ECONOMICS AND CULTURE 21(2), 2024

DOI: 10.2478/jec-2024-0022

GOVERNANCE FRAMEWORK OF THE CENTRE OF GOVERNMENT

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Received 30 March 2024; accepted 18 October 2024

Abstract

Research purpose. The study aims to analyse the existing governance framework within the Centre of Government (CoG) in Latvia, exploring operational functions of the CoG, including function implemented by the CoG – to participate in all selection and nomination processes of members of the supervisory boards of state-owned enterprises (SOEs), and to provide proposals for strengthening the governance framework of the CoG.

Design / Methodology / Approach. To compose the framework of the study, the state institutions that constitute the CoG in Latvia were first identified. In the next step of the study, according to the structure defined for the Latvian CoG, a literature review and data analysis were conducted on: (a) governance and its key principles of good governance in public administration and corporate governance, (b) the operational functions performance within the CoG, including its participation in the process of members selection and nomination for the supervisory boards of SOEs. Based on the study results, suggestions for the system of criteria for the governance framework of the CoG were developed.

Findings. Following the study into the governance framework of the CoG, it is discovered that effectiveness indicators are underused, and quality indicators need rationalization. The findings of the study suggest that the quality of the operational functions of CoG can be measured through the outcomes of the selection and nomination process for potential members of the supervisory boards of SOEs. Based on the study results, the following additional findings were made: (a) in order to achieve good corporate governance results in the selection and nomination process, it is necessary to utilize several additional criteria, which are essential not only for enhancing the effectiveness of the operational functions of CoG but also for effectiveness of the supervisory boards of SOEs; (b) to effectively ensure the development planning system's process, thereby strengthening its governance, transparency and compliance throughout public administration, there is a necessity in Latvia to enhance the effectiveness of the document development, approval, and monitoring processes.

Originality / Value / Practical implications. Proposed is a practically applicable criteria system, which allows to monitor and evaluate the management process at the CoG, thereby timely identifying areas of improvement and enhancing the overall quality of governance. The criteria system developed within the study can be flexibly adapted to governance framework development outside Latvia, particularly concerning issues related to the selection and nomination process and effective policy planning management. An original study approach has been implemented since the process of selection and nomination of supervisory board members of SOEs is considered in relation to the operational functions of the CoG.

Keywords: governance; centre of government; state-owned enterprises.

JEL codes: G34; H83

Introduction

The governance system in public administration often faces challenges that influence its effectiveness and quality. What are these challenges? Changes in the external and/or internal environment include a number of actions to improve or develop new policies which contribute to the effective implementation of governance principles. The interrelated challenges facing public administration in this case are maintaining a balance of governance including responsibility for resource management, policy development, and respect for public interests (e.g., public participation, transparent decision-making).

One of the main components of the public administration governance system is the CoG (Davies & Vagi, 2023). Serving as the institutional nucleus of state administration entities, the CoG participates in adopting strategic decisions. The CoG operates within the rules and principles of governance to achieve desired results and maintain quality standards. Haddad et al. (2010) propose a holistic approach to the functions and roles of the CoG in the following key areas: supporting the cabinet (government communication, cabinet administrative support), reinventing government (service delivery improvement, institutional governance and efficiency, strategic government human resources management), steering overall policy-making (planning and budgeting synchronisation, national strategic planning, policy and legislation coordination), managing performance and programs (government program management, performance management) (p. 4). This holistic approach indicates that activities of the CoG are aimed at countries' development, including promoting its economic growth and addressing the needs of society. The authors point out that the functions of the CoG include not only national development strategies, policy development, management, and implementation of public services but also the function of formulating and implementing policies for the SOEs (for example, CoG (State Chancellery) is a coordinating authority for SOEs and holders of state capital shares). In addition, effective resource management is closely linked to the growth potential of a national economy. Halaskova et al. (2023) emphasize that effective governance of the state's financial system plays an important role in promoting economic growth (p. 13), besides, how effective and highly qualitative governance largely reflects not only on the indicators of the state's economy but also on "the well-being of its citizens" (Radziyevska, 2023, p. 135).

The study seeks to improve and strengthen the governance of the CoG in Latvia by evaluating the centre's operational functions and analysing the nomination process. The study's task is to examine the current structure at the CoG in Latvia, investigating its operational functions and involvement in the selection and nomination process of SOE supervisory board members.

The following hypotheses were put forward for the study:

- H1: the performance of the operational functions of CoG is linked to the results of the nomination process, as evidenced by the quality and timeliness of decisions on the selection and nomination of members of supervisory boards of the SOEs;
- H2: quality indicators provide a more complete assessment of the operational functions of CoG compared to effectiveness indicators since they better reflect the results achieved.

To establish the study's framework, the authors initially identified the state administration institutions forming the CoG in Latvia. Subsequently, adhering to the predefined structure for the Latvian CoG, the authors conducted a comprehensive review of the literature and analysed data pertaining to:

- governance and fundamental principles of good governance in public administration and corporate governance;
- the operational effectiveness of the CoG, encompassing its involvement in the selection and nomination procedures for members of SOEs supervisory boards.

Drawing upon the findings of the study, the authors proved the proposed hypotheses and formulated recommendations for the establishment of a set of criteria to strengthen the governance framework of the CoG.

Literature Review

Public administration operates in a unified hierarchical system and order, the core of its operation or "core executives" (Pollitt, 2020, p. 255) is formed by the CoG. Based on the literature review of CoG definitions in different periods of time, the authors highlight the following characteristics of the CoG (see Table 1).

Table 1. Characteristics of the CoG (Source: Created by the authors)

Author	Characteristics
James & Ben-Gera (2004)	Consists of various bodies, advisory and support services to chief executives (p. 3)
Alessandro et al. (2013)	Consists of various institutions (units), advisory and support services to chief executives, "*crosscutting governmental functions*" (p. 9)
Beschel et al. (2018)	Consists of various bodies, and typical functions such as coordination, monitoring, etc. (p. 48)
Brown et al. (2021)	Consists of various institutions (structural units) and people, and provides support to chief executives (p. 6)
Shostak et al. (2023)	Consists of various institutions (units) and advisors, provides various types of support to chief executives, such functions as coordination, monitoring, coordination of policies and financial resources, etc. are typical (p. 26)

The authors believe that the characteristics of the CoG indicate that it has characteristic actions that contribute to the achievement of policy objectives. Moreover, given that CoG has a hierarchical structure, reporting to the chief executives (for example, the Prime Minister), the specifics of its work concern and affect the entire public administration. Since the actions carried out by CoG affect subjects of various levels of government, the implementation of governance plays an important role.

Governance can be implemented in different ways (Fenger & Bekkers, 2016; Filgueiras et al., 2023; Fukuyama, 2013; Jose, 2007; Katsamunska, 2016; Larmour, 1997; Liu, 2021; McGrath & Whitty, 2015; Tan et al., 2022; Wiarda et al., 2024; Xu et al., 2015). For example, Wiarda et al. (2024) note governance as a mission in which ongoing change creates the need for new ways and responsibilities of governance (p. 1), but McGrath and Whitty (2015) describe governance as a place of convergence. Katsamunska (2016), analysing the governance structure, points out that governance is related to "the institutional capacity" (p. 134) of organisation, where, given "resource constraints" (p. 134), desired benefits (public and other) for society are provided in an efficient, responsible, fair and transparent way (p. 134), but Liu (2021) characterizes it as the responsible use of government powers to promote common good and meet the needs and interests of citizens, thereby "*achieving* the state of good governance" (p. 266).

To ensure the quality and effectiveness of governance, the principles of good governance are followed. The principles of good governance differ in public administration and corporate governance. Even though OECD (2023b) notes 32 principles of good public administration governance, it emphasizes one of the roles of the CoG in the coordination of effective and consistent public policy (p. 16). Coordination and harmonisation of policies are one of the central functions implemented by the CoG, since as a result of its activities, interconnected development planning documents are created in the country that correspond to the national development strategy or National Development Plan (NDP) and the financial resources planned therein. The NDP plays an important role not only in the development of the country's economy but also in improving the quality of life of the country's citizens, which means that the NDP is an instrument of long-term budget planning for the planned policies and reforms to be implemented. Furthermore, it should be noted that long-term policy planning is usually a complex process, for example, Chaponda et al. (2020), in their analysis of public investment management, note that including accurate financing in the national plans is a complex task; besides, a similar opinion express other researchers who analysed the NDPs and their implementation, additionally drawing attention to the fact that often it is difficult to obtain specific data on what has been done in the plan (Anam et al., 2024; Chimhowu et al., 2019; Filho et al., 2010; Vitola & Senfelde, 2011). Why else are NDPs important? NDPs are used to plan coherent structural plans in different sectors (e.g. education, social security, etc.) based on the included objectives and preliminary financing of activities. On the other hand, in Latvia, the NDP and the corresponding indicative financing information serve as the basis for medium-term national development planning documents (guidelines) developed by ministries within the same timeframe as the NDP. Accordingly, it is important not only to ensure mutual consistency of policy documents but also to ensure their timely development and adoption in order to facilitate the effective and high-quality implementation of the NDP.

As mentioned above, corporate governance is based on its own principles of proper governance, although, there are still debates about which principles of corporate governance are the most effective and best (Bohdanowicz, 2015; Kuo & Lee, 2024; Levy Yeyati & Negri, 2023; Lu et al., 2022; Papenfuss & Wagner-Krechlok, 2023). In addition, it should be noted that effective governance increases the value of the company (Fioravante, 2021, p. 114), good governance refers to the processes through which decisions are made (Tomazevic et al., 2023) and governance quality can be improved to "maximize the benefit of the reforms" (Hu et al., 2023, p. 989), for example, SOE reforms. Effective and qualitative governance also influences the growth opportunities of SOEs, for example, Szarzec et al. (2021) note that the influence "of SOEs on economic growth" (p. 2) depends on "the level of institutional quality" (p. 2).

In Latvia there is a two-tier governance system for SOEs, meaning that some SOEs have both a supervisory board and a management board, which SOE will have a supervisory board depends on the amount of net turnover (more than 21 million euros) and the sum of the balance (more than four million euros) (Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof, Section 78). Therefore, the supervisory authorities of the largest SOEs are their supervisory boards, which represent both, the interests of holders of state capital shares and control of activities of the management board. On the other hand, public administration representatives from the CoG participate in the selection of members of the supervisory boards of SOEs, whose responsibilities include the implementation of the nomination process. The effectiveness and quality of the selection and appointment process for supervisory board members is reflected in the sustainable governance of SOEs (Moisello et al., 2024; Putra & Setiawan, 2024; Sigurjonsson et al., 2024), as emphasized by Magnusdottir et al. (2023) - "nomination committees have become important mechanisms for .." ensuring "… good or sustainable governance" (p. 1). So, to ensure the quality and effectiveness of governance, it is necessary to adhere to the fundamentals of governance, which are shaped by the principles of good governance in both public administration and corporate governance.

The authors additionally note that there is a diversity of opinions among researchers on the issue of the existence and improvement of an effective and high-quality governance system, for example:

- Azimi and Shafiq (2020) recommend paying attention to all aspects related to good governance, in order to improve governance quality;
- assessing the quality of governance, Khyareh (2023) points out that strengthening the "governance system" (p. 8) itself must be constantly taken care of, since "economic growth" (p. 8) stimulates the growth of business activity, which is one of the conditions for good governance;
- Capano et al. (2023) note that the main "source of good governance" (p. 1) is the ability to analyse policies;
- Yahya Jafeel et al. (2023) note that "shareholder rights" (p. 5) are a key component of a sound "corporate governance system" (p. 5);
- Sidki et al. (2023) emphasize that effective governance of SOEs is reflected in the effective performance of tasks.

Taking into account above mentioned, the authors conclude that governance can be improved in various ways, but in order for the improvements to be effective and of high quality, it is necessary to understand the challenges facing governance.

Research Methodology

The study consisted of several parts, and the following methods were used for its implementation - literature review, content, and thematic analysis. In order to understand the theoretical concept of the CoG and to identify the institutions that form the CoG in Latvia, a literature review was conducted on the concept and functions of the CoG, including considering Haddad et al. (2010) who developed the roles and functions of the CoG and its definitions in different periods. Using the knowledge gained from the literature review analysis of the regulations of 14 Latvian ministries was conducted to determine which ministries have typical functions of a CoG. Based on the lessons learned institutions making up the CoG were identified, and a definition of the CoG was developed.

The next stage of the research involved a review of the literature on good governance in public administration and corporate governance, linking it with the authors' framework for a CoG. Sequential steps were used in conducting a descriptive qualitative content analysis, identifying challenges of effective and qualitative governance concerning the operational functions and nomination process within it. In addition, the literature review identifies theoretical concepts of good governance as they apply to the Latvian CoG and its role in corporate governance, including participation in the nomination process.

In continuation of the study, the authors conducted a content analysis of the operational functions implemented by the CoG. The resources used in the analysis were selected based on their compliance with the specific structure of the CoG, study results on key principles of good governance at the CoG and corporate governance. The analysis of operational functions was based on: (a) a previously published study on the possibilities of improving the management of the CoG Latvia, in order to evaluate the significance of both managerial (governance provision) and operational functions (Cabinet of Ministers' operations) (Petrovska & Berzins, 2022a), (b) annual reports of institutions, that form Latvian CoG, in order to carry out the evaluation of achieved results and proposed courses of action, including indicators of effectiveness and quality of the CoG (Ministry of Justice, 2022; Ministry of Finance, 2022; State Chancellery, 2022), (c) NDP assessment to perform an exhaustive evaluation of the NDP2020, scrutinizing the attainment of predetermined developmental objectives, examining areas of shortfall and made investments (Cross-Sectoral Coordination Centre, 2022a). On the other hand, for evaluating the implementation of the nomination process, in the context of operational functions, authors relied on guidelines adopted in the country, which include issues necessary to ensure a successful nomination process for members of supervisory boards of SOEs (Cross-Sectoral Coordination Centre, 2020, 2022b) and previously published synthesis of research findings (Petrovska et al., 2023a, 2023b, 2023c; Petrovska & Berzins, 2022b). In-depth analysis of resources was also necessary to:

- analyse skills and roles of the CoG; researchers, in order to gain insights on how well-equipped the government is to make strategic decisions and implement different policies;
- assess operational functions to help identify areas for governance improvement at the CoG, ultimately contributing to better governance practices and outcomes;
- investigate the actions of holders of state capital shares during the nomination process to provide insight into the governance dynamics and decision-making processes;
- evaluate the effectiveness of the nomination process and propose solutions for enhancement to lead to improvements in governance structure and performance of SOEs, ultimately benefiting from good corporate governance principles.

The resources selected by the authors provided new, additional insights into the governance framework from the perspective of operational functions, as, using the thematic analysis method, the authors were able to integrate different perspectives on operational functions and draw new conclusions.

The study had several limitations. Although the CoG was analysed from the perspective of different authors, the study focused on the CoG in Latvia and the operational functions implemented in it. Since there are no completely identical NDPs, and each country has its own specific priorities and reforms that need to be implemented, to be able to compare NDPs authors analysed conclusions on the results of the implementation of NDPs, paying special attention to the ability of using financial resources. The study used the current legal framework for the nomination process in Latvia, which, although based on the OECD international guidelines on good corporate governance, may differ in other countries; in addition to the above, the implementation of the nomination process was analysed concerning supervisory boards, considering a two-tier SOE governance system operating in Latvia.

Research Results

Considering the institutional framework of public administration in Latvia Prime Minister (head of government) assumes a leadership role within the CoG. Operating under a coalition agreement, the Prime Minister holds significant sway in decision-making processes; key responsibilities of the Prime Minister entail shaping public policies and ensuring cohesive and coordinated government operations (State Administration Structure Law, 2002; Cabinet Structure Law, 2008; Regulations of the Cabinet of Ministers of September 7, 2021, No. 606)

Through an examination of Latvian public administration laws (State Administration Structure Law, 2002; Cabinet Structure Law, 2008; Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof, 2014) and regulations governing public entities (Regulations of the Cabinet of Ministers of September 7, 2021, No. 606; regulations of the 14 Latvian ministries; State Chancellery), authors have identified following public administration bodies constituting the CoG of Latvia:

- the State Chancellery is tasked with facilitating cohesive national development planning and orchestrating the alignment of diverse policies. Its functions encompass supervisory oversight and broad supervision of policy formulation, alongside the establishment of human resources policies of public administration; it performs tasks of coordinating authority for SOEs and holders of state capital shares, thereby ensuring reinforcement of good corporate governance principles (Brante et al., 2020);
- the Ministry of Justice plays a crucial role in ensuring adherence to legal standards, encompassing the monitoring of overarching policy formulation processes;
- the Ministry of Finance, being the primary public administration entity responsible for formulating financial policies, undertakes a supervisory oversight role and oversees the broader policy-making process. This involves monitoring the execution of the state budget and other financial mechanisms.

Taking into account the above structure, the authors define CoG as follows: the CoG is the instrument of the highest executive power of the state, which is in charge of national development planning, development of financial policies, and legal standards and overseeing their implementation.

Analysing differences between the key principles of good governance in public administration and corporate governance, the authors concluded that G20/OECD principles of good corporate governance are divided into several main areas: the responsibilities of the board (nomination process included), disclosure and transparency, sustainability and resilience (nomination process included), ensuring the basis for an effective corporate governance framework, institutional investors, stock markets and other intermediaries, the rights and equitable treatment of shareholders and key ownership functions (nomination process included) (OECD, 2023a). On the other hand, to implement good governance in public administration, OECD (2023b) identifies several roles of the CoG among the 32 principles of good governance in public administration:

- coordination and harmonisation of policies not only between various institutions but also within the CoG (OECD, 2023b, p. 16);
- providing support, in both - timely preparation of government decisions in accordance with regulations, making them clear and understandable, while ensuring that developed projects comply with established standards (OECD, 2023b, p. 16);
- clear coordination of internal and external communications (including the prevention of disinformation and fake news) (OECD, 2023b, p. 16);
- providing support in decision-making in various critical situations (including preparedness for possible crises in the future) (OECD, 2023b, p. 16).

The results of the analysis of operational functions indicate a positive perception of the governance of the policy planning system within the CoG. There is widespread confidence among CoG staff in the system's ability to facilitate the planning, management, and organisation of various governance processes (Petrovska & Berzins, 2022a). This indicates that the CoG has developed a platform that supports and enhances the functioning of the policy planning system, contributing to overall governance effectiveness, which is in line with OECD principles of good governance at the CoG.

Based on an analysis of operational functions in the context of ex-post assessment of the Latvian National Development Plan for 2014-2020 (NDP2020) (Cross-Sectoral Coordination Centre, 2022a), the authors concluded that it contains an assessment of each NDP2020 priority, including information on the funding used for implementation, but it is not possible to determine the amount of actual costs, since the assessment of progress includes only approximate values.

Analysing various reports of ministries and the State Chancellery, the authors indicate that effectiveness indicators are used very rarely, mainly CoG uses metrics that, for example, contain information about the number of documents developed or the number of issues included, considered and approved at different sessions and sections (Ministry of Finance, 2022; Ministry of Justice, 2022; State Chancellery, 2022). In addition, it should be noted that the State Chancellery has created a unified public portal for the development, coordination, and harmonising of legal acts (the portal includes various types of draft documents, not only legal acts). The unified public portal is a data circulation information system, which allows anyone to get acquainted with and participate in the documents drafting at various stages of their development until their adoption by the Cabinet of Ministers. Considering that the unified public portal is a relatively new data circulation information system, it is too early to draw conclusions about its effectiveness. At the same time, it does not exclude the possibility of proposing an indicator, the implementation of which will help streamline the process of developing and approving draft development planning documents and legal acts.

Taking into account the results of operational functions, the authors propose the creation of several indicators of the effectiveness and quality of operational functions of the CoG in order to improve the policy development process. However, before turning to the presentation of indicators, it is necessary to explain the differences between the two terms – effectiveness and efficiency –to ensure a common understanding of the term used in the sequel – effectiveness indicator. The authors base their understanding of these two terms on Nagel's (1986) explanation, which relates effectiveness to the results of a certain policy, while efficiency – to expenses (incl. their reduction). The authors note that while the line between effectiveness and efficiency is difficult to draw, particularly, when planning policy or improving the nomination process, the effectiveness indicators included in the continuation are related to the improvement of the implemented policy, policy planning and implementation of the nomination.

The purpose of the quality indicator (Eq. 1, Table 2) is to monitor the approval of draft development planning documents (PD) and draft legal acts (LA) at meetings of the Cabinet of Ministers in a certain period of time so that the PD or LA draft should be no longer than six months from the draft's announcement on the unified public portal. The State Chancellery (in cooperation with line ministries) would be responsible for compiling the results of the indicator.

$$K(\%) = \frac{B}{A}\, x100 \qquad (1)$$

where

K (%) is the number of PD/ LA drafts approved by the Cabinet of Ministers (no later than six months from the date of announcement of the draft on the unified public portal, per year (%));

B is the total number of approved PD/ LA drafts in six months during the time since the draft was announced on the unified public portal;

A is the total number of approved PD/ LA drafts per year.

Table 2. Six months' timeframe for PD/ LA draft approval (Source: Created by the authors)

Target	Frequency	Source	Year to Year
At least 75%	One time a year	Annual report developed by the State Chancellery	Yes

The purpose of the effectiveness indicator (Eq. 2, Table 3) is to ensure consistency (compliance) of the NDP with the planned policy (planned financing) in such a way that the costs of implementing the NDP amount to at least 90% of the planned funding. The frequency and source of NDP monitoring in Table 3 are related to the Latvian legislation. The State Chancellery (in cooperation with line ministries) would be responsible for compiling the results of the indicator.

$$K(\%) = \frac{B}{A}\, x100 \qquad (2)$$

where

K (%) is the execution from planned NDP financing, %;
B is the used NDP funding, *euro*;
A is an NDP planned financing, *euro*.

Table 3. The use of funding planned in the NDP (Source: Created by the authors)

Target	Frequency	Source	Year to Year
At least 90%	Within a year after the expiration of the NDP	*Ex-post* assessment of NDP developed by the State Chancellery	No

The results of the analysis of the nomination process reveal that the process of selecting and evaluating candidate members for supervisory boards of SOEs is laborious and often takes several months (Petrovska et al., 2023a; Petrovska et al., 2023c); the findings suggest that while the nomination committee operates within a closed system, it adheres to principles of good corporate governance and follows specific rules (Cross-Sectoral Coordination Centre, 2020, 2022b; Petrovska et al., 2023a). The results (Petrovska & Berzins, 2022b; Petrovska et al., 2023a; Petrovska et al., 2023c) indicate that a common reason for not continuing with an existing supervisory board member is that she/he has already had a relatively long history of service at the SOE's supervisory board, or that by using the nomination process, a better candidate can be identified, thereby strengthening the supervisory board's knowledge base. However, challenges such as time constraints and candidate rejection by the holder of state capital shares highlight the need for improved cooperation among stakeholders (Petrovska et al., 2023a). Time constraints emerge as a significant challenge in the nomination process, often leading to delays and additional evaluations; strengthening cooperation among stakeholders involved in the nomination process is crucial to overcoming these challenges and streamlining operations as well as strengthening collaboration can expedite decision-making and mitigate conflicts, ultimately enhancing the overall effectiveness of the nomination process (Petrovska et al., 2023c). Additionally, enhancing cooperation among supervisory board members and state representatives can contribute to the sustainable development of SOEs. Improvement in the nomination process is essential to ensure that supervisory board members possess the required qualifications and reputation (Petrovska et al., 2023b).

The State Chancellery plays a pivotal role in facilitating the nomination process, and its involvement has been instrumental in strengthening oversight and coordination (Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof, 2014; State Administration Structure Law; Regulations of the Cabinet of Ministers of January 7, 2020 No. 20 "Procedure for Nomination of Members of the Management Board and Supervisory Board in Capital Companies in which Capital Shares Belong to the State or a Derivative Public Person"; Cross-Sectoral Coordination Centre, 2020, 2022b). Although the nomination process for members of supervisory boards of SOEs is well structured, the authors suggest that holders of state capital shares can work to streamline the nomination process and achieve the long-term goals of SOEs while upholding the principles of good governance. An analysis of the results of the nomination process shows the need to optimize the time spent on creating a nomination committee. In addition to the above, to improve the quality and effectiveness of governance at the CoG in relation to the nomination process, it is necessary to conduct time monitoring of activities associated with the timing of the holder of state capital shares decision regarding the candidate nominated by the nomination committee. Improvements in these areas will particularly strengthen the following principles of good corporate governance: sustainability and resilience, board responsibilities, and the rights and equitable treatment of shareholders and key ownership functions (OECD, 2023a).

The authors propose to develop the following quality and effectiveness indicators in order to improve the nomination process.

The purpose of the quality indicator (Eq. 3, Table 4) is to determine the number of decisions made on the nomination of current supervisory board members for the next term in office if the performance results of the member is sufficient. This metric encompasses assessing the performance contribution of both the CoG and SOEs. The State Chancellery (in cooperation with line ministries whose SOEs have supervisory boards) would be responsible for compiling the results of the indicator.

$$N(\%) = \frac{B}{A}\, x100 \tag{3}$$

where

N (%) is the number of decisions per year if the performance of the supervisory board members is sufficient %;
B is the number of decisions assessed per year if the performance of the supervisory board members is sufficient;
A is the total number of decisions made per year.

Table 4. Promotion to next term of office based on sufficient performance (Source: Created by the authors)

Target	Frequency	Source	Year to Year
Less than 50%	One time a year	Annual report developed by the State Chancellery	Yes

The purpose of the quality indicator (Eq. 4, Table 5) is to determine the number of decisions made regarding the advancement of existing supervisory board members to the next term in office, if the performance of the supervisory board member is good/very good. Similar to Eq. 3, Table. 4, this indicator also covers the contribution to the evaluation of the performance of both - CoG and SOEs. The State Chancellery (in cooperation with line ministries whose SOEs have supervisory boards) would be responsible for compiling the results of the indicator, ensuring that the data collection is transparent, and based on normative acts and guidelines, thus avoiding potential political influence. The authors point out that the indicators included here (Eq. 4, Table 5) and further (Eq. 5, Table 6 & Eq. 6, Table 7) are related to the assessment of the performance of the members of the supervisory boards of SOEs when the supervisory board of SOE presents to the holder of state capital shares individual assessment of the supervisory board members together with an assessment of the performance of relevant functions of the supervisory board. Since the State Chancellery, as an institution within the CoG, is involved in the implementation of the nomination process and acts as a coordinating institution for the management of SOEs and state capital shares, included indicators (Tables 4, 5, 6), although obviously not showing major improvements, provide insight into the policy results and CoG performance.

$$N(\%) = \frac{B}{A}\, x100 \tag{4}$$

where

N (%) is the number of decisions per year if the performance of the supervisory board members is good/ very good;

B is the number of decisions assessed per year if the performance of the supervisory board members is good/ very good;
A is the total number of decisions made per year.

Table 5. Promotion to next term of office based on good/ very good performance (Source: Created by the authors)

Target	Frequency	Source	Year to Year
80%	One time a year	Annual report developed by the State Chancellery	Yes

The purpose of the quality indicator (Eq. 5, Table 6) is to identify the organisation of the candidate selection process when selecting members of the supervisory board of SOEs, if the nomination process has ended with a positive result. Outcomes of the indicator will help in understanding potential inefficiencies or challenges within the selection process, allowing for targeted improvements or interventions to enhance its effectiveness and streamline it. The State Chancellery (in cooperation with line ministries whose SOEs have supervisory boards) would be responsible for compiling the results of the indicator.

$$N(\%) = \frac{B}{A}\, x100 \tag{5}$$

where

N (%) is the number of cases per year, %;
B is the number of organized selections of candidates for members of the supervisory boards of SOEs if it ended with a positive result;
A is the number of organized selections of candidates for members of the supervisory boards of SOEs per year.

Table 6. Selections of SOE Supervisory Board Members with a positive result (Source: Created by the authors)

Target	Frequency	Source	Year to Year
Aspire to 90%	One time a year	Annual report developed by the State Chancellery	Yes

The purpose of the effectiveness indicator (Eq. 6, Table 7) is to identify the decision-making time of the holder of state capital shares after receiving the candidate of the nomination committee. The benefit of such monitoring is the evaluation of the effectiveness and responsiveness of the holder of state capital shares in decision-making. The State Chancellery (in cooperation with line ministries whose SOEs have supervisory boards) would be responsible for compiling the results of the indicator.

$$N(\%) = \frac{A}{B}\, x\ 100 \tag{6}$$

where

N (%) is the average time for a holder of state capital shares to make a decision, %;
A is the average number of working days used to make a decision;
B is the number of working days in one month.

Table 7. Time spent in decision-making (Source: Created by the authors)

Target	Frequency	Source	Year to Year
For no more than 1 month (100%)	One time a year	Annual report developed by the State Chancellery	Yes

The purpose of the effectiveness indicator (Eq. 7, Table 8) is to determine that no more than four weeks are needed to form a nomination committee. With the help of this indicator, it will be ensured that the process of establishing the nomination committee is timely and efficient with a clear deadline of no more than four weeks, thus facilitating the smooth operation of the nomination process.

$$N(\%) = \frac{A}{B\ x\ 20} x100 \tag{7}$$

where

N (%) is the average time to form a nomination committee (%);
A is the total number of working days spent on forming the nomination committee;
B is a number of formed nomination committees;
20 is the number of working days in one month.

Table 8. Time spent in forming a nomination committee (Source: Created by the authors)

Target	Frequency	Source	Year to Year
Within no more than 20 working days (100%)	One time a year	Annual report developed by the State Chancellery	Yes

The authors believe that they have succeeded in proving both of the proposed hypotheses because the study reveals that:

- in fact, by comparing the quality and effectiveness indicators related to the CoG, the authors conclude that the processes related to the quality indicators may be better as they reflect the broader long-term results and satisfaction of the parties involved (interested parties), which are necessary for assessing the operational functions of the CoG. For instance, the CoG primarily uses metrics such as the number of documents developed or the number of issues considered and approved at different sessions and sections, while the CoG assesses the progress of policy priorities, including information on funding, it lacks assessment of actual costs of implementing NDP2020. Collection and analysis of quality indicators related to CoG is an effective way to continuously improve CoG governance thus improving the overall CoG performance. At the same time, the authors note that various indicators are important for creating conditions that facilitate solutions for various governance problems. (H2)
- when reviewing the relationship between the nomination process and performance, it is necessary to focus on measurable aspects, such as quality and timeliness of decision-making. Study shows that CoG operational functions are crucial when it comes to ensuring that governance processes are both efficient and in line with policy objectives. In this context, the nomination process plays a vital role in improving the effectiveness and quality of SOE performance, as effective nomination processes help ensure that professionals become members of SOE supervisory boards, thereby improving not only overall governance but also guiding SOEs towards achieving the goals they have set. The State Chancellery's pivotal role in facilitating the nomination process highlights its importance in strengthening oversight and coordination. While the nomination process is well-structured, holders of state capital shares can work to streamline it further and achieve the long-term goals of SOEs while upholding principles of good corporate governance. (H1)

Discussion

Analysis of the CoG framework and its definitions showed its complex system, which corresponds to Beschel et al. (2018), James and Ben-Gera (2004), Shostak et al.'s (2023) descriptions of the characteristics features of the CoG, concerning both the provision of direct support and strategic guidance to the chief executive and the implementation of the main coordination function performed by the CoG. Given the complexity of the organisational structure of the CoG, as well as the general nature of its definitions, the authors believe that it is useful to conduct further research on the CoG in different governance settings to clarify not only the capabilities of the CoG to ensure multi-level coordination, but also to study how different governance models affect the effectiveness of the CoG.

Multi-level coordination is one of the central operational functions of the CoG since the result of the work is the creation of NDP. The authors believe that the implementation of NDPs is a challenge. The challenge that countries, including Latvia, face is they cannot accurately plan the costs of the activities included in NDPs, as Chimhowu (2019) highlighted, there is a gap between planning and financing. As in the case of Chimhowu (2019), the authors ask whether this gap is a consequence of various financial constraints, unforeseen external events, or the inability to plan precise expenditures for a longer period of time, for example, six years, which is the average durations of the NDP? A possible answer lies in the division of responsibility between financing and planning national development. According to the authors, this problem indicates the need to improve the coherence of these two processes. Therefore, the authors believe that future research would benefit from investigating NDP by focusing on detailed case studies to understand the reasons and factors influencing the alignment of these two processes. In general, the analysis of the Latvian NDP (NDP2020) shows the need to monitor the implementation of the NDP and monitor the timely approval of PD / LA in the government, which facilitates the timely transfer of the NDP to the level of sectoral policy.

This study also analysed governance and principles of good governance. Our study confirms the view expressed in the literature, that governance is not an exception, but a universal requirement that contributes to the effective functions of an organisation (Katsamunska, 2016; McGrath & Whitty, 2015). When applying the principles of good governance, it is important to understand that it is not only a matter of following rules and order, but also a dynamic process (Filgueiras et al., 2023), requiring the balancing of various interests (for example, the implementation of the coordination function). Effective and high-quality governance also affects the SOEs ability to achieve the set key performance indicators. For example, good corporate governance principles note not only the importance of the nomination process in promoting the sustainability of an SOE, achieving financial, non-financial and general strategic goals, but also the important role of the nomination process in the mechanism of good governance, so that the governance system is effective and of high-quality (OECD, 2023a).

Nomination committees play an important role in improving corporate governance as they are the mechanism through which good corporate governance practices are implemented. The above is not inconsistent with Putra & Setiawan (2024) who emphasize that the primary role of the nomination committee is to protect the interests of all parties involved, which helps maintain not only governance balance but also improve profitability. Furthermore, Moisello et al. (2024) emphasize that nomination committees are responsible for both - defining the selection criteria and making selections according to the established criteria. Thus, establishing clear selection criteria helps to create an effective and competent supervisory board, which is necessary for effective corporate governance. In summary, nomination committees are recognized as key components of the corporate governance structure.

Despite the results of the study, it had several limitations. Governance and its implementation principles were analysed in the context of the CoG framework, with a special focus on the nomination process and the development of the NDP. The study is largely based on existing literature and legal framework, which may not reflect current reforms in public administration, SOEs or changes in any of the functions implemented by the CoG.

Conclusions

Governance, a cornerstone of effective CoG operations, is a dynamic process that ensures the organisation navigates challenges and maintains equilibrium. Despite internal and external pressures, a well-governed CoG can effectively address problems and achieve its objectives. The diverse principles of good governance underscore the complexity of evaluating governance systems. Variations in assessments of governance effectiveness and quality highlight the need for ongoing review and improvement.

Analysis of operational functions within the CoG's policy planning system reveals a positive perception of its governance. This suggests widespread confidence in the system's ability to facilitate planning, management, and organisation across various governance processes. The CoG has developed a platform that supports and enhances the functioning of the policy planning system, contributing to the overall quality and effectiveness of its governance.

The findings of this study present a significant contribution to the enhancement of governance processes within the CoG. Based on the study findings, the authors propose the creation of several indicators to evaluate the effectiveness and quality of the functions of the CoG, particularly focusing on improving the NDP assessment and nomination process. Authors believe, that developed quality and effectiveness indicators for better CoG governance would:

- help to improve the nomination process and NDP assessment, thereby strengthening principles of good corporate governance and public administration;
- provide valuable insights into the efficiency and cost-effectiveness of NDP, aligning with the principles of good governance in public administration and corporate governance.

This study presents a novel approach to examining the nomination process for supervisory board members of SOEs within the context of the CoG's operational functions. By adopting an integrative perspective, we gain a comprehensive understanding of how governance processes at the CoG influence critical decision-making within SOEs, identifying potential areas for improvement.

A key advantage of our proposed criteria system is its adaptability. Although developed for the Latvian context, the system can be easily adapted to governance frameworks in other jurisdictions. This flexibility is particularly valuable for addressing issues related to the selection and nomination process and effective NDP management. As such, our criteria system offers a valuable tool for governance practitioners worldwide.

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