*Keywords: local government, reforms, administrative territorial reorganisation, region, local elections, integration, self-evaluation, model.*

### Introduction

One of the most important tasks in Latvia is to carry out local government reforms. On 28 September 1993 the *Concept of the local government reforms* was accepted by the Cabinet of Ministers. According to the concept the main goals of the local government reforms concern the further democratisation and decentralisation of state power and administration, improve the quality of public services rendered to the local residents and involving them in the process of administration. The initiatives of local government reforms include:

- drafting a new law on the election of local government council;
- drafting a new law on local government, common to rural and urban municipalities and regional governments;

- administrative – territorial reorganisation;
- improvement of the local budget system;
- creation of territorial information systems;
- establishment of training institutions for the deputies and staff of local governments;
- organisation of a system for negotiations and communication between the Cabinet of Ministers and local governments.

The principles of the local government reforms in Latvia are based on the principles of the *European Charter of Local Self-Government* as well as on the legislation of the Republic of Latvia. *The European Charter* was adopted by the Saeima (Parliament of the Republic of Latvia) on February 22, 1996. Latvia has accepted 29 of 30 paragraphs of *the European Charter*. This, not adopted, is the paragraph 8 of the article 9, ensuring access to national capital markets.

Unfortunately, no provisions are made on the principles of local government in the *Satversme (Constitution of the Republic of Latvia)*. Better situation is in Lithuania and Estonia, in which constitutions include the chapters on principles of local government [1; 15].

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Local governments were re-established in Latvia after the elections of 1989. Latvia's local government system consists of two levels (tiers).

The first level includes (at the end of 2005):

- 7 republican city municipalities (republikas pilseta);
- 53 town municipalities (pilseta);
- 444 rural municipalities (pagasts);
- 26 area municipalities – amalgamated municipalities (novads).

The area municipalities are formed in result of amalgamation of some rural municipalities and usually also town municipalities.

The second (upper) level local government system includes 26 district (regional) self-governments (rajons) and 7 republican city municipalities. Thus, cities are represented on both levels simultaneously. The average size of municipalities by population is rather small – 4.3 thousand.

In Lithuania and Estonia the local government system consists only of one level (tier) from the middle of 1990s [1; 15].

The aim of the article is to show the development of local government reforms in Latvia. In order to reach this aim the following issues are investigated in the article: local elections, functions and organisational structure of local governments, relations between central government and local authorities, finance and budget of local governments, problems of regional self-government, administrative – territorial reform, integration of local government reforms and regional development policy, population participation and their evaluation of local governments, the self-evaluation of local governments.

## 1. Local Elections

The representative body of local governments - council is elected by citizens in equal, direct, secret and proportional elections. Since 1997 exception are regional (district) councils – they are not elected directly, but are formed by chairmen (heads) of councils of urban and rural municipalities. That is, of course, less democratic than direct elections.

Beginning from 2001 only political parties or their coalitions have the rights to submit the lists of candidates in towns and areas with the population 5000 and more. Lists of candidates for other local councils may be submitted by both registered political organisations and voters' associations (so called "local lists"). The voters' association is formed by persons who sign a list of candidates, signifying their support as well as individuals appearing on that list.

The 1994 law on local elections significantly reduced (three- to four- fold) the number of deputies. The average number of deputies serving in local councils (eight) in Latvia is now smaller than that of the West European countries and is almost as small as that in the United States.

According to the law the right to vote for council is granted to the citizens of the Republic of Latvia and since 2005 – also the residents of Latvia who are citizens of any EU country. Some parties have suggested granting the vote in local elections also to persons who are not Latvian citizens. However, most parties do not support such a change. In Latvia the minimum threshold of votes (5%) is only for Riga council [10].

Voter turnout in Latvia in 1994 election was 58.5%, in 1997 – 56.8%, in 2001 – 62.0%, in 2005 – 52.9%. Relatively high turnout in 2001 election was connected with large election campaigns, but the main reason of low turnout in 2005 is citizens' disappointment in political parties, which had very similar programmes. To investigate the connection between level of socio-economic development and voter turnout all rural municipalities were divided in five groups accordingly their development index, using method of equal length intervals. The results were surprising - in small economically weak local governments the turnout was higher than in large economically strong local governments (table 1).

**Table 1. The connection between territory development index and voter turnout in rural municipalities in 2005 year election**

<i>Group of rural municipalities by territory development index</i>	<i>Territory development index</i>	<i>Voter turnout, %</i>
1	1.025 - 0.431	48.9
2	0.430 - 0.164	53.0
3	-0.165 - 0.758	57.2
4	-0.759 - 1.353	59.8
5	-1.354 - 1.948	60.8

Source: the author's calculation.

The similar situation is in towns and cities - in the weakest group the voter turnout was 60.3%, in the second weakest – 55.2%, but in the three strongest groups it waves from 50.2% to 52.9%.

The reason of such situations is that in small local governments the candidates of deputies are nearer to citizens and citizens know them better

than in large local governments. For example, in local governments with the population less than 1,000 there are in average 63 citizens having the right to vote per deputy, but in local governments with the population 10,000 and more – 2681 citizens or 43 times more [19].

But competition in large economically strong municipalities is bigger than in small economically weak municipalities. For example, in 15% economically strongest towns in average 7.6 deputy candidate lists were submitted, but in 15% weakest towns – only 3.1 lists or 2.5 times less.

Proposal concerning local elections in Latvia is to replace the existing proportional system of representation with a mixed system in which a part of deputies would be elected on the basis of a proportional system and a part – on the basis of a majority system. Such a proposal is connected with administrative – territorial reform. After the amalgamation of local governments the existing proportional system of representation does not ensure that at least one deputy is elected from each former rural municipality. Having the former rural municipalities as electoral districts and applying the majority electorate to them could be seen as a guarantee that these districts would be represented in the local council.

The similar proposal was made in Lithuania where proportional system of representation in local elections conflicted with the mixed system employed in the Parliament - 71 deputies are elected on the basis of territorial representation and 70 – on the basis of proportional representation [1].

## **2. The Functions of Local Governments**

In determination of the distribution of functions among the state (central government), regional and local governments, private sector as well as non-governmental organisations (NGO) the principle of subsidiarity is to be applied: the solutions to problems should first of all be sought on the lowest level which is closest to the people. No task should be solved on a higher level than necessary.

In decentralising state functions and in transferring them to the local government levels, it should be kept in mind that, along with the transfer of functions, corresponding financial resources must be provided, as stated in the *European Charter of Local Self-Government* [3] and in the law *On Local Governments* [12]. In practice, however, the demands for adequate financial resources to pay the functions of local governments have not or hardly been observed.

Functions of local governments in Latvia are similar to those in West European countries. Some

of the local government functions are performed jointly with state administration institutions, NGO and private structures.

Results of investigations in four regions (districts) of Latvia provide an insight in quantitative evaluation of performance of local government functions. Respondents marked non- performance of functions also in those cases when they were not completely performed or were performed in poor quality.

The highest level of performance was achieved in water supply, treatment of waste water, provision of primary education, construction and maintenance of roads, streets and squares, collection of household waste (provided by 90% local authorities and more). The following services, in turn, had the lowest level of performance: disposal of household waste, overnight shelters for homeless people, municipal police (less than 30%). From 32 services displayed approximately one third (10) were performed by less than one half of local authorities. This comparatively low level of performance can be explained by the fact that not in all, especially small local authorities, the respective functions are objectively necessary. Nevertheless the main reason is insufficient financial resources for implementation and sometimes also lack of qualified staff [19].

The level of execution of administrative functions in comparison with services was considerably higher. The following administrative functions had the highest level of performance (90% and more): registration of civil status, maintenance of documents by their delivery to the State Archives, registration of permanent place of residence, privatisation of property of local authority, audit of local authority, collection and sending information to the Central Statistical Bureau. Less performed administrative functions were development of detailed planning, anti-flood measures, control over use of public forests and waters (50-60%). Low level of performance of latter functions can be explained by geographical peculiarities of certain municipalities [19].

## **3. Organisational Structure of Local Governments**

According to the law *On Local Governments* councils may take up any issue falling under the competence of local government. Besides, the council has a series of sole competences, including the approval of the municipal budget and taxes, the local government statutes, spatial plans, and the organisation of municipal institutions [12].

The council chairperson (mayor) is elected by secret ballot from among the deputies of the

respective council by simple majority. Council action is conducted at its meetings and by standing committees. The council meetings must be convened at least once a month and must be open to the public. Decisions of the council must be made public to every resident in accordance with procedures set forth by the local government's statutes. The council elects the members of the standing committees from among its deputies. The council may establish boards, commissions or working groups comprised of deputies and residents of the municipality [12].

The chairperson of the council is a full-time employee of the local government. During his or her term, he/she must not pursue other employment with the exception of scientific, pedagogical or creative endeavours. Upon proposal of the chair-person, the council appoints an executive director who is responsible for the activities of local government institutions. The executive director cannot be a deputy [12].

There are no restrictions on the formation of the administrative structure of local government in Latvia in the law *On Local Governments*. It is determined in the *Statutes of Local Government Council*. Administrative offices in cities and towns are usually divided into departments and sections, but such divisions do not exist in most rural municipalities, as their staff in most cases does not exceed five to seven employees.

There is a tendency in Latvia to reinforce the executive body and improve efficiency of local authorities. In the municipalities with the number of the population 5000 and above the position of executive director (manager) is compulsory according to the amendment in the *Law on Local Governments* passed in 2000 [12].

#### **4. Relations between Central Government and Local Authorities**

In Latvia, coordination between the Cabinet of Ministers and local authorities occurs on the following issues:

- the drafting of laws and regulations that affect local governments;
- determination of general and specific grants allocated to local governments each fiscal year;
- identification of financial sources to compensate additional functions that are delegated to local governments;
- any other issues concerning local governments [19].

The Union of Local and Regional Government of Latvia (ULRGL) represents the local authorities in negotiations with the state. A protocol is formu-

lated annually upon negotiations between working groups formed by ULRGL and representatives of all ministries. The main area of conflict between the central and local governments is related to budget allocations.

Local governments are subject to both legal and financial supervision. Responsibility for reviewing the legality of decisions lies with the Ministry of Regional Development and Local Governments Affairs. The State Audit Office carries out financial supervision.

If the chairperson of the council violates the *Satversme*, laws, regulations of the Cabinet of Ministers or court orders, the minister responsible for local government affairs may suspend his or her official duties. The suspension results in dismissal if upheld by a court or if the affected chairperson does not appeal the suspension in court within two weeks [12].

#### **5. Finance and Budget of Local Governments**

The fiscal autonomy of local governments is not wide. Since 1995 the central government has gradually reduced access of local government to private capital markets. Currently, local governments can borrow money mainly through the Treasury. Such restriction contradicts the call of the *European Charter on Local Self-Government* for a free access of local governments to the national capital markets.

More than a half of total local government revenues consist of tax revenues (50.1% in 2004). The main source of tax revenue in local governments is personal income tax – 42.1% and real estate tax – 7.7% of total revenue.

The largest local government expenditure is education - 49.2%. Local government administrative expenditure is 10.6% (in 2004) of total expenditure.

According to the law *On Budget and Finance Management* [9], local governments have the right to draft and approve their budgets independently and to raise budget revenue privately in order to ensure a permanent and secure financial base. Furthermore, the law *On Local Government Budgets* [13] grants local governments the right to adjust tax exemptions for payments to local budgets.

Local authorities receive special grants from the state in order to carry out projects such as investment in territorial planning. General grants from the state may be distributed as the local authorities see fit. Many local governments receive general grants in addition to those from the state from more wealthy districts through the local government financial equalisation fund. Briefly, the criterion for allocating general grants to local authorities is the difference between level of expenditure and level of revenue per

capita, taking the age structure of the population into consideration [11].

Local governments also have the right to take short- and long-term loans and to make loan guarantees according to procedures determined by the Cabinet of Ministers.

## 6. Problems of Regional Self-government

In 1992 and 1993 lengthy negotiations were held concerning the number of levels necessary for the local government system. Some heads of municipalities supported a single-level system, promoting the abolition of district governments and the creation of territorial state offices. However, the outcome was the continuation of the two level system with more strictly defined roles for each level and a reduction of the district's authority over the municipality. These principles were realised in the law *On Local Governments* [12].

In 1996 the central government prepared a proposal to abolish district governments and create territorial state offices. As a result, the law *On Elections to Town/City Dome, Regional Council and Rural Municipality Council* was amended, and only first level local governments councils, not regional councils, were elected in March 1997. The subsequent central government established in the summer 1997, did not support this trend, and the law *On Local Governments* was amended in November 1997 authorising the creation of district councils comprised of the chairs of municipal councils.

In addition to district self-governments, a number of ministries and other state institutions have representative offices in each region, including the revenue service, statistics office, police department, agriculture department, environmental inspection office, employment service, etc. They execute functions that are nationwide and require uniformity and central regulation.

At present, the functions of regional (district) self-governments are too narrow, and they have no stable revenue base.

District self-governments compulsory functions, stated in the law *On Local Governments* [12] are:

- organise civil protection (together with local governments);
- management of public transportation services;
- representation of district self-government in regional health insurance fund;
- organisation of continuing education of pedagogues.

Besides the regional self-governments there are five planning regions in Latvia. The planning regions

councils have established regional development agencies.

Results of self-evaluation of local governments action show that only 49% of the heads of local governments support creation of regional self-governments, but 45% are against their creation and 6% of respondents did not answer to this question. The reason of such small support is that part of local leaders are afraid that after formation of regional self-governments the local governments could be under their subordination. Some of local leaders think that regional self-governments could take some functions from local governments.

## 7. Administrative – territorial Reform

Administrative-territorial division which Latvia received by inheritance after regaining independence, did not correspond to modern requirements. It does not ensure performance of functions trusted upon local authorities. That is why the Concept on local government reforms, adopted in 1993, provided for implementation of territorial reform. However, only on 21 October 1998 the Saeima adopted the *Law on Administrative - Territorial Reform* [8]. Before the adoption of this law all activities in the area of administrative-territorial reform failed as all developed projects on territorial division were based on forced approach. And local authorities and population were not involved in the development of projects.

Within the framework of the administrative - territorial reform the following activities are to be carried out: investigation of administrative territories; preparation of the amalgamation projects for local governments; their realisation.

Such reform measures prevent mistakes, made during the previous attempts to implement the reform projects. All local authorities as well as population (public opinion polls) were involved in the process of investigations of administrative territories, completed by 2001. Development of amalgamation projects, which is going on at the moment, cannot take place without active participation of representatives of local authorities as well as public hearings and discussions.

The administrative-territorial reform of local governments has been implemented in two stages:

- on the initiative of local governments by 31 December 2003;
- according to the projects worked out by the responsible state institution – from 1 January 2004.

Such a method could be considered as mixed voluntary and compulsory amalgamation method

and could be recognised as a comparatively democratic approach. The experience of other countries shows that if the reform is realised only by voluntary amalgamation, it can last for many years.

Level of socio-economic development in local governments is characterised by territory development index. There is strong interrelationship between territory development index and number of population. For example, in rural municipalities with the number of the population under 1,000 the average territory development index is – 0.554, in rural municipalities with the number of the population from 1,000 to 1,999 it is already positive – 0.250, but the highest territory development index (1.770) is in the biggest rural municipalities, in which live 5,000 and more inhabitants.

Establishment of areas (novads) increased possibilities for concentration of local financial resources. Larger local authority has larger possibilities to attract investment, provide co-financing, it has increased borrowing capacity.

As a result of amalgamation the newly established areas (novads) has increased capacity as a project applicant, especially in regard to creating partnerships with local authorities in other countries, getting and use of EU Structural Funds.

Administrative capacity is higher in big local governments. In big cities and towns “one stop agencies” are established, ISO 9000 quality standard is introduced, conception of city marketing is worked out, some principles of Total Quality Management, New Public Management and Reinventing Government are implemented.

Notwithstanding the necessity of territorial reform, there are a number of factors that hamper its implementation, particularly the attitude of the population. The results of the opinion polls show that the majority of the population is opposed to the reforms.

Very lively debates about the administrative-territorial reform are being conducted in Latvia. The central government institutions and representatives mainly support compulsory amalgamation of local governments by administrative “arm twisting”. Local government representatives prefer voluntary amalgamation upon the initiative of local governments.

According to self-evaluation data more than two thirds of the heads of local governments (68%) are against amalgamation of local governments.

Irrespective of the fact that the necessity of the reform is justified, the process of the reform is slow. By the end of 2005 there were only 26 newly amalgamated municipalities.

## 8. Integration of Local Government Reforms and Regional Development Policy

Latvia has essential territorial differences in socio-economic development. For example, more than two thirds (68%) of gross domestic product (GDP) total volume in 2002 was produced in Riga planning region including 58% in Riga city (Riga statistical region) and 10% in Pieriga statistical region.

Evaluating all 1214 NUTS 3 level regions accordingly GDP per capita for purchase paritate standard in 2002 in last five ranks (places) were four Latvian regions and one (Taurage) Lithuanian region in the following sequence from end (in per cent to average EU-25):

- Latgale region – 18.9%;
- Zemgale region – 21.7%;
- Vidzeme region – 22.6%;
- Taurage region – 24.5%;
- Pieriga region – 25.6% [4].

The biggest territorial differences are among towns and rural municipalities. For example, personal income tax per capita in Balozi town in 2004 was more than four times bigger than in Subate town (table 2).

*Table 2. Territorial differences in Latvia towns and areas in 2004*

<i>Indicator</i>	<i>Numeral meaning of indicators</i>		<i>Difference multiple</i>
	<i>best</i>	<i>worst</i>	
Unemployment level to working age residents, %	Ikskiles area 2,3	Zilupes area 21,2	9.2
Personal income tax per capita, in lats	Balozi town 194,0	Subate town 45,7	4.2
Demographic burden per 1,000 working age residents	Balozi town 409,9	Ligatne town 788,9	1.9
Change of the number of residents, % (2000.1.01-2005.1.01)	Ikskiles area 11,3	Strenci town -10,6	-

*Source:* Latvian Statistical Institute data base.

The task of the state and the EU is to realise such regional policy, which would decrease unfavourable territorial differences. Regional (territorial) development programmes play important role in implementation of regional policy in Latvia. Determined activity in this sphere was started in 1996 when the Cabinet of Ministers accepted the project

*About the Promotion of Regional Development Economy.* Based on this project the Saeima adopted some laws on regional policy and assisted territories. For determination of the assisted territories the main statistical indicators are used.

In order to make all indicators comparable and united in one general indicator metrical system standardisation of indicators was suggested in the methodology of 2000 with the following calculation of territorial development index. The standardised indicators are calculated from initial indicators that are expressed in units of people, money, per cent or other real units. In the result of standardisation initial measuring units disappear therefore different indicators become mutually comparable. Values of the standardised indicators are calculated for each indicator, each territory. Standard values are calculated in such way: the difference between concrete value of indicator for concrete territory and the mean value of indicator in the group (rural municipalities, cities and towns, districts) is divided by the standard deviation. Then standard values are multiplied with different weights of the importance of the indicator (from 0.05 to 0.3) and results are summed. The final sum is the territory development index. The ranked territory development index shows the place of territory unit.

Territory development index is used also for determination the state part and local governments part in co-financing the EU Structural Funds.

In the process of self-evaluation of action of local governments as the second most important problem by heads of local governments was named hardships connected with getting and use of the EU structural funds. The quality of the prepared EU projects often is low because administrative capacity of local governments and other project submitters is insufficient. Besides the system of project submission, determined by the European Commission and Latvian state administration institutions, is too complicated. Therefore, from one side the administrative capacity of the project submitters must be strengthened, and from other side, the EU structural fund project documentation needs simplification.

In our opinion, new principle of regional development and territory planning – the principle of simplification – must be formulated together with the well – known EU and Latvian principles such as concentration, programming, additionality, partnership, openness, control, subsidiarity, sustainability, multiform, competition, etc.

Without implementation of the principle of simplification implementation of some other principles, for example, principles of openness and

control is restricted and participation of population in project preparation is also restricted.

Today working out and use of the EU projects is fragmentary. The absence of united complex system is obvious. Therefore we have worked out the united model of integration of state administration and local government reforms, territories socio-economic development planning, getting and use of the EU Structural Funds, as well as working out of local government five year investment budgets and three years operative budgets.

The model proposes wide involvement of population, entrepreneurs, NGO, as well as state territorial institutions in many activities. Special attention is devoted to evaluation of undertakings using performance indicators, including outcome, impact, efficiency and effectiveness indicators.

## **9. Population Participation and their Evaluation of Local Governments**

Population participation is very closely connected with its ensuring with information. In Latvia 90% of heads of local governments are sure that the population is ensured enough with information on local government action.

The main forms of the population participation in local government actions in Latvia are the following:

- participation in local council elections;
- participation in local government councils and their committees meetings;
- involvement the population in local government boards, commissions, working groups;
- access to council's meetings protocols;
- creation consulting and small councils;
- looking through the population complaints and suggestions;
- deputies' reception of visitors;
- public hearings;
- participation in preparation and discussion of annual public survey;
- "round table" and other conferences;
- organisation of sociological surveys;
- organisation of public meetings, etc.

There is no law on local referendums in Latvia. All forms mentioned above belong to support of local government action. But the population participation could be expressed in such critical and protest forms as strikes, meetings, demonstrations, pickets, etc. These forms are more popular in big cities.

In the process of self-evaluation of local governments action in the summer of 2005 the heads of local governments answered to the question: "How is

the participation of population in local government action and decision making?" The results are not consolatory. 46% of local leaders think that the population participation is medium active, 42% think that it is passive and 6% - that it is very passive. Only 5% of respondents consider that the population participation is active and none that it is very active. In result of such answers the saldo of answers is very low (-25 per cent points). Future tendencies are a little better – 43% of respondents forecast that in 2006 the population participation will increase and only 3% - that it could decrease.

The population evaluation of local governments is seen analysing the results of direct interviews of Latvia's population aged between 15 and 74 years in the September – October 2004, organised by the Baltic Institute of Social Sciences [5]. The size of the sample was 1002 respondents. Interviews were conducted by 80 interviewers.

General evaluation of local governments is shown in table 3. Only 39% of respondents are sure

that local governments operate in accordance with the laws professionally, but 20% of respondents think that employees are often incompetent, their activities are ineffective. The most positive answers are given by respondents, living in villages, rural areas (54%), but the least positive answers were given by Riga's respondents – 26%. It is not surprising because in more inhabited territories population is more distant from deputies and staff of local governments.

11% of respondents or their acquaintances have paid for favourable outcome in local governments, the most in Riga – 14%, the least in rural territories – 9%. Only 9% of respondents have met deputies of local governments regarding some political issue during the past 3 years. 16% of the respondents answered "Yes" to the question "Have the local government representatives been unfair or inconsiderate toward you, or have not provided the required information during the past years?" [5].

*Table 3. Evaluation of Local Governments by Population*

		How would you describe the operation of the local governments								<b>Total</b>	
		Operates in accordance with the laws, professionally		Operation dependent on business influence		Employees often incompetent, their activities are ineffective		Difficult to say, no answers			
		Count	Row %	Count	Row %	Count	Row %	Count	Row %		
<b>LATVIA TOTAL</b>		387	38,6	308	30,7	201	20,1	134	13,4	1002	102,8
Place of residence	Riga	87	26,1	104	31,2	85	25,5	60	18,0	333	100,9
	Other city, town	133	37,2	123	34,4	61	17,0	48	13,4	358	102
	Village, rural area	167	53,7	81	26,0	55	17,7	26	8,4	311	105,8
Region	Riga	87	26,1	104	31,2	85	25,5	60	18,0	333	100,9
	Vidzeme	107	51,7	55	26,6	33	15,9	14	6,8	207	101,0
	Kurzeme	61	46,2	38	28,8	25	18,9	12	9,1	132	103,0
	Zemgale	70	41,9	57	34,1	24	14,4	24	14,4	167	104,8
	Latgale	62	38,0	54	33,1	34	20,9	24	14,7	163	106,7

Source: How Democratic is Latvia 2005: p.241.

\*) Multiple choice question, total % > 100

48% of the respondents trust the local governments and 39% distrust. The trust in local governments is higher than trust in the European Union (37%) and central government (25%). Very low is the population trust in political parties – 10% [5].

In the process of development of local government reforms more attention must be devoted to political and administrative culture. Without increasing the level of political and administrative culture and decreasing the level of corruption, it is

difficult to increase trust of the population in local governments and we cannot expect for active participation of the population in the action and decision – making process of local governments. In that plan very significant and useful are investigations made by Professor, Ph. Dr. Rasma Karklins from the University of Illinois at Chicago [6] and Associate Professor, Dr. Jolanta Palidaukaite from Kaunas University of Technology [16, 17] on problems of political and administrative culture, ethics and corruption in public administration.

## 10. The Self-evaluation of Local Governments

In the summer of 2005 the first self-evaluation of local governments action was made by the Latvian Statistical Institute. Latvia is the second country (after Sweden) in Europe which organised self-evaluation of local governments. The Latvian programme of survey is wider than the Swedish programme. It is based on the following main principles:

1. Use of the Latvian Statistical Institute's experience of organisation conjuncture research in some branches of national economy (industry, construction, retail trade, agriculture, service and investment sphere), as well as the Swedish experience in local governments conjuncture research, taking into consideration specific character of Latvia.
2. Including into the questionnaire beside traditional conjuncture questions also:
  - sociological questions, for example, attitude of heads of local governments to amalgamation of local governments, their co-operation, creation of regional self-governments;
  - free form text information on hardships and problems of local governments.
3. Complex analysis of results of survey using also additional information mainly statistical as well as information of other surveys.
4. Evaluation of retrospective forecasts, comparing them with real data.

The source of self-evaluation is answers of heads of local governments on qualitative questions on economic situation, its changes, the present and future tendencies, limited factors. Qualitative questions are such questions, on which the answers are given not in quantitative form, but by selection one alternative from some offered in the questionnaire variants.

In the questionnaire possible answers are mainly formed by three points scale, but sometimes by five points scale. Possible answers are "increase", "the same", "decrease", "good", "satisfactory", "bad", etc.

Using statistical methods, qualitative information is summed up and relative quantitative information is obtained. As synthetic indicator the saldo of answers is used, which gives the possibility to express the answers of each question only by one number.

The Latvian questionnaire consists of five parts:

1. Employment;
2. Economy and finance;
3. Quality of local government action;
4. Activities of population;
5. Local government reforms.

The questionnaire contains 35 questions. Nine of them are divided into nine subquestions: schools, preschool establishments, health care institutions, social care, culture establishments, public utilities, administration, other spheres, local government in total. Taking into consideration subquestions, 112 evaluation indicators can be obtained on local governments actions in Latvia totally, in six statistical regions and five planning regions.

The results of self-evaluation of local governments are successfully used for short time forecasts, analysis and planning of action of local governments.

## Conclusions

The process of democratisation and decentrisation of state administration is going on in Latvia. Under current national legislation the range of functions of local governments in Latvia is quite wide, but the revenues of local governments are insufficient for fulfilling the mandatory functions.

The core of local government reforms is administrative-territorial reorganisation at local level. In Latvia, the implementation of administrative – territorial reform has been pursued in a politically sensitive and democratic way. It was carried out in two stages. The first stage revolved around voluntary amalgamations in largely relying on local government initiatives. The second stage proposes compulsory amalgamations of local governments. Besides the development of democracy, the issues of improving the efficiency and effectiveness of local governments and increasing the quality and the scope of public services at the local level has gained prime importance.

In Latvia actual is decreasing the unfavourable regional disparities, working out and implementing the programme of special assisted territories.

The regional administrative territorial reform in Latvia must also be implemented.

Today in Latvia district self-governments have some essential shortcomings. They are:

- politically weak (since 1997 there are no direct elections of district councils, but they are formed by heads of local governments);
- functionally weak (district self-governments have only four compulsory permanent functions);
- economically weak (since 1996 district self-governments have not permanent tax base);
- too small (small district self-governments cannot ensure balanced and sustainable development and prevent the use of the EU and other international funds).

These shortcomings could be averted in the process of regional reform by creating bigger directly elected regional self-governments with wider functions (by decentralisation of some state functions) and with own permanent taxes.

The model of integration state administration reforms, local government reforms, territories development planning, formation of local budgets, the use of the EU Structural Funds is worked out. The model is oriented on wide including population in local government activities.

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### Vietos valdžios reformų raida Latvijoje

#### Reziūmė

Latvijos vietos valdžioje įgyvendinamos svarbios reformos, siekiant sustiprinti demokratiją ir padidinti valdžios veiklos efektyvumą ir veiksmingumą, vadovaujantis naujais vadybos metodais ir įtraukiant piliečius į sprendimų priėmimo procesą. Šalyje vykstančios vietos valdžios reformos principai remiasi Europos vietos savivaldos chartija. Reformos pagrindas - administracinė-teritorinė reorganizacija. Latvijos savivaldybės yra pernelyg smulkios, o savanoriškai jungiamasi lėtai. Vietos valdžios funkcijos gana plačios, bet jų finansiniai ištekliai nėra pakankami. Viena Latvijos aktualijų yra būtinybė sumažinti esamus regionų netolygumus, naudojant ES struktūrinių fondų lėšas. Naudojant ES struktūrinius fondus, siūloma visaapimanti viešojo administravimo reforma, teritorijų socialinio-ekonominio vystymo planavimas, vietos valdžios kapitalinių investicijų ir operatyvinių biudžetų formavimas.

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