



Basic facts about Latvia (2000)

Population

Number of inhabitants (<i>millions</i>)	2.4
Natural increase (%)	-0.8
Population density (<i>persons per sq. km.</i>)	36.6

Population distribution (%)

Rural	31
Urban	69

Gender distribution (%)

Males	46
Females	54

Age distribution (%)

0-14 years	17.8
Of working age (<i>males 15-59 years, females 15-57 years</i>)	59.9
Of retirement age	22.3

National composition (%)

Latvians	57.7
Russians	29.6
Belarussians	4.1
Ukrainians	2.7
Poles	2.5
Lithuanians	1.4
Others	2.0

Human Development Index rank 63/174
(Global Human Development Report 2000)

Adult literacy rate (%) 99.8

Health

Average life expectancy (<i>years</i>)	70.4
Men	65
Women	76
Infant mortality (<i>per 1000 births</i>)	10.4
Number of physicians (<i>per 10,000 inhabitants</i>)	34.4

Economy

Gross Domestic Product (GDP - <i>millions of lats</i>)	4333
GDP per capita (1995 average prices, in lats)	1243
Actual GDP per capita (PPP\$, 1998)	5802
Actual GDP growth (%)	6.6
Unemployment rate (%)	7.8

Employment distribution by sector (%)

Agriculture	17
Industry	24
Services	59

Government expenditures (% of GDP)

Total:	40.3
of which: Defence	1.0
Education	6.8
Health	4.8
Social security	14.3

Average exchange rate of LVL per USD 0.606

Area 64,600 sq. km.

Open and responsible policy-making as a condition for human development

The principal theme of the publication **Latvia Human Development Report 2000/2001** is the connection between human development and policy-making. This **Report** addresses policy analysis and advances two main questions: is policy-making in Latvia sufficiently human development-oriented, and what policy improvements are required for the further advancement of human development?

The focus on policy analysis in the sixth annual **Latvia Report on Human Development** is not accidental. Previous **Reports** have dealt with other important issues. The theme of the **1995 Report** was social integration and human development, while the **1996 Report** addressed the impact of economic and social changes on human development.

The **1997 Report** dealt with inequality and human development, while the **1998 Report** assessed the role of the individual, the State and the private sector in human development. The most recent **1999 Report** dealt with the impact of globalization on human development in Latvia.

These **Reports** have encouraged public debate and have offered various recommendations to the government and to the public at large. This **Report** is focusing on policy-making itself as an essential means for achieving human development goals.

There are a number of reasons for focusing on policy issues and policy analysis when considering the development of Latvia at the beginning of this new century.

- *Latvia's democratic experience must be assessed.* During the ten years since Latvia has regained its independence, a successful transformation has taken place from authoritarian to democratic rule. This is a major achievement for human development. Viable democratic institutions have been established and democratic experience has been accumulated. However, shortcomings in policy-making have emerged as well. In order to prevent future shortcomings and to improve policy-making, it is necessary to assess both the policy practised to date and the activities of policy institutions.
- *The technological and public accountability of policy-making must be co-ordinated.* This is a period when politicians in many countries are promoting economic

growth and sectoral competitiveness with the aid of goal-oriented political decisions and solutions. The aim of policy as the cornerstone of any national development strategy is to achieve a competitive national economy that is able to integrate into the world economy.

However, politicians must also devote their efforts to development issues in a broader sense. Economic decisions should not only conform to the present challenges of science and technology. They should also be socially responsible and should not lead to unfavourable social consequences.

Politicians in any democratic country must be loyal to all social strata and consider the interests of various social groups. A government must not promote the development of a specific sector, institution or social group at the expense of others. Unequal internal growth creates complications, and can even hinder cooperation between such social groups as politicians, business people, and those involved in culture and education. Yet it is precisely such interaction that must form the basis upon which successful development ideas can be realized.

- *The current mechanisms of power and accountability must be assessed.* Policy decisions are affecting individuals on an increasing basis, beginning with the food that they eat and the medicines that they take, and ending with the telecommunications that they use. It is therefore important for the public to raise such questions as: "Who pulls the strings, on whose behalf, and how is this leverage applied? How are decisions that affect my life made?" People wish to be informed about policy decisions and to feel confident that their interests are being taken into consideration.
- *The moral and civil foundations of policy must be examined.* In Latvia the public has been growing increasingly vocal in demanding an honest, responsible and transparent policy-making process that respects the interests of various groups and social strata. In other words, people want policy-making to be based on strong moral and civil foundations. This cannot happen on its own accord, as it depends on the integrity and democratic principles of the participants in the policy-making process.

Relations between Latvia's institutions of power and the general public must be improved. They must be rendered less formal and distanced, and the level of mutual trust and dialogue must be increased.

- *Individual interests must be co-ordinated with the common interests of society.* Many societies have been experiencing a blossoming of individual identity and interests, and the placement of individual goals and personal fulfilment ahead of common goals. The merger of individual interests with those of society as a whole is also becoming more difficult because adherence to such previously stable social entities as class, national, ethnic and religious groups is weakening.

Therefore, efforts at social integration in Latvia must overcome those obstacles that are furthering the separation and alienation of individuals and groups. Democracy recognizes freedom of the individual and the right to a private life. It does not attempt to enforce a collective will and is the most suitable political form under which freedom of the individual can be realized. However, even in a democracy the freedom of the individual is possible only as long as it does not infringe on the freedom of others. Therefore, democratic procedures remain the most suitable for co-ordinating individual interests, serving the common good and developing a common space of solidarity.

- *The quality of policy-making must be raised.* Never before has the quality of policy-making been so important to human development in Latvia as at present. It has become obvious that shortcomings in policy-making, rather than a lack of funding, often present the main obstacles to human development. Besides wrong political decisions and ineffective solutions, several other factors are also hindering Latvia's overall development. These include mutual political distrust, a tendency to decide many public issues behind closed doors, a disregard for democratic norms and the inability of many to make their voices heard.

- *New agents are entering politics and the community of policy makers is expanding.* New political partners are introducing themselves more and more actively in Latvia's political arena. Public initiative groups, non-governmental organizations (NGOs), sectoral and professional associations, policy analysts, and active individuals are appearing alongside the traditional centres of power, namely: the legislature, the executive (i.e. the central government and municipalities), and the judiciary. This expanded

community of policy makers shares not only a heightened interest in policy and a wish to participate in its processes. In many instances actual participation in political decision-making and implementation is gradually increasing. Thus, new networks of political activity are being formed, involving a wide variety of interest groups in addition to government institutions.

What is policy?

The term "policy" is the central category of this **Report**, and it is therefore important to explain it. This is best done by imagining policy to be an intermediary between the private arena (or private space) – where the free market and individuals operate – and the public arena, which is the domain of the State and civil society. These four elements – free individuals, the market, the State and civil society – form society as a whole. Public policy manifests itself in society as the co-ordinator and promoter of interaction between the often variable and conflicting interests of these agents and institutions. For example, labour laws regulate the relations between employees and employers, thus ensuring that free market organizations also observe principles of social responsibility. The involvement of civil society organizations in policy-making is providing a counterbalance to the government, which can no longer be used as a tool to serve only the ruling class.

Public policy manifests itself in the interaction of individuals, groups and institutions, where different agents expressing varied wishes and aspirations search for the best commonly acceptable solutions. This is only possible if policy-making occurs in an open system, where the involvement of all interested parties is possible. As far as human development is concerned (in the sense of a broadening of opportunities), open policy-making promotes the development of political opportunities and choice, and ensures that political choice will not be wrested from individuals.

Although interests and ideas will always conflict in any society, open policy-making provides a much wider arena for dialogue and the realization of the public good than closed policy-making. Open policy-making is the most suitable form of administration for a civil society because it creates conditions where the people themselves can decide on issues of importance to them.

In the view of the authors of this **Report**, public policy cannot be separated from the individual in society. Rather, it may be defined as the involvement of people at all levels of power in decision-making on issues that influence the conditions of their lives.

Therefore, public policy is not to be sequestered at the top of the power pyramid and is not to be seen as the privilege of the chosen few, but rather as the realization by individuals of their inalienable right to decide on conditions affecting their lives. Thus the authors of this **Report** have attempted to transcend the traditional understanding of policy, and to highlight not only the analysis of political institutions, but also the analysis of individual and collective political action.

The theoretical basis of this **Report** is based on the human development concept supported by the UNDP, which places human needs at the centre of economic and social development, as well as current social ideas on civil society, public space, democracy, involvement and public responsibility.

Democratic policy-making best ensures the representation of individual and common interests, as well as the adoption of the most widely acceptable solutions, because democracy provides the opportunity for all interests to be heard. Since it is difficult to create and establish a democratic regime without *public participation*, the **Report** places a great deal of stress on this concept, as ultimately, the people themselves are responsible for partaking in the resolution of those issues that concern them.

With active public participation, important everyday issues also become important political issues. Participation is necessary at all levels of administration: at one's home, in the municipality, and on a national scale for realizing the goals of human development. Without political participation, it is impossible to direct human concerns and needs to the centre of political attention, and to establish political solutions for promoting improvements in daily life.

The other idea brought to the forefront of this **Report** is the widening of the public arena, which consists of contact points that form when different representatives of society meet to realize their common interests. In the public arena people resolve common problems and co-operate with government institutions, thus helping to realize the common good and reducing the likelihood of an outbreak of deep-rooted conflicts.

In Latvia's fragmented society many independent public arenas are being formed, and this is strengthening the democratic system as a whole. Associations of apartment owners, community, town and neighbourhood development organizations, rural partnerships and parents' committees are showing that individual and public interests may be expanded, and that collective action is possible in different micro environments. When these "small" public arenas merge, a common identity emerges: the individual is aware that he or she is a functional part of society and of the State.

The publication **Latvia Human Development Report 2000/2001** stresses the importance of policy-making in human development and urges continued perseverance in the implementation of democratic, responsible, competent and open policy-making in Latvia. The meaningful participation of a country's inhabitants in public affairs – besides permitting them to be real decision-makers in development processes – permits them to be truly integrated in their local community, in the national State and in the European community of nations.

It should be recognized, however, that policy as such is not a wonder drug and that it does have its limitations. Policy does not encompass all aspects of human development, because it does not reach into all the manifold aspects of public life. Several important facets in people's lives and human development (for example, moral and emotional relations) cannot be regulated by political means.

Policy cannot directly improve the material well-being of the population, as this is primarily the function of private business and the free market, although policy may create favourable market conditions. Policy does not release individuals from their rights and obligations to realize their own goals in life, and it cannot regulate a person's intimacy and subjective dimension of freedom.

Basic terms used in this Report

The terms *politics*, *policy*, *public policy*, and *human development policy* are used throughout this **Report**. Some of these have already become household words, while others are less well-known. The main terms are explained below.

Politics. *Politics* in this **Report** refers to the entirety of political agents and institutions that are active in politics, and to the entirety of political relations, ideologies, resources, instruments and methods of political activity that are used by these agents and institutions. The various aspects of politics are known by other definitions, such as *political life, political process, political events, political arena, political activities, political views, political persuasion, political principles, ideology, and political style*. Thus the term *politics* embraces a broad view of politics as a whole.

Policy. The term *policy* is used in this **Report** to describe policy areas, directions and sectors. *Policy* (or policies) refers to the political strategies and solutions adopted in a certain area of life. Economic, social, educational, health care, employment, and rural development policies are specific examples of *policy*. The term *policy* particularly stresses the sequence of drawing up, implementing and evaluating the results of a particular course of action. The various aspects of *policy* are related to such other terms as *political strategy, political platform and political vision, political programmes, sub-programmes, plans, action plans, projects and solutions, political choice and political alternatives, political instruments, policy monitoring and policy assessment*.

In other words, *policy* is characterized by a sequence of specific goals, means and actions, and entails systematic political action involving various institutions and other agents. The implementation of various policies and their results are shown in the human development indexes measuring material wealth, levels of education, public health conditions and social welfare.

Public policy. The term *public policy* may be used to describe both politics in general and specific policies. *Public policy* places particular stress on the public nature of policy and such aspects as transparency, social interests, democratic representation, participation, civil society, accountability, access to information and others.

Human development policy. This term marks the most essential link to the ideals of human development. *Human development policy* stresses the need to put the main values of human development – education, public health, improving the material welfare and quality of life of the population – at the centre of public policy. Thus *human development policy* refers to *politics* in general and specific *policy* directed toward human development goals.

The Human Development Report as a partner in the shaping of open policy-making.

The principal aim of the **Latvia Human Development Report 2000/2001** publication is to analyze the policy-making process in Latvia and, with the aid of the **Report's** analyses and recommendations, to provide a practical contribution to the activities of various levels of administration – the *Saeima* (Parliament), the government (Cabinet of Ministers), ministries, local governments and non-governmental organizations.

Previous **Reports** have always taken an active social position. This **Report**, possibly more than previous ones, voices an active political stance in support of strengthening democratic and open policy-making in Latvia. Only a policy that is drawn up and implemented with the involvement of political parties, national institutions, non-governmental organizations, interest groups, professional associations, independent experts and other political agents, can best advance human development.

One of the strongest impressions conveyed during the drafting of this **Report** was the frankness of many people in discussing political issues, and their true interest in the establishment of improved policy-making in Latvia. Most of those interviewed not only talked openly about existing political problems, but also expressed a wish to address them.

Such an attitude shows that significant changes have taken place in public awareness, and that society is ready to re-assess its political values. It wants to put worthwhile content into politics and to offer constructive recommendations. This change in political awareness is not abstract, but is taking place at the core of society and in the minds of the people. Those who wish to improve the country's policy-making processes no longer feel alone, because they are now being joined by an increasing number of like-minded people.

The analysis provided in this **Report** is often critical and reveals the shortcomings of political life in Latvia. However, the **Report** also attempts to bring out the positive in Latvian politics. Although the tone of this **Report** is sometimes sharp, it underlies a positive sense of idealism – the conviction that while politics and policy-making do have their shortcomings

(which can be corrected), good intentions and targeted actions have already led to many specific improvements, of which Latvians can truly be proud.

Structure of the Report

This **Report's** first chapter is entitled *Public Policy and Human Development*. It provides a general description of public policy in Latvia, analyzes existing policies and their impact on human development, and shows by example the negative manifestations of closed policy-making. Conversely, this Chapter also cites positive examples and mechanisms resulting from open policy-making. From the results obtained in interviews with *Saeima* deputies, members of the general population, local government leaders, civil servants and experts, recommendations were prepared on how to render policy-making more open.

Chapter 2 focuses on the *Public Policy Process*. It describes the main political agents in Latvia and analyzes decision-making in the *Saeima*, the government and local governments. This Chapter also examines how the political agenda is formed, and describes the principal characteristics of present-day public policy in Latvia.

Chapter 3 addresses the *Advent of Participation in Public Policy* and focuses on the participation of the population in policy-making processes. Various forms, resources, strategies and motivations of public participation are analyzed on the basis of specific examples from the perspective of the individual and various interest groups. This Chapter describes how networks of political influence are gradually formed in civil society. The role of the media in policy-making is also emphasized.

Chapter 4 deals with *Administrative Capacity in the Context of Human Development*. It assesses the capacity of Latvia's central administrative institutions (namely, the government and its ministries) and local governments to draw up and implement effective and responsible action policies in accordance with the interests of human development. This Chapter also stresses the importance of competent policy analysis for ensuring the optimal resolution of policy issues, and the necessity of achieving a stronger link between the country's decision-making institutions and the public in the policy-making and implementation processes.

The Appendix, or *Review of Latvia's Main Human Development Indicators*, analyzes such important

human development indicators as GDP per capita and its distribution by regions, household income and the purchasing power of the population, employment and unemployment, the demographic situation, public health and education. The Statistical Appendix that follows shows the changes that have occurred in these and other human development indicators from 1993 to 1999.

As in past **Reports**, the end of each Chapter cites the main conclusions and recommendations that have been given in each particular area of analysis, while the end of the **Report** itself provides a summary of its main recommendations.

Acknowledgements

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The first draft of this **Report** was discussed at special seminars organized by the UNDP and attended by representatives of the *Saeima*, the State Chancellery, ministries, local governments, NGOs and the media. Their comments and suggestions greatly helped in the creation of the final product. Thus the analyses and recommendations in this **Report** are based on the input of many people, to whom the authors are most grateful.

A significant contribution to this **Report** was made by seven guest authors – eminent people representing various walks of life ranging from the arts to banking, NGOs, sports, local and regional governments. These authors highlighted their pride in the country of their birth (or ancestral heritage). Their uplifting statements demonstrate that Latvia's self-confidence is growing – fuelled by the will, actions and achievements of its people.