



The Individual and the State: Building Bridges, Overcoming Mistrust

Introduction

As emphasized in the Introduction to this **Report**, partnership between the individual and the state is an important precondition for human development. The individual and the state must understand their respective roles and responsibilities and they must carry them out responsibly. This chapter discusses the problems that exist in relations between the individual and the state and examines the emerging reciprocal ties between them. The chapter analyzes the reasons for the emergence and the continued existence of the individual's alienation from the state and, in particular, from state political institutions. However, in evaluating changes that have taken place over the last five years, it is important to note that trust in those institutions that form the basis of civil society is growing.

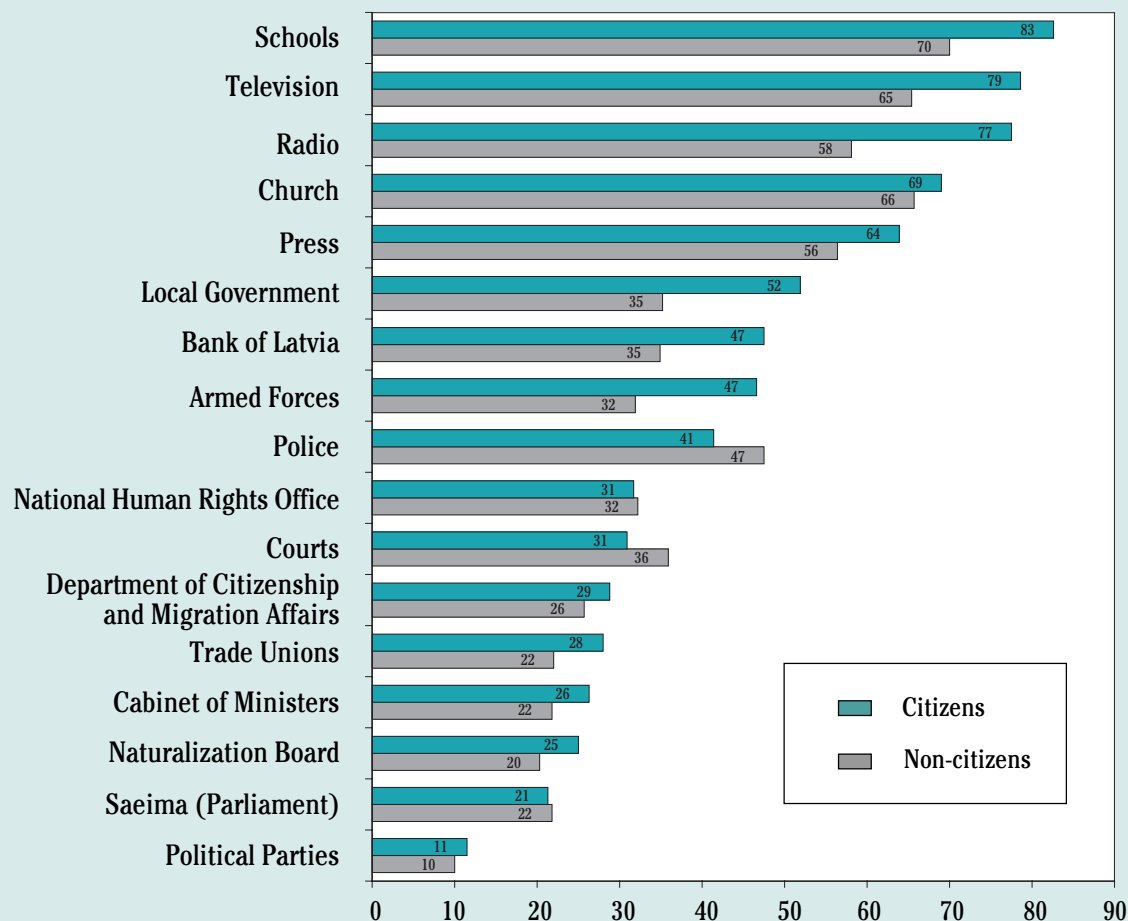
Continuing the analysis already begun in last year's **Report**, the chapter looks at poverty's manifestations and consequences for society's most impoverished and vulnerable groups. In highlighting how poverty fosters social isolation for many people and impairs faith in democracy, the **Report** once again underlines the acute need for a poverty eradication programme in Latvia. The main emphasis of the chapter, however, is an analysis of the mechanisms that bridge the gaps between the state and the individual. This process has already begun in society. The chapter examines the decentralization of power; relations between the central government, local governments, and the population; and the involvement of individuals and non-governmental organizations in governance. Specific areas of analysis include the civil service as an intermediary between the individual and the state, problems within the civil service, and the course of civil service reform. Recommendations are put forward for improving the work of the civil service.

Making use of the results of various research reports, the chapter analyzes the activities and achievements of non-governmental organizations. It becomes clear that people who are involved in NGOs have greater confidence in state institutions and the civil service. Participation offers people new skills and helps solve concrete problems, especially for vulnerable groups. The chapter provides recommendations on how to strengthen non-governmental organizations financially, how to enhance their co-operation with local governments and the private sector, and how to achieve a higher level of information about non-governmental organizations within society.

The Individual and the State: Trust or Alienation

It has almost become a cliché to say that public confidence in state institutions is low. As pointed out in the 1996 **Report**, this is part of the Soviet legacy that lived on into the early nineties and is still widespread today. Not many people in Latvia express confidence in political institutions, and the main state institutions – the Saeima (Parliament), the Cabinet of Ministers, and the political parties – are no exception (see Table 2.1). The situation has not particularly improved since 1992 when more than 60% of the population expressed dissatisfaction with the activities of the Saeima and the government. In 1992 approximately 5% of the population had confidence in political parties; at the end of 1997 – approximately 10%. It is significant that society still rates the work of the people in charge of state institutions higher than the institutions themselves, which points to the personification of these institutions. The tendency to trust

Figure 2.1

Confidence in Institutions*(percentage answering either “trust completely” or “trust somewhat”)*

personalities instead of institutions weakens the position of the latter.

It must be emphasized, however, that confidence has increased in the educational system, the press, the church and trade unions – that is, in those institutions that are the foundation of civil society. Confidence has also grown in the courts, the police, local governments, and private business. Despite the scepticism towards political parties, 71.9% of eligible voters participated in the elections to the Seventh Saeima in October 1998. The level of electoral participation is high in comparison with many Western democracies, and indicates that people have not lost faith in their ability to influence the political process.

A comparison of Latvia to other post-communist states and to countries with a longer history of democracy reveals the following causes of the individual's alienation from the state:

1. One such cause is the atomization of society inherited from the Soviet era, the lack of horizontal

ties, and the general distrust of both state institutions and personal contacts. By force of habit people still see the state as something abstract and beyond the individual's ability to control. A change in political systems does not guarantee a change in these attitudes. As the market economy takes root, individuals can feel even more alienated if they have no horizontal ties that can link them to society or stabilize their position, because the old system of contacts and reciprocal favors which existed during the Soviet era has ceased to be necessary. Goods are now freely available, and employment is offered on a competitive basis.

2. A second cause of alienation, characteristic of many people, is inordinately low self-esteem. Research has repeatedly shown that individuals in Latvian society feel less informed than their compatriots and are therefore uncertain about their choices and actions. Two-thirds of the population of Latvia believe that most people are better informed about politics and government than they are themselves,

compared with one-fifth of the population of Norway. Other research reveals that a person with low self-esteem is less likely to trust political institutions.

3. Alienation is also significantly bolstered by the fact that the political elite (i.e., the holders of political power) does not sufficiently represent the political views of the general public. At present one can observe a radical discrepancy between the liberalism of the elite and the preference of the average citizen for more state intervention in the economy. This is clearly show in a comparison of elite and popular political attitudes (see Table 2.1). Members of the elite exhibit greater support for private initiative, individual responsibility, and the strengthening of private property, while the general public is more attracted to the egalitarian distribution of income and greater state responsibility for individual welfare. Thus a discrepancy appears between, on the one hand, the politicians, who do not represent the population as a whole and who tend toward a more or less nationalistically coloured liberalism, and, on the other hand, the average citizens, who identify with national values and are also attracted by the ideology of state capitalism, with regulated wages and prices, subsidized industry, and state-initiated job creation.

4. Internal problems and a lack of solidarity amongst the elite do little to promote society's confidence in state institutions. Many writers emphasize that a consensus-based elite, characterized by mutual trust and a common set of beliefs on the basic issues of social and political life, makes institutions more stable and trusted. However, the political elite in

Latvia is characterized by mutual mistrust, recriminations, and the frequent inability to agree on important issues of state. Surveys of the elite confirm this fact: 40% of the elite believes that politicians in Latvia work in their own interests and cannot be trusted.

5. Mistrust of the state is compounded by the fact that up to now state institutions have done little to foster feedback from society. Only recently, in the process of preparing and implementing reforms, have state institutions started ordering public opinion surveys, informing the public of their activities, and trying to promote participation and support for reforms. Positive examples of this include public opinion surveys commissioned by the Ministry of Welfare on social insurance reform, social assistance programmes, and employment issues.

6. One of the reasons for political alienation is that society's values are changing from collectivism to individualism more slowly than politics has become oriented toward liberalism. The redistributive policies of the socialist state guaranteed everyone a subsistence minimum, receiving political obedience in return. However, a state won by the individual's own struggles requires different personal qualities, of which the most important are responsibility and initiative. The state's retreat from its role as the guarantor of social welfare and the inability of many individuals to provide for themselves and attain a respectable standard of living makes many people fall into despair and weakens trust in democratic institutions.

7. One of the main causes of alienation, attested to by numerous surveys, is corruption, or at least the population's heightened perception of corruption in state and local governments.

Changes in ideology and values are complex, as they require time to become rooted in society at large. Liberal ideology demands certain qualities of ordinary people – industriousness, individualism, initiative, independence. Civil servants are expected to be service-oriented, accountable, transparent in their dealings. These values are foreign to a large part of the post-Soviet population. It is true that the elite, the younger generation, and the emerging middle class quickly adopted these values, as they corresponded to their future visions and life plans. Nonetheless, collectivism as a value is still very important in society as a whole.

Table 2.1

Political Attitudes of the Population as a Whole and of the Elite
(percentage of respondents)

| | Whole population | The elite |
|---|------------------|-----------|
| The individual must take on more responsibility for his or her welfare | 24.0 | 56.7 |
| Both the individual and the state must take responsibility for individual welfare | 19.7 | 26.6 |
| The state must take on more responsibility for the welfare of the population | 50.5 | 15.7 |

The Individual and the State: Through the Prism of Poverty

The individual's relations with the state are significantly influenced by his or her standard of living. People want to know whether the state will really

guarantee their security and opportunities to improve their welfare, or whether it is following a completely different course, ignoring the interests of the general public and protecting other, narrowly self-serving interests, not least those of the political elite itself. In Latvia it has become apparent that poverty is one of the most important factors alienating the individual from the state.

Last year's **Report** analyzed this problem in depth. Growing poverty is one of the most painful problems in Latvia today. In 1997, according to CSD data, 16.6% of the total population and 14.7% of households lived below the first poverty threshold. These are either families or people living alone whose monthly income per household member is less than Ls 28.

In order to determine the living conditions and survival strategies of the most impoverished, in 1998 UNDP, in collaboration with the World Bank and the ILO, made a study – *Listening to the Poor: A Social Assessment of Poverty in Latvia*. Four hundred in-depth interviews were conducted with impoverished people from various regions in Latvia. The goal was to investigate the problem of poverty through the experience of individuals. While the survey results cannot be expressed quantitatively, they highlight the main causes of poverty, its manifestations and social consequences, thus contributing to the development of state policy for reducing poverty.

In describing their situation, the majority of impoverished people avoided using the word “poor.” Instead they spoke of “surviving,” “existence,” “difficult circumstances,” and of the many things they “can’t afford.” People of working age most often said that they were “of limited means” (“maznodrošināti”) but not “poor.” Despite the fact that poverty today is largely the result of changes in the economic system, many people retain their former belief that poverty occurs solely as the result of personal failure and that to be poor means in effect to be ostracized. Therefore they avoid using the word “poor,” which could mean social isolation and dependence on others. The exception to this rule are those families whose standard of living has sharply declined because of the confluence of many factors – loss of employment, large and unanticipated medical expenses, increased utility expenses – as a result of which the family has fallen heavily into debt. These people, as well as a majority of pensioners, have a gloomier view of their situation and see no way of improving it.

In describing their situation, the majority of the impoverished rely on relativism: they compare their situation with that of those around them and often console themselves with the fact that they are no worse off than others and that for many people the situation is much more difficult. They usually name social groups to which they themselves do not belong as examples

of people whose situation is even worse. For example, the urban poor feel that poverty and alcoholism is more widespread in the countryside and that educational opportunities there are more limited. For their part, poor rural residents view urban life as more difficult, since in the countryside they can at least grow their own food and they do not have to pay so much for utilities. Nevertheless, poverty is a heavy psychological burden, since many poor people were previously able to provide for their families and satisfy various needs. This background makes the poor especially sensitive to cases where state institutions fail to provide hoped-for assistance or offer only an unhelpful attitude.

In general, people emphasized the following features of poverty: insufficient resources to satisfy basic needs; the orientation of life solely to eking out an existence; dependence on other people, organizations, or state institutions for help; a narrowing of social contacts, limiting opportunities and activities.

Impoverished people pointed to various causes of their present situation:

- Unemployment, leading not only to a lack of resources, but also to social dislocation. As examined in Chapter 3 of the **Report**, work is highly valued in Latvian society and not having a job makes people feel useless;
- Low wages, which are often paid late, only in part, or in kind;
- The high price of utilities, which often are not proportional to the low wages people receive (see Chapter 1 on the structure of household consumption);
- Monetary reform, inflation, and the collapse of several banks in the first half of the '90s, which wiped out many people's life savings and especially affected the older generation;
- The rising cost of raising children and sending them to school, which is not covered by wages or child support;
- The low purchase prices and high production costs of agricultural products, which affects many rural farmsteads;
- Government incompetence and lack of interest in the people's standard of living;
- Alcoholism, which is often both a cause and an effect of unemployment and other difficulties;
- A dependency, inherited from the Soviet era, on the state, an inability to take responsibility, and a lack of knowledge and initiative.

The results of the poverty survey correspond with the Central Statistical Bureau's household budget surveys and the conclusions of last year's **Report**. The groups with the highest risk of being poor are: families with three or more children; single-parent families (usually single mothers with children); families in which at least

Box 2.1

The Faces of Poverty

Even though the material conditions of Galina's family have rapidly deteriorated over the last years, Galina doesn't think that things are totally bad. There are lots of people in the city who are poorer than her family. Galina doesn't think that her family is poor. Those old women who beg in the marketplace – they're poor. Galina is sorry that she can't do anything for the poor old women when they ask her for help. Then Galina says that she doesn't have a job herself and that she has nothing to give, and the old women don't get angry. (Unemployed woman, 50)

"I feel poor, because I can't give my children what they need. If a working person has to think about whether she will be able to buy bread for her children, if she has to scrimp and save, that's not normal. It's not fair that high government officials give themselves big raises, but we get nothing like that." (Nurse, 36)

Iveta thinks it's terrible that they both work and barely make ends meet. Of course, many people are worse off. Other people make a bad situation worse by laziness and drinking, but Iveta also understands how someone's spirits can sag. She often feels depressed too, she no longer hopes that things will get better, you can't get anywhere with honest work. (A teacher from Riga, 33)

"Poverty means horrible dependence. I've never had to live like I have the last years, not as a child, not when I was going to school, not during my first years of having a job." (Man, 25)

"The worst thing about living at a subsistence level is that you always feel dependent on someone else – on insolent young people, on the whim of some bureaucrat, on other people from who you need to borrow money." (Retired woman, 81)

"Young people wander around our village. They don't do anything. When did you ever see something like that before? Go into any apartment, it's full of women, just sitting around. They go visit each other and just chatter. When was it ever like that? You used to rush home from work and barely had time to do all the chores." (Woman from a village in Eastern Latvia.)

The main problem is the high rents together with all the utility bills. That comes to forty or fifty lats a month, but the official wage is only 42.50. One wage isn't enough to pay for your apartment. Of course it was better in the Soviet times, because you got 130 rubles a month and payed nine or ten for your apartment and the rest was left over for living. (Musician, 55)

Kārlis (55) has become unemployed for the third time in three years. He only worked one month at his last job. They fired him for drinking. His wife (49) says that's because you can buy cheap, impure alcohol on every street corner. "The city's full of places to buy booze on the side. A bottle costs half a lat there. If they had to buy their alcohol in the stores, a lot of people couldn't afford it."

Lolita (54) and Ivans (57) live nine kilometres from the centre of their township, in an old forester's cabin. Lolita's daughter died at the age of 5, her son fell in Afghanistan. Lolita and Ivans used to work in the collective farm. She milked the cows, he drove a tractor. They made good money. In 1992 the collective farm was liquidated. The cattle farm where Lolita worked burned down. They had to leave the house they lived in because its pre-war owner took it back. So they moved to this old, uninhabited house. Lolita and Ivans live on what they raise themselves. Ivans tries to find odd jobs, Lolita picks berries in the woods during the summer and sells them. Their main food is potatoes. For two months last winter they didn't have any bread, because they didn't have any money. Lolita made potato bread. You grate a whole pan full of potatoes, add a spoonful of cooking oil and bake it in the oven. For two months that was their only food. During the summer they buy bread with the money they get from selling berries. When they see some bread, it makes them want to cry. Although they are both unemployed, they don't go to the labour exchange, because the administrative centre of their region is forty kilometres away. They have never gotten any unemployment support from the state. Lolita thinks that people their age can't find work. She hopes to get a partial pension in May. That would be twenty lats a month. In two years she would qualify for a full pension, but she can't wait that long, she might die before then.

one member is unemployed; unemployed people who are close to retirement age; and the disabled.

Poverty manifests itself in various ways within these groups (see Box 2.1). Large families with children have greater problems with poverty if they live in an apartment with central heating, gas, and water, and have not bought meters for these utilities. In such cases the cost of these services is calculated according to the size of their apartment (in the case of heating) or to the number of family members (in the case

of gas and water), and often families cannot afford the cost of these services. Families with small children cannot significantly reduce their expenditures on heat or cooking. The expense of sending a child to school can be considerable: clothes, schoolbooks, lunch, transportation to school, and, finally, the unofficial tuition fees that schools are increasingly demanding to cover their expenses. As a result, many large families are more or less dependent on social assistance, which is not always available due to bu-

reaucratic hurdles or to the difficulties of getting transportation to the social assistance office.

The situation is particularly difficult for single mothers whose divorced husbands refuse to pay alimony, either because of a lack of interest or because they are unemployed. However, poverty has led an increasing number of families to live apart for economic reasons. Even though they are not divorced, one partner may work elsewhere or help relatives in the countryside in return for food.

The middle-aged unemployed, particularly those close to retirement, are at risk of becoming poor for three reasons: few employers are willing to hire people of this age, especially in jobs where they prefer not to employ anybody older than 35 or 40. Even the State Employment Service sometimes refuses to recommend unemployed people older than 50 for potential employment or retraining because of their age. Many of these people experience a larger degree of social isolation if they have lost their spouse and their children have grown up and moved away.

The disabled constitute the most vulnerable group with the highest risk of poverty. They have little if any chance of finding work due to widespread unemployment. Although most of the disabled receive some type of social assistance, they feel legally vulnerable and deprived of their rights. Those disabled people who are able to work – for example, those with epilepsy – are often laid off. There are also cases where they are then unable to receive a disability pension because their employer has not paid their payroll taxes.

People who have fallen into poverty get by using various survival strategies, of which the main ones include reducing consumption and limiting needs, economizing on various things, growing their own food, getting social assistance, and finding unofficial work and other ways of making money. Many impoverished families use more than one of these strategies to make ends meet. Characteristic ways of saving money include making do without heat or hot water, “juggling” bills (paying just enough of their utilities bills or rent so that their utilities are not cut off and the family is not evicted), getting by without new clothes, limiting the purchase of food, not subscribing to newspapers, and replacing visits to the doctor with medical consultations from pharmacists.

At the same time, impoverished families try to raise their income in the following ways:

- subsistence agriculture, sometimes selling their surplus at the local market;
- working for farmers for a small wage, free housing, food, or alcohol;
- picking berries and gathering mushrooms and medicinal plants for sale;
- working for a logging company (an option only available to men);

- purchasing and reselling goods (for example, selling cosmetics and cheap clothes from Lithuania either in their own home, door-to-door, in a public place, or at the local market);

- professional work in a former speciality (e.g., injecting medicine, tutoring, renovating);

- crafts and home industry;

- heavy manual labour and casual labour on construction sites.

Research shows that low incomes and a lack of money have a series of negative social consequences. Poor families have more health problems as a result of poor nutrition, constant stress, and the inability to spend money on the prevention and treatment of health problems. These families are frequently unable to pay the official cost of medical care and the unofficial payments to doctors (see following analysis). A serious problem accompanying poverty is alcoholism, which in turn leads to injuries, automobile accidents, premature death (especially among men still of working age), dysfunctional families, and neglected children. Although the reasons for alcoholism are complex, it undoubtedly affects the emergence of poverty and has poverty-related results, while also being a factor in the perpetuation and intensification of poverty. Analysis indicates that poverty can become a vicious circle in which certain causes of poverty lead to consequences which become, in turn, the cause of even deeper poverty.

Impoverished people often complain that it is difficult to obtain clear information about their rights and opportunities. These difficulties have various causes, such as limited opportunities for communication (the poor cannot subscribe to newspapers or buy or repair their televisions or radios), and shrinking social contacts (they lose touch with colleagues and with their former workplace, they avoid contact with other people because they are ashamed of their poverty). At the same time a lack of information impedes people’s opportunities to rouse themselves and overcome their problems, increasing their chances of ending up isolated and exploited.

Poverty affects families in two ways. It can unite families if people understand that solidarity is the only way of solving their problems. However, the constant stress can also divide families, especially if they have a history of discord or if one of the partners suffers from alcoholism. The experience of poverty affects men and women differently. In interviews men spoke of “social impotence,” because they were unable to fulfil the socially important role of providing for their families. As a result, many turn to drink and some resort to suicide (see the Appendix Tables). Many women who were interviewed also felt that men collapse from stress, whereas they themselves – feeling

Box 2.2

The Relationship between the Central Government and Local Governments (1990 – 1997)

The first democratically elected local governments played a significant role in the reestablishment of independence and the processes of denationalization and privatization. The first phase of the change of property rights was municipalization – the transfer of state property to local government ownership. Local governments assumed new functions by participating in the formation of the National Guard and the municipal police and in the creation of municipal social assistance services. In December 1991 the Union of Local Self-Governments was formed as a voluntary organization uniting municipalities from all the different levels of local government.

Relations between the municipal governments and the central government have developed amid a contest between the trend toward independence and the trend to-

ment democracy took place (see **Latvia Human Development Report 1997**). The national budget was balanced by means of a major, one-third reduction of the local governments' share of the state combined budget. As a result, the scope and quality of public assistance to the population was radically reduced. The government unilaterally refused to fulfill the obligations it had agreed to in its talks with the Union of Local Self-Governments. This system of consultations between the Union of Local Self-Governments and the Cabinet of Ministers had been instituted in 1994, but reached an impasse in 1996. A normal dialogue was only resumed in 1998.

The trend toward centralization has been fostered by the growing ties between business groups and the political elite, which is interested in limiting the rights of local government in order to retain its own dominant position. These trends have also been reinforced by the natural growth of the central bureaucracy, by society's trust in the value of centralization, and by various other subjective factors.

Another problem should be mentioned – a wider range of parties is represented in local governments than in the national parliament, and only 8% of the deputies elected to municipal councils were members of one of the national parties represented in the Sixth Saeima. This distances members of parliament from local government representatives. In order to change the negative attitude of the government and the Saeima toward local governments, the Sixth and Seventh Congresses of the Union of Local Self-

Local Government and State Basic Budget Expenditures, as a Percentage of GDP

| Year | Local government basic budget expenditures | State basic budget expenditures |
|------|--|---------------------------------|
| 1995 | 10.8 | 18.9 |
| 1996 | 9.5 | 17.6 |
| 1997 | 8.1 | 16.8 |
| 1998 | 6.5 | 17.3 |

ward centralization. Until 1995 the Ministry of Finance prepared the state budget on the basis of its own centralized calculations and varied the amount of taxes it collected from various local governments. Since then, financial reforms have been moving in the direction of centralization. Local governments have lost the right to introduce any taxes on their own. The *rajoni* (district) local governments first had their independent financing reduced to 15% of personal income tax revenues, and later even this financing was cancelled. The system of equalizing local government finance has been modelled on the Danish system. Although practically all social services are provided by local governments, this is not reflected in their budgets.

Not only finances, but also responsibility has been steadily centralized. Since 1992 the process of setting teachers' salaries, and from 1997 the financing of primary and secondary health care have been centralized. For these purposes personal income tax revenues are divided between local governments and the state. In this way, the national government has taken over one of the most characteristic functions of the *rajoni* (district) governments.

In 1996 and 1997 the so-called crisis of local govern-

ments adopted resolutions calling on local government representatives to become more active in political parties. Activity has increased. Approximately one-fifth of the candidates nominated by the parties that were elected to the Seventh Saeima were deputies in municipal councils or employees of local governments. Nonetheless, it should be noted that more than 20% of the members of parliament in the Sixth Saeima were former municipal council deputies. Experience shows that this is not enough to guarantee the representation of local and regional interests.

Since 1998 the situation for local governments has been improving. The independence of local government personnel and institutions has been strengthened; the territorial reform has become more democratic and will be based on studies and the interests of the local population; the decline of local governments' share of the state combined budget has been stopped; and a new system of consultations is developing with the central government - between the Union of Local Self-Governments on one side and the Presidium and party leaders of the Saeima on the other. After an interruption lasting several years, investments are again being made into local infrastructure.

responsibility towards their children and being better able to adapt psychologically – have taken on a larger burden and are actively looking for solutions. However, many also admitted to suffering from depression. Many women also expressed their dissatisfaction with the fact that they are often turned down for jobs because of their age and/or physical appearance, or else because they are raising children.

From the perspective of sustainable human development, poverty has a dramatic effect on children's educational opportunities. Impoverished families have difficulties not only covering their children's educational expenses, but they practically cannot send their children to special courses, extracurricular activities, clubs, or cultural events. The children of these families are rejected by "elite" state and private schools and often cannot get a higher education due to the costs of tuition, transportation, and residence and living expenses. Their parents worry that poverty will prevent their children from receiving a higher education. A large percentage of the younger generation, particularly in rural regions, could find itself in this situation. When the economic situation improves they may nevertheless end up unable to compete.

These considerations show that low wages and financial difficulties, reinforced by many other poverty factors, lead to the self-perpetuation and deepening of poverty and social exclusion. Therefore, a multifaceted approach must be used for the eradication of poverty, taking into account the various dimensions of the problem. Otherwise it will be difficult to meet the challenge at hand – reducing poverty in Latvia.

As shown in the interviews with impoverished people, poverty in Latvia is not simply the result of institutional changes (e.g., privatization, structural unemployment). In many cases it is related to a lack of education and skills. This shows that a poverty eradication strategy must pay special attention to the development of human resources – to education, training, and activities that stimulate people to be enterprising and to take the initiative. We must be aware of the fact that poverty has a serious cost for society in the form of social payments and lost productivity. The short- and long-term costs of poverty should be calculated in monetary terms.

It should be emphasized that in reducing the social and psychological damage caused by poverty, society is in a position to help itself. The NGO sector is doing this by stimulating the initiative of people themselves and of local governments (see following analysis). In addressing the problems of poverty, it is important to bring about wide-ranging co-operation between those individuals and families who have fallen into poverty, local activists, non-governmental organizations, local governments, social service organizations, and potential employers.

Interrelationship of the Population, Local Governments, and the National Government: Decentralization and Participation in Governance

Latvian legislation recognizes the division of powers between the national, *rajoni* (district) and local governments. Definite powers are vested in each level of government, and usually the tasks of one level are delimited from the tasks of the others. Although preconceptions, inherited from the past, about the advantages of centralized government are still strong and many people still almost involuntarily expect the state to regulate things in a centralized and hierarchical way, in fact the division of responsibility has changed and centralization is gradually being replaced by decentralization. The goal is to bring governance closer to the people.

Decentralization in Latvia is taking place in various ways: through the expansion of local government functions, the implementation of administrative and territorial reform, the involvement of civil society in decision making, and the co-operation between non-governmental organizations and local governments. However, as the following analysis will show, this process sometimes meets with obstacles. Latvia lacks a unified vision of how to divide functions and responsibilities between the national and local governments. As a result, there are internal contradictions in the relations between the central government and local governments (see Box 2.2) and the administrative and territorial reform is proceeding slowly.

The population is also not psychologically prepared for the gradual expansion of the role of local governments and of their rights to influence and control them. Apartment dwellers think it is strange that the cost of heating differs from one municipality to another, and want to know why this cost is not the same throughout the country. People often react negatively when they find out that one school or health clinic differs from the others. People normally feel that they "deserve" a certain established state standard, which local governments do not provide.

Since 1 March 1997, Latvia is a member of the European Charter on Local Government, which is based on the principle of subsidiarity (see **Latvia Human Development Report 1997**). In conformity with this principle, government and administrative functions must be exercised as close as possible to the population. What can be done well by the private sector should not be done by the public administration. What is done well by local governments should not be done by the national government. Rec-

ognizing the principle of subsidiarity is an effective way of bridging the gap between the state, local government, and the individual.

The Law on Local Governments states that the people have the right to know the agendas of municipal council meetings, to attend them, and to be informed of the decisions of local government authorities. However, not all local governments strive to keep society informed. The situation is different from place to place and it is not directly related to the size of the local government. Even some rural districts try to keep their residents informed by publishing their decisions in local newspapers. At the same time, many local governments do not pay special attention to informing their residents.

Media, and particularly the local press, play an important role in improving relations between local authorities and society. At the moment, the two sides have different views of their relationship. Local governments complain that the media publishes mainly negative information and that it is very difficult to get positive information about important decisions or projects into the press, radio, or television. For their part, journalists complain that it is not possible to get information from local governments. Informing the public requires additional financial resources, which local governments usually do not have. Often some practical project, such as repairing the streets, is of greater importance to the population than the discussions of various problems in the local press.

People participate in governance when local governments co-operate with non-governmental organizations in the areas of social assistance, recreation, and culture. There is hardly a local government

in Latvia that does not in some way co-operate with care centres, humanitarian aid providers, organizations for the protection of children's rights, disabled people's associations, choirs, dance groups, or community theatres.

Involvement in governance can also take the form of participation by representatives of social organizations in local government commissions and work groups alongside municipal deputies and employees. Latvian law gives national minorities the right to form special consultative committees. Normally the institutional structure of local government includes not only the commissions prescribed by law or government regulation (such as the Administrative Commission, the Privatization Commission and the Housing Commission), but also special committees constituted for some particular purpose.

Public hearings are gradually gaining recognition. On a number of issues, such as construction or regional development, public hearings are now mandatory. Those local governments which initiated this process have already acquired practical experience in the organization of public hearings. There is reason to believe that in the coming years this type of popular participation in local events will expand.

Individuals are also guaranteed the right of participation by a series of laws. These include the obligation of deputies to hear out and the obligation of local government agencies to provide answers to any complaint, proposal, or request. Local governments have instituted regular hours for receiving their constituents.

However, these civil rights are not always respected by national and local government agencies. People often encounter difficulties, such as protracted

Table 2.2

Problems Encountered in Contacts with National and Local Government Agencies (percentage of respondents)

| Problem | Never encountered | Sometimes encountered | Often encountered |
|---|-------------------|-----------------------|-------------------|
| Have to make repeated visits to government office | 25 | 43 | 32 |
| Protracted procedures | 25 | 47 | 28 |
| Uncooperative civil servants | 32 | 39 | 29 |
| Inconvenient office hours | 37 | 39 | 24 |
| Unclear procedures | 41 | 37 | 22 |
| Arbitrary interpretation of laws | 53 | 28 | 19 |
| Arbitrary decision making by civil servants | 58 | 31 | 11 |
| Hints that bribes are required | 61 | 30 | 9 |
| Unofficial payments | 65 | 27 | 8 |
| Unjustified penalties | 73 | 23 | 4 |

Table 2.3

“Have You Ever Had to Give Money or an Unofficial “Thank-You” at a National or Local Government Agency?” (percentage of respondents)

| | Yes | No | No response |
|--|-----|----|-------------|
| Non-monetary thank-you (presents, souvenirs, etc.) | 58 | 38 | 4 |
| Compensation through provision of services | 66 | 28 | 6 |
| Monetary bribe | 77 | 17 | 6 |

procedures, uncooperative civil servants, and the necessity of having to make repeated visits to government offices (see Table 2.2).

The practice of making unofficial payments at national and local government agencies must be eradicated. Non-monetary ways of saying “thank-you” (souvenirs, candies, presents) and social barter (exchanges of favours), both of which could be called “soft corruption,” are fairly widespread (see Table 2.3). Surveys show that almost one-fifth of all respondents admit to having given national and local government employees monetary bribes – most often to health care workers and the traffic police. Bribes are also given to get a passport or registration of residence, to register real estate, to get a job, or to come to an agreement with the housing authorities.

The devastating effects of corruption were examined in last year’s **Report** and also in Chapter 4 of this **Report**. The recent World Bank study of corruption in Latvia also indicates that corruption in the provision of public services is a serious problem. Corruption undermines the legitimacy of public authority, therefore it must be fought not only by legislative means, but also by ensuring transparency and providing society with extensive information. This applies to all forms of corruption: national and local, “grand” and “small.”

In order to improve the public services offered by local governments and to make their work more effective, rights and responsibilities must be delegated as much as possible to individual local government employees. Both society’s trust and the training of local government employees and deputies are necessary to achieve this goal. At present this training is financed from local government budgets, international assistance projects, and personal funds.

According to the Law on Local Government, only local government councils are allowed to take decisions on a large number of specific legal issues. As a result, 80 to 90% of the councils’ time is devoted to deciding issues of little consequence. This leaves little time for strategic decisions, thus lowering the

effectiveness of their work.

Another fundamental problem is changing local governments’ approach to their work, changing their focus from “administrative convenience” to the interests of their clients (individuals, groups, businesses, residents). In many countries over the last ten or twenty years local governments have established “one-stop” agencies. The goal of this type of organization is to be a timesaver for its clients by making sure that as many procedures as possible are taken care of in one visit. 70% or more of all issues can be handled in this way.

This means that residents would no longer have to wait repeatedly in long lines and go from office to office and agency to agency in order to collect all the necessary documents and signatures. These services, simplified as far as possible, would be performed by local government employees. The “one-stop” agency concept and information about ways of implementing it are becoming increasingly widespread. However, these ideas have yet to gain general recognition, and their introduction requires improved information systems and training for civil servants.

The Civil Service as Intermediary between the Individual and the State

The population’s contacts with the civil service – the embodiment of state power – contribute to their trust in or alienation from the state. After regaining independence in 1991, Latvia inherited a civil service characterized by red tape and a negative public image. The reform of the civil service began in 1992. In May 1994 the Law on the State Civil Service was adopted, creating the legal basis for a well-functioning administrative system and a loyal, professional corps of civil servants. The reform was supposed to be completed in two or three years, but even now it is not yet done. The Law on the State Civil Service has been

Table 2.4 | **Number of Candidate Civil Servants, 1998**

| Ministry | As of 1 June 1998 |
|---|--------------------------|
| Ministry of Defence | 263 |
| Ministry of Foreign Affairs | 288 |
| Ministry of Economy | 556 |
| Ministry of Finance | 214 |
| Ministry of the Interior | 27 |
| Ministry of Education and Science | 253 |
| Ministry of Culture | 133 |
| Ministry of Welfare | 754 |
| Prosecutor's Office | 85 |
| Ministry of Transport | 117 |
| Ministry of Justice | 1,370 |
| State Chancellery | 94 |
| Office of the Comptroller General | 123 |
| Ministry of Environmental Protection and Regional Development | 375 |
| Ministry of Agriculture | 3,489 |
| European Integration Bureau | 11 |
| Bureau of Public Administration Reform | 35 |
| Total | 8,187 |

amended six times and many of its provisions have not been carried out. The reasons given for this are lack of funds and appropriate political leadership, as well as the unsatisfactory work of the State Civil Service Administration. The Public Administration Reform Council and the Bureau of Public Administration Reform were established in 1997. The latter currently supervises the State Civil Service Administration and the School of Public Administration.

There are currently 8,187 candidate civil servants. They have passed the Civil Service Administration's qualifying examinations and certification procedures for becoming candidate civil servants and work in various government agencies (see Table 2.4). The qualifying examinations for becoming a full civil servant have been postponed indefinitely, and at the

moment, Latvia officially has no civil servants, but only candidate civil servants (their social profile is provided in Box 2.3).

Candidate civil servants make up 8% of all public sector employees. At present, the number of civil servants in Latvia depends on the financial resources of the state. Thanks to amendments to the law and Cabinet regulations allowing individual candidate civil servants or whole government agencies to leave the civil service and work for the government on a contract basis, since 1996 the number of candidate civil servants has fallen from 11,818 to 8,187. Currently the employees of such agencies as the Revenue Service, the Social Insurance Agency, the Privatization Agency, and the larger part of the Ministries of Finance and Justice work under contract. In 1996 and 1997 most of the agencies reporting to the Ministry of Transport were also transferred out of the civil service.

A major problem at present is the negative attitude toward civil servants on the part of both the population and the politicians. Politicians attribute this to the ineffectiveness of civil service reform, while the population is not satisfied with the civil servants' bureaucratic approach to their work. The population is not adequately informed about their rights and about what services they can receive and where. There is a lack of information about what rules and procedures apply to interaction with the state. A standard of service quality recognized by both civil servants and the population is also lacking. Therefore, the words "civil servant" have come to be used in a pejorative way. One of the causes of the insufficiently effective civil service reform was the premature liquidation of the Ministry of State Reform and of the government programme "Link with the Citizen."

From the point of view of civil servants, problems are created by the constant changes in the civil service system, the unclear status of civil servants (candidate civil servants), inflexible wages, and unclear career opportunities. As a result, there is high turnover among mid- and low-level civil servants, a declining quality of work, and the frequent referral of questions and complaints to other civil servants or agencies.

A practical problem is that it is difficult for the civil service to attract and retain good and skillful employees, particularly in low- and mid-level positions. Government agencies are very often used to supplement one's education and as a trampoline for a career in the private sector. The civil service often recruits university students or recent graduates, who gain experience in government administration, receive additional training, and become competitive on the labour market. The most talented candidate civil servants often leave for better-paying jobs in the private sector. The brain drain from the civil service to

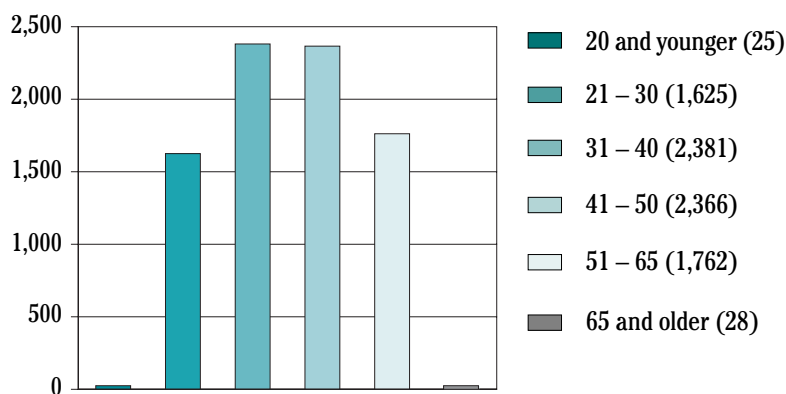
Box 2.3

A Social Profile of Latvia's Civil Servants

The average age of Latvia's (candidate) civil servants in 1998 was 41 (in 1996 it was 39). In high-ranking positions, the average age is even higher – 44 for state secretaries and their deputies and 42 for department directors, while division heads are slightly younger. Women make up 55% and men 45% of the civil service, but in the ministries' core departments the relationship is reversed – 70% men to 30% women. Moreover, high-ranking positions such as state secretary, department director, or deputy department director are occupied primarily by men.

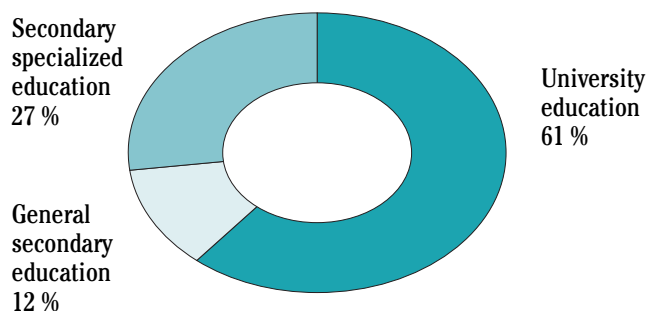
Although the salaries of candidate civil servants have been frozen for the last few years, many people still believe that civil servants have high salaries. Low salaries, particularly for mid- and lower-level candidate civil servants, and an inflexible system of remuneration have created a crisis situation in the civil service and in civil servants' motivation for professional development. This is confirmed by the many complaints about their lack of professionalism. The civil service has a high turnover rate: in 1998 300 people were hired while 418 left their jobs.

Candidate Civil Servants by Age Group
(as of 1 August 1998)



Almost two-thirds of candidate civil servants have a university education, while the rest have either a general or a specialized secondary education.

Educational Level of Candidate Civil Servants
(as of 1 September 1998)



The survey "Employee Satisfaction in the Civil Service" showed that civil service employees are most satisfied with good relationships with their colleagues (81% of surveyed civil servants), management (74%), the regular opportunities for training (49%), and various types of awards and benefits (39 to 49% of surveyed civil servants). 39% of those surveyed were satisfied with career advancement possibilities, but the lowest level of satisfaction was with salaries (36% of respondents). At the same time, the survey revealed that a competitive salary is the most important component of the system of remuneration for those employed in the civil service. Apparently, at present civil servants' satisfaction with their work environment, management, and colleagues compensates for their low salaries.

The survey also revealed that civil servants' allegiance to the goals of their organization, their desire to put forth additional effort for the good of the organization and to retain their place within the organization is quite high (an average of 7.2 on a 10 point scale).

private business cannot be seen as a sustainable form of co-operation between the state and the private sector. The state should make sure that good civil servants receive better salaries.

One of the main tasks of public administration reform in Latvia is the creation of a modern civil service, which would be professional, independent of political parties, and responsible for the implementation of state policy. The government, which is made up of politicians, changes, but civil servants remain, accumulating experience and skills. They guarantee the continuity of the state. At present, such a civil service is only in the process of emerging. The European Commission's Opinion on Latvia also points to the need to speed up public administration reform.

An important future goal of civil service reform is strengthening administrative capacity to effectively implement policy and to introduce and implement EU law. However, enhancing the civil service's accountability to the public is equally important. Therefore, the activities of the civil service must be transparent; the public must be able to find out the number of civil servants, the amount of resources available to them and the size of associated expenses; and standards for serving the public must be established and implemented.

The process of public administration reform should help develop co-operation between society and the state. This could take place through the establishment of consultative councils, the transfer of appropriate functions from the state to the private sector and social organizations, and the observation of the principles of transparency in the workings of government agencies. In this sense, the civil service's new approach, "facing society," corresponds to the positive developments and the decentralization of the work of local governments, which have already been discussed, and the growing role of non-governmental organizations, which will be analyzed later. At present the delegation of state functions to the non-governmental sector has only begun. However, the Regulations on the Delegation of the Functions of the State Administration to Authorized Institutions, adopted in 1998, are a good start.

However, in the process of reforming the civil service, these regulations should be implemented with care so as to avoid the wholesale exclusion of various state agencies from the civil service system. As already mentioned, when whole agencies leave the civil service system due to salary restrictions, the situation becomes increasingly unclear: How can these agencies use employment contracts to prevent conflicts of interest? What are the rights of these agencies to make decisions on behalf of the state? How can transparency of responsibilities and salary levels be ensured? How can the quality of services for the population be guaranteed?

The education and training of civil servants are important issues. 24 training centres for civil servants were established in 1994, of which 14 are located in Riga and 10 in other cities. A training programme has been developed for civil servants, including various courses in management, economics, personal skills, legislation, and information technology. Around 10,000 civil servants have attended these courses.

Quality control for civil servants has also been introduced. If a candidate civil servant commits an infraction, disciplinary proceedings are begun and the case examined either by the relevant government agency or by the State Civil Service Administration. From 1 January 1995 to 1 July 1998 a total of 1,703 disciplinary proceedings were instituted and 1,506 penalties imposed. The most common types of misdemeanours involve failure to perform one's duties – 928 disciplinary actions; insufficient control of one's subordinates' work – 128 disciplinary actions; and overstepping one's jurisdiction – 108 disciplinary actions. Complaints involving formalistic attitudes towards clients, impoliteness, and intolerance have also been reviewed. However, these cases are comparatively rare. People who experience these problems do not always report them because they do not know where to turn in such instances or how to lodge a complaint.

Latvia should establish an independent, quasi-judicial institution where inhabitants could turn with complaints or suggestions about the work of government agencies. This institution could be modelled on the ombudsman, an institution popular in the Nordic countries. However, in Latvia's case such an institution would not only have to be established by law, but also by tradition. The authority of an ombudsman will not develop all by itself. The development of this type of institution could be begun by encouraging widespread discussions in society about the draft Law on Administrative Procedure.

Despite these difficulties, a trustworthy, professional, and stable civil service, with professional and motivated employees who demonstrate the desire and ability to work in the interests of the citizens and the state and to defend state interests during the process of European integration, is developing in Latvia.

Non-Governmental Organizations as the Link between the Individual, the State, and the Private Sector

The **Latvia Human Development Report 1996** analyzed the consolidation of civil society. Non-governmental organizations (NGOs), along with free

Box 2.4

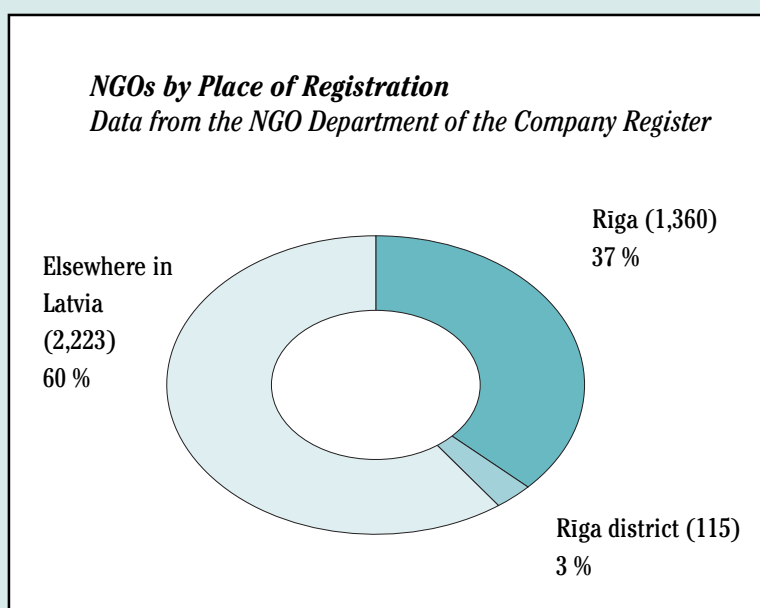
NGO Development in Latvia: Quantitative Indicators, Major Activities, Rural and Urban NGOs

At the beginning of September 1998 there were 3,698 public organizations and 532 not-for-profit limited liability companies registered in Latvia.

An analysis completed at the beginning of 1997 of non-governmental organizations by location showed that 71.8% of them were located in Riga. In a year and a half, the number of organizations registered outside Riga has increased substantially, currently accounting for 60% of all the organizations registered in Latvia. One of the rea-

son for the increase is the special support shown by the NGO Center and by donor organizations for NGOs in the countryside. The main activities of NGOs are social work, support for education, culture and recreation, the protection of interests and legal rights, democratization, and environmental protection. It is difficult to categorize these organizations as operating strictly in one sphere, because the objectives of many of the NGOs include not only protecting and providing assistance to the socially disadvantaged, but also informing the public. The largest number of NGOs is involved in compensating for the absence of social policies, providing assistance to the impoverished and to socially vulnerable groups: the disabled, disabled children, families with many children, single-parent families, orphans, pensioners, and the unemployed.

NGOs by Place of Registration
Data from the NGO Department of the Company Register



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With the support of the Danish government, the NGO Center was formed in 1996 to support the development and consolidation of the third sector in Latvia. At present the operation of the Center is financed mainly by the Danish government, the United Nations Development Programme, and the Soros Foundation – Latvia. The NGO Center collaborates with all non-governmental organizations, offering educational opportunities, financial support, consultations, and technical advice. Currently, more than 700 organizations have registered as users of its resources. The majority of them operate in the social sphere, as well as in education and in public interest advocacy.

Along with these services, the NGO Center participates in drafting legislation and informing the public about non-governmental organizations, facilitates cooperation between the third sector, the state, and local governments, oversees various financial support programmes for non-governmental organizations, and promotes volunteer work.

and responsible individuals, are the foundation of civil society. People's participation in NGOs is voluntary and is not directly dependent upon state or political power. By uniting in organizations on the basis of collective interests, ideas, and values, people bring everyday democracy to life. They are better able to resolve their common problems and take advantage of their right to participate in decision making and the governance of society. Therefore NGOs should be considered an important resource for human development.

NGO involvement has great significance in areas where state institutions lack resources or established systems, and where the private sector is not presently active, for example, in adult education, environmental protection, human rights, providing assistance to vulnerable groups, and the popularization of cultural values. The large number of organizations active in the social sphere in Latvia have made a significant contribution to alleviating social stress among society's vulnerable groups. NGOs often provide these services at lesser cost than state institutions

Box 2.5

One Non-Governmental Organization's Co-operation with Local Governments, Other NGOs, and the Private Sector

The Pensioners' Social Assistance Fund of the City of Talsi was founded in June 1996. At present there are 80 members, a board, an internal audit committee, 65 home-visitors for pensioners, medical personnel, a librarian, and a lawyer. The Fund's activities are aimed at the reintegration of pensioners and disabled people into society. At the moment pensioners make up 37% of the city's population and a large number of them are needy - many are forced to do without medical services, cultural activities, and other needs.

In order to limit social stress and to help pensioners and the disabled, the Fund is active in four main areas:

1. *Health care programme.* Three doctors, two nurses, and one massage therapist work for the Fund and provide services for pensioners free of charge. Medicinal supplies and glasses are regularly requested and provided both by Latvian and foreign sponsors and are distributed free of charge. A psychotherapist has begun to work for the Fund. A trainer from the Talsi Sport Hall leads a health exercise programme on a volunteer basis.

2. *Sports activities programme.* In the summer, competitions are organized near Lake Usma, tourist excursions are organized in the spring and fall, and parlour game competitions are organized on a monthly basis.

3. *Cultural programme.* The Fund organizes excursions around Latvia, trips to the theatres in Riga, and meetings to exchange experiences with other pensioner associations. Transportation for these trips is paid for by sponsors. Berry picking and mushroom gathering trips are also offered free of charge. Exhibits of handicrafts,

paintings, and flowers as well as pensioner parties take place at the Fund, which also has its own reading room with newspapers and a library with over 600 books. Lectures and meetings with local deputies and members of parliament also take place.

4. *Social programme.* Visits and help are provided for pensioners at home. The city is divided into 64 zones and someone is assigned to each zone to report on pensioner needs and problems. A register of pensioners has been established, particularly noting those who cannot walk, who are living alone, and who are disabled.

The Fund co-operates with the Talsi Pensioner Association, the Disabled People's Association, various pensioner associations from other rural districts and regions, the Talsi Adult Education Society, the Talsi branch of the Rainis and Aspazija Fund, and the Talsi Music School. At the beginning of 1998 the Fund became an associated member of the Association of Social and Health Care Organizations. The Fund has good co-operative ties with the Talsi City Council, which provides both material and moral support. Funding has been secured from the City Council, local businesses, the NGO Center, and the Queen Juliana Fund of the Netherlands. A project proposal has been submitted to the PHARE programme. Last year information about the Fund was published 27 times in the local newspaper *Talsu Vēstis*, once in *Kurzemes Ekspresis*, and once in *Diena* (a national daily). Thanks to its activities and widespread contacts, there is a good chance that the Fund will become the core of the Talsi Non-Governmental Organization Support Center.

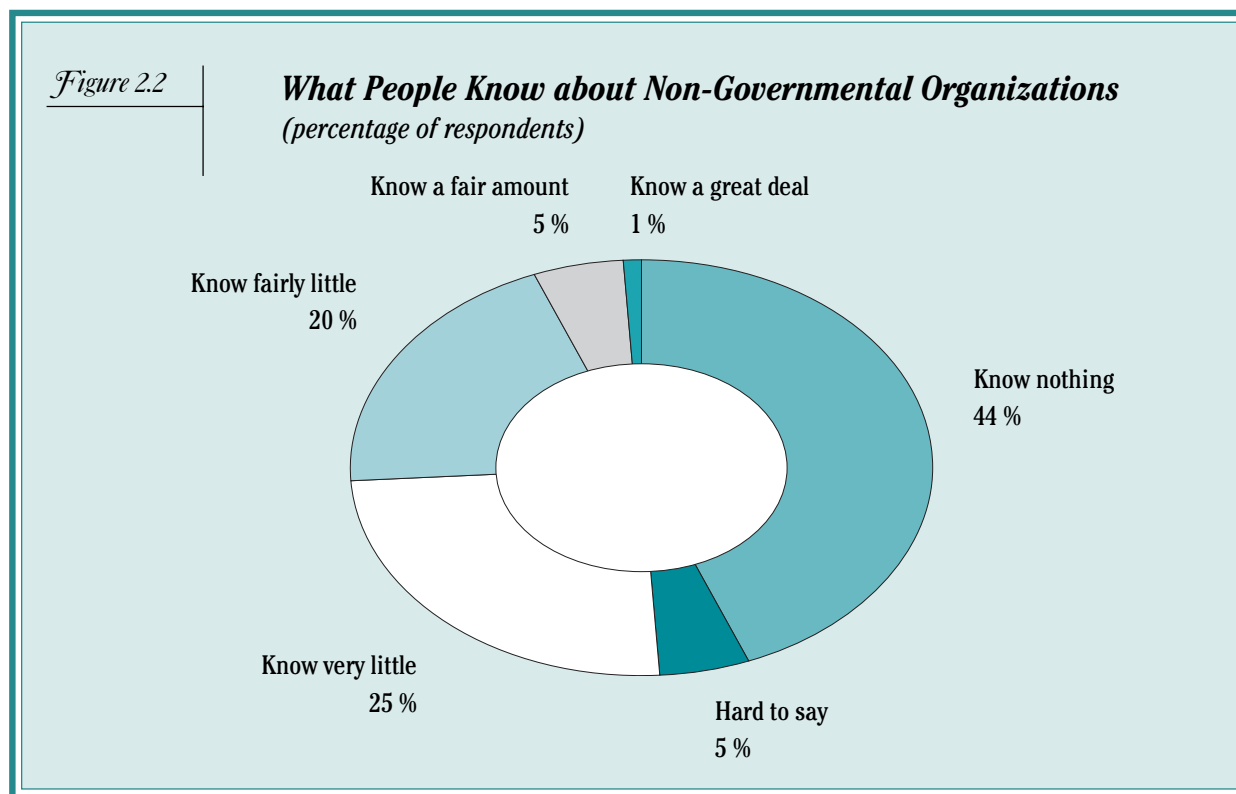
and they often use resources which are not available to the state: grants from foundations, donations, and volunteer work.

The development of non-governmental organizations over the past years is reflected in Box 2.4. Two main laws regulate the work of NGOs: the Law on Public Organizations and Their Associations and the Law on Not-For-Profit Organizations. A step toward enhancing the role of non-governmental organizations is the aforementioned Cabinet of Ministers' Regulations on the Delegation of the Functions of the State Administration to Authorized Institutions, which opens the door for non-governmental organizations to become involved in the process of governance. These regulations allow for the delegation of functions to occur on the initiative of either public or private institutions, based on submitted suggestions. This means that non-governmental organizations have increased opportunities to prepare recommendations on the delegation of definite functions and to submit

them to the relevant government agencies so that the most appropriate solutions can be achieved through dialogue. Discussion about such dialogue and co-operation should be encouraged and best practices disseminated.

As the experience of the last few years has shown, associations and coalitions of non-governmental organizations are being formed geographically (on the district and regional level) and functionally (on the basis of co-operation to reach common goals). Local governments, government agencies, the media, international organizations, and private businesses also take part in this co-operation (see Box 2.5).

However, stable collaboration in a wide range of areas between NGOs, local governments, and state institutions does not yet exist. There are only isolated examples of such collaboration, because the delegation of functions is accompanied by such crucial issues as the granting of money to fulfill these functions, the readiness of the organizations to assume



these functions, and the confidence of state institutions in the capabilities of non-governmental organizations. It seems that in order to find the most effective organization for the performance of a specific assignment, the only method is to advertise it as an open tender.

The further development of the third sector requires the expansion of its financial base. This could be promoted by the enactment of the Law on Charity, which defines the applicability of tax deductions to donations. This would stimulate financial support from the private sector for various NGO initiatives.

At present the three most important factors hindering NGO development are: the restrictions on who is allowed to found public organizations; the restrictions on the number of salaried employees an NGO can have; and the restrictions on annual turnover. The draft amendments to the Law on Public Organizations are intended to lift these restrictions. Another factor hindering the work of non-governmental organizations is their limited access to information on a range of questions, including parliamentary and Cabinet agendas, the priorities of government ministries, potential co-operation with ministries (e.g., in developing legislation, participating in committees, delegating competencies), budget expenditures, as well as on local government plans and the possibilities for the public to participate in their design and implementation.

At the NGO Forums which took place in 1998

in the cities of Rēzekne, Kuldīga, Cēsis, Jelgava and Rīga, another limitation on NGO activities mentioned was the limited opportunity to obtain financing for administrative expenses and the insufficient professionalism of NGO managers and members. It was also asserted that in many areas NGO activities are limited by the lack of communication and co-ordination. Forum participants expressed the opinion that NGOs are held back by that the population's low standard of living, apathy toward volunteer work, lack of information and human resources (education, initiative, management skills, creative approach), and the mass media's lack of competence in reporting on the NGO sector.

Despite an increase in NGO activity and their contacts with national and local government agencies, the general public is poorly informed about the third sector and these organizations have low name recognition (see Figure 2.2). Only 6% of Latvia's population are well informed about NGOs, and these are mainly people who belong to such an organization. The rest of society is far less well informed and only every fifth inhabitant of Latvia is aware of the activities NGOs are involved in and problems they are helping to solve.

Research conducted on NGOs reveals that the reasons for participating in these organizations are quite varied and this participation has benefits that strengthen civil society. The people who become involved with NGOs are usually socially active. A com-

mon reason for participation is a sense of mission – people feel they have a responsibility, or duty, or simply the ability to solve their own and others' problems and improve their surroundings. Participation also promotes solidarity – a desire to help people with similar problems. Another noteworthy motivation is the need for contact with like-minded people and for moral support, as well as the opportunity to spend time in an interesting way, learning new things and gaining experience and contacts.

Focus group discussions with people who have been active in an NGO for a significant period of time revealed the following benefits of participation:

- By working in NGOs people have achieved many concrete goals and either solved or diminished concrete problems;
- Participation in NGOs has increased self-confidence, belief in one's ability to solve problems and improve one's situation;
- Participation has fostered practical skills that have been helpful for the further resolution of other problems, for example, finding work;
- Participation has increased political trust and faith in people's ability to influence politics; it has placed former exaggerated beliefs in the significance of an authoritarian leader in perspective;
- Participation in NGOs has expanded people's social networks; they have a better understanding of the opportunities that co-operation presents, thus relying less on individual leaders;
- Dissatisfaction with the work of government agencies and civil servants is accompanied by a constructive attitude toward the state; people become convinced that social organizations can co-operate with local governments, government agencies, media, and private businesses;
- Organization members have become acquainted with a variety of people, thus increasing their tolerance toward different opinions, and have enhanced their discussion and debating skills.

Conclusions and Recommendations

It should be stressed that the population's dissatisfaction and passivity is accompanied by the parallel development of positive relations with the state. There are a number of ways in which this positive experience is developing in Latvia: power is decentralized and brought closer to the people; the population is involved in decision making; ties between local government and the population are strengthened; the services offered by government agencies and the civil service are adapted to the needs of the people; people get involved in non-governmental or-

ganizations and local initiatives. Even though this store of knowledge is still fragmentary, it nevertheless enhances society's ability to organize itself, people's self-respect, and confidence in the state. More should be done to popularize such positive examples. Herein lies the hope of ending the transition period, which would mean the achievement of a balance between the individual and the state, between the state and civil society, and the growing predominance of positive attitudes. This would allow people to view the state as their ally during their working years and the guarantor of their security in old age.

From the perspective of sustainable human development, it is crucial that the vertical ties between the individual and the state are balanced by the horizontal ties that are formed between members of society. If these horizontal ties do not develop, the vertical ones are also weakened, as they require some source from which to draw their strength. This can be provided by civil society, which is formed by the voluntary participation of people in various groups and associations. By participating in such groups, people are able not only to solve problems together, but also to become convinced that their own choices determine the course of their lives. Safeguarded by the state, civil society can organize itself, join together, and solve many problems on its own.

Poverty in Latvia is one of the most painful problems hindering human development. Based on recent research into this phenomenon and on an evaluation of its social causes and consequences, an anti-poverty programme must be prepared as quickly as possible.

The use of various words must be more specifically defined, beginning with the word *state*, which is often used very loosely to describe the entire *public sector*. It is also necessary to define the terms *state administrative functions* and *services*.

Future reforms of the civil service should include the transfer to NGOs or to the private sector of those functions for which they are better suited than the state. The functions of civil servants and of state institutions, as well as standards of responsibility and quality should be more clearly defined.

Clear procedures for conducting business with the public should be drawn up for national and local institutions. By means of appropriate publicity campaigns, the public must be informed about how to handle their relations with the state; about the rules and procedures relevant to various questions; about their duties; and about the services they can expect from civil servants. Standards defining the quality of service should be drawn up and made known to both civil servants and the public. Surveys must be conducted regularly to measure the public's satisfaction with the work of local governments and government agencies and to get better feedback from society.

Latvia should establish an independent, quasi-judicial institution where inhabitants could turn with complaints or suggestions about the work of government agencies. This institution could be modelled on the ombudsman, an institution popular in the Nordic countries. However, in Latvia's case such an institution would not only have to be established by law, but also by tradition. The authority of an ombudsman will not develop all by itself. The development of this type of institution could be begun by encouraging widespread discussions in society about the draft Law on Administrative Procedure.

A new system for remunerating civil servants should be developed in order to attract highly qualified professionals to the civil service and to make them more performance oriented. To achieve this, the level of remuneration should be tied to performance and results. At the same time, the unified system of wages for institutions funded by the budget, which is currently being reintroduced, must be actively opposed.

In the process of reforming the civil service, the Regulations on the Delegation of the Functions of the State Administration to Authorized Institutions, issued by the Cabinet of Ministers, should be implemented with care. Active measures should be taken to avoid the wholesale exclusion of various state agencies from the civil service system. As whole agencies leave the civil service system due to salary restrictions, the situation becomes increasingly unclear: How can these agencies use employment contracts to prevent conflicts of interest? What are the rights of these agencies to make decisions on behalf of the state? How can transparency of responsibilities and salary levels be ensured? How can the quality of services for the population be guaranteed?

The Bureau of Public Administration Reform should conduct special studies into the delegation of functions to determine whether they take place at the initiative of the state or of the relevant NGO. The results of these studies should be made public, so that society can evaluate the state's policies with regard to the NGO sector.

Local governments should actively co-operate with the national government in developing every level of local government into a "one stop" agency. The development of these centres should be co-financed from the state budget, and local governments should be more active in informing local residents about the opportunities offered by such centres.

The Law on the Organization of the Cabinet of Ministers should be improved by making the participation of NGOs and the private sector in the drafting of legislation and regulations obligatory. There should be well-defined procedures for consulting these organizations and allowing any organization to follow and participate in the development of draft

laws and regulations.

Procedures and institutions should be established allowing NGOs to participate in the negotiations on joining the EU.

When considering the challenges of reducing poverty, female unemployment, and other acute social problems, active discussions should be promoted in society about a system of *social economics* based on self-activization, self-help, and the mutual provision of services by non-governmental organizations and social groups. The goal of such a discussion would be to determine guidelines for state policy with regard to the NGO sector. An analogous process is currently taking place in the European Union: for the first time the EU is developing a policy on relations with the NGO sector, to be laid out in the White Paper on Social Economy.

The laws regulating NGO activities should be optimized, a process which should not be limited to the drafting of a law regulating charitable contributions. NGOs should be legally classified according to: 1) whether they are associations, or foundations handling financial resources; and 2) whether they are public benefit organizations or mutual benefit organizations. At present it is not possible to change the system of taxation to the benefit of NGOs because the Ministry of Finance cannot differentiate between those organizations which should be entitled to tax benefits and those which should not.

To promote the financial sustainability of NGOs, studies (including pilot projects) should be done on the feasibility of establishing public trust funds, which could be funded by NGOs, individuals, and businesses. In other countries this sort of fund allows NGOs to finance their activities from the interest on their investments. Foundations and NGOs quite often support their activities at least in part by building up an endowment, and this is the normal route to the financial independence of this sector. This is critically important for Latvia, as the current largest donors to the sector – UNDP and the Soros Foundation – Latvia – cannot continue their financial contributions indefinitely. Therefore, the following questions should be actively studied: whether current legislation allows for the formation of such funds, what are the barriers to their formation, and what is the attitude of potential donors in the private sector.

Positive examples of NGO activity should be popularized and new ways should be sought to pass on best practices. One effort in this direction is a joint project of the Union of Local Self-Governments and the NGO Center, aimed at collecting and publicizing such examples by co-operating with the press, radio, and television, by organizing little "market-places of ideas," and by joint public relations activities and conferences.