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SIGMA

**Support for Improvement in Governance and
Management in Central and Eastern European Countries**

**PUBLIC MANAGEMENT PROFILES OF
CENTRAL AND EASTERN EUROPEAN COUNTRIES:**

LATVIA

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(As of August 1999)

Political Background

Latvia is a parliamentary republic first established on 18 November 1918, whose constitution (*Satversme*) was adopted on 15 February 1922. Its de facto sovereignty and independence ended with the USSR's occupation as from 1940 and were restored by the Declaration of the Renewal of the Independence of the Republic of Latvia dated 4 May 1990 and the 21 August 1991 declaration re-establishing de facto independence, both of which proclaimed the authority of the *Satversme*. The *Satversme* was fully reinstated on 6 July 1993 when the parliament (*Saeima*) convened after the first democratic elections since the 1930s. On 17 June 1999, the 100-member *Saeima* cast 53 votes for Vaira Vike-Freiberga, who became the first woman to be elected president in the former Soviet Union.

General elections for the 6th *Saeima* were held on 30 September-1 October 1995. The most recent general elections, for the 7th *Saeima*, were held on 3 October 1998, in which 71.9 per cent of citizens participated. On the same date, a referendum on amendments to the law on citizenship was also held which resulted in the approval of the changes.

The composition of the 7th *Saeima* after the October 1998 elections is as follows:

No.	Party List	%	Votes	Seats
1.	People's Party	21.19	203 585	24
2.	Latvian Way	18.05	173 420	21
3.	Fatherland and Freedom/LNNK	14.65	140 773	17
4.	Peoples Harmony Party	14.12	135 700	16
5.	Latvian Social Democrats Party	12.81	123 056	14
6.	New Party	7.31	70 214	8

The October 1998 election resulted in a parliament of just six parties (compared with the nine parties of the 6th *Saeima*). Coalition negotiations began immediately afterwards between the People's Party, Latvian Way, Fatherland and Freedom/LNNK and New Party. Of these, the last three formed a minority coalition government (with a total of 46 seats) which was led by Prime Minister Vilis Kristopans until July 1999. Sixty of the *Saeima's* deputies voted on 16 July 1999 to support a coalition government led by Prime Minister Skele (who has served as prime minister twice before). The three-party coalition comprises the People's Party, previously in the opposition, Fatherland and Freedom/LNNK, and Latvian Way.

1. The Constitutional Framework

1.1. Constitutional Bases

The Constitutional Law of 21 August 1991, passed by the Supreme Council of the Republic of Latvia under qualified majority voting, gave effect to several articles of the 1922 Constitution (*Satversme*). The constitutional law may be referenced at *Zi•ot•js* 24.10.91. nr. 42. The *Satversme* was fully reinstated by 5th *Saeima* in 1993. The constitution (*Satversme*) establishes that all individuals are equal before the law and that judges are independent and subject only to the law, and provides for referenda. The constitution

was amended three times between January 1994 and October 1998, relating to the constitutional court, parliamentary elections and human rights.

The procedures for reviewing court cases are provided by the constitution; the Law on Judicial Power (*Ziņotājs*, 14.01.93, nr. 42); laws on civil procedure, criminal procedure and administrative procedure; and the Law on the Preservation and Utilisation of Documents of the Former KGB and Finding Facts of Collaboration, adopted 5 June 1996 (*Vēstnesis* 02.06.94. nr. 65).

The Law on the Constitutional Court (*Vēstnesis* 14.06.96, nr. 103) was adopted by the *Saeima* on 5 June 1996. The Constitutional Court is an independent judicial institution reviewing the compliance of laws to the constitution and the correspondence of legal matters in general to the Acts with a higher legal force. The Constitutional Court has seven judges approved by the *Saeima*: three of them are appointed by the *Saeima*, two by the cabinet of ministers and two by a plenary meeting of the Supreme Court.

1.2. Nature of the State

Latvia is a unitary, democratic republic where sovereign power belongs to the people. Latvia is a parliamentary state.

1.3. Division of Power

The highest legislative body in Latvia is the one-chamber *Saeima* (parliament) which has 100 deputies elected in direct, proportional elections. Deputies serve for four years and parties must receive at least 5 per cent of the national vote to gain seats in the *Saeima*.

The president of the republic is the head of state. He is elected by the *Saeima* by secret ballot with a majority vote of at least 51 of the 100 deputies. The president's term is for four years, and he may be re-elected consecutively only once.

The president represents the state in international relations, carries out the decisions of the parliament concerning the ratification of international treaties and serves as chief of the armed forces.

The president holds the right of legislative initiative, and promulgates the laws passed by the parliament. Within seven days of parliamentary adoption of a law, the president can ask the body to revise the law. If the parliament does not amend the law, the president cannot raise any further objections.

The president has the right to withhold promulgation of a law for a period of two months. He must suspend promulgation on the demand of at least one-third of the members of parliament. The suspension of a law's promulgation opens up the possibility of an annulment law by referendum.

The president has the right to propose the dissolution of the parliament by decree, which must then be followed by a public referendum.

On the motion of at least one-half of the members of parliament, the parliament — in a session closed to the public — may initiate a vote to dismiss the president. The motion can be passed by a majority vote of not less than two-thirds of the members. After such a decision, the parliament immediately elects a new president. The parliament also is authorised to prosecute the president for criminal offenses.

The prime minister, whose formal title is president of the cabinet of ministers, is the head of the Latvian Government. He is the main politically responsible person, but the president maintains representative functions.

The president nominates for *Saeima*'s consideration a candidate to form the government. The president usually chooses a representative of the party which controls the majority of votes in the parliament. The prime minister and the cabinet of ministers he has formed must receive the confidence of the parliament.

The cabinet consists of the prime minister and ministers appointed by him. The number of ministers, the scope of their activities and the relationships between government ministries are fixed by law. The cabinet discusses all drafts drawn up by the separate ministries and all questions concerning the activities of various ministries; likewise, all questions of state policy, put forward by individual members of the cabinet.

The entire cabinet of ministers must resign if the parliament expresses a vote of no confidence in the prime minister. If the parliament approves a vote of no confidence in a particular minister, the minister must resign and the prime minister nominates another person to take his place.

The competencies, structure and economic background of local governments, and their relationship with the cabinet of ministers are determined by the Law on Local Governments (*Vēstnesis* 24.05.94, nr. 61). This law states that the cabinet of ministers must consult with local government representatives before adopting decisions that will affect any local governments. These decisions include:

- draft laws and draft regulations concerning local government;
- levels of subsidy for local governments in the fiscal year;
- top-up funds for local governments.

Consultation takes place through a system of negotiation that has been established between the cabinet of ministers and the union of local self-governments which represents local governments in the negotiations.

2. Legislative Authority

2.1. Electoral Rules

All Latvian citizens who are at least 18 years old are entitled to vote, except those who have been recognised as incapable according to procedures defined by law and those who are imprisoned serving a court sentence or as a security measure.

Members of the *Saeima* are elected on the basis of proportional representation in accordance with procedures defined by law. All Latvian citizens who are at least 21 years of age are eligible for election to the *Saeima*, except certain persons specified by law (i.e. those directly employed by certain military, security or intelligence agencies of the former Soviet Union or other countries).

The country is divided into five electoral regions. The central election commission determines the number of seats in the *Saeima* in proportion to the number of electors in a constituency according to the register of residents of the citizenship and immigration department four months before the election. A list of candidates may be submitted by a legally registered political organisation (party) or by a legally registered association of political organisations (parties).

The number of candidates on the list must not exceed the number of seats allotted for the constituency. The electors vote for a list of candidates, but they also can indicate which candidates they do or do not support on the list. The number of deputies elected from each region is directly proportional to the number of voters in the region. Seats are distributed among the political parties according to the so-called “Sainte-Lague” method. Parties must obtain at least 5 per cent of the national vote to be represented in *Saeima*.

2.2. Main Powers of Parliament

The *Saeima* is the principal legislative institution and consists of 100 deputies elected by universal, equal, direct elections and secret ballot for a term of four years.

The main powers and responsibilities of the *Saeima* are as follows:

- to approve the government by passing a vote of confidence in the prime minister and ministers and to subject the government to a vote of no confidence;
- to address the prime minister or any other minister with proposals or questions to which they, or responsible officials empowered by them, shall reply;
- to appoint parliamentary investigation commissions;
- to approve, before the beginning of each financial year, the draft central government budget submitted by the cabinet of ministers;
- to examine and confirm, at the conclusion of the financial year, a statement on the actual implementation of the central government budget submitted by the cabinet of ministers;
- to ratify international agreements dealing with issues to be settled by legislation;
- to determine the strength of Latvia's armed forces in time of peace and to take the decision to engage in war;
- to appoint judges. They shall be irrevocable. The *Saeima* may remove judges from office against their will only in the cases provided for by law, based upon a decision of the judicial disciplinary board or a judgement of the court in a criminal case.

2.3. Internal Organisation

The *Saeima* elects a presidium which consists of the chairman, his two deputies and secretaries. The presidium convenes parliamentary sessions and, by decree, extraordinary sessions. It must convene a session when requested by the president, the prime minister or at least one-third of the members of the *Saeima*.

The sittings of the *Saeima* are public, but the *Saeima* can decide by a majority vote of at least two-thirds of the members present to close a session, when this is requested by ten members of the *Saeima*, the president, the prime minister or a minister.

No fewer than five members from one political party can unite in a parliamentary group which can, in turn, form blocks. Each parliamentary group or political block delegates one representative to a council of parliamentary groups that co-ordinates their activities and strategy. Resolutions of the council are in the form of recommendations and are not binding. No fewer than three deputies can form a group for the promotion of co-operation with parliaments of other countries.

The Rules of Procedure of the *Saeima* define the structure of the *Saeima* and the order according to which internal units are constituted. The main work with the drafts of legal Acts is done in the committees. The *Saeima* elects standing committees and determines the number of committee members and their duties. A committee may work if its meeting is attended by a majority of the total number of representatives. Parties to form the ruling coalition divide all posts in the government and the parliamentary committees proportionally and in such a manner as to avoid a situation where one party assumes the leadership of all the ministries or committees of the same branch.

The 7th *Saeima* has 16 standing committees:

- Administration of Parliament
- Budget and Finance
- Defense and Internal Affairs
- Economy, Agricultural and Regional Development
- Education, Culture and Science
- European Affairs
- Foreign Affairs
- Government Review (Interpellations)
- Human Rights
- Implementation of Citizenship Law
- Internal Audit
- Legal Affairs
- Mandates and Submissions
- National Security
- Social and Employment Matters
- State Administration and Local Government

The administrative staff of the *Saeima* chancellery serves the deputies of the *Saeima*. The *Saeima* chancellery consists of approximately 360 employees. The most important unit in this chancellery is the legal bureau of *Saeima*, which controls the compliance of drafts to legal norms.

2.4. *The Legislative Process*

According to the constitution, draft laws may be submitted to the *Saeima* by the president, the cabinet of ministers, the committees of the parliament, at least five members of the parliament, or one-tenth of the electorate.

The sittings of the *Saeima* may take place if at least 51 members are present. In general, the *Saeima* shall pass its resolutions by the absolute majority vote of the members present. According to Article 76 of *Satversme*, the *Saeima* may make constitutional amendments at sittings at which at least two-thirds of its members are present. The modifications are passed in the course of three readings (plenary sessions), by a simple majority of not less than two-thirds of the members present.

The draft is submitted in the presidium (board of the *Saeima*) which determines the responsible committees of the *Saeima* to which it is then sent. If the *Saeima* passes this resolution, parliamentary committees introduce corrections and elaborate the draft version for the first reading. After the session, the responsible committee, together with representatives of the Legal Bureau of *Saeima*, passes a resolution on the submitted draft and prepares the draft text for the second reading.

At the second reading discussions and voting are allowed only on modified paragraphs. After the second reading the responsible committee and representatives from the legal bureau of the *Saeima* add the amendments and elaborate the final text. In the third reading, after reviewing the draft law, the parliament members vote for the draft as a whole. The draft central government budget, the international agreements and the urgent drafts must be passed in the course of two readings. The other draft laws must be passed in the course of three readings.

The president of the republic promulgates the law between the 7th and 21st day after adoption. The law enters in force on the 14th day after promulgation, unless another term has been fixed.

In accordance with the constitution, Latvia has the following hierarchy of legal rules:

- Constitution;
- international treaties approved by the *Saeima*;
- laws;
- regulations of the cabinet of minister having the force of law;
- other regulations of the cabinet of ministers;
- local government regulations.

Not less than one-tenth of the electors have the right to submit to the president of the republic a fully elaborated scheme for the revision of the constitution or a law, which is submitted to the *Saeima* by the president. Should it be accepted by the *Saeima* without substantial amendments, it is submitted to a referendum. Amendments to the constitution which have been submitted to a referendum are adopted if at least one-half of those who have the right to vote have voted in favour.

According to Article 81 of the *Satversme*, in cases of urgent necessity between sessions, the cabinet has the right to issue regulations which have the force of law. These regulations must not modify the following: the law of election of the *Saeima*, laws bearing on the judicial constitution, the budget law, and laws passed by the *Saeima* then in power. They must not refer to amnesty, the issue of treasury notes or state taxes, and they are annulled if they are not presented to the *Saeima* within three days of the opening of the following session.

The majority of draft laws are submitted by the cabinet of ministers. During the 6th *Saeima* in 1998, 208 draft laws were submitted, 153 of which were adopted (74 per cent). Of these draft laws, 66 per cent were submitted by the cabinet of ministers, 15 per cent by the *Saeima* commissions and 19 per cent by deputies. During the autumn session of the 7th *Saeima* in 1998, 80 draft laws were submitted; 63 per cent by the cabinet of ministers, 25 per cent by the *Saeima* commissions and 13 per cent by deputies (Source: Document Division, *Saeima* chancellery).

3. The Central Executive

3.1. *Legal Bases of Executive Authority and Administration*

The constitution (*Satversme*) sets out the general framework and the main activities of the cabinet of ministers, which is the highest executive authority in Latvia.

The Law on the Structure of the Cabinet of Ministers adopted on 15 July 1993 (*Ziņotājs* 19.08.93, nr. 28) determines the composition and action of the cabinet of ministers, describes the obligations and rights of the members of the cabinet of ministers and provides the general framework for co-operation between the cabinet of ministers and the *Saeima*. The cabinet of ministers may issue regulations if the law specifically authorises the cabinet of ministers to do so, or if the issue is not regulated by law. Such regulations shall indicate the legal basis (laws) upon which they have been issued. The cabinet of ministers reviews draft laws which, after approval, are submitted to the *Saeima*.

There is a regulation on the internal order and procedure of the cabinet of ministers which determines the order in which the cabinet of ministers and its committees discuss draft legislative Acts, items relating to several ministries, and other items proposed for consideration.

The ministry is the central executive authority by which the cabinet of ministers executes the tasks defined in the constitution and in the Law on Order of Ministries (adopted 6 February 1997, *Vēstnesis* 20.02.97, nr. 52). The main tasks of each ministry are determined by the statute of ministry approved by the cabinet of ministers.

All government organisations have a legal statute.

3.2. *Composition and Powers of the Government (Council of Ministers)*

The cabinet of ministers is the central executive body. The prime minister-designate who, following the invitation of the president of the republic, has formed the cabinet, reports on the composition of the cabinet to the president of the republic and to the chairman of the *Saeima*, who then presents this report to the *Saeima* at its next sitting. The *Saeima* gives its vote of confidence to the cabinet of ministers by adopting a relevant resolution. The *Saeima* expresses a vote of no confidence in the cabinet of ministers either by adopting a specific resolution or by rejecting the draft of the annual state budget submitted by the cabinet of ministers.

The cabinet of ministers consists of the prime minister, who chairs its meetings, and the ministers appointed by him. The number of ministers, the scope of their activities, and the mutual relations among government departments are determined by the Law on the Structure of the Cabinet of Ministers, which was adopted in 1925 and renewed in July 1993. If the prime minister requests a minister or a state minister to resign, the minister or the state minister must resign from an office, even if the *Saeima* has not declared no confidence.

The prime minister has the authority to appoint as many deputy prime ministers as he sees fit. The current prime minister does not have a deputy prime minister.

The prime minister, in consultation with a minister, can appoint a state minister to manage a specific branch falling within the competence of the minister's ministry. This state minister administers the branch independently and has the right to vote in the cabinet of ministers, but only on those issues connected with

his branch. The current cabinet of ministers does not have any state ministers. The prime minister also appoints parliamentary secretaries (upon the recommendation of the relevant minister).

The prime minister may designate advisers or ministers for the execution of specific tasks. The duties, tasks and number of such advisers and ministers are determined by the prime minister. The current prime minister has two special task ministers.

For the execution of a specific assignment, the prime minister may, for a specific period of time, set up consultative boards (defining the structure of the consultative board, the scope of subjects under discussion and activities and assignments) to provide recommendations to the prime minister or the cabinet of ministers within the scope of their competence.

The cabinet of ministers may only issue normative Acts or regulations in the following cases:

- in accordance with the procedure prescribed in Article 81 of the Constitution (the right to issue regulations which shall have the force of law in cases of urgent necessity between parliament sessions);
- if the law specifically authorises the cabinet to do so. The authorisation shall formulate the main directions of the regulations' contents;
- if the respective issue is not regulated by law.

The prime minister, deputy prime minister and ministers are authorised to issue the orders in cases provided by the laws and regulations of the cabinet. The order will be an individual administrative Act addressed to particular state institutions and officials.

3.3. *Division of Executive Power*

The prime minister is responsible for implementation of the government declaration. He also co-ordinates overall government policy.

A minister is politically responsible to the *Saeima* for the activities of his ministry and its subordinate institutions, for his budget and for his plans. A state minister manages a specific branch falling within the competence of the minister's ministry and also has political responsibility to the *Saeima*.

The cabinet makes decisions with a majority vote of ministers present. More than half (7) of ministers present constitute the quorum. In questions falling within the competence of state ministers, his vote is counted in.

The cabinet of ministers and ministers may issue binding instructions to the institutions subordinated to them if the law or regulations specially authorise them to do so or if the respective issue has not been regulated by other regulations or by law.

3.4. *The Office of the Government/Office of the Head of Government*

The chief officers at the centre of government are the director of the state chancellery and the head of the prime minister's office. The state chancellery is responsible for creating the necessary preconditions for the co-ordinated work of the cabinet of ministers and the prime minister. The director of the state chancellery determines a uniform control procedure for the execution of the legislative Acts issued or tasks assigned by the cabinet of ministers or the prime minister. He regularly furnishes the prime minister with information

on the observation of the deadlines indicated in the issued legislative Acts and assignments. The director of the state chancellery also chairs the weekly meetings of state secretaries at which items relating to execution of the ministries' assignments are discussed.

The state chancellery consists of the prime minister's office and other structural units determined by the director of the state chancellery. The main functions of the state chancellery are to:

- promote implementation of the government's declaration;
- ensure that all legal Acts and conceptual issues are professionally prepared;
- promote interministerial co-operation;
- inform the prime minister of any internal or foreign policy issue.

The state chancellery consists of approximately 100 employees working within several departments and divisions:

- Correspondence Division
- Document Management Department
- Financial Department
- Legal Department
- Maintenance Division
- Personnel Division
- Press Department
- Project Management Department
- Registration Department
- Technical Supply Division.

The prime minister's office (PMO) consists mostly of political appointees. The head of the prime minister's bureau is appointed by the order of the prime minister for a period not exceeding that of the prime minister being in the office. The PMO usually consists of about ten staff, including the head of the PMO, advisors, assistants and a press secretary. The current PMO consists of six persons. The PMO advises the prime minister on policy issues, evaluates political problems related to the implementation of the government declaration, and provides information to the mass media on the issues on the prime minister's agenda.

3.5. *Line Ministries*

Ministries are established under the Law on Order of Ministries, the main tasks of which are determined by their statute approved by the cabinet of ministers.

At present, there are 12 ministries, some of which include state ministers, as follows:

- Agriculture
- Culture

- Defence
- Economics
- Education and Science
- Environmental Protection
- Finance
- Foreign Affairs
- Interior
- Justice
- Social Welfare
- Transport
- Special Task Minister for Co-operation with International Finance Institutions
- Special Task Minister for the State Administration and Self-Government Reforms

The organisational sub-units of ministries are departments, which may in turn consist of divisions. A department is headed by a director of department who is directly subordinated to the state secretary. A ministry may include divisions directly subordinated to a state secretary or deputy state secretary.

In accordance with the suggestion of the minister, the prime minister may appoint parliamentary secretaries in the ministry. The minister appoints political officials such as advisors and assistants and the state secretary.

The parliamentary secretary is responsible for representing the ministry's political point of view and defending draft laws prepared by the ministry in the parliament, parliamentary committees and other state institutions. The state secretary manages the ministry's administrative work. Parliamentary secretaries resign when the government and the minister resign.

3.6. *Interministerial Co-ordination*

Meetings of the cabinet of ministers are held on a weekly basis. Extraordinary meetings of the cabinet are held at the initiative of the prime minister. Meetings of the cabinet are convoked by the director of the state chancellery.

Interministerial working groups are formed by a decree of the prime minister to elaborate conceptual issues, government action plans and drafts of the legal Acts. Usually one of the ministries has a co-ordinating role and submits documents, such as drafts and plans, to the cabinet of ministers.

In order to co-ordinate opinions and prepare draft legislative Acts for reviewing at the sitting of the cabinet of ministers, draft legislative Acts must first be deliberated at the committees of the cabinet of ministers. The composition of these committees is defined by an order of the prime minister. The current cabinet has one committee chaired by the prime minister.

There is no legal requirement for interministerial co-ordination before a legislative draft is finalised but informal co-ordination at the working level does take place.

At a weekly co-ordination meeting of state secretaries, the ongoing day-to-day business of government is discussed, including items relating to execution of the assignments of the ministries. This meeting is chaired by the head of the state chancellery. Membership, in addition to the state secretaries of the ministries, includes the Public Administration Reform Bureau, the Union of Self-Government, the *Saeima*, and the Bank of Latvia. The European Integration Bureau (EIB) also attends this meeting.

The state secretary of the ministry or other official having the authority of a state secretary reports on draft legislative Acts prepared by the ministry, and the meeting reviews the following items:

- the ministries from which additional opinions are necessary. Opinions are mandatory from the Ministry of Finance and the Ministry of Justice and the European Integration Bureau (if the specified legislative Act is related to the integration of Latvia into the European Community);
- the institutions to which the draft legislative Act has to be forwarded for the purpose of information;
- whether it is necessary to publish the draft legislative Act in the press;
- whether, according to the provisions of Item 86 of the Law on Local Governments, it is necessary to seek the opinion of local governments.

In accordance with the decision of the state secretaries' meeting, the ministry sends the draft legislative Act to the relevant institutions.

The Ministry of Finance and the Ministry of Justice, along with other ministries and state and municipal institutions, render a written opinion upon the draft legislative Act received. The opinion outlines the position of the ministry for or against the further progress of the draft legislative Act and proposals concerning its contents.

The responsible official assesses the objections and proposals submitted by the ministries as well as other state and municipal institutions and includes the mentioned objections and proposals into the text of the draft legislative Act and forwards the draft legislative Act, together with the opinions, to the state chancellery.

In case of disagreements between the proponent and the ministry (for example, if the draft legislative Act is rejected or essential objections are received), the proponent convenes a meeting in which to state its opinions and invites the civil servants of the relevant ministries to attend.

3.7. Central Non-Ministerial Bodies

The European Integration Council (EIC) is an advisory body whose functions and structure are determined by the Statute of European Integration Council passed in October 1995. Its main task is to ensure a unified policy of European integration at all levels of public institutions. The Prime Minister heads the EIC and also determines its structure. The advisor on European Integration Affairs from the Prime Minister's Office, the Deputy Director of the State Chancellery and the Director of the European Integration Bureau regularly participate in the EIC's meetings as advisors.

The European Integration Bureau (EIB) is a public institution directly subordinate to the Prime Minister. EIB's functions and structure are determined by the Statute of the European Integration Bureau, passed in September 1997. The main task of the EIB is to check compliance of Latvian draft legislation and other draft government decisions with the legal implications of EC law, as well as to manage the internal

elaboration of Latvian strategy and policy documents in conformity with EU requirements. The director of the EIB is a civil servant. He is appointed and dismissed by the Prime Minister.

The Bureau of Public Administration Reform (BPAR) is a public institution subordinate to the Special Task Minister for the State Administration and Self-Government Reforms. Its functions and structure are determined by its statute, which was passed in June 1997. The BPAR is headed by a director who is a civil servant and is appointed and dismissed by the Special Task Minister for the State Administration and Self-Government Reforms. The main task of the BPAR is to ensure the implementation of government policy in the field of public administration reform.

The Civil Service Administration and School of Public Administration fall under the authority of the BPAR and implement reform strategies in relation to central government.

There are about 20 non-profit organisations in Latvia that are joint stock companies where all capital belongs to the state. They are founded by the cabinet of ministers and their activities are supervised by their boards. The members of their boards can be dismissed by decree of the cabinet of ministers. Twice a year, each agency board submits a performance evaluation report to the cabinet of ministers.

The most important of these agencies are the Latvian Development Agency (LDA), the Privatisation Agency (PA) and the State Real Estate Agency (SREA). The head of boards of the LDA and PA is the minister of economics. The head of board of the SREA is also the director general of the agency. The main tasks of these organisations are as follows:

- LDA: to promote the development of national economy in Latvia by attracting foreign investments.
- PA: to organise and control the privatisation of state enterprises. The shareholder of both agencies is the Ministry of Economics.
- SREA: the management, repair of state real estate and representing the interests of the state in the denationalisation process in co-operation with the PA. The shareholder is the Ministry of Finance.

The State Social Security Agency is based on similar principles, but the shareholder is the Ministry of Social Welfare. The main task of the agency is to implement public administration functions in the field of social security and public services.

Such agencies have their own legal entity, having been established by various ministries in an effort to give them the managerial and financial flexibility which they lacked, as most of them are government-owned.

3.8. *Executive Budgeting Processes*

The Law on Budget and Financial Management (*Vēstnesis* 06.04.94, nr. 41) was enacted in March 1994 and has been amended several times.

The cabinet of ministers ensures the formulation and execution of the central government budget, and determines the framework of the financial activities of local government. The central government budget and local government budgets are made up of the general budget and the special budget. The fiscal year is the calendar year.

The Ministry of Finance is responsible for preparing the annual budget law and the accompanying explanatory information. The ministry issues instructions for preparation of the budget proposals. The ministry prepares the draft law on the central government budget on the basis of the budget proposals. The primary budget executors receive the draft law and have two weeks to present their objections. The

Ministry of Finance attempts to resolve any differences with primary budget executors, who may submit issues that remain in dispute to the cabinet of ministers.

The Ministry of Finance submits the annual central government budget law to the cabinet of ministers, and from June the cabinet holds meetings on the draft law. The cabinet of ministers must submit the draft law to the parliament by 1 October. If the parliament rejects the draft law, this is an expression of no confidence in the cabinet.

The cabinet of ministers ensures the execution of the annual budget. Each year, it submits in parliament a statement showing the actual implementation of the previous year's central government budget.

3.9. *Advisory and Consultative Arrangements*

The government has the right to set up temporary or permanent advisory bodies: councils, consultative boards and commissions. The cabinet of ministers approves the statutes of these bodies, setting out their composition and their main functions and tasks. They discuss issues and make recommendations but cannot take political decisions, which must be made by the cabinet of ministers. These advisory bodies are financed from the state budget. They consist of officials from ministries and other public administration institutions, scientists and representatives from local governments and appropriate non-governmental institutions. The main advisory bodies are:

- Committee for Control of Strategic Goods
- Consultative Board for OECD Baltic Region Programme Co-ordination
- Consultative Board of Agriculture Branches
- Consultative Board of Bookkeeping Standards
- Copyright Consultative Board
- Consultative Board of Latvian Tourism
- Latvian Forestry Consultative Board
- Naturalisation Consultative Board

4. *Executive Linkages*

4.1. *The Executive and the Presidency*

The President represents Latvia in an international capacity; he accredits Latvian representatives abroad and receives accredited representatives of foreign states. The President has the right to pardon criminals undergoing penal sentences.

The President has the right to convoke extraordinary meetings of the cabinet for the discussion of an agenda prepared by him, and to preside over such meetings. The President has the right of legislative initiative.

The President and the Prime Minister have a common dinner once a week. This is an informal means of communication between the government and the President.

The office of the president consists of several advisors to the President (on culture, economic, legal, nationalities, national security and military affairs), the press service and the pardons' service. As a rule representatives of the office of the president do not attend meetings of the government.

4.2. *The Executive and Parliament*

One of the Prime Minister's advisors in the prime minister's office has primary responsibility for relations with the *Saeima*. Each ministry has also a parliamentary secretary who, together with the minister, represents the political view of the ministry in the *Saeima*.

The cabinet of ministers has the right to request that a special and urgent item be put on the agenda of the current week's meeting. This request has to be submitted to the presidium of the *Saeima*, which puts the question to a vote.

The main approach for the *Saeima* to control the activities of the cabinet of ministers is by submitting questions. No less than five deputies can submit a question in written form to the prime minister or other members of the cabinet on matters of their responsibility. The question has to be submitted to the chancellery of the *Saeima*, which registers it and informs the official to whom the question is addressed. An answer to the question has to be submitted in written form within seven days. Each week these questions are considered at a special meeting of the *Saeima* on Thursday afternoon where questions and relevant answers are read. After the answer is received deputies have a right to ask two additional questions connected with the previous one.

No fewer than ten deputies or the committee of mandates and submissions may demand to put the cabinet of ministers, a minister or a state minister to a vote of no confidence. The voting in this case is public.

Ministers, even if they are not members of the *Saeima*, have the right to be present at the sittings of the *Saeima* and to introduce additions to draft laws.

Before the commencement of each fiscal year, the *Saeima* pronounces on the state revenue and expenditure budget, the draft of which is submitted by the cabinet. The *Saeima* must pass the budget law by the absolute majority vote of the members present. If the *Saeima* passes a resolution involving expenditure not foreseen in the budget, it has to specify the sources of revenue with which to meet such expenditure.

After the end of the fiscal year, the cabinet must submit a statement showing the actual realisation of the budget.

4.3. *The Executive and Political Parties*

The rules of procedure of the *Saeima* give the legal base for party and coalition management, but there are no rules governing coalition agreements. Each political party has an election programme which is the basis for subsequent negotiation of the coalition agreement. Political parties which are part of the governing coalition elaborate the declaration of government. This document contains the main activities that the government should implement in different fields of the national economy. There are various meetings and negotiations between leaders of the political parties and the Prime Minister to agree on the decision-making process within the coalition parties.

The main law governing funding and expenditure of parties is the Law on Financing of Political Organisations, which was passed in September 1995. This law sets out the legitimate financial sources for the funding of political parties: grants from individuals and bodies that are not institutions of public

administration or local government, membership fees and business activities. The law does not provide for financing of political parties from the state budget. The law determines that the financial statements of any business operations of political parties must be made public to the mass media. The financial activities of political parties are reviewed annually by an independent audit firm.

4.4. *The Executive and Organised Civil Society*

At present there is no real possibility for trade unions, employers' associations and interest groups to influence pre-parliamentary stages of legislation. Neither the *Saeima* nor the cabinet has defined a political strategy in this field.

The trilateral consultative board of employers, state and trade unions was formed in 1992 but its activities are weak because Latvia has no strong organisations of employers. The Statute of the National Trilateral Co-operation Board was adopted in October 1998. The National Trilateral Co-operation Board is the legal successor of the rights and liabilities of the trilateral consultative board.

The Employers' Association of Latvia represents only managers from state enterprises, and there is no mutual co-operation with the union of entrepreneurs. The Latvian Association of Trade Unions represents 60 per cent of employees.

Non-governmental organisations, interest groups and associations can influence the legislative process only through the mass media

4.5. *The Executive and the Media*

The government information service is located in the cabinet building. Its main function is to co-ordinate the work of ministerial press offices. Once a week after sittings of the cabinet, the government information service invites the ministers to comment on the issues considered in the meeting. After that, the material is summarised and the press releases are sent out to different newspaper agencies. The most frequently used tools for communication are e-mail and fax.

In addition to the press secretary of the PM, each ministry has a press secretary who is authorised to communicate with the mass media about ministry activities and express the view of a minister.

The cabinet of ministers maintains the government Website (the address: <http://www.mk.gov.lv>). This site contains information on the structure, functions and activities of the prime minister's office, the cabinet of ministers and the state chancellery, as well as on a history of the former governments. The address of the *Saeima* Website is <http://www.saeima.lv> . Many of the ministries have also established their own sites.

5. Subnational Government

5.1. *Decentralised State Administration*

The following ministries currently have representative offices at the local level: Agriculture, Education and Science, Environmental Protection and Regional Development, Finance, and Interior.

Ministry of Agriculture:

There are 26 districts in Latvia. Each of them has the following institutions subordinated to the ministry:

- Department of Agriculture which ensures execution of decrees from Ministry of Agriculture;
- Veterinary Department;
- Plant Protection Station.

At each border crossing, there is a sanitary border control which controls the quality of foodstuffs for import/export.

Ministry of Education and Science:

There are 10 institutions of higher education (four of which are in different districts of Latvia), 32 trade schools and 23 technical schools subordinated to the ministry.

Ministry of Environmental Protection and Regional Development (MEPRD):

The Latvian Hydrometeorological Agency implements state policy in the field of hydrometeorology and operated a meteorological observation network comprising 23 observation stations.

The Environmental State Inspectorate implements state control in the field of environmental protection, co-ordinates and provides methodological guidance to the activities of regional environmental boards.

The State Construction Inspectorate implements state control over the construction sector and assesses construction design at the state level. It co-operates with local government Construction Boards and Regional Environmental State Inspectorates.

Regional Environmental Boards (REB) are subordinated to the ministry and carry out the implementation of state policy in the field of environmental protection, regional development and construction on a regional level.

Ministry of Interior:

The Latvian Frontier Guards constitute an autonomous state service constituting a structural unit of Ministry of the Interior. In order to guard the 1 370 kilometer land border, there are 16 border crossings on roads and 11 on railways. In addition, there are 14 at seaports and two at airports.

The system of state police establishments consists of the order maintenance police and criminal police department, divisions in districts, cities and regions, and units supervising railway, air and water transport. The state police operates throughout the whole territory of Latvia; it is part of the Ministry of Interior system and is subordinated to the Minister of Interior.

The State Fire and Rescue Service co-ordinates the management of the fire safety system in Latvia. The fire-fighting and rescue brigade divisions are located in cities and towns.

Court orders on confinement are enforced by establishments of the Ministry of Interior. There are 15 preventive detention establishments in Latvia.

Ministry of Finance:

The State Revenue Service (SRS) is an institution of the public administration subordinated to the Ministry of Finance. It carries out the registration of taxpayers, the collection of taxes and the implementation of

customs policy over the whole territory of Latvia. The SRS has a central apparatus and 34 territorial institutions.

5.2. Regional Government

The Law on Administrative Territorial Reform was passed on 21 October 1998 (*Vēstnesis*, 30.10.98, nr. 322). The issue of administrative territorial reform is one which appears in the current Government Programme (see section 9.2.) and the Action Plan to implement the Strategy of Public Administration Reform until the year 2000 (*Strategy 2000*).

5.3. Local Government

There is a two-level system of local government in Latvia consisting of 69 towns, one regional and 483 rural municipalities on the first level, and 26 districts on the second level. In addition, there are seven cities which combine these two levels into one, thereby fulfilling the functions of both the first-level and second-level local governments.

According to the Law on Local Governments (1994), the main functions of towns and rural municipalities are the organisation of public services for inhabitants and activities in the fields of education, culture and primary health and social assistance. The towns and the other municipalities determine and collect local taxes and dues in accordance with the respective laws. The district governments possess responsibilities in the fields of health, education, culture and social assistance at the district level.

The organisational structure of local governments is determined by the Law on Local Governments and by a charter which is approved by each local government's council. Each type of local government has a council. The councils are elected directly by Latvia's citizens under a proportional system.

The participation of inhabitants who are not citizens of Latvia in local government is intended to include, as suggested by the Council of Europe Convention on the Participation of Foreigners in Public Life, the following: participation as experts in the work of special committees established to deal with problems of non-citizens in areas where there are a large number of non-citizens.

The local government council approves the local government's charter, budget and plans for socio-economic development and environmental protection. It elects, and can recall, the council's chairman and vice-chairmen, and members of standing committees established by the council.

Every council must establish an auditing committee. It elects and can dismiss the committee's chairman and members, who cannot be elected or appointed local government officials. The auditing committee supervises the financial management of the local government and conducts an audit of the local government's operations every year.

The councils also can appoint and dismiss an executive director who serves as an assistant to the council's chairman and carries out the council's decisions.

The main parts of local government financial resources are:

- local tax payments and dues of legal entities and individuals;
- subsidies and special purpose grants from the state budget;
- credits;

- incomes from services of local government institutions.

The allocation of income between central and local governments' budgets as well as the amounts of subsidies and catch-up facilities are regulated by special laws or by the annual budget law.

It has not yet been decided which local government institutions and jobs will be covered by the civil service system. It is anticipated that most local government employees working in education, medical and commercial activities will be excluded.

The Law on Local Governments specifies that the cabinet of ministers must consult with local government representatives before adopting decisions that will affect any or all local governments. This consultation is realised through a system of negotiation that has been established between the cabinet of ministers and local government. The union of local self-governments, a nationwide organisation to which 496 of Latvia's 586 local self-governments belong, represents local governments in the negotiations. The cabinet must review any areas of disagreement that emerge from the negotiation meetings.

The Law on Local Governments anticipates stronger supervision of local governments by the central government, particularly for ensuring the legality of local government decisions. The Special Task Minister for the State Administration and Self-Government Reforms currently supervises the legality of decisions taken by local government councils. This Special Task Minister can suspend an illegal decision of the local government council, but only the courts have the right to cancel the decision. He can also suspend the chair of a local government council if he violates the constitution, the law, regulations of the cabinet of ministers or court orders. In addition, the cabinet of ministers has the right to submit to parliament a request to dismiss a local government council if this council has repeatedly violated the constitution, the law, regulations of the cabinet of ministers or court orders.

Local governments have the right to co-operate and to establish non-governmental organisations to fulfil tasks of common interest. The local government council passes a decision on joining or secession from these organisations. After mutual agreement, the local government can delegate certain functions to other local governments. The financing comes from the budget of the local government which is the contracting and supervising authority. Local governments can also co-operate with local governments in other countries.

6. Personnel Management

6.1. Legal Bases and Principles of the Public Service

Latvia's new civil service system was introduced in 1994 by the Law on Public Civil Service (*Vēstnesis* 03.05.94, nr. 52) and the Law on Disciplinary Procedures for Civil Servants (*Vēstnesis* 30.08.94, nr. 101). A separate code of ethics does not yet exist but several regulations of the cabinet of ministers spell out ethical norms.

A civil servant is a person who, according to the law, has become an employee of the civil service by acquiring a civil service position. The following are *not* civil servant positions: the president of the republic; deputies of the *Saeima*; cabinet ministers; state ministers; parliamentary secretaries; deputies of city councils or district councils; the chairman of the supreme court, his/her deputies and supreme court judges; chairmen of regional courts, his/her deputies and judges of regional courts; chairmen of district (or municipal) courts, his/her deputies and district (or municipal) court judges; the prosecutor-general, his/her deputies and prosecutors; the auditor-general; state audit council members and members of the audit department collegia.

Persons employed on the basis of a contract also may work in public institutions. Advisors to political officials and their assistants are normally employed on a contractual basis and leave the institution together with the political officials. Technical and economic functions in public institutions also are normally carried out by contract employees, not civil servants.

Restrictions concerning entrepreneurship and multiple positions for civil servants are prescribed in the Law on Anti-Corruption, adopted on 21 September 1995. The monthly salary of a civil servant is set by the cabinet in accordance with the qualification category range envisaged for the respective position in the public service civil servant position list.

The Law on Public Civil Service is currently under revision. The issue of the choice of model for remuneration of civil servants (contract system or division into categories and grades) is currently under discussion.

6.2. Personnel Management

The cabinet establishes the Civil Service Administration (CSA), confirms its regulations, and appoints and dismisses the head of the Civil Service Administration, who has to be a civil servant. The CSA is subordinated to the Bureau of Public Administration Reform (BPAR). Its main tasks are to:

- prepare general regulations for organising the public civil service;
- test whether the applicants for civil servant positions meet the requirements for the status of a civil servant candidate;
- perform the functions of control and supervision with regard to information submitted by applicants for civil servant positions;
- organise qualification tests for civil servant candidates;
- keep records of civil servants appointed to civil servant positions, as well as on vacancies, and publish this information in the official press publication designated by the cabinet;
- establish the list of suitable candidates for vacancies in civil service positions;
- examine complaints and disciplinary cases of civil servants.

The cabinet can entrust the Civil Service Administration to perform other responsibilities connected with the civil service.

The cabinet establishes the School of Public Administration and approves its regulations, as well as appoints and dismisses the director of the school, who has to be a civil servant. The public administration school is subordinated to BPAR and carries out the following functions:

- prepares the regulations and contents for preparatory courses, training, and qualification examination of civil servants;
- conducts the qualification examinations of the civil servants.

7. Administrative Oversight and Control

7.1. Internal Oversight and Control

Currently, an internal audit system in public administration institutions is only in the early stages of development. The concept paper approved by the cabinet in March 1999 aimed at introducing a decentralised (two level) internal audit system in the public administration. Some public institutions already had internal audit divisions or competent officials in this field (for example, the State Audit, Ministry of Finance and the Ministry of Welfare). Some ministries intend to set up such divisions within a short time. The public administration school encourages this trend through the training of internal auditors to carry out risk assessment and organisational evaluation. The work is scheduled to continue until summer 1999. The training groups consist of officials from different ministries.

Strategy 2000 (see below) requires the elaboration of standards and methods of internal audit by the end of 1999. The Public Administration Reform Bureau, using the experience of bilateral and other work in some ministries in these areas, has to begin to identify a network which can assist all ministries in their internal audits and organisational changes. One of the tasks is to develop, print and distribute a manual on internal audit for this work with the ministries.

7.2. External Audit and Control

The State Audit is an independent, collegiate institution bound by the constitution and subordinate only to the parliament. It is a member of the International Organisation of Supreme Audit Institutions (INTOSAI), and corresponds with the requirements set forth in INTOSAI's statutes.

The State Audit is responsible for auditing the budgets of the state and local governments. It controls the expenditures and collections of the state and local governments' basic budget and special budget funds, and ensures that operations with state and local governments' property are legal, efficient and effective. The State Audit is also responsible for controlling state-owned enterprises which operate with state-owned property or are financed by the state budget. Such enterprises must disclose their financial registers and documents to the State Audit Council and provide any necessary explanations.

The Auditor-General reports to the parliament each year on the actual implementation of the previous year's state budget. In this report, he reviews the collection and expenditure of state funds as well as the operations of state-financed organisations and state properties. The Auditor-General can also submit special reports on issues within the scope of his authority.

The Auditor-General is appointed by the parliament for a seven-year term. On the basis of the Auditor-General's proposal, the parliament confirms the members of the State Audit Council for a seven-year term.

The State Audit consists of different auditing departments. On the recommendation of the State Audit Council, the Auditor-General appoints the directors and deputy directors of these departments from among the council's members. For each auditing department, the Auditor-General employs the auditors, on the nomination of the council, and their assistants.

The activities of each auditing department are decided by a collegium, a body which consists of the department's director and no more than six senior auditors. Each department's collegium is responsible for examining and confirming the results of audits performed by that department.

The Law on State Control, adopted on 4 November 1993, fixed the organisation and competencies of the State Audit. It was followed by the law "On the State Audit Office" which was adopted by the *Saeima* on 7 September 1995.

7.3. Public Redress

Legality of public administration is ensured by a mechanism prescribed in Regulation 154 of the Cabinet of Ministers on Process of Administrative Acts. This regulation describes in detail the internal decision-making process which must be observed by public authorities. A draft law on administrative procedure is soon to be debated in the *Saeima*.

Each person has the right to turn to the institutions of the state government and administration with individual or collective submissions or proposals and to receive an answer in accordance with the procedures prescribed by laws.

Each individual or legal entity has the right to challenge the decision of officials or authorities that has violated its rights. It is possible to appeal against the decision within one year of its coming into force by submitting an application to the higher level authority than the institution which passed the contested administrative Act. The plaintiff has the right to be acquainted with the state of affairs at every stage of the case, but has no right to a hearing.

There are no ombudsmen and courts of finance in Latvia. It is not possible for citizens to appeal directly to the Constitutional Court; they can only do so through special departments of executive bodies (e.g. Latvian National Human Rights Office).

The structure and competencies of the court system in Latvia is determined by the Law on Power of Courts which was adopted on 15 December 1992. The hierarchy of judicial power is structured as follows:

- constitutional court;
- Supreme Court;
- regional courts (five in number);
- district (city) courts, which are established according to Latvia's administrative divisions of territory.

The district court is the court of first instance for reviewing administrative cases. Administrative cases are reviewed by a single judge.

The regional court is the court of first instance for administrative cases being reviewed for legal compliance. Administrative cases are reviewed by a judge and two lay judges.

The regional court is also the appellate court for administrative cases which have been reviewed at the district court-level by a single judge. These cases are reviewed by three judges.

The Supreme Court consists of the senate and two panel courts: civil and criminal. The Supreme Court panels serve as appellate courts for cases which have been reviewed by the regional courts as courts of first instance.

The Senate is the supreme court of cassation for all cases reviewed by the district and regional courts and the court of first instance for decisions of the State Audit. The Senate is composed of three departments: civil, criminal, and administrative.

All of the Supreme Court judges form the plenum, which is a general meeting of the judges of the Supreme Court. The plenum adopts compulsory explanations for the courts on the application of laws.

Citizens' rights to freedom of information are determined by the Constitutional Law on the Rights and Obligations of a Citizen and a Person and by the Law on the Press and Other Forms of Mass Media. In addition, the Law on Information Publicity was adopted on 29 October 1998, which prescribes the classification of information and the right of citizens to obtain information from institutions of public administration and local government. The regulations of procedure have yet to be developed.

8. Administering European Integration

8.1. *The Institutional Framework of EU-Related Policy-Making*

The European Integration Council (EIC), a council of ministers' sub-committee, is the highest level decision-making body on European integration issues in Latvia. However, the EIC has no power to make decisions with legal implications; these remain a matter for the government and the *Saeima*. It comprises those ministers most involved in the process of European integration and is chaired by the Prime Minister. The EIC meets monthly and is served by the European Integration Bureau (EIB) as its secretariat. Until recently the EIC was the only institution combining the interests of different ministries involved in the EI process. In that context, it was responsible for dealing with problem issues not resolved by the EIB or by normal interministerial contact.

If agreement on a given question is not attained in a meeting of the EIC, it is submitted to the interministerial meeting for approval. After this approval the question is reviewed once again in the EIC. If agreement is still not attained, the issue can be submitted to the cabinet of ministers for a final decision. The resolutions of the EIC are binding for ministries and other public administration institutions. The agenda is prepared and the meetings are organised by the European Integration Bureau. Implementation of resolutions is monitored by the State Chancellery.

The European Integration Bureau (EIB) is an administrative unit headed by a director. The EIB provides key policy and operational support in the integration process. The main task of EIB is a preparation of the National Programme for European Integration (incorporating the National Programme for Adoption of the *Acquis communautaire*). This programme provides the methodology not only for the establishment of action plans within the various line ministries but also for tackling the issues identified within the accession partnership. The EIB is responsible for internal co-ordination of the EI process and also ensures regular communication with the European Commission's Delegation in Riga.

At a level below that of the EIC, a Council of Senior Officials (CSO) has been established, whose function is to act as a preparatory body for the EIC, and it has become an integral part of the decision process. Its first meeting took place in February 1998. The CSO provides an interministerial framework for dealing with EU co-ordination. Membership of the CSO consists primarily of deputy state secretaries responsible, within the senior management team of their respective ministries, for European integration matters. This council is chaired by the director of the EIB, which also provides the secretariat. The head of the task force for the preparation of negotiations is also present at CSO meetings.

The task force on negotiations was established at the end of 1997, under the Ministry of Foreign Affairs, to carry forward the preparation of negotiations. Since the Luxembourg summit and the introduction of the additional screening process, it is expected that this body would have responsibility for co-ordination this exercise. The relationship of the task force with the rest of the institutions associated with European integration in Latvia has yet to be worked out. The task force consists of six officials who will rely to a large degree on the specialist working groups proposed by the EIB in its restructuring of the working group arrangements. The traditional “internal-external” task dichotomy is not applicable in the context of negotiations and it is therefore crucial to find the optimum way in which the functions of the various EI institutions involved in the process can complement each other.

The Ministry of Foreign Affairs is responsible for external co-ordination and heads up the Latvian Mission to the EC in Brussels. The ministry has been a member of the steering group for the preparation of the National Programme for Integration into the European Union. The EU policy department within the Ministry of Foreign Affairs has a key policy role and in conjunction with the task force for negotiations, it co-ordinates and leads the “external” elements of the accession process.

Within the individual line ministries there are EU units, although arrangements vary considerably. Some ministries have created specific EI units at the centre, others have created networks of small units in key areas within their ministry, and some have simply appointed a single individual to look after EI-related matters. There is no current organigramme for the European integration process across the line ministries and the concept of a European integration co-ordination unit within each ministry seems somewhat incomplete.

The regulations setting up the European integration interministerial working groups directly accountable to line ministries was adopted in December 1997. The composition of most of the new working groups was agreed by the EIC. A set of guidelines and working procedures is currently in preparation.

8.2. *Managing the Approximation of Laws*

Line ministries are responsible in the first instance for the approximation of Latvian legislation with that of the EC and full adoption of the *acquis*. The European Integration Bureau (EIB) has links with all line ministries for the purpose of ensuring co-ordination of the law approximation process. The bureau is working with all line ministries in the preparation of the National Programme for Integration into the European Union, which involves a major strategic planning exercise.

The Council of Senior Officials plays a crucial role in the co-ordination of the European integration process, law approximation, implementation and the allocation of the necessary resources across the administration to ensure that the National Programme for European Integration is put fully into effect.

8.3. *Implementing the Acquis Communautaire*

The European Commission’s Opinion on Latvia’s application for EU membership put particular emphasis on the economic conditions for membership, in particular in view of the internal market. Also, priority should be given to accelerate integration of non-citizens. From the Opinion and the European Council’s discussion on this, the EC concluded a number of short-term (1998) and medium-term policy objectives. The short-term objectives concerning institutional and administrative capacity are the following: continued reform of the public administration, in particular financial control capacity, the agriculture ministry and veterinary and phytosanitary administrations, the judiciary, environment and structures for the development of regional and structural policy. The medium-term objectives concerning institutional and administrative capacity are: internal market legislation, institutional capacity for implementation of

regional programmes, the budgetary process, the judicial system, justice and home affairs institutions, the food administration.

The steps to upgrade administrative capacity in order to be able to implement the *acquis* have been outlined in the National Programme for European Integration. The Bureau of Public Administration Reform (BPAR) is responsible for the improvement of administrative capacities to apply the *acquis*. The director of BPAR has the responsibility, within the accession partnership arrangements, for the new Phare Institution-Building programme (“twinning”), which will permit secondments of EU Member State officials to assist ministries and other bodies in building up the necessary capacities for taking on the *acquis*.

9. Plans for Reform and Modernisation

The Bureau of Public Administration Reform (BPAR) was established in 1997 with the specific role of facilitating and speeding up public administration reform and increasing administrative capacity in government authorities. This was an area that was singled out for attention in the 1997 European Commission Opinion on Latvia's application for membership.

A medium-term strategy and detailed action plan (*Strategy 2000*) prepared by the BPAR was agreed by the cabinet of ministers on 10 March 1998. The key issues for the next two years are:

- development of a programme for the divestiture of certain activities to allow ministries to focus on core functions;
- creation of a professional civil service and career development (including pay reform);
- budget reform;
- development of an internal audit system;
- territorial reform;
- clarification (through regulations) of various aspects of the accountability mechanisms of ministries and their subordinated bodies;
- development of standards for the quality of public services;
- various transparency issues, such as the creation an ombudsman and the development of an anti-corruption strategy.

A Working Group for the Law on Agencies was set up in early 1997 to give guidance on the legal framework which would provide the right balance of flexibility and accountability to agencies. Its draft report was rejected by the new prime minister in June 1997 for being too commercially oriented, and the group was reconvened in January 1998 with BPAR involvement. It is important now to evaluate the question of the legal status of executive agencies: none, private or public law.

Also the following questions are under consideration:

- proposals for improving the existing system of legal Acts;
- Law on Order of Ministries;
- instruction on elaborating reports in public administration institutions;
- Law on Public Civil Service;

- several draft instructions on civil service development;
- proposals for regulations and by-laws for implementation of the Civil Service Law: implementation of civil servant categories; definition of a legal status for those candidates who will not be civil servants under the new Law on Public Civil Service;
- proposals for the improvement of institution-building;
- strengthening of institutions according to the National Programme for European Integration (all ministries and the EIB are involved);
- training of specialists for internal audit (in which the Civil Service Administration and the Latvian School of Public Administration are involved);
- elaboration of a methodology for internal audit (involving all ministries and the CSA);
- development of a human resources management system (involving all ministries and the CSA);
- development of the capacity in ministries for policy analysis, impact assessment and legal drafting to help improve the way issues are defined, opinions developed, their implementation and compliance requirements identified and the impact of legislation and regulations assessed. This involves the State Chancellery and all ministries.

10. Key Statistics

10.1. Budgetary Data

(In Latvian Lats — 1 USD= 0.6 LVL)

Capital expenditure	1 527 053 120
Consumption of which:	1 475 060 465
• base budget	653 389 934
• special budget, of which:	870 883 731
-- transfers to social insurance funds	510 061 089
Subsidies to local governments	93 876 258
Subsidies to catch-up facilities	6 103 010

Central Government Budget and Staff
(In Latvian Lats)

Ministry/Public Body	Expenditure	Civil Servants
Office of the President	904 668	
<i>Saeima</i> (Parliament)	6 388 701	
Cabinet of Ministers	3 940 406	95
Ministry of Defence	35 413 803	251
Ministry of Foreign Affairs	10 961 663	287
Ministry of Economy	52 516 591	550
Ministry of Finance	108 951 473	212
Ministry of Interior	98 512 404	6
Ministry of Education and Science	66 071 164	232
Ministry of Agriculture	73 164 873	3 492
Ministry of Transport	130 989 296	107
Ministry of Social Welfare	820 092 252	782
Ministry of Justice	13 496 058	1 387
Ministry of Environmental Protection & Regional Development	18 616 939	376
Ministry of Culture	19 601 479	131
State Audit	1 265 070	121
Radio & TV	6 551 838	
European Integration Bureau	286 454	16
Public Administration Reform Bureau	91 469	32
Prosecutor's Office	6 627 804	83

Source: State Budget of Latvia for 1999, Statistics on civil service for 1998.

10.2. *Personnel Data*

**Occupational Structure of Employees (main activity) in the Public Sector
(October 1997)**

Legislators, senior officials and managers	25 600
Professionals	61 500
Technicians and associate professionals	69 600
Clerks	27 000
Service workers and shop sales workers	34 000
Skilled agricultural and fishery workers	2 300
Craft and related trades workers	37 500
Plant and machine operators and assemblers	32 400
Elementary occupations	50 100
Total	340 000

Number of Employees by Kind of Economic Activity

Agriculture, hunting and forestry	33 600
Fishing	1 600
Industry	173 300
Construction	32 000
Wholesale and retail trade	82 000
Hotels and restaurants	8 600
Transport, storage and communication	69 700
Financial intermediation	11 700
Operation of real estate, renting and other business activities	33 050
Public administration and defence; compulsory social security	59 900
Education	86 900
Health and social work	51 700
Other community, social & personal service activities	30 200
Total	674 250

Number of Employees by Locality

Cities:	441 709 (of which 327 284 in Riga)
Districts:	232 541
Total:	674 250

Sources: Results of the survey on occupations in Latvia in October 1997; and Statistical Bulletin, Central Statistical Bureau of Latvia, Riga, 3 June 1998.