

SGI Sustainable
Governance
Indicators

2014 Latvia Report

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Executive Summary

Latvia has performed exceptionally well in achieving its overriding policy goal of economic recovery. Under the government of Valdis Dombrovskis, though within different coalitions, Latvia managed to overcome the effects of the global financial and economic crisis. Furthermore, the Latvian government fulfilled the necessary preconditions for joining the euro in 2014, achieving a condition of fiscal sustainability. However, the single-minded focus behind this achievement has proven to be a liability in some cases, leading to a failure to address social inequalities or to engage in structural reforms in areas such as innovation or higher education that are required for sustainable long-term growth and future competitiveness. Health and education outcomes lag significantly in comparison to other EU member states. High rates of income disparity persist despite optimistic signs of economic recovery.

With the establishment of the Cross-Sectoral Coordination Unit (PKC) in 2010, the government significantly improved its strategic capacities. In less than three years, the PKC has secured a central and influential role in policy planning. The system has become increasingly open to evidence-based policy planning and to outside advice. While still underfunded and underappreciated, the participation of academic experts and NGOs in policy development processes is becoming the norm.

The Saeima (parliament) faces serious challenges in exercising its executive oversight function. Severe underfunding hampers the Saeima's ability to rely on its own policy expertise or to commission independent expertise. A mismatch of task areas between parliamentary committees and ministries undermines the legislative body's oversight capacity.

Although Latvia has a stable democratic framework that affords respect to civil rights, political liberties and institutions of democracy, Latvia's citizens do not trust the government and are reluctant to participate politically. Only 15% feel that they can influence decision-making, and a negligible percentage actually engages in party politics. The government faces challenges in building trust, which hampers long-term stability and the performance of the democratic system. A number of reforms are necessary to improve governance: delays in

the justice system created by excessive court backlogs should be eliminated; the independence of the public broadcasting system should be guaranteed, and its quality improved; and anti-corruption institutions should be strengthened and their performance improved, with a focus on delivering results in high-profile political corruption cases. Innovative public engagement tools, such as petitions aimed at influencing the parliamentary agenda or websites enabling direct communication with parliamentarians and officials, represent promising developments that may overcome the public's reluctance to participate.

Key Challenges

The government has proven that it is capable of focused and driven policy achievements. With the consolidation of the economic recovery, this focus needs to shift so as to address long-term drivers of competition and growth such as education reform and innovation policy and issues of social inequality. Continued inattention to social inequality could cripple attempts to rebuild trust in the political system, and undermine the government's efforts to reduce out-migration.

The government should build on success of the Cross-Sectoral Coordination Unit (PKC), further consolidating its role in the policy-planning process. Additional allocations of human resources would enable the PKC to be responsive to ministries seeking to engage with the PKC in the early stages of policy planning. Allocation of funds to the PKC to pay for consultation with external experts on an ad hoc basis would ensure flexibility and keep the overall need for human resources in check. The PKC is well placed to support initial moves to a longer-term planning perspective, such as the new medium-term budget framework. The PKC should be given the mandate to actively assess all initiatives with reference to Latvia's long-term planning document, called Latvia 2030. This is currently the only planning document which places sustainability at the center of policy planning, and assigning the PKC an active oversight function would create an instrument by which concepts of sustainability could be introduced into day-to-day policymaking. Government decision-making processes are well managed, transparent and allow for stakeholder input. However, the practice of fast-tracking issues undermines this process. Government should take steps to significantly reduce the use of fast-tracking from its current level encompassing over one-third of proposals.

Parliamentary capacity for executive oversight is severely constrained. This institutional imbalance should be addressed by drawing up and implementing a capacity-building plan for the Saeima that would include creating significant in-house policy-analysis capacity, strengthening the substantive capacities of parliamentary committee staff, and improving analytical capacities and services available in the parliamentary library. Even though political parties forming the governing coalition may be uncomfortable with the idea of an improved oversight mechanism monitoring their own executive performance, the governing parties need to take the lead if these goals are to be achieved.

The government needs to take decisive, symbolic actions in order to rebuild societal trust and motivate the population to engage politically. It should work to dispel perceptions that the Corruption Prevention Bureau is subject to political interference and is largely ineffective. Eliminating court backlogs by improving the efficiency of the court system and adding personnel as needed would improve the likelihood of the successful resolution of corruption cases. Adopting legislation allowing local-government referendums would help to empower citizens. The government should embrace civic-engagement proposals generated by citizens themselves, such as the new petition system by which items can be added to the parliamentary agenda, or the social networking site enabling direct communication with parliamentarians.

Latvia should continue to pay more attention to education as financial difficulties recede. A reform of the higher-education system is necessary, but will be difficult to realize in the face of entrenched institutional resistance.

Policy Performance

I. Economic Policies

Economy

Economic Policy
Score: 8

After securing an emergency assistance package from the IMF, the European Union and others, and following a difficult adjustment program, Latvia has rebounded from economic crisis, returned to the international markets, and set itself again on a path of growth. Its economy grew by 6.9% in 2012, one of the highest such rates in Europe.

Economic policy has been governed by parameters laid out in the assistance programs. The difficult adjustment program provided Latvia with a framework for creating sustainable fiscal discipline. The Latvian government has been successful in implementing the policies outlined in these programs, and is on track for accession to the euro in 2014. The convergence report and the EU decision on Latvia's entry into the euro zone was expected in mid-2013. Latvia repaid all outstanding loans to the IMF in 2012, three years ahead of schedule.

Unemployment rates have been falling, from 16.2% in 2011 to 14.9% in 2012, and showing a continuing downward trend in 2013 (as indicated by the Central Statistical Bureau). However, structural unemployment remains a challenge.

The government has focused strongly on meeting euro accession criteria. Nevertheless, structural reforms are also ongoing in the areas of education and science, the energy market, and the judicial system, among others. The government's commitment to and ability to implement these reforms appears weaker than in the case of the euro-related policies. Significant parliamentary and stakeholder resistance has emerged, stalling higher-education reform, and delaying the opening of the energy market to competition, for example.

Citation:

1. European Commission, Unemployment Statistics, Available at: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Unemployment_rate,_2001-2012_%28%25%29.png&filetimestamp=20130417141135, Last Assessed: 20.05.2013.
2. Central Statistical Bureau (2012), Growth Rate Indicators, Available at: <http://www.csb.gov.lv/en/real-gdp-growth-rate>, Last assessed: 20.05.2013.
3. Central Statistical Bureau (2013), "Employment is still growing", Update, Available at: <http://www.csb.gov.lv/en/notikumi/employment-still-growing-36470.html>, Last assessed: 20.05.2013.
4. IMF (2012), Article IV Consultation and Second Post-Program Monitoring Discussions Report, Available at: <http://www.imf.org/external/pubs/ft/scr/2013/cr1328.pdf>, Last Assessed: 20.05.2013
5. European Commission (2013), EU BOP Assistance to Latvia - Second Review Under Post - Programme Surveillance, http://ec.europa.eu/economy_finance/eu_borrower/balance_of_payments/pdf/lv_efc_note_2nd_pps_mission_en.pdf, Last assessed: 21.05.2013.

Labor Markets

Labor Market Policy
Score: 8

Unemployment rates have fallen consistently from 20% in 2010 to 16.2% in 2011, and again to 14.9% in 2012. The 2013 trend was similarly encouraging. Achieving further reductions will be increasingly difficult, as approximately 50% of the remainder is constituted by long-term unemployment. The government is actively adjusting its unemployment policies to focus structural unemployment. In 2012, the government made revisions to vocational training programs, extended the use of short-term vocational training programs, and introduced mobility allowances.

As of the time of writing, the Latvian government was awaiting the results of a World Bank study to introduce an evidence-based redesign of support measures. The new policy is expected to be more nuanced and tailored to the needs of particular groups of job-seekers.

Citation:

1. European Commission, Unemployment Statistics, Available at: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Unemployment_rate,_2001-2012_%28%25%29.png&filetimestamp=20130417141135, Last Assessed: 20.05.2013.
2. IMF (2012), Article IV Consultation and Second Post-Program Monitoring Discussions Report, Available at: <http://www.imf.org/external/pubs/ft/scr/2013/cr1328.pdf>, Last Assessed: 20.05.2013
3. European Commission (2013), EU BOP Assistance to Latvia – Second Review Under Post – Programme Surveillance, Available at: http://ec.europa.eu/economy_finance/eu_borrower/balance_of_payments/pdf/lv_efc_note_2nd_pps_mission_en.pdf, Last assessed: 21.05.2013.

Taxes

Tax Policy
Score: 7

The overall tax burden in Latvia is among the EU's lowest. However, Latvia has one of the EU's highest tax burdens on wage earners, as a result of its flat rate. Overall taxation hits lower income groups disproportionately. With the aim of minimizing the tax burden for low incomes, the micro-enterprise was introduced during the economic and financial crises. Some government tax policies have sought to increase the burden on the wealthy, for example through the introduction of a tax on dividends or by raising property taxes. The government amended the personal-income tax law in 2012 to reduce personal-income tax, with rates dropping by 1% in 2013 to 24%; this will be followed by further decreases to 22% in 2014 and 20% in 2015. Tax allowances for dependents were also slated to increase in 2013.

In 2011, the Law on Declaration of Property and Undeclared Income of Private Persons was passed, requiring all individuals to file asset declarations in 2012. This policy measure was designed to combat the non-payment of taxes, reduce the risk that a shadow economy might develop, and improve anti-corruption measures.

Latvia's corporate income tax of 15% is one of the lowest in the European Union, and as such contributes to Latvia's ability to attract investment.

The country's economic recovery combined with structural reforms, improvements in tax collection and attempts to reduce the share of the undeclared economy have ensured the generation of sufficient public revenues. Budget deficits in 2011 and 2012 stood at 3.6% and 1.2%, respectively. The deficit target for 2013 is 1.4%.

Citation:

1. IMF (2012), Article IV Consultation and Second Post-Program Monitoring Discussions Report, Available at: <http://www.imf.org/external/pubs/ft/scr/2013/cr1328.pdf>, Last Assessed: 20.05.2013

2. European Commission (2013), EU BOP Assistance to Latvia – Second Review Under Post - Programme Surveillance, Available at: http://ec.europa.eu/economy_finance/eu_borrower/balance_of_payments/pdf/lv_efc_note_2nd_pps_mission_en.pdf, Last assessed: 21.05.2013.

Budgets

Budgetary Policy
Score: 9

Both the European Commission and the IMF have deemed Latvia's budgetary policy to be fiscally sustainable, although challenges will remain in meeting future obligations such as previously legislated tax cuts, or returning the second-pillar pension contributions to pre-crisis rates.

In 2012, the Saeima passed its first medium-term budget framework for 2013 – 2015, which will allow for longer-range planning and stability. In 2013, the Saeima approved a Law on Fiscal Discipline, capping government debt at 60% of GDP and providing for automatic corrections to restore budgetary balance.

Citation:

1. IMF (2012), Article IV Consultation and Second Post-Program Monitoring Discussions Report, Available at: <http://www.imf.org/external/pubs/ft/scr/2013/cr1328.pdf>, Last Assessed: 20.05.2013

2. European Commission (2013), EU BOP Assistance to Latvia – Second Review Under Post - Programme Surveillance, Available at: http://ec.europa.eu/economy_finance/eu_borrower/balance_of_payments/pdf/lv_efc_note_2nd_pps_mission_en.pdf, Last assessed: 21.05.2013.

Research and Innovation

R&I Policy
Score: 3

Expenditure for scientific research in the business sector in 2010 was 0.22% of GDP, placing Latvia significantly below the average EU-27 rate of 1.23% of GDP. The amount of public funding provided for R&D was the lowest of any EU member states. The lack of public funding is identified by the Ministry of Education as a major factor slowing down scientific progress in the country.

Annual fluctuations in funding for research institutions produce uncertainty, inducing young scientists to look for opportunities abroad. There is a persistent lack of state funds for participation in international research and infrastructure projects.

The Union Innovation Scoreboard 2010 study ranks Latvia last in terms of innovation development among 27 surveyed EU countries. However, the percentage growth over the past five years for Latvia is 2.71%, higher than the EU-27 average of 0.85%.

National industrial-policy guidelines for the 2013 – 2020 period, adopted in 2012, provide the framework for future support of innovation. The Ministry of

Economy and the Latvian Investment and Development Agency (Latvijas Investīciju un attīstības aģentūra, LIAA) initiated a range of innovation-support projects in 2013 to promote business activity with comparatively high added value, aiming to support new product design and technology development, as well as to promote cooperation between the research and business sectors.

Citation:

1. Ministry of Education and Science (2011), Development of Science and Technology in Latvia, p.14, Available at: http://izm.izm.gov.lv/upload_file/Zinatne/zinatnes-un-tehnologiju-attistiba-Latvija-2011.pdf, Last assessed: 17.05.2013
2. European Commission (2010), Union Innovation Score board 2010, Available at: http://ec.europa.eu/research/innovation-union/pdf/iu-scoreboard-2010_en.pdf, Last assessed: 17.05.2013.
3. Ministry of Economy, Guidelines on National Industrial Policy, Available at (in Latvian): <http://www.em.gov.lv/em/2nd/?cat=30765>, Last assessed: 21.05.2013

Global Financial System

Stabilizing Global
Financial Markets
Score: 5

Latvia has experienced a rapid rise of non-resident deposits in its banking system, which present a potential systemic risk. Indeed, in 2012, non-resident deposits exceeded private resident deposits. In 2012, the financial regulator ruled that a bank specializing in non-resident clients was undercapitalized; a risk-mitigation strategy is being sought with a fresh capital injection from a private investor. The November 2011 insolvency of Latvijas Krajbanka represented the regulator's failure to verify the availability of liquid foreign assets. Since mid-2011, the regulator has required extra capital to be held by banks issuing large share of non-resident loans. The government has taken further steps to strengthen supervision of banking activities involving non-resident clients, for example through the implementation of periodic liquidity stress tests.

The government is a participant in European-level discussions on changes to the European and international financial architecture, but cannot be considered an agenda-setter.

Citation:

- IMF (2012), Article IV Consultation and Second Post-Program Monitoring Discussions Report, Available at: <http://www.imf.org/external/pubs/ft/scr/2013/cr1328.pdf>, Last Assessed: 20.05.2013

II. Social Policies

Education

Education Policy
Score: 5

Latvia has a well-educated population, with 96% of the relevant age group enrolled in secondary education, and 57% enrolled in tertiary education. Secondary education is provided by schools of very different quality, ranging from the elite to the average. Due to low salaries, the staff at these lower-quality secondary schools tends to be older and educated during the Soviet period. This often fails to produce education of sufficient quality to prepare students for university.

At the secondary level, the Programme for International Student Assessment (PISA) study (2009) places Latvia slightly below the OECD average.

The higher-education system in Latvia is made up of state-run schools and a comparatively large number of private institutions. The latter are more focused on attracting students than on quality. The quality of the education varies significantly between schools and faculties. In general, the higher-education sector suffers from low wages as well, resulting in emigration by the young and an aging staff.

A professor from the Stockholm School of Economics' Riga campus became minister of education after the elections in 2011, with the task of reforming the higher-education system. The primary goals were to reduce the number of schools and to monitor study programs' sustainability and relationship to labor-market demands. However, no concrete plan was ever developed. The idea of privately financed higher education resulted in resistance from education institutions, and the minister stepped down in 2013.

Vocational education programs are perceived as being of low quality. Survey evidence presented by the Latvian Competitiveness Report shows that employers believe vocational education institutions are failing to supply students with sufficient skills for their professions. Enrollment in vocational education institutions has been steadily declining, from a total of 15,000 students in 2005 to just 12,000 in 2011. The government launched a reform of

the vocational education institutions in 2010, and in 2011 began providing additional funding to particular vocational education programs identified as future competence centers.

At the tertiary level, Latvia is striving to reach the EU 2020 educational target of 40% of 30- to 34-year-olds having university-level qualifications. In 2009, this ratio was 26% in Latvia. Latvian researchers are conspicuously absent from the Social Science Citation Index (with just 112 SSCI articles in the 1990 – 2008 period). Reform attempts undertaken in 2011 – 2013 saw proposals for change to the accreditation system, to education financing, and to the language of instruction. However, proposed reforms have been met with substantial resistance from educational institutions themselves, leaving doubt as to the government's ability to implement these changes. The physical and communication infrastructures of 29 institutions are being modernized during the 2011 – 2013 period, supported by public funds in the amount of LVL 65.3 million.

With respect to educational system equity, free formal education through the secondary level is accessible to everyone. PISA survey data from 2000 and 2009 demonstrate positive changes showing a decoupling of socioeconomic status and educational performance. Tertiary education is state funded for a limited cohort of students, who access publicly funded university spots through a competitive process. Students who do not receive a publicly funded spot have the option of taking out a government-supported student loan to pay tuition costs.

At the primary and secondary education levels, there is an disproportionate division of resources between state and local governments. As a part of structural reforms accompanying the government's austerity program in 2009 – 2010, Latvia changed the system by which public funding is provided to local governments for primary and secondary education. Funding allocations are now tied to pupil enrollment, which has resulted in a restructuring of the school system and school closings. State funding is matched by local-government funding at an inconsistent rate, based on the local government's own funding situation. A persistent decline in pupil enrollment due to demographic change creates further financial pressure on the system. The system promotes consolidation and efficiency; however, local governments' inability to pay also translates into unequal access and unequal quality of education at the local level.

Public expenditure on tertiary education is low overall and is spread over a high number of institutions. With a population of just 2 million, Latvia has 58 accredited higher-education institutions. The IMF has observed that the combination of a disproportionately high number of institutions, limited financing and falling student numbers generates unsustainable strains on the higher-education system. The government has expressed its intent to reform the financing model for higher education. To date, however, the only major changes approved were in the accreditation system, in September 2012. The new regulations foresee pulling state funding from poor-quality programs. However, the implementation of these changes has been fraught with delays and subject to intense public criticism.

Citation:

1. World Bank (2011), World Development Indicators: Education efficiency, Available at: <http://wdi.worldbank.org/table/2.12>, Last assessed: 20.05.2013

2. Latvian Competitiveness Report (2011), Available at: http://www.mk.gov.lv/files/latvian_competitiveness_report.pdf, Last assessed: 20.05.2013.

3. IMF (2013), Republic of Latvia: Selected Issues, Country Report, Available at: <http://www.imf.org/external/pubs/ft/scr/2013/cr1329.pdf>, Last assessed: 20.05.2013

Social Inclusion

Social Inclusion
Policy
Score: 5

While economic growth and stabilization is evident in some of Latvia's social indicators (employment and unemployment, poverty index), the deep economic crisis and continuing high unemployment rates have created a lasting impact on Latvian citizens' welfare and quality of life. Latvia still has one of the EU's highest levels of income disparity, with a Gini index of 35.4 in 2011. Some policy choices in Latvia have tended to favor rapid economic recovery over the improvement of conditions for at-risk population groups.

On 1 January 2011, several changes in tax policy came into force. The personal-income tax rate was reduced from 26% to 25%; compulsory state social-insurance contribution rates for workers increased from 9% to 11%; the tax-exempt monthly minimum wage increased from LVL 35 to LVL 45; the tax-exempt benefit for the care of dependents increased from LVL 63 to LVL 70. As of 1 January 2013, income tax rates decreased by an additional 1%, to 24%. The government has a stated goal of reducing the rate to 20% by 2015. These changes are expected to reduce the risk of poverty for workers.

European Union Statistics on Income and Living Conditions (EU-SILC) indicators suggest that the size of the at-risk population in Latvia decreased

from 2009 to 2010, but experienced a slight increase in 2011, to 19.4% of the population as a whole, or roughly every fifth individual in the country.

Latvia's economic recovery package included policies to address poverty and unemployment. Some of these policies are ongoing, such as emergency food provision and temporary job-creation programs, which have been extended through June 2014.

Unemployment rates have dropped substantially, from 19.8% in 2010 to 10.8% in March, 2013. However, job creation remains a policy priority.

A major indicator of marginalization and the lack of opportunity is Latvia's out-migration rate. A total of 167,766 people left Latvia during the 2006 – 2011 period. The out-migration figures for 2012 were 30,380. In 2012, a governmental working group was charged with devising policies to promote re-emigration. The resulting document, called Proposals for Measures to Support Re-emigration, was approved on 29 January 2013, and calls for the following policies: the provision of relevant information to potential returnees using a single one-stop site, including labor-market information; a focus on attracting a highly skilled workforce; the provision of Latvian language training when necessary; engaging in active cooperation with the diaspora (especially regarding development of business relationships); and the provision of support for students and school-aged children returning to the country.

Citation:

1. European Commission, Unemployment Statistics, Available at: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Unemployment_rate,_2001-2012_%28%25%29.png&filetimestamp=20130417141135, Last Assessed: 20.05.2013.
2. State Employment Agency (2013), Unemployment Statistics Report, Available at: <http://www.nva.lv/index.php?cid=6#bezdarbs>, Last assessed: 20.05.2013.
3. Central Statistical Bureau, Database, Available at: <http://data.csb.gov.lv>
4. Ministry of Economy (2013), Re-emigration Plan, Report and Supporting Documents, Available at: <http://www.em.gov.lv/em/2nd/?cat=30791>, Last assessed: 20.05.2013

Health

Health Policy
Score: 4

In 2011, Latvia adopted a new Public Health Strategy for 2011 -2017, setting a high policy priority on primary care, essential medicines, outpatient services, integrated emergency services, and serving the poor via a new social safety net. The economic crisis resulted in a decrease in financial resources made available

for health care, and created new impetus for structural reforms aimed at reducing costs, for example by shifting from hospital to outpatient care.

Public spending on health in Latvia totaled 3.7% of GDP in 2011. Latvia has one of the EU's highest rates of private, out-of-pocket health care expenditure. Patients' private expenditure on health care constituted 40% of total health financing, bringing total spending to 6.6% of GDP. This remains under the EU average for public health care funding.

Health outcomes for Latvia continue to lag behind those of most EU countries, and dissatisfaction with the system remains high. Mortality rates for both men and women and infant mortality rates are higher than in most other EU countries. According to European Commission survey data, 66% of citizens evaluate the overall quality of health care as bad (2011), and 65% believe that the quality of care in Latvia is worse than in other EU member states (2010).

The Euro Health Consumer Index 2012 ranks Latvia near the bottom of the ranking index, at 31st place out of 34 countries. The country's health care system is based on a residence principle. Residents have free access to a family physician, who approves state-paid further treatment. This system results in long queues. Health care benefits are available at state- and municipality-owned institutions, as well as private inpatient and outpatient facilities. The large copayment required for services presents barriers to lower-income groups. The implementation of the Social Safety Net Strategy 2009 – 2011 sought to address this by introducing a compensation mechanism for low-income groups. Needy and low-income households received full exemptions from copayments and pharmaceutical charges in order to lower the burden of health costs; in total, 61,000 outpatient visits and 3,800 inpatient visits were covered for these patients under the program.

Financial constraints focus public monies on the provision of emergency care, while creating long waiting times for nonemergency care. Low-income households not qualifying for assistance face steep patient copayments and pharmaceutical charges, limiting access to care.

Private polyclinics and physician practices offer their service for higher prices, making them unaffordable for low-income groups.

In terms of cost efficiency, the European Observatory on Health Systems and Policies, in its evaluation of allocative efficiency in Latvia's health sector, concluded that:

- the share of resources allocated to health care is inadequate
- the allocation of resources among different providers is improving – shifting from expensive hospital care to less costly ambulatory care, and putting a higher priority on primary care. Latvia succeeded in reducing inpatient care expenditures from 50% of the total in 2008 to below 35% in 2011
- the share of resources allocated to different types of services is not efficient, as evidenced by long waiting lists, a lack of attention to chronic conditions, and a lack of focus on preventable lifestyle diseases.

Citation:

1. World Health Organisation and European Observatory of Health Systems and Policies (2012), Latvia: Health System Review, Available at: http://www.euro.who.int/_data/assets/pdf_file/0006/186072/e96822.pdf, Last assessed: 20.05.2013.
2. International Social Security Association (2010), ISSA Crisis Case Study: Latvia, p.1, Available at: www.issa.int/content/download/129030/2632870/file/2Latvia.pdf, Last assessed: 20.05.2013.
3. World Bank, Latvia - First Special Development Policy Loan: Safety Net and Social Sector Reform Program, Project Description, Available at: <http://www.worldbank.org/projects/P115732/latvia-first-special-dpl-safety-net-social-sector-reform-program?lang=en>, Last assessed: 20.05.2013.

Families

Family Policy
Score: 7

Family-support policies enable women to combine parenting with participation in the labor market. In 2011, Latvian mothers with children under six years of age were employed at a rate above the EU average – 63.9% compared to 58.9% in the EU as a whole. The overall female employment rate in 2011 was 60.8%, above the EU average of 58.5%.

Maternity leave lasts for 112 calendar days, with mothers receiving 80% of their average wage. Paternity benefits are paid for 10 days at 80% of wage, with leave taken within two months of the child's birth.

Latvia has a generous parental leave policy of up to 18 months per child, to be used by either parent prior to the child's eighth birthday. Parents with three or more children are entitled to three extra days of paid leave per year.

Labor law prohibits an employer from terminating an employment contract with a pregnant woman or a mother with a baby up to one year of age.

The shortage of kindergarten seats is mostly solved on a private level.

Citation:

European Commission (2011), Employment Rates by Sex, Available at: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Employment_rates_by_sex,_2011_%281%29_%28%25%29.png&filetimestamp=20121030182958, Last assessed: 21.05.2013

Pensions

Pension Policy
Score: 5

The state pension system guarantees a minimum pension. The amount cannot be smaller than the state social-security benefit (LVL 45, or LVL 75 for those disabled from childhood) to which an additional sum added depending on the length of service. The minimum pension can fall between LVL 49.5 and LVL 76.5, less than half the minimum wage (LVL 200 as of January 2013). If this amount does in fact fall under the minimum wage, the recipient qualifies for public assistance. The average pension in 2012 was LVL 190, with only 1% of pensioners receiving under LVL 50. According to the Central Statistics Bureau, the at-risk-of-poverty rate for retired persons has risen from 11% 2011 to 16% in 2012.

Since the introduction of a three-tier pension system, which consists of the state compulsory pension scheme, the state-run mandatory funded pension scheme and the private voluntary pension scheme, the system has become more sustainable, and treats the various age groups in society more equitably.

The European Commission Fiscal Sustainability Report 2012 concludes that the Latvian notional defined contribution pension system has low sustainability risks, given its expected reliance on second-pillar funds. Optimistic projections presume that Latvia will ultimately restore a 6% contribution rate to the second pillar (which was reduced during the economic crisis). In 2013, the rate had reached only 4%, and plans were to further delay reintroduction of the 6% rate until 2016.

Citation:

1. European Commission (2012), Fiscal Sustainability Report, Available at: http://ec.europa.eu/economy_finance/publications/european_economy/2012/pdf/ee-2012-8_en.pdf, Last assessed: 20.05.2013.

2. Central Statistical Bureau, Database, Available at: <http://data.csb.gov.lv>

Integration

Integration Policy
Score: 5

The Migrant Integration Policy Index deems Latvia's immigrant integration policy to be the least favorable among a group of 31 European and North American countries. It stresses that Latvia has projects, "but no coherent strategy" for immigrant integration.

On 11 October 2011, Latvia adopted the Guidelines on National Identity, Civil Society and Integration Policy (2012 – 2018). These guidelines set policy goals for a more inclusive and cohesive society, and include plans for new policies, governmental support, and institutional arrangements. Latvia faces two types of integration challenges: that of migrants, and that of non-citizens. These latter are long-term permanent residents of Latvia who were not eligible for citizenship when Latvia regained its independence from the Soviet Union, and have not since undergone naturalization as citizens. Non-citizens comprise 14.1 % of Latvia's population. Migrants – individuals having either a temporary residence permit or a permanent residence permit – comprise 3%, representing a total of approximately 55 thousand.

Since July 2010, Latvia has granted temporary residence permits to investors meeting monetary investment targets. As of the time of writing, the Office of Citizenship and Migration Affairs (Pilsonības un migrācijas lietu pārvalde, PMLP) reported that 4,356 residence permits had been issued to investors and their family members since July 2010, with most investments being in the form of a real estate purchase in the capital or the sea resort town of Jūrmala. The highest demand has come from the citizens of Russia (3,161 permits), Ukraine (406 permits), and Kazakhstan (255 permits).

Immigrant rights depend on the type of residency permit. An immigrant holding a temporary residency permit is socially vulnerable, with no eligibility for state-guaranteed health care, legal and social aid, or unemployment benefits. An immigrant with a permanent residency permit or long-term resident status of the EU in Latvia has the same rights as Latvian non-citizens.

In May 2013, Latvia adopted changes to its citizenship law, legalizing dual citizenship with 38 countries. This will enable some permanent residents of Latvia to retain their current citizenship if they choose to apply for Latvian citizenship.

As of March 2010, all children, including children of migrants holding temporary residence permits, have access to free compulsory education. In the 2010 – 2011 academic year, there were 351 foreign children in Latvian schools, with 454 foreign children in the 2011 – 2012 year, and 546 children in 2012 – 2013.

Immigrants who have arrived for family reunification purposes, students and highly skilled migrants are given unlimited access to the labor market. However, access to the local labor market is restricted for migrant workers who have obtained only a temporary residence permit. These individuals' work rights are tied to the employer who invited them to Latvia, and they do not have the ability to change employers or their position within the company freely.

Access to the labor market also depends on language proficiency, as a certain level of language skill is required by law for many professions. This is true of state and local government institutions, as well as of commercial companies in which the majority of capital shares are owned by the state or local government.

Latvia has few asylum seekers. Only 367 persons applied for asylum in the 1998 – 2010 period, with 29 persons obtaining refugee status, and 45 persons being granted an alternative status. In 2012, there were 189 asylum seekers in Latvia.

Immigrants face legislative obstacles to civic and political participation. They do not have voting rights in local elections and cannot be members of political associations. Third-country nationals with temporary residence permits cannot organize protests or marches.

Citation:

1. Central Statistical Bureau, Population Statistics, Available at: <http://www.csb.gov.lv/notikumi/par-2011gada-tautas-skaitisanas-galvenajiem-provizoriskajiem-rezultatiem-33305.html>, Last assessed: 20.05.2013.
2. Office on Citizenship and Migration Affairs (2011), Statistics on Residence Permits, Available at: <http://www.pmlp.gov.lv/en/statistics/residence.html>. Last assessed: 20.05.2013
3. Dace Akule (2013), Unpublished data on Emigration and Immigration in Latvia.
4. Migration Policy Group (2011), Migrant Integration Policy Index, p.116, Available at: http://www.migpolgroup.com/public/docs/Migrant_Integration_Policy_Index_MIPEXIII_2011.pdf, Last assessed: 20.05.2013.
5. Guidelines on National Identity, Civil Society and Integration Policy (2012 - 2018), Available at (in Latvian): <http://www.likumi.lv/doc.php?id=238195>, Last assessed: 20.05.2013.

Safe Living
Conditions
Score: 9

Safe Living

The group of institutions responsible for internal security policy in Latvia (the Ministry of Interior, the State Police, the Security Police, State Fire and Rescue Service, State Border Guard, Office of Citizenship and Migration Affairs) do not collaborate on policy. Crime rates in 2012 were down by 3% over 2011. There are 2,238.3 crimes per 100,000 inhabitants, the lowest such rate among the Baltic States. The level of terrorism threat did not change in 2011 and has remained low. In 2011, no acts of terrorism or other criminal offenses associated with terrorism were committed in Latvia.

Opinion polls from 2013 show that citizens' trust in the State Police (Valsts policija, VP) has reached 57%, an increase compared to previous years. A total of 63% residents say they feel safe in their home and its surroundings.

In 2011, policemen participated in a robbery of a casino in a small countryside town. This event prompted the minister of the interior to increase the low wages provided to police.

The 2011 State Border Guard report stated that the number of counterfeit documents detected and the number of third countries' individuals illegally crossing the border had doubled (a much higher rate of increase than that of the neighboring countries). In 2011, 247 third-country nationals were detained, or more than 162% of the 2010 amount (94 individuals). In general, the effectiveness of the State Border Guard has improved, in part due to financial support by EU funds.

In 2011, the Ministry of Interior created a new unit in the State Police to combat cyber crime, and continued efforts to combat human trafficking.

Citation:

1. Research center SKDS (2013), Attitude Toward the State Police, Available at (in Latvian): <http://www.vp.gov.lv/?id=704>, Last assessed: 20.05.2013
2. State Border Guard (2011), Official Report, Available at (in Latvian): http://www.rs.gov.lv/doc_upl/Valsts%20robezsardzes%202011.gada%20publiskais%20parskats.pdf, Last assessed: 20.05.2013
3. Ministry of Interior (2011), Public Report, Available at (in Latvian): http://www.iem.gov.lv/files/text/Gada_parskats_2011_www%281%29.pdf, Last assessed: 20.05.2013
4. Ministry of the Interior of the Republic of Lithuania, Information Technology and Communications Department (2013), Crime statistics in Lithuania, Latvia, Estonia, Available at: http://www.ird.lt/doc/statistika/duomenys_bv_per_2012m_%2001-12_men.pdf, Last assessed: 20.05.2013

Global Inequalities

Global Social Policy
Score: 3

As a result of government austerity programs, funding for development cooperation was reduced to a minimum from 2009 – 2011, effectively halting any opportunity for Latvia to directly engage in tackling global social inequalities. In 2012, the Ministry of Foreign Affairs budget for this purpose was increased to LVL 50,000, and to LVL 50,269 in 2013.

Citation:

1. State Development Cooperation Policy Plan (2012), Available at (in Latvian): <http://www.likumi.lv/doc.php?id=246719>, Last assessed: 20.05.2013

2. State Development Cooperation Policy Plan (2013), Available at (in Latvian): <http://www.likumi.lv/doc.php?id=255960>, Last assessed: 20.05.2013

III. Environmental Policies

Environment

Environmental
Policy
Score: 9

Environmental policy largely protects and preserves the sustainability of natural resources and the quality of the environment, as evidenced by Latvia's ranking as a top performer in the 2012 Environmental Performance Index produced by Yale and Columbia universities. Environmental health policy, air quality and biodiversity were identified as Latvia's strengths. Weaknesses remain in the areas of climate change, energy issues and water resources. Among 2011's environmental protection investments (with a total of LVL 98,505 million invested), the largest sums went into water infrastructure projects (LVL 50.373 million), greenhouse-gas emission reduction measures (LVL 25.8 million) and waste-management services (LVL 8.6 million).

The Climate Change Financial Instrument, funded through Latvia's participation in the International Emissions Trading Scheme, is the country's main policy instrument in the area of climate change. In 2011, a total of 1,428 projects worth LVL 56.57 million were approved in areas such as energy effectiveness, technology development for reducing greenhouse-gas emissions, switching from fossil to renewable energy sources.

Latvia's Environmental Policy Strategy for 2009 – 2015 prioritizes policy interventions in Baltic Sea marine water quality and wastewater purification. In 2011, significant investments were made in wastewater purification plants (20 renovated, 10 newly built), the expansion of sewage networks (by 134 kilometers), water-supply-system improvements (26 systems reconstructed, two newly built) and the expansion of water -supply networks (125 kilometers). The proportion of residents provided with high-quality water (58.9%) and wastewater services (54.2%) has increased as a result.

Latvia is a heavily wooded country, with 2.9 million hectares (44.5% of the total area) of its territory forested, of which 50% is state-owned. The Latvian government is both regulator of the forest sector and the largest land owner – thus, it is the dominant economic actor in both respects. Protection of forests is well organized and secured through legislation, which regulates all related economic activities, including forest harvesting, forest management plans, forest regeneration and monitoring, and control of forest tree species. The economic crisis precipitated an increase in Latvia's logging quotas, and Latvian timber exports grew by over 50% in 2010 as compared to 2009, exporting over LVL 500 million (€714.2 million) worth, primarily to the United Kingdom, Sweden and Germany. Logging practices by the state-owned forest company (Latvijas Valsts Mezi, LVM) were deemed unsustainable by the Forest Stewardship Council (FSC), leading to a loss of certification on July 16, 2010. Re-certification of several LVM management districts was achieved in 2012 and 2013.

Biodiversity in Latvia means coastal biodiversity, with unique brackish water ecological systems at the shore of the Baltic Sea and the Gulf of Riga, as well as forest ecosystems and bogs and fens. Protected areas, including Natura 2000 territories, cover 11.9% of Latvia's territory. A law called On Protection of Species and Habitats also provides for the establishment of micro-reserves to protect small-scale but biologically valuable areas outside of protected territories. Over 2,000 micro-reserves had been established as of 2012.

Citation:

1. Yale University (2012), Environmental Performance Index Rankings, Available at: <http://epi.yale.edu/epi2012/rankings>, Full report: <http://epi.yale.edu/sites/default/files/downloads/2012-epi-full-report.pdf>, Last assessed: 20.05.2013
2. Ministry of Environmental Protection and Regional Development (2011), Annual Public Report, Available at (in Latvian): http://www.varam.gov.lv/files/text/VARAM_2011_PublParsk.pdf, Last assessed: 20.05.2013
3. Forest Stewardship Council Database, Available at: <http://info.fsc.org/>
4. Convention on Biological Diversity, Latvia: Country Profile, Available at: <http://www.cbd.int/countries/profile/default.shtml?country=lv#status>, Last assessed: 20.05.2013

Global
Environmental
Policy
Score: 5

Global Environmental Protection

Latvia cannot be seen as an international agenda-setter in the area of environmental policy. The country has agreed to comply with international agreements such as the Kyoto Protocol, for example, but does not have the capacity to take the initiative on a global scale.

As an EU member state, Latvia is bound by EU legislation, and EU climate policy is a main driver for national policymaking in the field of climate change. Latvia indirectly contributes to EU initiatives, but does not advance the design of global environmental protection regimes directly.

Latvia has joined the following international conventions regarding environmental protection and preservation: the Ramsar Convention on Wetlands, the UNESCO World Heritage Convention, the CITES (Washington) Convention, the Convention on the Conservation of European Wildlife and Natural Habitats (Bern Convention), the Convention on Migratory Species (Bonn Convention), the Agreement on the Conservation of Populations of European Bats, the Convention on Biological Diversity (Rio de Janeiro Convention) and the Convention on the Protection of the Marine Environment of the Baltic Sea Area (Helsinki Convention).

Latvia has been a party to the United Nations Framework Convention on Climate Change (UNFCCC) since 1995, and to its Kyoto Protocol since 2002. Under the Kyoto Protocol, Latvia and the other EU countries committed themselves to reducing greenhouse-gas (GHG) emissions by 8% relative to the baseline-year level during the first commitment period, from 2008 to 2012. The 2012 Climate Change Performance Index, which evaluated emissions trends, emissions levels and climate policy, rated Latvia as having exhibited moderate performance.

Latvia has also signed bilateral cooperation agreements on the issue of environmental policy with Austria, Belarus, Denmark, Georgia, Estonia, Russia, Lithuania, Moldova, the Netherlands, Poland, Serbia, Finland and Ukraine. The country is party to the Helsinki Commission Baltic Sea Action plan of 2007, which aims to improve the Baltic Sea's ecological status by 2021.

Quality of Democracy

Electoral Processes

Candidacy
Procedures
Score: 9

Candidacy procedures provide everyone with equal opportunity to become a candidate for election. Some restrictions related to Latvia's Soviet past are in place.

While political parties are the only bodies with right to submit candidate lists for parliamentary elections, electoral coalitions of several parties have never been abolished, and are indeed the rule. At the local government level, this party-list restriction applies to all large municipalities. However, candidates in small municipalities (less than 5,000 residents) have the right to form voters' associations and submit nonpartisan lists. The restriction to partisan lists has been deemed limiting by the Organization for Security and Cooperation in Europe (OSCE). In 2013, a voters' association in Jurmala mounted a legal challenge to this restriction, seeking review of the rule by the Constitutional Court.

Registration as a political party is open to any group with at least 200 founding members. The registration procedures themselves present few barriers. However, in 2012, the Enterprise Register (Uzņēmumu Reģistrs, UR) refused an application for a name change and statutory amendments submitted by an existing party, ruling that the party program advocated changing the core values of the country's constitution. Although the subject of academic discussion, a delineation of core values is not legally enshrined in the constitution. It is expected that the appeal process on this UR decision will be lengthy. However, the party in question face no limitation on its activities, and participated in the 2013 municipal elections.

The Central Election Commission (Centrālā Vēlēšanu Komisija, CVK) oversees the organization of elections. International observers have consistently recognized Latvia's elections as free and fair.

Citation:

1. The Saeima Election Law, Article 5 and 6, Available at: <http://web.cvk.lv/pub/public/28126.html>, Last assessed: 17.05.2013

2. Report on Parliamentary Elections, 2011, p. 1, Available at: <http://www.osce.org/odihr/elections/Latvia/86363>, Last assessed: 17.05.2013

3. Valts Kalniņš (2011), Assessment of National Integrity System, p.99, Published by DELNA, Available at: http://www.transparency.org/whatwedo/pub/national_integrity_system_assessment_latvia, Last assessed: 21.05.2013.

4. Report on Parliamentary Elections 2011, p.1, Available at: <http://www.osce.org/odihr/elections/Latvia/86363>, Last assessed: 17.05.2013

Media Access
Score: 7

Electoral candidates and every political party have equal access to the media. Publicly financed pre-election broadcast slots on public television are equally available to all. Participation in pre-election debates organized by the public broadcasting entity are also open to all parties, although small parties are often not invited to televised discussions.

The media system as a whole provides fair and balanced coverage. Individually, however, media outlets do not consistently provide fair and balanced coverage of the range of different political positions. Corrupt political journalism has been prevalent across a significant portion of the media spectrum. There are also marked imbalances in media coverage if one considers that the media audience is divided into linguistic communities, with the Latvian and Russian-language media each offering election coverage skewed to their linguistic target audiences.

Citation:

1. Report on Parliamentary Elections in Latvia, p.2, Available at: <http://www.osce.org/odihr/elections/86363>, Last assessed: 17.05.2013

2. Rožukalne, A. (2010), Research Paper on Hidden Advertising Issues in the Media, Available at (in Latvian): http://politika.lv/article_files/2117/original/slepta_reklama_mediju_prakse.pdf?1343212009, Last assessed: 20.05.2013

Voting and
Registrations Rights
Score: 7

All adults over 18 years of age have voting rights and access to an effective, impartial and non-discriminatory procedure for voting. Procedures are in place for ensuring that incarcerated persons are able to cast ballots. Non-resident citizens have voting access via polling stations in Latvian diplomatic entities abroad, as well as through an absentee-ballot postal procedure.

Latvia has a significant population of non-citizens who cannot participate in any elections.

Voting procedures for non-resident citizens can in practice present obstacles. The number of Latvian diplomatic representations is limited, sometimes requiring voters to travel long distances at significant expense, while the postal option requires a passport to be submitted via post for three weeks, something many voters are reluctant to do.

Election observers in the 2011 parliamentary elections found no major faults with voting rights and access.

At the local government level, voting rights and procedures are similar. Voters may vote in local government elections on the basis of their residence or according to property ownership. Voters have designated polling stations, but can switch to a more convenient polling station if desired. For individuals unable to be present at polling stations on election day, polling stations are open for early voting in the days prior to the election. Currently, no provision is made for non-resident citizen participation in local government elections.

Citation:

1. Central Election Commission, Instructions on Postal Voting Procedure, Available at (in Latvian): <http://web.cvk.lv/pub/public/30058.html>, Last assessed: 20.05.2013

2. Report on Parliamentary Elections in Latvia, 2011, Available at: <http://www.osce.org/odihr/elections/86363>, Last assessed: 17.05.2013

Party Financing
Score: 7

Political parties are financed primarily through individual donations. Donation amounts are capped; legal entities such as corporations are prohibited from financing political parties. Financing is transparent, with donations required to be made public on the Internet within 15 days. Campaign spending is capped. As of 2012, paid television advertisements are also limited, with a ban on advertising for a 30-day period prior to elections. Political party and campaign financing is effectively monitored by the Corruption Combating and Prevention Bureau (Korupcijas novēršanas un apkarošanas birojs, KNAB), with local NGOs playing a complementary role in monitoring and ensuring transparency. Infringements have been sanctioned, with political parties facing sizeable financial penalties. The court system has been slow to deal with party-financing violations, enabling parties that have violated campaign-finance rules to participate in future election cycles without sanction. Ultimately, however, those parties that have faced stiff penalties have chosen to dissolve or have been voted out of office.

In fulfilling Group of States Against Corruption (GRECO) recommendations on improving political-party finance regulations, the limitation period for administrative violations of party-financing rules was increased to two years in 2012. In 2011, the illegal financing of political parties was made a criminal offense. To date, no cases have been brought under this new regulation.

As of 2012, Latvia has instituted public financing for political parties, with parties receiving public funds proportionate to votes cast in the last (2011)

parliamentary elections. The first reporting cycle on the use of these funds will conclude in mid-2013.

There are still ongoing issues of concern in campaign financing regarding the use of off-the-books funds to secure favorable media coverage, the illegitimate use of public funds and administrative resources to support political campaigns, and the alleged use of marketing funds by local-government-owned enterprises to support incumbents in elections.

Citation:

1. Amendments to the Criminal Law Regarding Illegal Party Financing (2011), Available at (in Latvian): <http://www.likumi.lv/doc.php?id=236272>
2. Group of States Against Corruption (GRECO)(2012), Third Evaluation Round, Second Compliance Report on Latvia: Transparency of Party Funding, Available at: http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoRC3%282012%2913_Second%20Latvia_EN.pdf, Last assessed: 21.05.2013
3. Law on the Financing of Political Organizations (Parties), Available at (in Latvian): <http://www.likumi.lv/doc.php?id=36189>, Last assessed: 21.05.2013

Popular Decision-Making
Score: 8

Citizens have the legal right to propose and make binding decisions at the national level. The constitution makes provision both for popular initiatives and referendums. There is no provision for such decision-making instruments at the local level.

In 2011, following the president's invocation of the constitutional procedure for dissolution of parliament, his decision was voted upon in a referendum. Under this procedure, the Saeima is duly dissolved if the act receives voters' approval; however, if they do not approve, the Saeima remains, but the president must leave office. In 2011, voters approved the dissolution of parliament, and extraordinary elections were held in October 2011. This constitutional procedure had never before been used.

Three recent attempts have been made to bring a voter-initiated measure to referendum. In 2012, a referendum was held on designating Russian as an official state language alongside Latvian. Voters turned down this initiative in a vote of 24.88% in favor and 74.8% against.

In 2011, a referendum was initiated on the language of instruction in the school system. The referendum initiation procedure requires that 10,000 signatures be gathered in order to qualify for the next stage. In this second stage, the Central Election Commission (CVK) organizes the collection of signatures. If over the course of one month, one-tenth of the electorate signs the petition, a referendum is held. This particular initiative failed to gather the necessary signatures during the second stage.

In 2012, a referendum was initiated on granting automatic citizenship to non-citizens in Latvia. The initial 10,000 signatures were gathered and submitted to the CVK. However, the CVK refused in this case to initiate the second stage of the procedure, arguing that the initiative was unconstitutional. The CVK decision was referred to the Supreme Court, which turned to the Constitutional Court for clarification, asking if the CVK had the right to stop the referendum procedure. As of the time of writing, the Constitutional Court has not yet given an opinion.

In addition to referendums, Latvia's Saeima approved a new political decision-making instrument in 2010 that allows citizens to put items on the parliamentary agenda, but does not afford citizens the right to make binding decisions. Thus, parliamentary procedure now allows for petitions that have gathered 10,000 signatures to move to Saeima for consideration. Nine proposals have been forwarded to the Saeima under this new instrument. Of these initiatives, two have sparked changes in legislation, on the issues of petitions and transparency of information about offshore companies. A third initiative, dealing with punitive measures for members of parliament who violate their oaths of office, is currently under parliamentary consideration.

Parliament has periodically considered new framework legislation for popular initiatives and referendums at the local government level over the last 10 years, but no new legislation has been adopted on the issue. Currently, new draft legislation is working its way through the parliamentary process.

Citation:

1. Referendum on Russian as an Official State Language, Final results, Available at: <http://www.tn2012.cvk.lv/>, Last assessed: 17.05.2013
2. Collection of Signatures for Amendments to the Constitution of the Republic of Latvia, Report, Available at: <http://web.cvk.lv/pub/public/29952.html>, Last assessed: 17.05.2013
3. About the Voters' Initiated Draft Law "Amendments to the Citizenship Law", Report, Available at: <http://web.cvk.lv/pub/public/30436.html>, Last Assessed: 17.05.2013
4. Social Initiative Platform ManaBalss.lv, List of Signed Initiatives, Available at (in Latvian): <http://manabalss.lv/initiatives/signed/top>, Last assessed: 20.05.2013

Access to Information

Media Freedom
Score: 8

Private media are generally free of overt government influence. Licensing and regulatory regimes are politically neutral and do not create a risk of inappropriate political interference. However, the ownership structure of private media and the media working environment does enable actors associated with government to have an influence over editorial decisions. Research shows that media editors agree with the statement that editorial policy

is bent to fit commercial interests (either of the media owners or large clients) or for political reasons. In 2011, the media leaked e-mail traffic between the mayor of Riga and a Russian-language broadcaster that showed the mayor to be engaged in editorial decisions affecting the news desk on a daily basis.

Public broadcasting has been subject to some political influence. The oversight body – the National Broadcasting Council (Nacionālā elektronisko plašsaziņas līdzekļu padome, NEPLP) – is politically appointed, and this has had an impact on personnel choices and in some cases content. The council's supervisory approach to the public Latvian television broadcaster resulted in an organizational weakening due to personnel changes and inadequate financial allocations. In 2012, the NEPLP was reformed, with improvements made in the procedure for selecting council members, and transparency provisions and public confirmation hearings for council members instituted. The new NEPLP undertook two major initiatives in 2012, engaging in strategic planning for a future consolidated multimedia broadcasting service, and appointing a new governing board for the Latvian public television broadcaster. The board appointment process was conducted transparently, using the services of a personnel recruitment company. However, while an improvement over past appointment procedures, this process remained controversial, with failed applicants turning to the courts to contest the selection results.

Citation:

Rožukalne, A. (2010), Research Paper on Hidden Advertising Issues in the Media, Available at (in Latvian): http://politika.lv/article_files/2117/original/slepta_reklama_mediju_prakse.pdf?1343212009, Last assessed: 20.05.2013

Media Pluralism
Score: 8

Media ownership is diverse. Print media is privately owned, while broadcast media has a mix of public and private ownership. Market pressures have created some consolidation in the media market, leading to concerns about pluralism of views. In 2012, the Modern Times Group sought to expand its TV holdings in Latvia by buying a competitor, LNT. The merger was reviewed by the Competition Council, which allowed it under a set of conditions including a requirement to retain two separate news desks and news programming systems until 2017, in the interests of plurality.

Newspapers and journals provide a diversity of views, but the ownership is in some cases nontransparent.

Citation:

1. Competition Council (2012), On the Merger of Market Participants, Available at (in Latvian): <http://www.kp.gov.lv/files/pdf/UNldnCrDP7.pdf>, Last assessed: 17.05.2013.

Access to
Government.
Information
Score: 10

The constitution provides individuals with the right to address the government and receive a materially substantive reply. The Freedom of Information Act (FOIA), in place since 1998, creates the right to request information and receive a response within 15 days. No reason needs to be given for the request. Information is classified as generally accessible or restricted. Any restrictions on the provision of information must be substantively reasoned in accordance with specific legal guidelines. The FOIA is actively used by the press, NGOs and the academic community. Appeal procedures are in place, including both an administrative and court review. Government decisions to classify information as restricted have been challenged in the courts, with the courts generally upholding a broad standard of access to information.

Latvia has a number of regulations promoting transparency in the decision-making process, requiring the government to make documents available to the public proactively. Documents regarding draft policies and legislation are freely available on the Internet, and cabinet meetings are open to journalists and other observers. Regulations require that many documents be published online for accountability purposes. This includes political party donations, public officials' annual income and financial-disclosure statements, national budget expenditures, conflict-of-interest statements, data on public officials disciplined for conflict-of interest-violations, and others.

Citation:

1. Freedom of Information Act, Available at (in Latvian): <http://www.likumi.lv/doc.php?id=50601>, Last assessed: 17.05.2013

Civil Rights and Political Liberties

Civil Rights
Score: 8

Civil rights are generally respected and protected. In cases of infringement, courts provide protection. Individuals have equal access to and are accorded equal treatment by the courts. A significant court overload, however, creates difficulties in obtaining timely access to justice.

Despite improvements, there are ongoing concerns over poor conditions in the country's prisons and detention facilities, and about lengthy pre-trial detention periods.

Following ratification of the U.N. Convention on the Rights of Persons with Disabilities in 2010, the Saeima adopted new legal capacity legislation in November 2012, abolishing plenary guardianship and introducing some

alternatives to guardianship. This strengthened protections for the civil rights of the mentally disabled.

A number of cases have cast a spotlight on the state's inability to prevent unjustifiable interventions into personal life. The unsanctioned publication of private e-mails, personal data, Internet browsing histories and telephone transcripts have led some to question the efficacy of privacy-right protections, and even the state's own ability to safeguard information. In 2013 an indictment was issued against an individual who downloaded data from the State Revenue Service and published a portion of that data in the public interest. The published data on salaries of public servants has since been mandated as openly accessible information. Nevertheless, the state has been pursuing the individual for unjustifiable intervention into personal life based on his downloading of information pertaining to private individuals, not public officials. The civil servants responsible for leaving vast amounts of personal data on an unprotected site on the Internet have not been held accountable.

Citation:

1. Ombudsman of Latvia (2011), Annual Report, Available at: http://www.tiesibsargs.lv/files/gada_zi%C5%86ojumi/ties%C4%ABsarga_gada_zi%C5%86ojums_2011.pdf, Last assessed: 21.05.2013.
2. U.S. Department of State (2012), Human Rights Report - Country Report: Latvia, Available at: <http://www.state.gov/documents/organization/204515.pdf>, Last assessed: 21.05.2013
3. Latvian Centre for Human Rights (2011), Anti-discrimination in Latvia: From Legislation to Judicial Practice, Available at: http://cilvektiesibas.org.lv/site/attachments/29/01/2012/Diskriminacijas_noversana_Latvija_II_Screen.pdf, Last assessed: 21.05.2013.
4. Resource Centre for People with Mental Disability "Zelda", Information available at: www.zelda.org.lv, Last assessed: 21.05.2013.

Political Liberties

Score: 9

Political liberties are effectively protected and upheld. The rights to speak, think, assemble, organize, worship and petition without government interference or restraints is recognized and protected. However, new challenges to the freedoms of speech, assembly and organization are evolving.

The freedom of assembly is regularly tested by organizations applying to the Riga City Council for permits. In most instances, permits are granted without fail. Sensitive political issues, however, have led the city council to deny permits. There is a right of appeal to the court, as well as a rapid consideration schedule to ensure timeliness of decisions. In all cases during 2011 – 2013, Riga City Council decisions limiting the freedom of assembly have been overturned by the court.

The freedom to organize is currently being tested in a case in which a political party's request to change its name and program was denied. The official electoral registry ruled that the changes to the party program constituted promotion of unconstitutional activities. The ruling is currently under appeal.

The freedoms of speech and petition are at the center of a case in which citizens, having collected the required 10,000 signatures for the initiation of a referendum, were denied the opportunity to have their petition enter the second signature-gathering phase. In this case, the Central Election Commission argued that the content of the petition was unconstitutional and therefore could not move forward. The case is under review by the Supreme Court.

Non-discrimination
Score: 7

In 2011, Latvia concluded its transposition of EU anti-discrimination directives. Anti-discrimination legal provisions are scattered among more than 30 pieces of legislation, with policy responsibilities dispersed among a significant number of state institutions. No single entity takes the lead in designing and implementing anti-discrimination policy. Individuals complaining of discrimination typically approach the Ombudsman, which received 72 complaints in 2011, and 106 in 2012. The State Labor Inspectorate meted out six administrative fines for discrimination based on age and sex during the review period.

The Ombudsman has focused on discrimination in the labor force on the basis of age and sex, on hate speech, and on issues of equal access to education and health services.

Discrimination on the basis of sexual orientation is poorly regulated in Latvia, being mentioned only in the context of the Labor Law. The Ombudsman's efforts to draw public attention to the issue of same-sex partnerships have been fraught with controversy due to intense polarization of views within Latvian society.

Citation:

1. European Network of Legal Experts in the Non-discrimination Field (2011), Report on Measures to Combat Discrimination, Available at: http://www.non-discrimination.net/content/media/2011-LV-Country%20Report%20LN_final.pdf, Last assessed: 18.05.2013
2. The European Network of Legal Experts, Country report - Main Legislation, Available at: <http://www.non-discrimination.net/content/main-legislation-10>, Last assessed: 18.05.2013
3. Latvian Centre for Human Rights (2011), Anti-discrimination in Latvia: From Legislation to Judicial Practice, Available at (in Latvian): http://cilvektiesibas.org.lv/site/attachments/29/01/2012/Diskriminacijas_noversana_Latvija_II_Screen.pdf, Last assessed: 21.05.2013.
4. Ombudsman of Latvia (2011), Annual Report, Available at (in Latvian): http://www.tiesibsargs.lv/files/gada_zi%C5%86ojumi/ties%C4%ABsarga_gada_zi%C5%86ojums_2011.pdf, Last assessed: 21.05.2013.

5. Ombudsman of Latvia (2012), Report on the Conference Regarding Progress Evaluation of 2012, (in Latvian)http://www.tiesibsargs.lv/files/2012._gada_konferences_materi%C4%81li/runa_j_jansons_2012_tiesibsarga_konferences_preses_konference_12122012.pdf, Last assessed: 21.05.2013

Rule of Law

Legal Certainty
Score: 9

Latvia's government and administration generally act in a predictable manner. Government decisions have in some cases been challenged in court on the basis of a breach of the principle of legal certainty. For example, a group of administrative court judges approached the Constitutional Court to protest austerity measures targeting planned judicial-salary increases, arguing a breach of legal certainty. The Constitutional Court ruled against the judges in 2012. Problems may occur in small municipalities due to a lack of professionalism.

Citation:

The Constitutional Court of Latvia (2012), On Termination of Proceedings, Ruling available at (in Latvian): http://www.satv.tiesa.gov.lv/upload/2011_10_01_lemums.pdf, Last assessed: 21.05.2013

Judicial Review
Score: 8

Judicial oversight is provided by the Administrative Court and the Constitutional court. The Administrative Court, created in 2004, reviews cases brought by individuals. The court is considered to be impartial; it pursues its own reasoning free from inappropriate influences.

However, the court system suffers from a considerable case overload, leading to substantial delays in proceedings. According to the Court Administration statistical overviews, in 2011, 61% of Administrative District Court cases took over 12 months to resolve, of which 10% required over 24 months. In 2012, some improvement was noted, with 49% of cases exceeding 12 months, of which 8% exceeded 24 months. The Administrative Regional Court faced a similar backlog, with 36% of cases requiring over 12 months in 2011, and 45% in 2012.

The Constitutional Court reviews the constitutionality of laws and occasionally that of government or local-government regulations. In 2012, five cases were brought regarding government regulations, dealing respectively with tax-authority procedures, the number and remuneration of publicly held companies' board members, the applicability of Latvian language requirements to elected officials at the local government level, and (in two cases) the reimbursement of medical expenditures. Additionally, one case regarding local-government regulations was heard.

Citation:

1. Judicial Information System Database, Available at: http://tis.ta.gov.lv/tisreal?FORM=TIS_StaT_O
2. The Constitutional Court Case Database, Available at: <http://www.satv.tiesa.gov.lv/?lang=1&mid=19>
3. Valts Kalniņš (2011), Assessment of National Integrity System, p.99, Published by DELNA, Available at: http://www.transparency.org/whatwedo/pub/national_integrity_system_assessment_latvia, Last assessed: 21.05.2013.

Appointment of
Justices
Score: 8

Judges are appointed in a cooperative manner. Appointments are made by the Saeima, but nominations come either from the minister of justice or the president of the Supreme Court, and are based on opinions provided by the Judicial Qualification Board. Initial appointments at the district-court level are for a period of three years, followed either by an additional two years or a lifetime appointment upon parliamentary approval. Regional and Supreme Court judges are appointed for life. Promotion of a judge from one level to another level requires parliamentary approval.

Parliamentarians vote on the appointment of every judge, and are not required to give reasons for the denial of appointments. In October 2010, a new Judicial Council was established with the goal of rebalancing the relationship between the judiciary, the legislature and the executive branch. The Judicial Council has taken over the function of approving transfers of judges from one position to another within the same court level, which formerly also required parliamentary approval. Further transfers of functions to the Judicial Council are under consideration in order to limit undue political influence on the appointment of judges. For example, it has been proposed that all decisions after the initial appointment of district judges should be removed from the Saeima, including the promotion of judges from one level of the court system to another.

Judges are barred from political activity. In 2011, the Constitutional Court lifted immunity for one of its own judges, Vineta Muizniece, enabling the Prosecutor General to bring criminal charges for falsifying documents in her previous position as a member of parliament. Muizniece's appointment to the Constitutional Court was controversial because of her political engagement and profile as an active politician. The court has convicted Muizniece, but the case is under appeal. As of the time of writing, Muizniece had been suspended from the Constitutional Court pending final resolution of her case.

A new system for evaluating judges has been put into place as of January 2013. The government's role has been limited, granting an ability to comment, but not make decisions. Decision-making will rest with a judges' panel, thus strengthening judiciary independence.

Corruption
Prevention
Score: 7

Citation:

The Constitutional Court of Latvia (2011), Ruling on Initiation of Prosecution against Constitutional Court Judge Vineta Muizniece, Available at: http://titania.saeima.lv/LIVS11/saeimalivs_imp.nsf/0/DF2F0B6EFEB0A281C225793C0042A314?OpenDocument, Last assessed: 21.05.2013

Latvia's main integrity mechanism is the Corruption Combating and Prevention Bureau (Korupcijas novēršanas un apkarošanas birojs, KNAB). GRECO has recognized KNAB as an effective institution, yet has identified the need to further strengthen institutional independence in order to remove concerns of political interference. Over its 10-year history, KNAB has seen a number of controversial leadership changes. Despite its most recent leadership change in 2011, the institution remains plagued by a persistent state of internal management disarray.

The Conflict of Interest Law is the key piece of legislation relating to officeholder integrity. The law creates a comprehensive financial-disclosure system for public officials. In 2012, all Latvian citizens were required to make a one-time asset declaration in order to create a financial baseline in support of efforts to monitor officeholder assets. The Conflict of Interest law also requires public disclosure of all violations.

Party financing regulations contain significant transparency requirements, limitations on donation sources and size, and campaign-expenditure caps. In 2011, after several parties had been given substantial administrative fines for campaign violations, two major parties in Latvia left the political scene, either dissolving themselves, thus avoiding payment of the fine, or failing to gather sufficient voter support in the 2011 elections. Political parties were entirely financed from the private sector until 2012, when a public funding mechanism was introduced. In 2012 violations of campaign-finance laws were criminalized.

The effectiveness of prosecution is difficult to assess due to the slow movement of cases through the court system. In 2011, of a total of 149 cases investigated by KNAB, 26 cases had not yet been concluded, including cases from 2003, 2006 and 2008. Also in 2011, 105 cases against 181 individuals had reached conclusion. The most significant corruption conviction to date came in 2011, when officials of the Development Department of the Riga City Council were convicted of taking bribes in an amount that exceeded €1 million.

Citation:

1. Corruption °C (2012), Trial Statistics for Offences Committed in Public Service in Latvia 2004 - 2011, Available at: <http://corruption-c.wikidot.com/statistics-on-trials-of-corruption-cases>, Last assessed:

21.05.2013.

2. Group of States Against Corruption (GRECO)(2012), Fourth Evaluation Round, Corruption Prevention in Respect of Members of Parliament, Judges and Prosecutors, Evaluation Report, Available at: http://www.coe.int/t/dghl/monitoring/greco/evaluations/round4/GrecoEval4%282012%293_Latvia_EN.pdf, Last assessed: 21.05.2013

3. Freedom House (2012), Nations in Transit, Country Report, Available at: http://www.freedomhouse.org/sites/default/files/NIT2012Latvia_final.pdf, Last assessed: 21.05.2013

Governance

I. Executive Capacity

Strategic Capacity

Strategic Planning
Score: 9

In December 2011, Latvia established a new central-government planning unit, the Cross-Sectoral Coordination Centre (Pārresoru koordinācijas centrs, PKC). The PKC's mandate is to develop Latvia's long-term planning documents, and to monitor day-to-day decision-making to ensure that actions and policies are effective and appropriate to attain long-term goals. The PKC also monitors ministries' progress toward meeting the government's stated goals, as outlined in the Government Declaration.

To date, the PKC has produced the National Development Plan, monitored progress toward Latvia's long-term development plan Latvia 2030, and carved out an active role in the day-to-day decision-making process. The PKC reviews all proposals that come before the cabinet, and holds weekly briefings with the prime minister on the substantive issues to be addressed in upcoming cabinet meetings. The body has also been tasked with analyzing cross-sectoral issues, such as evaluating government management of state-owned enterprises. The PKC is included on inter-ministerial committees that deal with cross-sectoral issues such as demographics or income disparities.

In addition to the PKC's core government role, most ministries have retained some independent planning capacity, even though many units and staff positions were cut as a part of the government austerity program. Ministerial planning units engage with the PKC, inviting the PKC to participate in the early planning phase of new policies. However, the PKC is not well-staffed enough to meet line ministries' demand for engagement fully.

Citation:

The Cross-Sectoral Coordination Centre, Information Available at (in Latvian): <http://www.nap.lv/par-pkc>, Last assessed: 20.05.2013

Scholarly Advice
Score: 5

The decision-making system is transparent and open to public participation from the point at which policy documents are circulated between ministries in preparation for review by the cabinet. At this stage, experts and NGOs have the opportunity to provide input on their own initiative.

During earlier policy planning stages, the system is not as transparent, but is generally open to consultation. While ministries are not required to follow a set procedure for consultation, most have developed some good practices. For example, ministries sometimes invites academics to join working groups in order to provide their expertise. The government lacks the financial capacity to commission input from the academic community on a regular basis. Expert engagement thus generally takes place on a voluntary, unremunerated basis. The government included experts in policy planning groups in 290 cases in 2011, and 380 in 2012.

The ministries of Agriculture and Environment and Regional Development have a permanent consultative mechanism supported by public funds. In 2011, 11 ministries had signed memoranda of cooperation with NGOs. In 2012, non-governmental experts were involved in 264 ministerial working groups engaged in drafting new legal legislation, up from 176 in 2011.

Citation:

State Chancellery (2012), Report, Available at (in Latvian): <http://www.mk.gov.lv/vk/gada-parskats/>, Last assessed: 20.05.2013.

Interministerial Coordination

GO Expertise
Score: 8

The formation of the PKC, which reports directly to the prime minister, has ensured government-office input into the substance of line-ministry proposals. The PKC evaluates all proposals to be addressed by the cabinet on a weekly basis, focusing on three issues: cross-sectoral impact, adherence to the Government Declaration, and compatibility with Latvia's long-term strategy documents (the National Development Plan and Latvia 2030).

The PKC is limited by its staff's ability to handle the flow of material; it has no financial capacity to engage short-term or ad hoc consultants on specific substantive issues.

Citation:

1. National Development Plan 2020, Available at (in Latvian): <http://www.nap.lv/>, Last assessed: 21.05.2013
2. Sustainable Development Strategy of Latvia until 2030, Available at: http://www.latvija2030.lv/upload/latvija2030_en.pdf, Last assessed: 21.05.2013

GO Gatekeeping
Score: 7

The government office has the ability to return materials submitted for cabinet consideration based on procedural considerations. Procedural evaluation includes assessing the quality of the accompanying annotation (often in the form of regulatory impact assessment) and ascertaining whether consensus-building procedures have been followed (i.e., agreement has been achieved among ministries).

The prime minister has the right to decide when to put issues on the cabinet agenda. These assessments are informed by expert opinions from the PKC and the government office. Controversial issues are raised in informal political consultations (coalition council) prior to placement on the cabinet agenda.

Line Ministries
Score: 8

Since its establishment in 2011, the PKC has become increasingly involved in line-ministry preparation of policy proposals. PKC representatives are invited to participate in working groups; however, capacity limitations prevent full participation in all working groups. Involvement of the PKC is at the ministry's discretion. Informal lines of communication ensure that the PKC is regularly briefed on upcoming policy proposals.

Cabinet Committees
Score: 8

Cabinet committees are an integral part of the official decision-making process. If ministerial agreement on draft policy proposals cannot be reached at the state-secretary level, issues are automatically taken up by a cabinet committee for resolution. The cabinet committee's mandate is to iron out differences prior to elevating the proposal to the cabinet level. In 2011, cabinet committees considered 253 issues, of which 193 were sent on to cabinet.

The cabinet committee may be complemented by informal mechanisms, such as the coalition council, if agreement cannot be reached.

Citation:

- State Chancellery (2011), Report, Available at (in Latvian): <http://www.mk.gov.lv/vk/gada-parskats/>, Last assessed: 20.05.2013.

Ministerial
Bureaucracy
Score: 8

The official decision-making process mandates the coordination of policy proposals at the state-secretary level. New policy initiatives are officially announced at weekly state-secretary meetings, after the draft proposals are circulated in a transparent process providing all ministries with an opportunity to review and comment on the issues. The process is open to the public, and input from non-governmental entities is welcomed. Ministry responses to draft

proposals are collected, and ministerial coordination meetings on particular drafts are held to achieve consensus on the substance of the proposals. In cases where consensus cannot be reached, the proposals move to cabinet committee for further consideration at the political level.

Issues can be fast-tracked at the request of a minister. Fast-tracking means that the usual procedures for gathering cross-sectoral and expert input can be circumvented, putting effective coordination at risk. In 2011 and 2012, a respective 35% and 34% of all issues before cabinet were fast-tracked.

At a lower bureaucratic level, coordination occurs on an ad hoc basis. Ministries conduct informal consultations, include other ministry representatives in working groups, and establish inter-ministerial working groups to prepare policy proposals. These methods are widely used, but are not mandatory.

Citation:

State Chancellery (2011, 2012), Reports, Available at: <http://www.mk.gov.lv/vk/gada-parskats/>, Last assessed: 20.05.2013.

Informal
Coordination
Score: 7

A coalition council that represents the political parties forming the governing coalition meets for weekly informal consultations. Despite its regular meetings with formal agendas, the council is not a part of the official decision-making process. Given that cabinet meetings are open to the press and public, coalition-council meetings provide an opportunity for off-the-record discussions and coordination. The council plays a de facto gatekeeping function for controversial issues, deciding when there is enough consensus to move issues to the cabinet. The coalition council can play both a complementary role, creating an enabling environment for consensus-building, and a destructive role, undermining the legitimacy of the official decision-making process.

Evidence-based Instruments

RIA Application
Score: 8

The government decision-making process requires every draft legal act to undergo an assessment. This assessment is documented in an annotation that accompanies the draft as it moves through the review process to the cabinet. The annotation addresses budgetary impact, impact on particular target groups and the cost of implementation. In practice, the quality of annotations varies widely depending on the approach taken by the drafters – it can be a detailed,

evidence-based analysis, or it can serve as a simple pro forma cover sheet providing a brief summary of intent. Minimum standards for annotations are not enforced.

The government office revised the annotation requirement in 2013, with the new rules taking effect in January 2014. The new annotation form will require a justification for introducing new regulations, and include an assessment of compliance costs to citizens and businesses, and an assessment of impact on public health. Civil servant training was scheduled in 2013 to improve the quality of annotations. The revised regulations also seek to improve stakeholder involvement in the early stages of drafting by providing information and discussion documents – so-called green papers – to the public at an earlier stage, during the line-ministry drafting phase.

Citation:

Draft Legislative Act to the Initial Impact Assessment Procedure, Available at (in Latvian): <http://www.likumi.lv/doc.php?id=256707>, Last assessed: 20.05.2013.

Quality of RIA
Process
Score: 7

The annotation requires an description of stakeholder participation. Minimum requirements can be met by a simple statement detailing if and when stakeholders were consulted. Annotations may, but are not required to include information on stakeholder inputs, reactions, or needs.

Annotations are publicly available along with the draft law text itself. They serve as an explanatory accompaniment to the draft law and are often referenced in communications about the draft law.

Annotations are not assessed by an independent body. However, they are monitored by the government office as a part of its oversight of the decision-making process. Inadequacies in the annotation can lead to proposals being returned for revision prior to consideration by the cabinet. An annual monitoring process by the government office can lead to improvements in the system. The latest such revision took place in 2013.

Citation:

Cabinet of Ministers (2013), Simplification of Draft Legislation Annotations, Press release, Available at (in Latvian): <http://www.mk.gov.lv/lv/aktuali/zinas/2013-gads/04/290413-vk-03/>, Last assessed: 20.05.2013

Sustainability
Check

Annotations have no specific sustainability checks. Sustainability as an issue is not integrated into the annotations, impact indicators are not consistently used,

Score: 2

and there is no requirement to perform a short-, medium- and long-term analysis. Some annotations do provide such information, but this is at the discretion of the civil servant preparing the annotation.

Latvia has not adopted a specific sustainability strategy. However, sustainability as a concept is integrated into Latvia's long-term Latvia 2030 strategy. As draft policies are assessed for compatibility with this long-term strategy, sustainability issues may be taken into consideration.

Citation:

Sustainable Development Strategy of Latvia until 2030, Available at: http://www.latvija2030.lv/upload/latvija2030_en.pdf, Last assessed: 21.05.201

Societal Consultation

Negotiating Public
Support
Score: 7

Societal consultation takes place frequently and is diverse in nature. The Tripartite Council of Latvia (Nacionālā trīspusējās sadarbības padome, NTSP) is a well-established, well-integrated and often-used consultative mechanism that links employers, trade unions and government.

The Council of Ministers maintains a NGO cooperation council, which organizes NGO input into issues related to civil society. Ministries have their own sectoral consultative bodies, with 11 ministries having signed cooperation agreements with NGOs in 2011. The executive branch had 173 different consultative bodies and held over 200 public consultations in 2011, an increase of 30% over 2010.

Despite this quantitative evidence of consultation, the quality of consultations is often questionable. Consultations are perceived as formal, and in fact offer little opportunity to make an impact on the direction and quality of government policies. NGOs have voiced complaints about the quality of participation, prompting the Council of Ministers/NGO cooperation council to conduct a cross-ministry review of consultation practices during 2011 and 2012.

In its public consultations, the government is rarely successful in achieving an exchange of views and information that increases the quality of government policies or induces societal actors to support them. Best practices can be found in the Ministry of Agriculture and the Ministry of Environment and Regional Development. Both ministries publicly fund a consultation mechanism with NGOs, and have achieved considerable success both in securing substantive input into draft policies, and in facilitating support for policies adopted. There

is also evidence of the opposite result – in some cases, government consultations with stakeholders have induced societal actors to actively oppose government policies. In the education sector, active consultations with education leaders, trade unions and student groups led to attempts throughout 2012 to block government policy proposals and multiple calls for the resignation of the minister.

Citation:

State Chancellery (2011, 2012), Reports, Available at (in Latvian): <http://www.mk.gov.lv/vk/gada-parskats/>, Last assessed: 20.05.2013.

Policy Communication

Coherent
Communication
Score: 8

The government office organizes weekly coordination meetings of ministerial communication units. Communication and statements are generated by the ministries, not centrally, and they are generally consistent. A communications coordination council sets annual priorities for the main messages to be propagated to the public. At the political level, however, ministerial disagreements are visible to the public.

Implementation

Government
Efficiency
Score: 9

The government has a good track record in achieving its own policy objectives. In issue areas considered by the government as high priority for Latvia – particularly in the areas of economic recovery, meeting Maastricht criteria in order to achieve euro adoption in 2014, budget reform and fiscal discipline – government performance can be considered excellent.

Second-tier policy objectives, as outlined in the Government Declaration of 2011 but not emphasized in the government's own reporting to parliament, show mixed results. For example, despite the fact that the Government Declaration leads with education reform, no significant progress toward outlined policy objectives can be identified. The prime minister's annual reports to the Saeima in 2012 and 2013 do not mention any education policy achievements. Opposition to the implementation of education policy objectives has been strong not only on the part stakeholder groups and opposition parties, but also from the government coalition parties' own parliamentarians.

The PKC monitors progress with respect to Government Declaration goals on an annual basis, providing a report to the prime minister. In 2012, the PKC

reported mixed achievements, with some issue areas showing a 100% fulfillment rate, while others stood at 0%.

Citation:

1. Dombrovskis, V. (2012), Prime Minister's Report to the Parliament on the Government Achievements and Planned Activities, Available at (in Latvian): http://titania.saeima.lv/LIVS11/saeimalivs_imp.nsf/0/D694F8C875FD4B47C22579F30041105F?OpenDocument, Last assessed: 21.05.2013.
2. Dombrovskis, V. (2013), Prime Minister's Report to the Parliament on the Government Achievements and Planned Activities, Available at (In Latvian): <http://www.lvportals.lv/viedokli.php?id=254542>, Last assessed: 21.05.2013
3. Declaration on the Cabinet of Ministers', led by Valdis Dombrovskis, Planned Activities (2013), Available at (in Latvian): <http://www.mk.gov.lv/lv/mk/darbibu-reglamentejosie-dokumenti/valdibasdek/>, Last assessed: 21.05.2013.

Ministerial
Compliance
Score: 10

Organizational devices providing incentives for minister compliance include a public statement of policy intent, the Government Declaration, which is signed by each minister, as well as a coalition agreement that outlines cooperation between the governing parties, which is monitored in informal weekly coalition-council meetings. Additionally, the government office monitors the fulfillment of cabinet decisions, while the PKC provides monitoring of progress toward the implementation of the Government Declaration. Both reporting streams enable the prime minister to fully monitor progress of individual ministers in achieving the government's program.

Monitoring
Ministries
Score: 9

The government office monitors ministry performance in implementing legislation, cabinet decisions and prime ministerial decisions. A high degree of compliance has been reported.

The PKC monitors how ministries are achieving the policy goals stated in the Government Declaration, and reports to the prime minister. Progress reports are not only a monitoring tool, but also provide substantive input into the prime minister's annual report to parliament. PKC reports mixed achievements in 2012 – some issue areas have a 100% compliance rate, others 0%.

Monitoring
Agencies,
Bureaucracies
Score: 7

The executive branch is organized hierarchically, with ministries each having a group of subordinate institutions. Some institutions are directly managed by the ministry, while others are managed at arms' length when there is a need for the autonomous fulfillment of functions.

All institutions are required to prepare annual reports. Beyond the reporting requirement there is no centralized standard for monitoring subordinate agencies subordinate. Ad hoc arrangements prevail, with some ministries setting performance goals and requiring reporting relative to these goals.

The government office has recently taken steps that compensate for poor monitoring and communication with subordinate agencies. In 2013, the prime minister set specific policy goals for ministries and agencies, and has required semiannual reporting on progress toward these goals. The government office has also begun including agency heads in inter-ministerial coordination meetings, as a response to the observation that information flows between ministries and their subordinate institutions are neither reliable nor adequate.

Task Funding
Score: 6

Local governments enjoy a comparatively high degree of autonomy. The local government share of public expenditure is 27% (2010), slightly above the EU average of 24.1%.

Local governments have autonomous tasks, delegated tasks and legally mandated tasks. Each type of task is meant to be accompanied by a funding source; in practice, however, funding is not made available for all tasks. The President's Strategic Advisory Council has described local governments as having a low degree of income autonomy and a relatively high degree of expenditure autonomy. In its 2011 report on Latvia's adherence to the European Charter of Local Self-Government, the Council of Europe concluded that local authorities have inadequate access to independently raised resources, and urged Latvia to increase local authorities' financial autonomy.

The adoption in 2012 of a medium-term budget-planning process envisions the inclusion of three-year budget cycles for local government. While this will provide medium-term budget clarity for local governments, there is also a concern that it will prevent local governments from gaining access to budget increases in proportion to the rate of economic recovery. Data from 2011 showed a disproportion in local government and national budget indicators; expenditure had increased by 10.2% at the local-government and 2.4% on the national level, while income had increased by 2.6% at the local level and 10.5% at the national level.

Citation:

1. The President's Strategic Advisory Council (2013), Management Improvement Proposals, Available at (in Latvian): http://www.president.lv/images/modules/items/PDF/Pasvaldibas_EGPP_FINAL.pdf, Last assessed: 21.05.2013
2. Congress of Local and Regional Authorities (2011), Local and Regional Democracy in Latvia, Available at: <https://wcd.coe.int/ViewDoc.jsp?id=1857271&Site=COE>, Last assessed: 21.05.2013.

Constitutional
Discretion
Score: 5

Local governments have a constitutional right to implementation autonomy. This right is reinforced by Latvia's commitments as a signatory of the European Charter of Local Self-Government, and has been upheld by Constitutional Court judgments. The Ministry of Environment and Regional

Development monitors local government regulations for legal compliance, and has the right to strike down regulations deemed to be in violation of legal norms.

The President's Strategic Advisory Council has noted a tendency toward overregulation on the part of the central government, which has negatively impacted local governments' discretionary authority.

Public discussion about the appropriate division of responsibilities and the burden of financing erupted in 2012, when the central government scaled back the Guaranteed Minimum Income (GMI) program, simultaneously reducing the GMI benefit to the poor and transferring the funding responsibility to local governments.

Citation:

The President's Strategic Advisory Council (2013), Management Improvement Proposals, Available at (in Latvian): http://www.president.lv/images/modules/items/PDF/Pasvaldibas_EGPP_FINAL.pdf, Last assessed: 21.05.2013

National Standards
Score: 6

Autonomous local-government functions are subject to laws and regulations emanating from the central government. These regulations delineate common standards and define the scope of local-government autonomy in particular cases. The President's Strategic Advisory Council has warned that overregulation is creating a serious encroachment on local-government autonomy. The council has called for a limit to bureaucratization and a reduction in the volume of regulations governing functions that are mandated as autonomous.

The executive has said it would create a new one-stop client-service system across the country, which would centralize the contact point for accessing public (central and local government) services. The new system will also create common standards for local government services by 2016. The policy was approved by the cabinet in 2013, and implementation is expected to start in 2014.

Citation:

1. The President's Strategic Advisory Council (2013), Management Improvement Proposals, Available at (in Latvian): http://www.president.lv/images/modules/items/PDF/Pasvaldibas_EGPP_FINAL.pdf, Last assessed: 21.05.2013

2. Regulation Regarding Concept of the Public Service System Development (2013), Available at (in Latvian): <http://www.likumi.lv/doc.php?id=254910>, Last assessed: 21.05.2013.

3. Freedom House (2012), Nations in Transit, Country Report, Available at: http://www.freedomhouse.org/sites/default/files/NIT2012Latvia_final.pdf, Last assessed: 21.05.2013

Adaptability

Domestic
Adaptability
Score: 9

Latvia has adapted domestic government structures to the requirements of EU membership, revising policy-planning and decision-making processes to develop national positions more effectively.

In order to ensure rapid policy decisions and policy coherence in the wake of the economic crisis, and to ensure its ability to meet commitments under the IMF and EU loan agreements, Latvia created a reform-management group for policy coordination. The group considers major policy reforms; in 2012, this included changes to the biofuels-support system, reforms in civil-service human-resource management, tax-policy changes, and reforms in the management of state enterprises. The group has proven to be a useful forum for the consolidation of support across sectors for major policy changes or structural reforms. The inclusion of non-governmental actors in the group serves to facilitate social acceptance of upcoming policy changes.

International
Coordination
Score: 6

Latvia's contribution to shaping international actions takes place largely through its contributing to shaping the policies of the European Union.

Institutional arrangements for the formulation of Latvia's positions on issues before the European Union are formalized. The system is managed by the Ministry of Foreign Affairs, with particular sectoral ministries developing the substance of Latvia's various positions. The process requires that NGOs be consulted during the early policy-development phase. In practice, ministries implement this requirement to varying degrees. NGOs themselves often lack the capacity (human resources, financial resources, time) to engage substantively with the ministries on an accelerated calendar.

Draft positions are coordinated across ministries and approved in some cases by the sectoral minister, and in other cases by the Council of Ministers. Issues deemed to have a significant impact on Latvia's national interests are presented to the parliament's European Affairs Commission, whose decision is binding. The commission considers approximately 500 national positions per year.

Organizational Reform

Self-monitoring
Score: 8

The government office has an annual monitoring procedure under which cabinet decision-making processes are reviewed. This results in frequent improvements to the process. In 2011, in the interests of speeding up the process, a silent agreement principle was instituted, whereby implicit approval

is presumed if a ministry fails to submit an opinion on a draft policy. In 2013, major revisions to the regulatory impact assessment system were made, along with the introduction of a public green-paper system that will move public consultations on new policy initiatives to an earlier phase of the policy-planning process.

The management of relations with parliament, governing parties and ministries is not regularly reviewed. This is considered by civil servants to be the purview of politicians, and therefore not an appropriate topic for initiatives emanating from the civil service level.

Institutional Reform
Score: 8

The regular review of decision-making procedures results in frequent reforms aimed at improving the system. Changes in institutional arrangements, such as the establishment of the PKC in 2010, have significantly improved the government's strategic capacity and ability to take a long-term planning orientation.

II. Executive Accountability

Citizens' Participatory Competence

Policy Knowledge
Score: 6

There is no local survey data indicating the extent to which citizens are informed of government policymaking decisions. Interim data from a study on NGO participation in policy planning, commissioned by the government office in 2012, show that NGOs (which are predisposed to participation) are able to obtain the information and knowledge required to understand the motives, objectives, effects and implications of policy proposals, and are able to make their opinions known through the existing system. NGOs note that information is available to those who seek it out, but is not easily accessible to the general public.

Individuals are slow to engage with the political process. According to surveys, only 15% of the population feels that they can influence decision-making. The Enterprise Register (UR) estimates that just 25,000 individuals in the country belong to one of 57 political parties, representing 1.2% of the population.

The rise of social media and the increasing use of the Internet have placed new tools at the disposal of citizens wishing to participate in the political process. A social-media-style website enables citizens to engage in direct communication

with members of parliament. An e-petition tool lets any group of 10,000 citizens place issues on the parliamentary agenda.

Citation:

1. Latvian Facts (2011), Public Opinion on the NGO Sector in Latvia, p.7, Available at (in Latvian): http://www.nvo.lv/site/uploads/veci_e_faili/Zinojums_lv_27_04_2011.pdf, Last assessed: 20.05.2013
2. Baltic News Service (2011), Latvian Political Parties and Associations Estimated to have around 25 thousand Members, Article available at (in Latvian): <http://www.delfi.lv/news/national/politics/latvija-partijas-un-politis-kajas-apvienibas-varetu-but-apmeram-25-tukstosi-cilveku.d?id=39523183>, Last assessed: 21.05.2013.
3. State Chancellery (2013) Unpublished Data on NGO involvement in the Mechanisms of the Cabinet Decision-Making Process

Legislative Actors' Resources

Parliamentary
Resources
Score: 2

Parliament does not have adequate resources to monitor government activity effectively. Some expertise is available from parliamentary committee staffers, personal administrative support staff and the parliamentary library. This does not allow for substantive policy analysis in most cases, or for the independent production of information. There are no monetary allowances earmarked for the commission of independent research.

Obtaining
Documents
Score: 10
Summoning
Ministers
Score: 10

The Saeima has the right to obtain documents from the government, and no problems have been observed in the exercise of this right.

Members of parliament have the right to pose questions to ministers and summon them to the Saeima to answer questions. At least five signatories are required for such a request. Ministers generally comply with parliamentary requests. Parliamentary committees have the right to request information from ministries, as well as to summon ministers to committee meetings.

Summoning Experts
Score: 7

Parliamentary committees are able to invite experts to committee meetings, but have no power to make attendance mandatory. Parliament relies on the pro bono participation of experts in order to compensate for its own lack of substantive capacity and lack of resources for pay for outsourced expertise.

Task Area
Congruence
Score: 4

The task areas of the parliamentary committees poorly match the task areas of the ministries. Only the ministries of Finance and Foreign Affairs and the Department of Justice have a 1:1 match, respectively with the Budget and Finance Committee, the Foreign Affairs Committee and the parliament's Committee of Justice. The Ministry of Agriculture reports to only a single committee; however, this committee oversees three other ministries. In all other cases, ministries report to multiple committees, and committees oversee multiple ministries' task areas.

Citation:

1. List of Parliamentary Committees: http://titania.saeima.lv/Personal/Deputati/Saeima11_DepWeb_Public.nsf/structureview?readform&type=3&lang=LV
2. Composition of the Cabinet of Ministers: <http://www.mk.gov.lv/en/mk/sastavs/?lang=1>

Audit Office
Score: 5

The State Audit Office (SAO) is Latvia's independent and collegial supreme audit institution. The office has a constitutionally guaranteed independence of the Saeima and the executive. It reports its plans and findings to parliament, which has full access to all audit findings. However, the SAO does not audit the Saeima itself. The parliament's Public Expenditure and Audit Committee has this responsibility. In 2012, NGOs and citizens called for the Saeima to subject itself to an external audit, either from the SAO, or an independent auditor. The speaker of parliament publicly rejected these proposals. A citizens' petition was circulated in 2012 aiming to place the issue on the parliamentary agenda, but failed to achieve the 10,000 signatures needed for such an act.

Citation:

1. OECD (2009), Review on Budgeting in Latvia, p. 204 and 223, Available at: <http://www.oecd.org/countries/latvia/46051679.pdf>, Last assessed: 17.05.2013
2. Valts Kalniņš (2011), Assessment of National Integrity System, p.116, Published by DELNA, Available at: http://www.transparency.org/whatwedo/pub/national_integrity_system_assessment_latvia,

Ombuds Office
Score: 2

The Saeima does not have its own ombuds office, but does have a committee for ethics and petitions. Latvia does have an independent Ombudsman, created in 2007 through a reorganization of the Latvian National Human Rights Office. From 2007 to 2011, this ombuds office was plagued by internal problems, budget cuts, perceptions of inefficiency, and passivity. In 2011, a leadership change brought about greater activity and visibility. The Ombudsman is charged with taking citizens' complaints, monitoring human rights, and proposing governmental action to address systemic issues. Since 2011, the ombuds office has been active in monitoring social-care facilities for the disabled, closed institutions, access-to-justice failings, issues of equal access to free education and discrimination against women, and has helped raise public awareness of hate speech. In 2012, the Ombudsman received 1,533 complaints regarding civil and political rights, including 106 discrimination complaints and 624 complaints regarding social and economic rights. The Ombudsman reports annually to parliament.

Citation:

1. Ombudsman of Latvia (2012), Report on the Conference Regarding Progress Evaluation of 2012, Available at (in Latvian): http://www.tiesibsargs.lv/files/2012_gada_konferences_materi%C4%81li/runa_jansons_2012_tiesibsarga_konferences_pases_konference_12122012.pdf, Last assessed: 21.05.2013

Media

Media Reporting
Score: 5

A minority of the 10 most important mass-media brands in Latvia provide high-quality information. The majority of reporting is a mix of quality information and infotainment programs. The financial constraints on the media brought about by audience shifts to Internet-based sources, by as well as budgetary constraints affecting public broadcasting, have had a negative effect on organizations' ability to provide high-quality content.

Nonetheless, some newcomers to the media scene have succeeded in meeting a high standard of quality. The weekly magazine IR, established in 2010, provides in-depth information on government policy plans. Investigative reporting on public and private television stations fulfills a watchdog function. Sustained analytical focus on issues of public concern is provided by Re:Baltica, founded in August 2011. Re:Baltica is a non-profit organization that produces investigative journalism in the public interest. Since its establishment, it has focused on issues such as the social costs of economic austerity, consumer protection and drug-money flows, and by cooperating with the mainstream media has succeeded in moving these issues onto the public agenda.

Economic constraints on the media have exacerbated the media's tendency to allow financial pressures to influence content. Research indicates that hidden commercial advertising can be arranged in any media channel in Latvia. Hidden political advertising is denied by the Latvian-language media, but acknowledged by the Russian-language media.

Citation:

Rožukalne A. (2010), Research Paper on Hidden Advertising Issues in the Media, Available at (in Latvian): http://politika.lv/article_files/21_17/original/slepta_reklama_mediju_p_rakse.pdf?1343212009, Last assessed: 20.05.2013

Parties and Interest Associations

Intra-party
Democracy
Score: 5

The Law on Political Parties mandates that certain political-party decisions be made in the context of full-membership meetings or by elected officials of the parties. These include party-officer elections, as well as decisions on party governing statutes and party programs. Other decisions must be taken in accordance with party statutes, but are not subject to regulation.

Harmony Party (Saskanas centrs, SC) is an alliance of a number of parties. Decision-making processes are different for national and municipal (Riga) policies. Candidates for national or municipal elections are selected by the party leadership. Decision-making at both the national and municipal levels is opaque. The balance of power within the SC alliance parties appears to vary between the Saeima and municipal governments.

Decision-making within the Unity Party (Vienotība, V) centers in the organization's board of directors, which engages closely with its parliamentary faction leadership, and with its government representatives. There is active internal debate on policy issues, as evidenced by press leaks detailing internal party correspondence. Local chapters have considerable autonomy in personnel choices and in taking positions on local issues.

The Greens and Farmers Union (Zaļo un Zemnieku Savienība, ZZS) is an alliance of two major parties and one minor one. The alliance parties operate together at the national level, but can pursue separate activities and agendas at the municipal level. Party decision-making resides with the board. ZZS is perceived to be beholden to one of Latvia's oligarchs, and decisions on candidates and issues often reflect this.

The Reform Party (Reformu partija, RP) was established in 2011, directly prior to the parliamentary elections. Decision-making rests with the board of directors, although the party encourages member participation. Many policy decisions are decided in an informal group known as the "core" of the party. The existence of the "core" has created friction among party members.

Two previously independent parties merged to form the National Union (Nacionāla Apvienība, NA). While decision-making resides with elected party officials, an internal diversity of opinion on important issues is visible to the public. The Union's parliamentary faction plays the role of agenda-setter, and parliamentarians sometimes pursue individual policy agendas despite the official views of the party.

Association
Competence
(Business)
Score: 8

The Tripartite Council of Latvia (Nacionālā trīspusējās sadarbības padome, NTSP), which links employers' associations, business associations and trade unions, provides a good example of effective association involvement in policy formulation. The members of the NTSP are all capable of proposing concrete measures, and work with academic figures in order to ensure quality inputs into the policy dialogue.

Employers' associations and business associations are continually engaged with the policy process on specific issues such as energy policy, formulation of the national development plan, and tax policy.

The Foreign Investors' Council (FICIL) has strong capacity to presenting well-formulated proposals for concrete policy measures. FICIL conducts an annual high-level structured dialogue at the prime ministerial level, resulting in action items whose implementation is then monitored by government. The 2012 High Council presented proposals in the areas of macroeconomic policy, tax policy and tax administration, efficiency of justice, improvement of the insolvency process, and the competitiveness of state-owned enterprises.

Citation:

1. The Foreign Investors' Council in Latvia, Information available: <http://www.ficil.lv/index.php/home/>, Last assessed: 21.05.2013.

2. The Tripartite Council of Latvia, Agenda available at (in Latvian): <http://www.mk.gov.lv/lv/mp/vaditaspadomes/ntsp/NTSPsedes/>, Last assessed: 21.05.2013.

Association
Competence
(Others)
Score: 4

A number of environmental interest groups have the capacity to propose concrete policy measures and provide capable analysis of policy effects, often in cooperation their international networks or academic bodies. Environmental organizations engage in structured policy dialogue with the relevant ministries; this process supports sustained involvement in policy decisions and has contributed to the further development of capacity.

Social-interest groups are very diverse; however, most lack the capacity to propose concrete policy measures or analyze likely policy outcomes. While the government consults regularly with some social-interest groups such as the Pensioners' Federation, these groups do not produce high-quality policy analysis. Groups representing patients' rights or reproductive health interests are skilled at producing policy proposals, but most lack the resources to engage in sustained advocacy or policy development.

Religious communities have not exhibited notable activity in the area of concrete policy proposal.

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