

Latvian Association of Local and Regional Governments

Benchlearning System Model for Latvian Municipalities

Description of Model and Opinions for Discussion

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1.Introduction

1. The overarching goal of the project is to stimulate the managers, politicians and administrative personnel of local municipalities, the employees of municipal institutions and enterprises to become more creative, to look for new approaches to solve existing problems, to ground on the experience of the colleagues and LALRG support in acquisition and analysis of the facts describing operation of the municipalities within the process of introduction of the novelties.
2. The proposed model is the final document of the first stage of the project “Smart Governance and Performance Improvement of Latvian Municipalities”. On the basis of the experience of the Norwegian Association of Local and Regional Authorities (KS) and the Association of Polish Cities, evaluation of current and forecasted development trends of the Latvian municipalities, as well as public discussion in several forums, the description of the system is proposed offering detailed solutions that can be verified during the implementation of the project. The solutions will be approbated while operating the networks.
3. It is envisaged that the product developed within the project will serve for a longer period of time. The estimated lifetime of the product can be 20 years taking into account that the initial approaches of the Latvian model will be preserved and updated. Within the project, the approaches of this model will be approbated, and relevant modifications performed, paying special attention to the opportunities for the development of the project after its implementation.
4. During the implementation of the project, a benchmarking data base is elaborated; the data base will enable application of quantitative methods and the best practice of the world in the governance of the municipalities, it further will be used for a range of additional activities with a positive impact on the social and economic development of the municipalities and the State.
5. The second main activity – establishment of the cooperation networks on the basis of the benchlearning method. In the cooperation networks, the representatives of the municipalities help each other by giving advice, discuss different solutions known in Latvia and in the world. During implementation of the project, the skills of network coordinators to organize and serve the networks are developed.
6. Benchlearning system is established and applied successfully in Norway; within this system, the municipalities receive information from the benchmarking data base and establish networks in which they select appropriate solutions for their further development on the basis of the received information and analysis of the experience of other municipalities.
7. KS has successfully passed on its experience to several states, Poland being especially successful example among them. To take over the experience of the Norwegian and Polish municipalities and adapt it to the circumstances in Latvia developing further the contribution of the Latvian Association of Local and Regional Governments (LALRG) and the Ministry of Environmental Protection and Regional Development (MEPRD) in improvement of the performance of the municipalities, development of the most appropriate system model is necessary for Latvia.
8. Politicians having won the municipal elections are fully entitled to accept or reject performance enhancement activities. Thus, application of benchlearning totally depends on the understanding and attitude of the politicians. Thus a special attention should be paid to involvement of the politicians of the local municipalities.
9. According to the public choice theory, the politicians will choose to implement the system only when they will be certain about positive impact of innovations on electorate and reliability of the applied procedures.
10. Due to these reasons involvement of the politicians in decision-making regarding the contents of the plan for the benchlearning system is decisive to ensure sustainability of the system. For

making a well-reasoned decision, the politicians have to be informed about all stages of the project – from the beginning to the end.

11. The benchmarking idea is borrowed from KS; on transforming the idea to fit the circumstances in Latvia, ongoing consultations with KS experts take place. Visits to the Norwegian state administration institutions and municipalities are ensured; Norwegian and Polish experience is analysed during the visits. The KS experts participate with their reports in the main events of this activity, they warn against possible mistakes and risks.
12. The State Regional Development Agency (SRDA) is experienced in development and application of the indicators for regional development; it has experience in maintaining the data bases for storing the indicators and in working with data bases with user access rights of different levels. Ongoing consultations will take place while the model is being elaborated.

2.General aspects

2.1. Description of purpose and principles of System

13. During the implementation of the project, direct public benefits are expected – the municipalities that will undertake pilot activities will improve their performance; this will be verified against the performance indicators envisaged in the project to measure the benefits of inhabitants.
14. The optimization of data bases and organization of the cooperation networks is the basis for the sustainability of the project. It is envisaged to approbate and compare different types of acquisition of data, to approbate and compare different network coordination methods. As a result, the most appropriate solution will be chosen in terms of quality, time and costs; the solution will be chosen by the municipalities by evaluating the results and developing the model for further development of the system following the completion of the project.
15. The sustainability of the project will be facilitated by the activity “Enhancement of the local government network”. The activity is directed at making as qualitative decisions as possible during implementation of the project and maximum publicity, thus gradually rousing interest and involving more and more politicians. The involvement of state administration institutions is of the same importance; during the project it will be proved that the state administration institutions can obtain significant information regarding the status of sectors from the benchmarking data base and get ideas for improvement of the work of the state administration institutions from the descriptions of the experience of the municipalities in the benchmarking data base.
16. The cooperation networks to be established will not meet the long-term strategic objectives of LALRG if a stable foundation is not established for sustainable development of the cooperation networks and benchmarking data bases after completion of the project. The main preconditions for sustainability:
 - 1) gradual voluntary involvement of all municipalities;
 - 2) funding sources generated by the municipalities for maintenance and development of the system;
 - 3) voluntary implementation of evidence based strategic governance principles in the municipalities;
 - 4) interest of the Government in use of benchmarking data base, including setting of performance indicators to be achieved by sector policies.
17. The direct target groups of the project are the politicians and employees of the municipalities, the indirect target groups are the inhabitants of the municipalities, and the state administration institutions, visitors of the municipalities and business people working within the territories of the municipalities.
18. The politicians of the municipalities need political will to implement changes; it will be achieved by evaluating the experience of Norway and Poland, actively participating in the first network (aimed at strategic governance) and other networks according to their interest.
19. The employees of the municipalities need understanding of the strategic planning process, as well as the skill to apply the conclusions obtained within benchlearning networks; they should further use benchmarking data base for solution of issues of their sector. The respective skills will be developed by participating in the network meetings and other publicity events, as well as by studying two manuals after completion of the project.
20. The employees of the state administration institutions need understanding of benefits of cooperation in acquisition of the data and a skill to use benchmarking database. The skills will be developed both – in mutual cooperation process during the project implementation and by participating in publicity events.

21. The inhabitants need increasing opportunities to impact decisions of the municipalities, as well as more qualitative services provided by the municipalities. Such opportunities will increase during the project implementation when the municipalities will find innovative solutions for improvement of the work for the benefit of the inhabitants during benchlearning process. As the inhabitants, from the view of marketing strategy of the municipalities, are the most significant and largest segment of the market of the products of the municipalities, the implementation of strategic governance will aim the activities of the municipalities at the priorities of the inhabitants.
22. The business people require positive attitude, reduction of administrative burden and cooperation with the municipalities in providing for resources (including human resources and infrastructure). These capacities of the municipalities are included in the thematic networks that will ensure involvement of business people and development of businesses in the territories included in the project.
23. Visitors of the territories are people from other territories who work and study in the municipalities, and tourists. Both groups usually are in the centre of the marketing strategies of the municipalities, therefore it is envisaged that these indirect groups will enjoy the positive impact of the project as well. Organized civil society are partners of local governance more and more. Participative democracy and participative administration are important segments for municipal marketing strategies

2.2. Potential role of benchlearning system in development of Latvian municipalities

24. The use of municipal funding, property and human resources is efficient if a municipality according to its purpose maximally takes into account local peculiarities and skilfully implements human resources policy. In some municipalities, management is based rather on intuition than on evidence and analysis of the evidence, mostly approbated and traditional solutions are used rather than innovative ones. These municipalities do not make full use of fiscal and administrative autonomy options that are not forbidden by law, they frequently copy the practice established by the government institutions.
25. As a result, existing human resources are not optimally used, there are territories that fall behind in terms of economic and social development from their neighbouring territories; this is one of the factors that causes depopulation of the territories. A vicious circle develops – insufficiently innovative activity of a municipality is a reason for reduction of human resources in quantity and quality, the latter in its turn does not facilitate efficient development activities. Less developed territories are unable to get out of the vicious circle and fall behind even more.
26. To resolve this problem, LALRG will develop a benchlearning system which would facilitate smart governance of municipalities. It will be a tool to improve the performance of municipalities, thus enabling overcoming of negative trends and involving local politicians and staff in innovative governance process.
27. On the basis of the experience of the project partner – KS – the issue will be solved by elaborating benchlearning system. The system stimulates bottom-up initiative, makes local politicians and employees more active to implement their commitments to inhabitants of the territory. This system facilitates evidence based governance and provides information on the experience of the municipalities of the world in terms to solution of different issues.
28. Benchlearning is a learning process that helps improve practical performance through comparing and sharing knowledge, information and occasionally resources. It is an active, long-term process that has been found as one of the most efficient tools in organizational change process.
29. The main benchlearning instrument is the cooperation networks of the municipalities. The networks thematically are related to the main LALRG activity groups, supplementing the existing political and administrative structure of LALRG. The goal of the benchlearning within each

network will be taking over of the best practice from other organizations adapting the relevant experience to the specific circumstances of the respective municipality. It is not less important to learn from mistakes made by others and avoid them in the process of the changes of an organization.

30. Benchlearning will be based on the evidence provided by the benchmarking data base. The benchmarking method is a governance process in which organizations evaluate their procedures and activities comparing them to the best practice in the organizations of similar type. The benchmarking becomes a point of reference to improve performance of a municipality.
31. In Latvia (and also other states), the attempts to govern municipalities or state administration institutions based on evidence encounter a significant problem – it is hard to measure approaching (not approaching) the outcome. The data of statistics or budget hardly describe the goals which the politicians of the municipalities or the State strive to achieve. Mostly, measurable criteria can be applied to the outputs at the best, but the results of policy (outcome) and impact of the policy can be described very rarely.
32. Absence of suitable performance indicators to the outcome and impact to great extent is an obstacle for implementation of rational, target-orientated governance in the municipalities. As the approaching to the outcome cannot be measured, it is impossible to establish whether the policy leads to the intended target. As the impact of the policy cannot be measured, it is impossible to establish whether the chosen policy has been a success. In absence of such indicators, efficient personnel motivation methods – dependent on the result of the work - cannot be implemented. Thus, human and material resources are not efficiently used to the benefit of the inhabitants.
33. To eliminate this shortcoming, benchmarking data base will be elaborated; the purpose of the data base will be to collect the data of municipal policy outcomes and impact and to develop appropriate performance indicators.
34. The benchmarking data base will ensure benchlearning process. Each network will deal with the most topical issues of the municipalities at the relevant moment; the task for data acquisition, calculation of indicators and description of the experience of the municipalities will be prepared. When the task is accomplished, a network moderator will draft the summary of materials to be discussed; it will be available prior to the meeting. After presentation of the analysed materials and data, an analytical discussion will take place; the participants of the discussion will use the ideas of the discussion to improve their work.
35. The ideas acquired during the benchlearning process will be further used for the development and improvement of the strategies for the activities of the municipalities. Both – immediate improvement of work (implementing innovative work methods) and purposeful action aimed at implementation of municipality strategies will have a positive impact on the inhabitants, visitors, business people and organized civil society – the indirect target group of the project.
36. The ministries are also the indirect target group of the project. The performance indicators will be valid for the ministries of the respective sector; they will obtain additional information on the success and problems of the sector in the administrative territories of Latvia. The benefits of the ministries from the benchmarking data base will be the basis for mutually beneficial exchange of the data.
37. The selected means for achieving the goal of the project – development of the sustainable benchlearning system during the whole impact period of the project (implementation and further development following the completion of the project when more and more municipalities will start using the system) – will directly strengthen the capacity of the municipal institutions and commercial companies, but planned evidence based human resources management (when performance indicators will be applied for evaluation of the work and motivation) – will directly influence development of human resources.
38. The activities of the project will facilitate seeking for innovative solutions and implementation of such solutions in each involved municipality. It complies with one of the three EU 2020 priorities

– innovative growth – as it is the municipalities that can plan and facilitate local innovations best (provided that there is appropriate information base) thus ensuring innovative variety. The goal of one of the benchlearning networks – promotion of strategic governance and entrepreneurship – will supplement one of the tasks of the National Reform Programme 2020 – “Strengthening of Capacity of Municipalities to Attract Companies and Investments”.

39. Each of the network (cooperation network) themes of the benchlearning chosen within the project will supplement some of NAP2020 activities. The benchlearning areas after inclusion of the respective themes in the networks will pertain to all three NDP priorities and potentially facilitate accomplishment of the tasks in the following directions of the activities:
 - 1) the priority “Growth of the national economy”, the direction of the activity “Outstanding business environment” – tasks [154], [155] and [162], the direction of the activity “Energy efficiency and energy production” - tasks [201],[202],[203] and [206];
 - 2) the priority “Human securitability”, the direction of the activity “Decent work” – tasks [247], [248], [249], [250], the direction of the activity “Stability of demographic growth” – tasks [269], [272], [273], [274], the direction of the activity “Development of competencies” – tasks [290], [291], [292], [294] and [297], the direction of the activity “Healthy and fit for work” - tasks [311] and [313], the direction of the activity “Belonging to Latvia: cooperation and culture” - tasks [338], [339] and [340],
 - 3) the priority “Growth for regions”, the direction of the activity “Promotion of economic activity in the regions: unleashing of the potential of territories”, - tasks [385], [388], [390] and [393], the direction of the activity “Availability of services for creating more equal work opportunities and living conditions” - tasks [413], [414], [415] and [418].
40. The benchlearning system to be developed within the project will stimulate seeking for optimum and innovative solutions for the municipalities in all above mentioned tasks.
41. The activities of the project comply with the mission and the third goal established at the Foundation Congress of LALRG in 1991 – to help the municipalities to increase their capacity in provision of services to their inhabitants.
42. Since 1995, LALRG passes a strategic program document “Guidelines for Development of Latvian Municipalities” after each of the elections of the municipalities. Currently, version 6 of this document is in force, it was approved at the 25th LALRG Congress in 2014. In the guidelines (see www.lps.lv, as well as the monograph of M.Pukis (M.Pūķis) „Pašu valdība”, LPS, 2010, 492-498), the necessity to strengthen the performance capacity of the municipalities in all areas of the benchlearning networks is emphasized.
43. Since 1991, the LALRG Congresses constantly pass political resolutions addressed not only to the Government and the Saeima, but also to the municipalities inviting them to introduce different improvements in the direction of the benchlearning networks (see the section of the LALRG documents at website www.lps.lv).

3.Suggested establishment of the cooperation network of municipalities

44. The cooperation network is established by voluntary involvement of the municipalities in the network activities. In a single network, 7-9 municipalities are involved; they set an aim to improve their work in a certain area of responsibility of the municipality. (In the pilot projects for implementation of the system, a larger number of participants – up to 13 – is approbated). Each network has a network coordinator (a LALRG employee) who serves the participants of the network.
45. The system of the cooperation networks is one of the products of the project that shall function at least 20 years. During implementation of the project, discussion of the options proposed by the networks and approbation of different solutions take place in the municipalities taking part into pilot projects; the conclusions will serve as basis for deployed functioning of the networks following the conclusion of the project.
46. The structure of the networks is coordinated with the political structure of LALRG that has been stable since the middle of the 1990-ties, and it does not change in terms of guidelines. LALRG positions are prepared in five permanent committees, as well as in temporary work groups the members of which are approved in the meetings of LALRG Council; the core of the groups is composed of the politicians of the municipalities. Unlike many associations of municipalities of other states, LALRG widely involves the administration of municipalities and representatives of the municipal enterprises in the work of political committees, if the representatives wish to actively participate in the process of development of a common policy for the municipalities.
47. During the project, 4 thematic networks are developed – one - for the development of the strategic governance of the municipalities (complies with the theme of the Committee of Finance and Economics) and the other three – in the areas that comply with three of the themes of other three permanent committees:
 - 1) availability of social work and health (complies with the theme of the Committee of the Social and Health Care Issues);
 - 2) public utilities and housing (complies with the theme of the Technical Committee);
 - 3) education and culture (complies with the theme of the Education and Culture Committee).
48. The network complying with the theme of the Municipalities and Territory Development Committee is not developed within the project. Such choice is based on the fact that cooperation of this permanent committee with other Norwegian financial instrument project is intended; the project is implemented by MEPRD and it is dedicated to promote regional development. After completion of this project, cooperation networks will be established also in this area.
49. Interconnection with the political structure is of fundamental significance. The overall policy of the municipalities directly refers to both - the contents of new legislation and regulations of the Cabinet of Ministers (the Cabinet) and solution of practical issues encountered by some municipalities. It is expected that the discussions within the cooperation networks will promote passing common political resolutions of the municipalities and vice versa.
50. Based on the experience of KS and the Association of Polish Cities, the number of participants (municipalities) in the cooperation networks and voluntary participation principle was chosen. The method similar to that used in Norway and Poland will be approbated by implementing nuances pursuant to cooperation traditions among the Latvian municipalities.

3.1. Network for strategic governance of municipalities (T1)

51. The theme of the first network – strategic governance - is pre-determined and selected with the aim to promote qualitative changes in the governance of municipalities. With fixed amount of resources, better results will be achieved by a municipality that can better make use of local circumstances and local human resources. The deputies representing interests of collective (territorial) communities need resources for implementation of their specific ideas and concepts. This is the only way to reach desired variety and make better use of opportunities.
52. Such resource is the strategic governance method. To implement the method, it is necessary to take over experience and develop forum for creation of innovations. The cooperation networks are intended the role of the forum for this purpose. By distributing the experience and knowledge regarding strategic governance it is intended to gradually convince all municipalities of Latvia about the opportunity to seek for their own specific advantages and select own methods to improve life standard in their territories. Insofar the strategy of a municipality is dedicated to implementation of autonomous competencies, a large variety of goals and approximation methods to be selected is expected even within a single network.
53. The basic task of the first network: to develop a medium-term strategy for each involved pilot municipality. At the end of the project, each of the pilot municipalities drafts the text of the strategy, as well as develops and launches strategy governance system.
54. On fulfilling the basic task, the pilot municipalities will be offered to facilitate development and implementation of several significant additional products; upon consent the following would take place:
 - 1) discussion regarding marketing network sector of the municipality: inhabitants, visitors and business persons; division into subsectors, comparison of the interests of different municipalities regarding the priorities of the subsectors and focus on the sectors in medium term and long term;
 - 2) overview of competitors and partners of the municipalities, significance of competition and cooperation for achieving the goals of the municipality;
 - 3) evaluation of different missions, goals and objectives of municipalities (cities, large and small municipalities, rural and urban municipalities) and definition of tasks for development of appropriate performance indicators;
 - 4) discussion of marketing management cycle for the municipality and comparison of different options how to ensure efficient governance in planning, implementation, assessment and change stages;
 - 5) evaluation of different options to implement medium term budget in a municipality and use the budget as means for implementation of medium term strategy and motivation of the employees of the municipality;
 - 6) discussion on legal means (not forbidden by law and Cabinet regulations) for facilitating business activities in the territory of the municipality, including attraction and preparation of human resources for innovative and research-intensive business activities;
 - 7) evaluation of performance indicators acquired in the benchmarking data base and options for use of such data;
 - 8) assessment of different approaches for lobby of municipality interests and approbation of such methods for achieving of the strategic objectives of the municipality;
 - 9) discussion regarding interim results of at least two research themes that will help in development of marketing strategy method in Latvian municipalities.
55. It is expected that as a result of the above discussions, the pilot municipalities will voluntary develop and implement innovative municipality governance methods that will serve as positive models for other municipalities that are not involved in the pilot projects.

56. The impact of the relevant innovative solutions on the success of the municipalities will be measured by use of measurements available in the benchmarking data base.

3.2. Social work and health care availability network of municipalities (T2)

57. There was an opportunity for at least 18 municipalities to apply for participation in the second network. Two sub-themes were selected, and all of the municipalities grouped in accordance with the sub-themes.

58. Several groups of issues which are topical for different municipalities are offered for the initial discussion:

- 1) Improvement of territorial organization for social work;
- 2) Professional burnout of social workers and their motivation problems;
- 3) Team-work enhancement methods for working with different age groups;
- 4) Non-institutional social work solutions;
- 5) Beneficiary involvement in problem solving;
- 6) Innovative methods for working with disadvantaged families;
- 7) Effective management problems of municipal hospitals;
- 8) Support for health care availability in the municipality;
- 9) Collaboration between the municipality and NGOs within the area of social services and health care;
- 10) Support forms for social businesses in the municipality;
- 11) Employment enhancement as a social policy element;
- 12) Adoption of state social functions, their opportunities and perspectives;
- 13) Orphanage problems;
- 14) Working with homeless people;
- 15) Organization of inter-institutional cooperation within the territory of the municipality.

59. Like in the case previously described, the same principles and similar requirements should be complied with when representing the pilot municipalities in the network meetings. It is not allowed to have a one-sided approach, stating the quality of social work or health care as the only criterion, failing to take into account general socio-economic impact.

60. After the analysis of the initial discussion, two sub-themes were selected:

- 1) Is social entrepreneurship necessary for a municipality and how to improve it;
- 2) Innovation in the social work, social services, health care enhancement for improvement of the competitiveness of a municipality.

61. Considering options of social entrepreneurship, this type of economic activity is widely interpreted as it is done in the documents of the European Commission and the Economic Committee. It embraces all types of activities in which the overarching goal of the performer of the economic activity is not profit making. A municipality for this purpose can have several roles – engage in social entrepreneurship itself, procure services from social enterprises or cooperate with performers of social entrepreneurship for the purpose of implementation of its social policy.

62. Considering innovations in the social and health sector, extensive exchange of experience is possible, and adoption of the innovations of different countries of the world (including Latvia) to the peculiarities of a certain municipality is possible.

3.3. Network of public utilities and housing policy of municipalities (T3)

63. There was an opportunity for at least 18 municipalities to apply for participation in the third network. Two sub-themes were selected for the initial discussion, and all of those 18 municipalities were grouped in accordance with the sub-themes.
64. In the municipalities, several groups of questions proposed for initial discussion are topical:
 - 1) Economic and social effect of energy performance enhancement measures;
 - 2) Economic, social and environmental effect of waste collection and recycling;
 - 3) Municipal housing policy – synergy of social policy and infrastructure policy;
 - 4) Municipal housing policy as a tool for attracting qualitative human resources;
 - 5) Public transport improvement problems;
 - 6) Business forms for optimal heat supply, and selection of heat supply technological solution;
 - 7) Solutions for water management optimization;
 - 8) Efficiency of municipal investment policy for public utilities and housing;
 - 9) Development opportunities of municipal companies in the utilities sector.
65. In all cases, it was offered to consider sectoral issues taking into account the following principles:
 - 1) Selected sub-theme is related to the strategic objectives of the municipality, and is focused on certain market sectors of municipal products;
 - 2) Solutions should be considered in the context of the medium-term projects or programmes;
 - 3) Effect of solutions on municipal budget, assets, debts and municipal business efficiency should be assessed;
 - 4) Solutions should be considered taking into account their effect on available resources and restructuring possibilities of the local economy.
66. In order to ensure compliance with the above principles, the pilot municipalities should be represented not only by the administration members or the heads of the municipal companies, but also by politicians, preferably by municipal council chairmen or their deputies. It is therefore recommended to have a number of municipal representatives in each meeting (for example, a chairman of the council, a manager of the respective department or head of the company, a local expert).
67. As a result, there should be an improvements plan which implementation will help the municipality approximate some of its strategic goals.
68. After the analysis of the initial discussion, two sub-themes were selected:
 - 1) Municipal investment policy for public utilities and construction and maintenance of motorways
 - 2) Municipal housing policy – synergy of social and infrastructure policies.
69. An investment policy embraces both – “attraction” of the EU funds and all other opportunities for purposeful enhancement of social and economic development including strategic resources and their development opportunities, granting advantages for certain groups of business people depending on the potential benefit to the development using not only financial instruments but also administrative, natural and human resources.
70. A housing policy embraces both – interests and obligations, it should not be viewed apart from social policy and human resources development policy; thus it allows to flexibly address a wide range of problems in a municipality and propose complex solutions.

3.4. Network of education and culture of municipalities (T4)

71. There was an opportunity for at least 18 municipalities to apply for participation in the fourth network. There will be two sub-themes selected, and all of those 18 municipalities will be grouped in accordance with the sub-themes.
72. There are several groups of issues which are topical for different municipalities offered for the initial discussion:

- 1) Education as a source of human resources in the municipality.
 - 2) A complex coordination of the activities to provide necessary human resources for structural changes;
 - 3) Transposition problems of vocational education in the municipality;
 - 4) Student involvement in dealing with economic issues of the school;
 - 5) Innovative solutions for preserving small schools;
 - 6) School economic issue optimization problems;
 - 7) Teaching staff motivation problems;
 - 8) Development of school self-government;
 - 9) Support terms for private and municipal kindergartens;
 - 10) Cooperation with the higher educational institutions as an element for territorial development;
 - 11) Cooperation with the private sector;
 - 12) Teaching staff motivation methods.
73. Like in the case previously described, the same principles and similar requirements should be complied with when representing the pilot municipalities in the network meetings. It is not allowed to have a one-sided approach, stating the quality of education or culture as the only criterion, failing to take into account general socio-economic impact.
74. After the analysis of the initial discussion, two sub-themes were selected:
- 1) Problems of small schools
 - 2) Economic management of schools and motivation of teachers.
75. The issues regarding small schools embrace a wide range of questions; there are different approaches for solution of these issues, and they are related to different areas of responsibility of the municipalities. The discussions and searching for innovative solutions will help each municipality to find a most suitable solution for local circumstances.
76. The economic management of schools is the most important element of responsibility of a municipality in the area of education. Funding of these activities is one of the largest (sometimes – the largest) items of the budget of a municipality. The motivation of the teachers is one of the most significant elements in approximation of the targets of the educational policy.
77. During implementation of the project, the government delegated the responsibility to the Ministry of Education to develop a new model for remuneration of teachers that would be based on the structural reforms in the organization of the work in schools. Thus, the discussion of the proposals regarding implementation of the reforms plays an important role in the meetings of the educational sub-networks.

3.5. Suggested themes for scientific research

78. It is expected that benchlearning method will bring forward issues solution of which requires scientific approach. This approach is necessary for theoretical substantiation of innovations, as well as for development of the methodologies for collection and aggregation of information in the event when none of the State information systems provides an answer.
79. The technical specifications of the themes will be prepared by the key expert of the LALRG project in cooperation with the network coordinators (LALRG experts), taking into account the following conditions:
- 1) Specifications define the scope, time and criteria of research, and are used for work acceptance (economically the most advantageous proposal).
 - 2) Specifications define requirements for scientific work experience of the researcher on the selected theme, as well as the minimal knowledge on the European Charter of Local Self-Government and municipal work organization in Latvia.

- 3) Specifications include a detailed range of issues to be studied providing a description of municipal achievements in the sub-sectors of the sector “residents”, sub-sectors of the sector “visitors”, and sub-sectors of the sector “entrepreneurs”.
 - 4) Each applicant can win the competition for acquisition of the right to carry out only one research – this allows better evaluation of the external procurement by carrying out the research for the purpose of the benchlearning system.
 - 5) These requirements apply to the competition with pre-selection. Applicants which failed to make research of the respective profile, and applicants which failed a test on the knowledge of municipalities are excluded during initial selection.
80. The most essential challenges during the initial stage of developing the benchlearning system are characterized by the following complex of research themes:
1. The statistic data necessary for the local government management.
 2. Options for development and application of local municipality’s medium-term budget.
 3. Opportunity of the municipality to exert influence upon development of local economics.
 4. Option to carry out social entrepreneurship by the municipality and opportunity to use private social entrepreneurship to reach the goals of the municipality.
 5. Options to acquire success indicators using budget information of the municipalities.
81. The choice of the theme 80.1. is substantiated by the following:
- 1) The decrease of the capacity of the Central Statistical Bureau of Latvia to collect and analyse data have led to loss of succession of the data and loss of an option to judge about the economic and social situation of the administrative territories and residential areas using facts.
 - 2) With insignificant exceptions, the Central Statistical Bureau of Latvia aggregates the data at the national level (NUTS 1 and NUTS 2) or at 6 statistical regions (NUTS 3). Such aggregation of the data is sufficient for the government of the EU, but insufficient – for the government of a State, planning regions or municipalities. Regarding Latvia, branch and generalized data about the State in general and 6 regions can be acquired (for the purpose of management of the EU budget). These data are not appropriate even for the management of the regional development of a branch as they do not provide an insight into the processes within the administrative territories.
 - 3) The data base RAIM that is under supervision of MEPRD partly accumulates data about administrative territories. To great extent, this task is complicated due to restrictions to publish information about the state secret, commercial secret and personal data of natural persons. However, there is an opportunity to make some conclusions regarding the success of a municipality in general without going into the details of branches or territories within the municipality.
 - 4) Basically the contents of RAIM is appropriate for measuring the regional politics of the State, as well as indirect measuring of the success of an individual municipality (the data poorly and indirectly describe the socio-economic situation of a municipality). However, the data found in the system are insufficient for well-reasoned management of a municipality.
 - 5) In order to manage a municipality, the data on socio-economic changes are necessary at the scale of internal territorial divisions of the municipality (towns and rural territories) as well as at the scale of villages and residential areas. The results of such scale have a significant impact on decisions of households regarding staying or leaving their place of residence. The problem of depopulation cannot be solved if the measurements of such scale are unavailable.
82. The guidelines of the technical specifications of the theme 80.1.
- 1) To examine the system of restrictions for carrying out and publishing measurements of the management of the municipality.
 - 2) To examine what indicators are allowed to publish without breaching the regulation of State, municipal and private secrets in the following local socio-economic areas:

- labour force and immovable property taxes, exemptions and tax arrears;
 - salaries and their comparison to average salaries in the EU;
 - allowances, pensions and received social care;
 - description of the commercial activities according to the stages of the economic development;
 - description of migration from and to the territory of a municipality;
 - condition of roads;
 - availability of the public transport;
 - availability of the public utilities;
 - availability of consumer services (including culture and leisure);
 - healthcare availability;
 - residents' satisfaction;
 - entrepreneurs' satisfaction;
 - visitors' satisfaction;
 - organised civil society's satisfaction.
- 3) To examine what primary data of the indicators to be published are aggregated in the state information systems
 - 4) To make proposals for necessary changes in the laws and regulations of the Cabinet.
 - 5) To make proposals for the data to be acquired and aggregated from the municipalities, the indicators to be developed for the benchmarking data base.
83. The substantiation for the selection of the theme 80.2. is determined by several reasons:
- 1) The strategic management is difficult if the planning and financing cycles of the management are different. The cycle of the political responsibility of a local or regional government is four years, the preselection commitments are implemented during that period of time. In order to implement those commitments, a long-term strategy, medium term programmes and projects are developed, incremental improvement of the management processes takes place.
 - 2) A significant hindrance is a short-term (annual) budget that is appropriate for flexible implementation of the State functions in the municipalities (central decisions are used for operative corrections of the rules for action of a municipality) but that is not appropriate for implementation of the medium term autonomous responsibility and autonomous rights of the municipal policy.
 - 3) Before the economic crisis in the world, there was a motion towards introduction of a medium term budget. Program budgets were implemented in the State, they were supplemented by prospective plans for the budgets of the following 2 years (including intended development trends). This initiative was interrupted by austerity measures and financial discipline, thus the main management tool was the intention to regulate overheating of the economics. An opposite instrument to the medium term budget was introduced – a medium term framework for the planned budget year and following three years.
 - 4) Implementing the idea of the project, it is necessary to evaluate several scenarios for implementation of different medium term budgets related to strategic management process in the municipalities.
84. The guidelines of the technical specifications of the theme 80.2.:
- 1) To prepare an overview of the experience in development of medium term budget in different countries, including medium term budgets for municipalities.
 - 2) To develop proposals for medium term project budget procedures.
 - 3) To develop proposals for medium term program budget procedures.

- 4) To develop proposals for medium term impact budget procedures.
 - 5) To develop proposals for budget organization within an annual operational budget and medium term development budget.
 - 6) To develop proposals for amendments to the Law On Budget and Financial Management, envisaging the necessary interaction between annual and medium term budget management.
85. The substantiation for the selection of the theme 80.3. is determined by several reasons:
- 1) Promotion of local economics is a statutory obligation of a municipality that has been preserved in the laws regarding municipalities since 1990. At the same time, politicization of the EU and national laws takes place, a range of social and economic doctrines, group interests implement prohibitions to promote economics with the help of the law and regulations of the Cabinet.
 - 2) Several restricting norms arise from the EU policy that is aimed at the development of unified economic space using the means chosen for Europe for other goals and at other scale. Quite frequently, unfair circumstances are created for local business people if compared to that of the business people in other EU member states.
 - 3) Some of the restrictions arise when any of economic or legal doctrines (that impartially reflect group interests or have been useful in other countries with completely different circumstances) are declared binding in whole Latvia.
 - 4) Promotion of entrepreneurship at the level of a municipality can never be fair for the whole community or all groups of business people. They are basically agreements on certain priorities, support of such priorities by unsymmetrical approach.
 - 5) A research is necessary on the opportunity to remain on the right (legal) side, at the same time implementing support for certain groups of business people or workforce. Simple attempts to follow support strategies used in other countries without additional research may be punished.
86. The guidelines of the technical specifications of the theme 80.3:
- 1) To evaluate the differences of the market failures in the global market, European market, national market and local market.
 - 2) To develop an algorithm for selection of the method for elimination of the market failure – municipal entrepreneurship, municipal procurements, promotion of entrepreneurship or other solution.
 - 3) To evaluate the main local market failure types that substantiate involvement of a municipality in entrepreneurship also if the market failure is not established at the national or EU level, assessing how the following aspects influence the municipalities:
 - negative externalities,
 - positive externalities,
 - asymmetric information or lack of information,
 - public benefit or quasi-public benefit,
 - dominance of monopolies in the market,
 - mobility of factors,
 - in compliance with the public opinion regarding justice.
 - 4) To evaluate main central government failures that substantiate active participation of a municipality in support of local economics
 - 5) To evaluate if there are any options for a municipality:
 - to provide state support
 - to enhance attraction of human resources that changes the structure of the workforce according to the chosen trend
 - to facilitate use of natural resources

- to facilitate changes of local infrastructure in the direction favourable to business people
 - to conclude concession agreements
 - to participate in public and private partnership
 - to establish commercial entities to decrease market failure
- 6) To develop a methodology for evaluation of economic benefits for the measures for enhancement of local economics under item 85.5.
 - 7) To classify municipalities according to their peculiarities in terms of market or government failures and propose possible solutions.
87. The substantiation for the selection of the theme 80.4. is determined by several reasons:
- 1) Latvian municipalities are in unfavourable circumstances if compared to municipalities of other EU member states. Due to implementation of the Commercial law. Upon adopting the Commercial law, the economic activity type – state or local government non-profit companies – was eliminated, and nothing appropriate was created instead in this area.
 - 2) At the time, there are legal organization types that are appropriate for economic activity of a municipality in the areas where profit is not the dominating aspect in other EU member states; in Latvia such legal form does not exist.
 - 3) In other countries, the economic activity in which social goals dominate is referred to as the social entrepreneurship. If gaining of profit is as important, then such a company is referred to as a hybrid company. If entrepreneurship of the state and a local government is regulated separately, the term social entrepreneurship is used only in the private sector (non-governmental organizations or commercial entities having a significant proportion of activities of social rather than commercial character).
 - 4) Local governments are interested in social entrepreneurship (according to the EU understanding) in two ways:
 - in cooperation with private sector in solving of social issues,
 - participating in entrepreneurship the goal of which has a social rather than profit gaining character.
 - 5) Examination of the options for municipalities in both directions is topical in terms of efficient solution of social issues, problems related to enhancement of education, human resources development, health care and entrepreneurship.
88. The guidelines of the technical specifications of the theme 80.4.:
- 1) To describe experience in social entrepreneurship in the municipalities of other countries
 - 2) To describe the experience of social benefit organizations in the area of social entrepreneurship
 - 3) To evaluate the opportunities of social entrepreneurship to solve the following:
 - the problems related to inclusion of recipients of benefits;
 - the problems related to inclusion of socially disadvantaged;
 - the problems related to delegation of social functions of a municipality;
 - the problems related to the development of human resources;
 - the problems related to amenities.
 - 4) To substantiate the opportunities for the municipalities to participate in entrepreneurship (commercial activity) with social mission rather than the mission to gain profit in the following areas of market failures
 - the problems related to inclusion of recipients of benefits;
 - the problems related to inclusion of socially disadvantaged;
 - the problems related to delegation of social functions of a municipality;
 - the problems related to the development of human resources;
 - the problems related to amenities.

89. The substantiation for the selection of the theme 80.5. is determined by several reasons:

- 1) The budget of a municipality is an instrument for implementation of municipal policy (in the area of autonomous competency) and state policy appropriate for the circumstances of the relevant municipality (in the area of the competency delegated by the State). In order to optimally implement the municipal policy, it is necessary to know what resources are used for attainment of the goals, as well as the extent to which the goals are approximated.
- 2) Unfortunately, the classification of the budget is intended for other purposes that have almost nothing to do with the governance of a municipality. In order to aggregate data from several existing budget items, as well as obtain evaluation of expenditure for the interests of different focus groups of the municipality, it is necessary to establish peculiar economic models with clearly defined systems of assumptions and data use restrictions.

90. The guidelines of the technical specifications of the theme 80.5.:

- 1) To prepare an overview of available theoretical models when budget data are used for evaluation of expenditure for certain focus groups or performance of certain functions.
- 2) To develop a methodology for evaluation of expenditure for the following focus groups:
 - groups by age: children, school-children, retired persons, population of working age;
 - groups by professions, especially indicating farmers (agriculturists); engineers and managers; educators; social workers; policemen; medical professions; other professions;
 - groups by sex and sexual orientation;
 - socially disadvantaged groups (disabled, needy persons, unemployed, homeless, former criminal convicts)
- 3) To develop a methodology for evaluation of income – expenditure for the following functions:
 - organization of policy and development of its contents;
 - services;
 - administration;
 - maintenance;
 - entrepreneurship;
 - provision of support functions;
- 4) To develop a methodology for evaluation of income – expenditure for the following activities of a municipality:
 - Education and science;
 - Culture and leisure time;
 - Social security;
 - Health protection;
 - Public order and justice;
 - Emergencies and critical situations;
 - Spatial planning and supervision of construction;
 - Fundamental infrastructure (roads, streets, ports and airports)
 - Monuments and social infrastructure;
 - Gardens, parks and cemeteries;
 - Public transport;
 - Manufacture and trade of goods;
 - Provision of full-charge services;
 - Acquisition and sales of natural resources
- 5) To identify the opportunities for a municipality:
 - to provide state support
 - to facilitate attraction of human resources that changes the structure of the workforce according to the chosen trend
 - to facilitate use of natural resources

- to facilitate changes of local infrastructure in the direction favourable to business people
 - to conclude concession agreements
 - to participate in public and private partnership
 - to establish commercial entities to decrease market failure
- 6) To develop a methodology for evaluation of economic benefits for the measures for facilitation of local economics under item b.
- 7) To classify municipalities according to their peculiarities in terms of market or government failures and propose possible solutions.
91. In order to ensure the necessary level of applied research, procurements shall be evaluated on the basis of the method of the economically most advantageous proposal. Therefore, economically most advantageous proposal is found based on three criteria according to the model of the Latvian Council of Science: scientific and practical qualification, previously demonstrated skills and the lowest price.
92. Evaluating a proposal in terms of the scientific and practical qualification of each applicant, an applicant to each research shall ensure experts with at least the following qualifications and research skills to get the highest possible score (the applicants with less scores will be admitted but they will be awarded less points):
- 1) In all researches, at least one expert with a doctorate degree shall pass a test on fundamental issues related to municipal law and organization
 - 2) In individual researches:
 - additional requirement for the theme 80.1 “The statistic data necessary for the local government management” – at least one expert shall have a doctorate degree in economics;
 - two additional requirements for the theme 80.2. “Options for development and application of local municipality’s medium-term budget” – at least one expert shall have a doctorate degree in economics;
 - two additional requirements for the theme 80.3. “Opportunity of the municipality to exert influence upon development of local economics” - at least one expert shall have a doctorate degree in economics and experience in research on enhancement of entrepreneurship, as well as at least one expert shall have a doctorate degree in law and experience in research on problems related to restrictions of State support.
 - additional requirement for the theme 80.4. “Possibility to carry out social entrepreneurship by the municipality and opportunity to use private social entrepreneurship for the aims of the municipality”: at least one expert shall have a doctorate degree in law and experience in research on non-profit economic activity or social entrepreneurship.
 - additional requirement for the theme 80.5. “Options to acquire success indices using budget information of the municipalities” at least one expert shall have a doctorate degree in economics or management and experience in research on development of success indicators and their use in economics and public administration.
93. The previous experience to be demonstrated for the purpose of evaluation shall be:
- for the theme 80.1 “The statistic data necessary for the local government management” – research on the territorial statistics performed by the experts;
 - for the theme 80.2. “Options for development and application of local municipality’s medium-term budget” – drafting municipal budget or scientific research on medium-term budget performed by the experts;
 - for the theme 80.3. “Opportunity of the municipality to exert influence upon development of local economics” - experience of the expert in research on enhancement

of entrepreneurship and experience of the law-expert in research on problems related to restrictions of State support.

- for the theme 80.4. “Possibility to carry out social entrepreneurship by the municipality and opportunity to use private social entrepreneurship for the aims of the municipality”-experience of the experts in research on non-profit economic activity or social entrepreneurship.
- for the theme 80.5. “Options to acquire success indices using budget information of the municipalities” experience of the experts in research on development of success indicators and their use in economics and public administration.

3.6. Preparation of network meetings

94. LALRG experts-network coordinators are responsible for thematic benchmarking network development and organization process, for preparation of informative and study materials of the network meeting, for data to be accumulated and analysed in the benchmarking data base compliance with the project goals, and for decisions made by municipal politicians involved in the work of the network.
95. Network coordinators prepare informative materials for all thematic meetings, act as discussion moderators in the meetings, prepare decision drafts for the network meetings, int.al., define the themes to be discussed and resulting tasks. Within the framework of this activity, they perform in-depth research of their theme during their second trip to Poland and Norway.
96. The agenda of the network meeting should be planned in advance. As for the first network, it is made with a goal to appraise marketing methods used in strategic management of the municipality. Regarding the rest of the networks, participants of the network select the goal and the range of issues to be discussed.
97. The tasks for the next network are specified in each network meeting. After the meeting, a network coordinator together with the LALRG key expert and benchmarking data base analyst defines the scope of information to be collected and analysed:
 - 1) primary information of the data base is used to calculate required indexes,
 - 2) possibilities to supplement the existing information with that one obtained from municipalities, public authorities, statistics, or by means of independently organized surveys are analysed.
98. On the basis of the analysis, the network coordinator shall conduct consultations with the relevant ministries (other public authorities) on possibilities to get information at their disposal. If necessary, LALRG political leadership should be involved in negotiations. Mainly, data exchange is organized on the basis of mutual benefit - ministries and other relevant authorities receive access to information useful for achieving the goals of the central government.
99. Information that cannot be obtained from public authorities is collected from the municipalities involved in all co-operation networks. The chairmen of the pilot municipality councils are responsible for preparation of the relevant information, and a local expert working within the framework of the project provides for data collection and transmission to the benchmarking data base. Other municipalities are asked to collect and send data to the data base on a voluntary basis.
100. Consulting the benchmarking data base administrator, appropriate information request forms are developed, and information collection for the benchmarking data base is organized.
101. In between the network meetings, it is a duty of the network coordinator to collect good and bad Latvian and foreign municipality experience on dealing with the current issues. The pilot municipalities should summarize the structured experience descriptions, this is done by the local experts working within the framework of the project. Other municipalities are asked to collect and send experience descriptions to the benchmarking data base on a voluntary basis.

102. Responsibilities of the network coordinator include collection of the respective experience descriptions also from municipalities and their associations outside Latvia, as well as from the Internet resources. Non-structured information is structured and entered into the benchmarking data base.
103. Unstructured information is aggregated in Latvian, English and Russian. Basically, collection of this information is a duty of the network coordinator.
104. Before the regular network meeting, the network coordinator should prepare:
- 1) a summary of the materials and the theme data presentation to be published in the open part of the meeting;
 - 2) a summary of the experience descriptions and a presentation on various solutions of the respective problem to be published in the open part of the meeting;
 - 3) a summary of the materials which are used for internal network use and are not to be published;
 - 4) Before the meeting, materials to be published together with the meeting agenda should be published at the project website.
105. Before the regular network meeting, participants prepare a short report on their previous experience in dealing with the issues under consideration.

3.7. Procedure of network meetings

106. Network meetings may be held in the LALRG hall, as it is possible for employees and other interested persons (representatives of the ministries, journalists, scientists, students) to join the meeting online and ask their questions. In this case the open part of the network meeting is held online.
107. Experience of the Polish and Norwegian municipalities has shown that the network members may want to use each time the facilities of different municipalities-participants. In this case, the municipality can demonstrate to its colleagues its experience by showing operation of the competent authorities and demonstrating rendering of real services. In this case, the open part of the network meeting should be recorded and published in the project website.
108. Publication of the open part of the network meetings is intended so that other municipalities, which do not participate directly in the discussion, could use the innovative ideas generated during the discussions. Publication of the open part makes it possible for journalists provide objective information on the municipal problems and their possible solutions.
109. The open part of the meeting consists of the presentation made by the network coordinator, speeches of the invited experts, and discussion on the issues brought forward in this part.
110. The closed part of the meeting is intended for discussing sensitive information. This part consists of network coordinator's presentation, network participants' presentations about the experience and future ideas of the municipalities they represent, as well as of discussion on how to apply considered information.
111. At the end of the meeting participants specify the issues to be discussed in the next meetings, and conclusions drawn during the discussion, the tasks for municipalities-network participants for the next meeting or following meetings according to the schedule of the issues to be considered.

3.8. Final stage of network activity

112. At the final stage of the first network, each pilot municipality submits in written and presents its version of municipal strategy developed by the inner workgroups under the influence of the network activity.

113. The pilot municipalities of the first network should develop a strategic management procedure that ensures permanent management process within which the following takes place on a regular basis:
- 1) The competitiveness and demand of the products of the municipalities is evaluated. The municipality has to be able to react flexibly to external changes, to compare its product with that of other municipalities and in the event of necessity to implement changes in strategy and action plans without delay.
 - 2) Fulfilment of the tasks and approximation of goals is evaluated. The municipality develops its motivation policy in which it takes into account contribution of its employees in approximation of the strategic goals.
 - 3) If a pilot municipality elects to develop a medium-term budget, the budget projects and budget programs are closely interrelated with the marketing strategy.
 - 4) If a pilot municipality elects to actively exert its influence upon the circumstances for local entrepreneurship, those activities are closely interrelated with the marketing strategy.
114. Each municipality of the first network submits in writing the text of the municipality's strategy including description of a process. Municipality's secret is not included in the strategy.
115. Ventpils municipality may submit proposals for modifications and amendments that have appeared under the influence of the network meetings and use of the benchlearning data base.
116. There are two themes discussed in other networks during the course of the project. At the final stage of the theme, each pilot municipality submits in written and presents a plan for improving its activity developed in the inner workgroups under the influence of the respective network activity.
117. Plans for improving activity include proposals that arise from the themes reviewed in the network meetings. If a municipality elects not to undertake any changes in the theme considered, the main reasons are given to substantiate why the existing system is acknowledged successful.
118. Network coordinators in collaboration with the municipalities involved ensure result measuring of the plan during the next years followed by the end of the network theme.
119. Results of the network activity are reported on a regular basis to the LALRG board and council encouraging also other municipalities to use both positive and negative experience.

4.Suggested development of benchmarking data base

120.A benchmarking data base is a centralized tool for measuring success and failures of the municipalities. Within the project, several solutions for the development of a data base are approbated. At the end of the project, the conclusions are made to minimize further costs and to ensure a forecasted demand of the municipalities in terms of data at the same time (it will depend on the wish of the politicians of the municipalities to use the strategic management methods, as well as the future model of financing of the benchlearning system).

4.1. Procedure for obtaining performance indicators

121.In order to describe performance indicators, methods should be specified for obtaining such performance indicators.

122.A common method recommended by the development planners:

- 1) analysis of strengths and weaknesses, including existing and missing resources,
- 2) analysis of opportunities and threats,
- 3) development of a vision to describe intended achievable state within a specific period of time,
- 4) defining of a mission – a selected “assignment” of the organization - a way to get from the existing state to the intended one,
- 5) analysis of the factors which contribute to or prevent mission performance,
- 6) selection of some of the most important factors with the greatest impact,
- 7) formulation of the goals which contribute the most to the mission performance,
- 8) analysis of the factors contributing to or preventing goal achievement,
- 9) selection of some of the most important factors with the largest impact on the goals,
- 10)development of an action program for achieving the goals consisting of specific actions to be taken to change the most important factors selected,
- 11)development of organizational structure for work performance and result measuring.

4.2. Impact indicators

123. The impact indicators describe the indicators of the preferable state to be achieved compared to the existing ones.

124.To simplify the measurements, it is easier if the vision is defined in quantitative, measurable categories characterized by available parameters. For example, the vision may consist of three main indicators:

- 1) remuneration rate compared to the average one in the EU;
- 2) lifespan compared to the average one in the EU;
- 3) a ratio of young people in the work capacity age compared to all population in the work capacity age.

125.In this case, it is easy to measure all indicators since there is primary information in the state data bases on each resident registered in the territory of the municipality. At the same time it is likely that those data will not be obtained without a special agreement as a local municipality is such a small unit for statisticians.

126.Impact indicators describe the preferable state. To achieve the preferable state, the goals that approximate the preferable state should be set. The municipality, therefore, should answer the question which factors contribute to the preferable impact and which ones prevent it. Both internal and external factors should be considered.

127.One of the external factors is the state policy. For instance, if the State policy is focused on closing the external border of the EU, and reducing movement of the goods, services, people and

capital across the border, it is difficult for the municipality of Latgale to develop its economics. In this case, an external factor should be affected by a lawful method - lobbying changes of the policy; the municipality together with LALRG should introduce central government and ruling political parties with Finnish experience where the existence of the border with Russia was turned from a drawback to a benchmarking advantage. Another solution – to lobby support measures compensating the negative impact of the external factor. If a municipality fails to find ways how to address the external factor, the vision shall be adjusted according to a more realistic scenario.

128. Usually the municipality cannot independently change all factors affecting vision implementation possibilities. Impact increasing or decreasing factors essentially contributing to or preventing achievement of the preferable state are set as the goals. As priority goals shall be set only those ones that a municipality is able to significantly impact on its own or together with other municipalities.

4.3. Outcome indicators

129. Outcome indicators describe approximation of the goals set by the municipality. When selecting the result indicators, two important aspects shall be taken into account.

130. Firstly, goals often prevent the preferable state instead of enhancing it. This is due to decision-making in circumstances of incomplete information. Politicians often incorrectly assess the facts due to influence of false economic and social theories, they are subjected to misinformation in media, etc. It is important, therefore, to measure both impact and approximation of the goal.

131. Sometimes politicians think that preferable effect is not achieved due to the fact that there are no results from achieving the set goal. For example, municipal politicians sometimes do not take into account that the increase of the educational attainment facilitates depopulation and/or decrease in birth; good roads facilitate that people look for jobs in other municipalities.

132. However, for effective, evidence-based management of the municipality, result indicators are absolutely necessary.

133. Secondly, it should be taken into account a principle of 20/80 which is named after an Italian economist Vilfredo Pareto. In accordance with the Pareto principle, mostly 20% of the factors affect 80% of the result and vice versa regarding natural and public events.

134. As the municipality usually does not have resources to change all factors, it should choose the most essential fifth of all factors, and they should be related to the goals of the municipality.

135. Often a situation can be observed when the state or a municipality tries to change exactly those 80% of the factors which affect 20% of the result, however, it does not do anything to make changes in the most essential factors. This indicates either inability or unwillingness to deal with the problem. If the municipality wants to achieve real results, it is absolutely necessary to range the factors according to their importance and to select the most important ones.

4.4. Output indicators

136. The output indicators describe performance of the implemented activities for goal approximation.

137. A part of the activities is carried out by implementing projects, another part – by operations of the permanent institution. Institutions in this case are both municipal authorities and capital companies owned by the municipality, as well as societies and foundations where the municipality participates. The project may be implemented both on one's own (making a team from the municipal employees of various sectors for the project period), and as an outsourcing service.

138. Each project usually has a certain goal and intended implementation time. It is easier to measure the project goal than the programme goal, as the project content is previously known, and the project is intended for implementing the particular content within the specified period of time.

139. Project implementation often prevents achieving the goal if mistakes are made in the planning stage or if it is not convenient for politicians to show their voters their true intentions. Nevertheless, information on implementation is absolutely necessary for evidence-based municipality management.
140. If an activity is performed each year without significant changes, it is not a project. In this case, the activity is not a unique, unprecedented event in accordance with the project definition. It does not mean, however, that the results of such activities should not be measured. Institutions should do such tasks that repeat each year (for example, to ensure satisfaction of students' parents). However, institutions should do the tasks resulting from the municipal priorities within a certain period (for example, to improve results in the exact subjects or to prepare qualified labour force for certain sectors.)
141. Also in this case, evidence-based information is critical for successful operation of the municipality.

4.5. Performance indicators and input indicators

142. A common term – “performance indicators” - is used to describe output indicators, outcome indicators or impact indicators, or to describe the entire set of the indicators.
143. Depending on the scale of the organization and its nature, these indicators may change the status. An indicator reflecting performance of a larger organization may have a status of a result indicator for a smaller specific organization.
144. In contrary to performance indicators, a concept “input ratio” is used to describe resources invested in the job, goal or mission. Mainly, these indicators describe the amount of the budget allotments spent, however, they can also describe human resources and other materials or mental resources.

4.6. Indexes

145. Indexes are calculated using primary information on input, output, outcome and impact.
146. Mainly, there are three types of common indicators:
- 1) efficiency (input indicator/performance indicator):
 - 2) productivity (performance indicator/input indicator)
 - 3) comparison (indicator to be described/base indicator)
147. Efficiency should be minimized as there should be lower expenses and the same result. Productivity should be increased as a higher result should be achieved at the same expenses.
148. The comparison indicator should be approximated to one as the benchmarking base usually is selected as a pattern.
149. Complex indicators are obtained when applying mathematical calculations to the common indicators. Goals and missions are usually described by using complex indicators.

4.7. Structured descriptions of experience

150. Collection of unstructured descriptions of experience and input into the database is a duty of the network coordinators. In order to use the descriptions for organizing the network meetings, as well as for other research purposes, the descriptions shall have a standard structure.
151. The structured descriptions of experience contain several mandatory elements:
- 1) The description of the problem to be solved
 - 2) The description of the selected solution

- 3) The assessment of the risks of the solution used
 - 4) The description of the history of use of the solution
 - 5) The description of result measurement and achieved indicators
 - 6) The recommendations for the persons who will adopt the experience
152. When instructing to develop a description or when making agreement on development of descriptions, the description input forms are prepared according to the provisions of items 151.1-151.6.

4.8. Benchmarking data base

153. The benchmarking data base is intended as a tool for improving operation, for better implementation of the goals and mission by providing such facts which the municipality could hardly obtain on its own.
154. Either to use the data or not – it will be up to politicians of the municipality. The data base is designed in such a way to update the accumulated data each week in accordance with the decisions made in the collaboration networks; as of their content, the data are processed by the respective network coordinator in collaboration with the data base analyst;
155. Data are accumulated in four ways:
- 1) a table (primary data);
 - 2) indicators (data calculated using primary data which are arranged also in the tables);
 - 3) experience descriptions (primary texts intended for further processing);
 - 4) structured experience descriptions (obtained by structuring information of primary experience descriptions).
156. Data are arranged in such a way so one could find them by
- 1) selecting municipal function group which is subdivided into eight types in accordance with the nature of the activity;
 - 2) selecting 7 types of data (acquisition) sources;
 - 3) selecting functional units and sub-functions arranged there.
157. There are three levels of accessibility applied to the data, depending on the level of accessibility granted by the data base administrator, one can obtain primary and secondary data of various levels.

4.9. Contents of the data base

158. To conveniently use the data base, it shall have a well-considered table of contents to find the necessary entries (see Annex 1). The table of contents embraces 8 classifiers; each of them describes its dimension. In a single dimension, several indicators are possible as this is not a budget classification; this classification does not have to ensure registration of data only in one class and sub-class.
159. The index of each record of data belongs to mandatory metadata in compliance with the respective classifier. No records can be made without the relevant index.
160. The data are characterised by several dimensions:
- 1) according to the data source (provider) that may be a public or natural person, as well as an institution or an official (Annex 1, Classifier 1);
 - 2) according to the type of the data – a table of primary or secondary indicators, a structured or unstructured description of experience or research, a presentation (Annex 1, Classifier 2);
 - 3) according to the main functional groups that have a certain type of activity both – within an organization and outside it – policy, services, administration, enhancement, management, entrepreneurship (commercial activity) or support function (Annex 1, Classifier 3);
 - 4) according to the type of the area to be governed, identifying the areas characteristic for the municipality at the given time and in future including voluntary initiatives and State-delegated tasks (Annex 1, Classifier 4);

- 5) according to a focus group – direct beneficiaries, identifying four sub-classes of beneficiaries – residents, visitors, business people and representatives of organized civil society (Annex 1, Classifier 5);
 - 6) according to the territory to be referred to – starting with the EU and OECD and down to a populated area (Annex 1, Classifier 6);
 - 7) according to the data acquisition period (Annex 1, Classifier 7);
 - 8) according to availability of the data – starting from public data and up to the data that are available only for an administrator of the benchmarking data base.
161. This classification will enable users (network coordinators, representatives of the municipalities and ministries) to find the relevant entries easy and use them for solution of practical and theoretical issues.
162. It shall be taken into account that the selected type of classification can impact the organization of the municipalities in future, insofar the performance indicators are used in governance of a municipality. An example is management of EU budget that is impacted by regional statistics of EUROSTAT to great extent.

4.9.1. Classification according to impact (Annex 1, Classifier 5)

163. According to marketing concept of the municipalities, three large sectors and relevant subsectors are used. The success of a municipality in these sectors has impact on the opportunity to obtain and maintain power. The power in its turn enables implementation of administrative, economic and social intents of a political party or an association of electors.
164. Within the project, the division into the following sectors and subsectors is used:
- 1) Inhabitants
 - Divided into age groups:
 - children up to age of 7 years
 - young people from age of 7 to 18
 - population of working age
 - at retirement age
 - Divided according to gender:
 - males
 - females
 - Divided according to internal administrative territories, taking into account territories about which a municipality passes resolutions regarding regional development of a municipal or republic city.
 - Divided according to the level of education:
 - primary education
 - secondary education
 - higher education
 - Divided according to specific occupations:
 - students, lecturers in higher education establishments and scientists;
 - farmers;
 - engineers and managers;
 - educators;
 - social workers;
 - policemen;
 - doctors and senior medical personnel
 - Divided according to the status of the person – to be supported or fought against:

- needy;
- unemployed;
- homeless;
- former criminal convicts;
- addicts.

2) Visitors

- Division of tourists
 - Foreign tourists
 - Tourists from Latvia
 - Culture tourists
 - Nature tourists
- Division of permanent visitors of the territory
 - People working in the territory of the municipality
 - People attending educational establishments of the municipality
 - People acquiring secondary and primary education
 - Children attending pre-school establishments
 - Visitors of cultural, sports and recreational events

3) Entrepreneurs

- Division according to the place of registration:
 - Registered in the territory of the municipality
 - Registered in another territory of Latvia
 - Registered abroad
- Division according to the taxes to be paid to the municipality:
 - Residential income tax payers to the municipality
 - Real estate tax payers to the municipality
- Division according to the owner – owned by private or public sector:
 - Owned by natural persons
 - Private capital less than 50%
 - Private capital more than 50%
- Division according to the character of the entrepreneurship:
 - Low productivity workforce dominates in the company
 - The company mainly is orientated towards participation in public procurement
 - The company mainly represents the interests of foreign capital in Latvia
 - The company mainly produces goods that can compete in the world's market
 - The company performs social entrepreneurship functions
- Division by the size:
 - Micro enterprise
 - Small enterprise
 - Medium enterprise
- Division by historic development stage
 - Core business area in agriculture, farming or acquisition of resources
 - Core business in industry
 - A company of post-industrial sector
 - A company of knowledge sector

4) Persons of organized civil society

- Association
- Professional organization

- Trade union
- Parish
- A territorial organization of a political party
- A political party of a union of political parties
- Foundation
- Other person of civil society

4.9.2. Functional classification according to functional groups (Annex 1, Classifier 3)

165. The activity of a municipality mostly is organized by separating sector functions (external activity) and support functions (internal activity). However, on the basis of the character of the activity, this division should be analysed in terms of the goals; they usually have impact on activities in several sectors.

166. For the activities to better serve achievement of the goals in a certain group, the activities of a municipality can be classified in seven large functional groups:

- 1) Organization of political functions. It characterizes the political activity of the council of the municipality including involvement of civil society and individual inhabitants in decision making.
- 2) Services that describe development and delivery to customers free of charge or for charge of such products that are not commodities. The customer wishes to receive the products, they are not mandatory.
- 3) Administration that is implemented by regulations of a municipality and administrative acts that ensure public order and functioning of market economy, compliance with effective law and regulations of the municipality.
- 4) Facilitation of development that is performed by a municipality using its resources, the EU funding and funding of the State programmes and implemented in compliance with the ideas of the elected politicians regarding good management and fair social order. This function includes also the support of enterprises and NGO performed by a municipality for the sake of economic and social development in the territory according to its ideas about the priorities to be developed and taking into account the needs of the local community.
- 5) Maintenance that is implemented by a municipality in relation to the property and other infrastructure of the municipality that ensures functioning of the private and public sectors for the sake of economic and social development of the territory according to its ideas about priorities to be developed and taking into account the needs of the local community.
- 6) Entrepreneurship carried out by a municipality that ensures development of the strategic resources of the municipality, profits or performance of the municipal functions.
- 7) Provision of information that is performed by a municipality on behalf of itself, the Republic of Latvia or the EU, providing the inhabitants, visitors and entrepreneurs the information they are interested in, as well as promotion of municipal products in the market.
- 8) Municipal support functions that a municipality performs within its organization to ensure the above eight functions.

167. Although regulatory enactments of Latvia hardly envisage shared responsibility, in fact almost all largest sectors in which municipalities take part are of shared responsibility. This took place as the Law "On Local Governments" in its initial wording was passed in 1994; the Law allowed the Cabinet of Ministers to regulate autonomous competency of the municipalities by Regulations (they were called permanent functions of a municipality at that time). Subsequently, the State "allocated to itself" part of autonomous competences of the municipalities in the laws of different

sectors disregarding the principles of subsidiarity and proportionality (see Pūķis M., Pašu valdība).

168. Thus almost all functions (autonomous functions of the municipality and State functions) gradually gained the character of shared responsibility. Only more detailed analysis of functions allows concluding whether the State or a municipality is responsible with its budget for non-fulfilment of some function. Until now, it is characteristic that institutions that draft laws, the Cabinet of Ministers and legislator do not comply with the shared responsibility procedures that are envisaged in Section 4 – Section 15 of the Law “On Local Governments”. As a result, almost all functions delegated by the State and all other autonomous functions laid down in laws are officially voluntary initiative of the municipalities.

169. The problems of shared responsibility have occurred due to legal nihilism, but the restriction as to the length of this text does not allow more detailed analysis of the problem. Therefore, the further division of competencies is carried out according to the feature that certain duties are imposed on the municipalities by law or undertaken by the municipalities, frequently with the purpose to help the State and eliminate shortcomings of the State performance in its territory.

4.10. Organization of data input

170. The Data Base Administrator is responsible for organization of the benchmarking data base; he or she has also other duties within the system.

171. The following options are organized:

- 1) compatibility with the State data bases;
- 2) option to receive information from the ministries on the basis of definite forms or to receive the primary information for scientific and research needs according to the procedures envisaged in regulatory enactments;
- 3) development of forms for the municipalities providing an option to input data in the system online;
- 4) acquisition of data from the partner – SDRDA.

172. Changes in classification are agreed with the senior expert of LALRG.

173. Rights to prepare calculations and input data are assigned to the Benchmarking Data Base Analyst and network coordinators subject to assessment of their skills prior to commencement of these duties.

4.11. Organization of reception of data

174. The entries of the data base are assigned one of five categories:

- 1) public data that can be accessed by any user;
- 2) data available only for the Data Base Administrator;
- 3) data available only for the Data Base Administrator and authorized staff of a concrete municipality;
- 4) data available only for the staff of the system (including Data Base Administrator) and authorized officials of the Cooperation network municipalities;
- 5) data available only for the staff of the system (including Data Base Administrator), authorized officials of the ministries and municipalities;

175. During implementation of the project, the preconditions to be agreed with State Data Inspectorate and holders of State information systems are elaborated in details.

176. Classifying data accessibility, the system administrator includes sensitive data in the category No. 4, procedures for receiving those data shall be subject to participation in the relevant cooperation network. The category No.5 includes information that shall be published only as anonymous information – grouping the data pursuant to the principles of statistic data prescribed by applicable regulatory enactments.

5. Analysis of problems of implementation of cooperation networks

177. To maintain the interest of the politicians about the benchlearning method, the cooperation networks shall be efficient. The participants of the network meetings should be convinced that each of the meetings have added value for each municipality.
178. During project implementation, the cooperation networks are used not only for the benefit of the municipalities involved in the network, they are used also for approbation of the project solutions. Due to this the participants of the pilot projects are different – the selected municipalities may have different interests with regard to many issues.
179. The participants of Norwegian KS networks are as similar as possible so that they can make similar conclusions as a result of discussions and the results would be better to compare. But in Latvia, the reaction of the pilot municipalities could be as versified as possible; this will allow evaluating the critical moments of the system, however, it may decrease efficiency.
180. In Norway and Poland, information for network meetings is acquired from the network municipalities and statistics. In Latvian model, the number of data sources is considerably expanded. On the one hand, it provides important additional information. On the other hand, acquisition of additional information may require more time and resources.
181. In Latvian model, each network meeting contains open and closed part. The advantage of the open part is the opportunity to popularise the benchmarking data base of benchlearning, share innovative ideas and explain the problems of the municipalities to wider part of the society. The advantage of the closed part is the opportunity to freely discuss possible solutions of the problems, use and discuss sensitive data of the involved municipalities.
182. Striving to reach positive effects of both types of meetings, the meeting may take more time, thus discouraging participation of the leading persons of the municipalities. But it is the participation of the political leaders that has a decisive role in the Latvian model.
183. In the Norwegian model, the representatives of the executive power (municipal administration) participate in the network meetings. It complies with the idea on focusing on the quality of the network results. In the Latvian model, mainly presence of politicians is intended; the representatives of the administration have a secondary role. It complies with the idea of focusing on marketing aimed at satisfaction of future customers demand.
184. Idea of increase of quality is inefficient in the private and public sectors as it directs incorrectly (with an incorrect goal) the persons searching for the optimum solution. However, this idea is simpler to implement and frequently provides positive dividends to the politicians of the municipalities in short term.
185. It is intended to deploy cooperation with the ministry and Central Statistical Bureau as the acquisition of the data should be based on mutual benefits. However, presence of supervising institutions may cause suspicion of dishonest use of sensitive information.
186. In the Latvian model, it is intended to involve mass media in all stages of the project. A positive result of this idea shall ensure fair, balanced attitude that can be achieved by correct relations with the representatives of mass media.
187. All above issues will be evaluated at the end of the project; necessary corrections will be implemented in further stages of the life cycle of the product.
188. It shall be taken into account that almost half of the Latvian municipalities are intended to be pilot municipalities, thus the population for the purpose of research will be represented very well.

6. Analysis of problems of elaboration of benchmarking data base

189. If an opinion that a municipality needs fair and true information regarding the events under its responsibility would prevail in the society, the elaboration of the data base would be only a technical issue, and the main obstacle for its elaboration would be lack of investments. However, the situation is different. There are many factors delaying elaboration of the data base:

- 1) most often politicians are interested in misinformation of the society rather than providing fair information; the latter may disclose broken promises given in pre-election campaigns, withdrawal from the set goals and other unpleasant issues;
- 2) representatives of the executive power (administration) are afraid that information on the results of their work may damage their career and decrease remuneration;
- 3) the central government is afraid of increase of the role of the municipalities that will certainly take place if people would be more informed;
- 4) human rights include regulation that protects privacy thus delaying accumulation of information about education, employment, movement of persons and other important aspects;
- 5) commercial rights protect commercial secret; it means that significant information on economic and social development of the territory is unavailable;
- 6) regulatory enactments in the area of statistics restricts transferring of primary information to third persons;
- 7) erroneous beliefs that municipalities do not engage in politics and all information about „economic” activity of a municipality shall be public are widespread;
- 8) information on public administration is available only in the official language of a state; it restricts implementation of the best practice among the states.

190. Each of the above problems is global or arises from the nature of a person as a social being. None of the factors can be eliminated by the Latvian model. But the negative impact of each factor may be decreased.

6.1. Attraction of interest of politicians

191. Politicians elected in the council of a municipality are in the centre of democratic representation; they participate in the competition for the right to implement the representation. To implement good intents, they shall obtain power and maintain it.

192. The potential gains and losses of the politicians are summarized in Table 1:

Table 1. Potential gains and losses of the politicians if fair information on methods and their application is used

#	Gains	Losses
1.	An opportunity to demonstrate accomplishment on the basis of evidence	The opposition may get information of weaknesses of a municipality
2.	An opportunity to better govern the municipality thanks to the opportunity to compare the intents and actual results, performance of different municipalities, latest governance methods, opportunity to compare work of institutions and structural units	Mass media may use information that they do not understand or select bias information on the performance of the municipality to misrepresent the elected representatives of the municipality
3.	Opportunity to show oneself as skilful and modern leader	Unsuccessful presentation of intended changes may be misunderstood and cause a negative effect

4.	Opportunity to substantiate the policy of municipality by economically and socially beneficial solutions in other municipalities	The electorate may perceive success as self-evident, and they will focus on unaccomplished goals if they better know the results
5.	Opportunity to motivate the personnel on the basis of achieved results	Part of administration that do not wish to increase efficiency will join the opposition

193. Attraction of interest is based on comparison of potential benefits and losses. It is necessary to convince politicians that the benefits will be greater in practice – insofar the information enables to better do the work, but the basis of the political success is good work. The benchlearning system is the best way to exchange the experience how to decrease risks arising from better information and better knowledge.

194. If politicians will not accept the new system, it has no chances. This model is elaborated „from bottom”; the municipalities will make all important decisions independently. Therefore unlike the Norwegian and Polish models, the main focus during the implementation of the project will be placed on convincing and encouraging the politicians.

6.2. Motivation of administration

195. The bureaucracy has a tendency of self-preservation, and it is not orientated towards optimization of work. In case of Latvia, it is facilitated by the widespread delusion that employment is an absolute benefit. In fact, better employment improves social situation but delays the development of economics (also economics of the public sector).

196. According to Public Choice theory, politicians, administrators and service providers function for the sake of their personal interests. This factor has to be taken into account.

197. On the basis of the experience, most part of the executive power is convinced that:

- 1) initiative shall be punished (authorities do not expect good solutions and react in a negative way to proposals to improve something);
- 2) performance indicators are mainly used for punishing;
- 3) good work is rewarded by imposing additional duties without additional remuneration;
- 4) reorganizations threaten the employees who have been independent, etc.

198. This is why the administration will be suspicious about the changes of organization and measurement of the results. However, if any changes will be implemented the employees of administration will request detailed regulation in the regulations of the municipalities or even in the regulations of the Cabinet of Ministers.

199. Unfortunately, normativism (passing and use of detailed regulations) is one of the main reasons of the inefficiency of the public administration. Excessive focus on regulations may ruin all good intentions that may appear using the benchlearning system. Due to this we cannot implement suggestions to introduce as many regulations as possible.

200. The motivation of the employees of the administration is based on two primary solutions:

- 1) to introduce motivation rewarding approaching of performance indicators, goals and vision;
- 2) implement socially responsible increase of efficiency in the public sector, providing work and training opportunities to the employees who have to quality to work in the private sector.

201. Special attention shall be dedicated to involvement of the administration in the process of explanation of the decisions and proposals, the professionals should be involved in this as much as possible.

6.3. Attracting interest of the central government

202. Sector ministries acquire large amount of data from municipalities, entrepreneurs and inhabitants. Most part of such data remains unused, only an insignificant part of them serve for decision-making. At the same time, the municipalities are loaded with the duty to acquire data for the ministries.
203. If the principle of a coalition government is applied (as it has been in Latvia since 1993), the cooperation of ministries is hardly possible; most often they compete among themselves. It complies with the competition within the coalition – when thinking about next elections it is advantageous to show “own” ministers in good light and the ministers of the partners of the coalition – as unskilful and unsuccessful. The Cabinet of Ministers become an “attachment” to the Coalition Board in which the political parties fight for most advantageous positions to present their representatives to the electorate.
204. Governance of the ministries is also an administrative resource – there is an opportunity to use the information about the work of ministries in the mass media and in meetings to propagate own people and ideas. Supervising institutions, like the Corruption Prevention and Combating Bureau (KNAB) or the State Audit Office of Latvia usually are involved in the competition on behalf of some party, they do not combat hiding of information from other ministries that inevitably cause doubling of functions, useless spending of time of clerks and employees of the municipalities, is a reason for useless decisions of the state administration due to false information.
205. Biased propagation opportunities to great extent are based on information that is collected and compiled under management of the ministry. It is this factor that opposes the exchange of the data. The information specialists that have been developing information policies since 1991 have struggled for the opportunity to exchange data and ensure their compatibility.
206. It is illogical for the municipalities to double the information if it is collected by the Central Statistical Bureau and sector ministries. It would be good to receive for the benchmarking data base the primary information at disposal of the central government insofar they describe the consequences of the municipal policies, administration, service provision, provision, development and facilitation of the infrastructure and to use the indexes calculated on the basis of such data for measuring of the success of municipal strategies.
207. A municipality has a duty to provide the information requested by a state administration institution free of charge to the person requesting such information. The same is true with state institutions – they have the duty to provide information to the municipalities (Section 14 of the Law “On Local Governments”; Section 54 of the State Administration Structure Law). However, provision of such information on mandatory basis takes place in the procedures prescribed by law. The law usually delegates the detailed procedures for provision of information to the secondary legislator – the Cabinet of Ministers. Voluntary provision of information is possible in cooperation (on the basis of a cooperation contract or without it).
208. In practice there is cooperation between the departments of the ministries and the municipalities. Parallel to their autonomous functions, the municipalities carry out several (mainly insignificant) state functions on behalf of the Republic of Latvia. The departments of the ministries are interested to collect and analyse information in these issues.
209. Thanks to the activities of the legislators in 1994 when the proposals of LALRG to the Law „On Local Governments” to explicitly separate the autonomous competency of the municipalities from the competency of the State were rejected (see Pūķis M., „Pašu valdība”). Now it is difficult to understand the principle of shared responsibility between the State and the municipalities in the laws and regulations of the Cabinet of Ministers. There is no single lawyer in Latvia who could answer the question – how the state and municipal functions are shared. Therefore, to be on the safe side, the ministries collect information about all functions – state and municipal - of „their sectors”.
210. The ministries collect data purposefully – according to the goals of Government Action Programmes – and analyse them for these purposes. The ministries are not interested in strategic

and tactical objectives of the municipalities. Therefore, the indices calculated in the ministries do not comply with the goals and missions of the municipalities.

211. The following data would be necessary for the municipalities:

- 1) primary data for calculation of indices describing the goals and mission of the municipalities;
- 2) the primary data grouped according to agreed formulas.

212. The ministries can provide the data the provision of which is not forbidden by the law or the regulations of the Cabinet of Ministers. At the same time it is a duty to deliver to the data provider the data that it has provided itself.

213. Therefore the ministries can be motivated mainly on the basis of mutual benefits – for the data compiled by the ministries, we shall offer the data processed within the benchmarking data base that are valid for development of the policies of the ministries. Buying of data from the ministries in essence contradicts the existing regulation as the data shall be given to the municipalities free of charge.

214. Some costs (for instance, costs for software licences) may be incurred.

6.4. Compliance with human rights

215. Some international human rights are included in Satversme. It does not cancel the duty of Latvia to comply with other binding fundamental rights (not included regulations, the rights of the municipalities). However, inclusion in Satversme additionally motivates clerks and employees of the municipalities to comply with these regulations.

“96. Everyone has the right to inviolability of his or her private life, home and correspondence.

100. Everyone has the right to freedom of expression, which includes the right to freely receive, keep and distribute information and to express his or her views. Censorship is prohibited.

116. The rights of persons set out in Articles ninety-six, ninety-seven, ninety-eight, one hundred, one hundred and two, one hundred and three, one hundred and six, and one hundred and eight of the Constitution may be subject to restrictions in circumstances provided for by law in order to protect the rights of other people, the democratic structure of the State, and public safety, welfare and morals. On the basis of the conditions set forth in this Article, restrictions may also be imposed on the expression of religious beliefs.”

216. The regulation of Satversme in fact contradicts the norms defending freedom of receiving information. It is considered that public officials (including deputies of the municipalities and senior officials of executive power of the municipality) have no right to inviolability of private life – each journalist has the right to obtain and distribute practically any information of the private life of such persons „in the interests of the society”. At the same time, the information that is necessary for fulfilment of the functions of the municipalities frequently cannot be obtained.

217. The inviolability of the private life is granted further by the Personal Data Protection Law according to which personal data can be distributed only on consent of a person or in the events explicitly specified in the law. The norms arising from the Directive of the European Parliament and Council 95/46/EC of 24 October 1995 on protection of persons with regard to processing of personal data and free movement of such data are included in the above Law.

218. Unreasonable norms for protection of private life are stipulated not only by the above laws, but also by the laws of respective sectors. Thus a social worker of a municipality does not have information about mental diseases of the persons they take care of or criminals. Such information

would allow making of better decisions for the interests of the inhabitants of the respective municipality.

219. There are quite a lot of issues when it is necessary to process primary information about movement, employment and success of individual persons. For the municipality, such information would allow to implement purposeful development, social policies and policy for facilitation of the entrepreneurship. They do not need personal data, but they need to know the results that describe the inhabitants of the respective municipality in aggregate.
220. Unfortunately, following joining EU and after Administrative-Territorial Reform, the data on rural municipalities and towns are not available (with very few exceptions). It means that on developing the benchmarking data base and working within the cooperation networks it will be necessary to actively promote the rights of the municipalities to receive the necessary information.

6.5. Compliance with commercial rights

221. The Commercial Law establishes the rights of a merchant (in this text usually the international term used also in EU - “entrepreneur” - is used; the specific term of the Latvian legislation – “merchant” is not used) to a commercial secret.
222. The laws provide for different explanations of a commercial secret. The most elaborated definition is given in the Law “On Accounting” that states that for accounting purposes, information and data, which in accordance with the existing regulatory enactments is required to be included in the reports of an undertaking, shall not be deemed to be commercial secrets, but all other accounting information of an undertaking shall be deemed to be commercial secrets and shall be accessible only for audits, the tax administration for verification of the correctness of tax calculations, as well as other State institutions in cases provided for by legislative enactments.
223. Not only accounting data can be a commercial secret. The Commercial Law establishes specific requirements – features for information or matters due to which a merchant can assign the status of a commercial secret to such information or matters.
224. The meaning of the commercial secret is explained in Section 19 Paragraph 1 of the Commercial Law:

“The status of a commercial secret may be assigned by a merchant for such matters of economic, technical or scientific nature and information, which is entered in writing or by other means or is not entered and complies with the following features:

1. it is contained in the undertaking of the merchant or is directly related thereto;
2. it is not generally accessible to third parties;
3. it is of an actual or potential financial or non-financial value;
4. its coming at the disposal of another person may cause losses to the merchant;
5. in relation to which the merchant has taken reasonable measures corresponding to a specific situation to preserve secrecy.”

225. The status of a commercial secret may be assigned to matters of economic, technical, scientific nature and information, which is entered in writing or is not entered.
226. Part of data used for statistics exceeds the information provided in the reports, and they have the status of a commercial secret. The State Statistics Law prohibits publishing of such data that allow identification of a commercial secret with regard to an individual enterprise.
227. To improve management of the enterprises owned by the municipalities, it is necessary to compare such enterprises among themselves. As one of the data sources are public annual reports of the enterprises. The expected changes in public capital companies and management of capital shares envisage mandatory medium-term strategies for such companies. Thus, the municipalities

participating in the cooperation networks will be able to compare the data of their companies in a much wider context.

228. Summary of data that are not a commercial secret but are necessary for measurements of municipal strategies will be a topic for discussions in the process of development of the benchmarking data base.

6.6. Compliance to regulatory enactments of statistics

229. Pursuant to the Official Statistics Law, the Central Statistical Bureau (hereinafter – CSB) performs the following functions:

- 1) implementation of a unified State policy in the field of management, compilation, analysis and publication of the official statistical information;
- 2) provision of users of statistics with information included in the National Programme of Statistical Information for which the responsibility is borne by the CSB;
- 3) preparation, within the scope of the financial resources of the current year, of the National Programme of Statistical Information, the questionnaire forms for official statistics. The National Programme of Statistical Information, the questionnaire forms for official statistics shall be approved by the Cabinet;
- 4) taking responsibility for the development of a unified classification system for economic information. The Cabinet shall approve the unified classification system for economic information and the procedures for the implementation and use thereof.;
- 5) co-ordination of the whole flow of statistical information at the national level, as well as the mutual harmonisation of the statistical indicators to be included in State registers and other information systems;
- 6) co-ordination of the activities of State authorities in the field of statistics, as well as international co-operation;
- 7) carrying out, upon agreement with the interested private individuals or State authorities, of additional statistical work which is not included in the National Programme of Statistical Information; and
- 8) performance of scientific research in the field of statistics, business tendency surveys in the branches of national economy, as well as development of prognosis of statistical indicators in accordance with the National Programme of Statistical Information.

230. Provision of information for the needs of official statistics is considered a mandatory obligation that shall be fulfilled free of charge. The institutions and organizations that are financed from the State budget or municipal budgets provide to CSB information regarding their properties, lands, buildings and use of them, provided services or amount of performed work, number of employees, their composition, remuneration for work and work conditions, investments, received budget funding, as well as other income and their use, assets and liabilities and their movement. Additionally, the municipalities provide to the CSB information about their budgets.

231. Pursuant to Section 18 of the Official Statistics Law:

“(1) Statistical data shall be considered confidential if they directly or indirectly allow for identification of the private individuals or State authorities regarding which personal statistical data have been provided.

(2) The confidential data collected for statistical purposes only, may only be used for making of summaries and grouping of data, analysis of economic and social phenomena and processes.

(3) The Central Statistical Bureau and other State authorities producing official statistics shall take the necessary administrative, technical and organisational measures to ensure the confidentiality of individual statistical data, to prevent unauthorised access to information, distortion or dissemination thereof, unintentional or unauthorised destruction.

(4) It is prohibited for the individuals of the Central Statistical Bureau and of other State authorities producing official statistics to reveal any information regarding respondents, which they have become aware of while performing official or work duties. This rule shall also apply to the persons who are temporarily involved in the collection and compilation of official statistical information.”

232. The CSB data can be used as benchmarking data base insofar they describe the scale of EU, national or six NUTS 3 regions.

233. There is a lot of primary data at disposal of the CSB; they could be excellent to use for calculation of performance indicators for the municipalities. Unfortunately, public data are available mainly for NUTS 3 regions or the whole Latvia. Only in some cases the data are found regarding the territories of municipalities. Since joining EU, major harm is done – there is no information available about the regions that described the economic development of different territories of Latvia very well. After the Administrative-Territorial Reform, there are no statistical data available for urban and rural territories.

234. Summarized data can be used for scientific research. Thus, it would be possible to receive personal data from the CSB unless they have parameters identifying a person. During implementation of the project, there will be discussions with the CSB regarding such options.

6.7. Compliance with municipal secret

235. Certain problems are caused by lack of understanding of the work of a municipality and the legal status of a municipality. Supporters of State rights school in Latvia use to be certain that the municipalities are in hierarchy subordinated to the Cabinet of Ministers. There are opinions that there are no municipal policies – the municipalities perform economic activities in the interest of inhabitants according to the Regulations of the Cabinet of Ministers. Both of these delusions make it difficult for the municipalities to function in real circumstances and in actual system of global, national, regional and local laws.

236. A municipality competes with other municipalities. The main objects of such competition are:

- 1) resources of Municipal Cohesion Fund;
- 2) state (sector) investments in the territory of a municipality;
- 3) private entrepreneurs who maintain their activity or invest new private funding in the territory of a municipality;
- 4) work force that facilitates the development of a municipality;
- 5) inhabitants that choose other place for living due to free movement of persons;
- 6) pupils and children of preschool educational establishments that can choose another educational establishment in the territory of other municipality.

237. Even more significant competition issues are related to local protectionism (insofar it does not impact common market of EU, in EU legislation protectionism in the form of municipal support is allowed) and facilitation of local entrepreneurship. Normally, municipalities promote the interests of its entrepreneurs in national and global markets and compete with other municipalities in this area.

238. If there is competition, there are also lawful rights to commercial secret or restricted access information. Therefore, the council of the municipality is entitled to decide issues that are not to be discussed in public and enable achievement of better results in the interests of inhabitants.
239. Commercial secret of a municipality can be justified like the secret of the State. The system shall ensure that the restrictions for distribution of information specified by the municipalities are complied with.

6.8. Overcoming of language barriers

240. The law, policy documents, experience descriptions regulating the municipal system usually are drafted in official languages. Only in EU alone there are 24 official languages. Most of the policy documents and new regulatory enactments are discussed in 2 languages – English and French, but the final products in terms of statistics and experience of the municipalities are found only in official languages of each state.
241. This situation considerably bothers compilation of the best practice. Therefore, initially the information in English and Russian will be used as the network coordinators know these languages. After some time the possibilities to receive and compile information about good and bad examples of performance of the municipalities should be expanded so that the websites of the municipal associations in French, Spanish and German could be used.
242. In Latvia, there is a problem with two information spaces – Latvian and Russian. Although the official language is one – Latvian – the other language for communication in majority of municipalities is Russian. To increase the understanding of municipalities in Russian speaking communities (there are no municipalities in Russia in the meaning of the European Charter of Local Self-Government, and it was not an obstacle for Russia to ratify all paragraphs of the Charter) it is necessary to prepare some information also in Russian.

7. Application possibilities of the benchlearning system in strategic management of a municipality

243. So far municipalities mainly planned its development. A good development plan (programme, strategy) was focused on the maximal benefit for the municipality, however, in order to achieve the maximum benefit, the action of the municipality upon accepting the action plan had to significantly differ from the officially declared policy.
244. Officially, it was written in all documents that a municipality was guided by its priorities and complied with the priorities of the state development. For example, it is stated in Part Two of Section 3 of the Development Planning System Law:

“(2) The development planning system shall cover policy planning and territorial development planning and ensure the coherence and mutual co-ordination of the decisions taken by State and local government institutions.”

245. Actually, municipalities plan in accordance with a “menu principle”. There are events as much as possible included in the development documents which could be implemented in the territory of a municipality and which could give any benefit to the inhabitants or entrepreneurs. It is due to the centralized funding system established in Latvia which results from the interests of the governing coalition and which hardly takes into account the duty of state regional development.

246. Mainly, state investments depend on the sectoral policy. State regional development is one of the sectors which for already tens of years is left in the second plan of the central government. Most of the municipalities practically do not have any chances to receive centralized funding for regional development, therefore other possibilities should be found.
247. Municipalities should act in accordance with the laws existing in the state and unwritten practices. Funding for development is sought for in different ministries which act in accordance with the interests and criteria of the sector. In order to receive the funding in the territory of a municipality, there should be a respective entry in the medium-term and long-term documents of a municipality.
248. Municipalities cannot affect decisions of the central government on funding priorities, it can participate in implementation of such decisions. The main condition – there should be an issue written in the development programme and development strategy of a municipality which due to conjuncture has fallen in the scope of interest of a certain ministry. The municipality which has better complied with the “menu principle” has better chances to get funding for development in its territory.
249. Therefore, official planning documents under no circumstances may be closely related to available resources, in fact, there should be provided as much flexibility as possible.
250. The system established at the beginning of 90-ties causes purposeless activity, contributes to squandering of the budgetary funds, natural and human resources. In order to have quasi purposefulness, European and national politicians apply a principle of concentration, trying to concentrate their chaotic activities at least in several territories where a greater effect could be observed. The concentration always causes a certain backwardness in peripheries.
251. Therefore municipalities should look for the funding to ensure purposeful development which could more comply with positive structural changes in each administrative territory, ensure higher labour productivity and increase welfare of inhabitants living in the territory, further the economy based on skills and knowledge. It will not be possible to implement good social ideas in one of the poorest Member States of the EU. The municipalities with versified decentralized activities shall help the central government to find the ways towards development.
252. That is why along with the formal documents requested by the government (which are not cancelled) municipal politicians are encouraged voluntarily to develop and implement genuine strategies in compliance with the interests of the inhabitants of their territory, and to relate the activity to the municipal resources intended for the genuine priorities. Marketing ideology of a municipality adopted from the business management is suitable for such a purpose which elements are discussed during the project in all thematic cooperation networks, especially in the first network.
253. In accordance with the proposed ideology, all officially requested documents are considered within the context of the marketing strategy of a municipality as the event implementation elements of the marketing strategy of a municipality (which is developed freely, in accordance with one’s own initiative without central government’s regulations).
254. Development of the Latvian benchlearning model is intended as a tool of the municipalities for implementing their own interests. It fills in the niches creation of which by each municipality individually would be inconvenient and which may be used by each municipality taking into account its specificity.
255. The benchmarking data bases will be elaborated gradually, its content largely will be determined by the decisions of the politicians of the municipalities involved and by those which will be involved in the pilot projects. Scientific research implemented during the project will contribute to content improvement. Therefore, general possibilities provided by the data base and cooperation network for municipalities in future are described there.
256. In the cooperation network, it is helpful:
- 1) to discuss methodology for analysing strengths and weaknesses of a municipality, including existing and missing resources, to compare mutually results of the analysis;

- 2) to discuss methodology how possibilities and threats to the interests of a municipality are analysed, what conclusions can be drawn;
- 3) to discuss vision making methodology which describes the intended achievable state within a specific period of time. It is recommended to focus on relevance of the vision, to compare visions mutually, and to discuss possible vision measurements during the discussion;
- 4) to discuss vision defining methodology describing transition from the existing state to the preferable one. The analysis of those factors contributing to or preventing vision implementation will have an important role for setting the right goals; a key to success is an ability to select some of the most important factors which could affect the result the most; in relation to this, a mutual comparison of the municipalities will have an important positive role;
- 5) once the most influential factors are selected, the goals should be defined which approximation affects the vision implementation the most, similarly, during the mutual discussions, it is easier to determine objectives which will help and not prevent goal achievement.

257. Based on the analysis, there is an action program for goal achievement made consisting of specific activities to be carried out to change the selected key factors. It is helpful to discuss the ways to make the organizational structure which is adjusted for work execution and result measuring during the mutual discussions.

258. In order to manage the action programme on the basis of the facts, a municipality should have measurements for approximation of the mission and goals. Contribution of the benchmarking data base is important exactly in this area.

259. Network coordinators will inform on the possibilities of the benchmarking data base in the area of measurements during the cooperation network meetings.

260. To implement medium-term development measures it is suitable to have a medium-term budget instead of a traditional annual budget. So far municipalities have not risked introducing independently a long-term budget, and the central government is more preoccupied with financial discipline instead of development. Therefore, discussion of the variants of the medium-term budgets and various organizational and legal issues related to them in the cooperation networks will be of great importance.

261. A strategic approach should be implemented not only in relation to a municipality in general, but also to development of the individual sectors and authorities. It means that not only an individual improvement should be considered, but also the fact how this improvement affects the goal of a municipality. In such a situation both a discussion in the cooperation network and measuring using the benchmarking data base will be of great help.

8. Thematic suggestions and data base development directions

262. The themes which comply with the existing political agenda and which should be considered and included in the opening meetings of the cooperation networks with a purpose to select the most appropriate themes for the system development process were reviewed under Items 58., 6. and 72.

263. Elaboration of the data base should be related to the measurement of the performance indicators. To ensure development of the marketing strategies, proper indicators should be found. Scientifically based theory on motivation of politicians and civil servants (or employees of the municipality) is the public choice theory. In accordance with this theory, each politician and civil servant act in compliance with their personal interests.

264. These personal interests should not be perceived primitively. People working in politics and civil service basically may meet the basic needs, and their interests normally are not related only to meeting the basic needs – such issues as security, social needs and social recognition, self-improvement are in the circle of their focus. Working conditions (legal and economic environment) determine that the municipal staff should succeed in fulfilling their mission – to act in the interests of the inhabitants of the territory - to meet their personal needs.

265. Impact indicators should describe approximation of the municipal vision by comparing intended situation to the initial one. Therefore, one of the ways to classify the visions is to arrange the possible visions in accordance with their beneficiaries:

- Within the sector “Residents” a municipality should try to achieve:
 - Increase of welfare,
 - Increase of population,
 - Improvement of ecological (environmental) circumstances,
 - Improvement of cultural and environmental circumstances,
 - Improvement of housing provision and its quality,
 - Satisfaction of ideological demands,
 - Satisfaction of inhabitants.
- Within the sector “Visitors” a municipality should try to achieve:
 - improvement of communication possibilities,
 - existence of attractive, well-paid jobs,
 - municipal image motivating tourists to visit a municipality,
 - level of services attracting the visitors,
 - satisfaction of visitors.
- Within the sector “Entrepreneurs” a municipality should try to achieve:
 - zoning areas suitable for business,
 - structural changes, particularly supporting certain business sub-sectors,
 - availability of suitable labour force for preferable business structure,
 - administrative environment attracting entrepreneurs,
 - satisfaction of entrepreneurs.
- Within the sector “Organized civil society” a municipality should try to achieve:
 - political support of selected interest groups
 - participation of certain interest groups in solution of the issues of a municipality
 - social inclusion of certain interest groups.

266. Listed benefits do not provide a full spectrum, however, the above list may be used as a basis for benchmarking data base elaboration during the initial stage of benchmarking model development. It

means that the indicators for impact measuring should be found and summarized describing success or failures in achieving the above vision elements. It is anticipated that certain municipalities will focus on gaining success only in some of the above areas for a medium term.

267. Result indicators should describe the goals of a municipality which are directed to approximation or prevention of the preferable impact.
268. Sometimes goals are selected without carrying out an independent analysis, the direction of activity is selected only because Brussels or Riga came up with it, mechanically adopting the direction of the activity suggested from the above. Sometimes one or another economic or social theory is perceived uncritically. Sometimes such an approach also gives good results if a “partly acceptable” solution is valid also in the territory of a municipality.
269. However, a municipality can adjust available external information to the assessment of its own internal situation, and in such a case it is possible to choose far optimal development model. Such an approach corresponds to division of labour – within the scale of European authority, the management is implemented in accordance with the medium European needs, within the scale of local authority, a municipality focuses on meeting certain, local needs.
270. The quota principle proposed by LALRG (to divide a part of the national investments through the entire territory of a municipality in accordance with quotas) was also focused on dealing more efficiently the with European and national objectives. It could be achievable if it were up to a municipality itself to choose goal achieving means for a larger area within its territory.
271. Goal definition starting point is the factor analysis. Factors affecting vision implementation should be clarified. The most essential ones should be selected from the ones affecting approximation of the vision the most.
272. In accordance with the Pareto 20/80 principle, most often 20% of the factors affect 80% of the result. If a municipality selects a vision which essential factors depend on the external environment and are not significantly affected within the framework of municipal competence, the municipal mission is not defined correctly. Vision elements which do not depend on a municipality, should not be included in the priority list. The priority list should include the visions which municipality can affect.
273. The answer to the question – how to affect the essential factor which largely influences vision approximation - is the essence of goal definition. To achieve the goal, an action programme should be made which success describes goal approximation – result. It is important not to confuse goal approximation indicators with implementation indicators describing the activity.
274. The municipality is likely to make mistakes at all levels - defining an independent or harmful vision, setting goals which prevent from the intended vision, setting objectives which in fact prevent goal achievement. However, decision-makers should receive information on mistakes as quickly as possible. Therefore, goal measurement should be clearly separated from activity measurement.
275. With a purpose to elaborate the benchmarking data base, possible factors affecting achievement of the above vision elements are listed in Annex 2. A municipal goal can be set for each factor. It is recommended to set a goal only if a municipality can significantly approximate such a goal.
276. Upon designing the benchmarking data base, the goals of the third column may be taken as a basis and matched with the result indicators describing approximation of those goals. During development of the pilot projects, the content will be extended and updated.

9. Description of hypotheses and solutions to be verified during the project

277. There is a product elaborated during the project – the benchlearning system. Several hypotheses should be proved during elaboration:

- 1) By dividing the network cooperation meeting in the open part (to be transmitted online) and closed part, a wide circle of participants may be involved in the network themes at the same time ensuring an open and efficient discussion among the network participants resulting in the work improvement plan of the involved municipality.
- 2) Proper models can be developed for information obtaining from the budget data of a municipality for preparing result indicators and impact indicators.
- 3) It is possible to agree with the ministries on data exchange on mutually beneficial terms excluding duplication in data collecting (LALRG would request from municipalities the same data which are requested by ministries).
- 4) It is possible to agree with CSB on receiving primary data for the municipal and research needs.
- 5) The benchlearning system will obtain a support from municipal politicians in the major part of the municipalities.

278. During the project, the following solutions will be verified:

- 1) Network meeting division in the opened and closed part.
- 2) Development of the marketing strategy of the municipality on a voluntary basis and its adoption by the marketing council lead by the chairman of the council of a municipality.
- 3) Structuring of good practice descriptions of the municipalities and their usage for solution patterns.
- 4) Acquisition of good practice descriptions from the Internet.
- 5) Data obtaining from the ministries on the basis of mutual benefit.
- 6) Primary data acquisition from CSB.
- 7) Elaboration of economic models in order to use budget data for making performance indicators;
- 8) Introduction of a medium-term budget;
- 9) Motivation system based on performance indicators;
- 10) Social solutions in relation to municipal marketing strategy;
- 11) Setting up of the municipal businesses with a purpose to re-structure the local economy.

Annex 1. Multiple-dimension classifier for input and search of data in benchlearning data base

The multiple-dimension classifier consists of 9 single-dimension classifiers. The contents of a single-dimension classifier is characterised by the title of the single-dimension classifier.

The classifier is intended as a key for finding a record. Each record is made indicating indexes of the relevant classes, sub-classes and groups.

The first classifier characterizes the data source, it has two classes and sub-classes, and thus the record has three characteristic values – the number of the classifier, the number of the class and sub-class.

The second classifier characterises the type of the data, it has six classes without any sub-classes.

The third classifier describes the type of a function with 9 classes and relevant sub-classes.

The fourth classifier describes the type of the area to be governed, it has classes and sub-classes. This classifier coincides with no other international classifiers of public functions and is maximally approximated to the activities to be performed by the Latvian municipalities.

The fifth classifier describes the focus groups of the municipal activities, it has classes and sub-classes (three-dimensional index). This classifier is useful for implementation of the municipal marketing strategy. Unlike the traditional local marketing approach that analyses three classes, four classes are selected in this approach.

The sixth classifier describes the type of the territory to which the relevant record refers, and it has only classes without sub-classes.

The seventh classifier describes the data accumulation period of the selected type of data, it also has only classes (two-dimensional index) without sub-classes.

The eighth index describes the availability of the data, it also has only classes (two-dimensional index).

The content of the ninth classifier is not determined; the contents will be selected during the life cycle of the product (benchlearning system).

Unlike the budget classifiers, in this event a single record may be allocated several values of the same level (like the theme of a research may be characterised by several key words).

1. Classifier 1 – Data provider

1.1. Public person or natural person

1.1.1. The Republic of Latvia

1.1.2. One of 119 local governments

1.1.3. One of the associations of local governments

1.1.4. Planning region

1.1.5. Other person

- 1.2. Institution or official
 - 1.2.1. State Chancellery
 - 1.2.2. Ministry
 - 1.2.3. Central Statistical Bureau of Latvia
 - 1.2.4. State Revenue Service
 - 1.2.5. State Regional Development Agency
 - 1.2.6. Register of Enterprises
 - 1.2.7. Other state institution or official

2. Classifier 2 – The type of data

- 2.1. Primary data table
- 2.2. Table of indicators
- 2.3. Structured description
- 2.4. Presentation
- 2.5. Unstructured text file
- 2.6. Other record

3. Classifier 3 – Type of a function

- 3.1. Organization and contents of policy
 - 3.1.1. Formulation of goals and vision, relevant success indicators.
 - 3.1.2. Process organization;
 - 3.1.3. Organization of work of deputies
 - 3.1.4. Inclusion
 - 3.1.5. Consulting
 - 3.1.6. Lobbying
 - 3.1.7. Other type of function
- 3.2. Service
 - 3.2.1. Individual service financed from the budget without the obligation to participate
 - 3.2.2. Individual service financed from the budget with the obligation to participate
 - 3.2.3. Individual service financed by a customer
 - 3.2.4. Service of general interest available to a certain target audience
 - 3.2.5. Service of general interest available to anybody
 - 3.2.6. Other type of service
- 3.3. Administration
 - 3.3.1. Regulation by norms
 - 3.3.2. Observation
 - 3.3.3. Agreement or issue of permission
 - 3.3.4. Confirmation of compliance
 - 3.3.5. Interruption of an action or request of certain action
 - 3.3.6. Punishing
 - 3.3.7. Other type of administration
- 3.4. Enhancement
 - 3.4.1. Availability of human resources
 - 3.4.2. Availability of natural resources
 - 3.4.3. Availability of public infrastructure
 - 3.4.4. Dotation, subsidizing and tax and fee discounts
 - 3.4.5. Participation in businesses or associations
 - 3.4.6. Lobbying of private interests
 - 3.4.7. Other type of enhancement
- 3.5. Maintenance
 - 3.5.1. Maintenance of public infrastructure

- 3.5.2. Maintenance of private property
- 3.5.3. Other type of maintenance
- 3.6. Entrepreneurship
 - 3.6.1. Entrepreneurship to provide municipal services
 - 3.6.2. Entrepreneurship to implement administrative functions
 - 3.6.3. Entrepreneurship to increase municipal resources
 - 3.6.4. Entrepreneurship to provide social support
 - 3.6.5. Other type of municipal entrepreneurship
- 3.7. Information
 - 3.7.1. On behalf of the municipality
 - 3.7.2. On behalf of the Republic of Latvia
 - 3.7.3. On behalf of the EU
- 3.8. Organization of support functions
 - 3.8.1. Budget and finance management
 - 3.8.2. Accounting
 - 3.8.3. Record-keeping
 - 3.8.4. Legal support
 - 3.8.5. Information technology support
 - 3.8.6. Technical support
 - 3.8.7. Maintenance of municipal buildings
 - 3.8.8. Other support functions

4. Classifier 4 – Type of area of governance

- 4.1. Education and science
 - 4.1.1. Pre-school
 - 4.1.2. Primary
 - 4.1.3. Secondary general
 - 4.1.4. Secondary vocational
 - 4.1.5. Interests
 - 4.1.6. Exact
 - 4.1.7. Humanitarian
 - 4.1.8. Higher academic
 - 4.1.9. Higher professional
 - 4.1.10. Science in research institutes
 - 4.1.11. Science in higher education establishments
 - 4.1.12. Science in private businesses
 - 4.1.13. Conferences and seminars
 - 4.1.14. Research ordered by a municipality
 - 4.1.15. Other type of education and science
- 4.2. Culture and recreation
 - 4.2.1. Exhibition
 - 4.2.2. Gambling
 - 4.2.3. Concerts
 - 4.2.4. Interest education
 - 4.2.5. Sports events
 - 4.2.6. Anniversaries and festivals
 - 4.2.7. Theatre and opera performances
 - 4.2.8. Mourning and remembrance events
 - 4.2.9. Other type of culture and recreation events
- 4.3. Social security
 - 4.3.1. Support for needy persons
 - 4.3.2. Support for socially disadvantaged

- 4.3.3. Organization of participation
- 4.3.4. Housing policy
- 4.3.5. Employment
- 4.3.6. Support for families with children
- 4.3.7. Support for social entrepreneurship
- 4.3.8. Support for elderly people
- 4.3.9. Other types of social security arrangements
- 4.4. Health protection
 - 4.4.1. Hospital services
 - 4.4.2. Support for secondary ambulatory health care (availability of specialists)
 - 4.4.3. Support for family doctors (availability of general practitioners)
 - 4.4.4. Support for public health arrangements
 - 4.4.5. Support for rehabilitation arrangements
 - 4.4.6. Support for tertiary care
 - 4.4.7. Health care in social care establishments
 - 4.4.8. Health care in educational establishments
 - 4.4.9. Other health care availability arrangements
- 4.5. Public order and justice
 - 4.5.1. Municipal police
 - 4.5.2. Sobering station
 - 4.5.3. Vice squad
 - 4.5.4. Rental boards
 - 4.5.5. Orphan courts
 - 4.5.6. Children right protection
 - 4.5.7. Inner yards
 - 4.5.8. Crisis centres for unprotected groups (of natural persons)
 - 4.5.9. Probation
 - 4.5.10. Representation of civil rights of criminal convicts under arrest
 - 4.5.11. Ensuring of order in mass events
 - 4.5.12. Combating of drug addiction
 - 4.5.13. Other types of public order and justice arrangements
- 4.6. Emergency and crisis situations
 - 4.6.1. Water security services
 - 4.6.2. Support of firefighting service
 - 4.6.3. Participation in elimination of natural and technical catastrophes
 - 4.6.4. Emergency services for public infrastructure
 - 4.6.5. Participation in combating of terrorism
 - 4.6.6. Support to Home Militia
 - 4.6.7. Cooperation with National Armed Forces
 - 4.6.8. Other emergency and crisis elimination arrangements
- 4.7. Spatial planning and supervision of construction
 - 4.7.1. Organization of public discussions
 - 4.7.2. Organization of referendums
 - 4.7.3. Agreement with planning documents of other public persons
 - 4.7.4. Development of territorial lay-out plans
 - 4.7.5. Development of detailed lay-out plans
 - 4.7.6. Ensuring of requirements for sustainable environment
 - 4.7.7. Ensuring of legality of construction
 - 4.7.8. Supervision of the technical condition of buildings and constructions
 - 4.7.9. Other spatial planning and construction supervision arrangements
- 4.8. Public utilities
 - 4.8.1. Water supply

- 4.8.2. Sewerage and water purification
- 4.8.3. Collection of municipal waste
- 4.8.4. Heat supply
- 4.8.5. Cogeneration
- 4.8.6. Power consumption (“power efficiency”)
- 4.8.7. Use and enhancement of renewable resources
- 4.8.8. Other public utilities
- 4.9. Roads and streets
 - 4.9.1. Maintenance of municipal roads and streets
 - 4.9.2. Reconstruction of municipal roads and streets
 - 4.9.3. Construction of municipal roads and streets
 - 4.9.4. Voluntary performance of owner functions not provided by the State
 - 4.9.5. Cooperation with the owners of wood roads and private roads
 - 4.9.6. Transferring of municipal roads and streets in concession
 - 4.9.7. Road safety arrangements
 - 4.9.8. Maintenance and development of bike ways
 - 4.9.9. Renewal of roads after repairs or development arrangements of public utilities and communications infrastructure
 - 4.9.10. Closing of municipal roads and streets determining other type of use of the territory
 - 4.9.11. Other road and street maintenance, reconstruction or development arrangements
- 4.10. Ports and airports
 - 4.10.1. Port administration
 - 4.10.2. Support for port administration
 - 4.10.3. Participation in construction of new ports and development of ports
 - 4.10.4. Administration of municipal ports
 - 4.10.5. Support for establishment and development of ports
 - 4.10.6. Other support arrangements for ports and airports
- 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 sport halls
 - 4.11.7. Olympic centres
 - 4.11.8. Cultural centres and assembly places
 - 4.11.9. Gardens
 - 4.11.10. Parks
 - 4.11.11. Cemeteries
 - 4.11.12. Churches
 - 4.11.13. Natural parks
 - 4.11.14. Other municipal infrastructure objects
- 4.12. Environmental protection
 - 4.12.1. Natural territories of special protection
 - 4.12.2. Nature parks
 - 4.12.3. Maintenance of costal zones and bathing grounds
 - 4.12.4. Participation in environment supervision events
 - 4.12.5. Environment education arrangements
 - 4.12.6. Other environment protection arrangements
- 4.13. Public transport
 - 4.13.1. Regulation of bus service
 - 4.13.2. Provision of bus service

- 4.13.3. School busses and transport for taking school children to school other than public transport
- 4.13.4. Regulation of taxi service
- 4.13.5. Other public transport arrangements
- 4.14. Manufacture and sales of commodities
 - 4.14.1. Manufacture and sales of commodities as auxiliary branch to increase efficiency of core activities of a municipality
 - 4.14.2. Manufacture and sales of commodities using strategic resource specified by a municipality
 - 4.14.3. Manufacture and sales of commodities for development of strategic human resources of a municipality
 - 4.14.4. Manufacture and sales of commodities for elimination of market failures not specified before
- 4.15. Provision of full charges services (without subsidies)
 - 4.15.1. Provision of services as auxiliary branch to increase efficiency of core activities of a municipality
 - 4.15.2. Provision of services using strategic resource specified by a municipality
 - 4.15.3. Provision of services for development of strategic human resources of a municipality
 - 4.15.4. Provision of services for elimination of market failures not specified before
- 4.16. Credits and guarantees
 - 4.16.1. Credits
 - 4.16.2. Guarantees
 - 4.16.3. Covering of the debts of inhabitants in part or in full
 - 4.16.4. Covering of the debts of enterprises in part or in full
 - 4.16.5. Participation in development banks
 - 4.16.6. Participation in savings-and-loans banks
 - 4.16.7. Provision of other guarantees
- 5. Classifier 5 – Focus group (beneficiary)**
 - 5.1. Inhabitants (persons registered in a municipality)
 - 5.1.1. Children up to age of 7 years
 - 5.1.2. Young people at the age form 7 to18
 - 5.1.3. People of pension age
 - 5.1.4. All inhabitants
 - 5.1.5. students, lecturers in higher education establishments and scientists Zemnieki
 - 5.1.6. Engineers and managers
 - 5.1.7. Educators
 - 5.1.8. Social workers
 - 5.1.9. Policemen
 - 5.1.10. Doctors and medium medical personnel
 - 5.1.11. Women
 - 5.1.12. Men
 - 5.1.13. Disabled persons
 - 5.1.14. Needy
 - 5.1.15. Unemployed
 - 5.1.16. Homeless
 - 5.1.17. Former criminal convicts
 - 5.1.18. Smokers and other addicts
 - 5.1.19. Other categories of inhabitants
 - 5.2. Visitors
 - 5.2.1. Foreign tourists
 - 5.2.2. Tourists from Latvia

- 5.2.3. Culture tourists
- 5.2.4. Nature tourists
- 5.2.5. Recreation tourists
- 5.2.6. People working in the territory of a municipality
- 5.2.7. People studying in the territory of a municipality
- 5.2.8. Persons acquiring secondary and primary education
- 5.2.9. Children attending pre-school establishment
- 5.2.10. Visitors of culture, sports and leisure events
- 5.2.11. Other visitors of a municipality
- 5.3. Entrepreneurs
 - 5.3.1. Registered in the territory of the municipality
 - 5.3.2. Registered in another territory of Latvia
 - 5.3.3. Registered abroad
 - 5.3.4. Residential income tax payers to the municipality
 - 5.3.5. Immovable property tax payers to the municipality
 - 5.3.6. Owned by natural persons
 - 5.3.7. Private capital less than 50%
 - 5.3.8. Private capital more than 50%
 - 5.3.9. Low productivity workforce dominates in the company
 - 5.3.10. The company mainly applies to public procurement procedures
 - 5.3.11. The company mainly represents the interests of foreign capital in Latvia
 - 5.3.12. The company mainly produces goods that can compete in the world's market
 - 5.3.13. The company performs social entrepreneurship functions
 - 5.3.14. Micro enterprise
 - 5.3.15. Small enterprise
 - 5.3.16. Medium enterprise
 - 5.3.17. Core business area in agriculture, farming or acquisition of resources
 - 5.3.18. Core business in industry
 - 5.3.19. A company of post-industrial sector
 - 5.3.20. A company of knowledge sector
 - 5.3.21. Other specific category of entrepreneurs
- 5.4. Persons of organized civil society
 - 5.4.1. Association
 - 5.4.2. Professional association
 - 5.4.3. Trade union
 - 5.4.4. Parish
 - 5.4.5. A territorial organization of a political party
 - 5.4.6. A political party of a union of political parties
 - 5.4.7. Foundation
 - 5.4.8. Other person of civil society
- 6. Classifier 6 - Territory**
 - 6.1. EU States in general
 - 6.2. OECD States in general
 - 6.3. State
 - 6.4. Region
 - 6.5. Local government
 - 6.6. Municipal rural territory or municipal town
 - 6.7. Populated place
- 7. Classifier 7 - Time**
 - 7.1. NDP planning period
 - 7.2. Election cycle
 - 7.3. Year

7.4. Month

8. Classifier 8 – data availability

8.1. Data available for anyone

8.2. Data available only to benchlearning data base administrator

8.3. Data available only to benchlearning data base administrator and authorised employees of a certain municipality

8.4. Data available only to the system employees (including benchlearning data base administrator) and authorised municipality officials of cooperation network

8.5. Data available only to the system employees (including benchlearning data base administrator), authorised officials of ministries and municipalities

9. Other classifier to be added during the lifecycle of the product developed within the project.

Annex 2, Table 2. Summary of the potential visions, their achievement factors and goals resulting from them suitable for content design of the benchmarking data base

	Vision element	Influencing factors	Goals
1.	Increase of population welfare	Competitive jobs	To facilitate businesses offering well-paid jobs
		Level of education	To facilitate attraction of Doctors and Masters of Sciences to the municipal territory
		Increase of skills	To facilitate attraction of innovative businesses and skilful employees to the municipal territory
		Housing development possibilities	To provide building possibilities and qualitative housing
		Income possibilities	To facilitate the number and diversity of visitors
2.	Increase of population	Birth-rate	To facilitate birth-rate
		Immigration	To facilitate immigration of the labour force of preferable quality from Latvia
			To facilitate immigration of the labour force of preferable quality from preferable countries of the world
		Re-emigration	To facilitate competitive remuneration in workplaces
		Re-emigration to a municipality from other places of Latvia	
			To facilitate availability of qualitative housing
3.	Improvement of ecological (environmental) circumstances	The quality of the nature base	To improve the quality of the nature base
		Sustainability of natural resources	To provide a procedure for sustainable usage of natural resources
	Improvement of cultural and environmental circumstances	Cultural and historic monuments	To restore and put in order the monuments
		Neatness	To provide neatness
		Cultural and recreation object offer	To facilitate offer development

	Vision element	Influencing factors	Goals
4.	Improvement of housing provision and its quality	Zoning	To provide new housing building possibilities and qualitative environmental circumstances in selected areas
		Availability of social housing	To provide satisfactory offer of social housing
5.	Satisfaction of ideological demands	Compliance of the municipal activity with ideology of respective groups	To meet criteria of liberal values
			To meet criteria of socialistic values
			To meet criteria of conservative values
			To meet criteria of nationalistic values
			To meet criteria of anarchist values
			To meet criteria of feminist values
			To meet criteria of green values
6.	Satisfaction of inhabitants	Sense of security	To provide public order
		Involvement	To increase participation in politics
		Participation	To increase participation in decision preparation and decision-making
	Improvement of communication options	Roads	To improve and maintain the roads
		Public transport	To provide acceptable and available public transport
		Internet	To facilitate qualitative availability of the Internet
		Opportunity to participate	To provide opportunitie to participate in management of a municipality and current events
7.	Existence of attractive, well-paid jobs	Competitive businesses	To facilitate demand for the products manufactured by municipal companies
			To support entrepreneurs which pay high salaries to their employees
			To attract skilful labour force
			To attract highly educated labour force
			To attract scientists and scientists-engineers

	Vision element	Influencing factors	Goals
		Production of high added value	To support innovative entrepreneurs
		Efficient municipal administration	To create a small and efficient administration
8.	Municipal image motivating tourists to visit the municipality	Information	To provide purposeful information which is focused on selected tourist market sectors
			To facilitate creation of the environment which is attractive to tourists
9.	Level of services attracting the visitors	Hotel and guest house offer	To facilitate offer development
		Catering offer	To facilitate offer development
		Entertainment offer	To facilitate offer development
10.	Satisfaction of visitors	Convenient traffic for employees and students (school-children) from territories of other municipalities	To improve public transport
		Convenient service availability to employees and students from other areas	To improve availability of services
11.	Zoning areas suitable for business	Awareness of inhabitants on positive business effect	To educate inhabitants
		Possibility of building new objects	Possibility facilitation
12.	Structural changes, particularly supporting certain business sub-sectors	Agreement among politicians	To develop a focused development strategy
		Resource availability	To support resource availability
13.		Cooperation with entrepreneurs	To reach reciprocal involvement and harmonized activity
14.	Availability of suitable labour force for preferable business structure	Purposeful education policy	To focus on mastering the necessary specialities
			To support students and learners mastering the necessary professions

	Vision element	Influencing factors	Goals
15.	Administrative environment attracting entrepreneurs	Information availability	To support its availability
		Customer orientation	To achieve a rapid and easy document circulation
16.	Satisfaction of entrepreneurs	Accessibility of the municipality	To facilitate accessibility
		Existence of support	To achieve a higher support level than that in competitive municipalities