Latvia Report
Indra Mangule, Daunis Auers, Detlef Jahn (Coordinator)

Sustainable Governance Indicators 2019
Executive Summary

Latvia’s economy has rebounded. GDP growth in 2018 once again placed it among the fastest growing economies in Europe and made it the faster growing economy among the Baltic States. This has created the fiscal space to shift focus to neglected policy challenges, including social inequalities and income disparities, and poor health and education outcomes. A recent reform package has shifted the tax system toward a progressive income tax, reducing the tax burden on low-wage earners. Ambitious education reforms have been announced, but their successful implementation remains far from guaranteed given the vocal opposition from teachers and local government authorities. A much needed supplementary allocation to the health care budget was passed for 2018, although concerns about the implementation of the new system remain. Overdue reforms of the health care system remain fraught with controversy as current drafts appear to prioritize tax collection over access to health care.

The increasingly unpredictable international climate poses a continued threat to domestic security. Latvia has met its NATO defense spending goal of 2% of GDP in 2018, although there has been recent debate about the need to raise spending above the 2% mark. Contradictory pro-EU and pro-Russian narratives have been exacerbated by a lack of trusted, independent local media and tensions within Latvia’s bilingual population. The slow post-factum unveiling of Russian interference in European and U.S. elections raised questions about how Latvia would mitigate potential Russian interference in its own elections in 2018. Though no significant interference was observed during the elections.

Latvia joined the OECD in 2016. Reforms advocated by the OECD are being implemented, including reforms to improve the management of state-owned enterprises, ensure political non-interference, and separate the state’s management and regulatory functions. While frameworks for the management of state-owned enterprises and for insolvency procedures have been improved, implementation remains a challenge. The Foreign Investors Council has identified issues undermining the foreign investment climate, including a lack of legal certainty in court decisions, tax policy, slow digitalization of services and demographic challenges to Latvia’s long-term immigration policy.
The government has significant strategic capacities. The Cross-Sectoral Coordination Centre (PKC) offers regular, quality assessments that feed into the day-to-day decision-making of government. However, the PKC has failed to establish its authority among the numerous voices in government decision-making, with the result that PKC analyses are often overlooked in favor of political expediency. Latvia’s governance system is increasingly open to evidence-based policymaking and external advice. While underfunded, the participation of academic experts and NGOs in policy development is increasingly the norm.

The parliament (Saeima) faces serious challenges in exercising executive oversight. In 2017, parliament established a parliamentary research unit. Its initial mandate, however, is quite narrow. The research unit will provide several research products per year, defined and agreed upon via a collaborative process conducted during the preceding year. The limited scope of this mandate will prevent the research unit from having an impact on day-to-day legislative decision-making.

Though Latvia has a stable democratic framework that protects civil rights, political liberties and democratic institutions, most citizens do not trust the government and are reluctant to participate politically. Only 15% of respondents to a recent public opinion poll agreed that they could influence decision-making, while a negligible percentage stated that they engage directly in party politics. The government faces challenges in building trust, limiting the performance of the democratic system. Several reforms are necessary to improve governance, including protecting the independence of public broadcasting and rebuilding a solid anti-corruption institution.

Latvia’s government must rapidly modernize regulation of the banking sector, following the February 2018 report by the U.S. Department of the Treasury’s Financial Crimes Enforcement Network (FinCEN). The report accused ABLV, Latvia’s third largest bank, of institutionalized money laundering. A few weeks after ABLC was prohibited from opening or maintaining correspondent accounts in the United States, ABLV went into liquidation. A similarly negative report from the Council of Europe’s Moneyval Committee in August 2018 has stated that Latvia should be put on a “grey” list of countries, if a long list of recommendations to reform banking regulation and oversight are not introduced within the next 12 months.
Key Challenges

The government has proven capable of focused and determined policy development. The growing economy presents opportunities to realign the tax burden, and focus on long-term drivers of economic performance and growth, such as education and innovation. It also permits a focus on long-neglected policy challenges, such as reducing social inequalities. Encouraging steps have been taken. The government must now follow through on measures that will shift the tax burden away from low-wage earners, improving health care access and quality, and reforming education. The needs in these challenges are enormous, but must be balanced with fiscal prudence.

If social inequality remains unaddressed, public trust will continue to slip, risking a further rise in emigration. The skills mismatch in the Latvian labor market has created high unemployment coupled with a qualified labor shortage in the past. Meanwhile, the more recent fall in the unemployment rate paired with rising wages indicates a tightening labor market. Negative demographic trends will exacerbate this situation in the future. The government should focus on policies that mitigate labor shortages, such as repatriation incentives and immigration policies specifically targeted to fill demand for high-skilled labor.

The government should continue to address barriers to economic development, such as the slow court system, inadequate insolvency procedures and corruption. Policies adopted in preparation for OECD membership should be followed through to successful implementation. With the 2017 change in leadership at the Corruption Prevention and Combating Bureau (KNAB), there is now the opportunity for a long overdue repositioning and overhaul of the institution.

Given international tensions stemming from Russia’s activities, Latvia must continue to fulfill its NATO defense commitments as well as mitigate the economic effects of the sanctions imposed on Russia by the European Union. Latvia met its spending commitment in 2018, which is a welcome development. However, resilience in the face of a hybrid war requires other types of spending. Strengthening the independence, quality and reach of public
broadcasting will be key to addressing the contradictory pro-EU, pro-Russian media narratives that are circulating. The government should take advantage of the fiscal space generated by a growing economy to consolidate the financial independence of public broadcasting by providing resources that are not subject to annual budget shifts. With adequate funding, these reforms could free public broadcasting from relying on advertising revenue. Recent election interference by Russia in the United States and Europe raises the specter of similar interference in Latvia, where information warfare is common.

The establishment of a parliamentary research unit in 2017 is a welcome step toward improving the parliament’s capacity for executive oversight. Unfortunately, the initial mandate for the research unit will have limited impact on day-to-day legislative decision-making. The research unit should be given a broader mandate, one that enables it to bring evidence-based analysis into the work of parliamentary committees.

Government decision-making is well managed, transparent and allows for stakeholder input. The practice of fast-tracking policy proposals undermines this process; further efforts should be made to reduce the use of fast-tracking. The Cross-Sectoral Coordination Centre (PKC) is well placed to support strategic planning in the new medium-term budget framework and to keep the government focused on long-term goals. However, the PKC must focus on building its informal decision-making authority so that its analyses can counteract the pull toward political expediency.

The government should continue to create space for constructive civic engagement by building on innovative public engagement platforms already launched and channeling financial support to NGOs that engage in the policy process. While the government has offered significant support to some social partners, most NGOs remain dependent on rapidly declining foreign funding, as local funding has not filled the shortfall. In addition, the further decline in voter turnout (only 54.6% of the eligible population voted in the 2018 election) is a strong indicator that government communication with the public needs to be improved.

Finally, Latvia will need to be mindful of the challenges it will face in the next parliamentary term. The 2018 election has brought new parties into the Saeima, but at the same time the coalition will now be very fragmented. As a result, given the different stances these parties have on (potential) key developments, a variety of internal coalition conflicts are likely to arise, which may seriously obstruct the work of the government and even lead to the early collapse of the new cabinet.
The government must prioritize regulation of the banking sector to avoid being placed on Moneyval’s “grey” list of countries, which could lead to Nordic banks closing their branches in Latvia, further starving the economy of access to capital.

The government needs to tackle territorial administrative reform, merging small, sparsely populated local authorities that fail to deliver qualitative services to their sparsely populated residents.

**Party Polarization**

In general, parties are able to reach agreements, although this in part due to the composition of the dominant coalition over recent years. Center-right parties have dominated, pursuing a pro-European stance, liberal economic policies and promoting an (ethnic) Latvian identity.

Latvia has a multi-party system, which is somewhat fragmented and polarized, with polarization strongest along ethnic/linguistic lines (the ethnic cleavage cuts across the usual left-right divide). Parties are broadly perceived as either representing Latvian or Russian speakers.

The Saskaņa (Harmony) party, which has succeeded in consolidating the Russian-speaking vote, has been the largest parliamentary fraction since 2011. However, the party has never been part of a ruling coalition. No Russophone party has ever served in a coalition government in Latvia. This trend is likely to continue for the next parliamentary term, and was illustrated prior to and after the election in 2018, when most parties stated that they would not cooperate with Saskaņa. Consequently, Saskaņa will remain rather isolated, and will continue to serve a limited role and lack influence over decision-making. (Score: 6)

Citation:
Policy Performance

I. Economic Policies

Economy

Following a difficult period of economic adjustment in 2009 and 2010, Latvia’s economy has fully rebounded, returning to the international markets and to favorable economic growth rates. In 2016, Latvia’s annual growth rate was 2.0%, in line with the EU average. In 2017 and 2018, the growth rate continued rising, with a 5.3% increase in GDP between the second quarter of 2017 and the second quarter of 2018.

Latvia’s economic policy had been governed by parameters accepted as part of financial assistance provided by the IMF and European Union. As this assistance has since been repaid, these parameters have been withdrawn. While these parameters led the economy into a difficult period of adjustment, they provided a framework in which the economy established fiscal discipline. For example, in 2013, Latvia introduced legislation that placed a cap on the public budget deficit and launched a multi-year planning cycle. The Fiscal Discipline Council (FDC) plays an oversight function, consulting with the government on fiscal planning issues and compliance with the budget deficit cap. In 2018, the FDC highlighted that the positive output gap trend observed in 2017 continued strongly through 2018. The FDC also emphasized the systematic practice of reallocating expenditure by the government, indicating unused appropriations as the source of funding, the amount of which was then used to calculate the maximum amount of government expenditure. According to the FDC, this practice was exemplified by the cabinet’s decision to reallocate funds from the Ministry of Welfare’s budget in October 2018.

Since meeting its policy goal of joining the euro zone in 2014, Latvia’s focus has necessarily shifted to longer-term issues of maintaining competitiveness within the euro zone and addressing social inequalities. The Latvian economy is continuing to grow strongly and, while the growth rate is projected to
By 2020, Latvia will need to maintain progress with economic reforms and participate more actively in international trade to ensure continued progress. Domestically, there should be a stronger focus on innovation and research, and access to jobs, housing and health care services should be improved to promote inclusion. While a number of reforms are already underway, especially in key areas (e.g., health care, education and public administration), their effectiveness remains varied and rapid wage growth represents a further challenge to economic stability.

Citation:


Labor Markets

The unemployment rate in Latvia has fallen from 20% in 2010 to 8.9% in 2017 to 6.9% in 2018.

Following increases in 2016 and 2017, the minimum monthly wage was further increased in 2018 to €430. Accordingly, in the second quarter of 2018, compared to the second quarter of 2017, the average monthly gross wage grew by 8.4% or €78. The average monthly income now exceeds €1,000.

However, rising wages with labor shortages is indicative of a tightening labor market. The main labor market challenges for Latvia remain a rapidly shrinking working-age population, internal migration from rural regions to the capital city of Riga and high net emigration.

Citation:

Taxes

Overall, Latvia has one of the lowest rates of tax in the European Union. However, more than in many other EU member states, the tax burden falls disproportionately on wage earners, particularly low-income earners. To address this issue, tax reforms were undertaken in 2016 and 2017 to shift the tax burden away from low-income wage earners and increased the tax burden on the wealthy. Following this trajectory, a significant tax reform came into force in 2018.

In 2016, a “solidarity tax” was introduced, to be levied on any income exceeding the mandatory social security contributions ceiling. The rate of this tax was set at 34.09%, of which 23.59% was to be paid by the employer and 10.5% by the employee. The legality of this tax was challenged in the Constitutional Court by a group of plaintiffs subject to the new tax. In October 2017, the Constitutional Court ruled that while the solidarity tax itself is constitutional, the differentiated application across taxpayer groups was unconstitutional. The court mandated that the tax expire on 1 January 2019, granting the government time to plan an appropriate tax-policy change.

The tax reforms that came into force in 2018 aim to reduce income inequality and increase the total amount of tax revenues to 30% of GDP. A progressive income tax system was introduced. The personal income tax rate of 23% was replaced with a three-tier system: 20% for annual incomes below €20,000, 23% for incomes between €20,000 and €55,000, and 31.4% for incomes above €55,000. The maximum non-taxable minimum income was increased from €115 to €200 per month, with further increases slated for 2019 and 2020. The non-taxable minimum for pensions was increased from €235 to €250 per month, with further increases slated for 2019 and 2020. The allowance for dependents was increased from €175 to €200 per month. The personal income tax rate for income from capital and capital gains was increased to 20% (with the exception of dividends taxed under corporate income tax).

In order to increase health care financing, social security contribution rates were increased from 34.09% to 35.09% in 2018, of which 24.9 09% is paid by the employer and 11% by the employee. The solidarity tax, which will remain
in effect until 2019, will be applied only to income that exceeds the cap for mandatory social insurance contributions: €55,000 in 2018.

In order to provide compensation for the loss in state and municipal budgets brought by the reform, the gambling tax and excise duties were increased in 2018 – a mechanism put in place to tackle the shadow economy and strengthen tax administration.

Economic recovery, structural reforms, improvements in tax collection and a reduction in the overall share of the informal economy have enabled the government to exceed its target for reducing the budget deficit. In 2013, the budget deficit was reduced to 1.0%, exceeding the target of 1.4%. In 2014, the deficit stood at 1.4%, declining to 1.3% in 2015. In 2016, the budget deficit was 0.0%. The general government deficit was 0.5% of GDP in 2017 and was forecasted to be 0.9% of GDP in the spring of 2018, but decreased to 0.8% in the autumn of 2018. Meanwhile, the general government gross debt is expected to increase to 1.0% of GDP in 2019, before declining again in 2020.

In the light of the extensive tax reforms, the short-term challenge for tax policy in Latvia will stem from the uncertainty around the cost and impact of the reforms. Therefore, prudent fiscal policies will be crucial for Latvia to preserve sound public finances.

Citation:


Budgets

Latvia’s budgetary policy has been recognized as prudent and fiscally sustainable by the European Commission, the IMF, and the OECD. However, achieving medium-term structural-reform goals remains a challenge.

The budget framework and government-debt cap of 60% of GDP, prescribed by the Law on Fiscal Discipline, has been maintained. Latvia remains broadly compliant with the principles of fiscal discipline.

During 2018, Latvia has maintained policy continuity, which has not been impaired by the current election cycle.

In 2015, the budget deficit was 1.3% of GDP, above the target of 1.0%. In 2016, it stood at 0.0%. In 2017, the deficit (0.5% of GDP) was about 0.25% below the projections of the IMF. In addition, during the first quarter of 2018, the government recorded a cash surplus, supported by a strong increase in revenue from income tax, VAT and social security contributions.

Citation:

Research, Innovation and Infrastructure

Research and development (R&D) expenditure in Latvia was equal to 0.62% of GDP in 2015, but fell to 0.44% of GDP in 2016. Investment into R&D from foreign sources in Latvia is significantly higher than the EU average. In 2013, the EU average was 9.9%, while in Latvia it was 44% in 2014 and 45% in 2015. In 2014 and 2015, private sector investment in R&D was 0.19% and 0.12% of GDP respectively, significantly below the EU average of 1.3% in 2014.

Even though Latvia’s productivity growth has been solid, innovation performance remains average at best. In the Union Innovation Scoreboard 2018, Latvia ranked 24 out of 28 EU member states in terms of innovation, up from 25 in 2017. Consequently, Latvia remained in the category of “moderate innovators.” Despite the relatively high increase in venture capital, in absolute terms, investments remain small and largely dependent on EU support. Despite Latvia’s previous progress from “modest” to “moderate” innovator, the share of high-tech companies in the Latvian economy is small, as is the private
sector’s demand for R&D activities. In budgetary debates, innovation remains a low priority.

The OECD has recognized Latvia for improving in its framework on research and development innovations, noting the consolidation of research institutions, introduction of quality-based financing models, and incentives to boost research. For example, a support program for the development of new products and technologies has been set up, managed nationwide by eight Competency Centers. The program seeks to attract at least €12.8 million in private sector investment for research and development. As of September 2018, 186 projects had been launched, which signals an appetite for similar incentives to be introduced in the future.

In Latvia, a high proportion of the population has completed tertiary education, which – paired with favorable business conditions – creates an advantageous climate for innovation-driven growth. In the coming years, the quality of public R&D has to increase, and links between academia and business need to be strengthened.

Citation:


Global Financial System

The volume of bank deposits made by non-residents has presented a systemic risk to the Latvian financial system. However, this risk is declining. The share of non-resident deposits to total deposits shrank from 53.4% in 2015 to 42.8% in 2016. The share of non-resident deposits continued to fall in 2017 as Latvia’s membership in the OECD and new international banking regulations saw Latvia’s regulators and banks tighten their anti-money laundering practices, Latvia was lauded for this in an annual report from the OECD. Non-resident deposits in Latvian banks dropped further to an historic low of 20.5% in August 2018.
Latvia’s banking system is increasingly interconnected with the Nordic and Baltic regional system, requiring increased collaboration to address Nordic parent bank vulnerabilities and their spillover effects.

Overall, despite the suspension of activities of Latvia’s third largest bank following allegations of money laundering, the banking system remains well capitalized and liquid, with capital-to-risk-weighted assets of 22.4% and liquid assets exceeding 80% of short-term liabilities at the end of March 2018.

In addition, Latvia adopted a National Risk Assessment for money laundering and terrorist financing in 2017, articulating an understanding of the vulnerabilities and risks that the country faces. However, the absence of a robust risk assessment (e.g., which would address confusion between unusual and suspicious transaction reports) for terrorist financing still represents a key deficiency in the effective supervision of international financial security. Furthermore, there is a lack of clarity in the legal system regarding targeted financial sanctions. With the exception of the Financial Capital Market Commission, Latvia’s supervisory authorities are not active in international cooperation regarding money laundering and terrorist financing.

Citation:


II. Social Policies

Education

Latvia has a relatively well-educated population and performs reasonably well in international comparisons, such as PISA. The 2015-2018 PISA results show that performance in the most significant indicators is now at the OECD average or below.
Key challenges to the education system include a shrinking population, a high rate of early retirement among teachers and a level of public funding significantly lower than the OECD average. Furthermore, around 45% of primary to upper secondary school teachers are at least 50 years old in Latvia. Consequently, a large number of teachers will retire over the next decade. In addition, teachers’ salaries remain low, which – paired with the aging teacher population – constitutes a future challenge. Some steps were taken in 2018 to increase the minimum wage for teachers (from €680 to €710 per month), but longer term plans remain unclear.

While being successful in making upper secondary education nearly universal (88% of adults have attained an upper secondary level of education), Latvia lags behind other OECD countries in vocational education. In contrast, access to tertiary education has expanded remarkably in the recent decades. The proportion of 25 to 34 year olds having attained a level of tertiary education (i.e., a bachelor’s degree or equivalent qualification) increased from 26% in 2007 to 42% in 2017. Incentives such as better employment prospects remain a strong driving force for young people, as 87% of tertiary educated 25 to 34 year-olds were employed in Latvia in 2017.

When it comes to enrollment rates, Latvia has seen a large increase in early years education. The enrollment rate of three and four year olds increased between 2005 and 2016, from 66% to 89% and from 73% to 93% respectively, which is larger than the average across OECD countries. Furthermore, between 2013 and 2016, incoming international student mobility almost doubled in Latvia, which again is high relative to other OECD countries.

Latvia has exceeded the EU 2020 education target of 40% of 30 to 34 year olds holding a university-level qualification. The IMF has, however, warned that the current system is unsustainable due to a disproportionately high number of institutions, limited financing and falling student numbers. Similarly, in 2017, the Bank of Latvia recommended a drastic reduction in the number of higher-education institutions, from 56 to 20, as well as a reduction in the number of study programs, from over 900 to less than 500. There is some evidence that the process of downsizing the large body of higher education institutions has begun. For example, the Riga Pedagogical Academy was recently merged with the University of Latvia. In addition, steps were taken to close a number of rural schools.

In general, education reform has been high on the government’s agenda. The total number of general education schools has dropped from 824 in 2014/2015 to 790 in 2016/2017, while the number of vocational schools has dropped from 63 to 51 over the same period. Further consolidation of the school system is
planned. The process of consolidation aims to simultaneously reduce expenditure, and increase school size and quality at the secondary school level, particularly in Latvia’s rural regions where schools are often unsustainably small with poor educational outcomes. However, these reforms are opposed by local governments, which fear the loss of jobs that accompany school closures.

A significant curriculum reform has been underway, and was to be implemented on a rolling basis between 2018 and 2022. In 2018, after heated discussions in the parliament, it was agreed that most of the planned changes will only be introduced fully from September 2020.

Finally, as part of the educational reforms, Latvia has continued working on gradually phasing out minority schools. Amendments to the Law on Education and the Law on General Education, which will gradually make Latvian the principle language of instruction in secondary schools by the 2021/22, were approved by the parliament and proclaimed by the president of Latvia in 2018. Though the amendments also maintain support for state-funded education in minority languages at primary school level and support for teaching in minority languages for subjects related to national minorities’ culture and history at secondary school level.

Citation:


Social Inclusion

While economic growth and stabilization is evidenced by some economic and social indicators (such as poverty rates), the depth of the 2008 – 2010 economic crisis and persistence of high unemployment rates have until very recently had a lasting impact on citizens’ welfare and quality of life. Latvia has
one of the highest levels of income disparity among EU member states, with a Gini index of 34.5 in 2018, still one of the largest in the European Union. This situation has been exacerbated by policy decisions that favored rapid economic recovery at the cost of social-security provision for at-risk population groups.

In 2017, a new progressive tax rate has been adopted, effective in 2018, along with other measures aimed at reducing the tax burden on low-wage earners.

Latvia’s economic-recovery package included policies to address poverty and unemployment. The social safety net includes a guaranteed minimum income (GMI) program addressing the needs of unemployed people and at-risk population groups. The minimum GMI benefit has since been increased, but responsibility for financing the program has been transferred from central to local government. This has undermined the program’s financial sustainability, and as the economy has recovered, a gradual phase-out is being considered. However, the GMI benefit remains in place. The benefit was €49.80 per month from 2013 until 2018, when it was increased to €53 per month.

The high emigration rate serves as a major indicator of marginalization and the lack of opportunity. A total of 275,131 people left Latvia between 2006 and 2016. Moreover, recent research shows that the emigrants are on average better educated than those who have stayed. The annual emigration rate is falling, however. This massive emigration, coupled with a high mortality rate and low birth rate, has led to a 12% decline in population over the past 10 years, the second-largest decline in the European Union. In 2012, a governmental working group was charged with devising policies to encourage emigrants to return to Latvia. The working group’s report, Proposals for Measures to Support Remigration, was approved by parliament on 29 January 2013. The report recommended: the provision of relevant information to potential returnees using a single one-stop website, 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. The Ministry of Foreign Affairs has appointed an ambassador-at-large to support and promote these initiatives. A 2016 review of the implementation of this plan concluded that it has been only partially implemented due to severe underfunding. For example, in 2016 only €596,400 were allocated to all remigration activities, significantly below the planned €1.2 million.

Finally, Latvia’s poverty rate is one of the highest in the European Union and OECD. While unemployment has been declining, it disproportionately affects
the low-skilled and young. Social protection spending is below the European average, and areas such as housing and social exclusion are underfunded.

Citation:

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


Health

In 2016, an OECD review stated that the health care system in Latvia broadly delivers effective and efficient care considering its severe underfunding and a higher level of demand compared to most OECD countries. Universal population coverage, highly qualified medical staff, the innovative use of physicians’ assistants have been noted as positive aspects of the current health care system in Latvia. However, substantial challenges remain, including disproportionally high out-of-pocket expenses (one in five people report foregoing health care due to cost), and long waiting times for key diagnostic and treatment services. Mortality rates for men, women and children are higher than in most EU member states. Latvia also lags behind in the development of evidence-based reform proposals.

The economic crisis in 2008 resulted in a dramatic decrease in public funding for health care. The crisis gave impetus to structural reforms, which aimed to reduce costs, for example, by shifting from hospital to outpatient care. Furthermore, the introduction of e-health and IT solutions began in 2017, albeit after a considerable delay. The new system has come under heavy criticism and the requirement to use the system was one of the factors contributing to a general practitioners strike in 2017.

Over the course of 2016 and 2017 there have been many personnel changes in the upper management levels of the health care system. High turnover in
senior management positions within the ministry and health care agencies raises concerns about consistency and institutional memory within the system.

The main challenge for health care policies remains low public spending – around 10% of public spending is allocated to health care, compared to an average of about 15% in EU member states and OECD countries. This limits access to quality and timely care.

Until recently, Latvia had universal health care insurance and a single-payer system financed through general taxation. However, health care reforms were introduced in 2017 (with a planned transition period in 2018) to address the issues highlighted. This comprehensive health care reform aims to introduce a health care insurance component and to separate the provision of public health services into two “baskets,” specifically a full basket available to persons paying social security contributions or defined as vulnerable (e.g., children and pensioners) and a “minimum basket” that provides a reduced set of health care services to people who do not pay social security contributions. Although the health care reform can be seen as timely, it has stalled. Its success in improving the quality and availability of health care services will depend on how efficiently the resources are used.

Citation:


Families

Family-support policies enable women to combine parenting with participation in the labor market. In 2016, 74.5% of mothers with at least one child aged six and under were employed, which is above the OECD-31 average of 67.7%.

A maximum of 112 calendar days of maternity leave can be taken, with mothers receiving 80% of their average wage. Paternity benefits are paid for a
maximum 10 days at 80% of fathers’ average wage, with paternity leave taken within two months of the child’s birth.

Furthermore, parental leave of up to 18 months per child can 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, as well as other social benefits such as reduced fares on public transport. As of 2017, 10 days of parental leave are available to parents of adopted children.

Labor law prohibits an employer from terminating an employment contract with a pregnant woman or a mother with a baby under one year old.

Local government support for private sector involvement in child care should address the shortage of available kindergarten places, although this financial support is likely to be cut as local authorities’ fiscal health declines further.

Citation:
2. OECD (2016), Family Database, Available at: http://www.oecd.org/els/family/database.htm#labour_market, Last assessed: 02.01.2019

Pensions

The state pension system guarantees a monthly minimum pension. The amount of the monthly pension is dependent on the recipient’s years of service, but is at least equal to or larger than the state social-security benefit of €70, though less than half the 2018 monthly minimum wage of €430. However, where the amount of an individual’s monthly pension is below the minimum wage, the recipient qualifies for public assistance. The average monthly pension in 2017 was €289.40. According to the Central Statistics Bureau, the at-risk-of-poverty rate among retired persons continues to grow rapidly, reaching 44.2% in 2016 compared to 38.1% in 2015 and 27.6% in 2013.

Two types of mandatory pension schemes exist in Latvia: a non-financial (notional) contribution (pay-as-you-go) and a funded contribution. There are also voluntary private pension funds that are complementary to the mandatory schemes. Jointly, these constitute a three-pillar pension system, which has increased the system’s fiscal sustainability and intergenerational equity.

The European Commission Fiscal Sustainability Report 2012 concluded that the notional defined contribution system had low sustainability risks, given its expected reliance on funds raised through the second pillar.
The second pillar mandatory funded pension scheme has come under criticism for excessive fees. An independent private start-up fund has emerged, offering substantially lower commissions and favorable terms. Legislators have taken interest and draft legislation is under consideration as of 2018 to limit bank commissions and fees levied for managing the mandatory funded pension scheme.

In a 2018 report, OECD highlighted the need for Latvia to strengthen the social safety net for elderly people, and raise the basic state pension in order to reduce poverty among pensioners (especially among women) and address the challenge of a rapidly declining population. Latvia’s old-age poverty rate is the second highest in the OECD – more than 25% of people aged 65 and over have an income below the relative poverty line. The basic pension level is very low and has not risen in nominal terms for more than a decade.

The report also criticized Latvia’s three-pillar system and specifically the NDC schemes, because they automatically adjust to changes in the size of the labor force and life expectancy. Consequently, if these are not matched with an adjustment in retirement age, the future replacement rates will remain below the OECD average. The report also noted that Latvia’s shrinking labor force lowers the internal returns of pay-as-you-go pensions and that the default option in the mandatory scheme is only appropriate for very risk-averse individuals, not the entire population.

However, the tax reform of 2017/2018 signals a willingness to address some of the problems in the system. The tax reform introduces a progressive taxation of personal income, including pensions. In addition, the non-taxable minimum is higher for pensioners (€235 per month in 2017 up to €300 per month in 2020) than for the working age population (€75 per month in 2017 up to €250 per month in 2020). In 2018, the indexing of pensions also became more favorable for those with longer social contribution records.

Nevertheless, even with the amendments, the pension indexing system remains complex and many of the issues identified by the European Union and OECD remain – further reforms are urgently needed, especially with regard to poverty reduction.

Citation:
2. Central Statistical Bureau, Database, Available at: http://data.csb.gov.lv
3. OECD (2018) Review of the Pension System in Latvia, Available at: https://read.oecd-ilibrary.org/social-
Integration

On 11 October 2011, Latvia adopted the Guidelines on National Identity, Civil Society and Integration Policy (2012 – 2018), which set policy goals for achieving a more inclusive and cohesive society. The guidelines include new policy proposals, increased governmental support and improved institutional arrangements. However, in 2015, Latvia ranked second-to-last among 38 European and North American countries in the Migrant Integration Policy Index. The index noted that Latvia still has the weakest policies among EU member states. The same year, Latvia convened a working group charged with creating a coherent policy for accepting and integrating a larger number of refugees as part of a burden-sharing process reflecting the broader European refugee crisis.

Latvia faces challenges in integrating two particular categories of immigrants: migrant workers and non-citizens. Non-citizens are long-term residents of Latvia who were not eligible for citizenship when Latvia gained independence from the Soviet Union and have not been naturalized since independence. Non-citizens comprise 11.43% of the total population.

The Office of Citizenship and Migration Affairs indicates that there are 89,023 migrant workers (i.e., individuals holding either a temporary or permanent residence permit) in Latvia. Migrant workers comprise 4.5% of the total population. Since July 2010, Latvia has granted temporary residence permits to investors meeting monetary investment targets (15,820 temporary residence permits were issued between 2010 and 2015). In September 2014, parliament doubled the minimum investment required to attain a temporary residence permit resulting in a significant drop in demand for these types of permits.

Rights for immigrants depend on the type of residency permit. Individuals holding a temporary residency permit are particularly vulnerable, as they do not qualify for public health care, legal aid or unemployment support. An individual holding a permanent residency permit or who has acquired long-term resident status within the European Union has the same rights as Latvian non-citizens. As of March 2010, all children, including children of migrant workers holding temporary residence permits, have access to free education. No restrictions are placed on the right to work for high-skilled migrant workers, foreign students or immigrants who have moved for family reasons.
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. Temporary migrant workers do not have the ability to freely change employers or their position within the company.

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 commercial companies in which the majority of capital shares are publicly owned. Moreover, in late 2017, politicians from the National Alliance party called for legislation to strengthen the importance of the Latvian language in the private (primarily service) sector.

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

Legislative obstacles restrict the ability of immigrants to participate in society. Migrants 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.

In 2017, 395 persons applied for asylum in Latvia. Only 39 were granted refugee status and 259 received alternative status. Most people who were granted protection status were from Syria, Vietnam, Russia, Eritrea and Kazakhstan.

Citation:


5. The Saeima (2018), The Role of Immigration in Labour Security in Latvia (in Latvian), Available at:
Safe Living

The Ministry of Interior, state police, security police, state fire and rescue Service, state border guard, and Office of Citizenship and Migration Affairs are responsible for domestic security policy. They collaborate on some policy issues, notably on immigration policy.

In 2016, 45,639 crimes were registered, which was a 3.7% decrease from 2015. In 2017, the number fell further, reaching 44,250 or 229.1 crimes per 10,000 people. In 2017, 61% of the recorded crimes were classified as relatively mild and approximately one third were categorized as serious.

Despite international developments, the threat of terrorism is low. There have been no criminal offenses associated with terrorism. In late 2015, the security police started a criminal investigation into alleged participation in the military conflict in Syria. One conviction has followed, carrying a four-year prison sentence. In 2016, two criminal investigations for terrorism threats were launched, another for inciting terrorism and four for participation in foreign armed conflicts.

Opinion polls from 2016 indicate that public trust in the police continues to rise and more people feel safe (74% of respondents report feeling safe or rather safe).

Citation:
Global Inequalities

As a result of government austerity programs, funding for bilateral development cooperation was reduced to a minimum between 2009 and 2011. This reduction has meant that Latvia’s ability to directly contribute to efforts to tackle global social inequalities has been negligible. In 2016, Latvia’s official development assistance (ODA) expenditure was €19 million or 0.08% of GNI, down from €21 million or 0.21% GNI in 2015. Latvia has adopted a multi-year ODA strategy, which foresees increasing contributions to 0.33% of GNI by 2020.

Bilateral development cooperation focuses on the three top-priority countries of Georgia, Moldova and Ukraine.

Citation:

III. Enviromental Policies

Environment

Environmental policy effectively ensures the sustainability of natural resources and protects the quality of the environment, as evidenced by Latvia’s consistently high rankings in the Environmental Performance Index produced by Yale and Columbia universities (37th in the world rankings in 2018). Though the overall environmental performance has slipped due to sub-par performance on climate change. Water resources, environmental health policy and biodiversity were identified as particular strengths. However, weaknesses remain in the areas of forests, agriculture and fisheries.

In 2015, Latvia adopted a new Environmental Policy Strategy for the 2014 – 2020 period, prioritizing a new financing model for the use of revenue from the natural-resources tax, creating a deposit system for waste management, improving standards in waste-water management, and improving research and development capacities.

The Climate Change Financial Instrument, funded through the International Emissions Trading Scheme, is the main climate-change policy instrument.
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 government acts as both regulator and largest landowner with respect to Latvia’s forests. Protection of forests is well organized and secured through legislation, which regulates all related economic activities, including harvesting, management plans, regeneration and monitoring and control of tree species.

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. Natura 2000 designated sites cover 12% of the territory of Latvia, representing 327 different areas for the protection of habitats and species. A law called On Protection of Species and Habitats also provides for the establishment of micro-reserves to protect small-scale biologically rich areas that lie outside of protected territories. Over 2,000 micro-reserves had been established as of 2012.

The amount of household waste generated per capita was below the EU average, 410kg (EU average being 482 kg). Air quality is good – the limit values for sulfur dioxide, ozone and carbon monoxide pollutants have not been exceeded. In 2016, €205 million was spent on research and management of environmental quality.

Citation:
1. Yale University (2018), Environmental Performance Index Rankings, Available at: https://epi.envirocenter.yale.edu/epi-country-report/LVA. Last assessed: 31.12.2018

Global Environmental Protection

Despite having a president and, until recently, a prime minister from the Union of Greens and Farmers party, Latvia is not an international environmental policy agenda-setter. The country has agreed to comply with international agreements, such as the Kyoto Protocol, but does not have the political or economic capacity to lead on a global scale.
As an EU member state, Latvia is bound by EU legislation, with EU climate policy particularly influential. Latvia indirectly contributes to EU initiatives, but does not directly advance global environmental protection regimes.

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 the Kyoto Protocol since 2002. Under the Kyoto Protocol, Latvia and the other EU member states 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 2018 Climate Change Performance Index, which evaluated emissions trends, emissions levels and climate policy, rated Latvia as a good performer, but noted its sub-par performance on climate change.

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.

Citation:

2. Yale University (2018), Environmental Performance Index Rankings, Available at: https://epi.envirocenter.yale.edu/epi-country-report/LVA. Last assessed: 31.12.2018
Quality of Democracy

Electoral Processes

Candidacy procedures provide everyone with an equal opportunity to be an election candidate. Some restrictions, related to Latvia’s Soviet past, are in place.

While political parties are the only organizations with the right to submit candidate lists for parliamentary elections, multiparty electoral coalitions have not 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).

Registration as a political party is open to any group with at least 200 founding members. In 2016, a new threshold was set, which requires political parties to have at least 500 members before standing in national parliamentary 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. For example, the 2018 ODIHR REPORT expressed full confidence and trust in the professionalism and impartiality of election administration at all levels.

Citation:
1. The Saeima Election Law, Article 5 and 6, Available at: https://www.cvk.lv/pub/public/30870.html, Last assessed: 04.01.2019


Electoral candidates and every political party have equal access to the media. Publicly financed election broadcasts on public and private television are equally available to all, although debates between political party leaders before elections often feature only those parties polling around and above the 5% threshold in the polls.

The national 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. Local newspapers and electronic media in Latvia’s rural regions are often dependent on advertising and other support from the local authorities, sometimes leading to unbalanced coverage favoring incumbents. Local government-owned print media is pushing independent local media out of the market, leaving only local government-owned outlets to function as a public relations arm for incumbents. Meanwhile, the opaque ownership structures of media outlets mean that support for political actors is often implied rather than clearly stated as an editorial position. Corrupt political journalism has been prevalent across a wide spectrum of the media. There are also marked imbalances in media coverage related to the different linguistic communities. For example, both Latvian and Russian-language media demonstrate a bias toward their linguistic audiences.

Citation:

All adult citizens over 18 years of age have voting rights in national elections. Resident EU citizens can vote in local and European elections, and all have 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 and polling stations abroad as well as through an absentee-ballot postal procedure.

Latvia has a significant population of non-citizens (11.07% of the total population in 2018) who, while allowed to join political parties, cannot participate in any elections.
Voting procedures for non-resident citizens can in practice present obstacles. For example, the number of Latvian diplomatic representations is limited, which can mean that non-resident citizens have to travel long distances, at significant expense, to vote. Furthermore, to vote by post non-resident citizens are required to submit their passport, which can be held for three weeks.

Election observers in the 2018 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, Voting from abroad, Available at: https://www.cvk.lv/pub/public/32011.html, Last assessed: 04.01.2019

Political parties are financed primarily through individual donations and public financing, but can also be financed by membership fees and income earned through parties’ economic activities, according to certain set limits. Public financing is also provided to all parties who gained 2% of the vote in the last parliamentary elections. Donation amounts are capped, while legal entities (e.g., corporations), and anonymous and foreign donors are prohibited from financing political parties. Parties are also not allowed to take or issue loans. Candidates are permitted to donate to their own campaign, but according to the limits established for donations from individual persons. All donations must be made through bank transfers, expect for cash donations of less than €430.

Financing is transparent, with donations required to be publicly listed online 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 Prevention and Combating 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 sizable 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 subsequent election cycles without sanction. Ultimately, however, those parties that have faced stiff penalties have been dissolved or voted out of office. Following the 2014 parliamentary elections, KNAB sanctioned six parties for campaign-finance violations. Five parties paid the requisite fines, but one party appealed the decision to the courts.

In fulfilling the recommendations of the Group of States Against Corruption 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.

Beginning in 2012, Latvia instituted public financing for political parties, with parties receiving public funds proportional to their share of the vote in the preceding parliamentary elections. Political parties have been sanctioned by KNAB for the misuse of public funds. In 2016, KNAB fined two parties – Vienotība and Saskaņas Centrs – for party financing violations. The parties had to repay €3,000 and €4,840 respectively, which were obtained from illicit sources. Later, KNAB completely withdrew public funding for Vienotība due to campaign finance violations. KNAB investigations into illegal financing are ongoing, with two cases currently pending.

There are still other ongoing issues with campaign financing, including 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 incumbent politicians’ election campaigns.

Despite noting some gaps in existing provisions, ODIHR Needs Assessment Mission interlocutors expressed confidence in the party and campaign finance rules, including the oversight role of the KNAB, The GRECO report of 2014 concluded that Latvia had implemented satisfactorily GRECO’s previous recommendations.

Citation:
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. However, no instruments exist at the local level to support popular decision-making.

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 parliament is dissolved if the act receives voters’ approval, but the president resigns if the act does not receive voters’ approval. In 2011, voters approved the dissolution of parliament and extraordinary elections were held in October 2011. This constitutional procedure had never before been used.

In addition to referendums, the parliament approved a new political decision-making instrument in 2010 that allows citizens to put items on the parliamentary agenda, though it 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 the parliament for consideration. Under this new instrument, 38 proposals have been forwarded to parliament since 2011, 26 of which were successful. In 2018 alone, 13 proposals were forwarded to parliament.

In 2012, changes were made to the legislation regulating referendums that required petitions to receive 30,000 initial signatures before triggering a referendum, followed by CVK engagement to gather further signatures totaling one-tenth of the electorate. As of 1 January 2015, a one-step procedure took force that eliminated CVK engagement in the signature-gathering phase, placing the responsibility for gathering the signatures of one-tenth of the electorate with the referendum initiators. These changes were adopted with the
presumption that there would be an opportunity to gather signatures electronically; however, no simple, user-friendly mechanisms for electronic signature-gathering have yet been put into place. The new requirements are thus prohibitive for any new referendums.

Over the last 10 years, parliament has periodically considered introducing popular initiatives and referendums into the decision-making process at the local government level, but these proposals have never been enacted.

Citation:


Access to Information

Private media are generally free from direct government influence. Licensing and regulatory regimes are politically neutral and do not create a risk of inappropriate political interference. However, the opaque 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 opinion that editorial policy is biased, because of the commercial interests of owners or prominent clients, or for political reasons. In 2011, a leaked chain of e-mails between the mayor of Riga and a Russian-language broadcaster showed the mayor to be engaged in daily editorial decisions affecting the news desk. In 2017, leaked transcripts of conversations between Latvia’s three “oligarchs” document political influence in the major daily newspaper “Diena” and in public television. These conversations observed that public radio remains impervious to outside political influence.

Public broadcasting has been subject to 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. In 2015, the parliament dismissed the chairperson of the NEPLP. This unprecedented move was considered by some to violate the measures built into the Law on Public Broadcasting meant to safeguard the independence of the public-broadcasting system. The parliamentary decision was successfully challenged in the courts and the dismissed council member was reinstated. However, he is no longer
chairperson of the council. In 2017, the Supreme Court rejected his appeal. Since then, a new council has been appointed. This new council has been criticized for violating the independence of public broadcasting after making swift, poorly substantiated changes in the leadership of public radio.

Independent local print media is under increasing competitive pressures from local government-owned media outlets. The latter not only offer a low, subsidized purchase price to readers, but also a low advertising rate, pulling advertising revenue away from independent publications. A local independent media outlet has successfully contested in the courts the legitimacy of local government-owned publications taking paid advertisements.

Two general trends seem obvious. First, 2017 saw Latvia’s media outlets compete for €480,000 in government funding aimed at promoting quality journalism. As the income of media outlets continues to fall, even private media will be ever more reliant on government funding. Second, Latvia’s print media is in a downward spiral of falling readership and income. There were only six national newspapers in 2017, compared to fifteen 20 years ago. At the same time, the numbers of people reading only online media (such as Delfi) is rising and this will shake-up Latvia’s media market.

Finally, Reporters without Borders highlighted that Latvia ranked 24 in the 2018 World Press Freedom Index. Latvia’s score has continued to worsen due to the spread of “fake news” from suspected Russian origins. Other problems for the media include economic difficulties, inadequate and poorly distributed state aid, lawsuits brought against several journalists, and legislation that does not favor the media or media sources.

Citation:

2. RSF (2018), World Press Freedom Index, Available at: https://rsf.org/en/ranking, Last assessed: 04.01.2019

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 market, leading to concerns about pluralism. 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 to protect media plurality, including a requirement to retain two separate news desks and news-programming systems until 2017.
Newspapers and magazines provide a diverse range of views, but ownership structures are in some cases opaque. Internet news portals (Delfi and TVNet) have replaced print newspapers as the primary source of news.

Despite the fact that the regulation of Latvia’s media is liberal and has allowed a diverse media system to develop, Latvia was evaluated as a showing medium risk of media pluralism under the Media Pluralism Monitor in 2017. This was due to issues such as media ownership transparency, media communication on the regional level and media access to people with disabilities.

Citation:

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 online, 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, and data on public officials disciplined for conflict-of-interest violations.

In addition, the parliament approved a new Law on Whistleblowing in 2018 (which will come into effect in 2019). The law will enable whistleblowers to expose offences that concern public interests or interests of certain social groups.
Civil Rights and Political Liberties

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 concerns over poor conditions in the country’s prisons and detention facilities, lengthy pre-trial detention periods, and the general accessibility of the court system. The 2017 Ombudsman report rated the overall prison infrastructure as being out of date.

A number of cases have cast a spotlight on the state’s inability to prevent unjustifiable interventions into individuals’ personal lives. The unsanctioned publication of private e-mails, personal data, internet browsing histories and telephone transcripts have led some to question the efficacy of privacy protections, and even the state’s own ability to safeguard information. In 2015, an individual who downloaded data from the State Revenue Service and published a portion of that data in the public interest was prosecuted, found guilty and sentenced to community service, although he was pardoned by the president in December 2017. The published data, detailing the salaries of public servants, has since been categorized as openly accessible information. Nevertheless, the state pursued the individual for an unjustifiable violation of an individual’s right to privacy, because his download of information pertained to private individuals, not public officials. The civil servants responsible for leaving vast amounts of personal data on an unprotected website have not been held accountable.

Political liberties are effectively protected and upheld. The right to speak, think, assemble, organize, worship, and petition without government
interference or restraint is recognized and protected. However, new challenges to the freedoms of speech, assembly and organization are emerging. For example, 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 courts and a rapid consideration schedule to ensure timely decisions. Between 2011 and 2013, all Riga city council decisions limiting the freedom of assembly that were appealed were overturned by the court.

In addition, the Council of Europe Commissioner for Human Rights noted that the Riga Higher Court’s 2017 order that the news portal TVNET should pay €50,000 to the Latvian National Opera and Ballet for reputational damage was disproportionate and raised concerns about the harmful effect of such a measure on the right to freedom of expression in the country. (TVNET had published an article criticizing the Latvian National Opera and Ballet for becoming a “public house of Putin’s court”).

Citation:
Commissioner for Human Rights (2017), Latvia: disproportionate defamation fine against TVNET can chill media freedom. Available at: https://www.coe.int/en/web/commissioner/-/latvia-disproportionate-defamation-fine-against-tvnet-lv-can-chill-media-freedom, Last assessed: 05.01.2019

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. The Ombudsman has focused on labor-market discrimination on the basis of age, sex and sexual preference, cases of hate speech, and on issues of equal access to education and health services.

Due to Latvia’s ethnic makeup, discrimination based on ethnic origin is often cited in the media. The legal framework has been deemed non-discriminatory and official complaints are rare. However, public rhetoric on issues of citizenship, loyalty, language of instruction in education and use of language in public life can be inflammatory and be perceived as discriminatory. In 2016, new legislation was passed requiring “loyalty” from teachers in the public-school system, creating concerns over how this “loyalty” measure will be implemented.

Discrimination on the basis of sexual orientation is poorly regulated. It is only mentioned in the context of 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.

In addition, a new law was introduced in 2017, which restricts a person’s right to cover their face. The law was developed by the Ministry of Justice.

Furthermore, although Latvia signed the Istanbul Convention in 2016 and has implemented most of its recommendations, the parliament still has not ratified it. This further hinders the state’s ability to address the issue of domestic violence in Latvia. The most recent available data (2014) indicates that 32% of women aged 15 and over in Latvia have faced physical and/or sexual violence.

According to the European network of legal experts on gender equality and non-discrimination, gender equality laws in Latvia generally do not significantly exceed the European Union’s minimum requirements – no positive measures have been taken to date.

Citation:


3. UN (2018) Global Database on Violence Against Women, Available at: http://evaw-global-database.unwomen.org/fr/countries/europe/latvia#1, Last assessed: 05.01.2019


Rule of Law

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.

Dissenting judges of the Constitutional Court published an opinion in 2014 indicating that the majority had erred in applying the principle of legal certainty during the financial crisis. They emphasized that legal certainty can be applied differently in different settings.

The Foreign Investors’ Council in their FICIL Sentiment Index 2015 noted two issues with legal certainty. First, the legal system delivers unpredictable results, which negatively affect the foreign investment climate in Latvia. Second, the legislative environment and tax regime has been inconsistent since the 2008 crisis, undermining investor confidence. In 2018, the FICIL Sentiment Index highlighted similar issues and emphasized issues of uncertainty in bureaucratic bodies.

Citation:
2. FICIL Sentiment Index 2015 and 2018. Available at: https://www.sseriga.edu/centres/csb/sentiment-index, Last assessed: 05.01.2019

Judicial Review

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 2017, 51% of administrative cases in a first instance court conclude within 6 months, although 36% require up to a year. In the appellate courts, the situation is worse, as 46% of cases require 6 to 12 months, 20% 12 to 18 months and 13% even longer. Administrative court backlogs are being addressed by limiting access to the court system through increases in court fees and security deposits. A Ministry of Justice working
group has been convened to propose other systemic improvements. Institutional reforms are underway in the administrative court, which would remove an administrative layer to improve efficiency.

The Constitutional Court reviews the constitutionality of laws and occasionally that of government or local government regulations. In 2017, the court received 390 petitions, of which 207 were forwarded for consideration. The court initiated 35 cases, dealing with a wide range of issues, including calculation of pensions, use of official language, provision of education, remuneration of judges and the solidarity tax.

Citation:
2. The Constitutional Court Case Database, Available at: http://www.satv.tiesa.gov.lv/?lang=1&mid=19

Judges are appointed in a cooperative manner. While the parliament approves appointments, candidates are nominated by the minister of justice or the president of the supreme court based on advice from 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 (with a compulsory retirement age of 70). 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 justify refusing an appointment. In October 2010, a new judicial council was established in order to rebalance the relationship between the judiciary, the legislature and the executive branch. The judicial council has taken over the function of approving the transfer of judges between positions within the same court level.

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. Muizniece was initially suspended from the Constitutional Court pending judgment and then removed from office in 2014 after a final guilty verdict.

A new system for evaluating judges has been in place since January 2013, with the aim of strengthening judicial independence. While the government can comment, it does not have the power to make decisions. A judges’ panel is responsible for evaluations, with the court administration providing administrative support in collecting data. The panel can evaluate a judge favorably or unfavorably and, as a consequence of this simple rating system, has tended to avoid rendering unfavorable assessments. In one case, a judge successfully appealed an unfavorable assessment on the grounds that the assessment could not be substantiated. The verdict concluded that the judges’ panel is required to substantiate unfavorable assessments.

In 2018, amendments to the Law on Judicial Power reduced the influence of executive power on the organization of court work and extended the competence of the Council for the Judiciary in appointing chairs of the courts.

Nevertheless, a ENCJ survey of judges from 26 European countries found that Latvia scored relatively poorly in terms of Latvian judges’ evaluation of judicial independence (scoring between 6.5 and 7 on a 10-point scale). 11% of Latvian judges reported being subjected to inappropriate pressure. In rank order, the main sources of pressure were the media, political parties and their lawyers, and court management (including a court president).

Citation:


Latvia’s main integrity mechanism is the Corruption Prevention and Combating Bureau (Korupcijas novēršanas un apkarosanās birojs, KNAB). The Group of States Against Corruption has recognized KNAB as an effective institution, though it has identified the need to further strengthen institutional independence to remove concerns of political interference.

In recent years, KNAB has experienced several controversial leadership changes and been plagued by a persistent state of internal management
disarray. Internal conflicts have spilled into the public sphere. For example, the previous KNAB director and deputy director were embroiled in a series of court cases over disciplinary measures in 2015 and 2016. These court cases ended with the director dismissing two deputy directors in the summer of 2016. Both have appealed their dismissal. The director adopted an administrative approach that resulted in a high turnover of qualified staff. Furthermore, these scandals have weakened public trust in the institution. A new, well-qualified and seemingly independent director, who formerly worked in the military, was appointed in 2017.

The Conflict of Interest Law is the key piece of legislation relating to officeholder integrity. The Conflict of Interest Law created a comprehensive financial disclosure system and introduced a requirement for all violations to be publicly disclosed. In 2012, all Latvian citizens were required to make a one-time asset declaration in order to create a financial baseline against which the assets of public officeholders could be compared. This information is confidential and there is no publicly available evaluation of the efficacy of this policy.

Party-financing regulations contain significant transparency requirements, limitations on donation sources and size, and campaign expenditure caps. KNAB is charged with oversight of public financing for political parties. In 2012, violations of campaign-finance laws were criminalized, but no criminal cases have yet been presented. In 2016, multiple parties were sanctioned for violations of public financing rules. Vienotība, a major parliamentary party, has had its public funding withdrawn due to violations of campaign finance restrictions.

The slow progress of cases through the court systems undermines efforts to assess the system’s effectiveness. However, available statistics indicate some positive trends. In 2016, for example, the number of persons tried in the court of first instance increased to 34, from an all-time low of 23 in 2014. Defendants included police officers, customs officers, border guards and one judge. In five cases, sentencing included prison terms. In 2016, the largest bribery case involved a €68,560 bribe, offered to an official of KNAB. The outcome of this case is still pending.

In 2017, a high-profile corruption investigation, dismissed by the prosecutor’s office, came under public scrutiny. A series of leaked recorded conversations of “oligarchs” colluding to manipulate political decision-making has forced the re-examination of this investigation and the reasons why it was dismissed. A parliamentary inquiry process ended inconclusively. In 2018, the Governor of the Latvian Central Bank was investigated following serious allegations of bribery. He has since been suspended, but has not stepped down from his
position, although his six-year tenure will end in December 2019.

Overall, the Latvian government has taken efforts to fight corruption and money laundering in recent years, particularly following the U.S. FinCen report (which led to the liquidation of ABLV bank) and the Council of Europe’s 2018 Moneyval report. Latvia’s admission to the OECD in 2016 significantly raised the country’s international credibility. However, the successes of the country’s investigative and auditing bodies have remained limited.

Nevertheless, Transparency International’s Corruption Perceptions Index in 2017 ranked Latvia 40 out of 180 countries, with one being the least corrupt country. Latvia’s average ranking in the index was 53 between 1998 and 2017, from a record high rank of 71 in 1998 to a record low rank of 40 in 2015.

Citation:


4. Corruption Perceptions Index 2017. Available at: https://www.transparency.org/country/LVA, Last assessed: 05.01.2019

Governance

I. Executive Capacity

Strategic Capacity

In December 2011, Latvia established a central government planning unit, the Cross-Sectoral Coordination Centre (Pārresoru koordinācijas centrs, PKC). The PKC’s mandate was to develop a long-term strategic approach to public policymaking, while also monitoring decision-making to ensure that public policies are effective. 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 the Latvia 2030 framework and established an active role for itself in decision-making, contributing to policy debates on a range of cross-sectoral issues such as demographics and income disparities. The PKC reviews all proposals discussed by the cabinet and provides weekly briefings for the prime minister on substantive issues pending discussion by the cabinet. In 2015, the PKC’s mandate was expanded to include a coordinating role in the management of state-owned enterprises.

In addition to the PKC’s core role and a reduction in departmental units and staff numbers, most ministries have retained some independent planning capacity. The PKC has been criticized for becoming mired in the details of policy planning, effectively duplicating the work of ministries while failing to provide the cross-sectoral, meta-approach expected of it.

The effectiveness of the PKC is not limited by its ability to provide quality analysis and evidence-based arguments, but rather by its inability to carve out a position of authority and influence within the decision-making process. Analysis provided by the PKC to politicians is easily tossed aside when political expediency dictates. The PKC itself sees its role as providing much-
needed analysis, but not necessarily ensuring that these evidence-based arguments are respected in the decision-making process.

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.

Most ministries have developed good practices in the area of public consultation. For example, ministries often seek expert advice by inviting academics to join working groups. Some government planning documents, such as the National Action Plan for Open Government by the State Chancellery, have been drafted in cooperation with NGO experts, following public discussions.

However, the government lacks the finances to regularly commission academic input. Consequently, expert engagement is given voluntarily, without remuneration. The number of NGOs participating in working groups and consultative bodies increased in 2014. However, the number of NGOs that submitted comments on draft laws or actively participated in public consultation processes declined.

The tax reform in 2017 saw a wide array of international and domestic experts propose and debate reforms across a broad spectrum of government committees, public discussions, TV and radio debates, and op-ed columns. A similar process was carried out with reforms to the health care system. This has increased the status of non-governmental academic experts and government transparency.

Interministerial Coordination

The formation of the PKC, which reports directly to the prime minister, has ensured a mechanism enabling input from the government office on the substance of policy proposals from line ministries. 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 long-term strategy documents (such as the National Development Plan and Latvia 2030).

Citation:

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. 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.

Latvia has a “fragmented” cabinet government system. Consequently, ministers enjoy relatively substantial autonomy, weakening the power of the prime minister. As a result, ministers belonging to a different party than the prime minister will attempt to block the prime minister’s office from interfering in sensitive policy issues whenever possible.

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 2017, cabinet committees considered 142 issues, of which 141 were sent on to cabinet.

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

Citation:

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 the efficacy of coordination at risk. In 2016, 27% of all issues before the cabinet were fast-tracked, a significant drop from 2015.

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 interministerial working groups to prepare policy proposals. These methods are widely used, but not mandatory.

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.

Nevertheless, the secrecy surrounding the coalition council has made it a controversial institution. “Who Owns the State?” – a populist party that won the third largest share of the vote in the 2018 parliamentary election – promised to eliminate the coalition council. Indeed, the government coalition formed in January 2018 no longer has a coalition council to coordinate its political work. Instead, a new collaboration council, with similar functions, has been created.
In 2013, the Cabinet of Ministers approved the Information Society Development Guidelines 2014 – 2020, which is the current National eGovernment Strategy. The guidelines were elaborated to ensure continuity of existing policies, and to determine priorities in the area of Information and Communication Technology (ICT) for the European Union Structural Funds Programming period 2014 – 2020. One of the key goals identified in the document was the creation of centralized platforms for all governmental actors, ensuring more efficient public administration and emphasizing inter-institutional and cross-sectoral government cooperation.

In 2015, the government supported the proposal of the Ministry of Environmental Protection and Regional Development (VARAM) to fully implement the Public Administration Document Management Systems Integration Environment (DIV) in public administration from 1 September 2017. However, even though many of the ministries have introduced the system, the system’s use remains uneven. For example, State Chancellery, the Cabinet of Ministers and several ministries still use the previous DAUKS system (State Chancellery’s document circulation and task control) to exchange documents, although the platform’s use is limited and deemed ineffective by VARAM. In addition, some documentation is still circulated in paper form.

Nevertheless, VARAM has emphasized that more work will be put into mainstreaming shared platforms for document exchange. VARAM’s latest research shows that ministries are moving toward completely digitized document handling processes and the use of electronic signatures is becoming more common, even if progress is not as rapid as hoped.

The State Audit Office has evaluated collaboration between state institutions as being generally well organized, but fragmented. Although approximately €69 million of the annual state budget is invested in the development and maintenance of ICT, the impact of this investment was deemed to be limited in the State Audit Office’s 2017 report.

Citation:


Evidence-based Instruments

The government decision-making process requires every draft act of legislation to undergo an assessment, which takes the form of an annotated report. This annotation accompanies the draft 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, which range from a detailed, evidence-based analysis to a simple pro forma summary of intent. Minimum standards for annotations are not enforced.

In 2013, the government office made revisions to the annotation requirement. The new annotation form requires a justification for introducing new regulations, an assessment of compliance costs for citizens and businesses, and an assessment of public health effects. The revised regulations also seek, through the introduction of so-called green papers, to improve stakeholder involvement in the early stages of drafting. The green papers ensure that relevant information and discussion documents are publicly available at an early stage of the policy-development process. The State Chancellery monitors the quality of annotations and the use of the green papers. The Chancellery has delayed several policies due to inadequacies in the annotations or the green-paper process.

The annotation requires a description of stakeholder participation. Minimum requirements can be met by a simple statement detailing when stakeholders were consulted. Annotations may include information on stakeholder inputs, reactions or needs.

Annotations are publicly available along with the draft act of legislation. They serve as an explanatory accompaniment to the draft and are often referenced in communications about the draft.

Annotations are not assessed by an independent body. However, they are monitored by the government office as 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:
Annotations have no specific sustainability checks. For example, the issue of sustainability is not integrated into the annotations, impact indicators are not consistently used and there is no requirement to perform short-, medium- or long-term analyses. Some annotations do provide such information, but this is discretionary. New regulations on annotations, introduced in 2014, include a regulatory impact assessment that requires a calculation of the administrative burden, such as the cost to business.

Latvia has not adopted a specific sustainability strategy. However, sustainability is integrated into the Latvia 2030 strategy. As draft policies are assessed for compatibility with this strategy, sustainability issues may be taken into consideration. The Cross-Sectoral Coordination Centre (PKC) provides input to the drafting of policies, highlighting sustainability issues. The PKC also conducts an annual assessment of Latvia’s strategic goals, which includes sustainability assessments.

Currently ex-post evaluation is carried out for development planning documents, as prescribed in the Development Planning System Law. In addition, the “methodology for developing and evaluating the results and performance indicators for ministries and other central state institutions” provides general guidelines for ministerial reporting. However, there is currently no common approach to the evaluation of legislation post-implementation, although institutions are allowed to order research studies (including ex-post impact studies) at their own discretion.

Recognizing the need for a unified approach and clear regulation, the Cabinet of Ministers approved the State Chancellery’s concept report on ex-post evaluations in 2016. The report considered several potential approaches, before recommending that two pilots should be carried out in 2017, which would then be used to finalize a new policy in 2018. This policy is currently pending.

Citation:
Societal Consultation

Societal consultation takes place frequently and is diverse in nature. The National Tripartite Cooperation Council (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 an NGO cooperation council, which organizes NGO input into issues related to civil society. The number of NGO participants over the 10 years of this council’s existence has risen from an initial 57 to almost 400 in 2015. Ministries have their own sectoral consultative bodies. The executive branch has 165 different consultative bodies, a slight decrease from a high of 173 in 2011, but the number of NGOs participating in these bodies has increased from 980 to 1,128 over the same period.

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 2017, an influential group of NGOs called for more transparency and participatory mechanisms in the budget planning process.

This was partially realized in the 2017 tax reform and reflects a long-term trend toward greater engagement with societal actors. Trade unions as well as business and employers’ associations had the opportunity to participate in the debates and discussions on the tax reform and influenced the final legislation.

However, in its public consultations, the government is rarely successful in achieving an exchange of views that substantially 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 in securing stakeholder input and support for draft policies. 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 stakeholders led to attempts throughout 2012 to block government policy proposals as well as multiple calls for the resignation of the minister. Despite extensive consultations throughout 2014 and 2015, teacher unions organized a one-day strike in late 2015 over education-funding reforms. Similarly, despite long-standing discussions on health sector reforms, family doctors went on strike in 2017.

Citation:

Policy Communication

The government office organizes monthly coordination meetings of ministerial communication units, which are jointly known as Government Communication Coordination Council. During 2017, nine formal meetings were held.

Communication and statements are generated by the ministries and are generally consistent. A communications coordination council sets annual priorities for the main messages to be propagated to the public. Communication messages are coordinated prior to weekly cabinet meetings. However, this system means that partisan ministerial disagreements are highly visible.

Citation:
Regulation of the Government Communication Coordination Council, Available at: https://mk.gov.lv/sites/default/files/editor/vkkp_nolikums.pdf, Last assessed: 03.01.2019

Implementation

The government has a good track record in achieving its own policy objectives. In issue areas considered by the government as high priority – recent examples include economic recovery, euro zone entry criteria, budget reform and fiscal discipline, OECD entry requirements – government performance can be considered excellent. The government has proven to be particularly efficient in implementing policies that have been recommended by international partners (the European Union, NATO, Council of Europe and OECD).
However, second-tier policy objectives show mixed success rates. For example, despite the fact that successive government declarations have identified education reform as a policy priority, little demonstrable progress has been made toward fulfilling the outlined policy objectives. Furthermore, in the prime minister’s annual reports to the parliament in 2012, 2013 and 2014, no significant education policy achievements are recognized. In 2016, however, a reform of the teacher compensation system was passed and significant curriculum reform is currently being implemented. Opposition to the implementation of education-policy objectives has been strong not only on the part of stakeholder groups and opposition parties, but also among 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 2015 this report included an evaluation of Latvia’s progress toward its long-term development goals (included in the National Development Plan 2020 and the Latvia 2030 long-term development strategy). The prime minister provided parliament with a progress report on 24 separate performance indicators, reporting good progress in nine cases, adequate/weak performance in 10 cases, and poor performance in eight cases, requiring a reprioritizing or revision of policy measures.

The NAP2020 mid-term evaluation noted that despite some successes in achieving several goals set out in the plan (e.g., ICT and e-governance), other goals have not been achieved and will likely not be achieved before the end of 2020. For example, in the science, research and innovation policy field, the level of investment has continued to decline, in stark contrast to the projected investment in 2014. This creates the conditions that lead to weak performance, and the outflow of knowledge and highly skilled professionals to other countries (i.e., “brain drain”). Similarly, developments in general education have been insufficient as has the reduction of general emigration levels.

Organizational devices that encourage ministerial compliance include: a public statement of policy intent, a government declaration signed by each minister, a coalition agreement outlining the terms of cooperation between the governing parties and an informal weekly coalition-council meeting. Additionally, the government office monitors compliance with cabinet decisions, while the PKC monitors implementation of the government declaration. Both reporting streams enable the prime minister to fully monitor individual ministers’ progress in achieving the government’s program. Nevertheless, disagreements between ministers regularly become public and can be divisive. Most recently, ministers have disagreed over the EU migrant relocation scheme and tax system reform.
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.

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 arm’s 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. 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 interministerial coordination meetings, as a response to the observation that information flows between ministries and their subordinate agencies are neither reliable nor adequate.

Local governments enjoy a comparatively high degree of autonomy. The local government share of public expenditure was 24.3% in 2015, 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 independent 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 2015 showed an imbalance between central and local government budget pressures. In 2015, local government expenditure decreased by 1.1%, while central government expenditure increased by 3.8%. However, local government income increased by 1.7%, while central government income increased by 3.4%.

Local governments suffer from a lack of capacity in financial management. The State Audit Office has repeatedly noted that local governments ignore accounting standards and requirements. In the absence of proper local and national approval procedures for government transactions, violations range from petty issues, such as covering entertainment costs out of the municipal budget, to large scale fraud, such as a municipal official signing a €200 million bond.

Public sector reform is ongoing. The goal of the reform is to increase the quality and efficiency of central administration. However, local authorities are not covered. Furthermore, there is a lack of oversight of and incentives for local authorities, which would improve efficiency.

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: 06.01.2019

Local governments have a constitutional right to autonomy. This right is reinforced by Latvia’s commitments as a signatory of the European Charter of Local Self-Government, which have been upheld by the Constitutional Court. 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 for central government to over-regulate, which has negatively affected local governments’ discretionary authority.
Public discussion about the appropriate division of responsibilities and the burden of financing erupted in 2012, when central government simultaneously reduced the guaranteed minimum income benefit and transferred responsibility for financing the program to local governments. Similarly, in 2015 and 2016 public discussion focused on the burden of financing expected refugee flows.

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. The President’s Strategic Advisory Council has warned that over-regulation is seriously encroaching 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 introduce national standards for local government services by 2016. The policy was approved by the cabinet in 2013 and pilot projects have been implemented by a number of local governments. An evaluation conference, in September 2014, documented many instances of successful pilot projects as well as favorable client-satisfaction responses to surveys. In 2015, 59 one-stop agencies were launched. After only one year of operation, they have proven to be useful, processing more than 25,000 different types of applications to state and municipal agencies. A further 20 one-stop agencies were to open in 2016. However, the comparability of data sets between institutions remains a challenge.
When it comes to effective regulatory enforcement in the private sector, there
have been concerns regarding bribery, including a few high-profile corruption
scandals (e.g., the so-called Oligarchs Case, which involved charges of
bribery, money laundering and other crimes in 2011). In addition, there have
been tensions around the banking sector and suspicions of “state capture.”
These three factors have raised concerns about the state’s ability to take a
strong stance. The OECD has noted that many of these issues are linked with
the fact that Latvia’s financial sector provides bridging services between the
East and West.

Following these scandals, Latvia has made substantial steps to improve the
situation and has followed OECD recommendations closely. Latvia has fully
or partially implemented 39 out of 44 OECD recommendations. For example,
efforts have been made to prevent corruption, raise awareness about
corruption, and increase the independence and capacity of the Corruption
Prevention and Combating Bureau (Korupcijas novēršanas un apkarosanas
burojs, KNAB).

Although the effects of these improvements are yet to be fully observed,
Latvia has consistently attempted to tackle corruption since gaining
independence (e.g., the creation of KNAB, and the development of several
national anti-corruption strategies and programs). In terms of implementation
and governance, Latvia has received positive reviews in global ranking
reports.

Citation:

2. OECD (2017), Latvia: Follow-up to the Phase 2 Report & Recommendations, Available at:
https://www.oecd.org/corruption/anti-bribery/Latvia-Phase-2-Written-Follow-up-Report-ENG.pdf, Last
assessed: 05.01.2019.

**Adaptability**

Latvia has adapted domestic government structures to fulfill the requirements
of EU membership, revising policy-planning and decision-making processes.
During the 2013 – 2015 period, Latvia adapted its domestic structures to
comply with the demands of the 2015 EU presidency. Beginning in 2014,
Latvia began adapting to the requirements associated with OECD membership.
In 2016, Latvia joined the OECD.

In order to ensure efficient decision-making and meet the obligations of IMF
and EU loan agreements, Latvia created a reform-management group for
coordination on major policy reforms. In 2012, this included changes to the biofuels support system, reforms in the civil service’s human-resources management, tax-policy changes and reforms in the management of state enterprises. The group proved to be a useful forum for the consolidation of support across sectors for major policy changes and structural reforms. The inclusion of non-governmental actors in the group serves to facilitate support for upcoming policy changes. Although the reform management group was considered successful, at the time of writing it had not met since 2013.

Citation:
Cabinet of Ministers, Minutes of the Reform-management group (in Latvian), Available at: http://tap.mk.gov.lv/mp/vaditas-padomes/Reformu-vadibas-grupa/sedes/, Last assessed: 02.01.2019

Latvia largely contributes to international actions through engaging in the development of EU policy positions.

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 Committee, whose decision is binding. The committee considers approximately 500 national positions per year.

During the first six months of 2015, Latvia held the presidency of the Council of the European Union. Latvia’s first experience with the presidency was considered a success, with the country providing appropriate leadership both on expected challenges, such as returning Europe to economic growth, and unexpected challenges, such as the rapidly escalating refugee crisis and terrorist activity in Europe.

Organizational Reform

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 2013, major revisions to the regulatory impact
assessment system were made, along with the introduction of a 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.

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 undertake long-term strategic planning.

II. Executive Accountability

Citizens’ Participatory Competence

There is no local survey data indicating the extent to which citizens are informed of government policymaking decisions. 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 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.

According to USAID’s 2015 CSO Sustainability Index for Central and Eastern Europe and Eurasia, the government has a positive attitude toward NGOs and NGOs provide significant input to the policymaking process. As of November 2016, there were 21,628 registered NGOs in Latvia. In 2015, NGOs participated in roughly 1,400 working groups. Latvia scored 2.6 and ranked 3 out of 29 countries in the Central Europe, Eastern Europe and Central Asia region, behind Estonia and Poland and equal to the Czech Republic. In 2016, this score dropped to 2.5.

NGOs have a formal consultation mechanism with the government, the NGO-Council of Ministers Cooperation Council. However, NGOs are critical of this
mechanism. In 2017, a group of NGOs submitted a letter asking the government to reexamine the budget process from the point of view of transparency, participation and principles of good governance. The NGOs requested a larger role in the budget planning process, similar to that offered to other groups, such as organizations included in the National Tripartite Cooperation Council (NTSP).

Individuals are slow to engage with the political process. According to a 2015 survey, 50% of respondents claim that they would be able to protect their rights and interests through government or municipal institutions, while 38% claimed they could not. However, 54% of respondents stated that they did not believe that they could influence politics through civic engagement. The most popular methods of participation are online commentary (16%); signing petitions (12%); contacting politicians or state officials (11%); boycotting products, services, or organizations (7%); and participating in an NGO (6%). In addition, 60% of respondents stated that referendums were a good method for deciding important political issues. The Enterprise Register estimates that just 25,000 individuals or 1.2% of the population are members of a political party. This is the lowest level of party membership in the European Union.

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. An e-petition tool, manabalss.lv, lets any group of 10,000 or more citizens place issues on the parliamentary agenda. The law has been positively affected by 67.5% of the submitted initiatives. In 2018, a total of 153 initiatives were submitted to the platform and 238,812 people signed the initiatives, up from 91,891 signatures in 2015. The parliament is increasingly responsive to these initiatives.

An initially successful social-media style website that enabled citizens to engage in direct communication with members of parliament was shut down in 2014 due to a lack of financing.

Citation:


Latvia joined the Open Government Partnership in 2011, with the State Chancellery as the current assigned contact point. The government has made efforts to ensure Latvia complies with the partnership requirements. Three National Action Plans have been published since joining the partnership, monitoring the progress and proposing future improvements in the field of open government.

Following these recommendations, an online platform was set up in 2017 (https://data.gov.lv) to serve as a single point of public access to government data. At the time of writing, the portal contained 246 datasets from 49 data publishers (compared to 33 datasets from 13 data publishers in 2017). However, it is not mandatory for government data to be published on the platform. Instead, data is only published on a voluntary basis. The Latvian Open Data Portal is linked with the European Data Portal, which means that all data published is also available on the European Data Portal. Furthermore, the Ministry of Finance now publishes basic information about the government’s budget positions on an interactive platform, which details the spending categories to which funds are allocated and the amount that is spent (in absolute and percentage terms).

In 2015, Latvia ranked 31 in the Global Open Data Index. Open public sector data in Latvia is evaluated as meeting the basic criteria of the Open Data Index, but fails when it comes to more advanced criteria, especially when it comes to usability of the data (e.g., publishing documents in a machine-readable format, offering bulk-download options and using open license statements). Importantly, although the law (updated in 2018) regulates what information should be published online by governmental institutions, no unified approach is used when it comes to structuring the information, which often makes locating information difficult.

2. Latvian Open Data Portal, Available at: https://data.gov.lv/lv
Legislative Actors’ Resources

Parliament does not have adequate resources to monitor government activity effectively. Some limited expertise is available from parliamentary committee, legal office, personal administrative support and parliamentary library staff. However, this has not allowed for substantive policy analysis or the independent production of information. Until 2017, the Latvian parliament was the only legislature in the Baltic Sea region with no institutional research capacity.

In 2017, the parliament created a new parliamentary research unit. As of May 2017, it is in its start-up phase, with a director and staff of three. The 2018 budget for the unit is expected to include resources for outsourcing expertise. To date the unit has produced four studies. Their mandate for further research studies to be done in 2018 was approved by the presidium of the parliament in November 2017. The planned work is to be produced on a medium- to long-term schedule (i.e., issues to be addressed are broad and overarching, not narrow and tied to legislative work in progress). The mandate approved for the research unit does not, at present, enable the research unit to be responsive to in progress legislative work.

The parliament has the right to obtain documents from the government. 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 answer questions before parliament. 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.

Parliamentary committees are able to invite experts to committee meetings but have no power to make attendance mandatory. The parliament largely relies on the pro bono participation of experts to compensate for its own lack of substantive capacities and resources. However, committee chairs do have some discretion to pay modest honorariums to external experts.

The task areas of the parliamentary committees poorly match the task areas of the ministries. Only the Ministry of Finance, the Ministry of Foreign Affairs
and the Department of Justice have an equivalent parliamentary committee. These committees being the Budget and Finance Committee, the Foreign Affairs Committee and the Committee of Justice. While the Ministry of Agriculture reports to only a single committee, this committee oversees three other ministries. In all other cases, ministries report to multiple committees and committees oversee multiple ministries’ task areas.

Citation:

Media

A minority of the ten 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 and advertising shifts to internet-based sources and limited budgets for public broadcasting have had a negative effect on the provision of high-quality content. Additional challenges include the proliferation of pro-Russian narratives in the media, broadcasted by Russia as well as Latvian outlets and shared through social networks.

Nevertheless, some media players have succeeded in meeting a high standard of quality. The weekly magazine IR, established in 2010, provides in-depth information on government policy plans as well as publishes leaked information of broad political significance. Investigative reporting on public and private television stations fulfills a watchdog function. In 2017, a concerted effort of investigative journalism by the public broadcaster put the treatment of children in institutions on the political agenda. Sustained analytical focus on issues of public concern is provided by the non-profit investigative-journalism center Re:Baltica, founded in August 2011. It focuses on issues such as the social costs of economic austerity, consumer protection and drug-money flows. By cooperating with the mainstream media, it 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.
New concerns have arisen about the influence of Russia’s “hybrid warfare” on the media environment in Latvia, especially for Russian-language media consumers. Proposals to expand the public-broadcasting services to include Russian-language programming have stalled, however.

Data from 2017 show that trust in media stands at 50% (6% completely trust, 44% mostly trust). This level of trust is slightly less than when information is obtained through social networks (e.g., friends and family). The most trusted media sources in Latvia are internet news site www.delfi.lv (cited by 18% as the most trusted), followed by the public broadcasters (11% for LTV, 7% for LR) and another internet site www.tvnet.lv (8%).

The key challenge in the near future is likely to be the successful implementation of media policy (e.g., a more robust implementation of the current Mass Media Policy Guidelines of Latvia 2016 – 2020).

Citation:


Parties and Interest Associations

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. Regulations allow for little input by party members. By comparison, commercial law provides more rights to shareholders than rights accorded to party members in their own party.

The Harmony Party (Saskaņas 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 varies between central and local 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 government representatives. There is active internal debate on policy issues, as evidenced by press leaks detailing internal party correspondence and publicly visible debates on issues. Local chapters have considerable autonomy in personnel choices and in taking positions on local issues. There is also, however, evidence of party members’ initiatives being suppressed or ignored by the board of directors. In early 2017, a group of disgruntled Vienotība members of parliament left Vienotība and joined an effort to establish a new party in advance of the 2018 elections. Vienotība has experienced upheaval, with a change in party leadership, several high-ranking party leaders either quitting the party or being expelled.

The Union of Greens and Farmers (Zalo 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. Prior to the 2014 elections there was public evidence of internal debate within the alliance about a suitable prime-ministerial candidate.

Two previously independent parties merged to form the National Union (Nacionālā 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 official party positions.

Three new parties emerged in anticipation of the parliamentary election in 2018 and gained substantial support. These were the nationalist-conservative New Conservative Party (Jauna Konservatīva Partija, JKP), the center-left-liberal Development/For! (Attīstībai/PAR, AP) and the populist “Who Owns the State?” (Kam pieder valsts?, KPV.LV). In their statutes, all three parties indicate a decision-making procedure in which power lies with the party’s general assembly and is directed by the board of the party. In the case of JKP, there is also an intermediate body of party council. It remains to be seen how these guidelines will operate now that the parties have been elected to parliament.
The National Tripartite Cooperation Council (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 dialog.

Employers’ 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 Latvian Chamber of Commerce (LTRK) engages in ongoing dialog with the government, and along with the slightly less influential Employers’ Confederation of Latvia (LDDK), forms a part of the tripartite council.

The Foreign Investors’ Council (FICIL) has a strong capacity for presenting well-formulated policy proposals. FICIL conducts an annual structured dialog at the prime-ministerial level. The actions that come out of these dialogs are subsequently implemented and monitored. The 2018 council meeting focused attention on improving the business environment, the availability and quality of labor, and digital performance and competitiveness, and strengthening the rule of law and preventing economic crimes.

Citation:

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 dialog with the relevant ministries, which supports sustained involvement in decision-making and has contributed to further capacity development.

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 largely remained outside of the public-policy development process. The notable exception has been conservative groups advocating for “traditional Christian values.” These groups have sought to limit LGBT and reproductive rights and influence the school system. They have gained ground by changing their modus operandi from protest activities to active advocacy at the parliamentary level. In 2015, they secured a controversial change to the Law on Education, leaving schools vulnerable to charges of ethical breaches in teaching.

The Civic Alliance is an umbrella group of NGOs that serves as a platform for common issues. In 2017, the alliance galvanized a group of influential NGOs to call for increased transparency and participatory opportunities for NGOs in the government’s budget planning process. The NGOs are demanding the type of access and consultation already in place for other social partners, such as the National Tripartite Cooperation Council (NTSP).

**Independent Supervisory Bodies**

The State Audit Office is Latvia’s independent and collegial supreme audit institution. The office is constitutionally independent of parliament and the executive. It reports to parliament, which has full access to all audit findings. However, the State Audit Office does not audit the parliament itself. The parliament’s Public Expenditure and Audit Committee has this responsibility. Additionally, the parliament has commissioned an external financial audit every year since 2012. In 2012, NGOs and citizens called for the parliament to subject itself to an external audit, performed either by the State Audit Office or an independent auditor, which in addition to addressing financial issues would focus on the effectiveness, efficiency and economy of the body’s operations and processes. 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.

In order to promote the responsibility of officials and company managers for their decisions, the State Audit Office has frequently called for amendments to the law, which would enable the State Audit Office to impose financial penalties on officials who have wasted state funds. The law has been under discussion in the parliament since 2015, with repeated calls from the State Audit Office to solve the issue.

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: 05.01.2019

The parliament does not have its own ombuds office, but does have a committee for ethics and petitions. This committee fields all submissions from individuals and NGOs, including collective petitions which have reached the 10,000-signature threshold.

An independent ombuds office was created in 2007 following the reorganization of the Latvian National Human Rights Office. The ombuds office is charged with investigating 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 as well as raised public awareness on hate speech. In 2017, the ombuds office received 1,738 complaints, 45 of which were investigated. The ombuds office reports annually to parliament.

Citation:

The Data State Inspectorate, established in 2001, operates in accordance with the Personal Data Protection Law and is based on a cabinet regulation of 2013, Regulations on the Data State Inspectorate. A new version of the law was proclaimed in 2018. The main goal of the inspectorate is to protect the fundamental rights and freedoms of citizens, particularly the privacy of individuals with regard to the processing of personal data. The law describes the Data State Inspectorate as an independent institution. Nevertheless, the inspectorate is subject to the supervision of the Ministry of Justice and the Cabinet of Ministers, and is financed from the state budget.

Citation:

Address | Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Straße 256
33311 Gütersloh
Germany
Phone +49 5241 81-0

Dr. Christof Schiller
Phone +49 5241 81-81470
christof.schiller@bertelsmann-stiftung.de

Dr. Thorsten Hellmann
Phone +49 5241 81-81236
thorsten.hellmann@bertelsmann-stiftung.de

Pia Paulini
Phone +49 5241 81-81468
pia.paulini@bertelsmann-stiftung.de

www.bertelsmann-stiftung.de
www.sgi-network.org