Local Government Networks for Sustainable Growth of Local and Regional Economy

Maris Pukis

Latvian Association of Local and Regional Governments,
M. Pils str.1, Riga, Latvia

Abstract

The objective of the paper is to evaluate opportunities of the Latvian variant of local governments' bench learning system to facilitate sustainable growth of local and regional economy.

The research is performed by applying several policy analysis methods.

There are several obstacles for local governments to facilitate local economy: influence of neo-liberal approach on EU and national legislation, which minimize opportunities of flexible decisions, based on local circumstances; influence of normativism, which is expressed in over regulation of the majority of local government competences; insufficient motivation of local executives to be creative; insufficient performance capacity.

Latvian variant of local governments bench-learning is under implementation by Latvian Association of Local and Regional Governments performing project "Smart Governance and Performance Improvement of Latvian Municipalities". Model is based on the developing of the experience of the Norwegian Association of Local and Regional Authorities (KS) and the Association of Polish Cities,

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.

The second main activity – elaboration of cooperation network on the basis of bench-learning concept. In the cooperation network, the representatives of the municipalities help each other by giving advice, discuss different solutions known in Latvia and in the world. During project implementation, the skills of network coordinators to organise and serve the networks are developed.

Main thesis: Bench-learning system is powerful instrument to facilitate local initiative to invent and implement innovative methods; suitable for diversification of local economy, therefore facilitates better developing and applying of local and regional human resources; useful for central government to co-operate for better regional policy and organisation of supervision on the basis of applying principles of subsidiarity and proportionality.

KEYWORDS: Local government, bench-learning, networks, bench-marking, sustainability.

The scientific problem is the building of efficient procedure for activation local politicians and administrators to be more innovative.

Introduction

There are several obstacles for introduction active innovative approach on administration of municipalities. Particularly, during last economic crisis among issues of political agenda could be mentioned:

1 influence of neo-liberal approach on EU and national legislation, which minimize opportunities of flexible decisions, based on local circumstances (LPS,2013-1);

2 influence of normativism, which is expressed in over regulation of the majority of local government competences (LPS,2013-1);

3 insufficient motivation of local executives to be creative (LPS,2013-2);

4 insufficient performance capacity (LPS,2014)

Research, provided by Council of European Municipalities and Regions (CEMR, 2013) clearly shows general tendencies of fiscal and administrative centralization in the majority of countries – Council of Europe members during crisis. That tendency was clearly estimated also in the Bologna conference "Simplification of Local Administration in Europe – Levels and Dimensions" (OLA, strongly Another threat - Centralization is Therefore, finding of suitable procedure to overcome above mentioned negative tendencies is substantial problem of applied public administration.

The objective of the paper is to evaluate opportunities of the Latvian variant of local governments' bench learning system to facilitate sustainable growth of local and regional economy.

Latvian variant of local governments bench-learning is under implementation by Latvian Association of Local and Regional Governments performing project "Smart Governance and Performance Improvement of Latvian Municipalities". Model (LALRG, 2015) is based on the developing of the experience of the Norwegian Association of Local and Regional Authorities (KS-2015) and the Association of Polish Cities (ZMP, 2015).

International (Council of Europe, 1985, articles 3, 4, 6) and national (Saeima, 1994, , articles 7,8 and Saeima 2002, 11, article 88) law allow full discretion of local governments about methods of local economy facilitation. In practice there are increasing amount of obstacles, including above mentioned.

The main tasks of paper are:

1 To characterize main problems on introduction of smart innovative governance for Latvian local governments;

2 To characterize main elements of Latvian model of municipal bench learning and evaluate opportunities arisen by that model applying;

3 To characterise main research problems, estimated during first phases of corresponding project implementation.

The primary methods of research are several approaches of policy analysis - such as analysis of interest groups and their preferences, applying of theoretical principles of good governance, comparing existing systems with principles of subsidiarity and proportionality.

The novelty of proposed research is analysis of obstacles for introduction of strategic management procedures of autonomous local governance, characteristics of first conclusions from wide scale pilot projects, covering 40% of Latvian municipalities, formulation of substantial research topics concerned with introduction of that strategic approach.

Methodology of bench learning is popular approach how to improve work for different kind of organisations. Application of bench learning methodology to local government networks too is rather popular during last 15 years (Karlof etc., 2001, Knudsen, 2007).

Bench learning is method, which arisen from bench marking (Bruder etc., 1994) with addition of learning process through networks (Dorsch etc., 1998 & Tat-Key, 2002).

Bench-learning system is established and applied successfully in Norway (KS, 2015); 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.

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, 2015) 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.

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.

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.

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.

The second main activity – elaboration of a cooperation network on the basis of bench-learning concept. In the cooperation network, 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 organise and serve the networks are developed.

Main feature of Latvian model is promoting strategical management approach and attempt to activate localism through establishing permanently working voluntary system. That leads to many elements, which are not characteristic to bench-learning in private organisations or with bench-learning in other local government associations in other world.

Author didn't find scientific researches, focused on analogous systems. Analysis of first stages of project implementation leads to several conclusions, which could be applicable for public administration development in other countries.

Purpose and principles of System

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 central government in use of benchmarking data base, including setting of performance indicators to be achieved by sector policies.

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.

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.

The employees of the municipalities need understanding of the strategic planning process, as well as the skill to apply the conclusions obtained within bench-learning 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.

The employees of the state administration institutions need understanding of benefits of co-operation 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.

The residents 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 bench-learning process. As the residents, 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.

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.

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.

Organised civil society are more and more involved in national and local public administration. They need not only opportunities to participate in decisions, but also practical aid and opportunities for financing activities by social entrepreneurship.

Bench-learning 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 organisational change process.

The main bench-learning 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 bench-learning within each network will be taking over of the best practice from other organisations 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 organisation.

Bench-learning will be based on the evidence provided by the benchmarking data base. The benchmarking method is a governance process in which organisations evaluate their proce-

dures and activities comparing them to the best practice in the organisations of similar type. The benchmarking becomes a point of reference to improve performance of a municipality.

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.

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).

Networks, established during the project

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 bench-learning, 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.

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.

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.

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.

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 sub-sectors, comparison of the interests of different municipalities regarding the priorities of the sub-sectors and focus on the sectors in medium term and long term;

2   overview of competitors and partners of the municipalities, significance of com-

petition 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 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.

Next two pilot networks are chosen about social and health-care themes. 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.

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.

Social entrepreneurship is usually regarded as kind of corporate social responsibility (Baron, 2013), but use of that term for public authorities entrepreneurship could be productive to clarify role of non-profit entrepreneurship.

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 municipalities

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.

Next two themes for cooperation networks are chosen about public utilities and housing. 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.

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.

In the sphere of education and culture for pilot networks two sub-themes were selected:

1 Problems of small schools;

2 Economic management of schools and motivation of teachers.

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.

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. Centralised, unified approach has led to a significant decrease of the level of education if compared to the beginning of the 90-ties when the salaries of the teachers was the competency of the municipalities.

Research themes

The most essential challenges during the initial stage of developing the bench-learning system are characterised 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 muni
cipality'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 performance indicators using budget information of the municipalities

Absence of statistical data for local decisions:

Acceding to the EU (priority alignment to the needs of EUROSTAT), administrative-territorial reform (decrease of the number of territorial units and abandonment of individual records by rural and urban territories), as well as austerity programme implemented due to the economic crisis in the world (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.

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. Regarding Latvia, branch and generalised data about the State in general and for the purpose of management of the EU budget for 6 regions can be acquired. 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.

1 The data base RAIM developed by SRDA that is under supervision of MEPRD is a reaction to destruction of the regional statistics of the State, the Agency strives to accumulate data about administrative territories at least partly. 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.

2 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.

Problem, how to find primary data, which could be published and after aggregation characterize results of local government policy is substantial theoretical and practical problem of applied science.

Problems with using short time budget:

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.

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.

Attempts to introduce middle term national budgets are popular from the times of president Lindon Jonson in USA and have many forms (Young, 2003), but never have success for long periods. Opposition against middle term budgets is strong from such interest groups as central bureaucracy, local bureaucracy, politicians who in reality are not interested to show real measurable results. Voluntary introduction of middle term budgets in the conditions of centrally required one year reporting is not simply achievable for the same reasons.

Therefore finding of conditions for compromise, how to introduce voluntary and locally middle term project budgets, program budgets or impact budgets is substantial problem for applied science.

Narrow opportunities to facilitate economics:

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, politsation 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 primary and secondary legislation.

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. As a result, unfair circumstances are created for local business people if compared to that of the business people in other EU member states.

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.

Promotion of entrepreneurship at the level of a municipality is never 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, sometimes even on the edge of law.

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.

In the situation of austerity policy, approved by majority of EU countries, research of innovative methods for local economics facilitating is of great importance.

Narrow opportunities for social entrepreneurship:

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 Com-

mercial law, the economic activity type – state or local government non-profit companies – was eliminated, and nothing appropriate was created instead in this area.

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.

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 organisations or commercial entities having a significant proportion of activities of social rather than commercial character).

Local governments are interested in social entrepreneurship (according to the EU understanding) in two ways:

_ cooperation with private sector in solving of social issues,

_ participation in entrepreneurship the goal of which has a social rather than profit gaining character.

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.

Research of applications of social entrepreneurship concept to self-government activities is substantial problem of applied science.

Opportunity to create data for performance indicators from budget reports

Budget reporting systems are not applicable for local performance measurement. At the same time those reports could be applied by working out corresponding economical models.

Detalization of classifications, applied by municipalities can differ. Sometimes also the book-keeping traditions could differ in different municipalities. Therefore methodology of individual applying those models is preferable, compare to unified formula.

Therefore, solving that problem of applied science budget data could be used in new quality.

Benchmarking data base

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.

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.

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).

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.

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.

To conveniently use the data base, it shall have a well-considered table of contents to find the necessary entries. 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.

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.

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;

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;

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;

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);

5 according to a focus group – direct beneficiaries, identifying four sub-classes of beneficiaries – residents, visitors, business people and representatives of organized civil society;

6 according to the territory to be referred to – starting with the EU and OECD and down to a populated area;

7 according to the data acquisition period ;

8 according to the availability of the data – starting from public data and up to the data that are available only for an administrator of the bench-learning data base.

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.

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.

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;

Problems of system development

5 commercial rights protect commercial se-
cret; it means that significant information
on economic and social development of
the territory is unavailable;

6 regulatory enactments in the area of sta-
tistics restricts transferring of primary in-
formation 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.

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.

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 (see Pūķis M., 2010). 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.

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

1 resources of Municipal Equalization 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 liv-
ing due to free movement of persons;

6 pupils and children of preschool education-
al establishments that can choose another

7 educational establishment in the territory of other municipality.

Even more significant competition issues are related to local protectionism (insofar it does no impact on 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.

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.

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.

There is a product elaborated during the project – the bench-learning system. Several hypotheses should be proved during elaboration:

1 by dividing the network cooperation meet-
ing in the open part (to be transmitted on-
line) and closed part, a wide circle of par-

ticipants 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 bench-learning system will obtain a support from municipal politicians in the major part of the municipalities.

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.

Conclusions

I Bench-learning system is:

_ powerful instrument to facilitate local initiative to invent and implement innovative methods;

_ suitable for diversification of local economy, therefore facilitates better developing and applying of local and regional human resources;

_ useful for central government to co-operate for better regional policy and organisation of supervision on the basis of applying principles of subsidiarity and proportionality.

II Preconditions for sustainability of self-organised bench-learning system are:

_ voluntary involvement of municipalities;

_ maintenance sources generated by municipalities;

_ interest of central government to use benchmarking data base.

_ Introduction of strategic management as a process is feature of Latvian bench-learning model compare to earlier implemented in other countries.

III Analysis of implementation problems leads to proposing of several substantial themes for further research:

_ the statistic data oriented to local government management;

_ options for voluntary introduction of medium term performance budget for particular municipality;

_ widening opportunities to facilitate local economics by local actions;

_ option to carry out social entrepreneurship by the municipality;

_ options to acquire performance indicators using budget information of the municipalities.

IV Main problems of Latvian municipalities bench-marking system development are:

_ interest of particular groups to misinformation;

_ regulatory enactments restricting transferring different kinds of information;

_ erroneous belief that municipalities do not engage in politics;

_ misunderstanding of the role of the competition among local governments.

References

Journal articles

Baron, David P. "Corporate Social Responsibility and Social Entrepreneurship." Journal of Economics & Management Strategy. no. 3 (2007): pp.683-717 http://dx.doi.org/10.1111/j.1530-9134.2007.00154.x

Bruder, Kenneth A., Gray, Edward M., (1994), Public sector Benchmarking, A practical approach, Public Management, No.76(9), pp 9-14

Dorsch Jeffrey J, Yasin Mahmoud M., (1998), A framework for benchmarking in the public sector. Literature rewiew and diresctions of future research, International Journal of Public sector Management, Vol.11 Iss.2/3, pp.91-115 http://dx.doi.org/10.1108/09513559810216410

Tat-Key Ho Alfred, (2002), Reinventing Local Governments and the E-Government Initiative, Public Administration Rewiev, July/August, Vol 62, No.4, pp.434-444

Young Richard D., (2003), Performance-Based Budget Systems, Public Policy & Practice, January, p. 12

Working papers

CEMR, (2013), Decentralization at a crossroads – Territorial reforms in Europe in times of crisis, October, p.68, www.ccre.org

LALRG, Benchlearning System Model for Latvian Municipalities, Riga, 2015, pp.67, www.lps.lv

KS,(2015), Improved user satisfaction and quality through better resource utilisation, http://www.ks.no

ZMP, (2015), Norway Project, www.zmp.poznan.pl

Knudsen, Hans Jørgen (2007) "Netværks baseret benchlearning" Randers: ESB-netværket (udkommer som artikel i en antologi fra Erhvervsskolernes Forlag 2008) (on network-based benchlearning)

Books

Pūķis M., (2010), Pašu valdība, Latvijas pašvaldību pieredze, idejas un nākotnes redzējums, LPS, Rīga, p.507

Pūķis M., Jaunsleinis A., (2014), Rokasgrāmata Latvijas novadu pagastu un novadu pilsētu pārvalžu darbības organizēšanai, LPS, Rīga, pp.67

Pūķis M., Jaunsleinis A., (2014), Vietējās pašvaldības darbības pamatprincipi. LPS, Rīga, p.89

Internet Access

OLA (2014), Conference "Simplification of Local Administration in Europe – Levels and Dimensions", Bologna, 30/31 October, www.ola-europe.com/en/colloquues/conference-in-bologna-3031-october

OLA (2015), "A threat to autonomy ? Control and supervision of local and regional government activities", Erlangen and Nurenberg, 26/27 June, www.ola-europe.com/en/colloques/symposium-in-erlangen-and-nuremberg

Council of Europe, (1985), European Charter of Local Self Governments, www.coe.int

Karlof B., Lundgren K., Edenfeldt Fromet M., (2001), Benchlearning, Forbilleder som loftestang for udvikling, Kobenhavn , Borsens Forlag, www.benchlearning.com

LPS 24.kongress, (2013-1), Rezolūcija "Par pašvaldību tiesībām un spēju rīkoties ar pašvaldības īpašumu un veikt uzņēmējdarbību iedzīvotāju interesēs", Aucē, 9.augustā, www.lps.lv

LPS 24.kongress, (2013-2) "Par pašvaldību darbinieku motivācijas sistēmu", Aucē, 9.augustā, www.lps.lv

LPS 25.kongress, (2014), Latvijas pašvaldību attīstības vadlīnijas, Aizkrauklē, 30.maijā, www.lps.lv

Saeima, (1994), likums "Par pašvaldībām", www.saeima.lv

Saeima, (2002), Valsts pārvaldes iekārtas likums, www.saeima.lv

About the author

MARIS PUKIS

Senior Adviser

Latvian Association of Local and Regional Governments

Address
M. Pils str.1, Riga, Latvia.
Tel. +37129197602
E-mail: maris@lps.lv