



HANDBOOK

USING THE BENCHMARKING DATABASE FOR STRATEGIC MANAGEMENT OF LOCAL GOVERNMENT AND STATE INSTITUTIONS

UDC

Latvian Association of Local and Regional Governments expresses its gratitude to the government of Norway for the support provided in selecting the project theme, to the Norwegian Association of Local and Regional Authorities (KS) for sharing their experience during the project and to the State Regional Development Agency of Latvia for consultations and support in developing the benchmarking database.

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This Handbook has been prepared within the project “Smart Governance and Performance Improvement of Latvian Municipalities” implemented by the Latvian Association of Local and Regional Governments (LALRG) as one of the projects of the Norway Grants programme “Capacity-Building and Institutional Cooperation between Latvian and Norwegian Public Institutions, Local and Regional Authorities”.

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Design & Layout:

Ltd. “E FORMA”

@ Māris Pūķis, Jānis Upenieks, text 2016

@ Latvian Association of Local and Regional Governments, photo 2016

@ Latvian Association of Local and Regional Governments, 2016

ISBN 978-9934-8650-3-9

ABBREVIATIONS

CHARTER

European Charter of Local Self-Government, Council of Europe, 1985

EU

European Union

LALRG

Latvian Association of Local and Regional Governments

KS

Norwegian Association of Local and Regional Authorities

CM

Cabinet of Ministers of the Republic of Latvia

SRDA

State Regional Development Agency of Latvia

PIT

personal income tax

RET

real estate tax

CSB

Central Statistical Bureau

MEPRD

Ministry of Environmental Protection and Regional Development

MoES

Ministry of Education and Science

MoT

Ministry of Transport

RTSD

Road Traffic Safety Directorate

NDP

National Development Plan

RAIM

Module of Regional Development Indicators

BLIS

Bench Learning Information System

TERMINOLOGY USED

Sovereignty

the power (can be divided) to decide, order and judge

Autonomy (self-dependence)

self-dependent power free of external interference (can apply to a part of competence)

Public good

the benefit

1. the possibilities of obtaining do not decrease if anyone in the society has already received this benefit;
2. these possibilities equally apply to all people (the type of benefit can limit the range of recipients, yet any discrimination is prohibited)

Decentralisation

transferring responsibility and decision-making functions (by law or constitution) to the authority of a smaller territorial scale

Deconcentration

transferring the functions of executive power or judicial power to territorial institutions or agencies within one scale of authorities

Delegation

transferring of administration tasks or court tasks to another public entity or private person on the basis of a law or an agreement, preserving liability for the delegator

Devolution

a situation when a higher institution or official (within one scale of territorial authorities) undertakes responsibility instead of the subordinate institution or official

Performance indicator

the value that quantitatively describes the achievements or failures of a public entity

Index

(simple index) a performance indicator in the form of a fraction, wherein the numerator and the denominator have equal measurement units

Complex index

an index designed for describing the influence of several factors, wherein each factor is described by its own index; by summing the significance of these factors it is possible to observe multiplying individual indices with weight factors

FOREWORD

Both operating and strategic management requires data. Decision-makers should compare their ideas with reality. This particularly concerns those who take decisions at the risk of public money (every decision holds a certain degree of risk).

Unfortunately, over the last decade state administration has refused to engage in data collection and analysis by territories. Data on events taking place in the former districts, republican cities, municipalities, towns and civil parishes are not required to cooperate with the European Commission in Brussels. EUROSTAT does not request data in such detail, but for the purposes of planning and

economic management we have chosen to treat entire Latvia as one region. Data collection by six NUTS 3 regions is even more detailed by one scale of territory than it is necessary for reports to Europe.

This approach reflects blind following of advice from Brussels, yet does not allow taking qualitative decisions on the internal regional development of the country. Even though line ministries individually collect and analyse data on their areas of responsibility, the process in the country as a whole is not open, and residents and entrepreneurs do not receive true and credible information.



A particularly absurd situation has developed after the implementation of the first stage of the Administrative Territorial Reform (ATR) in 2009 – it involves the liquidation of districts and establishment of municipalities. If strategic management is carried out correctly, it would be necessary to carefully assess the achievements of the implemented policy. What happens in the amalgamated civil parishes and what happens in the towns that have become the centres of municipalities or peripheral towns should be studied over longer period of time. The processes that will occur in villages and populated areas as the result of the reform as well as whether the goals of the ATR reform will be attained sooner in large municipalities or small municipalities should also be studied. Only by assessing facts is it possible to avoid further mistakes.

However, nothing of the aforementioned is currently being done. Some kind of blockade of information has occurred. Some civil servants and politicians think that local governments do not have to take strategic decisions based on facts because such decisions are made by the Cabinet of Ministers which develops regulations; and that the local government should act in accordance with the regulations. In this model, it is enough for a local government to verify the individual fact compliance with the CM Regulations.

This approach is both erroneous and extremely dangerous. It restores the elements of totalitarian power of Soviet times. This approach has led to social catastrophes which always follow the introduction of totalitarian systems.

Thanks to the support provided by the Norwegian Association of Local and Regional Authorities (KS) and the Latvian government's understanding that the situation must be improved, LALRG could

implement the project where one of the two main components was the development of a benchmarking database. This Handbook is intended for the users of this database, and the range of the users might expand every year.

Participation in the local government cooperation networks promotes more active attitude towards developments in the country and municipalities, gives an opportunity to learn from the errors of other local governments and to use their achievements. During the project, we have become acquainted with the implementation of similar ideas in Norway and Poland, and assessed the results of pilot municipalities participating in the project. This Handbook is intended for developing and using the method further.

The book has two authors. Māris Pūķis is one of the founders of LALRG. He has studied local government strategic development issues since the early 1990's. Māris has read lectures on public administration analysis and strategy to master and doctoral level students at the University of Latvia for 15 years. Jānis Upenieks joined the project as a database administrator and a database analyst, and soon became the key person in database development and approbation processes.

There have been efforts to introduce strategic management based on facts in many countries and local governments across the world since the mid-20th century; however, every time these ideas faced many opponents. This is our opportunity. By creating an effective database compliant with the local government needs, we attempt to be both innovative and future-oriented.

Andris Jaunsleinis,
Chairman of LALRG

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CONCLUSION

INTRODUCTION



Strategic management is not the only type of management, yet without understanding the mission and goals it is impossible to implement targeted development in society and to provide what voters expect from state and local politicians. In both public sector (associations of countries and other supranational organisations with public goals; states; regional and local governments) and private sector (international corporations; national and local enterprises; farms and micro-companies), scientific management methods are used increasingly more often.

No matter which method is selected, norms

of ethics or legal principles are not enough to make decisions — it is necessary to obtain facts suggesting whether the applicability of solutions of discussed problems is confirmed or confuted. Likewise, pilot projects are necessary, as they provide the possibility to verify the effectiveness of theoretical approaches in practice.

However, obtainment of credible facts is delayed by another process which is no less essential. Division of information availability occurs in the world. Society experiences diametrically opposite processes which conflict with each other.

It is commonly considered that the fundamental element of good governance is openness – the availability of information to society. This tendency spreads to an absurd extent already now: for example, publication of the monthly salary of each State employee, the right of journalists to publish any private life secrets of officials, etc.

At the same time, the tendency of hiding information grows: it is possible to see increasingly more fields protected by the State secret, the growth of different lower degrees of limited availability information, a rising number of business secrets and increasing unavailability of information based on private life protection.

Competition develops in both private sector and, under the conditions of shared sovereignty typical nowadays, public sector. The heads of all types of organisations know that information availability is a tool of obtaining and keeping power. If an enterprise or a local government has obtained information which is unavailable to others, it ensures certain advantages.

State administration in Latvia is the reflection of voters' values and, hence, fragmented political spectre. Any ministry is not only the implementer of the common policy of the Cabinet of Ministers, it is also a resource in internal competition among the ruling coalition before the next Saeima elections.

Therefore, state administration has failed to agree on a single information policy, although attempts to create such a national policy have been made repeatedly since 1991 (at that time, the political movement *People's Front* was in power; however, the movement experienced an internal fight which later resulted in the creation of multiple parties). International human rights and other restrictions of information circulation are used to justify

the impossibility of information exchange between State institutions.

Local governments also have many reasons for limiting information. The voting system has been created so that it would be difficult to ensure stable majority in most of the territories – many local (associations of voters, territorial political parties) and national (political parties of a national scale with interests across the entire territory of the country) political forces in the municipality or city council are represented by one or two council members.

It results in the ruling coalition based on the interest of the elected politicians to work jointly, rather than on the ideologies, programmes or pre-election promises of relevant political forces. As a result, the ruling majority that consolidates around the mayor (chairperson of the council) indirectly elected in a democratic manner is rather fragile. It is easy to organise a “palace coup” by luring away a council member from a different coalition. Availability of information on nuances of local government's activities can be used in the internal fight between the position and the opposition, and this fight involves also the use of local newspapers, television and other mass media to influence these relations.

When distribution of information can cause political instability, but unavailability of information causes erroneous decisions, the question regarding the collection and publication of true information becomes a matter of moral choice for politicians.

Taking into account that

1. over the last 25 years, the economic policy of Latvia has been unsuccessful (we still do not know how to use our human resource potential and therefore are in the last places in the EU in terms of economic and social indicators). This is caused not only by mistakes or indecisiveness of

INTRODUCTION

the central government. The current condition is largely the result of passiveness or erroneous decisions made by local governments as well. Furthermore, the erroneous decisions are due to lack of objective information on the situation in local government territories;

2. in order to make the right decisions, the ability to analyse information and view it from different points of view is even more important than the collection of extensive information,

LALRG decided to develop a benchmarking database within the framework of the Norway Grants project, thus at least partially eliminating the described shortcomings. However, collection and distribution of information is not the goal of local governments in itself. It would be even better if the State were able to fulfil its functions in an adequate manner and provide information useful for the management of local governments.

The matter concerning data collection and use remains within the competence of local and national politicians, yet data collection and use of analysis methods itself will ensure an opportunity to shape local policy and also central policy at a better level.

The benchmarking database is a part of the benchmarking method developed during the project (see the Latvian Benchmarking Model for local governments on <http://ms.lps.lv/en/>; it is also available in the database itself, in the “Publications” section). This is one of the two handbooks we have prepared for further application of the method. The other handbook is devoted to special forums for exchanging experience and ideas between local governments – they are called thematic cooperation networks.

This database has one significant difference in comparison with the majority of state information systems. Conceptually, a choice was made to collect and analyse information with different degrees of credibility. The benchmarking database does not duplicate other State information systems, but rather supplements them. State official data are carefully verified, yet they are delayed and often fail to describe indicators important for the State.

Here is an analogy with the Heisenberg Uncertainty Principle used in quantum mechanics. It divides mechanical parameters by pairs – the more precise coordinate of an elementary particle we obtain, the less we know about its vector of velocity. The same is true for data on public administration and public economy: the more precise data we obtain, the less timely they are, and obtaining thereof requires greater expenses. However, information that includes a certain error element, yet correctly reflects the tendencies of macro economy, can be highly useful in developing policies and making fast and flexible decisions.

The second conceptual choice is to create not only a place of accumulation of quantitative information, but also a certain library wherein different conclusions on local governments or matters affecting local governments are collected. In accordance with the specific nature of the task, a system of fixed “keywords” is created. This system is to be used both when recording and when searching for information. A specific system of classifiers is created, and it is approximated to the real functions of local governments.

The third conceptual choice is to relate the methods (including database development) with LALRG political structure, to make the most important decisions after discussions in political committees and

to appoint LALRG advisers who lobby interests of local governments in relevant fields as responsible for matters of database content. At the time of writing of this Handbook, the precise model of financing of further works is still unclear, yet the undertaking to continue working on the collection and analysis of qualitative information is clear.

Thus, the database is a tool for effective and flexible management of local governments and can become an auxiliary tool also for State management. Facts are necessary for both operational and emergency decisions as well as long-term strategies. Moreover, during the times of rapid change, one should be able to quickly change strategic settings as well.

Setting operational activities against strategic management is just as foolish as setting large enterprises against small

enterprises or large local governments against small local governments.

The use of the discussed database is in its starting point only. Its further destiny will depend on the interest of local government heads in using this database.

Both authors of this Handbook have taken active part in the development of this database and plan to continue devoting a substantial share of their efforts to implement the initial plan.

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In developing the benchmarking database, a task was set to develop a system that would allow finding the necessary records.

In the fulfilment of this task, it was taken into account that in the world there are open data systems which find a relevant record by a phrase. This database is of a specific nature with a much smaller scope. The plan was to integrate both tables (they could be further processed according to client's interests), text files in different languages, presentations and different visual materials as well as the main product of this database — performance indicators that would be applied for managing local governments and used in State management as well.

Therefore, the recognition and integration system suitable exactly for anticipated database users, oriented towards persons who understand the specific nature of local governments' work and are related to making decisions on territories or territorial dimension, was selected. This is the system used half a century ago in libraries, only modified for a particular audience.

Fixed keywords that allow finding records by several features were selected:

1. by data source (provider) that can be a public entity or a private person as well as an office or an official (Classifier 1);
2. by data type, respectively, a table of primary data or indicators, a structured or non-structured experience or study description, a presentation (Classifier 2);
3. by main groups of functions, which are characterised by a certain area of activity both inside the organisation and outside: policy, services, administration, facilitation, management, entrepreneurship (business activities), or support function (Classifier 3);
4. by the type of the managed sector, distinguishing sectors typical of local government activities now and in potential future, including voluntary initiatives and State-delegated tasks (Classifier 4);
5. by focus group — direct beneficiary, dividing four classes of beneficiaries into sub-classes: residents, visitors, entrepreneurs, and representatives of the organised civil society (Classifier 5);
6. by applicable territory, from EU and OECD to a populated area (Classifier 6);
7. by data collection period (Classifier 7);
8. by data availability, from public data to data available only to the benchmarking database administrator (Classifier 8).

This system of classifiers allows users (network coordinators, representatives of local governments and ministries, students, researchers, journalists and activists of civil society organisations) to find relevant records and use them in resolving practical and theoretical issues.

When entering and searching for records, each user is offered to mark the necessary features. Each feature can have more detailed grouping that clarifies the necessary feature. Currently, 8 classifiers are used; however, in future it will be possible to supplement the number of classifiers as well as to introduce additional features.

Opening the portal www.blis.lps.lv, you can mark the filter on the left that selects information. Parameters can be set for the information selector according to 8 classifiers. Each classifier describes its data dimension. One dimension might have several marks, since this is not budget classification; this classification does not have to ensure accounting in one class and sub-classes only.

In making any record in the database, marks are added — they show to which classes and sub-classes of these eight classifiers data refer are added to them. This system has been developed for the user to be able to find records of previous years. Public administration has sufficiently great inertia; experience obtained 100 years ago can also be useful information. According to the European tradition, fundamental political problems and their solutions have been formulated in Greek City States 2.5 thousand years ago. Searching for new solutions can be an interesting experience obtained during the entire time of existence of Latvian local governments.

The index of each data record, according to the affiliation to each classifier, belongs to mandatory metadata. Making a record without indicating the relevant index is prohibited.

1.1. SEARCHING FOR INFORMATION

There are two ways how to search for information in BLIS — by viewing records or using the search tool. Information in BLIS is divided into two main categories: publications and structured data (information placed in tables). Publications may feature structured experience descriptions, non-structured experience descriptions, presentations, studies, LALRG survey results, and other types of publications. According to these categories, the user can look through necessary themes.

BLIS system has an integrated search engine. It includes several blocks: search phrase, classifier, search principle, and the period for which the information is sought. During search, it is necessary to enter a search word, for example, heating, and to press the button *Search*. You can leave the

search field empty and make relevant marks in the classifier. Search principles *AND* and *OR* apply only to the classifier and allow to carry out a more careful search. The search tool provides an opportunity to choose the year for which data are collected.

Results are sorted under the search tool by types of data — publications, structured data, files uploaded by users, etc. By clicking on any result, it is opened in a new tab.

When using this system, one can search for data by both a set of features (applying the logical key “AND”) and by at least one feature (using the logical key “OR”).

For example, if only three of the aforementioned features are indicated:

1. data provider — local government;
2. focus group — children under 6;
3. applicable territory — civil parish of a municipality,

then, when using the key “OR”, the system will offer data that refer to at least one of the said features, but when using “AND” — only the data that comply with all three features at the same time. In the first case, there will be a lot more data, since it is enough with just one of three features to be included on the list of suggested data. In the second case, only records which comply with all three indicated features will be shown.

If the system offers too many records, the number of records can be reduced several times by using the key “AND”. However, in this case it is easy to be left with no records at all.

1.2. CONTENT DESCRIPTION OF A RECORD (METADATA)

By opening this content description, the interested person finds out the reason why a relevant record has been made and

1. SYSTEM OF CLASSIFIERS AND USE THEREOF

what the record maker has tried to achieve by this record. In case of this database, metadata do not have any special structure, since eight classifiers which characterise records in a comprehensive manner are structured in detail. Marks in classifiers are also metadata.

It is preferable for a data source to be reflected (for example, a particular local government, a particular ministry, a particular task session of the Council of Europe, etc.).

It is preferable that it is described in words why a relevant record has been included (a potential positive effect from this record).

If a record is a publication, it is preferable to include the table of contents in the content description. Then a potential reader will be able to obtain sufficient idea and determine whether to look further or move to search for a more appropriate material.

These are currently few orienting instructions. The culture of description development will form gradually, during the upcoming years of database use; it is important to refrain from exaggerated formalisation at the initial stage.

Until now, a great share of public administration methods in Europe and across the world has ended in a fiasco not because they were incorrect or ineffective, but exactly due to exaggerated formalisation tendencies.

1.3. CLASSIFIER 1 — DATA PROVIDER

This classifier has been created to be able to identify a record by a data source. It has two classes which are not mutually exclusive in this case. Here, it is necessary to emphasise one more time

the difference between this system and budget classifiers, wherein repetition is inadmissible. Representatives of the first six groups in the second class represent the first group of the first class — all the said institutions represent the same person (Figure 1).

CLASS 1 — PUBLIC ENTITY OR PRIVATE PERSON

Group “Republic of Latvia” is marked as a data source using open data published in official editions (including the website of the Cabinet of Ministers www.mk.gov.lv, Saeima website www.saeima.lv, the website of the President www.president.lv, etc.). Often enough, those are primary data. By processing them, it is possible to find out indicators characterising results of a local government.

Group “One of 119 local governments” is marked if those are open data of a local government (official publication, data from the local government’s website or from its public report) and in the case when a local government receives a request from LALRG and submits data to the database.

For data that are especially sent to the benchmarking database, it is possible to determine the status of limited availability by local government or initiatives of other cooperation network participants. This question is described in more detail further on.

Group “One of local government associations” includes both data calculated by LALRG employees and data obtained from other associations. It is possible that in future an association registered in Latvia might get involved in data collection and processing. However, the main role might be played by open data compiled by associations of other countries. To be able to assess own achievements and shortcomings, it is crucial to take into account how the situation

develops in the EU, the OECD and other countries. The role of local governments in other countries in data collection and analysis develops gradually as well. For example, the Association of Polish Cities has developed its database and analyses these data in its cooperation networks.

Group “Planning region” is marked if data are obtained from open data of a planning region or by surveying these regions. Planning regions are constantly participating in LALRG work. Until the creation of regional self-governments, they partially fulfil functions which, according to the principle of subsidiarity, should be fulfilled by directly elected regional governments.

In terms of data openness or confidentiality, a planning region is subject to the same conditions as one of 119 local governments.

Group “Other entity” is marked in many and different cases; the source is a public entity or a private person which nonetheless does not comply with the aforementioned cases. For example, the Norwegian Association of Local and Regional Authorities actively uses data summarised in the single data accounting system KOSTRA. These data are easy to use for comparison with achievements of Latvian local governments, yet the Norwegian state is not particularly distinguished.

Another case — a study by an individual scientist. He can be perceived as an individual natural person for whom no special mark is intended. Sub-classes into which authors can be divided in future will be revealed during the development of the database. However, not always it is useful to mark a group that has failed to match the intended list.

CLASS 2 – OFFICE OR OFFICIAL

Class “Office or official” has been created to be able to mark potential LALRG partners

better, particularly those that do not have status of a legal entity.

Group “State Chancellery” serves the Cabinet of Ministers and is a place of work for both ministers and parliamentary secretaries. This institution organises the work of the government and has repeatedly attempted to carry out State administration reforms. The State Chancellery is the holder of a list of offices; it might be potentially interested also in a database that is not oriented towards the European Commission, but rather to events in Latvia. The State Chancellery maintains the database of the Cabinet of Ministers and organises meetings of State Secretaries. During those, decisions to be adopted by the government are prepared.

The State Chancellery takes care of the database of studies ordered by the State. These studies can also be a source of many analytical conclusions.

Group “Ministry” is marked as taking data for any sector managed by the central government. The State cannot manage local governments, yet one ministry has to prepare the government policy on local government matters. It is MEPRD. The MEPRD minister is assigned the status of a responsible minister; in cases and manner stipulated by law, this minister can interfere in certain matters of management of local governments.

Ministries are traditionally (this tradition persists since the times of totalitarianism) interested in different areas of activity of local governments. Central bureaucrats have the wish to plan and regulate the actions of local governments even though they have no legitimate right to do so. Contrary to the principle of self-government binding to Latvia, ministries interfere in matters in which they should not

1. SYSTEM OF CLASSIFIERS AND USE THEREOF

interfere, violate the principle of subsidiarity and do not ensure that the autonomous competence of a local government should normally be full and exclusive.

From the point of view of a central bureaucrat, it is beneficial to regulate the activities of a local government while imposing the financing duty on a local government budget. Then State funds can be used for maintaining bureaucracy, while local government's funds are used "to provide services".

In turn, from the point of view of data collection and processing it is beneficial to ensure primary data collection in a centralised manner. Every year, every ministry collects a lot of data from local governments, and the majority of data is never used. It would be good if these data could be obtained directly from ministries, processed and further used to improve the work of local governments. It is much worse if these data have to be repeatedly requested from local governments which had already provided this information once.

It is impossible to ever resolve this issue completely, since, with competition existing between ministries (in fact, competition between parties of the ruling coalition) and competition (particularly for resources) existing between local governments and ministries, information will be perceived as means of fight, rather than as means of cooperation and work improvement. At the same time, common sense tells that in the field of shared competence the State should cooperate with local governments, as data exchange is the simplest and most effective way of cooperation.

However, there will always be several methods of data exchange — standard, based on mutual benefit, and based on the common sense of civil servants.

If a ministry is indicated as a data source, the content description of a record should definitely specify which ministry it is exactly.

Figure 1. Classification of data providers

<p>1. Data provider</p> <p>1.1. Public entity or private person</p> <p>1.1.1. Republic of Latvia</p> <p>1.1.2. One of 119 local governments</p> <p>1.1.3. One of local government associations</p> <p>1.1.4. Planning region</p> <p>1.1.5. Other entity</p> <p>1.2. Office or official</p> <p>2.2.1. State Chancellery</p> <p>2.2.2. Ministry</p> <p>2.2.3. Central Statistical Bureau</p> <p>2.2.4. State Revenue Service</p> <p>2.2.5. State Regional Development Agency</p> <p>2.2.6. Register of Enterprises</p> <p>2.2.7. Other State institution or official</p>

Group "Central Statistical Bureau" (CSB) can be marked in two cases:

- as an open data source. The institution tends to carry out official statistics. Since it is enough with 6 planning regions (NUTS 3 scale) for EU management, more detailed data are not published;
- as a source of primary data the benchmarking database receives on conditions similar to data for scientific studies. CSB at its disposal has an extensive amount of data on natural persons, legal entities, and territories. These data are not analysed, except for the overall impact of data on NUTS3 scale. If it is recognised that local governments do not require data analysis, it is possible to agree with

the government (yet it will listen to the opinion of the CSB).

In Latvia, the CSB mostly cooperates with the European Commission's institution EUROSTAT. Currently, it is unknown whether the State will undertake any role in relation to the collection and publication of local statistics and whether the CSB will ensure it. In any case, CSB data can be used for developing performance indicators on local progresses.

Group "State Revenue Service" (SRS) currently collects and summarises important data on natural persons and legal entities — taxpayers. There are quite a lot of data that can be obtained from the SRS and associated databases. Local governments are granted a special right to obtain data. There is a chance that it will be possible to retrieve data to be transferred to local governments also in the benchmarking database.

This institution has primary data at its disposal. The processing of such data would be used for characterising the social and economic structure of local government territories as well as a key in the matter concerning which enterprises and institutions make local government's revenues and contribution of which enterprises is insignificant.

Group "State Regional Development Agency" maintains several databases from which data on local governments can be retrieved. The most popular of them is RAIM (Module of Regional Development Indicators). The MERPD website www.vraa.gov.lv describes its information system as follows:

"an aid for regional development monitoring and decision-making support to facilitate the assessment of territory development tendencies for local governments as well as

preparation and supervision of development programmes.

RAIM is aimed at ensuring the availability of information to specialists of the State, local governments and planning regions, investors and the entire public to promote a single understanding of regional policy and territory development policies for State administration, local government institutions and the public.

RAIM includes indicators that provide an opportunity to assess territory development by means of a sufficient set of indicators that describe it in terms of the most diverse aspects. The system of assessment indicators includes both economic and social aspects of development as well as a lifestyle description. RAIM ensures an opportunity to assess territory development from the point of view of the reached level and positive or negative changes taking place as well as to assess the characteristic features or development potential of each territory – these features are the foundation of its development possibilities".

Unfortunately, RAIM includes mostly data on local governments in general rather than on their territories and objects in territories of local governments, therefore it can be basically used for comparing the indicators of one local government with other local governments. Nonetheless, it is more useful to adopt a range of indicators exactly from RAIM — www.raim.gov.lv.

Group "Register of Enterprises" contains information on enterprises, associations, foundations and other legal entities of the private sector, their legal status and management. These data can be used, yet they largely duplicate, for example, with the Register of Taxpayers. Unfortunately, the register contains no data on institutions, hindering the consideration of many matters.

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Data of the Register of Enterprises are available to local governments; there is initial undertaking to cooperate in using the benchmarking database.

An important role is attributed to **Group “Other institution or official”**, since many institutions are not included in the list. For example, all local government institutions (for example, schools) must be classified as “1.2.7. Other institution or official”. Officials, for example, ministries, must be classified as “1.2.7. Other institution or official” as well. Matters of this nature are clarified in the Law On the Structure of the Cabinet of Ministers and the State Administration Structure Law. In relation to planning regions and local governments, the following is to be taken into account:

In the State Administrative Structure Law, the Republic of Latvia is named the “initial” legal entity. Historically, it is incorrect, but could be compliant with the idea of the Charter — activities within the limits of law (local government is allowed to do everything that is not prohibited by laws of the Republic of Latvia). Initiality is used contrary to the logics of language, since, unless prohibited by law, a local government does everything elected representatives of residents consider to be useful. When a state is established, it can restrict the local government’s legal capacity and capacity to act.

An institution and an official work in the name of a public entity. External and internal regulatory enactments determine when and how an official opinion is expressed.

A person acting as an official can express his or her private (non-official) opinion as well. Restrictions of these rights may arise from an employment contract or law. If a private opinion is expressed, it is correct to separate it by saying or certifying in writing that it is not an official opinion.

Specific selected institutions are planned as the main data providers on the part of the

State. If open (published) data are used, the operators of the benchmarking database can use these data without any special consent. Work is carried out on gradually extending the range of data specifically prepared from said institutions and to be published on www.blis.lps.lv.

1.4. CLASSIFIER 2 – DATA TYPE

This classifier describes several types of records by their form. This classifier in no way suggests the content, yet can help in finding a record by its form (Figure 2).

Figure 2. Classification of data types

Classifier 2 – “Data type”	
2.1.	Primary table
2.2.	Table of indicators
2.3.	Structured description of experience
2.4.	Non-structured description of experience
2.5.	Presentation
2.6.	Research
2.7.	Results of LALRG surveys
2.8.	Non-structured text file
2.9.	Record of another type

Class “Primary table”

This class includes data obtained from a State database, local governments or any literary source. The primary table can include data combined from several sources, but does not contain any calculations.

The primary table can be used by anyone to whom this table is available and it can be used for analysis or obtaining different secondary data.

Class “Table of indicators”

This class will mostly include indicators that characterise performance.

This class contains calculation results. Indicators are most often the potential performance indicators of a local government. This question is discussed in more detail in the second handbook.

Class “Structured description of experience”

This class is specifically related to cooperation networks. The formal structure of how to describe local government’s experience is planned.

The structured experience description contains several mandatory elements:

1. Description of a problem to be solved.
2. Description of the selected solution.
3. Risk assessment of the selected solution.
4. Description of the history of using the solution.
5. Description of result measurement and achieved indicators.
6. Recommendations for persons adopting experience.

The structured description can be prepared by a local government as member of a cooperation network, by a cooperation network coordinator or by another user of the benchmarking database. Harmonisation is done by the database administrator.

Class “Non-structured description of experience”

This class applies to experience descriptions of local governments that do not comply with the aforementioned formalisation. It can be international experience (in other countries of other projects, the necessary structure can differ) or moving a record from a data source without wasting time on formalisation. The experience description found in literature or on the Internet might lack information necessary for carrying out the formalisation.

Class “Presentation”

A large share of meetings and discussions occur by using presentations which are specifically made for these events and are publicly available. There can also be cases when a status of limited availability has been assigned to a presentation. The amount of available presentations significantly exceeds reports with exhaustive text.

Class “Research”

Scientific researches and studies performed for consultation purposes correspond to this class. When searching for a study, a higher analytical level is ensured, and it is usually associated with studies ordered this way or developed upon own initiative.

Class “Results of LALRG surveys”

The database is used for carrying out surveys. This class includes results of performed surveys which can be further analysed by all persons whom the results of these surveys are available.

Taking into account the current situation, it will be impossible to study many matters based only on State information systems. Many issues must be determined by directly addressing local governments.

Class “Non-structured text file”

This class includes training materials and different other texts that can be useful for developing the performance of local governments.

Class “Record of another type”

This class includes records that cannot be classified according to the aforementioned features.

1.5. CLASSIFIER 3 – GROUPS OF FUNCTIONS

Division into groups of functions is intended to characterise as well as search for

activities similar in terms of organisation, regardless of the sector.

Classifier “**Groups of function**” is divided into eight classes. Each class corresponds to its specific form of work organisation. Methods typical of the class can be applied in the most diverse sectors.

Class 1 – Policy Organisation and Content

This class is divided into eight groups of activities (Figure 3). This group includes both organisation and content matters, which are often difficult to separate. Therefore, this classifier combines them into a single class.

Relevant activities significantly depend on local government politicians’ and employees’ understanding of values, their belief in economic and social theories, skills, information or disinformation degree, and other circumstances,

Different models of local government policy making are discussed in the second handbook devoted to cooperation networks.

Group “Formulation of goals and vision, relevant performance indicators”

This group comprises policy-making elements. Activities can be diverse depending on the degree of changes planned to be introduced by the policy.

In case of the rational method, a local government can implement significant reforms. In this case, a reform process can be organised. For example, it can be a local government’s marketing strategy.

In this case, there can be different assumptions in the foreground, yet they lead the consequent selection of a focus group of local government’s activities, analysis of clients’ demand, comparison of own possibilities with the possibilities of

competing local governments, creation of an own product and its further promotion on the market. A local government must ensure the development of its comparative advantages.

In case of the incremental method, certain shortcomings of the existing system are found. It is planned to eliminate these shortcomings.

Finding appropriate indicators is largely an art; their content is closely related to assumptions in relation to the fields in which a local government is preparing to use these indicators. The greatest attention is to be paid in the case when it is planned to use performance indicators for motivating personnel.

This group is characterised by an almost unlimited opportunity in the development of local government policy management.

Group “Process organisation”

This group comprises activities stipulated by law or activities selected voluntarily for organising the policy-making and management process. It includes procedures how new initiatives are proposed, how local government employees prepare draft documents, and how discussion occurs in permanent committees and work groups.

The planning procedures existing in the country separate planning (development of strategies and plans) from the budget process. A local government is allowed to internally improve this situation and to introduce strategic and operational management procedures that connect plans to reality. One of these opportunities is to develop and implement into a single procedure local government’s marketing to create relevant management bodies.

Group “Work organisation of deputies”

This group includes both support functions

for organising the work of deputies and experience in organising political fractions and ensuring their operation.

Group “Involvement”

Within the framework of this group, it is possible to describe diverse forms of public involvement and experience in their implementation. It is no secret that without stimuli residents and even large interest groups tend to be passive. Therefore, searching for effective methods and exchanging experience on these matters can help in receiving greater support before the next elections. Only by getting involved will residents and society be able to understand the essence of local governments.

Group “Consulting”

This groups marks a special form of involvement — consulting. The results of consulting are not mandatory, yet a local government has a duty to explain why some or other suggestions by residents or

entrepreneurs are not taken into account.

Group “Lobbying”

This group includes different decisions of external institutions (the EU, the President of the State, Saeima Commissions, informal organisations of the ruling coalition, Cabinet of Ministers, civil servants of ministries or agencies). A local government represents its own individual interests independently.

If the interests of a local government match the interests of other local governments, lobbying can be organised jointly — via local government associations, including LALRG. Experience in these matters can be interesting for all local governments. It is also important that lobbying can be related to conflicts of interests; therefore, always remaining within the limits set by law is a special art.

Group “Other type of political function” Here, it is necessary to describe activities that do not comply with the aforementioned activities.

Figure 3. Classification of groups of functions

- 3.1. Policy organisation and content
 - 3.1.1. Formulation of goals and vision, relevant performance indicators
 - 3.1.2. Process organisation
 - 3.1.3. Work organisation of deputies
 - 3.1.4. Involvement
 - 3.1.5. Consulting
 - 3.1.6. Lobbying
 - 3.1.7. Other type of political function
- 3.2. Service
 - 3.2.1. Budget-funded individual service without participation duty
 - 3.2.2. Budget-funded individual service with participation duty
 - 3.2.3. Individual service co-funded by the client
 - 3.2.4. Public service available to a certain target audience (“service of general interest”)
 - 3.2.5. Public service available to everyone
 - 3.2.6. Service of another type

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- 3.3. Administration
 - 3.3.1. Legislation
 - 3.3.2. Monitoring
 - 3.3.3. Harmonisation or giving of permission
 - 3.3.4. Compliance confirmation
 - 3.3.5. Suspension of activities or requesting of certain actions
 - 3.3.6. Punishment
 - 3.3.7. Other type of administration
- 3.4. Facilitation
 - 3.4.1. Availability of human resources
 - 3.4.2. Availability of natural resources
 - 3.4.3. Availability of public infrastructure
 - 3.4.4. Allocation of grants, subsidising, tax and duty discounts
 - 3.4.5. Participation in enterprises or associations
 - 3.4.6. Lobbying of private interests
 - 3.4.7. Other type of facilitation
- 3.5. Running
 - 3.5.1. Running of public infrastructure
 - 3.5.2. Running of private property
 - 3.5.3. Other type of management
- 3.6. Entrepreneurship
 - 3.6.1. Entrepreneurship providing local government services
 - 3.6.2. Entrepreneurship fulfilling administration functions
 - 3.6.3. Entrepreneurship increasing local government resources
 - 3.6.4. Entrepreneurship providing social support
 - 3.6.5. Other type of local government's entrepreneurship
- 3.7. Informing
 - 3.7.1. On behalf of the the local government
 - 3.7.2. On behalf of the Republic of Latvia
 - 3.7.3. On behalf of the EU
- 3.8. Organisation of support functions
 - 3.8.1. Budget and financial management
 - 3.8.2. Accountancy
 - 3.8.3. Record-keeping
 - 3.8.4. Legal support
 - 3.8.5. IT support
 - 3.8.6. Technical support
 - 3.8.7. Running of local government's buildings
 - 3.8.8. Other support functions

Class 2 – Service

A service is a benefit a service recipient wishes to obtain and he/she understands as a benefit.

Group “Budget-funded individual service without participation duty”

This group includes services wherein the recipient (particular student, particular patient, etc.) is known and he/she receives this service regardless of the fact whether he/she has fulfilled the participation condition (for example, to work for a certain number of hours for community service or at a school kitchen). The identification of the recipient and his/her eligibility is sufficient to receive a budget-funded service.

Group “Budget-funded individual service with participation duty”

This group includes services, the recipient of which is identified, but which can be received only with ensured participation. For example, social allowance is received only by those who attend courses for improvement of professional skills.

Group “Individual service co-funded by the client”

This group includes services with a co-payment. For example, a student pays a tuition fee covered from actual tuition expenses in the amount of 60%; a patient makes a patient’s payment used as one of sources for the functioning of a hospital, yet concurrently there is State or local government participation.

Group “Public service available to a certain target audience (“service of general interest”)

This group includes services that apply to certain groups of society (all inhabitants are a special case that applies to this group). This service can be received by all persons included in the group, for example, all

pensioners or all children under 4.

Group “Public service available to everyone”

This group includes public services, the receipt of which is available to everyone. For example, street lighting is available to everyone who chooses to go along the street.

Group “Service of another type”

This group includes services that do not apply to the aforementioned cases.

Class 3 – Administration

Administration is to be separated from the provision of services; usually, a client would not ask for administration and would act by him/herself; administration is associated with the introduction, observance and cancellation of restrictions.

Group “Legislation”

This group includes preparation and adoption of binding regulations of a local government. Administrative deeds of a general nature can be referred to this group as well, if any of local government institutions is entitled to adopt such deeds.

Group “Monitoring”

This group includes observance of fulfilment of the administrative function (accounting of administrative activities, data compilation and analysis, assessment).

Group “Harmonisation or giving permission”

This group includes activities of local government institutions or officials, when a private person (also a public entity in the field of its private activities, for example, a ministry that resolves economic issues) wishes to receive a permit to carry out necessary activities. The reason for harmonisation or receipt of a permit or

licence can be national legislation norms or binding regulations of a local government. A client carries out harmonisation (receives a permit) since he/she cannot carry out the planned activities otherwise.

Group “Compliance confirmation”

This group includes activities of local government institutions or officials approving compliance of a particular person – education level, knowledge level, level of skills, level of merits, poverty level, etc.

Group “Suspension of activities or requesting of certain actions”

This group includes decisions that discontinue the rights of third parties (residents, entrepreneurs, State institutions, etc.) or impose certain activities on these persons. It can be requested to demolish an illegally constructed structure, to discontinue teaching, if requirements set forth in law are not observed, etc.

Group “Punishment”

This group includes activities allowed by law. A local government can determine administrative liability itself only in areas determined in the Law On Local Governments. The right to punish to a different extent is granted to managers, inspectors, the Administrative Commission, etc.

Group “Other type of administration”

This group includes administration activities that do not comply with the aforementioned cases.

Class 4 – Facilitation

Facilitation is to be separated from the direct actions of a local government in attaining certain goals. By facilitating it is possible to encourage and support third parties and their actions in accepting regulations or performing certain economic activities.

Group “Availability of human resources”

This group includes various measures that can be taken to achieve better compliance between labour force supply and demand. Depending on the priorities of a local government, it is possible to adhere to the current demand and endeavour to achieve targeted structural changes.

Group “Availability of natural resources”

This group includes activities of a local government for the availability of different natural resources – minerals, forests, territory, etc. This availability is an essential factor in attracting economic or administrative activities.

Group “Availability of public infrastructure”

This group includes measures for improving the availability of public infrastructure as well as facilitating activities of the private sector and State institutions in this direction. Facilitation can be manifested in the form of both agreement and regulation.

Group “Allocation of grants, subsidising, tax and duty discounts”

This group includes the so-called “State aid” procedures. At the time, an incorrect term was integrated in an EU Regulation, specifying that, by way of exception, in one law the “state” should mean both the state and local governments. This group includes also support to civil society organisations or socially disadvantaged groups.

Group “Participation in enterprises or associations”

This group includes participation in enterprises or associations if the main goal is facilitation. By participating it is possible to facilitate the development of a certain field or increase the interest of other participants in the relevant field.

Group “Lobbying of private interests”

This group includes a certain form of

protectionism – “own” support. In the case of the State or local government’s actions, the total “free market” ideology is not productive. Likewise, the Law On Local Governments imposes a duty on the local government to facilitate support of local entrepreneurship. One of the methods is lobbying in both national and international markets.

Group “Other type of facilitation”

This group includes facilitation activities that do not comply with the aforementioned.

Class 5 – Running

Running is a provision of maintenance functions, ensuring the functionality of relevant objects and certain development of these objects. It can be carried out in the form of outsourced services or with own forces.

Group “Running of public infrastructure”

This group includes management activities for maintaining and developing public infrastructure. Public infrastructure can belong not only to a local government, it can also be a State property managed according to an oral or written agreement. For example, a local government often manages State-owned roads during winter, otherwise they would not be suitable for use and residents would suffer.

Group “Running of private property”

This group includes cases when private properties are managed both for a charge and free of charge. There are cases when this right or even duty is stipulated by law. An example is apartment buildings, in which apartment properties belong to private persons, yet a local government is obliged by law to invest local government’s funds in these private properties. In general, there are many more or less known such cases, both in the form of local government’s voluntary initiative and mandatory form.

The general norm for the prevention of squandering of public entity’s property and funds prohibits these actions, yet other laws, on the contrary, encourage them.

Group “Other types of running”

This group includes management activities that do not comply with the aforementioned.

Class 6 – Entrepreneurship

In this Handbook, we do not use the term “commercial activity” beloved by lawyers, since in other countries this term means something other than in Latvia. Entrepreneurship includes profit-making economic activities.

Group “Entrepreneurship providing local government services”

This group includes the provision of local government services in the form of entrepreneurship. Using terminology accepted in the EU, it would more likely be social entrepreneurship, while in Latvia only entrepreneurship within the meaning of the Commercial Law is stipulated.

In this case, a legal form that allows being sufficiently flexible is used. If a service is to be provided in a rapidly changing environment, enterprises in which a local government owns less than 50% of shares can be effective.

Group “Entrepreneurship fulfilling administration functions”

This group includes cases when the activities of an organisation mostly consist of governance functions (for a charge), rather than the production of goods or services. More often it happens with State institutions that endeavour to overcome government failures which increase the cost and delay the provision of high-quality services. A great share of such government failures can be eliminated by creating an enterprise instead of a State agency (for example, RTSD).

Situations when administrative goals and administrative functions dominate a local government's enterprise are completely possible.

Group “Entrepreneurship increasing local government resources”

This group includes cases when entrepreneurship is carried out to increase natural resources or human resources. A local government has the right to determine certain natural resources as strategic resources and to establish a new enterprise for the management of these resources.

A situation is possible when a local government wishes to ensure the availability of local human resources in a sector, yet no investor opens an enterprise with such profile. Then the local government itself can undertake this role and prepare an environment in which it will be able to attract investors in future. By achieving structural changes, a local government can further privatise enterprises owned thereby and decide on further measures for necessary structural changes.

Group “Entrepreneurship providing social support”

This group includes enterprises owned by a local government or capital shares in the enterprises whose purpose is to provide social support. This can include inclusion projects (for example, employment of disabled persons), and measures on inclusion of different social-risk groups, respectively, allocating grants to these enterprises or using dividends for social purposes.

These activities can be described as social entrepreneurship of a local government.

Group “Other type of local government's entrepreneurship”

This group includes entrepreneurship of a local government that does not comply with the previously described groups.

Class 7 – Informing

Group “On behalf of the local government”

This group includes informing about decisions adopted on behalf of a local government (local community). Usually, decisions are adopted by the council or local government officials/institutions, yet a local government might have delegated someone else to act on behalf thereof, for example, the construction board of a neighbouring local government or a school located in a neighbouring local government.

A local government acts on its name in its area of autonomous competence. Informing can be organised in different forms, including by means of outsourced services or with the mediation of enterprises owned by a local government.

Group “On behalf of the Republic of Latvia”

This group includes informing about decisions adopted by a local government when it is done on behalf of the Republic of Latvia (people of Latvia - a case of administration tasks delegated by the State) or when a local government informs about decisions, adopted by State institutions. Provision of such information in local government institutions or via local government portals is extremely popular.

Group “On behalf of the EU”

This group includes informing about the EU policy and EU laws. There is an opinion that a local government usually administers approximately 70% of EU legislation. Therefore, it is normal to inform residents and entrepreneurs about EU activities and requirements.

Class 8 – Organisation of Support Functions

Group “Budget and financial management”

This group includes procedures how the preparation, adoption, execution and assessment of the budget is organised. A local government self-dependently organises these processes in accordance with the State regulatory framework in relation to information exchange. Additional problems are caused by financial discipline measures.

Group “Accountancy”

This group includes financial and property accounting procedures a local government organises self-dependently, ensuring information exchange in the form determined by the State.

Group “Record-keeping”

This group includes document circulation procedures a local government organises self-dependently, ensuring applicant's rights and exchange of necessary information with the State.

Group “Legal support”

This group includes ensuring the legality of local government's administrative deeds, binding regulations and other documents as well as procedures developed by a local government for representing the interests of the local government in legal matters.

Group “IT support”

This group includes provision of computer equipment and networks, care for software, connections to State information systems, provision of analytical operation, and other similar matters.

Group “Technical support”

This group includes technical support functions – transport, energy, heating,

lighting solutions and solutions for other similar problems.

Group “Running of local government's buildings”

This group includes matters concerning the management of buildings owned by a local government. It includes administrative buildings, buildings used by local governments for providing services or buildings which are leased (rented).

Group “Other support functions”

This group includes support functions that do not comply with the previously described groups.

1.6. CLASSIFIER 4 – TYPE OF THE GOVERNED SECTOR

The classifier of sectors suitable for the classification of sectors of Latvian local governments has been selected specifically for this database. It differs from international classifiers such as COFOG (Classification of Functions of Government), since they allow for comparing data of different countries between themselves, yet are not suitable for comparing expenses to functions of local governments.

The classifier has been developed so that it would be easier for a practitioner from local governments to find “his/her place”. The fact that this is not a budget classifier is taken into account; its main task is to help local government's representatives (also other interested persons) to understand the topic of improvements to local government's work.

The classifier does not try to separate autonomous competences of a local government from State-delegated competences. There are several reasons:

1. The law “On Local Governments”

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does not include the principle so that it would be possible to find a list of local government's autonomous competences in a single place. In spring 1994, the Saeima did not support the solution offered by LALRG — to compile a full list of local government's autonomous functions and place it in one law in one place (so that anyone could easily find it).

In 1994, politicians of “Latvian Way” (Latvijas ceļš) tried to reduce the role of local governments to ensure advantages for gradual centralisation. Autonomy obtained before by local governments could not be taken away immediately, therefore they tried to fix some nuclei for violations of the Charter in every law. Making the matter what is State responsibility and what is the responsibility of local governments unclear, the wish to gradually restrict the rights of local governments was expressed.

The two-level law system, i.e. the Constitution and other laws, was mentioned as a formal reason. There was opinion that determination of local government's responsibility in one law (which can be beneficial for every resident) meant the constitutional status of the law “On Local Governments”, which could be regarded as inadmissible. As a result, nowadays it is difficult to determine the status of the function — State-delegated functions and autonomous functions stipulated in other laws (outside the Law on Local Governments) have actually become voluntary initiatives of local governments, since the State systematically fails to fulfil conditions of assigning or delegating these functions.

2. In each group of functions, autonomous functions have become the functions of shared responsibility; it is not easy to determine the scope of responsibility the State will undertake and functions under the responsibility of a local government. It comes as no surprise that in the law on Compensation of Losses Created by Public Offices in case of illegal actions of a local government it is assumed that with uncertainty existing it is to be paid from the State budget. Legislators understand that even a judge will find it difficult to explain which competence includes activities stipulated by law.

It justifies the single consideration of State responsibility and local government responsibility in the classifier of sectors.

Class 1 – Education and Science

As can be seen in Figure 4.1, this class includes all groups that cover the majority of education types. However, there are several exceptions that do not comply with any of the fourteen particular groups and therefore are to be referred to the fifteenth group (according to the remainder principle).

Group “Pre-school” education comprises matters concerning financing of kindergartens and training of 5-6-year-olds as well as babysitters and private kindergartens. Support functions and material provision are requested from local governments. Distribution of competences is in the process of changes. Initially, the full competence of local governments was discontinued by the State taking over the financing of teachers in early 90's. In 1996, the first Šķāle's government fully stood apart from kindergartens, declaring that kindergartens were the voluntary function

of local governments, since the private sector could fully ensure their functions. Further, the State did not keep to this concept and started spreading opinions that local governments nonetheless had the duty to ensure pre-school education. At the same time, the State violated the law every year and avoided financing this function. Currently, discussions continue and will not end in foreseeable future — at the moment of publication of the Handbook, the government avoids ensuring the minimum salary to pre-school teachers. The problems of pre-school education, which are a lot wider than those within the scope of the Ministry of Education and Science (MoES), refer to this group.

Group “Basic” education covers education from the 1st to the 9th grade in all possible forms. We can find cases when local governments get involved also in matters which are the responsibility of the State in a larger part of the territory of the country. Even though the State is traditionally responsible for the curriculum and financing of teachers, local government policy is possible in both of these matters. A local government is the owner of a primary school. In turn, teachers employed by a local government themselves prepare programmes to be accredited and plan the study process. Likewise, a local government is responsible for all types of support functions.

Group “Secondary general” education covers education from the 9th to the 12th grade. Matters concerning this education are closely related to human resources. All support functions apply to this form of education; it can be one of central roles in the local government development policy. This is the exact age when a foundation for a choice is laid — a student will link his or her life with a local government or emigrate to other places in Latvia or abroad.

Figure 4.1. Classification of education and science

- 4.1. Education and science
 - 4.1.1. Pre-school
 - 4.1.2. Basic
 - 4.1.3. Secondary general
 - 4.1.4. Secondary professional
 - 4.1.5. Interest-related
 - 4.1.6. Exact
 - 4.1.7. Humanitarian
 - 4.1.8. Higher academic
 - 4.1.9. Higher professional
 - 4.1.10. Science in scientific institutes
 - 4.1.11. Science in higher educational institutions
 - 4.1.12. Science in private enterprises
 - 4.1.13. Conferences and seminars
 - 4.1.14. Researches ordered by a local government
 - 4.1.15. Other types of education and science

Group “Secondary professional” education covers the case of early specialisation. These students get ready to join the labour market earlier. Even though the main role in organising this education is played by the State, local governments get involved in this field increasingly more. Local governments have overtaken a range of boarding schools under the responsibility thereof. Within the framework of general education, they often organise mastering of a profession. Extensive voluntary initiatives of local governments are implemented with minor State aid, but mostly by own forces.

Group “Interest-related” education is an essential component of local government’s activities. This element attracts young people to a local government’s school and their parents — to life in this local government. Achievements in interest-related education largely affect local government’s achievements in competition

with other local governments. Relations between the partial State financing and local government's responsibility in this field are similar to other fields of education. It is to be noted that interest-related education system is the foundation for achievements of many Latvian artists on a global scale.

Group "Exact" education describes the area of specialisation. This group is used if in-depth mastering of exact sciences is emphasised at any level or in any type of education. It refers to physics, mathematics, chemistry, biology, and technical disciplines. The goal of this field is to provide high-level scientists or scientists/engineers able to transfer the latest technologies and to develop new ones. Representatives of this area master entrepreneurship and economics better than representatives of the humanitarian area. Exact education basics are preferable also for lawyers. A local government has the right and possibilities to promote the priority of these fields – without them, the science economy is impossible.

Group "Humanitarian" education means an opposite choice – to study humanitarian fields. In some of professions, it is possible to work with both humanitarian and exact basics. Development of the humanitarian area is potentially one of sources of local government's comparative advantages, particularly in arts and creative economics.

Group "Higher academic" education and science indicate local government's interest in developing these areas in its territory. Traditionally, it is the responsibility of the State or private responsibility, yet a local government has many opportunities to work in this direction on a path to the restructuring of its local economy. It particularly refers to regional higher educational institutions that

search for and find cooperation opportunities with local governments.

Group "Higher professional" education and science indicates the dominance of development of applied knowledge and technologies in local government's interest in higher education. Also in regions, engineering sciences and management sciences can cause greater interest than the direction to fundamental sciences. Just as in the previous case, efforts to restructure the local economy lead to a conclusion that more intensive work should be carried out with science.

Group "Science in scientific institutes" This group indicates interest in institutions in which scientific research dominates and the study process has a largely subordinated role. In Latvia, there is a tradition of institutes of the Latvian Academy of Sciences. These institutes were closely related to State studies, defence field studies or industry studies; each of these institutes had an experimental production base, wherein the process of application of higher-level engineering sciences took place, ensuring the aspects that are lacking in the modern economy of Latvia – transfer of sciences and technologies from science to economy.

Group "Science in higher educational institutions". This group describes a certain study support system. To be able to ensure the full-fledged study process for future masters and doctors, they must be shown and taught how the process of scientific research occurs. It is to be taken into account that a good entrepreneur will purchase only the best product of science in the world, therefore science of higher educational institutions is not always able to ensure a competitive product.

Group “Science in private enterprises”

Even though this approach is rarely found in Latvia nowadays, the more post-industrial and science economy develops, the more often science development occurs exactly in manufacturing enterprises. Scientists being directly related to the production process of new items ensure comparative advantages to the knowledge economy enterprise. Gradually, there will be increasingly more local governments in which enterprises with an internal scientific potential will be located. It is to be taken into account that an engineer/scientist is able to create more innovative products than an engineer/technology user or technology carrier.

Group “Conferences and seminars”

refers to local governments that promote locating relevant centres within the territory of the local government or even maintain them. If a local government takes active part in the knowledge economy, the presence of relevant centres belongs to the base infrastructure and inevitably ends within the range of interests of the local government. By creating such a centre, a local government obtains comparative advantages in comparison to other local governments.

Group “Researches ordered by a local government”

refers to scientific (usually – applied sciences) studies ordered by a local government. Contractors fulfilling orders can be both professional consultants (usually specialise in political legal profession) and scientists (they should specialise in determination of truth). In practical life, most diverse cases can be encountered.

Group “Other types of education and science”

is necessary to be able to make

and search for records that do not refer to the aforementioned, yet are included in this sub-class.

Class 2 – Culture and Leisure

Operation in this field is typical of local governments of all countries. An idea of a local government is closely related to its cultural landscape, to opportunities for entertainment and sports as well as to a local government as a tourist destination. A local government that forgets about these factors actually cannot attract smart and talented labour force. Home-grown youngsters leave this local government and attracting persons from abroad to this local government is difficult as well.

Discussion on what is more important to a local government – to develop business activity or to develop culture and entertainment opportunities, is just as useful as a discussion on a chicken and an egg. Still, it is essential that sustainability requires both “chicken” and “egg”. Sustainability requires both economic activities and entertainment opportunities.

Group “Exhibitions”

It is applied in relation to local government’s activities in organising exhibitions. An exhibition can be both a commercial event and a gift, a local government’s activity and an event of a mixed type with sponsors/foundations, donations of private persons, etc. Usually, a local government has bodies that operate in this field independently.

Group “Gambling”

It is applied to local government’s activities in this field. On the one hand, gambling tax can supplement the local government budget. On the other hand, a local government has the right to regulate the location of gambling places by means of its binding regulations. Attitude in society and among inter-local

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government deputies to gambling is ambiguous. For several local governments, supporting gambling can be a good opportunity to facilitate the development of its territory.

Group “Concerts”

It allows for a wide local government’s choice — to get involved or not to get involved. Similarly to the organisation of exhibitions, concerts can be also purely private entrepreneurship, yet, in the same case, organisation of concerts causes concerns to a local government in terms of public order before and after a concert. Usually, local governments take active part in organisation of concerts, ensuring attractiveness of their territory to all focus groups of local government’s activities. An opportunity to visit concerts largely affects the choice whether to stay in a particular local government or leave it.

Group “Interest-related education”

It appears here for the second time. The participants of interest-related education can participate in culture and leisure activities and can affect them significantly. Since this is not budget classification, certain duplication is admissible and facilitates the integration or finding of activity or experience.

Figure 4.2. Classification of culture and leisure

- 4.2. Culture and leisure
 - 4.2.1. Exhibitions
 - 4.2.2. Gambling
 - 4.2.3. Concerts
 - 4.2.4. Interest-related education
 - 4.2.5. Sports events
 - 4.2.6. Anniversaries and holidays
 - 4.2.7. Theatre and opera performances
 - 4.2.8. Mourning and memorial events
 - 4.2.9. Other types of cultural and leisure activities

Group “Sports events”

It is one of traditional concerns of local governments across the world. It is related to many focus groups of a local government; usually, a local government has employees whose regular duties include this activity. This group may be associated with extensive investments and cooperation with the most diverse partners across the world.

Group “Anniversaries and holidays”

Just as other aforementioned activities, it refers to the organisation of entertainment activities, yet it can be combined with aforementioned activities and be oriented to patriotism, including the promotion of local patriotism. A local government is viable insofar registered residents (citizens of the local governments) have the feeling of affiliation to their territory. It is erroneous to carry out the technocratic approach of attempting to draw the borders of a local government on a map without taking into account the feeling of affiliation and unity.

Group “Theatre and opera performances”

It also belongs to the typical activities of a local government, even though the role of the State as well as private enthusiasts and private sponsors is essential in this field. At the time, the local government of Jūrkalne Parish was able to ensure participation in a local theatre even though the number of local government’s residents was below 400. Currently, Baltinava Municipality, which is the smallest in Latvia in terms of size, not only ensures local performances, but also takes performances of this municipality to the National Theatre in Riga. This activity is used for attracting tourists.

Group “Mourning and memorial events”

This activity can be included in the range of duties of a local government, even though in Latvia it is mostly privatised. This way or another, local governments are responsible for the management of cemeteries. Events

must be organised also in cases when a person respected and honoured by local residents deceases.

Group “Other types of cultural and leisure activities”

It is necessary also in this case to be able to describe and find records that comply with the class, yet do not refer to any of the groups.

Class 3 – Social Security

Responsibility for social security is included in shared competences. In accordance with the principle of subsidiarity:

- things that a family (household) is able to ensure itself should not be undertaken by either the State or a local government;
- things that cannot be ensured by a family, yet can be effectively ensured by a local government, should not be undertaken by the State;
- the State is allowed to undertake only those things that cannot be ensured by either a family or a local government.

However, the social-democratic tradition is strong; also in Latvia, the State often undertakes responsibility for different matters contradicting subsidiarity.

To distinguish the State responsibility and local government’s responsibility in the social field, a simple criterion can be used: if any regulations are the same across Latvia, responsibility is imposed on the central government. In turn, if regulations from one territory differ from another, responsibility should be imposed on a local government and no State institutions should assess the expediency of local government’s actions.

Figure 4.3. Classification of social security

4.3.	Social security
4.3.1.	Support to needy persons
4.3.2.	Support to socially disadvantaged persons
4.3.3.	Organisation of participation
4.3.4.	Housing policy
4.3.5.	Employment
4.3.6.	Support to families with children
4.3.7.	Support for social entrepreneurship
4.3.8.	Support to seniors
4.3.9.	Other social security activities

Group “Support to needy persons”

It comprises different activities carried out by a local government to support needy persons. The Social Security Law stipulates two degrees:

1. The status of a needy person can be obtained by any person whose average monthly income over the last three months does not exceed a certain threshold. This income threshold is the same across the country.
2. The level of income necessary to receive the status of a low-income person is determined by local governments. Laws do not stipulate how it is to be determined. In Latvia, a low-income person can be any person with different thresholds determined by a local government.

Needy persons are entitled to benefits determined by the State. Benefits to low-income persons are basically determined by a local government, yet laws and Cabinet Regulations also cover this field due to excessive efforts.

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Group “Support to socially disadvantaged persons”

Local government can choose any of the categories of socially disadvantaged persons as a focus group and implement its own policy in addition to the national policy. This concept is also used in the process of assessing the status of public benefit.

Upon writing of this Handbook, there is an applicable list determined by the Cabinet of Ministers which includes the following groups of socially disadvantaged persons: (1) families with three or more children; (2) sole-parent families; (3) disabled persons; (4) persons above the active working age; (5) 15-25-year old persons; (6) persons released from penal institutions; (7) long-term unemployed persons; (8) homeless persons; (9) victims of human trafficking; (10) politically repressed persons; (11) persons who incurred harm due to natural calamities or natural catastrophes, or their families; (12) participants in liquidation of the Chernobyl NPP accident consequences and their families; (13) persons with alcohol addiction, addiction from narcotic, psychotropic or toxic substances, gambling or computer gaming addiction and their families; (14) families with a disabled child; (15) children; (16) victims of violence.

Group “Organisation of participation”

Organisation of participation, in the opinion of many local governments, is one of central issues in the social policy. If no activities which would interest customers in moving from being passive recipients to being self-sufficient are carried out, a parasitic group of residents arises. This produces the recipients of social services and can even become dangerous to society. At the same time, increasingly more new restrictions are introduced, delaying the employment of recipients of allowances. In this field, a local government has to overcome the

government’s failures and be able to influence clients so that these clients are willing to improve their position.

Group “Housing policy”

This group is selected if one wants to describe local government’s activities in relation to apartments and residential buildings. The duties of a local government in this field are contradictory — at the beginning, a total privatisation policy was implemented, yet later the State came to sense that hardly everyone would be able to exercise human rights to housing this way. Some laws prohibit from helping certain groups of residents in housing matters. Other laws impose on a local government a duty to help. Theoretically, a local government does not have to maintain a privatised apartment building; practically, this building is often registered in the Land Register in favour of a local government. There are territories where an apartment costs almost nothing to a young specialist, while in other territories there is a lack of labour force, since there is nowhere to live. In this complicated environment, each local government can choose its way in the housing policy.

Group “Employment”

Employment promotion is included in the local government’s duties determined in the Law On Local Governments. At the same time, the employment budget is a part of the State budget, while the State Employment Agency operates across the country. This is a typical function of shared responsibility dominated by the State. However, from the point of view of internal policy, employment is a key to social assistance and other similar matters for each local government. Often enough, local governments draw particular attention to employment rather than to productivity.

Group “Support to families with children”

Support to families with children is ensured from both the State and local governments. In this field, a local government fulfils both functions stipulated by law and independently selected, i.e. voluntary, functions. Mostly it is the responsibility of local government’s social services, but cooperation occurs also with other local government’s bodies and the non-governmental sector.

Group “Support for social entrepreneurship”

The internationally recognised definition of social entrepreneurship means economic activities of any nature when the dominant purpose of these activities is public good rather than profit. Regardless of how a discussion in the Saeima regarding a special law on social entrepreneurship will progress, a local government has wide opportunities to operate in this field:

1. Almost every enterprise owned by a local government (hospital, water supply and sewerage company, building management company) can be interpreted as an enterprise with a dominating public goal, or at least with a significant share of public goals. In this aspect, a social enterprise fulfils an early function of a local government’s non-profit enterprise.
2. Several social assistance and social support functions can be implemented in the most cost-efficient and effective manner if a local government involves its clients of social services in work. Social assistance and social care functions themselves can be implemented in a more effective manner by means of an especially designated enterprise. In this case, a local government itself carries out

traditional social entrepreneurship. This field includes also responding to central government failures such as concentration of healthcare or unjustified de-institutionalisation of the social sector.

3. A local government can purchase services from social companies of the private sector (also associations, if they are not included on the list of social companies).
4. A local government can facilitate the development of social entrepreneurship in its territory.

Group “Support to seniors”

A local government has many State-delegated duties in relation to seniors, while additional duties occur due to the most diverse reasons. Firstly, poverty in this group is the most widespread; often the amount of state pensions is insufficient for a respectable life. Secondly, seniors require social care and health care, and local governments are involved in their provision. Thirdly, seniors have a great influence on election results. This is the field of complicated relations, since local governments, the State and the private sector concurrently cooperate therein.

Group “Other types of social security activities”

It is necessary also in this case to be able to describe and find records that comply with the class, yet do not refer to any of the groups.

Class 4 – Health Protection

In different countries, health tends to be within the competence of both the State and regions. Centralisation and concentration of healthcare has several advantages (particularly, in the high-tech field), yet has many disadvantages. Latvia

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has gone through all of these phases and an explicit concentration process with all the disadvantages arising therefrom has been taking place over the last decade.

In implementing the healthcare organisation reform in 1997, it was stated that, along with money, the State took over from the local governments the responsibility for healthcare. However, it did not happen so; the State again and again tries to impose responsibility on local governments for certain areas of healthcare, forgetting to share funds.

Group “Hospital services”

Several years ago, local governments owned 100 hospitals in which in-patient secondary care services were provided. Currently, the State reduces the number of orders for these hospitals while some of them have already obtained the status of a social care institution. A range of local government hospitals are fully or partially privatised. Others continue to develop services and specialise in certain fields, concurrently developing chargeable medicine and medicine export. In this situation, wide opportunities are ensured for innovations and work improvement in spite of government failures in this field.

Group “Support for secondary out-patient healthcare (availability of specialists)”

One of problems to which increased attention has been paid recently is a lack of young doctors. There is a lack of support to new residents and there is a lack of practice possibilities in local government hospitals. No household circumstances are applied. Therefore, local governments get involved in resolving apartment issues, determining additional grants and carrying out other support activities for young specialists.

Group “Support to family doctors (availability of general practitioners)”

The system of family doctors has favourable and unfavourable places of practice. In Riga, there is a line for places of family doctors, while in many other places of Latvia it is impossible to find a doctor who would come to work. The autonomous function of a local government to ensure the availability of healthcare services causes different problems in different territories. Therefore, each local government requires its own policy and application of different solutions for supporting family doctors.

Group “Support for public health activities”

A local government must take care of the public health in each its activity and at each institution (this process is controlled by the Health Inspectorate). Likewise, public health activities are understandable for the public and suitable for promotion on the market, therefore local government heads tend to be active in this field. This opens many opportunities for innovations.

Figure 4.4. Classification of health protection

- 4.4. Health care
- 4.4.1. Hospital services
- 4.4.2. Support for secondary out-patient healthcare (availability of specialists)
- 4.4.3. Support to family doctors (availability of general practitioners)
- 4.4.4. Support for public health activities
- 4.4.5. Support for rehabilitation activities
- 4.4.6. Support for tertiary care
- 4.4.7. Healthcare in social care institutions
- 4.4.8. Healthcare in educational institutions
- 4.4.9. Other types of healthcare availability activities

Group “Support for rehabilitation activities”

Rehabilitation in the State healthcare system is one of its weaknesses; usually this important field lacks financing. It is impossible for every household to purchase private rehabilitation activities, therefore people expect that a local government will include support for rehabilitation activities in its range of social activities.

Concentration of healthcare services implemented by the State has caused a problem of what to do with local government hospitals and former polyclinics (health centres). In relation to missing rehabilitation services, here are wide opportunities for diverse solutions.

Group “Support for tertiary care”

Tertiary healthcare is related to the study and scientific process — university clinics. Currently, these clinics are mostly owned by the State, their achievements or failures determine the technological process and quality of medical treatment. However, these tertiary care institutions are State-owned (possibly also a private-public property) they have a significant impact also on the local government policy.

By supporting the work of these institutions, it is possible to facilitate restructuring of economy — the majority of employed persons can get involved in the knowledge economy. In certain cases, a crucial role was played also by local government investments that helped hospitals in competing with each other.

Group “Healthcare in social care institutions”

One of activities carried out by social care institutions is provision of healthcare services to residents. There are different opportunities how to organise these

services in an effective manner.

Group “Healthcare in educational institutions”

Local governments ensure the availability of preventive healthcare and first aid to students in owned educational institutions according to the procedures laid down by the Cabinet of Ministers. All expenses related to preventive healthcare and provision of first aid, including hiring medical personnel at educational institutions, are covered by the founder of the educational institution.

Fundamental work duties of a school nurse include ensuring the preventive healthcare of children and provision of first medical aid. There are options as well: provision of paramedic’s or family doctor’s services.

Group “Other types of healthcare availability activities”

It is necessary in this case as well to be able to describe and find records that comply with the class, yet do not refer to any of the groups.

Class 5 – Public Order and Legality

According to the Section 15 of the Law On Local Governments, ensuring public order is an autonomous function of a local government.

A local government chooses the way of ensuring this public order independently. Therefore, different public order functions are voluntary initiatives, in regulation of which local government policy guidelines and local government’s binding regulations are used. Some of these functions are governed also by national laws, for example, municipal police has to operate in accordance with law and the self-dependently determined local government policy.

There are cases when additionality is implemented. For example, in territories in which municipal police operates, the State Order Police avoids duplicating functions.

Group “Municipal policy”

This group describes activities related to the establishment of municipal police.

The duties of municipal police include:

1. prevention of violations of the law;
2. guarding and conveyance of persons detained and arrested for administrative violations;
3. control of how regulations (violations of which means the prescription of administrative sanctions) approved by the local government are being observed and the imposing and collection of fines for such violations;
4. support for the State Police and Security Police in guaranteeing public safety and fighting of crime; and
5. prevention of immediate threats if a person in a house or its vicinity can cause harm to the life, freedom or health of the person to be protected until the court examines an issue regarding additional protection against violence.

If a local government does not form its own police or does not delegate the tasks of local government police to another local government, the State Police shall fulfil the aforementioned duties.

Group “Sobering stations”

Maintenance of sobering stations has long been within the competence of the State, yet in certain territories (similarly as in case of municipal police) the initiative along with financing was overtaken by local governments.

It made the State Police (the budget of which includes maintenance of sobering stations) to encourage local governments to take over sobering stations fully. This was hindered by efforts to liquidate regional local governments resulting in the 2009 reform of local governments. A region requiring a sobering station is greater than the territory of the majority of local governments.

Therefore, this problem is resolved individually and separately for each case.

Group “Vice police”

There were times when this function was voluntarily undertaken by Riga local government that created a relevant structural unit in municipal police. In late 90's, the State Police created a relevant department and local government's activities in this field were reduced.

The Law On Local Governments preserves the autonomous function of a local government “to combat lewdness”, which can be interpreted as a mandate for voluntary establishment of vice police. It is possible that some local governments can choose this activity as its priority.

Group “Lease boards”

At a time, lease boards used to be pre-trial institutions of local governments, and there was a whole chapter on them in the Law On Local Governments. After 1990, there have been repeated attempts to fix the status of lease boards in a law, yet the legislator did not support this initiative.

Currently, certain local governments voluntarily create their structural units with similar functions, and these units mostly operate as a mediator between a lessor and a lessee.

Riga City Lease Board consists of the Chairperson of the Board, two representatives on the part of lessees and two representatives on the part of lessors.

The range of matters considered by the board is rather wide. Many disagreements arise with regard to the determination of a lease payment, maintenance of the building and engineering and technical communications located therein, cleaning of the adjacent territory and provision of public utilities. A special category includes conflicts related to the arbitrary eviction of lessees from residential premises or creation of circumstances that make living in a relevant house impossible.

Group “Orphan’s courts”

At some point orphan’s courts belonged to institutions of judicial power and were created as a part of a local government. The main functions of orphan’s courts are stipulated by the Civil Law. Currently, the Ministry of Justice is interested in orphan’s courts and has established its own structural unit for methodological consultations of orphan’s courts and supervision of their activities.

Even though the legal status of orphan’s courts has been lowered — they are not courts, but rather offices, — it does not change the essence of the case: these institutions adopt administrative deeds in adoption and guardianship cases, suspension or deprivation of parents’ rights, and in other cases stipulated by law. Creation of orphan’s courts is mandatory for a local government, yet the local government can work on improving the effectiveness of the relevant bodies.

Group “Protection of children’s rights”

Protection of children’s rights is a function of shared competence; on an international scale, it is organised by the United Nations, on a national scale — by the Ministry of Welfare; social services of local governments and orphan’s courts of local governments have just as many duties in this field.

In this field, local governments often operate outside the minimum stipulated by law, voluntarily undertake different additional functions and implement their own supplementing policy.

Figure 4.5. Classification of public order and legality

- 4.5. Public order and legality
 - 4.5.1. Municipal police
 - 4.5.2. Sobering stations
 - 4.5.3. Vice police
 - 4.5.4. Lease boards
 - 4.5.5. Orphan’s courts
 - 4.5.6. Protection of children’s rights
 - 4.5.7. Courtyards
 - 4.5.8. Crisis centres (for natural persons) for non-protected groups
 - 4.5.9. Probation
 - 4.5.10. Representation of civil legal interests of criminally prosecuted persons under arrest
 - 4.5.11. Ensuring order during mass events
 - 4.5.12. Combating drug addiction
 - 4.5.13. Other types of public order and legality activities

Group “Courtyards”

After the privatisation of apartments, a situation when apartment buildings have no owner – legal person - has arisen. Under these circumstances, owners of separate apartments as undivided shares find it difficult to agree on the arrangement of courtyards. Therefore, a local government often shows initiative.

Arrangement of courtyards as a local government’s activity is popular throughout Europe. Within their scope, local governments willingly participate in these processes.

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Group “Crisis centres (for natural persons) for non-protected groups”

This is the field in which local governments operate concurrently with the private sector and the State. There are very many different groups that require assistance, and situations in different local governments can vary significantly. This field is suitable for innovations and non-traditional solutions.

Group “Probation”

The State Probation Service fulfils functions within the entire territory of the country. This service is interested in the coordination and harmonisation of activities with local governments. Hence, a local government as a cooperation partner has opportunities to cooperate in the most diverse manner, including attraction of residents to its territory.

Group “Representation of civil legal interests of criminally prosecuted persons under arrest”

In accordance with Section 248 of the Criminal Procedure Law, if a procedural compulsory measure related to the deprivation of liberty is applied, the following can be included within the scope of local government’s responsibility (if a suspect or the accused has no other possibility):

1. Child or a person under guardianship or custody;
2. Property;
3. Animal.

Procedures for protecting and transferring properties transferred into protection for 3 months are laid down by the Cabinet of Ministers.

Actions in these situations become the object of local government’s care and imagination.

Group “Ensuring order during mass events”

If a local government has created municipal police, this matter is usually included in the

scope of responsibility of this institution. If events are organised by private persons (for example, an association), responsibility can be stipulated in a permit to act. However, it does not exclude local government’s responsibility to ensure order.

A local government, if it does not have its own police, can ask the State Police for assistance. In these cases, there have been many situations which were interpreted by the State Police as squandering of local government funds (for example, the vehicle owned by the State Police was filled with petrol). Despite the legislator’s efforts to improve cooperation possibilities between the State and a local government, this autonomous function of the local government is still in the “risk zone” — there can be suspicions that in fulfilling the autonomous function the State Police or the private sector is unjustifiably funded.

Group “Combating drug addiction”

This field is mostly managed by the Ministry of the Interior, Ministry of Welfare, Ministry of Health and civil society organisations by cooperating with each other. However, this cooperation circle includes local governments as well.

The situation in local governments is diverse. In several local governments, the issue regarding the spread of drug addiction might become critical and end up on top of local government’s priorities.

Group “Other types of public order and legality activities”

It is necessary in this case as well to be able to describe and find records that comply with the class, yet do not refer to any of the groups.

Class 6 – Emergency and Crisis Situations

Group “Water rescue services”

Water rescue throughout Latvia is ensured

by the State Fire and Rescue Service; however, rescue stations or rescue posts organised by a local government are operating in important places of swimming. In Jūrmala and Riga, rescue stations are included in the composition of municipal police. There are wide opportunities for cooperation in this field. The presence of rescue services supplements recreation and entertainment possibilities as well as the attractiveness of the territory for visitors.

Group “Support for fire extinguishing”

This is a typical field of shared competence, wherein a significant role is attributed to the private initiative as well as to the State and local governments. The leading role is played by the State Fire and Rescue Service (SFRS).

The role of a local government is crucial in several directions:

1. Supporting voluntary fire fighting associations;
2. Cooperation with private fire fighting bodies (companies);
3. Creation of own fire fighting bodies;
4. Cooperation with SFRS.

A local government, when creating its strategy in all these fields, assesses the dangerousness of fire accidents and the public opinion before using own funds and creating workplaces paid by the local government.

Group “Participation in the elimination of natural and technical catastrophes”

In situations of natural and technical catastrophes, actions are taken according to plans approved by the central government, yet the role of a local government as a local authority is significant. Usually catastrophes are accidents of a larger scale or dangerous natural phenomena: floods, fires, road traffic accidents, accidents on water,

different injuries, including professional injuries, as well as other accidents, for example, poisoning or infectious diseases.

Since local governments are highly diverse, each of them can have its own optimal response system, which is to be coordinated in all cases with State institutions, i.e. SFRS, the Centre of Emergency and Disaster Medicine, etc.

Figure 4.6. Classification of emergency and crisis situations

- 4.6. Emergency and crisis situations
 - 4.6.1. Water rescue services
 - 4.6.2. Support for fire extinguishing
 - 4.6.3. Participation in the elimination of natural and technical catastrophes
 - 4.6.4. Emergency services for public infrastructure
 - 4.6.5. Participation in combating terrorism
 - 4.6.6. Support to the National Guard
 - 4.6.7. Cooperation with the National Armed Forces
 - 4.6.8. Other types of emergency and crisis activities

Group “Emergency services for public infrastructure”

Emergency services exist both as private commercial companies and enterprises owned by a local government and administration bodies. A local government assesses the need for participation in these activities. In general, the safety of local infrastructure is local government’s area of responsibility, wherein the most diverse solutions are possible.

Group “Participation in combating terrorism”

World practice suggests that different forms of terrorism tend to spread increasingly more rapidly, which means an increased need for

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everyone, including local governments, to get involved in anti-terrorism activities. It can be forecasted that this need will keep increasing in upcoming years.

Group “Support to the National Guard”

There are three “National Guard regions” in Latvia, each of which is larger than a planning region. These regions have localised National Guard battalions, the personnel of which carries out their principal work within territories of different local governments – they carry out the training processes in the vicinity of the place of residence. Hence, cooperation with local governments is necessary, particularly with those governments where the training bases of armed forces are located.

At a time, local governments used to participate in the foundation of the National Guard; historical ties have been preserved to a greater or lesser extent. Due to geopolitical processes, the co-responsibility of local governments for security increases and a crucial role in this process is attributed exactly to cooperation with the National Guard.

Group “Cooperation with the National Armed Forces”

The National Guard is a part of the National Armed Forces. Patriotic education, professional orientation for those who will connect their future to armed forces, cooperation during training and movement as well as other activities are included in the range of local government’s responsibilities.

Cooperation with the armed forces is manifested also in the creation of single sports infrastructure – stadiums, swimming pools and other structures necessary for both students and the National Armed Forces.

Group “Other types of emergency and crisis activities”

It is necessary in this case as well to be able

to describe and find records that comply with the class, yet do not refer to any of the groups.

Class 7 – Supervision of Spatial Planning and Construction

Group “Organisation of public discussions”

Mandatory public discussion procedures are stipulated by a range of laws. The discussion procedure is determined by a local government individually. There are misconceptions in society that a local government must observe the public opinion in fulfilling things stated during discussions. Actually, in many cases it is necessary to act contrary to the “public opinion”; however, in these cases the challenge is to carefully justify why it is to be done otherwise.

In the decision-making process, usually the greater public good (the good for the majority of local government’s residents) must be compared to the individual benefit (the good for a smaller share of local government’s residents).

Group “Organisation of referendums”

While the Law On Local Governments featured no section on local referendums, referendums used to take place every now and then. Since this section was introduced, no referendum has taken place, as there is no separate law adopted. Adoption of a law has been delayed due to several reasons:

1. The draft law emphasises de-constructive referendums, wherein it is planned to delay the work of a council or even to cancel council decisions;
2. Political forces which initially proposed the draft law to strengthen centralisation tendencies have stated that there is a threat to use local referendums against national interests

The section of the law was adopted in the following wording: “**Section 61**³. Local governments have the right to organise a local government referendum pursuant to procedures laid down in the Law”. It is wrong to think that this is a prohibiting norm. While the law stipulates no procedures, there are wide opportunities for using referendums. Yet, at the moment (since 2008), local governments try to refrain from participating in relevant discussions, since some lawyers might try to contest the right to organise referendums.

Figure 4.7. Classification of supervision of spatial planning and construction

- 4.7. Supervision of spatial planning and construction
 - 4.7.1. Organisation of public discussions
 - 4.7.2. Organisation of referendums
 - 4.7.3. Harmonisation with planning documents of other public entities
 - 4.7.4. Development of the territory planning
 - 4.7.5. Development of the detail planning
 - 4.7.6. Monitoring of environmental sustainability requirements
 - 4.7.7. Monitoring of construction legality
 - 4.7.8. Supervision of the technical condition of buildings and structures
 - 4.7.9. Other types of spatial planning and construction supervision activities

Group “Harmonisation with planning documents of other public entities”

The planning system causes a tremendous bureaucratic burden. The main reason for it is its separation from the budget. Laws stipulate detailed plans (long-term strategies, medium-

term development programmes and projects, short-term projects) for which no relation to the budget is planned. In turn, authors of financial laws carefully ensure that there is no budget deficit, yet are not interested in the use of the budget for development.

Therefore, development of plans and programmes has become a peculiar tool for accidental investments that have little relation to the strategy. However, the opposite situation is impossible as well: if a local government wishes to implement any development activities, they must be stipulated in the official planning documents which are to be harmonised with the public and development documents of another scale.

Harmonisation stipulates that a plan of a smaller scale cannot contradict a plan of a greater scale. Accepting negative conditions in a development plan on a national scale negatively affects all plans of a smaller scale.

A local government, when developing its own plan, harmonises it with plans of a greater scale and neighbours’ plans of a similar scale. In turn, when a plan of a greater scale is developed, it is to be accepted by a local government. A local government can propose the exclusion of harmful norms from plans of a greater scale.

Group “Development of the territory planning”

Territory planning largely determines the interest of residents in staying in a relevant local government or leaving it. Likewise, planning conditions of a local government are important for investors. If a local government thinks about its development, it should ensure comparative advantages as compared to neighbouring territories.

From this point of view, it is not so important to save the world as to offer own clients

1. SYSTEM OF CLASSIFIERS AND USE THEREOF

opportunities that neighbours do not have. The more diverse these opportunities are, the faster the economy in the country in general will develop. Therefore, planning development is an innovative process in which the peculiar nature of a territory is to be revealed.

Group “Development of the detail planning”

The detail planning is a document binding to the territory user. Exact responsibility for the detail planning is the most influential tool a local government uses to influence economic processes. Therefore, local government’s experience in these matters and analysis of this experience is an important factor for improving the situation.

This is a field with comparatively high risk of corruption. Therefore, this field should be included in the constant scope of politicians.

Group “Monitoring of environmental sustainability requirements”

Different understanding can be found in notes devoted to this matter. Environment might mean both nature and regulatory or human environment. Sustainability might mean the initial concept “self-sufficient” and have many different meanings that have gradually spread throughout the world under the influence of green ideology.

The official division of public administration stipulates that this field on a national scale is within the scope of responsibility of the Ministry of Environmental Protection and Regional Development and its agencies, while a local government has to harmonise its projects with relevant institutions. However, local government deputies have the right to their own ideological views; they are allowed to support greater or smaller global sustainability projects, yet national norms for environmental protection are binding thereto.

Records in this section might refer to a wide range of matters.

Group “Monitoring of construction legality”

Over time, duties of local governments in the field of construction supervision have changed significantly. Therefore, currently mandatory norms of laws on general construction regulations partially apply along with voluntary initiatives of a local government.

Even though at a time the autonomous function of a local government was limited to the supervision of legality of construction, it turned out that the public expected a lot more from local governments. After the Zolitude tragedy, work was carried out on changes to the Construction Law. These changes stipulated additional bureaucratisation of the process in hopes of increased security.

Group “Supervision of the technical condition of buildings and structures”

In accordance with the Construction Law, a local government “shall adopt decisions on further actions with structures located in the territory thereof, which have completely or partially collapsed or are in such condition that their use is dangerous or they spoil the landscape”.

Supervision of the technical condition might be one of voluntary initiatives.

Group “Other types of spatial planning and construction supervision activities”

It is necessary in this case as well to be able to describe and find records that comply with the class, yet do not refer to any of the groups.

Class 8 – Public Utilities

This class is related to the construction and maintenance of local infrastructure (public utilities). This is a traditional area of local government’s activity, which is included in local government’s autonomous functions in accordance with the Law On Local Governments. At the same time, this field is distinguished by the form of organisation

and respectively the diversity of forms of economic activity.

Group “Water supply”

Water supply is important for both wealthy and the most needy residents, therefore in a great number of world’s local governments a water supply company is owned by a local government.

There are no crucial reasons as to why water supply could not be within the scope of private responsibility, insofar it can be controlled by the Public Utilities Regulation Commission.

In ensuring water supply by means of own enterprise, this enterprise should act in the most effective manner possible (expenses are to be reduced with sufficiently high water quality requirements).

There is a popular example in Latvia when A/S “Rīgas ūdens” was unable to explain its actions for improving company’s performance since it established a separate company for selling bottled drinking water. Instead of explaining that the entire possible production cycle should be used for decreasing the cost of the principal service, insults were received that the company violated competition conditions.

This example suggests that one should be able to apply the Law On Prevention of Squandering of the Financial Resources & Property of the State and Local Governments and explain the activities to the public.

Group “Sewerage and waste water treatment”

In this case, records are made similarly to the previous case and refer to the regulated sector. In this case as well, a local government has wide choice opportunities for optimising the provision of the service.

Group “Household waste collection and processing”

This is also a regulated sector. A local government sets binding regulations on household waste processing within its administrative territory, determining the division of this territory in household waste processing areas; requirements for waste collection as well as for the minimum frequency of household waste collection, transportation, handling and storage; procedures for making payments for waste management; and determines authorised institutions and officials of the local government that control the observance of related regulations and are entitled to draw up an administrative violation protocol.

Due to the implementation of the green doctrine, waste management tariffs are constantly increased; moreover, this increase is related also to decisions adopted by a local government. In this field (for example, introducing sorted waste collection), a local government should be able to explain that it is done to implement recycling and show what the benefit is.

Figure 4.8. Classification of public utilities

- 4.8. Public utilities
- 4.8.1. Water supply
- 4.8.2. Sewerage and waste water treatment
- 4.8.3. Household waste collection and processing
- 4.8.4. Heat supply
- 4.8.5. Co-generation
- 4.8.6. Energy performance
- 4.8.7. Promoting the use of renewable energy resources
- 4.8.8. Other public utilities

Group “Heat supply”

Heat supply is a field in which, just as in the

field of waste collection and processing, extensive privatisation has taken place already since the early 90's. A share of this field was kept by the State (TEC-1 and TEC-2 are used for the production of expensive energy, justifying that gas heating is safer than possible non-receipt of energy from neighbouring countries).

In endeavouring to reduce heat supply expenses, local governments support the use of chips, yet the price of chips grows along with oil prices. A local government should think about the availability of alternative fuel in any case.

Group "Co-generation"

By introducing co-generation (production of energy in addition to heat production), it was possible to increase the emergency conversion efficiency of the system. To promote energy savings, a double tariff was introduced for co-generated energy. It became beneficial for heating companies to produce energy for a higher price than for clean energy producers.

However, the termed nature of artificial prices has to be taken into account. Sooner or later, the central government will have to think in terms of economic categories and reduce or even terminate the subsidisation of certain types of energy, as this subsidisation has already caused inability to compete with other countries in energy-consuming sectors.

Group "Energy performance"

Insulation of buildings and residential houses can be both economically justified and unjustified. If insulation expenses are increased (as it happens in the case of implementation of EU funds), insulation is seemingly effective because financing is perceived as a gift.

If the owner of house has to finance insulation (or any other energy efficiency

activities) himself, the pay-off of these activities should be carefully calculated.

In this field, local governments as process organisers face additional difficulties related to the way how apartment properties are organised in apartment buildings. Moreover, with energy consumption decreasing, expenses on heat energy production and supply increase under monopoly conditions.

Group "Promoting the use of renewable energy resources"

Use of renewable energy resources was stimulated by the environmental policy and with the mediation of EU funds. In short-term, a local government had certain benefits from implementing this policy.

In assessing the expediency of these activities, it is always necessary to assess whether maintaining relevant equipment would not be too expensive after the subsidy policy is terminated.

Group "Other public utilities"

It is necessary in this case as well to be able to describe and find records that comply with the class, yet do not refer to any of the groups.

Class 9 – Roads and Streets

Local governments own majority of the streets and a large number of roads. Based on the need to coordinate activities in the field of road construction and maintenance, financing is ensured in a centralised manner; moreover, the financing of local government properties since 1990 occurs according to the surplus principle.

The contradiction between decentralised property rights and centralised financing system (it is deemed that a local government must only ensure co-financing for the road funds to be divided in a centralised manner rather than actually financing the roads) is

the main reason for the critical situation with roads.

The road condition is one of the main factors delaying economic development, and the road financing policy still worsens the competitiveness of Latvian companies and institutions in the EU.

Group “Maintenance of local government roads and streets”

There are maintenance functions that are better fulfilled by a local government or enterprise. Other functions are better to be fulfilled by choosing an enterprise of the private sector by means of a tender. A local government has wide opportunities to optimise these choices.

Group “Reconstruction of local government roads and streets”

The range of issues is similar as in the case of maintenance. Usually, reconstruction is carried out as two consequent projects: the development of technical specifications of reconstruction and the implementation of the project itself, which is supervised by a local government. In terms of content, there are wide opportunities for innovations.

Group “Construction of local government roads and streets”

Usually, construction is carried out using EU funds in accordance with the relevant Cabinet Regulations. However, there are other opportunities, for example, cooperation with the private sector. Records are to be made on the relevant experience, particularly in searching for innovative ideas, since little can be done in a regular way.

Figure 4.9. Classification of function pertaining roads and streets

- 4.9. Roads and streets
- 4.9.1. Maintenance of local government roads and streets
- 4.9.2. Reconstruction of local government roads and streets
- 4.9.3. Construction of local government roads and streets
- 4.9.4. Voluntary fulfilment of owner’s functions non-ensured by the State
- 4.9.5. Cooperation with owners of forest roads and private roads
- 4.9.6. Concession of local government roads and streets
- 4.9.7. Traffic safety measures
- 4.9.8. Maintenance and development of bicycle paths
- 4.9.9. Restoration of roads after repair or development activities of public utilities and communications infrastructure
- 4.9.10. Closure of local government roads and streets, determining another permitted method of using the territory
- 4.9.11. Other maintenance, reconstruction or development activities of roads and streets

Group “Voluntary fulfilment of owner’s functions non-ensured by the State”

The national road maintenance policy is to be classified as a government failure that causes many negative consequences. Therefore, the interference of local governments is important when the situation becomes critical due to the inactivity of the State. Local governments often voluntarily fulfil State functions in the field of maintenance of State roads (particularly local State roads).

Records summarise positive and negative experience in these cases.

Group “Cooperation with owners of forest roads and private roads”

Where a road belonging to one owner starts or ends, it meets a road with another owner. Private roads and forest roads intersect with local government roads and are often important for availability or organisation of public transport.

Records summarise relevant information on experience in these matters.

Group “Concession of local government roads and streets”

At the time, the Concessions Law was written exactly for the purpose of ensuring at least minimal opportunities of road development if public financing was insufficient. Theoretically, simpler forms for construction or reconstruction of roads and streets are possible; however, the complex system of prohibitions and restrictions prohibits from choosing the cheapest and simplest development option.

The private sector is allowed a lot of what is prohibited to the public sector. It causes the need for cooperation, including cooperation by concession.

The most important element in this case is the actual division of risks between the public and private sector. It is important to enter into a concession in which both the entrepreneur and the local government would risk.

Group “Traffic safety measures”

Traffic safety is the competence of shared responsibility. It is shared not only by different ministries, but also by the State and local governments.

A local government is responsible both as an owner of roads and a participant in the installation of road signs; it participates in the harmonisation of different safety measures. Often enough residents apply with traffic safety questions to a local

government that helps with resolving these issues together with State institutions.

Group “Maintenance and development of bicycle paths”

The use of cycling transport has several important competences: reduction of pollution, promotion of a healthy lifestyle; development of cycling tourism, safety for pedestrians and cyclists. Local governments across the world take active part in the maintenance and development of bicycle paths.

Group “Restoration of roads after repair or development activities of public utilities and communications infrastructure”

Until now, after repairs the road condition constantly worsens until the next renovation of the road. Relevant records summarise experience in relation to solutions of this problem.

Group “Closure of local government roads and streets, determining another permitted method of using the territory”

Since it is impossible to maintain all roads and streets, some of them are closed, gradually reducing the total length of roads. Local government’s decisions determine the form of further permitted use of these territories.

Records refer to the compilation of positive and negative experience in these cases.

Group “Other maintenance, reconstruction or development activities of roads and streets”

It is necessary in this case as well to be able to describe and find records that comply with the class, yet do not refer to any of the groups.

Class 10 – Ports and Airports

Ports and airports can be owned by both the State and a local government; they can

also be private property. In Latvia, the State endeavours to restrict the influence of local governments on ports by adopting the Law On Ports.

The presence of an airport in the vicinity of a local government or in its territory can be a significant condition for the attraction of investments.

Group “Administration of ports”

The charter of the port is the binding regulations of a relevant local government. The port authority in three ports is formed in accordance with law from State and local government representatives, while charters are adopted by the Cabinet of Ministers (for Liepāja Port – Liepāja Special Economic Zone Law).

The administration of a port is ensured by the Port Authority in which local government’s interests are represented by representatives appointed by the council. The port policy can be an essential element in the local government’s marketing strategy. Ports compete with each other. To prevent this competition from harming the common interests of the State, the Latvian Ports, Transit and Logistics Council was established.

Figure 4.10. Classification of function pertaining ports and airports

- 4.10. Ports and airports
- 4.10.1. Administration of ports
- 4.10.2. Support for maintenance of ports
- 4.10.3. Participation in construction of new ports and development of ports
- 4.10.4. Administration of local government airports
- 4.10.5. Support for creation and development of airports
- 4.10.6. Other support activities for ports and airports

Group “Support for maintenance of ports”

Since a local government benefits from successful activities of ports, it is logical that the local government provides support. A port can be self-sufficient, yet it can operate with losses under certain conditions.

Local government’s support can be provided both directly and indirectly, and can be quite diverse.

Group “Participation in construction of new ports and development of ports”

In certain cases, new ports are created or functionality is changed for old ones. In these cases, a local government can participate in construction and development.

Group “Administration of local government airports”

This field is governed by the Law On Aviation. Procedures for creating a civil aviation airfield are laid down by the Cabinet of Ministers.

A civil aviation airfield of a state significance can belong to the State, a local government or even a private person. The status of a civil aviation airfield of a state significance is assigned by the Cabinet of Ministers. A local government, developing territory plans or amendments thereto, reflects therein the territory borders of a civil aviation airfield of a state significance and the planned (permitted) use of the territory determined by the Cabinet of Ministers.

If an airfield is owned by a local government, its management is appointed by the local government, while the majority of regulations is adopted by the Cabinet of Ministers.

Group “Support for creation and development of airports”

Development of an airport is largely a local

government's concern, except for the Riga Airport located in Mārupe Municipality. A range of local governments carry out work on the development of airports and they play an essential role in the perspective development of these local governments.

There are different experiences: creation of airfields for low-cost airlines, creation of regional airports, creation of sports airfields, etc.

Relevant records summarise positive and negative experience in these matters.

Group "Other support activities for ports and airports"

It is necessary in this case as well to be able to describe and find records that comply with the class, yet do not refer to any of the groups.

Class 11 – Monuments and Public Infrastructure

Development and maintenance of public infrastructure is included in local government's autonomous functions. Each of these infrastructure facilities has its own specific nature, yet these facilities share a range of properties:

1. they are not used by all residents; they can be more aimed also at other focus groups such as entrepreneurs, visitors or non-governmental organisations;
2. they are publicly available;
3. they are fully or partially subsidised; a local government often pays for the personnel for the use and maintenance of these facilities;
4. usually they have an indirect, yet highly significant impact on local government's economy;
5. a local government can determine special discount arrangements for students, disabled persons, seniors and other categories if it participates in the subsidisation of these facilities;

6. these facilities are maintained in cooperation with the State and private donors;
7. often enough these facilities are managed by commercial companies or religious organisations, yet it does not exclude the need for or opportunity of subsidisation.

The nature of facilities included in this class is sufficiently characterised by their names, therefore no additional comments are necessary for the class indicated in Figure 4.11.

Figure 4.11. Classification of monuments and public infrastructure

- | | |
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| 4.11. | Monuments and public infrastructure |
| 4.11.1. | Museums |
| 4.11.2. | Libraries |
| 4.11.3. | Monuments |
| 4.11.4. | Concert halls |
| 4.11.5. | Theatres |
| 4.11.6. | Stadiums and sports halls |
| 4.11.7. | Olympic centres |
| 4.11.8. | Culture and people's centres |
| 4.11.9. | Gardens |
| 4.11.10. | Parks |
| 4.11.11. | Cemeteries |
| 4.11.12. | Churches |
| 4.11.13. | Nature parks |
| 4.11.14. | Other facilities of local government infrastructure |

A separate comment would be necessary for the record "Churches".

Relations between the public authority and the church are governed by the State by means of international agreements, a special law and administration structure. The democracy standard stipulates that the church is separated from the State, while the State and a local government must guarantee the freedom of religion.

At the same time, a local government enters into different relations with the church –

as a sponsor to the church as a cultural monument, as a setter of real estate tax rates, as a maintainer of public order, as an introducer of an optional subject on belief at its own school, as a participant or co-organiser of public and charity activities, etc.

Problems can become even more topical with the arrival of refugees that practice belief non-traditional to Latvia.

Class 12 – Environmental Protection

Environmental protection is within the competence of the State, yet the State imposes diverse duties and restrictions on local governments and private persons.

Often enough, a local government is managed by persons that adhere to the green ideology, wherewith greater attention is paid to environmental protection issues.

Figure 4.12. Classification of environmental protection functions

- 4.12. Environmental protection
- 4.12.1. Especially protected nature territories
- 4.12.2. Nature parks
- 4.12.3. Management of coast and swimming places
- 4.12.4. Participation in environmental supervision activities
- 4.12.5. Environmental education activities
- 4.12.6. Other environmental protection activities

Group “Especially protected nature territories”

The same as anyone, a local government must observe regulations that apply to the protected nature territories of a national significance. As a construction regulator, a local government monitors the harmonisation of conditions with the State environmental supervision bodies.

In Latvia at the end of 2013, there were 683 especially protected nature territories approved by laws or Cabinet Regulations, each of which complies with any of the eight categories of protected territories (*national parks, biosphere reserves, nature parks, protected landscape areas, strict nature reserves, nature reserves, nature monuments, protected sea territories*), which differ from each other in terms of purposes of creation of a relevant territory, area of the territory and different degrees of protection – permitted and prohibited activities.

A local government can independently determine its own protected territories of a local nature by issuing relevant local government’s binding regulations.

The State usually fails to fulfil its promise to compensate residents and enterprises for losses incurred as the result of prohibitions causing a wide range of problems.

Group “Nature parks”

In Latvia at the end of 2013 there were 42 nature parks that included natural and cultural/historical values of certain areas. Nature parks are suitable for preservation of characteristic landscape, education and recreation of the public, and maintenance of biological diversity. Usually, one nature park covers several local governments and can become an economically beneficial or disadvantageous object of cooperation for local governments related thereto.

The presence of a nature park increases tourism opportunities, yet it can cause problems for economic activities.

Group “Management of coast and swimming places”

There is a contradiction between the use of coast and protection of coastal nature.

Nature friends consider that to resolve the issues of European coastal territories and marine environment, political interference is

necessary in relation to all sectors related to water, nature, pollution, fishing, climate changes, and spatial planning. They choose to say that the territory of Latvia is protected, yet do not wish to pay for it, endeavouring to impose responsibility on private persons and local governments.

The coastal area of Latvia includes practically all protected biotopes: avant-dunes, embryo dunes, grey dunes and forest dunes. These dunes form the landscape common for us, yet they have become rare in many European countries as the result of rushed construction and erroneous management. Therefore, coastal biotopes have been included on the EU list of protected biotopes.

In turn, arrangement of swimming places and development of the recreation industry is one of development resources of local governments.

Group “Participation in environmental supervision activities”

Even though there is an extensive State environmental protection system in the country, this system supervises environment in territories which are regulated by local governments. In maintaining public order, municipal police anyway ends up facing environmental issues. Therefore, in all these cases there are diverse cooperation opportunities.

Group “Environmental education activities”

This field is also within the State and private competence. At the same time, education at all levels is a function of shared responsibility. Therefore, a local government can get more or less actively involved in environmental protection activities.

Group “Other environmental protection activities”

It is necessary in this case as well to be able to describe and find records that comply with the class, yet do not refer to any of the groups.

Class 13 – Public Transport

Public transport matters have been largely privatised. A private carrier has the right and possibilities to avoid fulfilling restrictions which hinder the work of a State or local government enterprise. Likewise, the private initiative with its dominant goal, i.e. gaining of profit, strongly stimulates more effective use of entrepreneurship methods.

At the same time, market elements in public transport also have many disadvantages — non-desire to invest in the most progressive technologies, smaller interest in safety, and more complicated resolving of social issues.

Figure 4.13. Classification of public transport

- | | |
|---------|--|
| 4.13. | Public Transport |
| 4.13.1. | Regulation of bus services |
| 4.13.2. | Provision of bus services |
| 4.13.3. | School buses and other ways
how pupils are delivered to
school without using public
traffic |
| 4.13.4. | Regulation of taxi services |
| 4.13.5. | Other public transport
activities |

Group “Regulation of bus services”

Regulation is carried out by approving routes and in different other ways. Increasing safety or level of passenger convenience results in increase in expenses and, hence, ticket prices. The right of local governments to regulate these are variable — the central legislator and EU interfere into traditional responsibilities of local governments, and these centralised regulations have a higher legal force.

Bus services can be one of local government’s priorities, since they largely

affect the social environment (access of territory's unemployed persons to work) as well as availability of labour force (when attracting entrepreneurs, a competitive labour force supply is necessary).

Even though this field in Latvia is largely centralised, the influence of local governments can increase once again. A tool of regulation can be also grants that are determined for different socially disadvantaged or needy groups, pupils, students, etc.

Group “Provision of bus services”

Bus services are one of fields in which all forms of owners have been preserved in Latvia – the State, a local government and private field. They all compete with each other. Different reforms (including “optimisation of the school network”) cause the need to organise transport as a free service (for example, school buses), partially chargeable service (grants to selected groups of clients) or fully chargeable service.

Usually, local government buses run not only within its territory, but also compete with the private sector on regional and long-distance routes.

Group “School buses and other ways how pupils are delivered to school without using public traffic”

Latvia experiences a period of depopulation which is to be related to decrease in birth rate and mobility – an opportunity to work and live in other places in the EU with larger income and better household conditions. By purposefully closing schools, an increasingly greater number of pupils is delivered to school by means of special school buses.

Respectively, there are problems to be related with gaps – increase in the number of inexpediently used time, safety of pupils, competition with private public transport and other matters that come within the scope of responsibility and to the attention of a local government.

Economic matters are no less important – how to employ a school bus driver full-time; how to combine several professions.

Group “Regulation of taxi services”

A local government can adopt and administer regulations on activities of taxis. They can be more or less protectionist – depending on issues a local government assigns a higher priority to – for the convenience of visitors and residents or favourableness of local entrepreneurs (providers of taxi services). This matter is concurrently within the responsibility of the State, thus laws or the Cabinet Ministers can change the situation to which a local government has to respond.

Group “Other public transport activities”

It is necessary in this case as well to be able to describe and find records that comply with the class, yet do not refer to any of the groups.

Class 14 – Production and Trading of Goods

It is usually considered that the public sector does not have to carry out the production or trading of goods. This matter has been discussed in the second handbook. Actually, there might be rather many reasons why a local government nonetheless decides to operate as a private person and affect both competition and market to a greater or smaller extent.

We will note only that reasons can be the following: efforts to develop the territory, efforts to change the structure of a local economy, to obtain additional funds for the budget, and different other motives. A decision depends on economic and social theories which were mastered or to which elected representatives of the local community and their hired employees adhere as well as on the applicable restrictions of these activities in the country.

Figure 4.14. Classification of production and trading of goods

4.14.	Production and trading of goods
4.14.1.	Production and trading of goods as an auxiliary sector for increasing the productivity of local government's principal activity
4.14.2.	Production and trading of goods in managing the strategic resource determined by a local government
4.14.3.	Production and trading of goods for developing local government's strategic human resources
4.14.4.	Production and trading of goods for elimination of other market failures

Group “Production and trading of goods as an auxiliary sector for increasing the productivity of local government's principal activity”

To increase productivity, a local government has a similar situation to that of a private sector entrepreneur. The principal technology usually does not use all resources in full (both financial and human resources). In the process of carrying out principal activities, excessive heat and materials as well as energy and working

hours can remain. For the public sector to be effective, all “excesses” must be used to the extent possible.

Production of goods and services in auxiliary sectors contradict different regulations, since market participants usually participate in these auxiliary sectors. By defending competition and eliminating the State aid, resources of the public sector are squandered at the same time.

Group “Production and trading of goods in managing the strategic resource determined by a local government”

The management of the local government's strategic resource is a method of accelerating the approximation of local government's goals. In this case, a market failure arises from circumstances that can differ depending on each local government. Therefore, the law allows to determine own strategy in local government's binding regulations, including strategic resources, the development of which is crucial for the social and economic development of the local territory.

Strategic resources can be both minerals and nature conditions as well as cultural environment.

Group “Production and trading of goods for developing local government's strategic human resources”

This group is similar to the previous one, yet in this case the resource is people, their abilities and skills. To attract investments, to increase the salary level of residents, and to change the structure of local economy, it is necessary to ensure demand for highly-paid jobs in which a high level of skills is required. If the private sector does not offer these opportunities, interference of a local government is possible.

Group “Production and trading of products for elimination of other market failures”

It is necessary in this case as well to be able to describe and find records that comply with the class, yet do not refer to any of the groups.

Class 15 – Provision of Fully Chargeable (Non-Subsidised) Services

Figure 4.15. Classification of provision of fully chargeable (non-subsidised) services

- 4.15. Provision of fully chargeable (non-subsidised) services
- 4.15.1. Services as an auxiliary sector for increasing the productivity of local government’s principal activity
- 4.15.2. Services in managing the strategic resource determined by a local government
- 4.15.3. Services as a tool for increasing local government’s strategic human resources
- 4.15.4. Services for elimination of other market failures

Group “Services as an auxiliary sector for increasing the productivity of local government’s principal activity”

In case of this group, reasons and motivation for local government’s services are similar to those in the case of production of goods.

Group “Services in managing the strategic resource determined by a local government”

In case of this group, reasons and motivation for local government’s services are similar to those in the case of production of goods.

Group “Services as a tool for increasing local government’s strategic human resources”

In case of this group, reasons and motivation for local government’s services are similar to those in the case of production of goods.

Group “Services for elimination of other market failures”

It is necessary in this case as well to be able to describe and find records that comply with the class, yet do not refer to any of the groups.

Class 16 – Lending and Guaranteeing

Figure 4.16. Classification of lending and guaranteeing functions

- 4.16. Lending and guaranteeing
- 4.16.1. Loans
- 4.16.2. Guarantees
- 4.16.3. Full or partial coverage of residents’ debts
- 4.16.4. Full or partial coverage of enterprises’ debts
- 4.16.5. Participation in development banks
- 4.16.6. Participation in savings and loan companies
- 4.16.7. Undertaking of other guarantees

Group “Loans”

Local governments mostly do not operate in the field of lending; it is usually prohibited for a public entity. At the same time, local government bonds are one of the most popular financing methods in the world. In certain cases, legal ways for lending can be found as well. Experience exchange and analysis of results in these fields can be interesting and suitable for adopting appropriate decisions in a particular local government.

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Group “Guarantees”

A local government can ensure guarantee in cases stipulated in law. It particularly refers to enterprises owned by a local government. Experience exchange in these cases helps in taking more appropriate decisions.

Group “Full or partial coverage of residents’ debts”

Services of a local government or its enterprise are mostly provided in advance. Some of service recipients do not pay after receiving the service. This economy section of the public sector must operate in a stable manner, independently of payers’ moral or wealth (poverty). Therefore, it is important to compare experience of local governments in work with taxpayers.

Group “Full or partial coverage of enterprises’ debts”

There can be cases when an enterprise is in debt and has ended up in financial difficulty, yet its bankruptcy is inexpedient for a local government. In this case, one of the support methods is extinguishment of debts (it occurs at the expense of another local government’s revenues). Experience in this field is a crucial element for the implementation of expedient decisions.

Group “Participation in development banks”

The world practice features interesting examples of cooperation of local governments. For many years, one of such positive examples was DEXIA (joint stock company, largest shareholders in 2015 was the Belgian State (50.02%) and the French State (44.40%)), the shares of which belonged to many European local governments.

The attitude towards participation in commercial banks changed during the global economic crisis, when several countries (including Latvia) privatised shares belonging thereto. It is one of the reasons to participate for local governments that consider the privatization of bank shares to be a mistake.

Group “Participation in savings and loan companies”

Discussions regarding the possible participation of local governments in savings and loan companies are constantly taking place on a national scale. The banking system fails to fully ensure lending for entrepreneurship; therefore, supporting small enterprises often depends on local government’s support exactly to savings and loan companies. Insofar lending occurs under competition conditions, different new types of prohibitions are made up and written in laws. In turn, it is important for local governments to find lawful possibilities of bypassing these prohibitions.

Group “Undertaking of other guarantees”

In this case it is also necessary to be able to describe and find records that comply with the class, yet do not refer to any of the groups.

1.7. CLASSIFIER 5 – FOCUS GROUP (BENEFICIARY)

If a local government uses methods of strategic management, particular attention must be paid to beneficiaries. A widespread opinion that the State or a local government provides services to everyone equally is more like a statement of a philosophical nature which characterises an abstract goal – equality, equal attitude to everyone. In reality, direct beneficiaries are rather specific.

Generality is manifested not as a circumstance that everyone receives all services, but rather as support of local society in provision of services to small groups.

According to local government’s marketing principles, a local government should carefully analyse both the demand of certain focus groups and the effect of the service on the goals of the local government (represented aggregation of residents). These goals in accordance with the public choice theory are implemented in compliance with

decisions adopted by politicians and civil servants whose selfish interests indirectly lead to the attainment of public goals.

In any case, the choice whether to continue providing services to any focus group, to which extent to observe the interests of a focus group, and to which extent — the interests of either local community or people, starts with the identification and analysis of these focus groups.

Class 1 – Residents

In terms of essence and content, a local government disposes of the civil mandate for the benefit of territory residents. It does not mean that a local government should not work with other interested persons.

Figure 5.1. Classification of residents of a local government

5.1.	Residents persons registered in the local government
5.1.1.	Children under 7
5.1.2.	Young persons aged 7-18
5.1.3.	Persons who attained the age of retirement
5.1.4.	All residents
5.1.5.	Students, lecturers of higher educational institutions and scientists
5.1.6.	Farmers
5.1.7.	Engineers and managers
5.1.8.	Pedagogical employees
5.1.9.	Social workers
5.1.10.	Police officers
5.1.11.	Doctors and medium-level medical personnel
5.1.12.	Women
5.1.13.	Men
5.1.14.	Disabled persons
5.1.15.	Needy persons
5.1.16.	Unemployed persons
5.1.17.	Homeless persons
5.1.18.	Persons with previous criminal record
5.1.19.	Addicts
5.1.20.	Other categories of residents

Groups That Describe the Local Government's Demographic Structure

In this case, the structure that complies with the financial equalisation algorithm of a local government is selected. Taking into account the interest of local governments in their revenue, appropriate groups are selected according to a different methodology how the demographic situation is described for other purposes.

Children under 7 receive pre-school education services and training of 5–6-year-olds. **Young persons aged 7–18** are selected in compliance with the 12-year cycle of general education. An extensive set of culture and sports as well as transport and health services apply to these youngsters. **Persons who attained the age of retirement** receive diverse services provided by the State and local governments; the wealthiest pensioners also supplement the revenue base of a local government. **All residents** are a group that receives services applicable to everyone. The amount of these services is significantly smaller than with the three aforementioned groups.

Pilot projects have shown that employees of local governments do not understand the last fact. All residents are erroneously indicated as the main focus group, even though the smallest share of the local government's budget is devoted to these all residents. The majority of services are focused otherwise.

Therefore, this group, i.e. "all residents", has to be paid particular attention, since a rare local government's activity only has such an extensive group of beneficiaries. It is not about consent, it is about receiving benefits.

Therefore, in equalisation of finances, all residents (or residents of the age of labour force) have the smallest coefficient in determining units to be equalised. A local government provides a minor part of its services to them.

Groups That Describe Professions (Sectors)

The catalogue of professions features hundreds of professions. It is of particular interest if we organise a public tender. A tender participant has to ensure that persons qualified in a relevant profession would receive at least 80% of the average salary determined in the country for the relevant profession.

However, in developing the local government strategy, the most crucial are the groups of potential voters or potential investors, and they usually comprise employees of different professions in a relevant sector. This is followed by several groups to which local governments traditionally pay greater attention.

Group “Students, teachers of higher educational institutions, and scientists”

includes persons on whom the scientific and technical progress is potentially dependant. These persons are necessary if a local government has taken care of innovative and productive local economy. It is difficult to relate representatives of this group to the territory. It is just as difficult to do it purposefully, ensuring resources of skilful labour forces.

Group “Farmers”

comprises people employed in the field of agriculture (owners and employees). This group is the dominant group of producers in many local governments. A problem for local government is caused by the circumstance that this group is distinguished by insignificant tax payments, yet their problems are close to the majority of voters. It is not farmers' fault that taxes are not paid. The reason is the EU agricultural policy and the support policy of these sectors implemented in Latvia since 1990.

Group “Engineers and managers”

covers persons that carry out production planning and management, construction, inspections and other matters. This group usually has higher education; it is local “technical

intelligence”, able to criticise technical solutions of a local government with relevant influence on the opinion of local society.

Group “Pedagogical employees”

comprises a rather wide circle of employees which is greater than that ensured with target grants by the State. In all cases, the structure of labour force and satisfaction of families with the work of a local government depend on these persons. In many counties, members of this group form the majority of local intelligence with an appropriate impact in local decisions.

Group “Social workers”

mostly includes persons employed by the social services of a local government, yet it can include also representatives of State bodies or non-governmental organisations. Representatives of this profession have an extremely great impact on the social situation. In this field, a local government must think about the work motivation of these employees, their safety and optimisation of work.

Group “Police officers”

is separated because local governments have different manners of organising the provision of public order within its territory. Creation of municipal police is a voluntary decision and helps ensuring public order of higher quality, yet causes a significant burden on the budget. Unskilful policy of the State in organising the State Police causes additional problems, since police officers compare their conditions of work with each other.

Group “Doctors and medium-level medical personnel”

is important because the availability of healthcare is one of viability criteria of a local government. Healthcare centralisation is continued, and an irrational system is created, increasing expenses. Concurrently, technologies develop more rapidly in centres. Doctors and medium-level medical personnel significantly affect the opinions of residents.

Grouping by Gender

Group “Women”

can be interesting to a local government in terms of both ideological assumptions (including attracting funds for gender equality projects) and practical assumptions. A situation can occur when the market fails to ensure workplaces for women, etc.

Group “Men”

can also be included in the range of local government’s concerns. For examples, there is a lack of men among teachers in schools, which delays the full-fledged pedagogical process. Positive discrimination activities are often applied to men, and for these practises a local government is also responsible.

Social Risk Groups

Depending on local conditions, a local government can focus on narrower risk groups. These groups are direct beneficiaries of local governments on a much greater scale than usual employees.

Group “Disabled persons”

is a focus group that constantly comes to the attention of a local government. Likewise, there are great opportunities of cooperation with both State programmes and non-governmental organisations.

Group “Needy persons” –

a local government actively participates in resolving this group’s problems both pursuant to procedures laid down by the State and in accordance with a voluntary initiative. Local governments show particular interest in the involvement of needy persons in improving their wealth to help them overcome life problems individually.

Group “Unemployed persons”

is a crucial group for local government’s concerns. Promotion of employment is

one of local government’s autonomous functions. The main cooperation partner is usually the State Employment Agency.

Group “Homeless persons”

is a focus group that is included in the range of local government’s concerns both in terms of humane assumptions and in relation to public order and territory arrangement. A local government both operates individually and cooperates with non-governmental organisations.

Group “Persons with previous criminal record”

is a focus group that is already included in the range of local government’s concerns to a greater or smaller extent. Inclusion of these persons and prevention of relapses is preferable for society. Different local government’s initiatives are possible here.

Group “Addicts”

is an essential focus group that includes different types of addiction. Reduction of influence of addictions can even become the prior concern of a local government (these addictions can include gaming addiction, drug addiction, alcohol addiction, etc.).

Group “Other categories of residents”

is necessary to describe local government’s experience and search for ideas for groups that have not been mentioned above.

Class 2 – Visitors

Visitors are persons who are registered in other territories (or other countries) and implement their activities within the local government’s territory. It can occur constantly (for example, non-registered permanent place of residence), on a regular basis, on a non-regular basis, or once.

Group “Foreign tourists”

At a time, in relation to the development of

the service sector, the greatest emphasis was put on the most solvent purchasers of services that could ensure the greatest economic effect. By supporting its own entrepreneurs, a local government can help resolve matters concerning attraction of foreign tourists.

Group “Tourists from Latvia”

The internal tourism market of the country has grown significantly. The requirements and purchasing capacity of Latvian residents is approaching the parameters of foreign tourists. Orientation to this focus group is a crucial element for territorial development.

Figure 5.2. Classification of visitors of a local government

- | | |
|---------|---|
| 5.2. | Visitors |
| 5.2.1. | Foreign tourists |
| 5.2.2. | Tourists from Latvia |
| 5.2.3. | Cultural tourists |
| 5.2.4. | Nature tourists |
| 5.2.5. | Recreational tourists |
| 5.2.6. | Persons working in the territory |
| 5.2.7. | Persons studying in the territory |
| 5.2.8. | Persons obtaining secondary and basic education |
| 5.2.9. | Persons attending pre-school institutions |
| 5.2.10. | Visitors of cultural, sports and leisure events |
| 5.2.11. | Other types of local government visitors |

Group “Cultural tourists”

This group includes tourists whose prime goal is cultural facilities (performances, museums, cultural monuments, etc.). By supporting this focus group as a priority, a local government facilitates the development of cultural and historical facilities.

Group “Nature tourists”

This group includes tourists whose main goal is nature (landscape, animals, nature views, etc.). By supporting this group as a priority, a local government supports the creation of nature reserves and nature parks as well as participates in the management of these territories.

Group “Recreational tourists”

This group includes tourists whose main goal is recreation (entertainment events, recreation on a beach, visits to restaurants and cafés). By supporting this group as a priority, a local government promotes innovative entertainment activities, organises festivals, etc.

Group “Persons working in the territory”

In several local governments, labour force from other territories forms quite an extensive share. Employees not only stay within the territory, but also spend their money within the territory of their workplace.

Group “Persons studying in the territory”

If a local government develops higher education, it is preferable for a range of students to be sufficiently extensive. Students from other local government territories and from other countries are an essential development resource.

Group “Persons obtaining secondary and primary education”

If a local government has good schools, it manages to attract pupils from other territories. It allows a better use of excellent and good teachers.

Group “Persons attending pre-school institutions”

Pre-school institutions are attended by children that arrive along with their working parents. Good pre-school institutions can become a factor that helps in attracting valuable labour force.

Group “Visitors of cultural, sports and leisure events”

By selecting this group as a priority, a local government implements a range of complex activities and attracts several types of visitors at the same time.

Group “Other types of local government visitors”

provides records that are not covered by the aforementioned cases.

Class 3 – Entrepreneurs

Entrepreneurs are the economic foundation of the market. Those are persons that risk their money to earn. At the same time, the national tax policy is such that in many cases, taxes paid by entrepreneurs have a minor impact on local government’s income. In each individual case, a local government has to study whether the current structure of local entrepreneurship is favourable for territory development.

Figure 5.3. Classification of entrepreneurs related to a local government

- 5.3. Entrepreneurs
- 5.3.1. Registered in local government’s territory
- 5.3.2. Registered in another territory of Latvia
- 5.3.3. Registered abroad
- 5.3.4. Payers of personal income tax to the local government
- 5.3.5. Payers of real estate tax to the local government
- 5.3.6. Owned by private persons
- 5.3.7. With less than 50% of public capital
- 5.3.8. With 50% or more public capital
- 5.3.9. Low-productivity labour forces dominates the enterprise
- 5.3.10. Enterprise mostly works with public tenders
- 5.3.11. Enterprise mostly represents foreign capital interests in Latvia
- 5.3.12. Enterprise mostly produces goods competitive on the global market
- 5.3.13. Enterprise fulfils the functions of social entrepreneurship
- 5.3.14. Micro-enterprise
- 5.3.15. Small enterprise
- 5.3.16. Medium enterprise
- 5.3.17. Principal activity in agriculture, cattle-breeding and resource development
- 5.3.18. Principal activity in industry
- 5.3.19. Post-industrial sector enterprise
- 5.3.20. Knowledge sector enterprise
- 5.3.21. Another specific category of entrepreneurs

Grouping by Place of Registration

This grouping helps to assess the influence of different enterprises on local government’s economy.

Group “Enterprises registered in local government’s territory”

There is an opinion that enterprises registered exactly in the local government’s

territory (legal address) form the basis of local government’s economy. It is sometimes the case, yet it is mostly not.

First of all, enterprises are registered in the Republic of Latvia rather than in a local government. It is absolutely possible that workplaces available in the territory belong to an enterprise registered somewhere else. Taxes due to a local government are often

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paid by enterprises registered elsewhere. These enterprises registered outside the local government's territory employ local government's residents.

Secondly, there is division of labour in open economy — all economy components cannot be found in each particular territory. Often enough institutions have a greater significance than people employed by enterprises. A local government can specialise in providing education services or services for seniors.

Thirdly, the structure of local economy can be such that local residents receive great tax reliefs. For example, farms and micro-enterprises ensure an insignificant contribution to the local government budget, even though they have a great impact on resolving social issues.

In any case, taking care of local entrepreneurship development is the duty of a local government.

Group “Enterprises registered in another territory of Latvia”

There are local governments in which these enterprises are more important than those registered in their territory. This way or another, making correct decisions requires knowing what the impact of these enterprises is. They can also be of interest as potential investors.

Group “Enterprises registered abroad”

Enterprises registered abroad are usually parent companies that own shares in enterprises registered in Latvia. These enterprises have a great impact on national economy and policy. Therefore, they significantly affect also local governments if these enterprises carry out activities in the local government's territory.

Grouping by Tax Payments to a Local Government

It is important for a local government to have greater individual revenues. This matter is examined in more detail in the last chapter of this Handbook.

Group “Payers of personal income tax to the local government”

Personal income tax forms the greatest share of local government's individual revenues. An opportunity to increase the pace of local government's development is related to increase in this tax. The amount of this tax largely describes local government's achievements in improving welfare.

Revenues from this tax can be affected by different groups of enterprises: enterprises registered both in the local government and outside it.

Group “Payers of real estate tax to the local government”

Real estate tax in the amount of 100% is to be included in local government's individual revenues; local governments have the right to reduce this tax rate. It is a tool to support enterprises that appear to be perspective for local government's politicians.

This tax is used also as means to attract certain groups of residents and enterprises.

Grouping by Owner's Status

The composition of owners determines both goals and restrictions that apply to the composition of different owners. The norm of 1990 stipulating that entrepreneurs are equal and no advantages can be determined to some of them as compared to others did not receive any appraisal. Every year legislation makes entrepreneurs increasingly less equal, and a local government has to take it into account.

Group “Owned by private persons”

This group includes private enterprises that form the most crucial share of economy in accordance with neo-liberal views. Each local government has to assess the extent to which this theory is implemented in its territory as well as the comparative advantages which can be obtained by supporting these enterprises.

Group “With less than 50% of public capital”

If a capital company owned by a local government operates under market conditions, the only possibility for its effectiveness is the form when the private capital is dominant. Only in this case there is no need to fulfil various restrictions and prohibitions that apply to State and local government enterprises. Restrictions such as public procurement conditions and many others make an enterprise non-competitive, leading to the squandering of public funds.

In operating with less than 50% of public capital, it is important to ensure an effective representation of local government’s interests which is to be achieved by skilfully drawing up articles of association and effectively managing the enterprise so that private partners are interested in achievements.

Group “With 50% or more public capital”

These enterprises are of interest in two cases: if enterprises have taken a monopolistic position (a public monopoly is more resident-friendly than a private monopoly) and if an enterprise basically fulfils the functions of an institution for which economic activities are typical (higher educational institution, hospital, agency of an economic nature).

In this first case, the system of restrictions applies to both private and

public monopolies. Example — heating enterprises.

In the second case, an establishment of an enterprise is much more effective than existence of an organization with the status of a budget-funded institution.

Grouping by Origin of Income

Enterprises can be analysed depending on their strategy for earning profit. A local government can assess which entrepreneurs it is strategically more correct to support in order to attain local government’s (its residents’) goals.

Group “Enterprise with low-productivity labour force”

This group includes entrepreneurs that pay small salaries to employees. They correspond to a traditional goal “to promote employment”, yet do not facilitate the development of technologies and increase in wealth. If entrepreneurs of this type are dominant, long-term poverty is to be expected.

In the short-term, these enterprises help to resolve social issues, while in the long-term it would be recommended to get rid of these enterprises and to attract other types of investors.

Group “Enterprise mostly works with public tenders”

This group includes enterprises that specialise in overcoming the administrative burden. Often enough, their contribution is mostly of a legal nature; in the field of construction, they operate as general contractors that further organise the work of subcontractors.

Specialisation of these enterprises arises from the government failure related to public tender procedures. As long as these procedures exist (their existence is

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not Latvia's choice, yet Latvia shows an exaggerated effort by harmfully reducing procurement thresholds), this specialisation is inevitable.

Group "Enterprise mostly represents foreign capital interests in Latvia"

Usually attraction of foreign investments requires assistants that are aware of local conditions and local market and help to overcome the administrative burden. As long as the idea of attracting foreign capital is correct, the activities of these entrepreneurs are publicly useful.

In any case, these entrepreneurs promote everything positive — creation of jobs, transfer of technologies and other benefits promoted by the capital of foreign entrepreneurs.

Group "Enterprise mostly produces goods competitive on the global market"

Along with the development of international trade, success in all markets (also local) is ensured only by internationally competitive products. If local government's politicians believe that Latvia will be able to develop up to the level of the wealthiest countries, the priority is to be given to supporting exactly these enterprises.

These enterprises are often "unnoticeable"; they do not seek support from EU funds and do not wait several years in line for the local government's order; under Latvia's conditions, these are small and medium enterprises that use and develop modern technologies.

Group "Enterprise fulfils the functions of social entrepreneurship"

Effective social entrepreneurship requires specialisation. For a local government's social function to be implemented successfully, the main condition is the involvement of socially disadvantaged groups in the process of work.

There are wide opportunities for many innovative solutions in this field.

Grouping by Size

Grouping by size is a traditional method of analysis; there are several myths about the advantages of large or small enterprises. In the territory of a certain local government, support to large, small or medium enterprises is dominant, while in larger regions balance should be ensured.

Group "Micro-enterprise"

Supporting micro-enterprises is a currently popular activity based on an assumption that economy can develop by increasing the number of enterprises. We obtain more people ready to undertake the risk.

However, these enterprises have a range of drawbacks:

1. no pension capital is formed for employees; in prospect, these people will have to deal with the social (minimum) pension;
2. the social budget decreases; social allowances are funded at the expense of other payers;
3. the number of unskillful entrepreneurs increases;
4. this form is used for "tax optimisation", establishing fictitious micro-enterprises.

Group "Small enterprise"

Different countries have different ideas about the parameters of a small enterprise. The common is the role of these enterprises among other enterprises. When making records, one should take into account the criteria of the relevant country.

A good economic system includes enterprises of different scales which supplement each other.

Group “Medium enterprise”

Also in this case, parameters of a medium enterprise must be selected according to the tradition of a relevant country. There is practically no large enterprises in Latvia within the meaning of the EU market. The largest Latvian enterprises are medium ones according to the criteria of the single economic system.

Grouping by Compliance with Historical Phases of Economy

Enterprises can be analysed according to the historical development stages of entrepreneurship. Even though these stages are related to the progress of technologies, the application of the latest scientific discoveries have a place in all historical groups.

For the purpose of analysis, division into historical groups is of interest in relation to similar problems within the framework of each group. A local government can shape its entrepreneurship structural policy according to historical forms.

Group “Principal activity in agriculture, cattle-breeding and resource development”

This is the oldest form of economic activity which has been developing for many thousands of years. In Latvia, these forms keep holding the dominant position in economy.

Group “Principal activity in industry”

Traditionally, it is considered that the processing industry is the basis of economy to which the greatest attention is to be paid. It is not quite correct with the existing international and regional division of labour; yet, undoubtedly, the development of these fields plays an important role in the development of individual local governments.

In selecting industry as the sector to be supported, it is crucial to resolve the issue of labour force attraction and multiple problems arising therefrom.

Group “Post-industrial sector enterprise”

In the second half of the 20th century, it was established that industry did not form the greatest share of economy, as different types of services did. The post-industrial sector is uneven, yet it is characterised by high possibilities of growth; achievements can be ensured by developing and applying modern management and marketing methods.

Group “Knowledge sector enterprise”

This group is characterised by transfer of the latest technologies, innovative solutions and extensive application of scientists and scientists/engineers. This field is characterised by a paradoxical property – the knowledge economy cannot develop under free market conditions, it requires a rather high degree of State or local government aid.

Potentially, local governments have wide opportunities to select this field in searching for their comparative advantages if it shapes its strategy based on the attraction of educated and skilful human resources.

Group “Another specific category of entrepreneurs”

This group is necessary to include cases that have not been described above.

Class 4 – Entities of Organised Civil Society

The traditional place marketing theory usually divides local government’s clients (focus groups) into the three aforementioned classes. Addition of the fourth class is related to processes taking place in the world: development of participation democracy which unites new direct democracies to an

increasingly greater extent, development of the participation policy and legislation as well as new forms of consultations.

Figure 5.4. Classification of entities of organised civil society

5.4.	Entities of organised civil society
5.4.1.	Association
5.4.2.	Professional association
5.4.3.	Trade union
5.4.4.	Parish
5.4.5.	Territorial organisation of a political party
5.4.6.	Political party or union of parties
5.4.7.	Foundation
5.4.8.	Other civil society entity

Group “Association”

Associations can be founded for different purposes non-prohibited by law. Depending on local government’s priorities, a local government develops diverse forms of cooperation with associations.

Group “Professional association”

Professional associations are peculiar local governments of professions (depending on territorial local governments). In applicable laws, professional associations are often assigned a status of “derived public entities”. If a professional association is founded from below, i.e. upon an initiative of participants, it does not obtain a status of a derived entity. If an association is established in a non-democratic manner, it obtains this status.

In any case, professional associations of a national scale or their regional branches become important partners of the local government.

Group “Trade union”

Trade unions in Latvia develop gradually. Their role is not as significant as in the majority of Western democracies, even though laws stipulate all fundamental rights of trade unions. Trade unions increasingly more participate in the social dialogue in different formats.

Group “Parish”

Local governments can have close ties with religious organisations if they play a dominant role in opinions of residents within any particular territory.

Group “Territorial organisation of a political party”

The role of parties in local policy varies. In large cities, lists of parties are dominant, while in several cases these parties have the nature of regional parties — they promise to defend the development interests of their region or city and focus on local government elections, rather than on Saeima elections. Taking into account the increasing popularity of regional and local parties, forces represented in Saeima attempt to involve them also in the national policy.

To implement the classic representation democracy (acting in accordance with the Constitution), the formation and strengthening of parties should be discontinued rather than supported. A local government should cooperate with the local organisations of political parties and include the representatives of these organisations in commissions and work groups created by the council. Local organisations are the places where the next local government’s politicians can grow, obtain an idea of what a local government does and what a politician or civil servant can do in a local government.

A crucial role is played also by the competition of parties. It can be manifested in different forms. Local government's management should be able, thinking of the prospect, to involve active employees operating in the territory in a discussion on local matters.

Group “Political party or union of parties”

This group includes matters that concern political parties and their unions. There are several types of unions, including pre-election unions (can compile joint lists, write joint pre-election programmes) and post-election coalitions. Currently, a popular cooperation form is the Coalition Council that allows forces supporting the central government to coordinate on a national scale.

Often enough, these formal or informal institutions of a national scale are a subject of lobbying for a local government; to ensure the distribution of resources to your territory, you have to receive support from parties or their unions.

Group “Foundation”

The goals of a foundation and procedures for the use of property are determined by a foundation agreement. A local government can establish a foundation for the implementation of its goals. This classifier includes foundations of third parties which have public or private goals and which operate in the local government's territory (independent of a legal address) or otherwise affect the local government.

Group “Other civil society entity”

Also in this case, a group that does not comply with the aforementioned criteria should be ensured.

1.8. CLASSIFIER 6 – TERRITORY

This classifier is intended to facilitate experience and data search depending on the territory to be described. Territories that are used as examples are selected most often.

Class “EU countries in general”

EUROSTAT provides data on all EU Member States, which can be used for comparing local government's performance with average EU indicators, both maximum and minimum, median and other characteristics. The more developed a local government is, the more it has to think about how the performance of its residents and entrepreneurs is in comparison to data in other countries.

This matter is particularly important in assessing the emigration prospect — as long as it is better somewhere else, increase in birth rate will not ensure the sustainability of the territory community. Usually, along with local indicators, EUROSTAT publishes data by individual countries.

Figure 6. Classification of territories corresponding to data

Classifier 6 – Territory	
6.1.	EU countries in general
6.2.	OECD countries in general
6.3.	State
6.4.	Region
6.5.	Local government
6.6.	Civil parish of a municipality or a city of municipality
6.7.	Populated area

Class “OECD countries in general”

By joining this organisation, Latvia has an opportunity to compare its performance with other developed countries outside Europe. By improving public administration

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and following the example of these countries, relevant experience can be used.

Over the last fifty years, modern administration methods have not developed in continental Europe, but rather in the so-called Anglo-Saxon countries (or countries of Westminster type), particularly in New Zealand, Australia, Canada, the United States of America and the United Kingdom. This particularly emphasises the value of records of this class.

Class “State”

Data and experience on the country in general can be found in records of this class. The Benchmarking Database should contain records that describe the country from different points of view, including those that are not presented by official statistics.

It is important that it will be possible to find imprecise data which can still be used for operational (tactical) purposes.

Class “Region”

Local governments have organised their activities in planning regions which are well described by EUROSTAT NUTS3 division (6 statistical regions).

Even though the idea of unification of regional administration (determining single region territories) is still viable for both cooperation of local governments and coordination of industry work, it seems to have lost its expedience of introduction.

To ensure a good dialogue with residents and entrepreneurs, data exchange between State information systems should be improved and it should be possible to preserve the specific regional

de-concentrated location of State administration institutions which better corresponds to the interests of each particular sector.

Political discussion on this matter continues and unifying decisions can be made in future. In such case, the decisions will be reflected in the Benchmarking Database.

Class “Local government”

Over time, it is planned that certain local governments will use the Benchmarking Database for their management goals, making relevant records and receiving analysis and performance indicators in return.

This class will feature records on particular local governments which will be available as public (open) data only upon a consent of the local government.

Class “Civil parish of a municipality or a city of municipality”

It is difficult to explain how it is possible that in 2009 data collection and analysis on pre-reform administrative territories was discontinued. The only explanation is a conspiracy theory — the fear of ruling parties to find out what happened to residents and entrepreneurs after the reform.

Normally, any management process of territorial authority consists of two parts — sector management and territorial management. Every local government implements the local government’s internal regional policy to a more or less extended manner. Therefore, data on official administration territories, thoroughly recorded in law, are necessary.

Until the country admits the aforementioned government failure and corrects the mistake made, the Benchmarking Database could become the main source of information for eliminating the obvious shortcoming.

Class “Populated area”

Full-fledged local government’s internal regional policy requires more detailed territorial division than official administration territories. Currently, there is no unification of this division — the previous division into villages is being used; moreover, the number of villages has been reduced in accordance with the decisions of the local government council. Developers of private territories and local governments make new built-up territories. There are commercial offers how to divide the country into territories of economic activities.

This class should include records on territories smaller than administration territories (the aforementioned class).

Class “Other territory”

This class is necessary for records that do not directly apply to the aforementioned cases. Local governments often cooperate with territories that are not included in either the EU or the OECD. A lot of valuable ideas can be received from these territories as well.

1.9. CLASSIFIER 7 – TIME

This classifier describes the period of data collection and summarisation. By showing this indicator, the preferable recording time or periodicity is determined. It is expected that in future the periodicity and

nomenclature of data collected from local governments will be adopted by decisions of LALRG Council, since participation in these data collection and analysis processes means direct or indirect use of local government budget funds for information retrieval.

Class “Data to be uploaded one time”

Due to the application of the benchmarking method or political agenda in development matters of local governments, the need for new records will appear. Initially, those can be one-time records; transition to the making of these records on a periodic basis within a certain period should be assessed individually. It is expected that the majority of records will remain being one-time (for example, publications, experience descriptions, etc.). Quantitative measurements can be made one time as well.

Class “NDP planning period”

Currently, NDP is programmed for a 7-year management cycle. It is expected that further on this period will coincide with the EU long-term budget period.

LALRG has expressed an opinion that it would be optimal to shift to a 5-year cycle, equalising other periods with the EU Parliament election cycle. However, at the time they should coincide with the planning period in the country.

This periodicity can be used to describe changes which have or have not been achieved by using State development tools. Local governments are forced to adjust to the development cycle of the country.

1. SYSTEM OF CLASSIFIERS AND USE THEREOF

Class “Election cycle”

Currently, the election cycle is 4 years. Such periodicity of data collection and analysis ensures an opportunity to assess the work done by deputies of one calling.

Figure 7. Classification of data acquisition periodicity

Classifier 7 – Time	
7.1.	Data to be uploaded one time
7.2.	NDP planning period
7.3.	Election cycle
7.4.	Year
7.5.	Month

Class “Year”

A calendar year is a budget cycle. Once a year, budget review is ensured and the balance of local government’s properties is summarised. The one-year process is supervised by the majority of controlling institutions. Once a year, a local government’s public report intended for informing residents is prepared.

A one-year cycle is necessary for forecasting and assessing annual results.

Class “Month”

Once a month, data necessary for operational activities are collected and summarised to find out tendencies in the fulfilment of certain plans. Certain indicators can be collected also for shorter periods (for example, duration of use of mobile phones or capacity of electricity connection by territories), yet performance indicators will be usually prepared for a longer period.

1.10. CLASSIFIER 8 — DATA AVAILABILITY

A matter concerning data publication or determination of limited accessibility is analysed in greater detail in the second handbook. Information openness is not an absolute principle; Section 116 of the Constitution stipulates an opportunity to limit both the inviolability of private life (Section 96 of the Constitution) and freedom of speech, which includes freedom of information (Section 100 of the Constitution), due to several reasons: to protect the rights of other people, the democratic structure of the State, and public safety, welfare and morals. It can be done only in cases stipulated by laws, yet in practice laws in Latvia are understood wider than just laws adopted by Saeima.

Class “Data available to everyone”

This should be the dominant form of a record, since the status of limited accessibility is to be assigned only in special cases with a justified goal by applying the principle of proportionality. Open information will be widely used for educating the public on State administration and local government matters, and for assessing the work of local governments.

Class “Data available only to authorised LALRG employees”

To be able to ensure the non-disclosure of limited accessibility information, authorised employees will agree to comply with data non-disclosure condition. These authorised employees will prepare secondary data in the form to be published or ensure the transfer of these data only to appropriate users.

Figure 8. Classification of data availability

Classifier 8 – Data availability	
8.1.	Data available to everyone
8.2.	Data available only to authorised LALRG employees
8.3.	Data available only to the Benchmarking Database administrator and authorised employees of a particular local government
8.4.	Data available to authorised LALRG employees and authorised officials of Cooperation Network local governments
8.5.	Data available to authorised LALRG employees and authorised officials of ministries and local governments

Class “Data available to authorised LALRG employees and authorised officials of ministries and local governments”

In forming the Benchmarking Database, cooperation is planned with State administration institutions. The cooperation was prepared at the moment of writing of this handbook. It is planned that the cooperation process will continue as long as the Benchmarking Database exists.

State institutions and officials will find the open part interesting, yet the most diverse forms of cooperation, wherein ministries will determine the circle of authorised persons with access to particular data.

Class “Data available only to the Benchmarking Database administrator and authorised employees of a particular local government”

In this case, data appear in a local government and describe sensitive information on the local government. A local government will be offered to use LALRG analytical capacity for creation and assessment of performance results; however, this information will not be transferred to third persons or published without the consent of a relevant local government.

Class “Data available to authorised LALRG employees and authorised officials of Cooperation Network local governments”

In this case, actions are similar to those in the previous class, yet the range of authorised persons is determined by local governments – cooperation network participants.

2.

EXAMPLE OF DATA PROCESSING

The State Revenue Service has published information on payments made by merchants into the State general budget in 2014. It is available on the SRS website under the section *Useful*, subsection *Total Amount of Taxes Paid by Merchants in 2014*. Direct link: https://blis.lps.lv/images/VID/VID-IIN_maksataji_2014.xlsx. These data are adjusted for data processing by means of Microsoft Excel software or any other spreadsheet software (OpenOffice, LibreOffice or others). Several possibilities in work with Microsoft Excel for a successful processing of these data will be examined.

Since a file contains slightly over 170 thousand records, it is to be taken into account that a computer must be rather powerful to

process these data. A computer must have Microsoft Office 64x software installed, since it is capable of operating with several central processor cores as well as get more from using the computer RAM. It is preferable that it is at least 8 GB big.

When opening a file, we establish that table titles are joined into several cells. From the point of view of data processing, it is an impediment, since it restricts the fulfilment of several activities, therefore the first task is arranging column titles into one row.

Then, we remove the set filters and add them to column titles. We highlight column titles, we press *Sort & Filter* (*Home* tab), then *Filter*.

Nokasme maksātāja reģistrācijas kods	Nokasme maksātāja nosaukums (* P.V.N. grupas dalībnieki)	Nokasme maksātāja uzņēmējdarbības formas nosaukums	ATVK kods	ATVK nosaukums	Kopējais maksājumu valsts kopbudžetai (tūkst. EUR)	Industriālais nodoklis (tūkst. EUR)	Valsts sociālās apdrošināšanas obligātās iemaksas tūkst. EUR	Valstijais darbinieku skaits, kuru nodarbojuma apraksts ir	Datums, kas darbinieku skaits, kuru nodarbojuma apraksts ir	Datums, kas darbinieku skaits, kuru nodarbojuma apraksts ir
Nokasme maksātāja reģistrācijas kods	Nokasme maksātāja nosaukums (* P.V.N. grupas dalībnieki)	Nokasme maksātāja uzņēmējdarbības formas nosaukums	ATVK kods	ATVK nosaukums	Kopējais maksājumu valsts kopbudžetai (tūkst. EUR)	Industriālais nodoklis (tūkst. EUR)	Valsts sociālās apdrošināšanas obligātās iemaksas tūkst. EUR	Valstijais darbinieku skaits	Datums, kas darbinieku skaits, kuru nodarbojuma apraksts ir	Datums, kas darbinieku skaits, kuru nodarbojuma apraksts ir
Nokasme maksātāja reģistrācijas kods	Nokasme maksātāja nosaukums (* P.V.N. grupas dalībnieki)	Nokasme maksātāja uzņēmējdarbības formas nosaukums	ATVK kods	ATVK nosaukums	Kopējais maksājumu valsts kopbudžetai (tūkst. EUR)	Industriālais nodoklis (tūkst. EUR)	Valsts sociālās apdrošināšanas obligātās iemaksas tūkst. EUR	Valstijais darbinieku skaits	Datums, kas darbinieku skaits, kuru nodarbojuma apraksts ir	Datums, kas darbinieku skaits, kuru nodarbojuma apraksts ir
40003064094	STATOL FUEL & RETAIL LATVIA SIA	subsidiāra ar robežbūros atbilstoši	010094	Vidussmērve preču pārdošana	198 162,84	1 982,68	2 897,31	753	687	DDZ
40003087994	ORLEN LATVIA SIA	subsidiāra ar robežbūros atbilstoši	010095	Zemgādes preču pārdošana	144 333,28	49,84	72,77	8	8	DDZ
40003132732	NESTLE LATVIA SIA	subsidiāra ar robežbūros atbilstoši	010095	Zemgādes preču pārdošana	134 877,32	272,46	412,11	33	48	DDZ
40003090642	LATVIJAS GŪZĒ AS	akciju sabiedrība	010093	Lietišķas preču pārdošana	132 830,11	4 342,11	6 857,97	1 311	1 287	DDZ
40003482799	PHILIP MORRIS LATVIA SIA	subsidiāra ar robežbūros atbilstoši	010096	Zemējoņi cigaretes	86 506,51	105,83	209,55	26	23	DDZ
40003032065	LATVIJAS DZELZSĀIS VAS	akciju sabiedrība	010093	Lietišķas preču pārdošana	74 856,73	17 020,24	30 732,19	7 173	6 966	DDZ

The Microsoft Excel filtering tool ensures a lot of different possibilities — to arrange in ascending order or descending order, to sort only particular values (e.g., sorting only Abava Parish in ATVK nosaukums (*CATTU* (*Classification of Administrative Territories and Territorial Units*) name). If it is necessary to select only all civil parishes, the filter tool can be used to sort values in the column ATVK nosaukums (*CATTU* name), which contains the fragment “pag.” (pagasts -> parish). To do so, press the filter button on ATVK nosaukums (*CATTU* name), select *Text Filters*

and then *Contains...* As can be seen, several text sorting possibilities are available under *Text Filters*, e.g., selecting attributes that start with something particular, end with something specific, have something identical or not, or even do not contain something. It is possible to combine several filtering parameters.

Nodokļu maksātāja uzņēmējdarbības formas nosaukums	ATVK kods	ATVK nosaukums	Kopējie maksājumi valsts kopbudžetā (tūkst. EUR)	Iedzīvotāju ienākuma nodoklis tajā skaitā	Val apd...
sabiedrība ar ierobežotu atb			40 573,27	8 574,76	
sabiedrība ar ierobežotu atb			12 835,76	638,94	
akciju sabiedrība			9 671,23	3 795,65	
sabiedrība ar ierobežotu atb			8 930,44	18,81	
akciju sabiedrība			5 745,02	507,63	
akciju sabiedrība			4 293,15	1 281,31	
sabiedrība ar ierobežotu atb			1 938,24	440,58	
sabiedrība ar ierobežotu atb			1 871,03	617,96	
sabiedrība ar ierobežotu atb			1 836,19	260,67	
sabiedrība ar ierobežotu atb			1 819,23	380,17	
sabiedrība ar ierobežotu atb			1 791,13	172,47	

The image shows a screenshot of a spreadsheet application with a dropdown menu open over the 'ATVK nosaukums' column. The menu includes options like 'Sort A to Z', 'Sort Z to A', and 'Text Filters'. The 'Text Filters' option is selected, opening a sub-menu with 'Contains...' checked. Below this, a 'Custom AutoFilter' dialog box is open, showing the filter configuration: 'Show rows where: ATVK nosaukums contains pag.'. The dialog also has 'And' selected over 'Or' and 'OK'/'Cancel' buttons.

In the pop-up window, mark the option so that only records containing the word pag. (*pagasts* -> *parish*) are shown. Thus, a list of taxpayers registered in parishes is obtained.

Numeric values have different filter functions; here, it is possible to select both greater and smaller values, and to define a particular range (e.g. select enterprises in which the number of employees exceeds 50).

2.

EXAMPLE OF DATA PROCESSING

ATVK kods	ATVK nosaukums	Kopējie maksājumi valsts kopbudžetā (tūkst. EUR)	Iedzīvotāju ienākuma nodoklis tajā skaitā	Valsts sociālās apdrošināšanas obligātās iemaksas tajā skaitā	Vidējais darbinieku skaits	Vidējais darbinieku skaits, kuru ienākumi pārsniedz 0 EUR	Datu avots darbinieku skaita novērtēšanai (DDZ - darba devēju ziņojums)		
8008	Sort Smallest to Largest		8 574,76	18 016,88	9 150	8 260	DDZ		
8008	Sort Largest to Smallest		638,94	1 258,02	560	470	DDZ		
8008	Sort by Color		3 795,65	6 257,49	1 123	1 036	DDZ		
8019	Sort by Color		18,81	18,05	12	12	DDZ		
8008	Clear Filter From "Kopējie maksājumi..."		507,63	1 059,57	367	347	DDZ		
8008	Filter by Color		1 281,31	2 408,26	663	601	DDZ		
8049	Number Filters				55	152	DDZ		
4273	Search				25	203	DDZ		
5467	(Select All)				54	439	DDZ		
4002	-5 567,94				17	390	DDZ		
8008	-2 295,27				5	81	DDZ		
8008	-1 239,94				7	63	DDZ		
9802	-1 056,57				97	190	DDZ		
3402	-968,64				16	276	DDZ		
5467	-612,43				8	18	DDZ		
8049	-542,80				40	295	DDZ		
8049	-531,46				40	326	DDZ		
7802	-500,30				71	313	DDZ		
8008	-487,06				10	196	DDZ		
1689	-421,96				6	74	DDZ		
4002	-413,96				692,67	1 284,56	315	297	DDZ
5467	-411,88				184,58	315,37	78	77	DDZ
8008	-401,39				144,00	272,09	74	64	DDZ
8049	-378,74				546,59	764,52	214	203	DDZ
9002									

A highly useful function is *Conditional Formatting*. By means of it, it is possible to automatically highlight all values, which, for instance, are higher than any particular figure, or smaller than any particular figure, highlight values that repeat (duplicates),

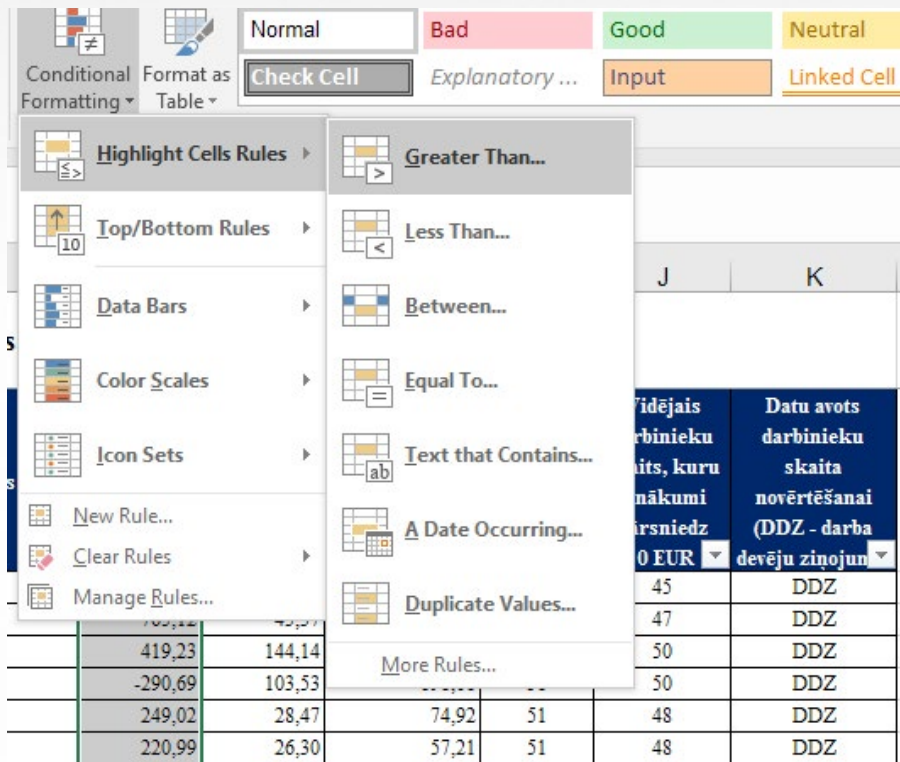
etc. We will highlight entrepreneurs whose total payments into the State general budget exceed € 500. Highlight the entire column and press *Conditional Formatting*, then *Greater Than...*

Greater Than ? X

Format cells that are GREATER THAN:

500 with Light Red Fill with Dark Red Text v

OK
Cancel

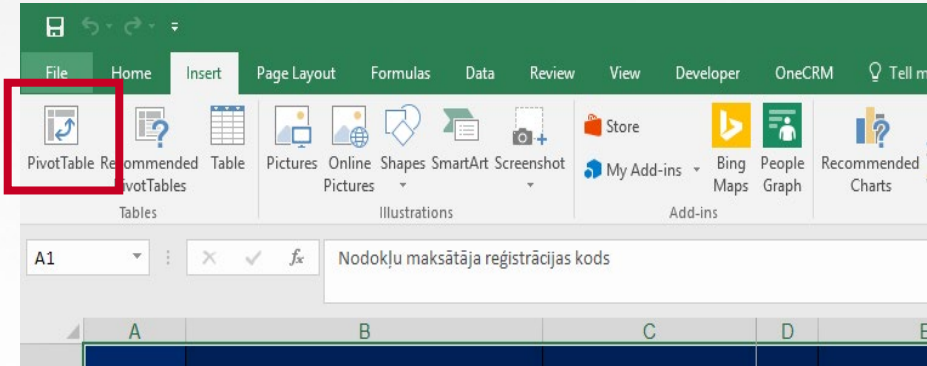


In the pop-up window, write value 500 and press OK. Excel software will highlight all values greater than 500 with light red fill with dark red text.

Next activities will describe operations which can be used to perform calculations based on different parameters. In this case, we will use CATTU attributes, since there are several parishes with identical names. If CATTU names were used in this case, parishes with identical names would be perceived as one parameter and would be summed up.

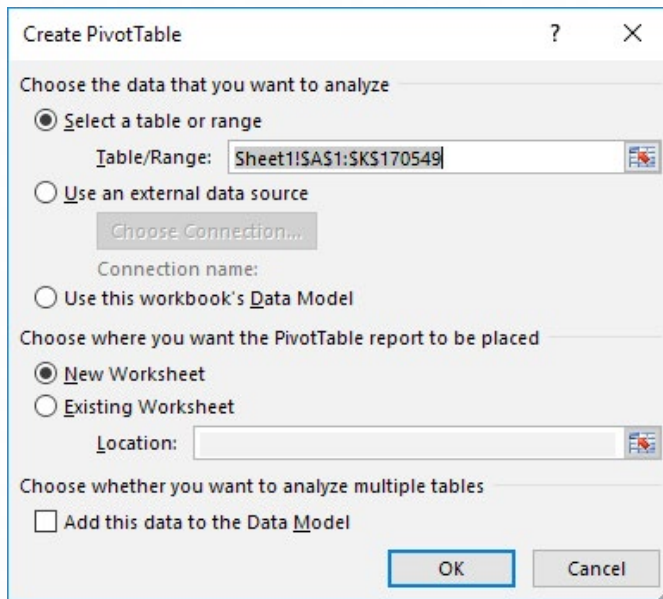
For these purposes, pivot tables are used. To start working with pivot tables, first remove any filters and select the entire table. Also remove any other obstacles, e.g., table name, notes above or below the table, etc. For the purposes of convenience, it is recommended selecting one cell in the table and pressing CTRL+*. It will select the entire table. Open the *Insert* tab and select *PivotTables*

2. EXAMPLE OF DATA PROCESSING



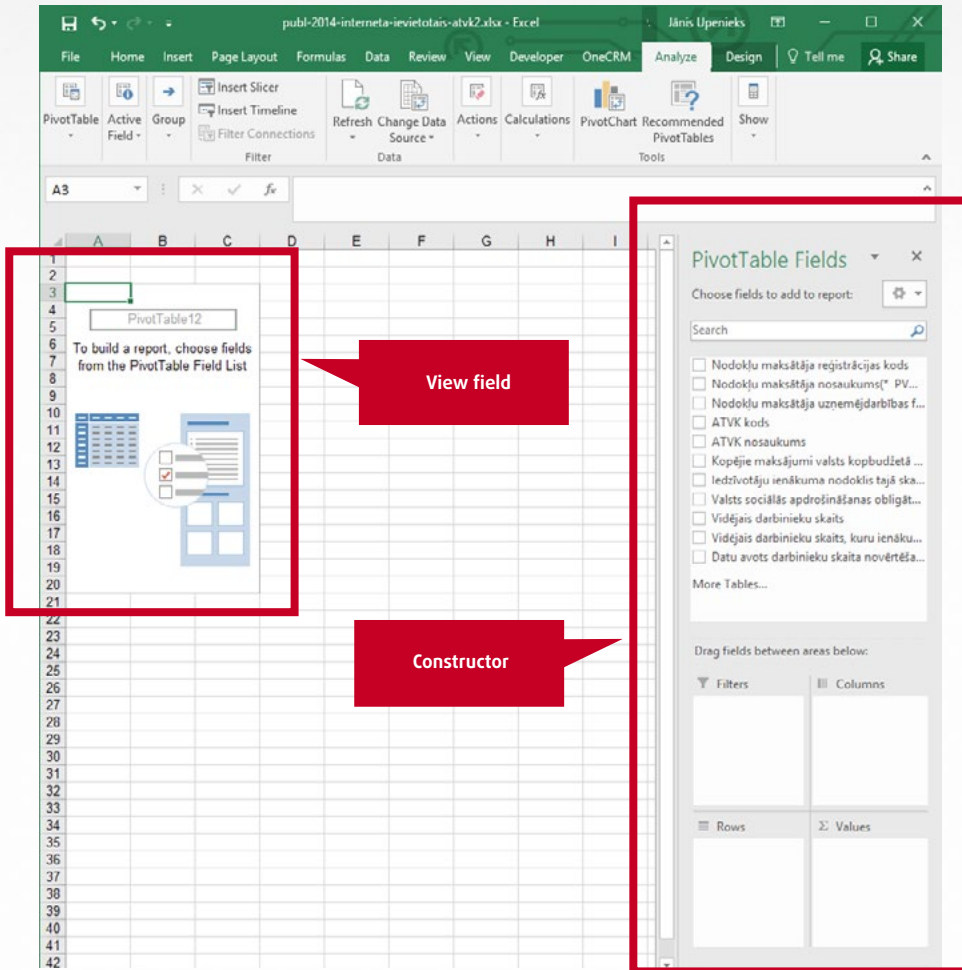
“Create PivotTable” window will open, asking about the range from which to create a pivot table. We see that *Table/Range*

shows the correct range, therefore we can safely press the OK button.



A new spreadsheet will open. A pivot table consists of two parts: the view field, where the table or report is indicated, and the constructor, which can be used to edit table contents. The constructor contains all

table titles – in this case, they will be the parameters for performing calculations.



Our task will be to calculate total payments into the State general budget by territorial units, paid personal income tax and made mandatory State social insurance contributions to calculate the average number of employees, the average number of employees whose income exceed EUR 0, and to calculate the number of taxpayers. Our main parameter is territory, other parameters will be subordinate thereto. Left-click on *ATVK kods (CATTU code)* and enter it in the field Rows. In the view

field, all unique CATTU codes will arrange immediately. Then click on *Nodokļu maksātāja reģistrācijas kods (Taxpayer's registration code)* and drag it in the field Values. A new column with the name *Count of Nodokļu maksātāja reģistrācijas kods (Taxpayer's registration code)* will appear, meaning that Excel programme has counted unique taxpayer codes. Afterwards, drag *Vidējais darbinieku skaits (Average number of employees)* in the field Values. An additional column with the

2. EXAMPLE OF DATA PROCESSING

name *Sum of Vidējais darbinieku skaits (Average number of employees)* will appear, counting the number of employees of all enterprises for each particular CATTU code. Drag other parameters the same way: *Kopējie maksājumi valsts kopbudžetā (total payments into the state general budget),*

iedzīvotāju ienākuma nodoklis tajā skaitā (personal income tax including), valsts sociālās apdrošināšanas obligātās iemaksas tajā skaitā (mandatory state social insurance contributions including). Your result should look as follows:

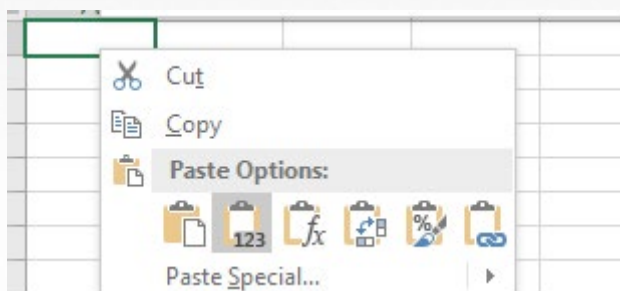
Row Labels	Count of Nodokļu maksātāja reģistrācijas kods	Sum of Vidējais darbinieku skaits	Sum of Kopējie maksājumi valsts kopbudžetā (tūkst. EUR)	Sum of Iedzīvotāju ienākuma nodoklis tajā skaitā	Sum of Valsts sociālās apdrošināšanas obligātās iemaksas tajā skaitā
4 010091	10984	47986.1	41816.5	327730.54	69680.36
5 010092	12614	52514.1	45684	361705.7	58559.77
6 010093	22467	104858.8	92744.6	939009.33	131978.72
7 010094	29134	121787.2	105492.2	1062268.43	173850.46
8 010095	13613	65509.2	55274.8	795100.07	79090.54
9 010096	11806	55604.4	48837.5	520129.64	89060.97
10 050000	4027	24951.8	20487.3	93545.81	17376.01
11 090000	3635	15236.3	13227.3	25974.59	13071.28
12 110000	1241	6554.1	5852.7	16284.33	5279.96
13 130000	4153	14891.4	12751.7	48100.19	10652.43
14 170000	4212	23085.3	20359.6	88583.07	24120.8
15 210000	1622	8446.2	7478.6	22126.98	5372.22
16 250000	1704	8950.9	7895.3	29123.67	9851.22
17 270000	1925	13085.5	11612.8	47426.67	10708.21
18 320201	371	1906.6	1702.2	3768.42	1800.33
19 320244	67	561.4	512.6	6703.51	748.73
20 321007	77	615.5	562.2	-5517.96	1458.73
21 321027	3	8.5	3.3	1.64	0
22 321050	29	66.9	59.4	163.85	124.9
23 321078	18	35.2	27.9	21.51	17.83
24 321080	33	105.2	88.7	208.67	51.38
25 321084	10	12.9	8.5	8.23	7.82
26 321086	8	15	14.1	7.48	0.83
27 321413	67	285.2	258.5	1228.42	248.34
28 321442	24	77.5	71.3	539.1	68.84
29 321458	17	152.3	131.5	402.92	92.76
30 321492	25	71.9	53.6	83.46	46.66
31 326146	26	137.4	121.3	646.33	84.36
32 326154	6	34.4	31.4	48.33	28.55
33 326160	138	566.9	499.9	1675.6	464.87
34 327166	20	64.3	54.7	-491.88	85.63
35 327170	39	101.2	83.8	227.29	48.56
36 327174	5	6.6	4.9	2.42	0.16
37 327196	24	61.4	46.3	-14.56	16.09
38 328200	144	464.1	378.2	881.6	205.75
39 360201	282	1730.2	1556.2	4774.11	1293.95
40 360242	43	139.2	122.3	271.04	112.41
41 360244	10	65.4	47.4	28.05	14.79
42 360252	11	10.9	7.6	6.5	1.25
43 360256	31	81.3	68.8	49.41	16.01

A perfect analysis table is obtained, yet people are not used to view territorial units as lines of CATTU figures. To facilitate data reading, a territorial name should be added.

Since a pivot table is a table automatically generated by software, changes cannot be made in it; therefore, data of this table should be first copied to a new spreadsheet.

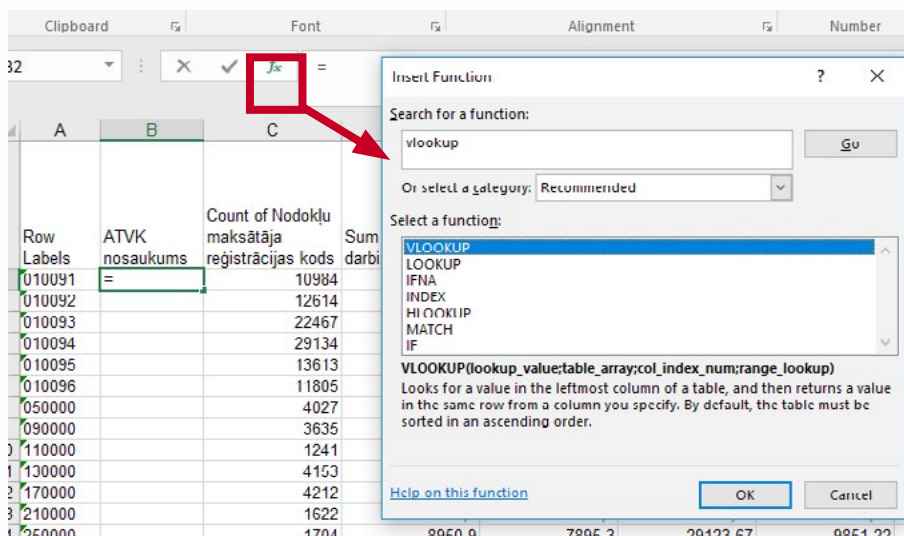
Press CTRL+* to select the entire table; press *Copy*, add a new spreadsheet and paste only cell values in the new sheet. Right-click on the first cell of the new sheet

and select the icon symbolising a folder with numbers 1, 2 and 3. See the picture below.



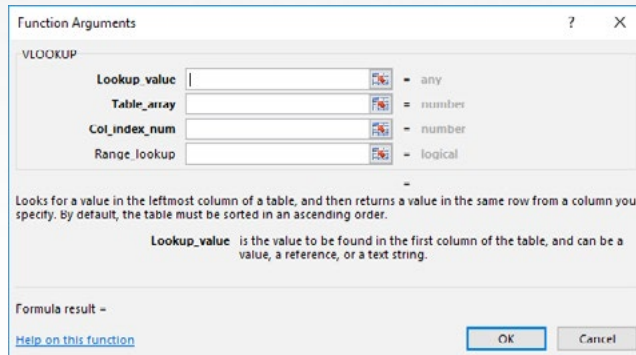
Insert a new column between the column *Row Label* and *Count of Nodokļu maksātāja reģistrācijas kods (Taxpayer's registration code)*. Name the column *ATVK nosaukums (CATTU name)*. Activate the first cell in the newly-created column under the title. Use the Excel formula "vlookup" further. It is a highly useful formula to match data from

two tables according to particular values. The principle of operation is not simple, yet it is highly effective. First, click the function button (see the picture below). In the field *Search for a function*, enter the formula name *vlookup* and click *Go*. In the formula field, the necessary formula will appear; double-click on it.



2. EXAMPLE OF DATA PROCESSING

The following window will appear:



In the window *Lookup_value*, specify values for which a relevant value is to be found. Indicate that it is the first column.

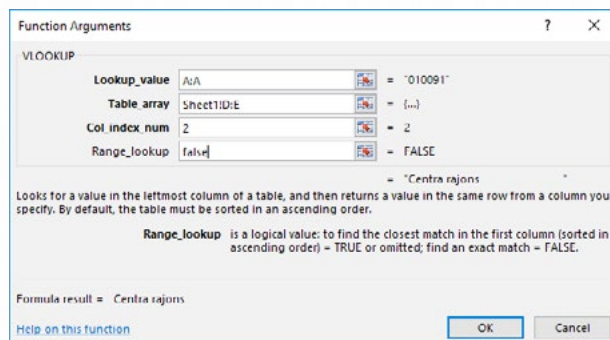
Table_array means table from which the relevant value is to be taken. These relevant values are located in the initial table. Highlight the range so that both values and correspondent values are included. Highlight both columns from the initial table where CATTU and CATTU names are located.

In the field *Col_index_num*, indicate from which column selected in the primary source table correspondent values are to be placed. In this case, both columns are located next

to each other, meaning that in our case it is the second column. Therefore, in this field we have to enter figure "2".

In the field *Range_lookup*, you can enter two values — *false* or *true*. *True* parameter means that similar values can be sought. *False* parameter means that it will be searched by precise match only. In this case, there has to be a precise match, therefore *false* should be indicated in this field.

If column names coincide, the window should be completed as follows to ensure successful results:



Drag the active cell with the result up to the end of the table, Excel will search for an

appropriate name for each CATTU.

In case of a positive result, the content of your spreadsheet should look as follows:

Row Labels	ATVK nosaukums	Count of Nodokļu maksātāju registrācijas kods	Sum of Vidējais darbinieku skaits	Sum of Vidējais darbinieku skaits, kuru ienākumi pārsniedz 0 EUR	Sum of Kopējie maksājumi valsts kopbudžetā (tūkst. EUR)	Sum of ledzīvotāju ienākuma nodoklis tajā skaitā	Sum of Valsts sociālās apdrošināšanas obligātās iemaksas tajā skaitā
010091	Contra rajons	10984	47986,1	41816,5	327730,54	69680,36	107622,63
010092	Kurzemes rajons	12614	52514,1	45684	361705,7	58559,77	100075,82
010093	Latgales priekšpilsēta	22467	104858,8	92744,6	939009,33	131978,72	226457,59
010094	Vidzemes priekšpilsēta	29134	121767,2	105492,2	1062268,43	173850,46	277310,01
010095	Zemgales priekšpilsēta	13613	65609,2	56274,8	795100,07	79880,54	134840,82
010096	Ziemeļu rajons	11805	55604,4	48837,5	520129,64	89060,97	138332,65
050000	Daugavpils	4027	24961,8	22487,3	93545,81	17376,01	34570,56
090000	Jelgava	3635	15236,3	13227,3	25974,59	13071,28	23091,75
110000	Jēkabpils	1241	6564,1	5852,7	16284,33	5279,96	10133,37
130000	Jūrmala	4153	14891,4	12751,7	48100,19	10652,43	18890,18
170000	Liepāja	4212	23085,3	20359,6	88583,07	21210,8	42600,69
210000	Rēzekne	1622	8446,2	7478,6	22126,98	5372,22	10535,4
250000	Valmiera	1704	8950,9	7895,3	29123,67	9851,22	17367,5
270000	Ventspils	1925	13085,5	11612,8	47426,67	18708,21	30939,02
32021	Aizkraukle	371	1906,6	1702,2	3768,42	1800,33	3502,97
32024	Aizkraukles pag.	67	561,4	512,6	6703,51	748,73	1437,61
321007	Jaunjelgava	77	615,5	562,2	-5517,96	1458,73	2101,31
321027	Jaunjelgavas pag.	3	8,5	3,3	1,64	0	0,37

All we have left to do is to rename columns and format the table.

If we return to pivot tables, interim results can be indicated for each territorial unit according to a particular parameter. In this case, we will examine how to calculate interim results by the name of taxpayer's form of business activity. In the pivot table,

drag the parameter *Nodokļu maksātāja uzņēmējdarbības formas nosaukums (Name of taxpayer's form of business activity)* in the field *Rows*. Thus, results by types of business activity forms in breakdown by territorial units are obtained. It ensures a possibility to view which business activity forms in a particular territorial unit provides the greatest benefits. See the picture below.

Row Labels	Count of Nodokļu maksātāju registrācijas kods	Sum of Vidējais darbinieku skaits	Sum of Vidējais darbinieku skaits, kuru ienākumi pārsniedz 0 EUR	Sum of Kopējie maksājumi valsts kopbudžeta (tūkst. EUR)	Sum of ledzīvotāju ienākuma nodoklis tajā skaitā	Sum of Valsts sociālās apdrošināšanas obligātās iemaksas tajā skaitā
010091	10984	47986,1	41816,5	327730,54	69680,36	107622,63
akciju sabiedrība	135	4160,7	3049,5	46564,17	13732,50	20007,01
individuālais komersants	264	121,1	103,6	372,83	51,23	102,93
sabiedrība ar ierobežotu atbildību	10585	43704,3	37863,4	280793,54	55896,55	87431,89
010092	12614	52514,1	45684	361705,7	58559,77	100075,82
akciju sabiedrība	47	3612,6	3301,7	34428,91	9513,95	15773,98
individuālais komersants	714	382	307,3	265,54	27,11	71,83
sabiedrība ar ierobežotu atbildību	11853	48519,5	4207,5	327311,25	49018,71	84230,01
010093	22467	104858,8	92744,6	939009,33	131978,72	226457,59
akciju sabiedrība	114	19654	18683,5	352938,16	45692,24	79118,3
individuālais komersants	1026	579,8	459,2	485,06	47,91	118,74
sabiedrība ar ierobežotu atbildību	21327	84625	73601,9	585586,11	86238,57	147220,55
010094	29134	121767,2	105492,2	1062268,43	173850,46	277310,01
akciju sabiedrība	209	14217,5	13298,4	201342,13	45315,01	64488,82
individuālais komersants	874	551	441,4	1228,28	71,92	162,66
sabiedrība ar ierobežotu atbildību	28051	106990,7	91752,4	859690,02	120463,53	212650,53
010095	13613	65609,2	56274,8	795100,07	79880,54	134840,82

When encountering any particular identified problem, it is necessary to understand what the cause of this problem is. For example, maintenance costs in a particular school are comparatively high compared to another similar school. It is necessary to carry out an analysis of what exactly increases maintenance costs — it can be high expenses on either electricity or heating. When compiling a questionnaire, factors causing the problems are to be examined to the extent possible. Once factors are found, factor parameters are to be defined. If one of factors is consumed electricity, it is necessary to clearly define that consumed electricity will be measured in kilowatt hours (kWh) or megawatt hours (MWh).

Questions have to be clear and easy to read to prevent any interpretation possibilities for a reader. For example, teacher's salary. Salary can be expressed as gross or net; it can consist of both State grants and additional payments made by local governments. Therefore, questions must be precise and clearly defined for the persons filling out questionnaire to have no questions or confusion regarding what the author of the questionnaire wanted to find out. If possible, the author of the questionnaire should first verify the questionnaire with any of local governments to find out whether there are any errors or unclear issues in the questionnaire.

The author of questions should check whether the information he wants to find out from a respondent is not publicly available somewhere else.

To obtain better results, it is best to offer ready answer options (where possible) where the respondent chooses the most appropriate variant (closed questions). It requires preparing the questionnaire more seriously and being able to foresee all possible answer options. It is preferable

to technically restrict users as well — if it is asked, for example, about the number of schools, it should be defined in the answer field that only whole numbers can be written. Sometimes it is good to set mandatory questions, yet they must be thought-through. It can happen so that some mandatory question might not apply to a respondent, but, without answering this mandatory question, he cannot submit answers.

It is recommended for the author of questions to ask also questions from which more calculations could be performed or which would ensure an opportunity to examine cases from several points of view. For example, if the condition of overpasses in a local government has been established, it is useful to find out about the width, length and cover of overpasses as well as what the condition of the cover is. Once all questionnaires have been collected, these indicators allow carrying out an analysis of the total length by types of cover and/or conditions in the local government. Of course, it is also possible to calculate areas of overpasses and analyse the condition of overpasses by area.

It is always recommended to integrate a large text box at the end of the questionnaire for comments, opinions and proposals. Local governments often provide interesting notes or descriptions of the current situation in their comments, revealing either a new side of the problem or sometimes an interesting and successful approach to solving the problem.

After summarising questionnaires, it is useful to familiarise respondents with survey results so that the respondents do not think that the work contributed had no result.

4. EXAMPLE OF DATA ANALYSIS — PROBLEM OF INCREASING REVENUES

1. Two Approaches to Budget Revenues

Sometimes people think that a local government itself does not have to try to increase its revenues, since the State takes care of it.

During the times of centralised command economy, there was a multi-level budget which was prepared by the State Plan and which stipulated revenues and expenditures on all scales and at all levels. Scientists were attracted to plan everything in an optimal manner in order to be able to devote maximum effort to preparation for war and minimum effort to production of consumer goods. The main trait of this budget is that all the main types of expenditures which can be elaborated at a lower level have already been determined at a higher level.

Back then, funds were collected in a single place (Moscow) and then favourably divided by territories according to the approved budget of a higher level.

This system operates acceptably if local government's functions are determined from the above and a local government acts as an agent — implements the State policy instead of its own policy. Such functions might be implemented by State administration institutions without local governments, since local governments are involved mainly due to economy assumptions.

The Law On Local Governments calls these functions “State-delegated” functions. These functions should be financed from the State budget. However, the law deceitfully stipulates that a local government can voluntarily fulfil the State-delegated functions also at its own expense.

Distribution of funds planned in a centralised manner performs poorly in case of local government's self-dependent (autonomous) functions. There are so many self-dependent

duties for which own voters are responsible that available funds turn out to be too little. Therefore, every type of tasks should be carefully thought through; it is necessary to optimise own activities by adjusting them to local conditions.

An active local government thinks of how to receive more resources and how to use these resources better. Such active local government views any procedure created in the country through its own prism — how to obtain more funds for its residents in a lawful manner; moreover, how to use lawful discounts for territory development.

2. Principle of Negative Feedback

Any system (also a local government) can exist only if it is able to maintain stability. It means that it is able to respond to external or internal activities in a correct direction.

Examples:

From physics. When pushing an object whose centre of gravity is located below the rotation axe, the force of gravitation causes reaction with an opposite effect and returns this object (after several fluctuations) to its initial position.

From medicine. If the amount of sugar in blood increases, the pancreas produces insulin that reduces the level of sugar. If the amount of sugar in blood decreases, the opposite happens — the pancreas produces glucose. The system's respond reduces the initiated process progress.

From administration. If combat of corruption (a possibility for a civil servant to use his/her official position for personal benefit) reduces the number of civil servants, it is negative feedback and the corruption risk reduces. If it is one otherwise — in hopes to reduce corruption, additional places of civil servants are introduced, then it is positive feedback and corruption risks grow.

Thus, the condition necessary for the stability

4. EXAMPLE OF DATA ANALYSIS – PROBLEM OF INCREASING REVENUES

of any (also economic) system or organisation is that the deviation from the main goal of the organisation (in moving from mission to vision) causes the response that directs the system back in the direction of vision. This condition has been known for many centuries to everyone who studied stability in mathematics or mechanics. In the mid-20th century, Norbert Wiener developed this idea and initiated a new field of science – cybernetics.

A local government is an organisation with its self-determination rights. The European Charter of Local Self-Government stipulates elected representations:

1. Responsibility to voters;
2. Budget autonomy;
3. Administration autonomy;
4. Personnel autonomy.

In turn, the Civil Law stipulates the autonomy of local government property. The Law On Local Governments and the Budget and Financial Management Law as well as the Law On Prevention of Squandering of the Financial Resources and Property of the State and Local Governments and other laws narrow the rights determined in an international agreement of a higher legal force, yet preserve the above mentioned autonomies.

A local government based on the five aforementioned autonomies can self-dependently organise its procedures and determine its policy according to the wish to preserve and develop. If the principle of negative feedback is observed, the system will develop.

3. Structure of Local Government's Revenues

Local government's revenues consist of two parts – objective and subjective. The objective part, which depends on the activities

of a local government and its residents and which cannot be affected by political decisions of the central management, complies with the principles of the European Charter of Local Self-Government the best. There would be no problems if the State ensured the fulfilment of the State policy by means of its subjective part. It is a lot worse if a local government, by its mandatory autonomous functions, has to obtain funds by means of subjective decisions of the central government.

The objective part is formed so that the central government has minimal opportunities to affect the local government budget if own incomes form either from revenues due to the local government or from target grants which are calculated in accordance with publicly known formulas. The introduction of this objective part in the mid-90's was achieved by LALRG, since it was possible to introduce taxes due to local governments along with the financial equalisation system.

The objective part consists of the State-regulated part and the part earned by the local government itself. In this example we will pay the main attention to the State-regulated part.

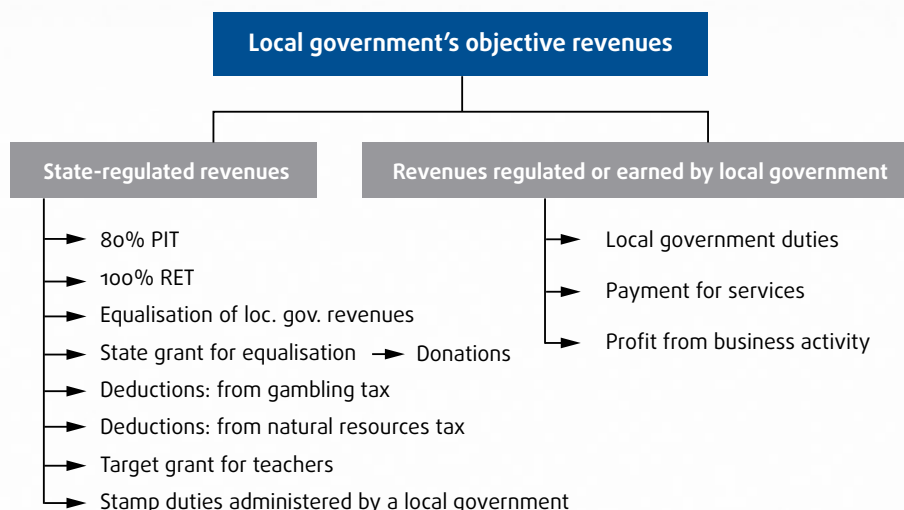
The State-regulated part consists of the system intended for the mutual equalisation of finances of local governments (Robin Hood principle – a part of revenues is taken away from local governments with higher tax revenues to redistribute between local governments with lower tax revenues), a minor State grant intended for additional equalisation, and target grants for teachers' salaries. This State-regulated part is supplemented by revenues from gambling tax, natural resources tax and stamp duties administered by local governments (Figure 9).

The first two components are not limited by any conditions in relation to how a grant from the equalisation system and a State general equalisation grant are to be used. Theoretically, local governments self-

dependently optimise this use as well as the use of taxes due to the local government. This freedom is relative though, since the State endeavours to regulate local government's expenditures, making these expenditures mandatory to the extent possible. If a local

government decided to make all expenditures stipulated by laws and Cabinet Regulations in full, local government's activities would stop, since all local governments (also the "wealthiest" ones) would have to resign due to a lack of financial resources.

Figure 9. The structure of local government's objective revenues dominated by four State-regulated sources: 80% PIT (personal income tax), 100% RET (real estate tax), redistribution of local government revenues (equalisation) and a target grant for teachers' salaries



The third referred to component of objective revenues cannot be used freely — it can be used only and solely for teachers' salaries and mandatory social insurance contributions.

A local government also has other objective revenues independent of the State. They form differently in each local government, and in the process local governments search for the balance most appropriate for local conditions between the wish to act in a more beneficial manner for residents and the need to pay for services or ensure investments.

These other objective revenues include revenues from natural resources tax and gambling tax, local government duties and State duties (if a local government fulfils State

administration tasks), charge for services, revenues from business activity, donations and loans.

The subjective part consists of a target grant for roads and State investments (mainly from EU funds and also from other sources). The subjective part forms so that parties and civil servants making the coalition government, which manage the development of different sectors, have wide opportunities to adopt decisions in accordance with the interests of political or economic groups. This part is divided to strengthen some groups of interests and weaken other groups of interests. Formally, the State has created a development planning system, in accordance

4. EXAMPLE OF DATA ANALYSIS – PROBLEM OF INCREASING REVENUES

with which this subjective part should be financed. It is attempted to explain to the public and local government politicians this reasoning by dividing investments for roads and public infrastructure in accordance with the mutually harmonised sustainable development strategies, the National Development Plan and harmonised local government development programmes, etc.

Nothing of that actually happens, since all types of development documents are not harmonised with finances. Therefore, the central government can pretend every year that it implements different strategies, while actually redistributing investments in a subjective manner. The official planning system is intended for “covering” voluntary financing for the public to believe that everything in this field happens objectively.

4. Pareto’s 20/80 Rule

At a time, an Italian economist Vilfredo Pareto noticed that 20% of factors produce 80% of the result and vice versa: 80% of the same factors produce the remaining 20% of the result.

Even though this rule is more of a qualitative

rather than quantitative nature, it is highly useful for both solving the problem and delaying the solution.

The political science describes both situations. Politicians that actually wish to delay the process will implement extensive activities in the field of 80% of factors. In turn, politicians that wish to achieve real changes will take care of a lot smaller number of factors – work in the 20% field.

For example, if a weak state is beneficial, a great amount of legal tax reliefs is created, while the revenue increase plan features tens of activities of how to collect additional funds from the “informal (shadow) economy” or from the remaining honest payers that already form actual tax revenues. If a strong state is beneficial, it would be necessary to study to whom the tax reliefs and aid policies apply and what benefit these legal tax reliefs or subsidies provided to the public.

This example is intended for readers that wish to increase their local government’s revenues, therefore further recommendations will apply to the methods that determine 80% of increase possibilities. Respectively, less important methods will not be paid attention to.

Table 1. Description of the objective part of revenues subject to equalisation (data for 2014, source: RAIM, State Treasury and SRS)

Local governments	Revenues, EUR	Residents registered	PIT from residents, EUR	RET in the territory, EUR	Valued revenues, %
Ādaži	12593977	10450	8456501	1611733	66.52
Mārupe	22371533	17039	17129971	3448648	76.67
Rīga	713097398	701184	450525822	94227582	63.76
Baltinava	1651120	1252	372106	74876	22.56
Balvi	16000871	14608	4462234	505218	25.47
Daugavpils	77568288	98089	37970192	3067264	43.11
Vārkava	1648127	2225	448935	142462	30.43
Saldus	26746202	27239	10864426	1748920	39.04
Latvia	2189924343	2180291	1108087919	196993935	49.47

5. Objective Part of Revenues — Its Amount and Significance

In this article, eight local governments have been selected to be able to illustrate the structure of revenues and possibilities of increasing them by means of examples. Two largest national cities Riga and Daugavpils represent the donor and the beneficiary from equalisation. Two Pieriga local governments, Mārupe Municipality and Ādaži Municipality, currently represent the “wealthiest” part of local governments in which an increase in population takes place. Two small local governments, Vārkava Municipality and Baltinava Municipality, represent territories that are located far from Riga and have explicit agriculture dominance. Two large municipalities Balvi and Saldus are close in size to previous districts and have a more diverse production structure. Such choice of examples does not cover all typical cases, just as it is not meant for any assessment of achievements of these local governments (it would require a completely different examination), yet is intended for readers who wish to increase the revenues of their local governments.

As can be seen in Table 1, the financial equalisation system (valued revenues) amount to approximately a half of local government revenues 80% from PIT summing with 100% RET throughout the country. Valued revenues of a particular local government will be marked as V_i , $i = 1, 119$. The table shows that valued revenues can form a highly significant part of the total revenues: for the Pieriga local government Mārupe Municipality, valued revenues exceed 3/4 of the total revenues, while for Baltinava Municipality — it does not reach even 1/4.

There are two reasons for that — objective wealth of residents and tax relief system. If any local government has small revenues, it can be caused by both market failure (investors do not create profitable companies)

and government failure (progressive taxes, tax discounts for existing enterprises, uneven distribution of administration institutions, etc.). EU agricultural policy is an example of government failure; however, in general there are many factors independent of local government's activities that act as failures.

Valued revenues remain with a local government only in the amount of 40%, since other revenues are to be transferred into the common pool. The pool made of local government funds does not return “own” revenues, but rather provides a general grant from the financial equalisation system as well as a small State grant for improving the position of the most needy local governments. A relevant revenue formula is determined in the Law On the Equalisation of Local Government Finances. Until the current equalisation system (1995-2014), local governments were ensured a lot greater share of own revenues. In the new system, solidarity (Robin Hood's effect) is increased.

The dominant part of objective revenues is obtained by summing 40% of independent revenues and a grant from the financial equalisation fund:

$$O1_i = 0,4V_i + 0,6 \cdot N_i / N \cdot V + D \cdot N_i / N \cdot (l_{\max} - l) / (l_{\max} - l), \quad (1)$$

where $i=1, \dots, 119$, (ordinal number of a local government) and the concept “unit to be equalised” invented during the last equalisation reform is used. This unit to be equalised N_i depends on the demographic structure and area of the local government:

$$N_i = d_i + 3,34 \cdot b_i + 4,26 \cdot j_i + 1,74 \cdot v_i + 1,52 \cdot p_i \quad (2)$$

where four positions depend on residents of the age of labour force registered in the local government d_i , children b_i , youngsters of school age j_i and seniors v_i , while the fifth one — on the number of square kilometres in local government's territory p_i .

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Formula (2) shows that “the least valuable” is a resident of the age of labour force, while “the most valuable” – children and youngsters. It reflects the traditional structure of local government’s expenditures which has formed since 1990. A local government finances schools and kindergartens as well as social care, while activities intended for adults are financed according to the surplus principle.

Distribution reflected in formula (2) has formed historically by analysing information on actual expenditures of local governments. At the time, it was planned that expenditure weight coefficients would be measured every year and adjustments would be introduced to the distribution (2) (the authors of the initial distribution was academician Raita Karnīte and the state minister for local government local governments Jānis Bunkšs (before that – the first Chairperson of LALRG)). However, when inventing the system, it was not taken into account that the budget classification was

unsuitable for these measurements. Political impediments occurred as well – changing coefficients would be favourable to a half of local governments and unfavourable to the other half. Ideological impediments also took place – the wish to amend objectively calculated weight coefficients in favour of ideologically selected focus groups.

In general, the current distribution reminds of a needy family’s budget where maximum funds are invested in survival and less is thought about development.

In formula (1), independent revenues marked with I_i for the number of units to be equalised

$$I_i = V_i / N_i \quad (3),$$

but without an index with capital letters V , N , the sum of relevant values by 119 local governments is shown, I_{\max} – maximum independent revenues, I – average independent revenues $I = V/N$.

Table 2. Share of objective revenues of local governments (equalisation system) in relation to local government’s revenues in 2014 (Sources: Benchmarking database and Cabinet Regulations)

Local governments	Revenues, EUR	Residents registered in the local government’s territory	40% of valued revenues, % of all	40% of valued revenues in proportion to the number of residents, % of all	Target grant to teachers, % of all
Ādaži	12593977	10450	26.61	24.74	9.73
Mārupe	22371533	17039	30.67	22.71	7.85
Rīga	713097398	701184	25.50	29.32	11.41
Baltinava	1651120	1252	9.02	22.61	38.24
Balvi	16000871	14608	10.18	27.77	16.05
Daugavpils	77568288	98089	17.24	37.70	14.50
Vārkava	1648127	2225	12.17	40.25	14.30
Saldus	26746202	27239	15.62	30.37	22.20
Latvia	2189924343	2180291	19.79	29.68	13.79

The second part of objective revenues is related to the salaries of pedagogical employees. Even though the ministry states that the education reform would start with increasing salaries and continue with increasing the quality of education, at the moment the redistribution of salaries actually occurs within the framework of the previous financing. However, from the point of financing, an important principle is preserved – Cabinet Regulations stipulate formulas which are used to calculate the load of pedagogical employees in accordance with the standard number per class (number of teachers; rate according to the standard number of pupils in a class). It does not mean a process that money follows a pupil, nor equality to which everyone would agree. However, just as in the case of equalisation of finances, formulas are published and recipients of finances can verify whether the State target grant has been calculated according to published formulas.

The full list of these formulas (taking into account diverse categories of schools, programmes, teachers and pupils, special director's funds, etc.) would take several pages, yet the "core" of calculation can be reflected as follows:

$$O2_i = n / n_{\text{norm}} \cdot 12 \cdot (a + s) \quad (4),$$

where the standard number of pupils n_{norm} depends on the politically performed division of local governments – Riga, republican cities, Pieriga, rural area of a municipality, city of a municipality, while a – minimum salary, s – relevant social insurance contributions.

In general, a target grant for teachers' salaries is an essential component of education financing; however, it does not form the main part of expenditures on education (it will be illustrated below). Principally, primary, basic and secondary education is financed from the local government budget rather than from the State budget.

6. Possibilities of Increasing the Objective Part of Revenues

As can be seen in Table 2, average objectively calculated revenue for local governments do not exceed 63% of all revenues. If this part is supplemented by other revenues independently obtained by a local government – fully or partially chargeable services, duties, deductions from environmental tax and gambling tax, revenues from business activity, loans and donations, the picture does not seem so bad: on average the State does not affect a local government by subjective decisions so strongly.

The redistribution of the common pool, 60% of all valued revenues, in the table is calculated by assuming that the population structure in the country and division of area is homogeneous. Actual calculated revenues depend on the actual population and area structure, yet the table reflects the distribution of the common pool in proportion to the number of registered residents. It is better to start assessing the potential impact of the factor by means of the simplest model. By applying the actual population structure of the relevant year, minor redistribution will be observed, and this a local government can try to influence.

Certain groups of local governments have different structures of objective revenues:

1. Own revenues are the most significant for Pieriga local governments and Riga; by increasing valued revenues by 10%, they ensure 2.5–3% budget increase.
2. Own revenue increase will have a lower impact on the budget in Baltinava, Vārkava and Balvi – a 10% increase in revenues will ensure only 0.9–1.2% budget increase.
3. Own revenue increase will have a medium impact on the budget in Saldus and Daugavpils – from 1.5% to 1.7%.

4. EXAMPLE OF DATA ANALYSIS – PROBLEM OF INCREASING REVENUES

By examining this situation in connection with feedback, the system created in the country destabilises local governments: the smallest interest in increasing own tax revenue is shown by local governments, for which these revenues are insignificant. For Baltinava and Vārkava, interest in increasing independent revenues can be highly crucial in case of increase in these revenues.

Revenues to be redistributed from the common pool of local governments create a different picture:

- Redistribution revenues are most crucial for Daugavpils which can be explained by a small share of own revenues. Daugavpils is somewhat an “anti-example” for an administrative-territorial reform — a local government with the second greatest number of residents in the country and with relatively developed business activity is in the bottom of the equalisation system. It disproves the hypothesis that has not been proved during the reform - that a greater number

of residents in a local government automatically ensures greater wealth and higher revenue level.

- The significance of redistribution revenues close to average in Latvia is in Riga, Balvi, Vārkava and Saldus.
- Redistribution revenues are less significant in Ādaži, Mārupe and Baltinava, showing that this situation is possible with the combination of different conditions.

There are several methods for **increasing individual (valued) revenues**, and a local government selects the most effective one from these or uses a combination of these methods.

First, local business activity can be developed, hoping that the majority of employees in local enterprises will be from own territory and will pay taxes. However, as can be seen in Table 3, in many cases facts do not confirm the expediency of this method.

Table 3. Formation of personal income tax of local governments in 2014 (sources: SRS and RAIM)

Local governments	PIT revenues by place of residence, EUR	PIT paid by local entrepreneurs in the country, EUR	PIT paid by persons registered in the territory, EUR	Share of local entrepreneurs in paym. by legal address, %	PIT contributions by territory in relation to contributions by place of residence, %
Ādaži	8456501	2372150	4602807	51.54	54.43
Mārupe	17129971	35048170	33191972	105.59	193.76
Riga	450525822	601227460	712963891	84.33	158.25
Baltinava	372106	9060	167768	5.40	45.09
Balvi	4462234	1243120	2088944	59.50	46.81
Daugavpils	37970192	17371480	22560470	77.00	59.41
Vārkava	448935	6410	129050	4.97	28.75
Saldus	10864426	5684590	7300052	77.87	67.19
Latvia	1108087919	932402920	1126271455	82.79	101.64

By examining Table 3, it can be seen that revenues by registered place of residence and revenues by addresses registered in a local government vary significantly throughout Latvia.

Second, the tax paid by local entrepreneurs might be insignificant (as in Vārkava and Baltinava). This is a failure of the national tax policy which is partially related to the EU agricultural policy and partially to our government's errors in policy-making. It needs to be taken into account that making the tax system "more evenly" by taking away reliefs from large groups of entrepreneurs or residents is politically risky.

Vārkava has the greatest number of registered enterprises per capita in the country, yet the total contribution of all local entrepreneurs into the local government budget is close to zero. Likewise, payments made in the local government's territory are dominated by contributions of institutions

and pensioners, rather than enterprises. If these local governments have a wish to increase revenues, the production structure is to be changed by reducing the role of persons employed in agriculture. In Baltinava — over a half of tax, in Vārkava — 2/3 of tax is ensured by persons working in enterprises registered in other territories. It does not mean that they go to work to Riga. It is absolutely possible that they go to work at A/S Latvenergo or A/S Latvijas meži in the territory of their local government.

Local entrepreneurs are registered in the Republic of Latvia, rather than in the territory of a local government. A legal address does not imply any strong connection to the territory. If payments made by local entrepreneurs in Ādaži Municipality slightly exceeds one forth of tax due to Ādaži, it does not mean that these enterprises with a legal address in Ādaži Municipality do not transfer a crucial share to other territories, from which labour force arrives in Ādaži.

Table 4. Description of local government's sources of expenditures on education in 2014

Local governments	Total revenues EUR	TG for teachers' salaries, EUR	Number of general education programme students	Expenditures on education, EUR	TG for teachers' salaries, % of expenditures on education	TG for teachers' salaries per student, EUR/student
Ādaži	12593977	1224862	2794	510302	22.2	438.39
Mārupe	22371533	1757611	3308	11048529	15.9	531.32
Rīga	713097398	81380847	137048	237668548	34.24	593.81
Baltinava	1651120	631424	282	1313871	48.06	2239.09
Balvi	16000871	2567535	2924	7267746	35.33	878.09
Daugavpils	77568288	11247278	17864	35211419	31.94	629.61
Vārkava	1648127	235607	332	530734	44.39	709.66
Saldus	26746202	5938665	5654	14480669	41.01	1050.35
Latvia	2189924343	302047464	417190	911559766	33.13	724.00

4. EXAMPLE OF DATA ANALYSIS – PROBLEM OF INCREASING REVENUES

There are opposite situations as well: if labour force arrives from outside, the tax paid by local enterprises can exceed total contributions due to the local government. This is true for Mārupe and Riga.

Secondly, the determinant factor is not the distance to the capital. For example, the tax paid by local entrepreneurs in Daugavpils only slightly exceeds 40% of PIT due to the territory.

Therefore, it is important to attract enterprises that pay high salaries to residents of their local government. This conclusion can be the basis for the local government's marketing strategy. For example, the analysis of SRS data on local enterprises showed that in 2014, a salary above EUR 800 a month was paid by local entrepreneurs in Daugavpils to 42 persons only. Taking into account the non-taxable minimum and other reliefs, there are no noteworthy tax revenues from small salaries.

Another area of activity is attraction of noteworthy taxpayers to the territory. It is manifested as competition between local governments. Each payer that increases revenues of one local government reduces revenues of another local government.

Over recent years, relevant activities were proposed by Riga (proposals on free transport for persons registered in Riga) and Jūrmala (real estate tax relief, discounts on the entry charge). However, this strategy is no less important also for other territories where revenues are ensured by persons that actually work there.

Increasing Revenues by Means of the Redistribution Mechanism. In this case, a local government does not have to earn by itself, but rather has to ensure conditions for receiving a greater share of the amount earned by others.

To increase the number of units to be equalised, it is beneficial that pupils and

children register in the local government's territory. The situation is opposite to that in relation to individual revenues, when it is necessary to attract labour force. A local government can even calculate which option will be more beneficial – to attract one employable person that earns 4 average salaries (40% of paid PIT will end up in the local government's budget) or one pupil (this pupil will earn 4.26 times more from the total equalisation budget in the amount of 60%).

From this point of view, financial possibilities of the local government increase if a pupil has only registered in the Population Register, but goes to school somewhere else. The situation is opposite with the target grant for teachers' salaries. A grant from financial equalisation funds, which is now received by every local government, does not depend on labour productivity in the local government, but rather only on the structure of residents; however, decisions thereon can be made self-dependently, just as on the use of own "earned" taxes.

Increasing the Target Grant for Education.

Local governments can record expenditures on education differently. There is a tradition to include salaries of pedagogical and support personnel in education costs, yet school transport, investments in the construction of a school or a sports field can appear in different budget sections.

Table 4 shows how the State target grant for teachers' salaries in 2014 was related to the number of general education students, total local government's expenditures on education, and total local government's total expenditures.

In Baltinava and Saldus, the target grant for teachers' salaries is affected not only by the number of general education programme students, but also by grants transferred to special pre-school educational institutions and special boarding schools for children

with physical and mental impairments.

This way or another, it can be seen that the level of target grants per student varies significantly depending on a local government and that the target grants of the central government amount to only one third of expenditures on education, while in many local governments the contribution of State target grants is even lower.

To increase the target grant for education according to the new system, a standard pupil is important for a local government — the more pupils there are as compared to the standard number, the more it will be possible to pay to teachers. If the number of pupils is equal to or below the standard, the load of teachers has to be reduced and, hence, the salaries of teachers will be significantly below the one promised by MoES.

Hence, there are two principal methods for increasing relevant revenues:

1. to encourage parents of “own” (registered in the territory) children and youngsters to send children to local government schools;
2. to encourage parents of neighbouring local governments to send children to own local government schools.

To receive a greater target grant, the number of pupils is to be increased if the standard number per school allows it. In case of a greater number, it will be possible to plan the load better, ensure hourly rates of teachers close to the maximum, hence, the main argument for better quality of training, i.e. salary, will apply.

7. Subjective Part of Revenues and Possibilities of Increasing It

On average, the subjective part amounts to approximately one third of the local government budget; however, it forms in a

lot less even manner than the objective part. This subjective part has several principal components:

1. The State has undertaken the function of financing local government roads, which it regularly fulfils worse than the financing of State roads. Theoretically, nothing prohibits a local government from maintaining its roads at its own expense; however, with the centralised financing system existing, financing from own funds reminds of squandering. Moreover, the Ministry of Transport plans and harmonises the construction and maintenance of all roads.

In the second half of the 90’s, the road financing scheme was developed from excise duty for oil products. For several years, this system functioned rather successfully; a tradition occurred — using 30% of the Road Fund (a special budget) for local roads and streets. However, greed ruined this system, since entrepreneurs close to the central government managed to get such significant discounts for different taxes that there were no funds to finance expenses of ministries. Several years after the introduction of a successful system understandable to residents, it was liquidated.

The national financing for roads was gradually reduced, simultaneously increasing road financing from EU funds. This approach has several disadvantages: firstly, the European Commission does not support activities in which the Member State itself does not invest; secondly, the European Commission supports trans-European roads and considers that roads of a local significance have to be managed by own forces; thirdly, the European Commission does not finance road maintenance which is an essential matter in case of local governments.

4. EXAMPLE OF DATA ANALYSIS – PROBLEM OF INCREASING REVENUES

Table 5. Description of sources of financing for local government's roads and streets in 2014 (sources: State Budget Law, CSB)

Local governments	Total expenditures, EUR	TG for local government roads and streets, thousand EUR	TG for roads and streets, EUR/km	Total expenditures on local government roads and streets (EUR/km)	Total expenditures on local government roads/ total local government's expenditures, %
Ādaži	11221360	452.8	372.94	324.61	1.31
Mārupe	20697475	140.7	1265.57	11148.83	7.58
Rīga	743170107	1181.9	7797.15	55298.21	8.79
Baltinava	2027646	123.2	329.25	257.00	1.56
Balvi	16626276	452.8	738.58	576.45	1.57
Daugavpils	82634120	123.2	12193.92	124434.33	18.55
Vārkava	1454518	146.2	329.25	257.00	1.56
Saldus	28480733	869.9	805.84	1166.57	3.56
Latvia	2280411272	38479.2	1116.69	3947.02	6.66

This approach was more or less logical under conditions of the global economic crisis in 2009 and 2010, yet continued refusal to use the national financing during the later period meant in no way justified non-fulfilment of State obligations, and these actions are an example of legal nihilism.

The law stipulates that under normal conditions State budget funds are to be used in the amount of 80% of revenues from excise duty for oil products, unless the State budget law stipulates other procedures. The State budget law can determine other procedures in an emergency situation – war, flood, catastrophe and other cases; this emergency situation should be justified and explained. However, under conditions of legal nihilism, emergency situation regulations for road financing are applied every year – there are no State funds left for local government roads, while EU funds stipulate no financing of local government roads!

Legal nihilism in this case ideally complies with one of EU goals – promotion of labour force mobility, and is diametrically opposite to another EU goal – balanced regional development. Collapse of local government roads and streets in no way promotes the attraction of highly productive labour force and smart entrepreneurs to territories.

2. The State has undertaken co-financing of investments in public infrastructure (in dominant amount). By taking over public sector revenues from local governments (due to mistakes made by civil servants of the European Commission, they are called “general government revenues”), the State undertook care for financing of public infrastructure investments and centralised planning. Latvia's example proves once again that by planning in a centralised manner, local interests are forgotten or are planned and implemented in an ineffective manner.

Table 6. Description of local government's expenditures, separating education and economy in 2014 (Sources: benchmarking database, calculation)

Local governments	Total expenditures, EUR	Expenditures on economy, EUR	Expenditures on education, EUR	Other expenditures, EUR	Share of other expenditures, %
Ādaži	11221360	43285	510302	5667773	50.51
Mārupe	20697475	91711	11048529	9557235	46.18
Rīga	743170107	198651467	237668548	306850092	41.29
Baltinava	2027646	64089	1313871	649686	32.04
Balvi	16626276	1573193	7267746	7785337	46.83
Daugavpils	82634120	20174999	35211419	27247702	32.97
Vārkava	1454518	116971	530734	806813	55.47
Saldus	28480733	917107	14480669	13082957	45.93
Latvia	2280411272	350521111	911559766	1018330395	44.66

One of the greatest economic mistakes made by previous Latvian governments was the liquidation of the State Investment Programme. This programme, which was inherited from the USSR National Plan and decreased to almost zero at the beginning of the 90's, nonetheless allowed for determining national priorities and could potentially serve also as a source of local government financing.

EU funds are useful, yet these funds can be used only and solely for the priorities determined by EU. No matter the benefit ensured by resolving common issues of the EU, it does not cover everything that is necessary for Member States, regions and local governments. Therefore, implementation of only the policies supported by the EU is actually incorrect, short-sighted and justifiable only during short periods.

At the beginning, there was no money. After loosening the USSR market, industry and agriculture collapsed and the governing elite got carried away with privatisation while searching for the theoretical substantiation in neo-liberal economy. However, for market forces to have effect, it is not possible to use an extensive system of tax discounts and subsidies which drives those subject to full tax rates into informal (shadow) economy.

Practically, the State Investment Programme worked increasingly worse every year, until it was decided to liquidate it at all in 2007. At the beginning, it included several insignificant investments. Later, it was transformed into a summary of projects included in other sections of the budget without any separate financing. With non-implemented EU projects accumulating, an impression occurred in the short-term that it was necessary to stop fooling around with non-supportable ideas of EU. Eventually, a strategically erroneous decision was made.

Table 5 uses information from the CSB on total expenditures on local government roads and streets. The financing of EU funds and independent financing of local governments are not separated in these data. It can be seen that these total expenditures significantly differ per km of roads and in terms of role played in total local government's expenditures.

It strengthens the hypothesis on a crucial role of the subjective factor in the investment policy. How to increase revenues under these conditions?

Firstly, procedures laid down by law in relation to development planning are to be observed. Any investment field is regulated by delegation

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in law and relevant Cabinet Regulations on division procedures. These documents always feature a reference to short-term and medium-term planning documents.

Therefore, the menu principle is to be observed systematically – the long-term development strategy and the development programme should stipulate everything possible that might be useful in the local government territory once. If a local government includes carefully assessed priorities in these documents, it can end up without any investments.

The observance of the menu principle is a necessary yet insufficient condition. It is preferable that particular politicians and ministries would support local government's wishes.

Therefore, secondly, it is necessary to join the correct party or at least sign an agreement on participation in the ruling coalition. The activities of institutions such as the Coalition Council of the government proved that it was always possible to optimise previous plans depending on the amount of political forces. While at power, it is more difficult to win next elections, yet more good deeds can be done.

Therefore, thirdly, it is necessary to actively lobby local government's interests in ministries and State agencies that work with investment projects. A greater art is to stay within limits of law while lobbying, since an understanding of conflicts of interests or personal interests can be rather diverse. There are different standards of admissible lobbying methods in the EU and Latvia, activities that are considered to be correct in Brussels will not always be perceived positively in Riga.

However, lobbying is a huge, insufficiently used resource that can significantly increase revenues of local governments.

Conclusions from the Examined Example

1. In accordance with the principle of negative feedback, a local government must develop its own policy and administrative structure so as to reduce negative effects

of legislation and internal regulations.

2. With competition existing between local governments and sectors, each local government can increase its resources, optimising the areas of actions.
3. To increase local government's valued revenues that amount on average to 19.8% of total revenues, the main means are the following:
 1. To organise the declaration of wealthy persons in the local government's territory;
 2. To promote the attraction of entrepreneurs that pay high salaries.
4. To increase revenues from the redistribution of common revenues of local governments via the equalisation system, the main means are the following:
 1. Declaration of pupils in the local government's territory;
 2. Declaration of children in the local government's territory.
5. To increase revenues from the target grant for teachers' salaries that amount on average to 13.8% of total revenues, the main means are the following:
 1. Encouraging parents of own children to study in local government's schools;
 2. Encouraging children of other local governments to study in local government's schools.
6. To increase the part of revenues non-objectively administered by the government, the menu principle should be used in planning and the main means are the following:
 1. Joining parties of the ruling coalition;
 2. Active process of lobbying local government's interests in ministries.

When seeing any legislation failure, it is possible to encourage an improvement of the situation, yet a local government has a duty to use lawful methods of increasing income for the benefit of its residents.

CONCLUSION

This Handbook does not claim to answer all the questions that can occur while using the Comparable Database. It outlines development directions and indicates the main methods of use.

It is to be taken into account that values and concepts, responsibility and institutions are revised in the country on information and result measurement matters. The concept created by LALRG fits well in the planned development of the sector, yet a lot will depend on political decisions of local governments and the government in future.



This Handbook has been developed within the project "Smart Governance and Performance Improvement of Latvian Municipalities" supported by the Norway Grants 2009-2014 program "Capacity-Building and Institutional Cooperation between Latvian and Norwegian Public Institutions, Local and Regional Authorities".

The content of this Handbook is the full responsibility of the author and does not reflect the official position of the Programme and countries involved.