



LATVIAN
NATIONAL
DEVELOPMENT
PLAN

2007-2013



MINISTRY OF REGIONAL DEVELOPMENT AND LOCAL GOVERNMENT OF THE REPUBLIC OF LATVIA
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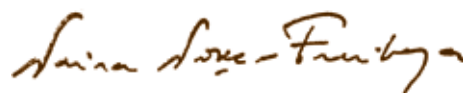
I congratulate everyone who took part in the formulation of Latvia's National Development Plan and for successfully completing this important task. The authors have produced a truly significant and comprehensive document that outlines the country's national growth objectives and delineates Latvia's main development areas for the next seven years. It is significant that Latvia's inhabitants have been widely involved in the development of this plan, that the opinions of various groups of society were considered and that their comments and recommendations were taken into account.

The next seven years will certainly be decisive ones for raising the quality of education and scientific research in Latvia, as well as for the further development of the economy. We need to create a stable intellectual and material foundation for ensuring a gradual rise in Latvia's overall welfare. I truly believe that Latvia's National Development Plan will help us to promote and strengthen the further development of our country, as well as increase its prosperity and international competitiveness.

Since the renewal of its independence in 1991, Latvia has been able to capitalize on the main driving force for the growth of the country – its people, along with their knowledge, wisdom and skills, and their wish to use their intellectual assets productively. One of the major challenges for Latvia's future is to achieve excellence in those fields where it has relative advantages. We will be able to do this if we channel the required investments into our highly qualified, creative and diligent population.

The potential of our people, in combination with a concerted State policy, needs to be used to achieve meaningful results in the development of Latvia's economy, at a time of increasing global competition. During the 15 years that have passed since we regained our independence, our country has managed to implement significant reforms that have helped us to join the family of the European Union's member States, to enter the NATO alliance and to achieve indicators of economic growth that are among the highest in Europe and in the entire world. The investment, the knowledge, the successes and the achievements of each and every inhabitant of Latvia are crucial for maintaining Latvia's successful national development.

I hope that as a result of our joint efforts during the next seven years, we will be able to implement the most important goals of the National Development Plan, and that it will help us to enter a new and enhanced stage of development for the benefit of everyone who lives in this country.



Vaira Vīķe-Freiberga
President of the Republic of Latvia



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I WHAT IS THE NATIONAL DEVELOPMENT PLAN?

OBJECTIVE AND TASKS

The National Development Plan (NDP) has been developed in accordance with the Regional Development Law of the Republic of Latvia and is a medium-term planning document for the period from 2007 until 2013. The objective of the plan is to facilitate a balanced and sustainable development of the country, as well as to ensure an increase in Latvia's competitiveness. It is our contribution to the common strategy of the EU member states and to the implementation of the Lisbon programme.

By coordinating opinions and shaping a common understanding about the country's development in the near and distant future, the NDP presents the strategic goal of Latvia's development and sets forth the main activities that will be able to ensure stable growth of the country and society.

The NDP's task is to focus society's attention on an agreed upon goal, thus ensuring coordination and balance of activities and purposeful channelling of financial resources into attainment of the state's development goals, as well as into creating the necessary preconditions. Therefore, it is very important to incorporate NDP's principles and suggested proposals into other planning documents, to co-ordinate them and to provide funding for them.

IMPORTANCE OF THE NATIONAL DEVELOPMENT PLAN

The NDP is a document which marks a turning point in the development of the country and offers answers to the following questions:

- What will our Latvia look like after seven and more years?
- How can an increase in the country's competitiveness be ensured?
- What qualities should a person – a shaper of Latvia's future – possess?

The Constitution of the Republic of Latvia states that the Saeima and the government of the Republic of Latvia are the main institutions in charge of the development process, and they should be able to develop and implement a policy that will ensure the country's growth and will increase the people's welfare. The government has an important role in involving all of the participants – public, private and non-governmental sector – in implementing a unified national growth scenario. Moreover, each person has to share part of the responsibility for his/her choices, for the development of his/her creative potential and for an active lifestyle.

The NDP is not an action or financial plan but a strategic document which

- proposes a medium-term goal and priorities;
- facilitates formation of a common understanding and involvement of the entire society;
- focuses attention and financial resources for ensuring the country's and society's sustainable development;
- sets forth guidelines for drafting planning documents at all levels and sectors.

The status of the strategic document determines the structure of the NDP, defining the strategic objective and setting the priorities to achieve this objective. There are described the areas of activities, main tasks to be solved. The chapter "Prerequisites for sure and sustained development" presents the most important areas for the achievement of the strategic objective.

NDP's strategic goal cannot be reached within the next seven years, but it is important to make the right decision now so that the state works in a coordinated and purposeful manner to ensure welfare and a high standard of living in the future. The national development strategy outlined in this plan must be presented to and approved by the Latvian people because only people who are convinced about the results of this strategy will be able to understand and support various decisions, act purposefully for their own and their children's welfare, as well as take pride in being useful to Latvia.



II NATIONAL GROWTH MODEL – “PEOPLE FIRST”

DEVELOPMENT SCENARIOS FOR LATVIA

Much has been achieved since the renewal of the independence of the Republic of Latvia – a stable democratic system and a fully functioning, liberal and open market economy have been established. Latvia has also become successfully integrated into international structures. However, its achievements have been focused on the most immediate needs of the country while overall development has been insufficiently consistent and coordinated. When drafting of the NDP began, it was clear that a political agreement concerning the country's long-term development was required.

In studying country's development opportunities, a group of Latvian scholars concluded that there are three possible scenarios:

- *The backwardness scenario* – the development process remains uncoordinated: as the base level increases, the tempo of development starts to decline rapidly; tension in society increases; it becomes difficult to realize future goals; Latvia becomes a second-class EU member state.
- *The stagnation scenario* – the development process adapts to those progressing the most slowly; the present generation fails to achieve parity with the average standard of living in EU member states, and people lose motivation to become involved in long-term investments and activities; education becomes a lower priority.
- *The growth scenario* – steady, rapid and balanced development at all levels by using our comparative advantages and by setting a common goal for the long-term development of our country that is in conformity with the resources at our disposal.

On 26 October 2005, the Saeima of the Republic of Latvia approved the conceptual document drafted by the group of scholars “A Growth Model for Latvia: People First”, that is based on a human-centred approach and on the growth scenario. Raising the quality of human life is announced to be the goal of the country's growth.

A RESOURCE FOR GROWTH – KNOWLEDGE

In the long term, neither Latvia's natural resources nor its cheap labour force can serve as the basic resource for the country's growth. Our chief resources that can enable the whole society and each individual to reach the standard of living that developed countries have attained are the people's knowledge and wisdom, as well as their ability to use them efficiently and purposefully.

In such a growth model, knowledge determines the quality of the labour force, the use of capital and the development of technologies. An educated and knowledgeable society becomes a guarantee of the country's domestic and external security. Knowledge management, as well as a coordinated and targeted creation, accumulation, dissemination and utilization of knowledge, is a complex process which serves as the basis of economic and social life and which involves the whole country and society. Unlike many other countries that can choose from

among several paths of development or to combine them, Latvia has no alternative options for movement towards a knowledge-based economy.

This document emphasizes that the knowledge potential of Latvia's inhabitants is sufficient to fulfil this task; however, immediate coordinated action is required to increase and utilize this potential. Any delay could lead to irreversible consequences. The fundamental principle of the development process and of activities is this: the creation of equal opportunities for all and each individual's responsibility to take advantage of these opportunities.

THE GOAL OF GROWTH – AN INCREASE IN THE QUALITY OF HUMAN LIFE

The goal of the country's growth should be understandable and stimulating to every inhabitant of Latvia. Establishing knowledge as the key resource for the country's development means that people as the creators and disseminators of knowledge become the main driving force and the beneficiaries of this development.

The most important desires of every human being are connected with welfare, their own security and the security of their relatives, health issues and security in old age, as well as with clean air and fresh water, educational opportunities, the opportunity to express oneself creatively, to travel, etc. Each person's interests, scale of values, as well as his or her concept of what is a good and happy life are very diverse, subjective and deeply personal. As years and experience accumulate, each person's scale of values also changes. The various aspects of these values and their totality create the quality of a human life.

The choice of such a goal ensures a close unity between the resources necessary for growth and the goals of this growth; thus, this unity becomes an important precondition for growth. The deeply human desire to want a better life and to improve one's quality of life is a priority for every individual and thus for society as a whole.

The individual's quality of life merges with that of the entire nation, thus creating the totality of our country's national interests.



III QUALITY OF LIFE – WHAT DOES IT MEAN?

Quality of life is a complex social, economic and political concept which encompasses a broad spectrum of living conditions of the country's inhabitants. It is characterized by the consumer goods available to an individual, the range and quality of social services, opportunities for getting an education and living a long and healthy life; participating in the country's political life, as well as by eliminating any kind of discrimination based on gender, ethnic origin, race, religion, physical disability, sexual orientation and age, thereby enabling an individual to realize his/her potential while helping to create society's welfare. Thus, it can be said that the quality of life is determined by the country's natural, economic, social and political environment, which can be characterized by various indicators.

According to an analysis of the present situation made during the drafting of the NDP, some aspects characterizing the quality of life are the following.

Material welfare is a topical issue for every inhabitant of Latvia. It is connected to the whole country's economic development. After creating the fundamentals of a market economy in the beginning of the 1990s, Latvia managed to quickly and efficiently establish a stable macroeconomic environment, which for several years served as the basis for a stable development of the national economy and the transition from a planned to a market economy. Rapid economic growth, a functioning market economy, as well as an advantageous geographical location and a high quality natural environment are Latvia's main strong points. Accession to the European Union has facilitated entry into new markets and alignment of legislation regulating entrepreneurship.

At the same time, analysis shows that several factors facilitating development also have some negative features. For instance, the rapid growth that has taken place during recent years increasingly facilitates the formation of disproportion in the national economy. That is evidenced by the increase in inflation and the high current account deficit in the balance of payments. More and more economic indicators show that the supply of the national economy cannot satisfy the increasing domestic demand. It means that the present rapid growth has a fragile

foundation and that even slight external or internal economic tremors may cause prolonged stagnation of the nation's economic development and may deprive inhabitants of opportunities to increase their welfare.

A person's welfare is directly influenced by **a steady job and adequate remuneration**. A low employment level (particularly in parts of the country that have a weakly developed economy), long-term unemployment (even among youth), the risk of social exclusion, and undeclared work alarm society. Social segregation and the increasing income gap between rural and urban populations as well as between population in central parts of our country and them in peripheral territories are considered the main social problems. Latvia has the lowest salaries, the lowest minimum wages and the lowest pensions among the EU member states, and due to that the labour force is migrating to Western European or Scandinavian countries.

Latvian entrepreneurship is based on small and medium-sized enterprises (SMEs) with a relatively low productivity level, and the creation of new enterprises does not always mean the creation of new, well-paying jobs. However, the main advantage of small enterprises is their ability to respond quickly to changes in the market; therefore, as trends shift in the international market and as demand in some particular sector increases, diverse opportunities for specialization – for instance, in biological farming, ecotourism, information technology and in other knowledge-based spheres – open up. In general, the low level of entrepreneurial activity and self-employment is related to the lack of initiative in society, as well as to administrative obstacles within the business environment.

Although Latvia's economy has several sectors which have scientific and innovation potential, as well as the potential for knowledge-intensive manufacturing, their proportion in the economy is small. The drive towards a knowledge-based economy is hampered by the insufficient transfer of technologies and lack of innovation. Latvia lacks not only innovative enterprises but also state and private investments into research and development of science.

With regard to human resources, Latvia's strength is the comparatively **high level of formal education** of the employed. As the proportion of employees with higher education increases, the quality and professionalism of the labour force as a whole increases. However, both entrepreneurs and graduates of vocational schools and universities admit that they are not satisfied with the quality of education. It is necessary to modernize the study equipment and infrastructure of educational and scientific institutions, as well as to improve co-operation with entrepreneurs by facilitating mastery of practical skills and co-operation between the sectors of science and entrepreneurship. The prestige of schools offering vocational education is low; the number of young people who have not graduated from primary school is increasing. An efficient system of life-long learning for increasing people's competitiveness and development of one's personality has not been established.

Moreover, the quality of human resources is also endangered by people's poor **health** and insufficient availability of primary health care services, by the low birth-rate and relatively high infant mortality rate; the number of cases of alcoholism and other dependancies is increasing. These are important aspects of the country's development and every person's quality of life.

An individual's health and well-being are affected by the **quality of housing**. Unfortunately, the rate of renovating the housing fund is slow; every fifth house is in an extremely bad or dilapidated condition; almost half of all buildings are large-scale panel buildings which require heat insulation. The physical condition of dwellings and heating networks affects the cost of maintaining an apartment. An increase in these expenses affects mostly socially vulnerable inhabitants, retired persons and families with children. The state has insufficient number of housing for lease, especially housing for lease at a price affordable by the income of the majority of citizens.

Infrastructure created during the course of time – roads and streets, energy, water and other utility networks and housing – is both a resource and a factor determining the quality of life. The low energy-efficiency of many devices and buildings and their outdatedness and physical deterioration does not always meet the expectations of users and may endanger or hamper sustainable development. At the same time, it should be noted that per capita costs of building, modernizing and maintaining the infrastructure are relatively high in Latvia because of the low population density. Latvia's own energy resources are not sufficient for its needs. Dependence on external energy supplies in critical situations may seriously threaten the ability of Latvia's economy and society to function. Although in recent years various sectors of public utilities have developed significantly, this development has been uneven throughout the whole country. For instance, one inhabitant out of four has to walk 2-5 km to the nearest shop and school; one out of five, to the bus stop.

The task of regional policy is to facilitate a balanced and polycentric development of the entire country so that Latvia is an **attractive environment for working, living and recreation** not only for the present but also for future generations. The dynamics of the development of Riga agglomeration shows that the capital of Latvia may justifiably become a metropolis of the Baltic Sea states. However, development of other regions is uneven; the pace of territorial administrative reform is slow, and the functional capacity of small local governments is limited. The development programs and strategies drafted by the planning regions and support for their implementation can attract investments and can promote planned growth of Kurzeme, Zemgale, Vidzeme, Latgale and Riga regions, thus providing people with new opportunities for work and recreation and facilitating co-operation and exchange of experience with other regions.

The quality of the environment is the basis for human life and economic activity. It is one of the most important factors affecting the quality of life. In comparison with other European countries, Latvia has a higher quality of natural environment, characterized by greater biological diversity, higher percentage of territory only insignificantly touched by economic activities, more balanced ecosystems, less environmental pollution. The quality of Latvia's natural environment is a national value and a significant resource for developing the country and its regions. Coastal wetlands, wet forests, pristine bogs, as well as the natural habitats of animals, can be regarded as values of national and international importance. However, the pristine environment also testifies to a low level of economic activity (particularly industrial and agricultural activity) and low population density in most of the country.

A preserved, accessible and well-maintained **cultural environment and a cultural-historical heritage** are also integral parts of the quality of life. Culture is an integral priority of a prosperous society, and it has a vital role in preserving national identity. At the same time, cultural diversity also has a special place in Latvia's multi-national society.

The importance of the **security aspect** is historically determined by both Latvia's geopolitical situation and various internal processes. The country's location in the economically active and politically significant Baltic Sea region creates not only advantages but also risks for both Latvia as a state and for each of its citizens; this situation makes it necessary to continuously identify the possible sources of risk that could hinder the stable growth of the country and to minimize their influence.

In general, Latvia has enough opportunities and ability so that, by efficiently using its strengths, it can approach and eventually attain the quality of life prevalent in the developed countries.

IV STRATEGY OF THE NATIONAL DEVELOPMENT PLAN

National reforms carried out in the country and integration into international organisations (EU, NATO, etc.) have in general had a positive impact upon the country's development by opening up opportunities for continued growth. Latvia has achieved one of the highest rates of economic growth in the European Union. It is important to continue this development and to rapidly bring the inhabitants' level of welfare and quality of life up to the level of the developed countries.

Latvia has to create such conditions for the economy that would provide a possibility to take advantage of the new political reality and the favourable geographic location for the increase of the level of welfare for Latvia itself as well as for its partners, undertaking the role of efficient gates on the road of transactions between West and East.

Which path of development to choose in order to make the country's economy competitive?

The NDP's challenge is to create within seven years the preconditions for a transition from the present-day economic model characterized by use of a semiskilled labour force and manufacture of products with low added value to the innovative (knowledge-based) development model.

In a knowledge-based economy, **innovation**¹ is one of the main factors of competitiveness. Innovative development both on the entrepreneurial and national level is a deliberately planned and organized continuous process aimed at increasing productivity and the return from the resources used within the manufacturing, while decreasing costs of manufacturing products or rendering services. Research becomes an important part of the production cycle. The expenses for research, experimentation, marketing and other non-material elements significantly increase the total cost of the product.

This process can be characterized as the intellectualization of the economy, by which is meant both a higher level of education, knowledge and practical skills of the labour force, as well as the "intellectualization" of machines as they perform an increasing number of functions previously done by human beings.

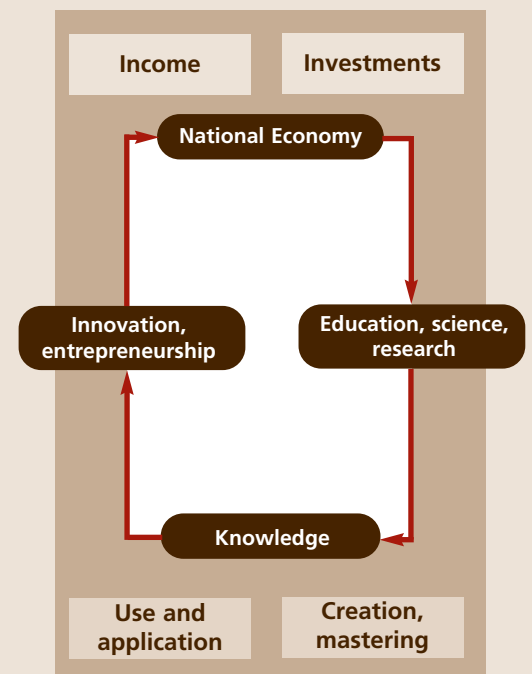
In order to ensure a successful transition to innovative development, it is necessary to provide more support to Latvian enterprises that are seeking to modernize their technology, by transferring and absorbing (in co-operation with academicians and researchers) innovations from other countries or other local enterprises. In the near future, support for introducing innovations and medium and high technologies must become the main source of growth and added value even in traditional, relatively low-technology sectors, such as agriculture, food processing industry, transport, building, forestry or wood-processing.

The future challenge is to pull ahead of competitors by at least one technological cycle for a new product or by an economically cheaper but technologically equal product.

Such technological excellence requires not only a high innovative level of products but also a high level of innovative thinking by individuals or, in other words, an innovative culture. This, in turn, imposes new and higher demands on the whole system of education, particularly with regard to life-long learning. Previous investments in the development of human capital have not been sufficient for Latvia to be able to compete with developed countries in developing and introducing new technologies. The disparity between what education produces and what the labour market requires may account for the slow

¹ **Innovation** – a process in which new scientific, technical, social and cultural ideas or ideas related to other spheres, as well as developments and technologies, are implemented in the marketplace in a competitive product or service which is in demand.

CO-ORDINATED AND STREAMLINED KNOWLEDGE CIRCULATION – COMPETITIVE ECONOMY





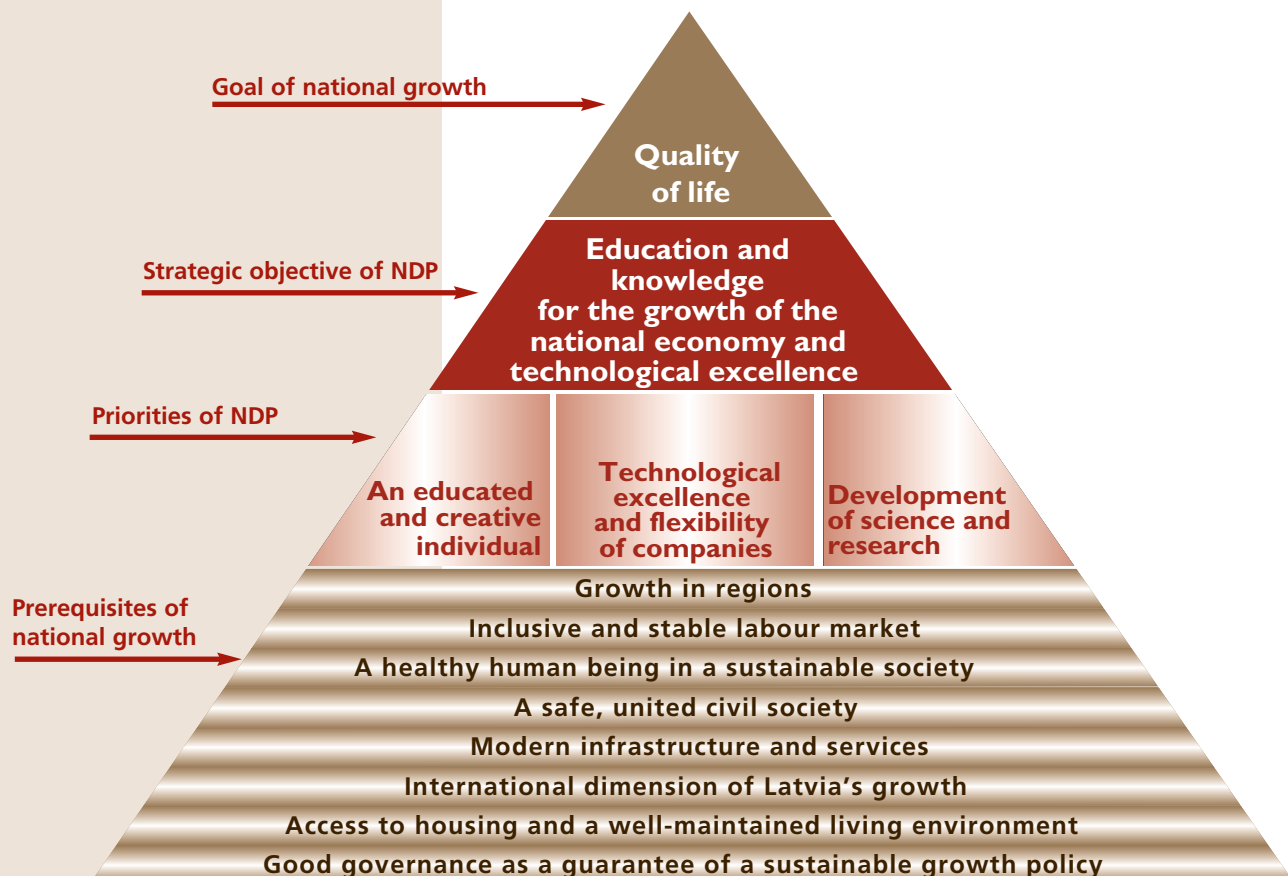
restructuring of the national economy and for endangering the growth rate in the near future.

The strategic goal and priorities of the National Development Plan are the following:

EDUCATION AND KNOWLEDGE FOR THE GROWTH OF THE NATIONAL ECONOMY AND TECHNOLOGICAL EXCELLENCE

- **An educated and creative individual**
- **Technological excellence and flexibility of companies**
- **Development of science and research**

The strategic goal and priorities have been chosen by taking into consideration the fact that the full return from investments made under the NDP into education and research will be gained only after seven years and that achieving and maintaining technological excellence is an ongoing task. The goals have been chosen with the awareness that the plan has to be implemented with the limited resources available to us; thus efforts are concentrated in several areas of priority. The choice of priorities was determined by the need to achieve changes in education, science and manufacturing structure, in order to create a stable material and intellectual basis for a gradual increase in the quality of human life in Latvia.



I. AN EDUCATED AND CREATIVE INDIVIDUAL

For the country's uninterrupted and balanced development at all levels, it is necessary to shape an educated and knowledgeable society by providing a coordinated and planned creation, accumulation, dissemination and application of knowledge.

In such a context, Latvia's education system plays the main role in developing creative and determined individuals by providing opportunities to acquire knowledge and skills during one's whole life. The quality of education has to meet the increasing demands of modern society and the national economy. The country's task is to give every individual the opportunity to acquire a general primary and secondary education, as well as a good quality higher and vocational education possibilities, as well as access to the primary education in all the regions of Latvia.

The study process is oriented towards the individual's ability to acquire knowledge independently and to widely use it in every sphere of human activities. As knowledge becomes the country's strategic wealth and the main resource for economic growth, an individual can become an active employer or a highly qualified specialist - an employee who can achieve a high labour productivity.

I.1. QUALITATIVE AND ACCESSIBLE PRIMARY AND BASIC EDUCATION, COMPULSORY SECONDARY AND COMPETITIVE HIGHER EDUCATION

In a knowledge-based society, qualitative basic and secondary – general or vocational – education is the minimum starting capital without which a person's full and successful inclusion in the labour market and the everyday life is not possible. Since higher education is the foundation of a knowledge-based society, it is important to ensure opportunities for acquiring qualitative higher education for everybody who wants it. Particular attention should be paid to increasing significantly the proportion of students studying natural sciences, medicine and engineering, as well as the number of specialists with the highest qualification (master's degree and doctoral degree).

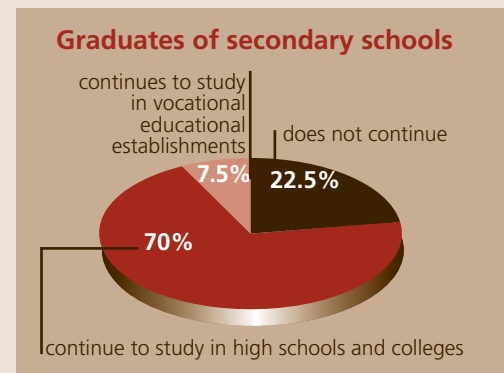
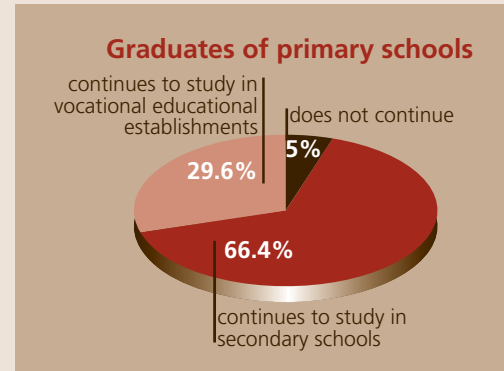
The quality of education and the desire to study is closely related to the role of the education within the consciousness of the population and that of each individual, to the ability to appreciate the importance of the education. A lasting interest in learning, as well as academic success, is facilitated by the skilful work of pedagogues. The renewal of the prestige of this profession requires significant salary increases, improved teaching methods and the entry of new and motivated specialists into the education system from the primary schools up to the high schools, able to attract the pupils and students and enhance the creative potential of each individual trainee.

Comprehensive information about the range of professions and education programmes offered by secondary vocational and higher education institutions, as well as choosing a profession on the basis of one's suitability for the chosen job or study programme, is another important aspect of a high-quality education.

Tasks:

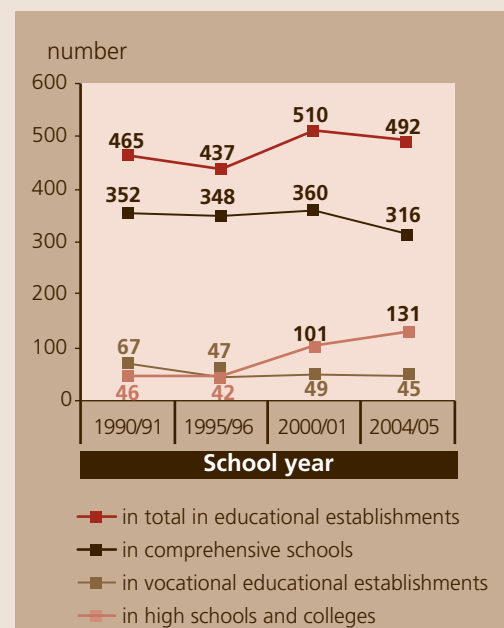
- (1) to achieve a qualitative mastery of general knowledge and skills, including courses in the natural sciences, environmental sciences and mathematics, by improving the school's curriculum, teaching methods and evaluation system of pupils' achievements in primary and secondary school;
- (2) to achieve the situation when the basic education is mandatory and gradually to make a transition to compulsory secondary education (secondary general and secondary vocational education). To initiate the preventive activities with backward pupils and their parents on the level of basic education and secondary education;

FURTHER EDUCATION OF PUPILS HAVING GRADUATED PRIMARY AND SECONDARY SCHOOLS IN 2004, %



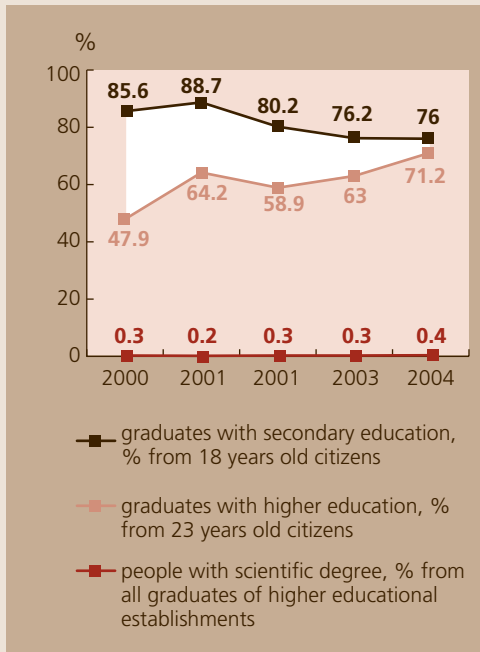
Source: Statistical Yearbook of Latvia 2005

NUMBER OF PUPILS AND STUDENTS, IN THOUS.



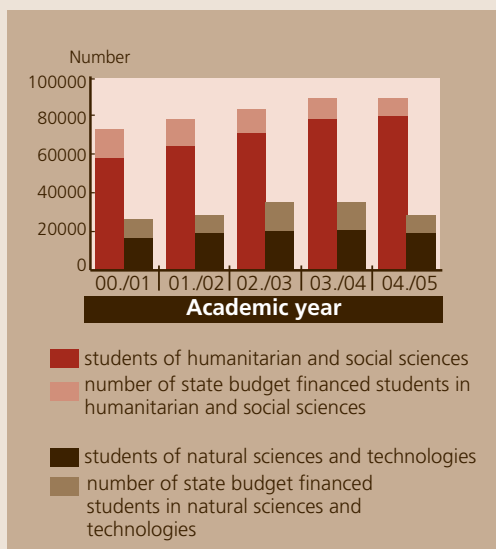
Source: Statistical Yearbook of Latvia 2005

INTELLECTUAL POTENTIAL OF PEOPLE



Source: LATVIA. Report on national development. Capability in regions, 2004-2005

NUMBER OF HIGH SCHOOL STUDENTS BY THEMATIC GROUPS IN HIGH SCHOOLS AND NUMBER OF STATE BUDGET FINANCED STUDY PLACES



Source: Report of Ministry of Education and Science on higher education in Latvia in 2005 (numbers, data, trends)

- (3) to upgrade the research and professional qualifications of pedagogues and academic personnel to a level of competence that ensures competitiveness not only on the European but also on the global level, thus facilitating an improvement of the prestige and a gradual substantial increase of remuneration of pedagogues and other persons employed in the education sector;
- (4) to improve the quality of vocational education and its attractiveness, to improve the contents of vocational education programmes and standards for professions, as well as to update the qualification system for students and graduates by ensuring opportunities for practical training and internship that meet qualification requirements according to the requirements of the today's national economy;
- (5) to more actively involve social partners in drafting qualitative education programmes and their evaluation to ensure their conformity with the contemporary requirements and latest discoveries, and to ensure their co-relation with the contents of the higher level education;
- (6) to strengthen the capacity of the management of educational institutions, universities and other institutions of higher education, as well as of institutions involved in drafting and assessing education policy;
- (7) to modernize studies at higher educational establishments by paying a particular attention to increasing the attractiveness of education programmes in engineering and natural sciences, as well as by expanding the range of vocational study programmes and providing internships for students;
- (8) to provide state support for master's and doctoral studies, particularly for programmes in engineering and the natural sciences;
- (9) to increase the quality and availability of higher education; to integrate it into the unified European (global) space for higher education;
- (10) to improve and extend the use of e-resources; to improve information technology skills in all levels of education;
- (11) to ensure the availability of education in all of its forms and at all levels to persons with special needs.

1.2. PREPARING THE LABOUR FORCE TO MEET THE DEMANDS OF THE LABOUR MARKET

If the knowledge and skills offered by programmes in basic, secondary vocational and higher educational establishments are tailored to meet the needs of the national economy, it will be markedly easier for young people to enter the labour market, and the return on resources invested in education will increase. The task of the education system is to foster an educated individual's competitiveness in the labour market, as well as to develop his or her initiative and an enterprising and creative approach.

The limited availability of human resources can be compensated by increasing the availability and quality of education at all levels, by increasing the number of students who pursue higher education and by sharply decreasing the drop-out rate.

The demand of the labour market changes along with the development of the national economy – companies introduce new technologies and decrease the number of employees. New companies emerge which offer other kind of work. The ability to adapt and retrain for another occupation ensures employment to an individual throughout his/her life. Because of the limited human resources, the state is interested in involving more able-bodied people in the labour market, and thus it promotes a professionally oriented adult education system.



Tasks:

- (1) to create a system for analyzing the labour market and issuing medium-term and long-term forecasts; to regularly research and monitor factors, both of the scale of Europe and of a global scale, influencing the labour market so as to ensure a balance between what the national economy demands and what the education sector supplies; to improve the systems for financing vocational and higher education establishments and for motivating students;
- (2) to involve the social partners and to develop state and private partnership initiatives in education as an efficient co-operation instrument for ensuring a balance between the demands of the labour market and the supply of the education sector (for instance, involving undertakers and/or their representatives in the development of professional standards, as lecturers in the training process and as mentors of practical training and internships in vocational education). To create in companies the practical training possibilities;
- (3) to enhance the understanding/willingness to get involved in entrepreneurship, and to achieve a balance in the number of students in vocational and higher education who choose programmes in engineering, the natural sciences, mathematics, information technology, health care, and environmental science;
- (4) to improve the relevance of higher education to the labour market by developing inter-disciplinary and inter-university study programs;
- (5) to modernize the system of vocational education in order to ensure the quality of education programmes and their applicability to the needs of the labour market;
- (6) to improve the support system for a person's career development by ensuring professional orientation and a career-related consultations to people at educational establishments and places of residence;
- (7) to create a state-supported professionally oriented offer of life-long learning and to introduce the system of recognition of the results of informal education;
- (8) to support the training of the employed to increase their qualifications, as well as their re-training in house or at sectoral employers' organisations;

- (9) to ensure support for groups who are exposed to the risk of social exclusion so as to facilitate their inclusion in the labour market.

1.3. LIFE-LONG LEARNING FOR INCREASING A PERSON'S CREATIVE POTENTIAL AND THE QUALITY OF LIFE

When developing a knowledge-based society in Latvia also, it is necessary to recognize and accept life-long learning as means to stimulate peoples' spirit of enterprise, to make them more employable and adaptable, more active in shaping a civil society, more integrated into society; life-long learning is also a stimulus to self-improvement. An educated and cultured person is able and willing to find out something more, to learn new things and to express one's unique personality throughout one's whole life. Familiarity with the values of art, folklore, traditions and architecture helps people to have a positive attitude towards life and encourages them to participate in social processes.

Uneven socio-economic development creates unequal opportunities for rural and urban populations, as well as for members of various social groups in the sphere of education. In order to increase the availability of life-long learning, it is necessary to involve education, culture and sports centres, health and social care institutions, churches, non-governmental organisations and other institutions in providing formal and informal education programmes, thus developing a multifaceted co-operation between those who need education and those who supply it.

Tasks:

- (1) to strengthen society's understanding of life-long learning as the basic condition for developing a knowledge-based society and to create in all regions a comprehensive system of a qualitative life-long learning for adults as a stimulus to gain necessary job skills, to participate in the process of social inclusion, and to seek self-improvement;
- (2) to expand the opportunities for obtaining formal and informal education (including basic skills and vocational education) for people with a low level of education, for social groups with limited opportunities to obtain education and for those who do not appreciate and take advantage of learning opportunities; at places of residence (including rehabilitation institutions, prisons, army, etc.) and places of work to provide a flexible and qualitative "second chance" to obtain a

comprehensive and vocational education (e.g., by means of e-studies, evening (shift) secondary schools or part-time studies);

- (3) to introduce a strategy for life-long learning by developing a system of life-long learning; particular attention should be paid to qualitative and flexible programmes for life-long learning;
- (4) to take advantage of the potential of education and culture in facilitating a person's harmonious growth throughout his/her life, and with the aid of modern technologies and solutions to extend the availability of cultural resources for developing a person's creative skills and talents and deepening his/her knowledge;
- (5) to create a system that provides culture information and services that meet the needs of a knowledge-based society and that is accessible to its members; to develop various creative and interactive e-content products that meet the needs of life-long learning programmes and various social groups;
- (6) to increase the capacity of existing children's/youth and adult education centres in regions, towns and rural municipalities and to support the development of new centres;
- (7) to provide state support for those who offer education for adults (human resources, teaching aids, requests for programmes) and for institutions that support informal education for adults.

1.4. MODERNIZATION OF THE EDUCATIONAL INFRASTRUCTURE

In the educational establishments of any level of education in the creating of conditions for a qualitative education process, it is necessary to modernize the material basis of all educational establishments and to optimize their network by ensuring that all groups of inhabitants have an equal opportunity to acquire primary, basic, comprehensive and secondary vocational education, as well as by updating instructional (training) materials that are necessary for a qualitative education.

Investments in education, as in any other sector of the national economy, should be economically justified. The end result has to be achieved at the lowest cost by wisely choosing the necessary investments. Modernization and development of the educational infrastructure is closely related to increasing cost effectiveness in the education system. It is necessary to decrease maintenance costs of buildings and to use premises and human resources efficiently.

All institutions of higher education need renovation of buildings and utility networks, a material and technical base, equipment in laboratories and institutes, as well as scientific equipment and other infrastructure necessary for research. The infrastructure and instructional equipment of vocational education establishments are inadequate for producing the well-educated labour force that is necessary for the development of the national economy, nor do they provide an opportunity for students to acquire the knowledge and skills that the labour market demands, particularly with regard to engineering, as well as manufacturing and processing.

Tasks:

- (1) to renovate the buildings of universities, other higher education establishments and colleges and to construct new buildings (premises for studies and scientific work); to provide access for persons with functional disabilities;
- (2) to purchase, modernize and install equipment, facilities, furnishings and technologies in higher education establishments, including equipment that enables persons with functional disabilities to complete the education programmes;
- (3) to renovate the education buildings of all level state and local governments offering primary, secondary general and secondary vocational education; to update instructional equipment and facilities; to modernize the material and technical base; to provide access for persons with functional disabilities;
- (4) to ensure the material basis necessary for a qualitative mastery of the natural sciences at state and local government establishments of secondary education;
- (5) to ensure the necessary modern ICT infrastructure at all levels and types of education establishments;
- (6) to update and enlarge the holdings of school libraries, the collection of study videos, record library, as well as electronic instructional programmes;
- (7) to improve the sports infrastructure at education establishments and/or to ensure access to it;
- (8) to ensure physical access to education establishments to children and young people with motoric disabilities; to improve the infrastructure of special education.

2. TECHNOLOGICAL EXCELLENCE AND FLEXIBILITY OF COMPANIES

The backbone of the country's economy is a successfully developed entrepreneurship based on free-market principles. Today the majority of the Latvian companies are SMEs most of which work in low added value and natural-resource intensive sectors which use cheap labour, comparatively labour-intensive production processes and "low" technologies. That is also reflected in the investment and export structure of the country.

In order to ensure the economy's competitiveness in global markets it has to be based on technologically excellent large, medium and small companies that are able to flexibly respond to changes in the global or local economy. Therefore, an impetus to create new high-added-value manufacturers is needed, and transition to producing new high added value products in existing companies should be promoted.

Along with a rapid transfer of effective technologies from abroad it is necessary to create favourable conditions for innovative development directed at employing internal intellectual resources (endogenous). Greater use should be made in the economy of intellectual property (inventions, technologies, products) created in Latvia and its creation in Latvian companies should be supported; this would increase the number of patents developed in Latvia (especially in the field of high technology), develop the science and technology commercialisation structure and create closer ties between the research and scientific institutions, companies, and the ties of these institutions with the real market situation.

Involvement of Latvian companies in the global markets should be stimulated, first of all, by gaining the competence necessary to ensure successful export deals. Particular attention should be paid to economical consumption of energy resources and raw materials by manufacturing companies, implementation of "cleaner technology" principles and the best available technologies in order to reduce the adverse impact of production processes and products on the environment and human health.

2.1. COMMERCIALISATION OF THE RESULTS OF APPLIED SCIENCE, INNOVATION AND TECHNOLOGY TRANSFER

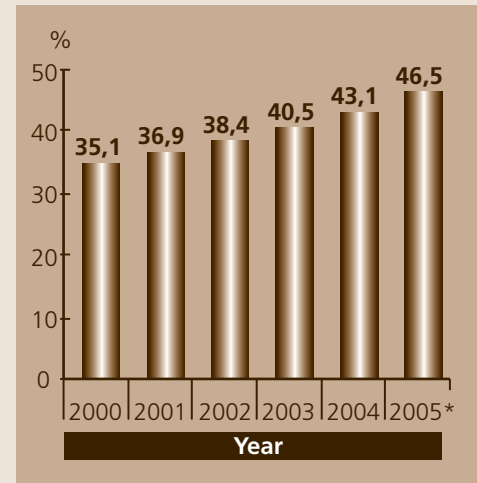
Applied research and innovation in modern technologies promote the development of the national economy; therefore, support of science and innovation is an important tool in boosting the competitiveness of the Latvian economy. Besides that, the competitiveness of each company is directly linked to its ability to rapidly absorb new knowledge and to provide new products for the market.

New ideas, discoveries, approaches, publications, patents and new teaching methods are created when resources and existing skills are invested in science. However, only in cooperation with manufacturing industries can they be turned into new products – in the form of services or processes and technologies. Commercialisation of the created knowledge is an important task in achieving practical applications of science-intensive ideas and turning them into products with high-added-value.

The primary task of the state is to support a full cycle of new product creation and development and to foster development of the research and innovation system based on studies of market development. It comprises science, technology and enterprises, and, most importantly, an environment conducive to transferring of knowledge and technology to the market, as well as commissions from private companies to research centres. The innovation system should be dynamic and its directions of activities (commercialisation of knowledge, transfer

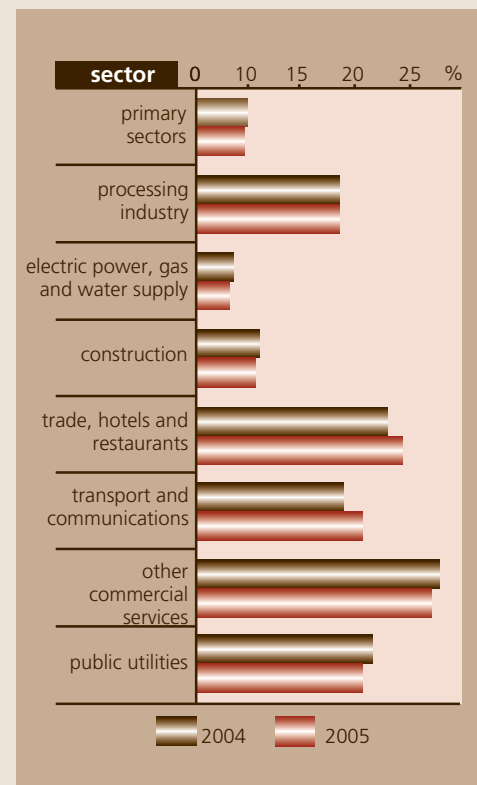
GDP PER CAPITA,

% FROM EU-25 LEVEL BY PURCHASE POWER PARITY



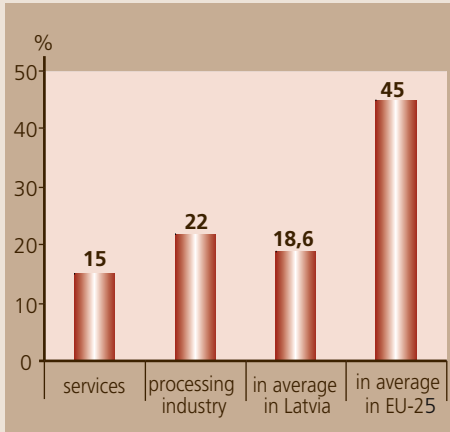
Source: Report on Development of Latvia's Economy, 2005, Ministry of Economy of Republic of Latvia
*projection

STRUCTURE OF ECONOMY BY VALUE ADDED, %



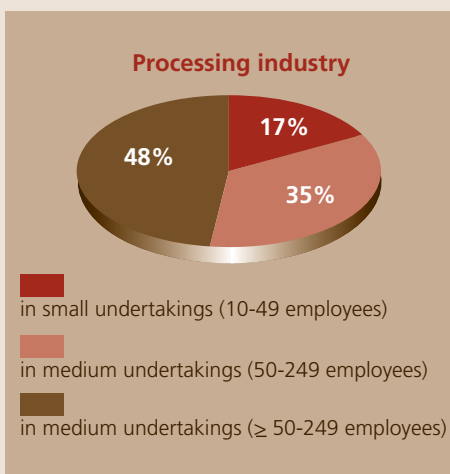
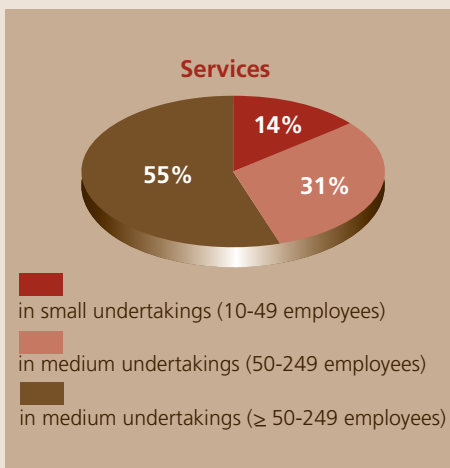
Source: Report on Development of Latvia's Economy, 2005, Ministry of Economy of Republic of Latvia

NUMBER OF INNOVATIVE UNDERTAKINGS IN 2004, % FROM ALL UNDERTAKINGS



Source: Statistical Yearbook of Latvia 2005; Eurostat

INNOVATIONS IN UNDERTAKINGS OF VARIOUS SIZES



Source: Statistical Yearbook of Latvia 2005

of technologies, promotion of innovations etc.) have to be in closely interrelated uniform dynamic system. Development of this system will create necessary requirements for better potential returns in the form of economic, social and environmental gains from investments in research and innovations.

National policies (on taxation, the economy, state support, manufacturing industries, education, etc.) should stimulate innovative activities, for example, by introducing tax deductions, providing other support for research projects and investments of company capital in new products, and encouraging establishment of new innovative companies; in other words, a support system for technology transfer should be created.

Tasks:

- (1) to promote the implementation of the results of research carried out by institutions of higher education and science institutions in the commercial companies, e.g., by promoting the creation of competence centres;
- (2) to create a support system (infrastructure) for knowledge transfer and commercialisation to ensure the realisation of Latvia's scientific potential in new products, to improve access of Latvian companies to new technologies, and to promote the sale to foreign countries of technologies created in Latvia;
- (3) to increase support to applied science and to motivate scientists to get involved in solution of business problems;
- (4) to stimulate Latvian companies to use and transfer new technologies from abroad, thus stimulating attraction of foreign investments in technology-intensive sectors.

2.2. APPLICATION OF KNOWLEDGE IN BOOSTING THE COMPETITIVENESS OF COMPANIES

The competitiveness of companies is determined by their own ability to introduce knowledge management within their company. In this regard, significant deficiencies can be found in most companies, including those that are traditional, exporting and well established in the national economy. More extensive state support might be needed at crucial points in innovation management, such as development of new business and technology development ideas and products, restructuring of internal business processes as dictated by new tasks, introduction of quality management systems and standards, restructuring of sales processes and sales markets, more extensive outsourcing of competence services, and division of labour.

In order to overcome these deficiencies, more extensive state interference is necessary by using innovation promotion activities to improve knowledge absorption, to increase exporting capacity and to accelerate industry and business restructuring and technology modernisation.

Tasks:

- (1) to improve the technological competence and knowledge management skills in companies by supporting measures that boost productivity and the introduction of innovations in manufacturing and service industries;
- (2) to develop new forms of cooperatives and cooperation among manufacturing, supplying and service companies by facilitating creation of industrial clusters and development of competitiveness in export-capable traditional and new manufacturing and service industries (ICT, wood

processing, machine building, electronics, food, creative industries, pharmaceuticals, biomedicine and biotechnologies, as well as finance, transport and logistics, medicine and tourism etc.);

- (3) to ensure Latvia's presence and direct representation of its interests in foreign markets by promoting entry into new markets and by strengthening the international competitiveness of Latvian companies;
- (4) to ensure a regular dialogue with the governments of countries that are most significant for the Latvia's economy in order to effectively represent the interests of Latvian entrepreneurs in the global market;
- (5) to reach average EU productivity indicators in the traditional sectors, to improve the ability of Latvian companies to capture external markets, and to promote the integration of Latvian exporters in global supply chains.

2.3. CREATION OF NEW COMPETITIVE COMPANIES

Creation of new competitive companies not only will boost domestic competitiveness and develop sectors, but also will stimulate more rapid application of knowledge by companies and will significantly contribute to export growth. It is necessary, with the help of various motivational and support mechanisms, to create a favourable public attitude towards entrepreneurs, an understanding of the role of entrepreneurship in the country's development, and to encourage people's economic activity and creation of new companies. It is particularly important to facilitate creation of new innovative companies in Latvia's regions.

Tasks:

- (1) to encourage people, particularly young people, to be entrepreneurs and set up their own business thereby increasing the prestige and reputation of entrepreneurship, as well as implementing a business setting up motivation program, training and consultations;
- (2) to ensure unified and effective support in setting up a business (mentor's consultations¹, financial support mechanisms – pre-seed grants², support to networks of "business angels"³, seed funds⁴, micro-loans, investment guarantees, risk capital funds, resource centres⁵ etc.);
- (3) to develop a support infrastructure for new companies in their early stages of development business incubators etc.);
- (4) to increase availability of financial resources (starting capital, loans), to reduce administrative obstacles at the national and municipality level for business novices;
- (5) to particularly encourage creation of companies, including new innovative companies in traditional sectors, in Latvia's regions.

2.4. DEVELOPMENT OF CREATIVE INDUSTRIES

In order to effectively employ Latvia's creative and cultural environment resources, to increase the work efficiency of existing creative sectors, to expand and diversify the economic activities of creative individuals, thus turning their creative potential into economic gain, the creative industry sector⁶, as one of the most promising, should be integrated into the economy of Latvia. In order for this sector in Latvia to reach growth rates equal to those of other countries, special

¹*Mentor's consultations – advice of an expert or a practitioner, consultations, support or recommendations to a less experienced person, organisation or a novice in entrepreneurship.*

²*Pre-seed grants – funding to a scientific institution or an inventor as a private person to prove or improve feasibility of a new technological idea as a basis for the set up of a new company.*

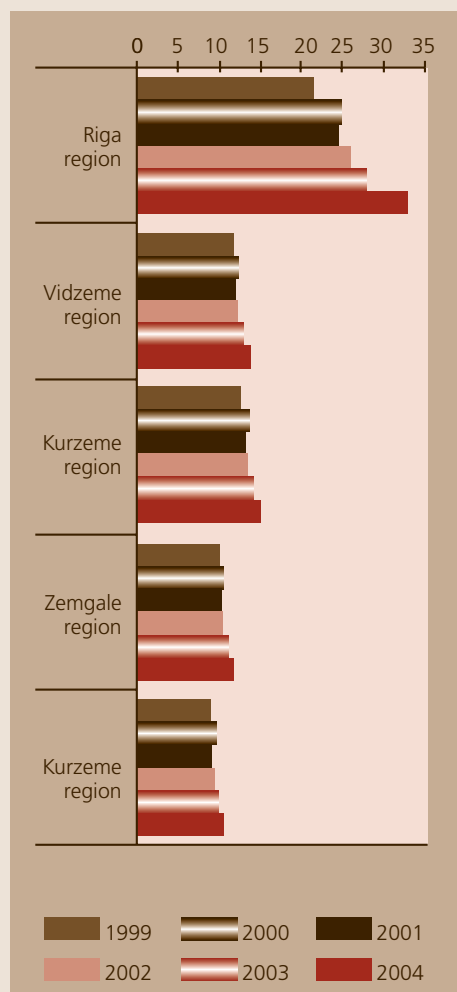
³*Business angels – prosperous private persons that support realisation of new technological ideas by participating as private investors in the set up of a company*

⁴*Seed or starting capital – funding allocated to study, evaluate and develop the original business idea. Seed capital is a risk funding in its early stage usually significant to technologically intensive projects, enabling them to develop, study and improve original product prototypes that later will form the basis of the future business.*

⁵*Resource centres – organisational structure for consultative, informative and technical assistance, to promote the involvement of citizens in entrepreneurship.*

⁶*Creative industries – activities that originate in an individual's creative work, skills and talents and that, in constituting and using intellectual property, have the potential to increase welfare and create jobs. These activities include architecture, advertising, art and culture industries, design (e.g., fashion, graphic design and applied arts), film, computer games and interactive software, music, new media, publishing, radio, and television). Manufacturing the products of creative industries is a complicated process in which, with the cooperation of the public, private and NGO sector, there is an interaction among conceiving, realising and disseminating ideas.*

NUMBER OF ECONOMICALLY ACTIVE COMPANIES AND ENTERPRISES PER 1000 INHABITANTS



Source: Central Statistical Bureau, 2005

attention should be paid to the specific needs of the creative industries, their innovative potential should be developed, and the experience of creative industries should be systematically expanded.

Tasks:

- (1) to develop a creative entrepreneurship culture in society and to promote understanding about the nature, structure and potential of Latvia's creative industries;
- (2) to create a favourable environment and institutional support for young creative professionals who wish to set up a business and for development of a competitive creative industry that is recognised as an equal to other already established sectors of the economy;
- (3) to develop an active Public Private Partnership for commercialisation of creative potential;
- (4) to encourage timely inclusion of future technologies in product development of creative industries and their cooperation with other sectors in Latvia that have proved their competitiveness;
- (5) to facilitate two-way intersector co-operation exchange between Latvia and foreign countries;
- (6) to form a creative industry cluster that includes a number of SMEs which ensure continuous activity and to involve educational institutions and universities, suppliers and public institutions in developing the industry's long-term strategy.

2.5. SUSTAINABLE AND EFFICIENT USE OF NATURAL AND ENERGY RESOURCES

Use of the soil as one of the main natural resources has become extensive, the rate of production has decreased, the natural transformation of agricultural land – overgrowing and bogging-up – has increased. At the same time, agricultural land and forests are the basis for several traditional sectors in Latvia (forestry, wood processing, agriculture, etc.) that provide a great number of jobs in rural areas. The main operators in these sectors are small companies that use natural and energy resources with low efficiency. Production of innovative, higher added-value products should be encouraged also in such rural companies, thus capturing new market niches, boosting productivity and incomes of employees.

Timber is not only the main export product of Latvia, but alongside with other available in Latvia alternative energy resources (biomass, geothermal energy, wind and sun energy, etc.), it is also an important resource for energy production. There are opportunities to use mineral waters and oil resources, develop new products by using peat and sapropel, stimulating construction material manufacturing.

The territory of Latvia is rich in water resources, both underground and aboveground. Underground water resources provide drinking water of good quality, and efficient usage of surface water resources can ensure development of fishery and increase people's welfare not only in coastal but also inland regions. The natural, cultural and historical heritage offers an opportunity to develop tourism more rapidly and to create new jobs in rural areas, because the tourism resources are available throughout the country.

Better public awareness can facilitate rational and sustainable use and recovery of natural resources, as well as decrease the burden on nature.

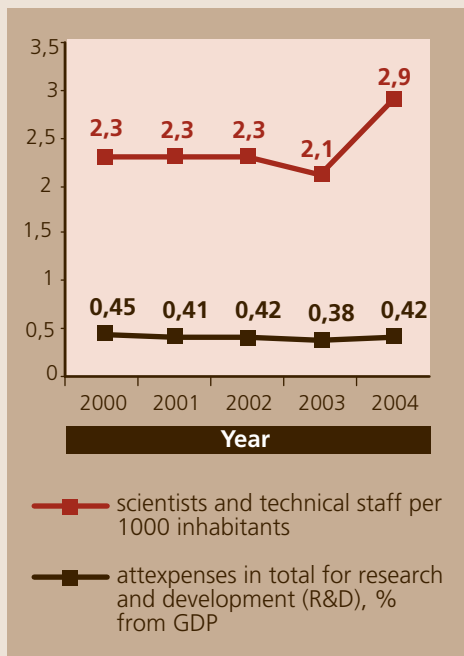
Tasks:

- (1)** to develop creation of higher added value, particularly in the forestry and agricultural sectors by efficient and sustainable use of available natural resources;
- (2)** to stimulate development of innovative types of business that do not require intensive use of natural and energy resources and to reduce pollution of the environment by promoting implementation of the best technical solutions and the latest technologies in manufacturing;
- (3)** to promote use of renewable natural resources and alternative energy sources for heating and energy production, for example, by promoting the use of biomass in cogeneration;
- (4)** to maintain agricultural land for the production of agricultural products, as well as to increase the contribution of the agricultural sector in the production of the raw materials for heating fuel and transport fuel;
- (5)** to introduce eco-design principles in manufacturing and consumer education;
- (6)** to ensure rational, environmentally friendly and sustainable use of deposits in the earth for developing the economy;
- (7)** to encourage recycling or repeated use of resources, as well as utilisation and recycling of waste products, including food-processing byproducts;
- (8)** to support implementation of environmental management systems and other voluntary and environment-protection tools in companies and institutions, as well as to continue integrating environmental aspects into sectoral policies.



¹In 2003 – 0,38% from GDP, in 2004 – 0,42%; in average in the EU 1,93% from GDP. In Latvia the private sector is financing 20% from the costs for the science, in the EU – more than 50%.

RESOURCES AVAILABLE FOR SCIENCE AND RESEARCH



Source: Central Statistical Bureau, 2005

3. DEVELOPMENT OF THE SCIENCE AND RESEARCH

Innovation is a process in which the potential of accumulated knowledge in fundamental and applied scientific research is implemented in entrepreneurship. Successful development of a knowledge-based economy is unthinkable without the potential created by science and research. The number of people involved in science and research and their qualifications play a crucial role in the creation of such knowledge potential. Currently, the number of persons employed in science, including those with doctorates, in Latvia is significantly lower than in other EU member states.

During the recent decade, several serious threats to a development of a knowledge-based economy in Latvia have arisen. The total amount of funding allocated to the research and development has been insufficient¹. One of the most significant consequences of insufficient funding is a decrease in the number of scientists involved in scientific work. The renewal process of academic and scientific personnel is not being ensured; the average age of the teaching staff in universities and of scientists is on the increase, particularly in comparison with other EU countries.

Higher education institutions and other science and research institutions should be as open as possible. Purposeful use and renewal of scientific potential, active involvement in the research and economic activities of Europe's, especially the Nordic region's, science and technology area is one way how Latvia can benefit from expertise gathered there and can accelerate the development of its own scientific potential. Exchange programmes for persons with doctorates and for researchers, joint project development, sharing of research results, etc. should be taken advantage of.

3.1. EXCELLENCE IN BASIC SCIENCE

High-level basic science is the basis for developing a competitive applied science and innovation process in Latvia. In the future, the main development centres of basic science will be the universities that will prepare doctoral students in the traditional scientific spirit and at the same time will improve the quality of a university education. For the doctoral studies, higher education institutions should also involve all the intellectual and material potential that is outside the universities.

It is important to create conditions for scientific research in sectors in which Latvia already has the requisite industry potential and development prospects by strengthening the intellectual potential of science and by developing applied research in relevant innovative technology fields.

Tasks:

- (1) to increase science funding for improving quality of basic research;
- (2) to concentrate academic resources and basic science in universities capable of competing in the international academic environment as a guarantee for the development of Latvia, as well as in the science excellence centres of regional higher education institutions;
- (3) to foster scientific excellence in priority areas;
- (4) to facilitate the integration of Latvia's science into the European and global science area.

3.2. RENEWAL AND DEVELOPMENT OF BASIC AND APPLIED SCIENCE RESEARCH POTENTIAL

Attaining scientific and research excellence requires appropriate human resources. In order to attract young scientists to scientific institutions and to motivate young people to choose a career in science, reform of the remuneration structure for scientific personnel should be carried out. Remuneration for scientists should be based on the results of their work. The remuneration of the whole scientific staff should be competitive not only in Latvia but also in the international labour market.

Various measures should be devised in order to motivate young people to choose science; for example, assistance should be provided to new doctoral students.

In order to ensure a competitive level of training of new students and scientists, it is necessary to develop state support programs to ensure the top level professional studies in the specialities of prime importance for the state at the best foreign universities, as well as to attract to Latvian universities high-quality foreign professors to deliver specialised training courses in the higher educational establishments of Latvia.

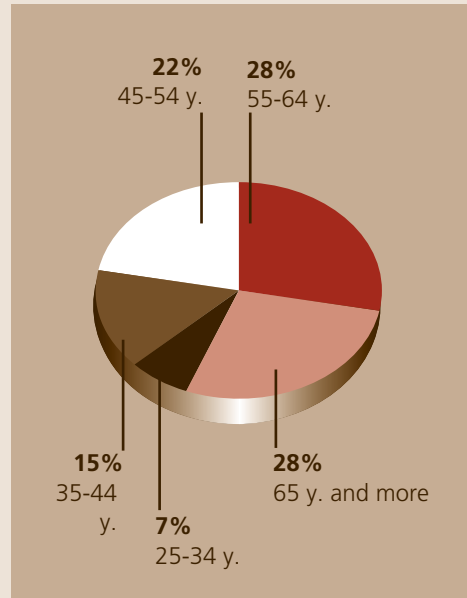
Tasks:

- (1) to institute measures to increase the remuneration of scientific personnel (reform of the remuneration system);
- (2) to use all possibilities provided by the international student and scientists exchange programs available to Latvia;
- (3) to improve the grant and scholarship system for doctoral studies and to develop a state support program to ensure the top level vocational studies in Latvia and abroad, to create a research support system for young postdoctoral scientists;
- (4) to foster research in higher education institutions by popularising scientific achievements in society and stimulating young people's interest in science studies;
- (5) to ensure the unity of studies and research at the higher education institutions;
- (6) to develop a system for protecting, using and funding of intellectual property (e.g. in form of patents);
- (7) to attract visiting professors and foreign scientists for work in Latvia's higher education and scientific institutions;
- (8) to motivate emigrated Latvian scientists and young experts to return and work in Latvian scientific institutions.

3.3. MODERNISATION OF SCIENTIFIC INFRASTRUCTURE IN SCIENTIFIC INSTITUTIONS

A significant prerequisite for the development of the scientific work is providing modern scientific infrastructure and modern scientific equipment. Investments are needed for new, modern buildings in which it is possible to carry out experimental research and ensure commercialisation of research results. The

AGE STRUCTURE OF SCIENTISTS IN SCIENTIFIC INSTITUTES OF HIGH SCHOOLS IN 2004



Source: Report of Ministry of Education and Science on higher education in Latvia in 2005 (numbers, data, trends)

availability of modern, convenient and suitable premises and equipment for scientific work helps to attract young people to science and provides opportunities to establish contacts with foreign partners, thereby increasing the competitiveness of Latvia's science. Investments in buildings and other infrastructure necessary for scientific institutions should stimulate their focusing around excellence and competence centres, thus promoting synergy between different scientific institutions, universities and private sector research centres and ensuring not only efficient use of the infrastructure but also accelerated development of Latvia's knowledge potential.

Tasks:

- (1)** to modernise the scientific infrastructure in higher education and scientific institutions in all regions;
- (2)** to promote development of innovative entrepreneurship and of applied research on all the territory of the country;
- (3)** to support company investments in science (creation of research centres, purchase of equipment etc.) ensuring various (financial, administrative) support instruments;
- (4)** to ensure maintenance and development of scientific collections, libraries, archives and other information media as a part of the science infrastructure.

V PREREQUISITES FOR SURE AND SUSTAINED DEVELOPMENT

4. DEVELOPMENT OF THE COUNTRY AND SOCIETY

4.1. GOOD GOVERNANCE AS A WARRANT FOR A SUSTAINABLE DEVELOPMENT POLICY

By good governance we mean the ability of national and local government institutions to act and organise their work in a modern way and to provide access to high-quality services of public and municipal bodies. Currently, national and local government institutions provide more than 900 various services to inhabitants. At the same time, society is increasingly demanding quality, better attitude of employees and decreased bureaucratic and administrative burdens that restrict entrepreneurship and lower the quality of services. Each individual expects and has a right to be treated courteously and to receive exhaustive information at any public institution.

Extensive communication between the state, local governments and society, as well as active involvement of NGOs and social partners in dealing with problems to be solved by the state, local governments and society, is a sign of good governance.

It is also characterised by long-term planning, solving of short-term tasks in accordance with long-term goals, protection of resources, monitoring of implementation of short-term and long-term goals, as well as supervision of the development process.

In order to have governance which can more purposefully and actively facilitate the transition of the state towards sustainable development and ensure well-balanced development of the whole territory, it should be based on local governments and regions that have the requisite capability.

The capacity of public institutions and the trust of individuals in public institutions should be increased by minimising and preventing corruption and promoting cooperation between political and administrative structures, as well as by increasing the efficiency of the state administration.

4.1.1. Implementation of a macroeconomic policy oriented toward stable and balanced growth

A sound macroeconomic environment is a precondition for balanced and sustainable economic growth. The national economic policy should be worked out in a way that does not compound inequalities as short-term growth goals are achieved; this, in turn, could create obstacles for successful medium-term and long-term economic development. The creators of the national macroeconomic policy, by preventing the potential rapid formation of cyclic fluctuations in economic growth, should ensure an efficient balance between resources allocated for increasing the capacity of the national economy and ensuring an internal and external economic balance. Concurrently, increased flexibility of the national economy in both the labour market and product market should be facilitated, thus enabling the economy to adjust rapidly to internal and external shocks.

It is essential to make further use of the opportunities of economic integration that are available after Latvia's accession to the European Union. An important aspect in this context is the creation of a goal-oriented and credible national policy for timely and smooth introduction of the euro in Latvia. Latvia's accession to the Economic and Monetary Union will significantly increase economic stability and will open wide opportunities for further economic growth because the trust of investors in Latvia's economy will increase, capital costs and costs for activities will decrease, and there will be better opportunities for international economic cooperation.

Tasks:

- (1) to ensure stability of prices and reduction of the current account deficit in the balance of payments;
- (2) to ensure a growth in productivity balanced with salary increases;
- (3) to increase the flexibility of the labour market;
- (4) to promote competitiveness in the product markets.



4.1.2. Improvement of the planning and forecasting system

A national development planning system is an instrument for sustainable economic development, elaboration of a medium-term budget, as well as cooperation and coordination of actions on all administrative levels. Coordination of policies of actions, decisions and measures should be carried out on the national, sectoral, regional and local level.

An efficient system will increase the general competitiveness of the state. In order to ensure mutually coordinated drafting of policy planning documents, particularly in defining priorities, assessing impact and planning the allocation of funds, it is essential to develop planning and forecasting skills on all administrative levels. It is necessary to regularly carry out an independent qualitative analysis of trends in the development of the national economy and of the social-economic development of territories, to assess the impact of policies and measures, to examine the efficiency of national support instruments, and to draft recommendations for national, regional and local governments, as well as public institutions, in cooperation with social partners.

Tasks:

- (1) to introduce drafting of a medium-term budget and finance management;
- (2) to improve the development planning system;
- (3) to proceed with long-term national development planning by taking into consideration the planning of social and economic processes, territorial development planning and financing of the planned actions;
- (4) to determine and support priority sectors which ensure the potential for sustainable growth;
- (5) to introduce strategic planning on the regional and local administrative level by ensuring its link with national and sectoral strategies and programmes;
- (6) to strengthen the knowledge and skills of planning, research and forecasting in public administration.

4.1.3. Functional local governments and regions

The research carried out on administrative territories of local governments, as well as projects and studies on the consolidation of local governments, supports the need to create larger local governments (based on the number of inhabitants). Small local governments cannot ensure a separation between legislative and executive powers; they have comparatively high proportion of administrative expenses but low administrative capacity. Inadequate services rendered by local governments and insufficient financial capacity do not ensure development.

The aim of regional reform is to significantly extend the functions of regional governments (in comparison to functions fulfilled by the existing districts) and to set a more stable basis for financial revenues; this would ensure a higher degree of autonomy of local governments.

At the moment, the regional reform and the local government administrative territorial reform is particularly essential in the context of regional development and planning.

Tasks:

- (1) to finalise the local government administrative territorial reform by creating local governments which are capable of acting – namely, towns and counties;
- (2) to improve the financing system of local governments;
- (3) to implement regional reform by creating regions and regional local governments capable of economic development;
- (4) to apply the personnel management principles of state administration to the employees of local governments;
- (5) to use strategic management and business principles (methods) in local governments;
- (6) to promote involvement of local governments and regions in social dialogue.



4.1.4. Strengthening the capacity of public administration

In the process of state administration reform, the process of drafting and implementing of policy is improved, the transparency of the legal framework and simplification of administrative procedures is ensured, the capacity of administrative institutions is strengthened, the interaction between state institutions and society is improved, and cooperation among public administration institutions and coordination of actions are fostered. Streamlining of the institutional system is continuing.

In order to increase the capacity of public administration, to strengthen the national legal system, to ensure that the administration is able to actively and convincingly protect national interests and to participate in drafting EU policies and other international processes, there is a need for high quality professionalism. Frequent personnel turnover in public institutions indicates that there is a need for human resource planning, improvement of educational and management methods, as well as reform of the payment system for those employed in the public sector.

Transparency of the activities of public administration institutions and openness to dialogue with citizens can increase public confidence and support for changes needed in achieving these goals.

Tasks:

- (1) to improve the quality of policy planning and of regulatory acts in accordance with principles of good governance;
- (2) to involve more NGOs and social partners in policy drafting and decision-making processes;
- (3) to improve the accessibility and quality of public administration services, as well as related information exchange, by developing e-governance solutions;
- (4) to minimise administrative burdens for entrepreneurs and individuals;
- (5) to ensure efficient management of EU funds and other financial resources;

(6) to create a modern system of personnel management, salary increase and in-service training for public administration employees;

(7) to introduce a quality management system in all public administration institutions;

(8) to prevent corruption in public administration institutions

4.2. A SECURE, UNIFIED AND CIVIL SOCIETY

The national security of Latvia is the protectability and security of its values and core interests – independence, territorial inseparability, the democratic system determined by the Constitution, human rights, market economy, language and national identity, the protectability and security of the co-operation and interests of the citizens.

Society's civic maturity is characterised by a high sense of responsibility and obligation to the country and individuals, active participation in various social processes, free expression of one's views and ideas, as well as tolerance of the views and ideas of others, and respect for decisions made by the majority, even if they run counter to the individual's views.

The unity of society is characterised by people of different genders, nationalities, cultures, education levels and welfare levels, all of whom participate in activities that increase the common good and retard social stratification.

One of the aspects characteristic of the development of a civil society is the ability of all nationalities to preserve their language in a multi-cultural environment. The functions of the state language can be fulfilled only by a target – oriented, developed, cultivated and enriched language. The aim of the official language policy is to ensure the sustainability, linguistic quality and competitiveness of the Latvian language – the official language of the Republic of Latvia and one of the official languages of the European Union.

Society is in security if its development is based on the principle of sustainability and common values and if its members are certain about their social and physical security because they trust public institutions.

The aim of a policy for forming a civil society is to ensure an environment in which individuals have no obstacles in dealing with individual and public issues. Involvement of nationals living abroad in discussions of topical issues should be particularly facilitated.

4.2.1. Cooperation of the public, non-governmental and private sector

A significant requirement for successful and democratic development of the country is cooperation between the public sector – state, local governments, NGOs and social partners – and the private sector. A continuous dialogue between both groups, as well as their ability and desire to respect each other, to complement not conflict with each other, facilitates the formation, maintenance and security of a civil and united society, its stability and security.

In Latvia only a small part of its inhabitants are involved in social activities; charitable activities and voluntary work are not widespread. A large number of Latvia's inhabitants still think that they do not receive sufficient information about the activities of NGOs and that they cannot influence either their own life or society; therefore, they become alienated from the aims set forth by public administration. In reality, no major legal or institutional obstacles keep individuals from participating in social activities.

Tasks:

- (1) to ensure efficient participation of NGOs in decision making and legislation by increasing the activities of NGOs and their participation in discussions on draft laws;
- (2) to strengthen the role of trade unions and employers' organisations and their unions by assigning them more functions, e.g., forecasting market needs in a given sector and involving them in drafting long-term national economy plans;
- (3) to support children and youth NGOs, thus facilitating a decrease in the number of wandering children and helping young people to form an active and wholesome life-style;
- (4) to create a sustainable model for public development of EU policies and protection of national interests. By drafting national positions and developing EU policies, the maximum involvement of society, including social partners and NGOs, should be ensured;
- (5) to promote the equal spread-out of the location and capacity of an NGO network throughout Latvia;
- (6) to provide regular and independent financial means (including, community funds) for support of initiatives of local social groups;
- (7) to promote delegation of public administrative tasks to the NGOs, to develop co-operation among the public and private sector, to ensure that the partnership becomes an important mechanism for the provision of public services and infrastructure.

4.2.2. Creation of a common culture space

Latvia's geopolitical situation and history have created a multi-cultural society in Latvia, which can become even more diverse due to globalisation. The population of Latvia has to develop respect and tolerance towards otherness.

Latvian civil society is based on a common cultural space which is characterised by cultural diversity united by common values. A common cultural space is a prerequisite for a unified society consisting of various socially, ethnically and religiously diverse groups. The national cultural values of each group, based on cultural institutions and historical heritage, have a significant role in forming a single national culture, as well as in preserving and expressing national identity. National cultural values, which are characterised by excellence and uniqueness, have become a brand for popularising Latvia's image and raising national self-esteem.

A unified civil society participates in forming Latvia's cultural life and preserving, expressing and creating national cultural values. Cultural diversity and differences contribute to mutual enrichment and self-improvement of individuals.

Tasks:

- (1) to facilitate the involvement and active participation of society in diverse cultural processes and to increase the use of cultural resources for ensuring equal opportunities to socially vulnerable groups;
- (2) to preserve and develop the richness of the Latvian language and the diversity of its expressions and to ensure the use, legal protection, linguistic quality and competitiveness of the Latvian language as the official language of the Republic of Latvia and as one of the official languages of the European Union;
- (3) to facilitate intercultural dialogue and understanding among different ethnic, religious and social groups which form Latvia's society;
- (4) to maintain and provide support for unique national cultural values;
- (5) to improve the preservation, protection, research and accessibility of Latvia's cultural heritage, particularly by educating society about the role of its cultural heritage in sustainable national development.

4.2.3. Ensuring internal security

In order to have a secure and stable Latvia's society, the capacity of the internal security system and cooperation with foreign counterparts should be improved; particular attention should be paid to monitoring and assessment of international criminal networks and criminal situations in other countries. Sustainable security is based on forecasting the trends that might influence Latvia in the future. More attention should also be devoted to the activities of international criminal structures in Latvia.

In order to ensure greater internal security in Latvia, it is necessary to take specific steps in the fight against crime; it is increasingly difficult to do that because Latvia's law enforcement institutions need the more and more updated and appropriate material and technical basis necessary for rapid response to global events. The security system should have

public support, and preventive measures against crimes should be undertaken.

To protect the citizens of Latvia against the consequences caused by natural calamities there is a need to improve the operations of civil defence systems, thus ensuring the timely and effective reaction of the state to the calamities caused by nature and men.

Tasks:

- (1) to promote more efficient co-operation between different structures, including cooperation with international institutions dealing with combating crime;
- (2) to improve the civil defence system and to promote interinstitutional co-operation in this sphere;
- (3) to improve mutual cooperation of institutions dealing with the fight against terrorism;
- (4) to improve and modernise the system for fighting against the illegal spread of narcotic drugs and psychotropic substances, human trafficking and economic crimes;
- (5) to improve interinstitutional cooperation in the sphere of asylum;
- (6) to improve the material and technical base of law enforcement institutions and to modernise IT and communication technologies;
- (7) to develop the preparation of personnel involved in threat prevention;
- (8) to promote cooperation between institutions dealing with protection of copyrights, neighbouring rights and intellectual property by improving the system that is used to fight against offences in this sphere;
- (9) to build the capacity of law enforcement institutions and to establish relations with society.



4.3. INTERNATIONAL DIMENSION OF LATVIA'S DEVELOPMENT

The development of Latvia as a small and open country cannot be considered apart from the global context. However, globalisation and the increasing interaction and influence of various international processes should not be regarded as a threat to Latvia's national sovereignty and identity. On the contrary, these processes should be regarded as Latvia's opportunity. By fully integrating into international processes and by respecting such internationally respected values as democracy, the rule of law, human rights, peaceful coexistence and solidarity of countries, Latvia will be able to ensure both national security and sovereignty, and economic growth. In order to facilitate Latvia's development and growth in an international context, it has to represent its national interests effectively in the European Union, facilitate deeper integration of the Baltic Sea region, cooperate with non-EU countries (in particular with Eastern neighbouring countries), participate actively in collective security initiatives, protect its interests in the global market, promote the unity of the Latvian diaspora, develop Latvian identity, and create a positive image of Latvia in the world.

Tasks:

(1) to take full advantage of Latvia's membership in the EU by effectively representing Latvia's national interests and by

using all available EU instruments – common policies, legislation, financial support;

- (2)** to continue active dialogue with EU member states and other partner countries, ensuring regular exchange of visits and developing a network of diplomatic representation offices;
- (3)** to promote the role of NATO as a collective security organisation which increases security in Latvia and the world, as well as to contribute to the development of the European Security and Defence Policy;
- (4)** to actively promote development of bilateral economic relations and to represent Latvia's interests in international economic organisations;
- (5)** to elaborate and actively implement the European Neighbourhood Policy, as well as to involve Latvia as a new donor country in development cooperation;
- (6)** to protect, maintain and develop the ethnic, linguistic and cultural identity of Latvians living abroad, as well as to strengthen their sense of belonging to their ethnic native country;
- (7)** to develop and project a single concept of its national image in order to facilitate Latvia's recognition abroad.

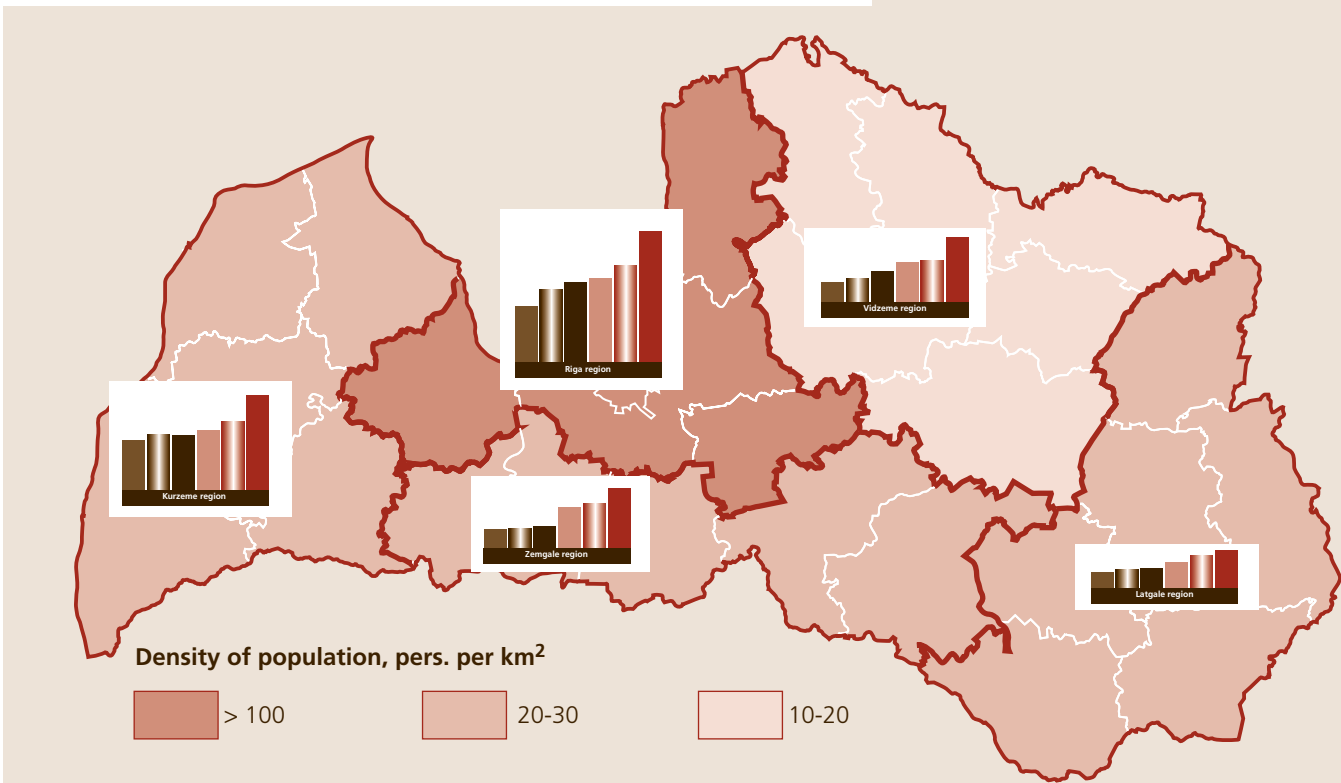
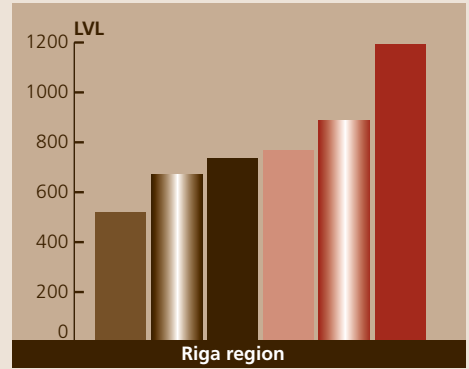
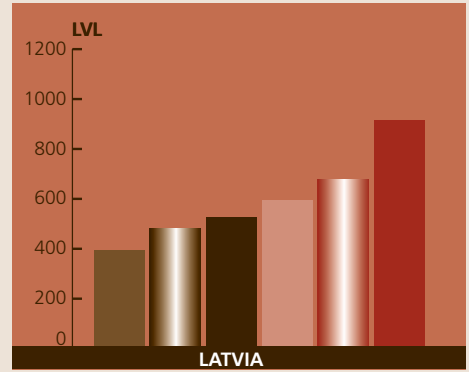
5. FAVOURABLE ENVIRONMENT FOR BUSINESS AND LIVING

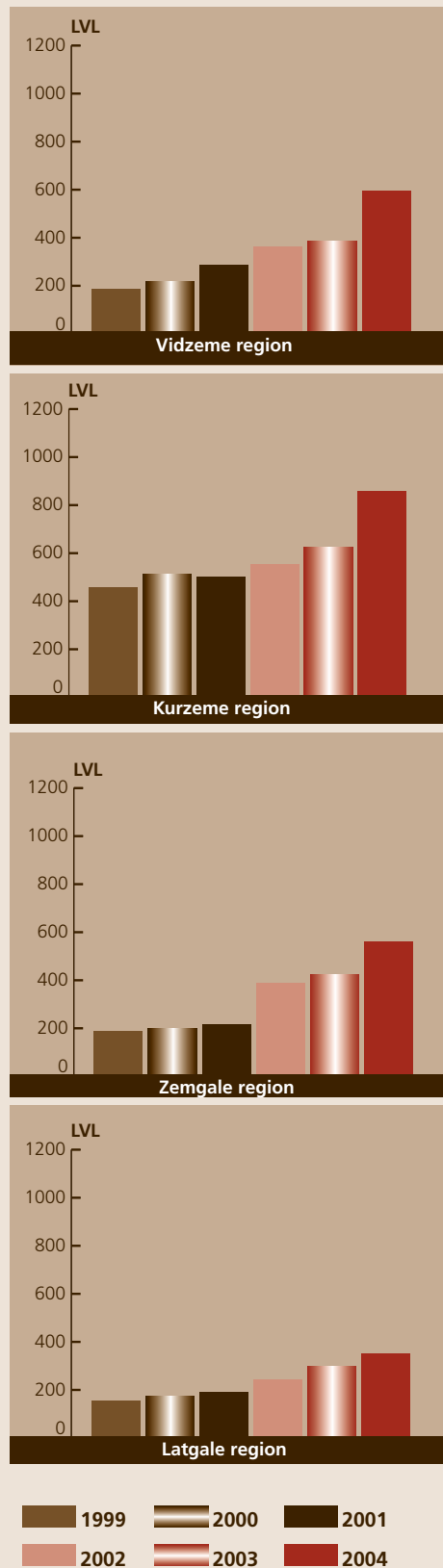
5.1. REGIONAL DEVELOPMENT

The aim of regional development is to promote and ensure a balanced and sustainable national development by taking into consideration the characteristics and potential of the country as a whole and its separate parts and by minimising negative differences between these parts, as well as by preserving and developing the distinctive features and potential for development characteristic of the natural and cultural environment of each separate territory. For different territories, it is possible to choose between different ways of development by taking into account the characteristics and comparative advantages of the given place.

Latvia is characterised by a monocentric distribution of the population – there is one powerful centre, Riga, and a wide and evenly distributed network of towns. For a long time such a distribution of population was regarded as an obstacle for regional development; however, it has a significant growth potential that can be developed by implementing the concept of polycentric development. In the existing network of towns, in addition to the development of one major centre – Riga, the development of which is essential to ensure the national competitiveness of the international scale, other centres have to be purposefully developed until they become strong enough to facilitate regional growth. By channelling the limited available resources to selected development centres, by developing of co-operation networks, by support of the attraction of highly qualified human resources to regions it will be possible to ensure more efficient development, to increase the competitiveness of regions and the state as a whole more rapidly. The creation of a high quality living space in conformity with the population structure will foster the establishment of the conscience of regional and national identity.

NON-FINANCIAL INVESTMENTS PER 1 INHABITANT, LVL





Source: Statistical Yearbook of Latvia 2005

5.1.1. Polycentric development – an opportunity for regions

Polycentric development with a network of towns provides the necessary preconditions for the development of a well-balanced state. The towns have to become an important development driving force of each region and of all the country, whose potential and the perspective development direction is determined within the spatial planning process of the region, in co-operation of public institutions, local governments, NGO's and public. The creation of the network of towns and their strengthening increase the mutual complimenting abilities of them and it is an effective instrument for a balanced development to apply the needed synergies.

Tasks:

- (1) to ensure the development of a common national development planning system to achieve the vertical and horizontal co-operation on all the planning levels, based on a regular national development analysis and providing the possibility in case of need to adjust the plans of sectorial development according to the needs of a balanced development of the regions;
- (2) to develop and implement territorially differentiated regional development support instruments, to ensure their mutual compensation, by this creating beneficiary preconditions (well organised infrastructure, the existence of specific measures and services promoting entrepreneurship and its commencement etc.) for the development of national economy;
- (3) to strengthen the regional capacity in planning, ensuring both the material and technical base, as well as human resources for the said purpose;
- (4) to facilitate the development of towns – rural co-operation thus creating new and strengthening the existing functional relations between the urban and rural territories;
- (5) to stress and take into account the distinctive features and quality of regional and local cultural environments in territorial planning as a precondition for sustainable territorial development and competitiveness. To diversify and strengthen the social and economic impact of cultural heritage and contemporary cultural environment;
- (6) to use the public and private partnership principle in renewing the regional development centres.

5.1.2. Riga – a metropolis of business, science and culture in the Baltic Sea region

Riga is the capital of Latvia and the centre of a large region whose influence reaches beyond its administrative and national borders. Facilitation of development of Riga as an excellence centre of business, science and culture in the Baltic Sea region is essential for strengthening Latvia's competitiveness on a global scale.

Polycentric distribution of population throughout the country is one of the preconditions for successful transfer of Riga's excellence, potential and resources to other regions in Latvia and vice versa. This interaction would facilitate not only balanced regional development in Latvia but also ensure the competitiveness of Riga region within the Baltic sea region and beyond it, as well as Latvia's integration into the international economic environment since Latvia is a link between Eastern and Western markets and a country with a knowledge-based and globally competitive economy.

Harmonised and balanced development of Riga and other regions in Latvia can ensure the highest possible living standards, offer employment, education,

recreation and entertainment opportunities to all people living, working, investing or just visiting Latvia.

Tasks:

- (1) to ensure qualitative and functioning spatial structure of Riga region, that would guarantee high quality and accessible transportation services to the inhabitants and visitors of Riga and all the country by efficiently incorporating Riga in the Pan-European transportation network;
- (2) to facilitate the growth of Riga as an economically competitive metropolis in the Baltic Sea region by developing cooperation between entrepreneurs and science institutions, as well as by creating a flexibly responsive business environment, manufacturing and services based on innovative technologies and by offering services in the sphere of logistics and tourism;
- (3) to facilitate the development of Riga as a centre of education, science and excellence in Latvia by improving cooperation between relevant national and local institutions, entrepreneurs and NGOs, by promoting activities of students, teachers and scientists, and by promoting international cooperation and exchange between NGOs;
- (4) to ensure the evolvement of diverse and qualitative life and culture environment in Riga region by developing services, supporting various large-scale events, concurrently developing the needed infrastructure, as well as preserving and augmenting Riga's cultural heritage.

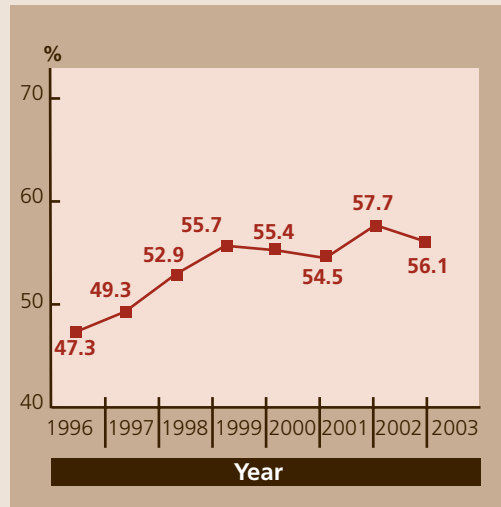
5.1.3. Mutual, trans-boundary and trans-national co-operation of regions to increase competitiveness in the European Union

The aim of any regional cooperation is to develop a common synergy, finding common solutions for those tasks where the individual solutions would have been ineffective or economically non-substantiated. Regions in Latvia cooperate relatively broadly on all levels, but usually cooperation is limited to the exchange of experience in the spheres of cultural, social and environment infrastructure services, as well as in organising the local government work; little attention is paid to opportunities to learn new production methods and services, to study market demand and to implement joint economic projects. Regional co-operation with the neighbouring regions of the country and across its borders is significant – it is needed in order to minimise the influence of actual regional borders, to facilitate solving of specific development problems characteristic of borderland territories and to study the development potential on the both sides of the border. All of that is necessary to prevent the formation of „empty“ areas and to strengthen joint responsibility for timely prevention and resolution of potential conflicts.

Tasks:

- (1) to continue Latvia's and its specific territories in the networks of international co-operation and to enhance the development of polycentric competitive network of system of towns in the Baltic Sea region by concurrently supporting creation of a common Northern European identity;
- (2) to strengthen internal and international cooperation of local governments and regions in dealing with regional and Pan-European development policy issues, as well as to improve links (logistical, actual) among international, national, regional and local transportation networks;
- (3) to strengthen cooperation in implementing development strategies and in spatial planning by taking advantage of opportunities for cooperation offered

PROPORTION OF RIGA GDP FROM LATVIA GDP, %



Source: Central Statistical Bureau, 2005

RIGA IN 2004

Citizens – 735241 or 31% from all the population of Latvia

Active business companies – 38080 or 37% from all the active business companies of Latvia

from them

micro-sized – 31246

small – 5544

medium – 1079

large – 211 business companies

or

35% from economically active micro-sized business companies of Latvia,

55% from small ones

54% from medium ones,

63% from large business companies

Source: Statistical Yearbook of Latvia 2005

by neighbourhood policy, as well as by cross-border and international opportunities for cooperation;

- (4) to facilitate approximation of the environmental monitoring system in neighbouring countries to EU requirements for preservation of the quality of the environment, including a reduction in the amount of trans-boundary emissions.

5.2. MODERN INFRASTRUCTURE AND SERVICES

One of the most essential preconditions for sustainable economic growth and competitiveness in the global market today is national, regional and local infrastructure that meets ever higher quality requirements. Modern and qualitative infrastructure consists of transportation, public utilities, communal and social infrastructure, as well as different services which ensure accessibility of this infrastructure.

A precondition for sustained and sure national development is a sufficiency of energy, as well as a reliable energy supply for the national economy and inhabitants.

It is possible to achieve significant economic growth and to increase competitiveness if information and communication technologies (ICTs) are used in public administration, enterprises and households. Opportunities provided by ICTs should be used efficiently and innovatively in the spheres of education, science, employment, health care, social security, culture, tourism, etc., in order to simplify access to employment and education, as well as to the services and information offered by the public and private sector.

5.2.1. Energy supply which facilitates development

The sufficiency of energy ensures growth of the national economy, higher living standards and national security. The security of Latvia's energy supply can be increased by facilitating the use of local energy resources, abolishing isolation of Latvia's energy market, as well as by diversifying the supply of primary energy resources. Therefore, particular attention should be paid to the development of the energy sector in Latvia, the Baltic Sea region and Europe by studying possible ways to diversify the supply of energy resources and by participating in various projects which are oriented towards a reliable supply of power, oil and gas.

While improving the infrastructure of energy supply and implementing energy efficiency measures, the accessibility and sufficiency of energy to consumers should be improved, and the impact on the environment should be mitigated. The level of self-sufficiency of power, as well as use of primary and renewable energy resources, should be gradually increased.

Tasks:

- (1) to facilitate creation of links between Baltic and European energy systems which are oriented towards integration of the Baltic energy supply system into the European system;
- (2) to diversify the supply of primary energy resources and to increase energy independence;
- (3) to support investments in producing energy from renewable sources;
- (4) to facilitate competitive production and greater use of bio fuel.

5.2.2. Development of ICT infrastructure and services and their accessibility in public networks

Development of ICT infrastructure and efficient use of opportunities ensured by ICTs facilitate social and economic growth of the country and competitiveness of its regions, as well as raise living standards of the population. Modernising of ICT infrastructure in public administration institutions should be oriented towards improving services to inhabitants. The development of electronic services should be promoted by ensuring diversified channels for service provision, improving accessibility and security of services, as well as minimising the administrative burden for inhabitants and entrepreneurs. The infrastructure of information systems should be developed by ensuring the compatibility and security of information system, as well as by increasing accessibility of information. Proficiency of inhabitants in using ICTs should be increased, and special e-governance application software should be developed. Digitalisation should be developed, improved and used in all sectors of public governance. Broadband network should be created, and its accessibility should be ensured in all regions; Internet accessibility should also be improved.

Tasks:

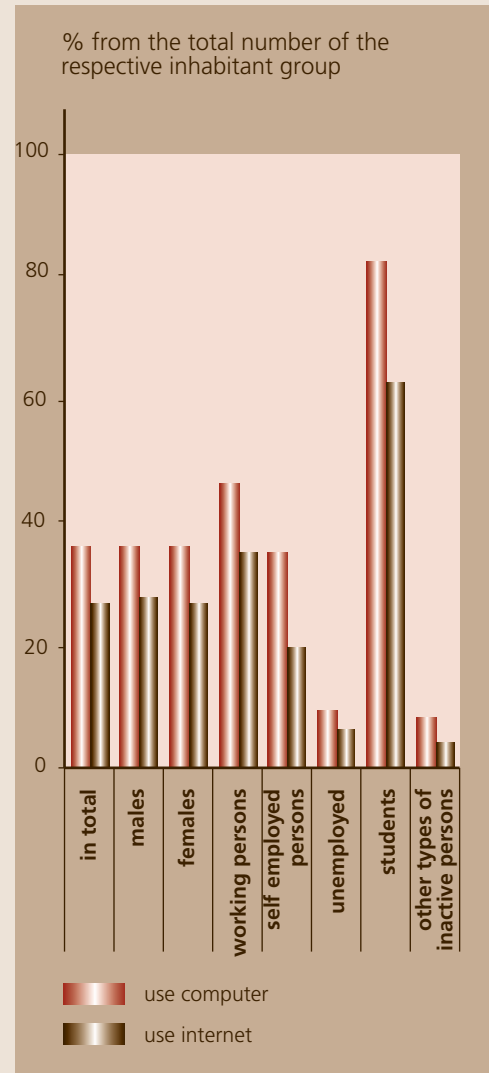
- (1) to facilitate digitalisation and development of services provided on the national and local government level;
- (2) to ensure compatibility of national and local information systems and to facilitate development of national and local information systems;
- (3) to ensure digitalisation of the education system and to improve the proficiency of education institution employees in using the new ICTs;
- (4) to provide national and local government institutions, including health care, employment, social and cultural institutions, etc., with the needed ICT infrastructure and Internet connections, as well as to improve the proficiency of employees in using new ICTs;
- (5) to provide access to the broadband data transfer network and develop access to the public Internet, thus facilitating balanced regional development;
- (6) to facilitate the use of ICTs in enterprises and households in order to ensure wider accessibility of services and information.

5.2.3. Multimodal, integrated, accessible for public and safe transportation system

An efficient, flexible and safe transportation infrastructure is mandatory for economic growth because it facilitates productivity and ensures free movement of people and goods. Development of an international transportation infrastructure by involvement in implementation of cross-border projects is essential for integrating the national markets, especially as to the context of the market of the enlarged European Union.

A modern transportation system is a prerequisite for creating a qualitative business and living environment. The efficiency of the transportation system and the quality of services will be increased by integrating different modes of

NUMBER OF INHABITANTS USING COMPUTER/INTERNET ON REGULAR BASIS IN 2004

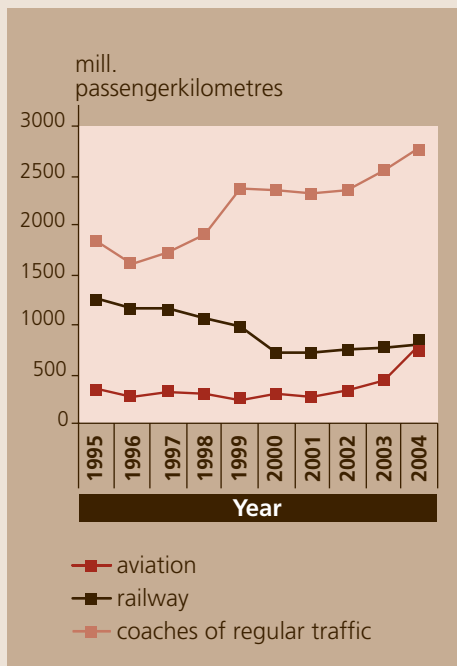


Source: Statistical Yearbook of Latvia 2005

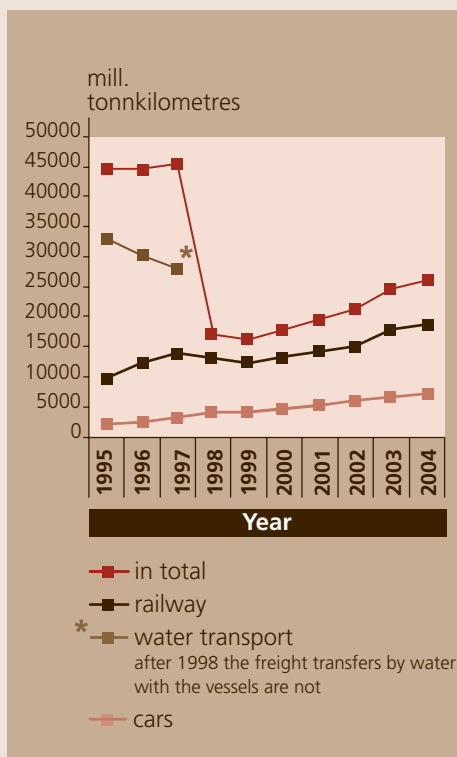
In 2004

75% of the companies of Latvia and 15% of households had access to Internet.

TURNOVER OF PASSENGERS



TURNOVER OF FREIGHTS



Source: Statistical Yearbook of Latvia 2005

transportation and diversifying their services. That ensures inhabitants, entrepreneurs and tourists with comfortable transportation and qualitative transportation services.

Tasks:

- (1) to ensure improvement and development of the international transportation infrastructure, including modernisation of all major national motorways, railroad infrastructure, ports and airports, thereby ensuring compatibility of Latvia's and EU air traffic control system, thus guaranteeing full integration into the Pan-European transportation network and connection with networks used by Eastern neighbouring countries;
- (2) to improve the quality of the regional and local transportation infrastructure by allocating sufficient funding for maintenance of motorways and local roads;
- (3) to increase and maintain traffic safety in order to reduce the number of road casualties by at least a half;
- (4) to facilitate cooperation between the state and local governments in developing a balanced and integrated transportation system in the country;
- (5) to diversify transportation and logistics services by creating an integrated and multimodal national transportation system which is competitive in the European and global service market;
- (6) to establish Latvia as a transportation and logistics centre for Asian and European trade;
- (7) to improve the public transportation system: increase the accessibility of public transportation services on national, regional and local level, to improve the quality of regional and local services by optimisation of route network, determining priority modes of transportation, and retaining rail transportation of passengers and ensuring its accessibility for all the social groups of population;
- (8) to develop environmentally friendly means of transport and to minimise risks associated with transporting hazardous cargoes;
- (9) to develop the infrastructure of bicycles, especially in the towns of Latvia, and to promote the use of bicycles as an alternative means of transportation.

5.2.4. Development of public utilities (water and waste management, heating, etc.)

Public utilities include water management, waste management, heating and other similar services and their infrastructure. These services improve the quality of living environment, and they can increase the economic activity, as well as increase efficient and sustainable use of energy resources.

Tasks:

- (1) to develop a water management infrastructure in accordance with environmental requirements;

- (2) to improve the quality of public utilities infrastructure by avoiding inefficient use of energy resources;
- (3) to develop a uniform support policy for increasing energy efficiency in systems of heating providers and to increase the efficiency of energy in buildings;
- (4) to create a sustainable waste management system, including a supporting infrastructure for management of household waste, hazardous waste and radioactive waste on the national, regional and local level;
- (5) to provide equal public utilities to all inhabitants of the country, taking into consideration the population distribution.

5.2.5. Infrastructure and services provided to people engaged in different activities and having different life-styles

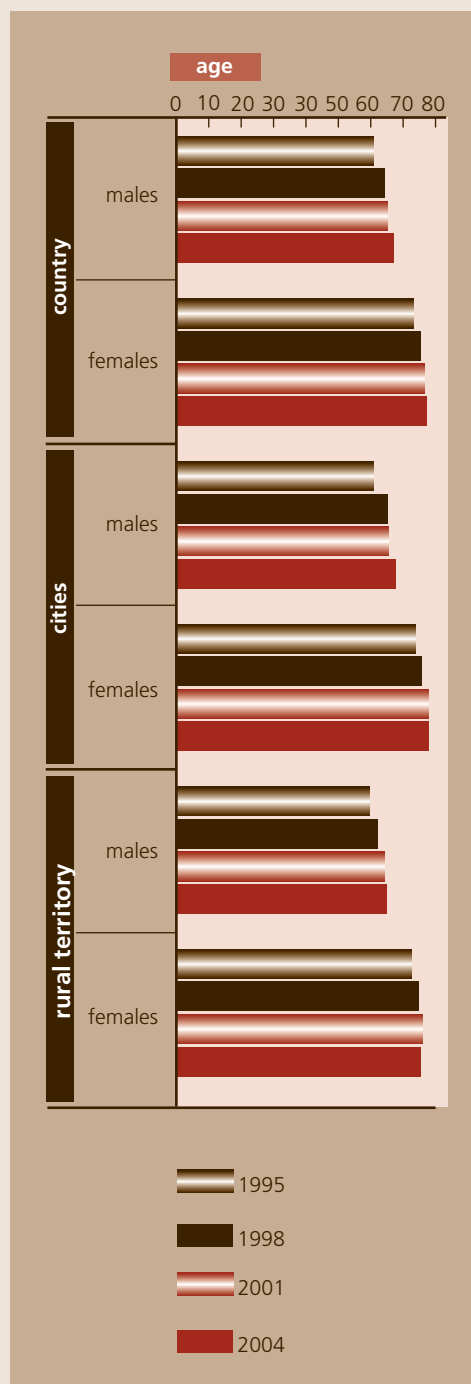
An integral part of a full value living environment is the opportunity for different social groups to receive the services they need and are interested in. People need services related to education, health care and social care, recreation (culture) and entertainment (sports), as well as consultations from experts and contacts with authorities, security and legal institutions and public organisations. Disregarding the fact that not all of these services are needed daily, the public utilities sector has to work profitably; therefore, these services should be brought closer to individuals by creating conditions that make it possible to receive these services at development centres. The orientation of certain centres, existing demand and the presence of a functioning infrastructure – buildings, personnel, connection to public services networks – should be taken into account.

Tasks:

- (1) to ensure a „minimum basket“ of all types of services according to the needs of each individual centre and to create preconditions for receiving these services, and to specify the institution responsible for providing each specific type of service;
- (2) to decrease disparities between Latvia’s regions with regard to the quality and accessibility of services;
- (3) to diversify services related to recreation and an active life-style by using local cultural and historical and natural resources;
- (4) to develop the possibilities for population to be engaged in various type and level physical activities, thus developing the mental and physical potential of each individual.



AVERAGE PROJECTED LIFE BIRTH



Source: Statistical Yearbook of Latvia 2005

6. IMPROVEMENT OF WELFARE

6.1. HEALTHY PEOPLE IN A SUSTAINABLE SOCIETY

Health is a basic human value; it is the foundation for the quality of life, as well as for personal and family well-being.

Health care is an essential part of public health. It includes both medical and pharmaceutical care and is aimed at maintaining and restoring good health. There are not enough general practitioners in Latvia; therefore, people do not always receive health care services in a timely fashion. The availability of health care services has to be improved by modernising the infrastructure, developing the use of information technologies, introducing e-Health services, as well as ensuring adequate human resources for health care.

The social service sector encompasses services by social workers, social care services, and social and occupational rehabilitation; these services are provided both by the state and local government institutions.

In order to protect the population in social risk situations, there are social security and state social benefit systems functioning in Latvia. Within this framework, pensions, social benefits and compensations are paid in accordance with social insurance contributions, and financial aid is provided in the form of general benefits to members of specific population groups.

Social assistance provided by local governments offers social protection to persons who live in poverty or who are in any other social risk situations..

6.1.1. Human health as a value

An individual's health is influenced by biological, social, economic, environmental factors, as well as by lifestyle habits. These factors also influence general public health, which is a significant indicator of a sustainable society. In order to create conditions for lifelong health, it is necessary to promote and develop preventive measures, to persuade the public opinion that a healthy lifestyle is a value, and to continue to improve the health care system.

The prevalence of various health risks contributes to an increase in the number of persons who are at risk of poverty and social exclusion.

In order to raise public awareness about health as a value, it is essential to promote cooperation between the state and NGOs so that people, starting at an early age, are better informed and involved in preserving their health by engaging in physical activities and eating wholesome food.

Tasks:

- (1) to improve the accessibility of health care services to the population by developing the health care infrastructure, paying special attention to the primary health care and emergency services;
- (2) to provide long-term development of human resources in the health care sector;
- (3) to create a balance between the state's and an individual's responsibility for preserving and improving health and to create public awareness about a healthy lifestyle and wholesome food, as well as to involve public in combating the diseases of dependency (alcohol, drugs, psychotropic, toxic substances, gambling or dependency from computer games);
- (4) to promote the integration of mental health care into the society (to develop public-based mental health services and the co-operation of institutions involved in matters of mental health of population, to educate the society on mental health and psychic diseases);

- (5) to stress the importance of preventive measures;
- (6) to increase gradually the amount of financial resources for health care and to improve the public awareness about the possibilities to receive state paid health care services;
- (7) to encourage the introduction of new, research-based medical treatment methods;
- (8) to develop e-Health solutions and to increase the use of information technologies;
- (9) to reduce new-born and infant death rates;
- (10) to encourage people, especially children and youth, to participate in sports activities;
- (11) to promote cooperation in the field of health care between the state and NGOs which are working with families, children, youth, groups at risk of social exclusion, including HIV-positive persons.

6.1.2. Sustainable social security system

In view of demographic development trends (aging population and low birth rate) and their impact on the development of the national economy, long-term stability of the social security system plays an important role. The sizeable shadow economy, a relatively high unemployment rate, low average salary, as well as regional differences result in inadequate pensions (size of pension depends on social insurance contributions); therefore, measures should be taken to improve the quality of life for retired persons.

Although, on the whole, positive development trends can be observed regarding state social benefits (an increase in the amount of existing benefits, provision of new types of state social benefits), the amounts received from a part of state social benefits are still too small to provide efficient state aid to certain population groups.

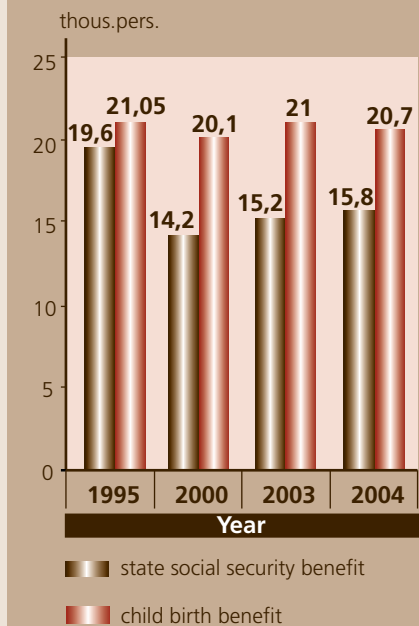
The opportunity to receive social assistance and social services is one of the indicators which characterises the quality of life of persons vulnerable to social exclusion and which encourages their reintegration into society. In order to ensure high-quality services, to expand the range of these services and to bring them closer to each person's place of residence, it is necessary to develop and modernise the infrastructure which provides social services, as well as to support local government institutions in developing alternative health care services

Tasks:

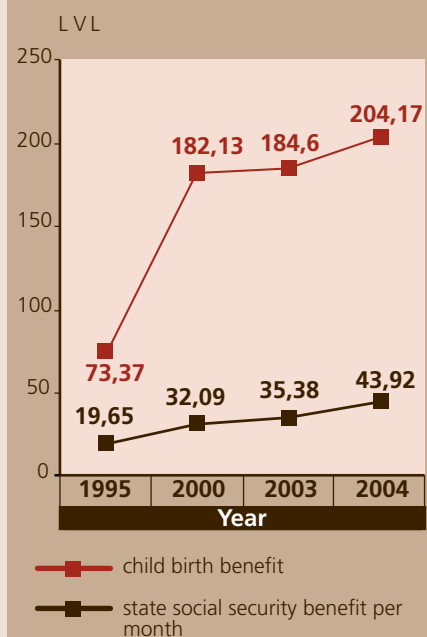
- (1) to maintain the financial stability of the social security system and to promote its development;
- (2) to encourage movement towards providing adequate pensions;
- (3) to raise public awareness about the importance of the social security system;
- (4) to provide state aid for persons at social risk;
- (5) to develop a system for providing social assistance and services by the state

NUMBER OF RECIPIENTS OF STATE SOCIAL BENEFITS

Number of recipients of pension

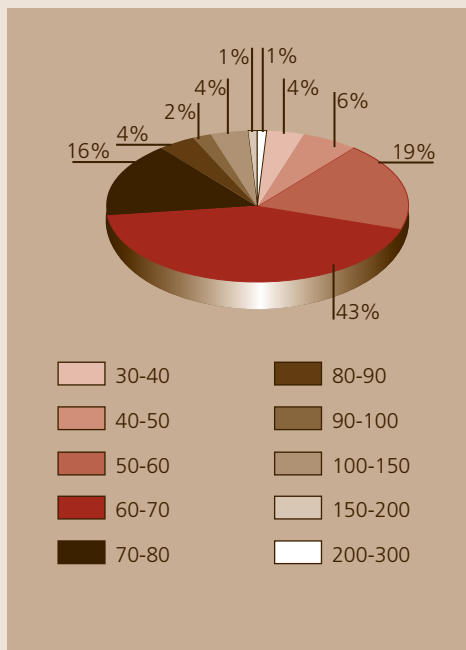


Average amount of state social benefits, per month



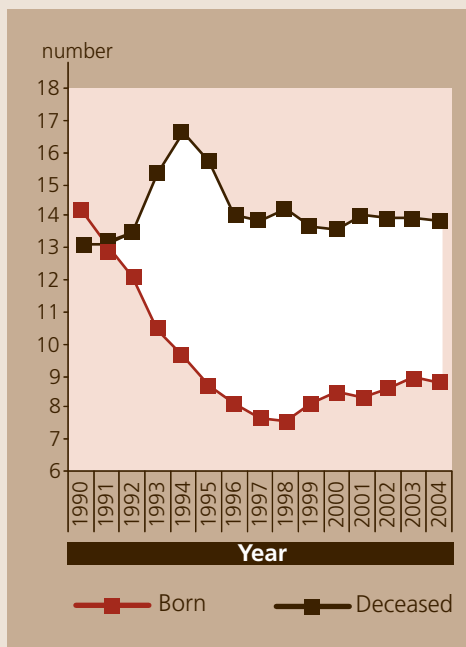
Source: Statistical Yearbook of Latvia 2005

SEGMENTATION OF NUMBER OF PENSION RECIPIENTS BY AVERAGE AMOUNT OF MONTHLY PENSION, LVL



Source: Statistical Yearbook of Latvia 2005

BIRTH-RATE, DEATH-RATE AND NATURAL GROWTH, PER 1000 INH.



Source: Statistical Yearbook of Latvia 2005

and local governments, the social and day-care centres included, to raise the quality of state and local government social services by modernising the infrastructure of service providers;

- (6) to facilitate the accessibility of social services by bringing them closer to each person's place of residence and to develop new types of social services;
- (7) to improve social dialogue between the state and socially vulnerable population groups.

6.1.3. Support to families with children and encouraging an increase in the birth rate

The family is the basic unit of society; it is the place where the physical renewal of society and the passing on of moral values are ensured. Beneficiaries of support to families are not only themselves the benefit receivers but also the whole society.

The state's policy for improving the demographic situation has two chief aims: protection of children's rights/children's and family rights and state aid to families with children; both are provided by the social security system. A large part of state social benefits are intended specifically for families with children; however, the small amount of certain state social benefits (for example, the family state benefit) does not provide sufficient support. Support to families can also be provided by creating a living and working environment that enables parents to work without risking their family's safety, providing the parents with a possibility to integrate work with the care about their family – flexible type of work and the possibility for family members in need of care to access the necessary services of social care. Integration of children and young people from families at risk of social exclusion (children and young people with incomplete basic education or with low motivation who are from disadvantaged families, orphans, as well as children and young people with special needs) in the educational system and labour market is insufficient. It is necessary to create basic conditions for successful social integration of the youngest members of society by developing a social rehabilitation system and by placing in families orphans and children without parental care.

Tasks:

- (1) to increase state aid to families during the child-rearing period in conformity with the needs and the age of the children;
- (2) to encourage development of a network of pre-school educational institutions and alternative child-care services;
- (3) to create a family-friendly working environment and in this area to promote co-operation with social partners – the employers;
- (4) to develop support and social service systems for families with children and to ensure a suitable infrastructure;
- (5) to develop a family-type care system for orphans and children without parental care (foster families, adoption, promotion of guardianship);
- (6) to create a state support system for promoting accessible housing to families with children.

6.2. INCLUSIVE AND STEADY LABOUR MARKET

Work is one of the most important values in human life: it not only provides means of subsistence but also lays a foundation for creative thinking, self-realisation and social contacts. In cities and especially in rural regions, favourable conditions must be created for locating new jobs as close as possible to employees' places of residence because this reduces migration and promotes regional development. Adequate mechanisms should be created for encouraging the economically active part of the population to join the labour market, as well as for encouraging the return of Latvians residing and working abroad.

In order to reduce undeclared work and to promote employment, strengthening employment partnerships at the local level plays an important role. Attention should also be paid to involving in the labour market population groups that are at risk of social exclusion.

6.2.1. Access to jobs and job variety in regions

The main reasons for the high unemployment rate in regions are the following: insufficiently developed entrepreneurship, a low number of self-employed persons and poorly developed infrastructure. Self-employed persons form a rather small portion of the total number of employed persons in Latvia.

Insufficient public awareness about the administrative procedures for starting a business or being self-employed does not favour the creation of new jobs.

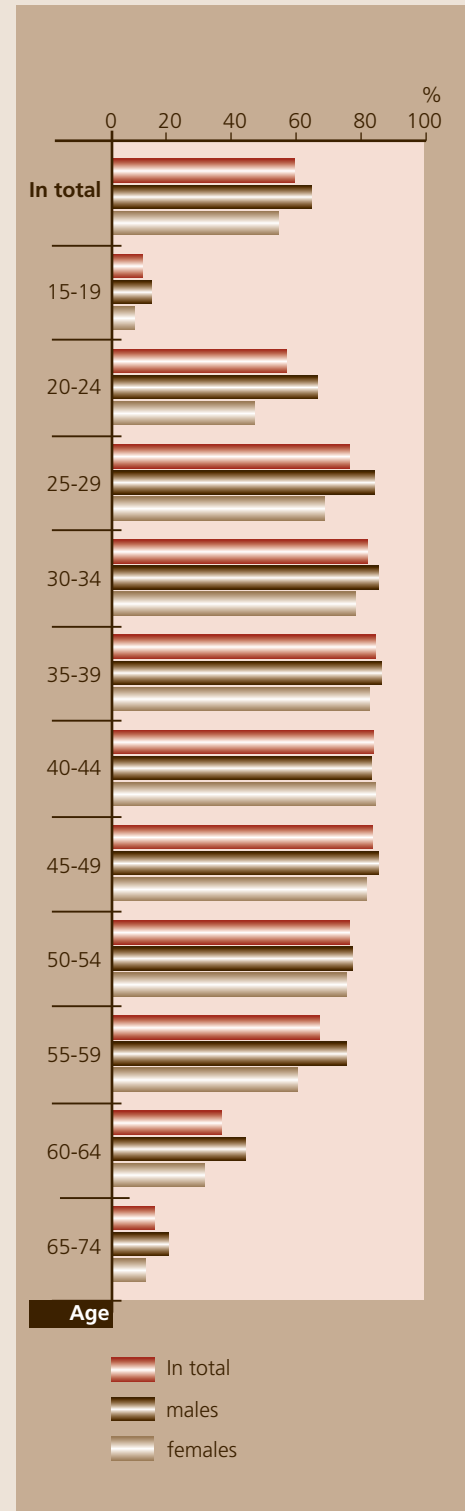
At the same time, emigration of the labour force is continuing and increasing. In several sectors, employers lack workers.

The great difference between Riga and the rest of Latvia with respect to economic activity and GDP per capita hinders the formation of a uniform national tax and benefit system that promotes employment.

Tasks:

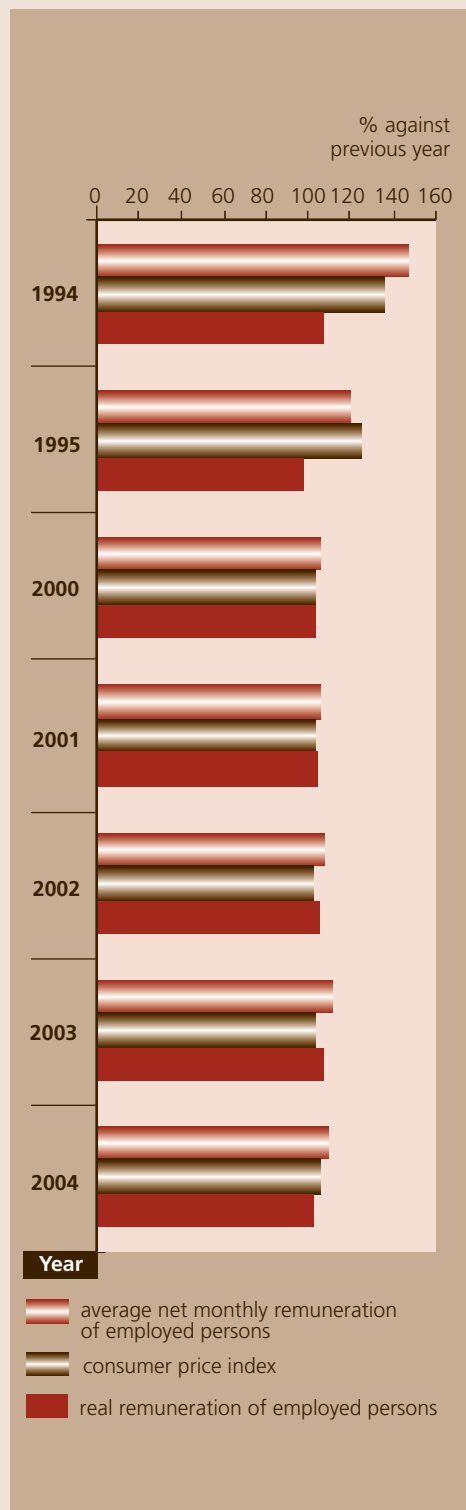
- (1) to encourage the creation of a variety of jobs and accessibility to them by supporting self-employment and entrepreneurship in all regions;
- (2) to promote higher salaries, especially for lower-paid categories of employees, by raising the minimum wage and, at the same time, also raising the non-taxable minimum and increasing the personal income tax relieves for persons to be supported;
- (3) to facilitate internal geographical and professional mobility of the labour force;
- (4) to promote access to jobs for economically inactive working-age persons and especially for youngsters and for population groups at risk of social exclusion – parents after child-care leave, persons of pre-retirement age, persons with dependable persons, persons with special needs, persons who have been unemployed for a long time, etc.;
- (5) to ensure wider access to information about vacancies, training and retraining opportunities in conformity with the labour market demands;
- (6) to improve working conditions by facilitating the implementation of laws on labour relations, labour safety and occupational health;

PROPORTION OF EMPLOYED PERSONS FROM TOTAL NUMBER OF INHABITANTS IN 2004



Source: Statistical Yearbook of Latvia 2005

REAL REMUNERATION'S DYNAMICS OF EMPLOYED PERSONS



Source: Statistical Yearbook of Latvia 2005

(7) to foster the growth of labour productivity;

(8) to support the return to the Latvian labour market of workers who have emigrated.

6.2.2. Support for increasing the employment rate

The goal of the employment policy is to raise the employment rate and to reduce unemployment by efficient economic growth. The unemployment rate among the population with low educational and skill levels is comparatively high. The reason for that is a lack of professional training, a disparity between knowledge and skills obtained and modern labour market demands. Such a situation is not conducive to developing a knowledge-based society (information technology, communication skills, basic entrepreneurial knowledge, knowledge of foreign languages and the state language).

Tasks:

(1) to develop more efficient measures for averting possible unemployment (preventive measures for reducing unemployment), especially for young people and for persons after child-care leave and persons of pre-retirement age;

(2) to improve and diversify active and preventive employment measures, ensuring an individual approach aimed at facilitating people's competitiveness in the labour market (especially by providing training and consultations to the unemployed to meet their particular needs in conformity with the causes of unemployment);

(3) to reduce undeclared work;

(4) to reduce long-term unemployment and to ensure involvement in the labour market of population groups at risk of social exclusion (motivation programmes, internships and creation of specifically accommodated working places as well as other measures);

(5) to institute flexible working hours and forms;

(6) to develop initiatives promoting local employment and partnerships favouring employment, especially by encouraging employers to hire persons from population groups at risk of social exclusion.

6.3. ACCESSIBLE HOUSING AND A CIVILIZED LIVING AREA

One of the most significant welfare (quality of life) indicators for every human being is provision of housing in a civilised and comfortable environment. At the same time, a clean and comfortable living space is a prerequisite for preserving health and leading an active life.

In a market economy, housing accessibility is generally determined by average living standards in the country; therefore, from the macroeconomic point of view, the state's participation in housing development has to be evaluated as an essential contribution to human development. The choice of housing is determined by the material welfare and consumption priorities of a home owner or tenant – that is, how high housing is on his/her priority list and how much is he/she willing to pay for it.

The idea of “living space” includes not only an individual’s property or his/her dwelling but also the private and public areas around the dwelling, including the natural and cultural environment, which are an integral part of a high-quality living environment.

6.3.1. Diverse supply of types of housing

In Latvia, after denationalization, over 80% of the housing is privately owned. Funding sources and social objectives for housing construction have changed. Now construction is funded mainly by private capital, which finances construction in economically active areas where is the highest level of housing demand and sales prices. State and local government support is currently provided only for solving housing problems of low-income residents and people who are in crisis situations.

The gap between the average income of the population and the relatively high cost of housing hinders efficient maintenance and renewal of the current housing fund. At the same time, this gap leads to segregation because the wealthiest households choose higher quality housing.

Taking into consideration the diverse purchasing ability of the population, it is necessary to provide a range of choices for housing, including development of the social rent sector, cooperative construction projects of population, promotion of public and private partnership projects, as well as new construction projects in regions.

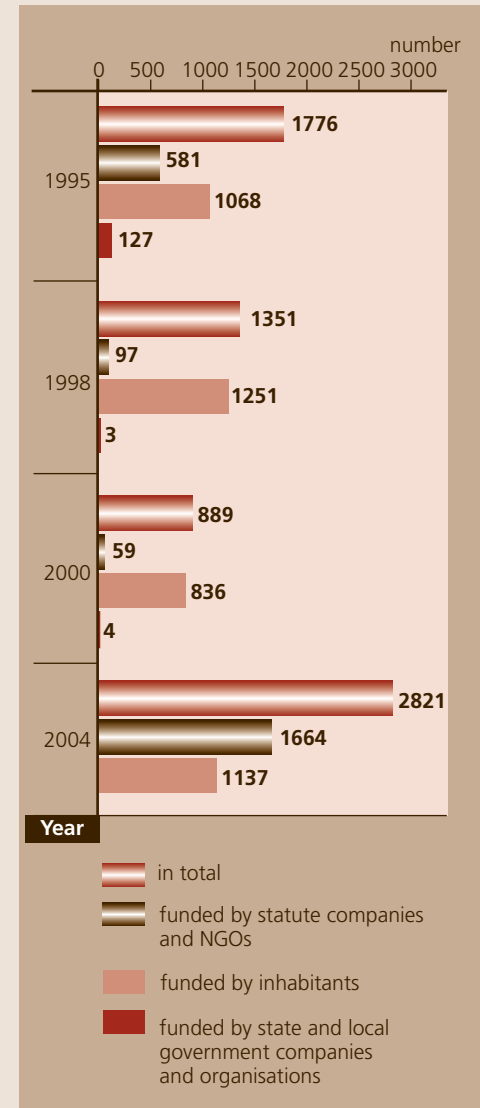
Tasks:

- (1) to facilitate efficient use of existing housing (including progressive management, renovation and modernisation);
- (2) to create conditions for diverse types of housing available to increase the accessibility of diverse types of housing for population groups with diverse income levels;
- (3) to launch a comprehensive assistance system in the housing sector whereby obligations and responsibility are shared by the state, local governments and individuals themselves;
- (4) to establish a system for monitoring the quality of new housing;
- (5) to introduce financial assistance instruments for making housing more available to specific target groups (families with children, young specialists).

6.3.2. Forming socially integrated neighbourhoods

Spatial planning plays an important role in planning and developing residential neighbourhoods. By using spatial planning proposals to decide about the future of existing residential neighbourhoods or about the creation of new neighbourhoods, it is possible to get an overview of the development of the entire municipality and to choose the most advantageous development option in a rational way. The housing fund should be created by taking into account the location of enterprises engaged in manufacturing and providing services. This would allow local governments to reduce the costs of providing the necessary infrastructure and would increase people’s comfort level by ensuring convenient access to public transport, service-providing companies, etc.

NUMBER OF APARTMENTS BUILT



Source: Statistical Yearbook of Latvia 2005

Memorials and monuments of culture – 8441

from them

3375	–	of architecture
2413	–	of art
44	–	of urban buildings
114	–	of history
2495	–	of archaeology

They include:

castle mounds – 474

ancient cemeteries and burial places – 1233

places of medieval castles or their ruins – 76

manor houses – 136

Lutheran churches – 134

Catholic churches – 48

Orthodoxy churches – 33

dwelling places of outstanding persons – 29

Source: State Inspectorate of Protection of Monuments and Memorials of History

Parallel to the development of a diverse supply of housing it is necessary to enhance the development of functionally diverse and socially integrated residential neighbourhood. That would reduce such negative trends as stratification of towns' residential areas by the income level of their population. The functional diversity of residential neighbourhoods will bring the necessary services closer to the people and will improve the quality of life as a whole.

Tasks:

- (1) to use the principle of public and private partnerships for creating a functional and diversified living space;
- (2) to encourage an improvement in the quality of life for all population groups, especially for socially vulnerable groups (pensioners, children and people with disabilities);
- (3) to foster identification with one's place of residence and to promote development of local communities with the aim to enhance active participation of people in day-to-day activities.

6.3.3. A well-developed and accessible cultural environment and cultural-historical heritage

A high-quality cultural environment, which is formed by a well-preserved and accessible cultural heritage and diverse cultural traditions as well as creative expressions, is one of the prerequisites for sustainable and balanced territorial development. Each inhabitant of Latvia has both the right to live in a high-quality environment and the duty to care for ensuring its sustainability. Participation of all population groups in creating the cultural environment and taking care of the cultural-historical heritage is one of the factors which forms and unites a civil society.

Tasks:

- (1) to foster a balanced development of cultural processes and to make culture available throughout Latvia, paying special attention to the accessibility of professional art;
- (2) to preserve and strengthen the originality and identity of cultural and historical counties and local cultures by preserving and developing county and local cultural traditions, social practices, rituals, oral folklore, local language dialects and vernaculars, etc.;
- (3) to foster and develop the study of local history; to develop local tourism by creating tourism sites where one can learn about Latvia's history, culture and nature;
- (4) to create a high-quality urban and rural cultural landscape by harmoniously combining cultural and historical objects, nature sites and newly created contemporary values;
- (5) to create ongoing co-operation and dialogue among territorial planners, architects, environmental planners and the local population.

6.3.4. Reasonably used and well-preserved natural environment

In Latvia, there is a great diversity of ecosystems with their natural structures, as well as a diversity of local wild species, agricultural crops and breeding stock. Diverse and high quality nature environment is very valuable, and it has to be respected in the development of the country as a whole. Preservation of this diversity is needed in order to ensure a healthy living space and sustainable development in Latvia, as well as to fulfil international obligations, and as the characteristic feature of Latvia's identity. In order to preserve biological diversity and to ensure favourable protection status for protected species and biotopes, it is especially important to seek a balance between potential economic activity and territorial management.

In the formation of a civil society, public awareness and increased public involvement in resolving environmental issues play a decisive role, thus increasing public awareness about the values of nature environment and the necessity to ensure high quality living space for next generations also.

Tasks:

- (1) to facilitate the preservation and reasonable use of biological diversity and protected areas;
- (2) to promote the inclusion of the protected areas in the economic development determining different prohibited zones of economic activities and substantiating the socio-economic decisions in their determination, as well as to attract financial resources for their management;
- (3) to encourage public participation in environmental protection and preservation by providing timely and true information to the population about environmental quality and natural resources;
- (4) to facilitate the development of environmental education, as well as to foster education for sustainable development and to raise environmental awareness among the population;
- (5) to support sustainable development of the natural environment for recreation purposes and to promote ecotourism;
- (6) to facilitate evaluation, mitigation and monitoring of the risks to nature, including climate change and industrial risks;
- (7) to encourage rehabilitation and recovery of brownfield areas (including polluted areas);
- (8) to raise public awareness about economical use of water and energy resources and sorting of household waste.

SPECIALLY PROTECTED NATURE TERRITORIES OF LATVIA

Nature reserves – 4

Moricšala (1912),
Grīni (1936),
Krustkalns (1977),
Teici (1982)

National parks – 3

Gauja National Park (1973),
Kemerī National Park (1997),
Slītere National Park (1999)

Biosphere reserves –

North Vidzeme Biosphere Reserves (1997)

Nature parks – 43

The most popular ones are
Engure Lake Nature Park,
Tervetes Nature Park,
"Daugavas loki" ("Daugava Swings")

Nature memorials – 295

from them geological and
geomorphologic – 206,
dendrologic plantations – 89

Restricted areas of nature – 278

Regions of protected landscapes – 9



Source: Data of Central Statistical Board, 2005

VI IMPLEMENTATION AND MONITORING OF THE NATIONAL DEVELOPMENT PLAN

By approval of the conceptual document "The National Growth Model of Latvia: People First" the Saeima of the Republic of Latvia has outlined the long-term objective of the national development – gradually in 20 – 30 years to insure a substantial improvement of the life quality of people. The NDP as the main medium-term planning document is an agreement between society and politicians about the main national goals and most significant tasks to be carried out during the next years to get closer to this objective.

The objective of the document is to focus the attention of politicians, civil servants and the entire society on the common objective, the main directions of actions and the tasks to be solved. It is essential for the implementation of the plan to interrelate the NDP with other planning documents and to the detailed development, mutual balance and implementation of other measures, programmes and activities favouring national growth.

The following must be ensured in order to reach the NDP goal:

- coordinated action;
- concentration of financial means;
- efficient use of assistance instruments;
- public participation and awareness;
- monitoring of the implementation process;
- flexibility during the implementation of the plan (learning from experience).

The implementation of sectoral and regional development priorities of the NDP is financed by the state budget and that of local governments, by foreign financial aid, attracting private financial capital, as well as via the application of the instruments of the European Union policies.

In order to implement the NDP strategy, each of the parties concerned has to carry out specific measures that are within

their competency and ability. The parties concerned are government and state administration institutions, local government and regional councils, non-governmental organisations and the private sector.

The Cabinet of Ministers of the Republic of Latvia is responsible for the implementation of NDP, ensuring the conformity of the policy planning documents with NDP, co-ordinating activities and appointing the responsible persons.

To ensure the function of the development forecasting and research, **a highly professional research base** is to be developed. The research activities of it will strengthen the national, as well as sectoral development planning capacity, skills to analyse and forecast the development in breakdowns by territories and branches, as well as ensure the macroeconomic analysis. The results of the research activities have the function of "public commodity".

The Ministry of Regional Development and Local Governments co-ordinates and monitors the implementation of the NDP, the development of the determined tasks and activities. On regular basis the Ministry informs the Cabinet of Ministers about the NDP implementation as well as ensures the wide involvement and awareness of the society in the process of NDP implementation.

The State Chancellery and the Ministry of Regional Development and Local Governments provides for the conformity of the branch/sector strategies and programs developed by ministries and secretariats with the long term and medium term goals and objectives of the national development and their relation with the planning documents of regions and local governments, promoting the decentralization of public institutions, the accessibility of services to people and co-operation with regions.

Regional councils and local governments are the main



driving force in urban and rural development. With the support of the state and private sectors, they foster economic growth and entrepreneurship, promote education, the availability of housing and the accessibility and quality of public services, transportation and other services. They also encourage people in a given territory to become involved in civic activities and to improve their quality of life.

Social partners and non-governmental organisations are a significant component and driving force in a civil society. Active involvement in problem solving, maintaining social dialogue and participation in local activities are only some of the possibilities characterising the ways in which these partners can help to implement the NDP and involve the wider community.

Entrepreneurs and scientists are invited to actively support the objectives for reaching the national strategic goal and to seek not only creative solutions for implementing innovations, new technologies and competitive products but also practical ways of cooperating with educational institutions at all levels and with local governments.

Each individual with his creativity, openness and positive attitude towards the country's future can contribute significantly to improving his and his family's well-being.

Prerequisites for successful implementation of the NDP are the following:

- strong support by the government for implementing the NDP, including budget planning;

- capacity of local and regional governments and their increasing role in planning the development of their territory;
- activity and participation of the population, as well as state and local government support to local initiatives and leaders;
- NGOs' activities to facilitate better communication between the state and society;
- a balance on the national, regional and local level between the objectives defined for social and economic development and for territorial spatial planning and the means chosen for their implementation.

The monitoring of the NDP has to be based on criteria that are comparable and measurable by quantity and quality to ensure the possibility to monitor the national development processes and the achievement of the goals and objectives set by the National Development Plan. The criteria system of the NDP results shall be based on the life quality index developed by the Strategic Analysis Commission's working group. It will provide the possibility to evaluate the changes of the main important factors having impact on the people's life quality during longer periods of time by use of complex quantitative (numerical) data.

To ensure the monitoring of the NDP implementation in conformity with its strategy and the determined objectives and goals, the components constituting the life quality index and the evaluation indicators will be complimented by various other criteria.

EXPLANATION OF TERMS

added value – value that is added to the intermediate consumption (the purchased raw materials, materials, semi-finished products) during the production of goods or rendering of services.

applied science – deals with problems that arise when implementing conclusions derived from theoretical research or when solving issues presented by the real-life situation. The results of applied scientific research can rapidly be used for commercial purposes.

basic sciences – research, analyse and explain general laws in nature and society irrespective of their practical use. In the short term, they usually have no commercial use, but they facilitate the competitiveness of Latvian scientists in the global science arena and increase the quality of higher education in the country, thereby also increasing opportunities for attracting finances for scientific research.

biological diversity – the variety of living organisms in the environment, including land, sea and other water ecosystems and ecological assemblages whose part they are; it involves diversity within a species, between species and between ecosystems.

brownfield areas – abandoned construction sites or areas polluted as a result of economic activities which influence or could affect human health and safety, as well as the landscape and the cultural and natural heritage.

business incubator – a structure that supports and fosters activity of any business form in any sector of the economy. Its basic function is to foster creation of new companies, to provide them with premises, infrastructure services, and consultations on the basics of business during their “incubation period”, which usually lasts 3 to 5 years.

capacity – in this document: power; capability of accumulating; capability of acting.

civil society – a system of self-organization of the society which appears and functions outside state institutions, although not always independent of them.

commercialization of science – financial return on values created by research institutes; in this document: an instrument with the help of which new intellectual values created by universities and research institutions can be transformed into commercial benefits. It means submitting the results of research to manufacturing companies on the basis of mutual agreement and for definite compensation.

competency centre – a nationally and/or internationally competitive centre created through cooperation of one or several companies and laboratories of higher education institutions or applied research institutions. Its research serves to create new sought-after knowledge and intellectual values that can be commercialised.

culture – in widest expression it means summary of all those specific mental, material, intellectual and emotional characteristic features that are typical for a society or a social group, and parallel to art and literature include the living and co-existence types, value systems, traditions and believes. The role of culture in the growth of an individual, of society and state can be expressed in 3 ways: as a kind of living and co-existence, the strengthening of the community’s identity, as a development tool and resources, as well as a value in itself, and the goal of development.

development – benefiting for public process of improving the natural, cultural, social and economic environment.



diaspora – the part of a national, ethnic or religious group that lives outside its country of origin.

eco-design – integration of environmental aspects in the design of a product with the aim of improving the ecological characteristics of the product during its whole life cycle.

economic growth – the increase in goods and services produced in the national economy. It is usually measured by the increase in real GDP.

economically active population – employed and unemployed people who are actively looking for a job. Involves both economically active civilian population, as well as persons who are enlisted in the military service.

e-governance – provision of public services and conduct of public administration, by using opportunities provided by information and communication technologies.

e-Health – modern use of information and communication technologies in processes related to health care aimed at meeting the needs of the population, patients, health care specialists, health care providers, as well as health policy developers.

employment rate – the proportion of unemployed working-age persons (from 15 years of age up to retirement age) of the total population.

e-services – services provided remotely to public by using information and communication technologies.

European Union – an international regional organisation comprising 25 European countries. In 1992 it was established on the basis of the European Economic Community which was

created in 1957 with the aim of promoting the economic integration of its member states.

foreign investments – investments made by non-residents. Foreign investments made with the aim to ensure long-term attractiveness and efficient control of the company's management are called foreign direct investments.

formal education – a system including primary education, secondary education and higher education. The completion of programs at the afore-mentioned levels of education is certified by an educational or professional qualification diploma recognized on the state or international level.

gender equality – the role of men and women in the development of the society is recognised as equal, they are granted equal rights and responsibilities, equal access to resources and to use them. Gender equality means to ensure equal rights and possibilities for both genders.

globalisation – changes in society and the global economy brought about by increased international economic cooperation and the mingling of cultures.

gross domestic product (GDP) – market value of the products produced and services provided during one year. (GDP can be calculated by adding up 1) all of an economy's revenues – wages, interest, profits and lease; 2) all of an economy's expenditures – consumption, investment, government expenditure and net exports (export revenues minus import costs); 3) added value from different sectors of economy plus commodity taxes minus subsidies).

groups at risk of social exclusion – population groups that have either no opportunities or limited opportunities to earn

sufficient income, receive various services and goods which are essential for a wholesome life in society.

housing fund – a house, an apartment or a totality of one or several rooms and auxiliary premises (for instance, corridors and lobbies) in a building intended for permanent living, regardless of whether they are or are not inhabited at a given time. This is used as a generalized measurement for statistical or other accounting purposes.

human capital – people’s ability to carry out productive economically dynamic activity, as well as their knowledge, skills and experience. Investments in human capital include health care, education, professional preparedness and other activities which make people economically more productive.

human resources – quality and quantity of people’s abilities to manufacture goods and provide services. Physical capacity and intellectual faculties.

informal education – education that is obtained outside the framework of formal education and that meets peoples’ needs and ensures new knowledge, skills and experience.

information and communication technology (ICT) – a range of technologies for rapid gathering, processing, storing, and transmitting information.

information society – a society whose individuals know how to, can and have the possibilities to obtain information, to correlate it with the existing knowledge and to use the newly obtained knowledge for increase of welfare.

infrastructure – a part of the national economy’s territorial

structure formed by transport, communication, power, water management and other systems of networks and facilities, as well as by housing and education, health care, culture, sports and other institutions providing services to inhabitants, and their location in a territory.

innovative development – process of improvement benefiting for society by using new ideas, developments and technologies; public acceptance of developments in the realm of ideas, technologies or other spheres.

intellectual property – property that includes copy rights, inventions, new technologies and products and that are owned by a person or a company.

investments – expenditures of individuals, companies, or governments with the aim of increasing their capital. From the viewpoint of individual economic subjects, the purchase of ownership rights to already existing capital is also considered an investment. However, from the viewpoint of the country at large, only investments in the creation of new capital are considered investments. Investments are a necessary prerequisite for the growth of an economy.

knowledge-based economy – economy whose development is based upon the use of peoples’ knowledge/intellectual potential.

knowledge potential – accumulated knowledge that is not being used.

knowledge society - a society where economic process is driven by information and knowledge. Its development is led by



access to information and skills to manage it, by timely and gradual transfer of investment flow towards non-material values - the social capital of the society, recognising its vital role in process flow in economy.

knowledge transmitter – any person who has gradually accumulated knowledge and has created his own knowledge potential.

land transformation – transformation of land used for agriculture into a land impossible to be used for agriculture.

life-long education – acquiring new knowledge, skills and profession during all the life.

monitoring – observation of processes.

monocentric – derived from or pertaining to a single centre; inhabited territory with one domineering centre.

multicultural society – a society in which each minority group is an integral part of it and in which mutual relations are based on mutual tolerance.

multi-modal – the linkage of various modes of transport in a unified system.

natural resources – parts of the environment, including earth, soil, deposits in the earth, air, water, flora and fauna which have economic, social or cultural value. There are renewable and non-renewable natural resources.

non-renewable resources – resources, such as minerals and fossils fuels, which are not rapidly renewable or replaceable

once removed, e.g., coal, peat, oil, etc.

patent – a document that acknowledges and testifies that the relevant technological idea or a project is an invention or an industrial sample; it indicates who has been the first to declare it (i.e., who has priority), who is the author, and who owns the exclusive rights to the invention.

person with special needs – a person who has acquired functional disturbance and who has become a person potential for disablement or an already disabled person.

planning region – a territorial unit in Latvia which, upon mutual agreement, is created for planning and coordinating the regional development of the local government, as well as for ensuring co-operation of local governments.

polycentric – having a number of centres; population is distributed among several equal or complementary centres.

pre-retirement age population – persons whom not more than 5 years are left till reaching the necessary age for being granted state old age pension.

preventive measures – measures for averting the cause of a potential inconsistency or an undesirable situation.

public administration – national (central), regional or local public institutions.

reconstruction – rebuilding of an existent building complex for the needs of an already existing or a new function.

recovery – cleaning-up and rehabilitation of a polluted area at



least to such an extent that in the future there are no threats posed to human health or the environment and that the respective area can be used for certain economic activities.

region – a territorial unit demarcated according to geographical, economic, political, cultural or other characteristics.

renewable resources – natural resources replenished through natural processes or by human activities.

social dialogue – a mechanism for cooperation and consultations among the state, employers and employees aimed at coordinating mutual interests regarding economic and social policy issues. Social dialogue is ensured at national (bilaterally and trilaterally), regional, sectoral and enterprise levels.

social inclusion – a process whose aim is to provide opportunities, services and resources needed for efficient participation in the economic, social and cultural life of society to persons who are at risk of poverty and social exclusion, as well as to give to them greater opportunities for participating in decision-making and access to their basic rights.

social integration – cooperation between individuals and groups, as well as mutual understanding within a single country. The aim of integration is to create a democratic, united civil society based on common values.

social partners – organisations and associations of employers and employees that engage in social dialogue and conclude agreements.

standard of living – the level of people's material welfare

determined by their income level or the level of consumption of various units of goods and services (for instance, number of cars per 1,000 inhabitants; number of TV sets per capita).

sustainable development – an integrated and balanced development of society's welfare, as well as of the environment and economy, which satisfies inhabitants' current social and economic needs and also ensures observance of environmental requirements (without depriving future generations of the ability to satisfy their needs) and preservation of biological diversity.

synergy – creative energy brought about by interaction of several involved parties, e.g., ideas, solutions, inspiration.

technological park (science and technology park) – a complex of human resources, knowledge and infrastructure in which favourable conditions for mutually supplementing the development of higher education, research activities and productions of knowledge-intensive products are provided. It comprises scientific research institutions, universities or their institutions, one or several technological centres, business incubators or industrial zone, and consultation offices or centres appropriate to the field of activity. The basic task – to ensure commercialisation of scientific institutions by creating a link between research laboratories and companies that produce technological products.

transfer of technologies (knowledge) – transfer of a concrete technology (knowledge, production skills or technology) to another user. The use of a technology developed in one country in some other country with the aim of creating new products, processes or services.

unemployed – person who is able and willing to work for the domineering remuneration at the labour market, yet is unable to find a paying job.

unemployment rate – the proportion of unemployed persons of the total number of the economically active population (per cent).

urbanisation – concentration of inhabitants and production in towns, an increase in the size and population of towns, expansion of the urban lifestyle.

Abbreviations and acronyms

CSB – Central Statistical Bureau

EU – European Union

ICT – information and communication technology

GDP – gross domestic product

NATO – North Atlantic Treaty Organisation

NDP – National Development Plan

NGOs – non-governmental organisations

PPP – public and private partnership

SME – small and medium-sized enterprises

TEN – Trans-European Transport Networks



DRAFTING PROCESS

The drafting of NDP commenced in the middle of 2004, when the Cabinet of Ministers approved "The Procedure for Developing, Implementing, Monitoring and Public Discussing of the NDP". The drafting process was co-ordinated by the Ministry of Regional Development and Local Governments and the National Council for Regional Development.

Experts from line ministries and public authorities, scientists and representatives of higher educational establishments, representatives from planning regions and local governments, as well as social partners, non-governmental organisations and entrepreneurs – a wide range of specialists from all over Latvia participated in drafting the NDP.

During the initial stage of drafting the plan the activities undertaken were an analysis of the present situation regarding the country's socio-economic development and a SWOT analysis (assessment of strengths, weaknesses, opportunities and threats) were made in order to discover the country's comparative advantages and unused opportunities.

On the basis of the results of the analysis and the conceptual document approved by the Saeima of the Republic of Latvia "National Growth Model: People First", three working groups developed the strategy, and their attention was focused on three main aspects: human resources, economy, living environment. The determination of the NDP priorities and tasks to be solved was a very intense process.

On February 28, 2006 the 1st edition of the NDP was published in the newspaper "Latvijas Vestnesis", and then two-months long public discussions commenced. To ensure access to the information and to involve wide range of public in open dialogue about the national development, in co-operation with regional higher education establishments, local governments and development agencies there were organised 10 regional conferences. The specialists and interested persons had discussions on the website www.politika.lv about the education and implementation of the plan. The first exhibition "Regionall development in Latvia, 2006" in Kipsala was emotionally and by content very saturated final event of the NDP's public discussion.

In general the public discussions were successful and confirmed the high interest and support of public to the goals and objectives set by the NDP. The received recommendations and comments were aggregated and evaluated in working groups during the finalization of the final edition of NDP.

On July 4, 2006 the Cabinet of Ministers of the Republic of Latvia approved the National Development Plan of Latvia for 2007 – 2013, issuing Regulations No. 564.