



Sustainable Development Strategy of Latvia until 2030



SAEIMA OF THE REPUBLIC
OF LATVIA



A group of experts led by associate professor Roberts Ķīlis, in accordance with the task of the Ministry of Regional Development and Local Government, has developed the draft sustainable development strategy of Latvia "Latvija2030". Persons representing different age groups and professions from around Latvia also took active part in the creation thereof, so we would like to express our deepest gratitude to everyone who participated in discussions and forums that took place within the framework of the project "Latvia 2030. Your Choice" and expressed their opinion regarding strategic choices and potential solutions for the development of Latvia. The task of the strategy is to outline the state development guidelines and spatial perspective for the time period until 2030.

"Latvija2030" emerged in the result of extensive discussions in different places of Latvia, on the Internet and other media and not in offices or among limited number of experts. Thus, although the development of this document was commissioned by the public administration, the society of Latvia is the true owner of this strategy.

June 2010

Content

ABOUT “LATVIJA2030”	5
How “Latvija2030” was Created	
Sustainability Model as Answer to Global Challenges	
Capital Approach	
Strategic Principles	
How to Use “Latvija2030”	
OBJECTIVE OF LATVIA	11
DEVELOPMENT OF CULTURE SPACE	13
 Preservation, Interaction and Enrichment of Culture Space	1
Strengthening of the Sense of Belonging to the Culture Space of Latvia	
Establishment of Creative Society	
LONG-TERM INVESTMENTS IN HUMAN CAPITAL	19
 Base Value and Productivity of Human Capital	2
Employment Programmes for Improvement of Labour Force Participation	
Development and Productivity Improvement of Human Capital	
Quality of Health and Social Services and Availability Thereof	
Reduction of Depopulation Risks	
Inclusion of Ageing and Household Structure Changes in the Policy of Public and Social Services	
 Equal Opportunities and Formation of Middle Class	3
Access to Education and Childcare of Good Quality	
Availability of Resources	
Access to Labour Market and Reduction of Discrimination	
Dampening of Temporary Poverty and Poverty Risk Groups	
CHANGE OF PARADIGM IN EDUCATION	32
 Qualitative and Available Lifelong Education	3
Access to Education and Changes in Organisation of Educational Process	
School as the Centre of Social Networking	
Contextual Education and Shift in the Profession of Teacher	
E-school and Use of Information Technologies	
Lifelong Education – from Pre-school to Further Education of Adults	
INNOVATIVE AND ECO-EFFICIENT ECONOMY	40
 Mass Creative Activity and Innovation	4
User –driven Innovation	
Practice of Open Innovations	
Innovative Entrepreneurship	
Culture of Mass Creative Activity	

- ▶ **Renewable and Safe Energy**
 - Energy Safety and Independence
 - Use and Innovation of Renewable Energy Resources
 - Energy Efficiency Measures
 - Energy Efficient and Environmentally Friendly Transport Policy

55

NATURE AS FUTURE CAPITAL

5

- ▶ **Sustainable Management of Natural Values and Services**
 - Management of Natural Capital
 - Creation of Market Instruments
 - Capitalisation of Natural Assets
 - Promotion of Sustainable Lifestyle

61

SPATIAL DEVELOPMENT PERSPECTIVE

6

- ▶ **Improvement of Accessibility**
 - Planning of Transport Infrastructure and Public Transport
 - Development of Transport Infrastructure
 - Development of Communications Network
- ▶ **Settlement**
 - Growth of Development Centres
 - Urban-Rural Interaction
 - Functional Network of Development Centres
- ▶ **Spaces of National Interest**
 - Rural Development Space
 - Coast of the Baltic Sea
 - Metropolitan Area of Riga
 - Eastern Border Area
 - Outstanding Areas of Nature, Landscape and Cultural and Historical Territories

89

INNOVATIVE GOVERNMENT AND PUBLIC PARTICIPATION

7

- ▶ **Increase in the Social Capital Value**
 - Public Participation in the Policy-making
 - Civic Education and Social Integration
 - E-government and Public Innovation

94

IMPLEMENTATION AND INDICATORS

- Implementation of the Strategy as Challenge
- Implementation within the Framework of Single Development Planning System
- Link between Development Priorities and Budget Planning
- Implementation and Supervision Process of Sustainable Development
- Indicators

102

TERMS AND ABBREVIATIONS

About “Latvija2030”

How “Latvija2030” was Created

- (1) Development of the project of the Sustainable Development Strategy of Latvia until 2030 or “*Latvija2030*” has lasted more than two years and has included the work of experts and wide participation process of the society. It has been a serious challenge to the editorial group led by associate professor Roberts Kīlis, as well as for the conductor of the process – the Ministry of Regional Development and Local Government and its co-operation partners because for the first time both scientists and experts and also several thousand people of different age groups and professions from around Latvia have participated in the national development planning. The development process of “*Latvija2030*” has been a unique experience in terms of the content, form and objectives – active use of public opinion, wide discussions of experts and interested parties, active participation of young persons. Public debates are particularly important in circumstances when public opinions in different matters are radically different and do not tip towards strong majority. Moreover, upon direct and personal co-operation of as large number of people in formulation of future vision, gradually the sense of the society as the co-owner of the strategy emerges – it is one of the most important preconditions for successful implementation of the strategy.
- (2) The development of the strategy began in summer 2007 with analysis of global development tendencies and their impact on Latvia. In the Framework Report on the Present Situation and Use of Resources in Latvia the study results and main conclusions were published, and individual themes and problems were more closely studied, brainstormed and presented in separate analytical reports. It resulted in crystallisation of several strategic choices or dilemmas, which are of great importance for the future of Latvia. Discussion thereof took place in general public in regional forums “Latvia 2030. Your Choice”, in youth discussions, as well as via mass media and the Internet. The public choice and the difference of opinions served as the basis for the creation of four potential development scenarios of Latvia, which were also widely discussed.
- (3) Public participation of such scale in the development of a document of national level is a new experience for Latvia and marks a new way for the society to participate in policy-making. Particularly, active involvement of young persons in discussing of dilemmas and scenarios and creation of their future vision of Latvia should be noted. Also involvement of independent foreign experts in peer review of the reports on strategy and the development process is a novelty – five internationally recognised experts of different fields from Switzerland, USA, Belgium, United Kingdom and New Zealand provided consulting support and evaluated the work of the editorial group.
- (4) The basic principles of the sustainable development strategy of Latvia were presented in the national forum “Take-off. Latvia 2030” in October 2008. The proposals expressed during expert discussions and supported by more than 800 participants of the forum were used in development of the first version of the strategy, public discussion of which took place in summer 2009.

- (5) The sustainable development strategy of Latvia as the main national long-term development planning document is approved by the *Saeima* of the Republic of Latvia.

Sustainability Model as Answer to Global Challenges

- (6) The basic idea of sustainable development invites to satisfy the needs of the present generation, balancing public welfare and environmental and economic development interests and concurrently ensuring the observation of the environmental requirements and the preservation of natural diversity in order to avoid the reduction of possibilities to satisfy the needs of future generations.
- (7) The sustainable development strategy of Latvia was developed, starting with an analysis and survey of changes related to global processes:
 - a) demographical changes – decrease in the number of inhabitants and their ageing;
 - b) globalisation in economics and development of innovation economics;
 - c) dynamics of the labour market and demand for new competences and skills;
 - d) climate changes, threats to the biological diversity and nature as the environment of life;
 - e) increasing demand for energy resources and energy safety;
 - f) crisis of democratic representation institutions and emerging of new public participation forms;
 - g) global development of the middle class and increase in relative poverty risks; and
 - h) urbanisation, spreading of cities, regional positioning.
- (8) The Member States of the UNO and the European Union (hereinafter – EU) have agreed that the sustainability model is the answer to global changes.¹ Sustainable development is an integrated and balanced development of the public welfare, the environment and economics, which satisfies present social and economic needs of inhabitants, ensures the observation of the environmental requirements, without endangering the possibility to satisfy the needs of future generations, and ensuring the biological diversity. In wider sense, the sustainable development model was formulated in the UNO summit in Rio de Janeiro in 1992.
- (9) Within the scope of the sustainability model, the only possibility of successful response to global challenges is to create such development policy where there is a balance between the necessity to promote the economic growth and to improve the quality of life of each member of the society, the necessity to ensure social unity and safety, as well as the necessity to preserve the ecological environment for future generations.
- (10) Environmental, social and economic issues are closely interrelated and should be solved jointly, not separately. The task of the strategy “*Latvija2030*” is to find the way for thoughtful use and development of the national wealth or capital of the state in order to transfer it to future generations in multiplied, not depleted form.

¹ The most important international documents in which the guidelines of the sustainability model are defined, are *Our Common Future* published in 1987 by the World Commission on Environment and Development (known also as Brundtland Commission), the UNO Sustainable Development Action Plan for the 21st century (*Agenda 21*) accepted in Rio de Janeiro in 1992 and the EU Sustainable Development Strategy, which was developed in Gothenburg in 2001 and later updated in 2006. The development of “*Latvija2030*” took place, taking into account these international documents.

Capital Approach

- (11) The concept of capital is used in the strategy in wide meaning and includes elements, which are difficult to express directly in monetary terms. Our main capital is people – their skills, knowledge and talents. Our capital is nature, environment and space of Latvia. Also cultural heritage and creativity, the ability to co-operate and to do something jointly, which would be impossible to do individually, is our capital and the source of growth.
- (12) In total the resources at the disposal of Latvia are varied and in good condition, however, we have not been successful in as efficient and sustainable use thereof as possible. If we educate our children, but they have to leave the country in order to look for a possibility to apply their skills and talents abroad, it is a waste of capital. Our nature is rich and pure, but insufficiently appreciated and unproductively used. The location of Latvia in the world map is also successful, however, the capital of its location is poorly used. If we fail to take care of our capital in a well-considered way, it will inevitably decrease under the pressure of globalisation – the gifted and talented people will leave, the pure and biologically diverse nature will be depleted by short-term measures of profit, the role of Riga as the potential metropolis will be taken over by the cities of the closest neighbouring countries and economic activities will move to other regions.
- (13) Using capital approach, “*Latvija2030*” provides an assessment of the present condition of the resources, which are at our disposal, and offers a vision of the best way of applying them in responding to global challenges.
- (14) Firstly, the inevitable global tendencies should be taken into account – our society is ageing, global economy is changing and becoming comprehensively innovative, the usual forms of public administration are undergoing profound changes and the prices and availability of energy resources is beginning to have large effect on life of the society already at household level. Secondly, we should be aware of the impact of these tendencies on Latvia – what are the challenges and threats we have to consider and what opportunities become available to us. Thirdly, on the basis of the base value of our resources, we should look for solutions, which reduce threats, use the opportunities as much as possible and transform the things, which we have often viewed as threats, into new opportunities.
- (15) Thus, the core of sustainable development of Latvia is improvement of the productivity of human, economic, social and nature (including location and space) capitals, thus responding to the challenges caused by global tendencies.

Strategic Principles

- (16) Taking into account the global tendencies and upon careful evaluation of the resources of Latvia and their use, it is possible to determine the main strategic principles, observation of which may significantly improve the sustainable development possibilities of Latvia.
- (17) **Creative activity.** Human capital is the most important resource of Latvia, and creative activity – one of the most essential impulses of development. Creative activity results from the possibility to create new ideas, concepts, methods, action forms or also to link the existing ideas, concepts, methods and actions in a new way. It is not only the specificity of the so called creative professions – poets, composers, writers, artisans or artists. Creative activity as a strategical principle should be perceived in as wide sense as possible, referring

it not only to culture and science, but to any area of social and economic life. A commercial product or service created in the result of creative activity is the foundation of the future global economy.

- (18) **Tolerance.** Under the influence of globalisation the movement of people, ideas and resources across state borders continuously increases. Latvia is a small state, so its society should be able to be positively open towards changes and outside influences, as well as it should be able to use it for its benefit. The principle of tolerance includes openness and respect towards different cultures and lifestyles. Tolerance provides for reduction of social exclusion and discrimination of all kinds, including inequality of income, age and gender discrimination in the labour market, ethnic prejudices and linguistic institutional obstacles.
- (19) **Co-operation.** The model sustainability involves integrated solution of economic, environmental and social issues, thus co-operation is a particularly important principle. Horizontal co-operation, for example, among cities, institutions of different sectors or public organisations of different areas, allows to combine, in new ways, the resources available to each person and to solve jointly such problems, which reach outside the influence of individual players. Vertical co-operation, for example, among state, regional and local institutions, local governments and communities of inhabitants, give an opportunity to take more efficient decisions and find better solutions. In order to ensure flexible and prompt response to new situations, such institutional, entrepreneurial and academic environment is necessary, in which efficient and creative co-operation of individual institutions is possible.
- (20) **Participation.** Concurrently with balanced observation of economic, social and environmental aspects, sustainable development also involves certain change of attitude and habits, as well as active involvement of the society. Only with active participation of the largest part of the society in the policy-making and implementation process, in the field of culture and art and in activities of local community of inhabitants it is possible to find optimum solutions for different situations, to promote the unity and awareness of the society.

How to Use “Latvija2030”

- (21) Development of strategies often begins with a vision – an idea regarding the preferable condition, for achievement of which a consecutive plan of steps is necessary. But “Latvija2030” was developed, using capital approach as the basis for the determination of priorities. The priorities determined are described in seven chapters. Each of the seven priorities includes one or several main directions of development and long-term objectives accordingly defined. Long-term priority action directions have been determined for achievement thereof, as well as potential solutions for the implementation of each action direction are recommended.

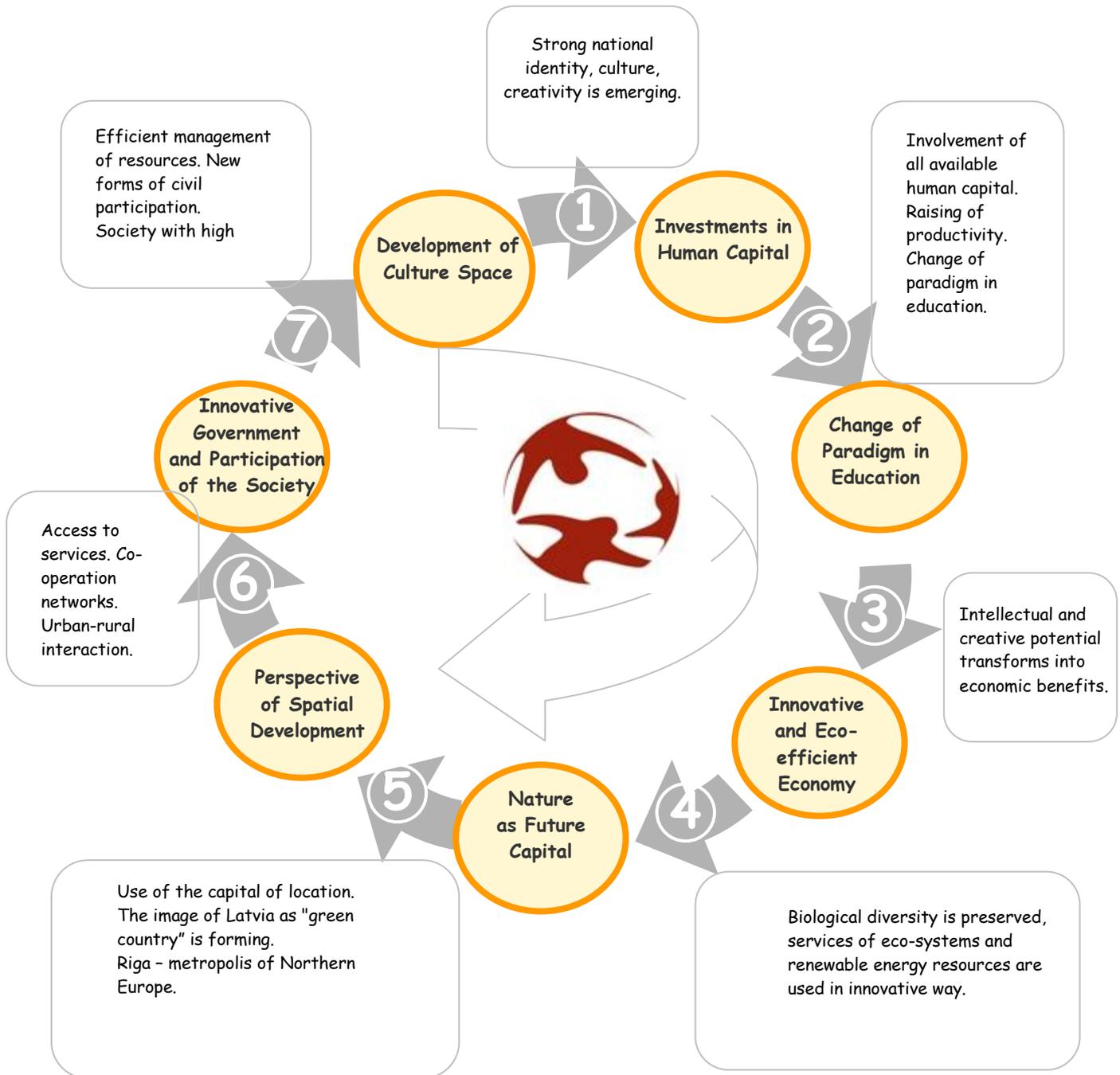


- (22) A unified order of description corresponding to the method of development is observed in the exposition of each long-term development direction: firstly, tendencies and risks of the development of the relevant capital are analysed not only in relation to Latvia, but also Europe and the world, and, secondly, future development opportunities and challenges of

Latvia are surveyed. Taking into consideration that “*Latvija2030*” is a long-term development planning or guideline document, not the only possible action directions, but also the priority is outlined for each development direction in the strategy. There are also several possible solutions offered, often referring to an experience used elsewhere in the world. Selection and use of other compatible and consistent action directions and solutions in the implementation process of the strategy is not excluded if they promote the achievement of the objectives set forward.

- (23) Essential and integral part of the strategy is spatial development prospect of Latvia, in which long-term development of Latvia is viewed from the point of view of the use of the capital of location. The task of the spatial development prospect is to outline an integrated view for balanced and sustainable development of the state territory so that the main values, resources and advantages of Latvia would be used in the most efficient way possible.
- (24) The last two chapters of the document are dedicated to the implementation of the sustainable development strategy of Latvia until 2030. According to the priorities and objectives of main development directions of “*Latvija2030*”, the result-based indicators to be achieved are specified. The institutional model of the implementation and supervision of the strategy provides for both involvement and responsibility of institutions and participation of the society.

Principles for the Selection of Priorities and Mutual Interaction



Objective of Latvia

- (25) *In 2030 Latvia will be a thriving country of active and responsible citizens. Everyone will have the opportunity to feel safe and belonging to Latvia, everyone here will have the opportunity to achieve his or her goals. The strength of the nation will lie in the inherited, discovered and newly created cultural and spiritual values, the richness of language and knowledge of other languages. It will unite the society for the creation of new, diverse and unique values in economy, science and culture, and these values will be appreciated, known and respected also outside Latvia.*
- (26) *Riga will be an important cultural, tourism and business centre in Europe. Urban-rural partnership will ensure high quality of life in whole territory of Latvia.*
- (27) *Latvia – our home – green and tidy place, which is easy to reach and regarding sustainability of which we are responsible before the future generations.*
- (28) In outlining the sustainable development objectives of Latvia and the main action directions for the next 20 years, the strategy addresses different groups of the society – the inhabitants, households, state administrative and public sector. It invites the evaluation of our previous activities and the available resources from the point of view of sustainable development and to take such actions so that in 2030 we, our children and grandchildren would want to live in Latvia and would be proud of it.
- (29) The method used in the strategy “Latvija2003” is capital as – national treasure or value – approach. In surveying global tendencies and challenges, the strategy determines the sustainable development priorities of Latvia and recommends solutions for efficient and sustainable use of culture, nature, economic and social capital, which is at our disposal, particularly singling out the fundamental value of Latvia – human capital.
- (30) The first priority is the development of culture space of Latvia because the identity of a strong and creative nation lies in our unique, inherited and newly created material and spiritual values. It joins and unites the society for the creation of new economic, social and cultural values, which are appreciated and known around the world.
- (31) Upon reduction in the number of people and ageing of the society, it is essential not to reduce the base value of the human capital and to increase its productivity. Investments in human capital is a priority long-term task in order to ensure the participation of all potential human resource, particularly the groups of inhabitants subjected to the risk of poverty and social exclusion, in the labour market, to improve the services and efficiency of health, social care and social security, as well as of lifelong educational systems.
- (32) In order to increase the human capital, which is at our disposal, and to use comprehensively other—culture, nature or economic – resources, a change of paradigm in education is necessary. Education, which is of good quality, available throughout life and oriented towards creativity, is the necessity of the 21st century – it allows to respond to the challenges of global competition and demography and is one of preconditions for change of the economic model.

- (33) The centre of innovative, eco-efficient and competitive economy should lie in initiative and an environment providing support to entrepreneurship. Support to the generation and commercialisation of new ideas, knowledge transfer and user-based studies, global science, innovations and transfer to the creation of goods and services with low carbon emissions and energy storage, use of renewable energy sources and development of technologies, healthy food and commercialisation of eco-system services are only some of the perspective directions for the development of economy.
- (34) The value of natural resources of Latvia and the availability of natural environment gives a unique opportunity to develop “green” economy and sustainable consumption, to create and preserve the image of Latvia as “green” country – an important part of international identification of the state.
- (35) Similarly to the nature capital, also the capital of location of Latvia is insufficiently appreciated and used. The advantageous geographic placement, the settlement structure and reachability may become an important advantage of national development and competition. Riga should become an important cultural, business and tourism centre in Northern Europe, and, by implementing a polycentric development model of the state territory, the potential of development centres of national and regional significance and the role of cities should be increased. Upon closer functional urban-rural link, mutually supplementing urban-rural interaction will form. Regardless of the geographical location, the competitiveness and attraction of territories will be determined by the ability to offer qualitative and attractive living environment, as well as wide range of public services.
- (36) In conditions of low value of social capital when people trust and willingly co-operate only within the scope of small groups, do not believe in collective objectives and activities, other capitals are also not being used completely and rationally. Due to this reason innovative administration and active public participation in policy-making and important decision-taking is concurrently a priority and a challenge to the state administration, social partners, organised civil society and every person.
- (37) Participation is one of the four principles particularly emphasised in the strategy “*Latvija2030*” next to the creative activity, tolerance and co-operation, and successful development of Latvia will depend on rooting of these values in our mind and actions. Strengthening of these principles already began during the process of development of “*Latvija2030*”, and it must be continued upon implementation of the strategy.
- (38) “*Latvija2030*” is an opportunity to reach an agreement regarding the following issues: in what Latvia we want to live, what decisions we must take today so that we could live better tomorrow. This is the very time we have to decide whether we as society and each person as individual want to live, work and think “in the old way” or we are ready to change, look for new solutions and implement daring objectives.

Preservation, Interaction and Enrichment of Culture Space

Objective



To preserve and develop the culture capital of Latvia and to promote the sense of belonging to the culture space of Latvia by developing competitive national identity based on the creativity of the society and by creating qualitative cultural environment in Latvia.

Tendencies and Challenges: Change of Paradigm in Global Economy and Competitive National Identity

- (39) Within the context of the cultural diversity of the world and Europe, it is important for Latvia to preserve and develop its identity, language, values of national culture and lifestyle, which form the culture space of Latvia, and concurrently to use creatively the productive impact of other cultures and enrich the cultural heritage of the mankind.
- (40) The development of global economy in the 20th century has promoted the creation of consumer society. But at the beginning of the 21st century the global crisis, rapid depletion of the available natural resources, climate changes, polarisation of the standard of living and increase in inequality outlines more clearly the impasse of the consumer welfare model in near future and incompatibility thereof with sustainable development.
- (41) The future of Latvia should be founded on such values, which do not require intense utilisation of physical resources, but is founded on the potential of sustainability. Culture itself is one of the resources with unlimited potential of sustainability. Culture includes the inherited cultural values, which have remained throughout the time, develops and continues to create the core of the identity of nation. Such values as creativity, knowledge, openness to the new and aspiration to excellence increases the value of every person and of the total human capital of Latvia. In turn, creative activity, tolerance, co-operation and participation promote the unity and safety of the society and cultural diversity.
- (42) Under the influence of the global market the cultural diversity of the world is threatened; due to this reason the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions, to which Latvia has acceded, and the Framework Convention for the Protection of National Minorities of the Council of Europe has been adopted. The Convention emphasises the duty of every country to preserve and develop its cultural identity, concurrently promoting respect towards other cultures, interaction and mutual enrichment of cultures.
- (43) In future regions and states, which will strengthen and develop their identity, will get an important relative advantage in global competition because the value of something

different and original will increase. In this context it is important for Latvia to preserve and develop its identity, language, values of national culture and the lifestyle characteristic to its culture space so that by creative use of the productive influence of other cultures and promotion of openness the potential of national competitiveness would be strengthened.

- (44) Concurrently we should be aware that cultural identity is formed not only by values of ethnic origin. Cultural and historical development of Latvia testifies that its culture capital – Song Festival, manor ensembles characteristic to the cultural heritage landscape of Latvia, historic city centres, national professional art and literature etc. – has developed by accepting and creatively transforming the influences of European cultures.
- (45) The study conducted by Eurobarometer in 2007, *European Cultural Values*,² describes Latvia as the country, which is active in terms of culture and which is open to values of the European culture and to communication with the cultures of other countries. More than two thirds (77%, i.e. the same as on average in the EU) of the surveyed inhabitants of Latvia recognise culture as an area of great importance to them.
- (46) The increase in the importance of the culture capital has been substantially affected by changes in the global economy – reorientation from resource-consuming industry to creative industry, the basic resource and source of competitiveness of which is the creativity, imagination, intuition of a person – qualities, which are mainly created by culture. Analytical studies regarding the impact of culture on creativity³ confirm that Europe has a potential of becoming the centre of creativity and creative entrepreneurship at global scale, a place where originality and difference is cultivated. Europe is the place with the largest resources of the culture capital – rich cultural and historical heritage and innovative industry of culture, the best art, design and music schools, museums and unique festivals. Europe is the place where the best creative professionals – architects, designers, advertising specialists – are working. Latvia is integral part of the culture space of Europe.
- (47) In order to put culture capital into motion, the change of paradigm in education is necessary – transfer from educational system, which is oriented mainly towards logical thinking and intellect, to such educational system, which stimulates imagination, intuition, emotions and creative ideas, develops critical thinking and is able to generate new visions and values. In practice it means the creation of such an environment in the state, which promotes creativity.
- (48) The Internet has brought substantial changes in the modern world, creating a new virtual culture space, which includes the whole world, and social networks of new kind. It changes the structure of the society, makes it more open both to co-operation and other cultures and values. In digital society an unlimited number of people is given new communication opportunities and easy access to public services of good quality. The Internet has become a significant living space, particularly among young persons, where an individual spends large part of his or her time. New technologies also give an opportunity to use the virtual reality for improvement of the access to culture: to virtual expansion of the culture space of Latvia, preservation and distribution of the values of cultural heritage, to creation of new cultural products and services, as well as to cultural education. In the last years informatisation of cultural institutions and digitalisation of cultural products is being actively implemented in Latvia⁴. Libraries are becoming the competence centres of local

² European Cultural Values. Special Eurobarometer 278 Report 2007.

³ The Impact of Culture on Creativity. A study prepared for the European Commission. June 2009, KEA.

⁴ Several projects of information technologies are being implemented – the establishment of the State Uniform Information System of Library (*Valsts vienotās bibliotēkas informācijas sistēma (VV BIS)*), which is continued in the project “Father’s Third Son” (*Trešais tēva dēls*) and provides the society with access to free of charge Internet; the main catalogue of the National museum holdings (*MINKK*), the Uniform Information System of National Archives (*VVAIS*) is being created. Within the framework of the European digital library EUROPEANA, digital library of Latvia *Letonika* is being created, and the digital cultural map of Latvia provides the society with access

governments and the local society and perform the functions of centres of culture, lifelong education and information. Reduction of the digital divide between the youngest generation and other generations becomes a greater challenge. It directly affects inheriting of traditions and values from one generation to another.

- (49) In the 21st century cities become the synonym for civilisation, civil administration and progress. In Latvia, similarly as elsewhere in Europe, almost $\frac{3}{4}$ of inhabitants at present are living in cities, however, the urban culture experience in our state is comparatively small, and in mental sense Latvians still have more pronounced rural and agricultural perception of the world.
- (50) Cities assemble not only the potential of culture, social and economic capital, but the dark side of the society is also more pronounced there, for example, crimes and poverty, which affect the cultural development of cities. Urbanisation expresses itself both as mass and street culture and innovative and qualitative products of modern culture, thus testifying regarding the emerging and potential of creative industry. Cities are centres subjected to migration where also such nowadays important cultural values as tolerance and civil awareness are developing. Cities throughout the world are gradually rejecting impersonality, which is created by standard architecture and stores of international brands, and become more active in forming their individual style and “face”, using cultural heritage and creativity of urban inhabitants. Countries are beginning to increase the competition among them via cities, and Riga has comparatively large advantages not only within the context of the Baltic Sea Region, but also Europe.

Priority Long-term Action Directions

Strengthening of the Sense of Belonging to the Culture Space of Latvia

- (51) Inhabitants of Latvia have a common material and non-material heritage, which has been accumulated in creative work that has lasted for centuries. Culture determines the foundation for what we are and what we want to be. Common cultural heritage, language, traditions and perception of values are the main components, which ensure the sense of belonging to a specific community and promote the unity of the society. In wider sense, culture is a system of values, which is the foundation of the identity and lifestyle of an individual, community, nation. Concurrently culture is also a mechanism for the creation of such values, analysis and transfer thereof, creating the sustainability of the culture space of Latvia.

Establishment of Creative Society

- (52) Creative individual and society, which is able to appreciate and use its creative potential, are the main driving forces of the development. Only such society is able to think and act in sustainable manner. In a state as small as Latvia every creative person is of great value. The bigger the investment of the society and culture capital is, the larger added value is added to their work. Culture capital has a significant role in the development of personality in a creative society, because it not only creates an economically active consumer, but also a creatively active entrepreneur, so it is important to promote creativity as the main factor of competitiveness.

to the statistics of culture in digital space. In accordance with the data of the CSB, in 2008 library occupied the first place among the public places for use of the Internet, coming ahead of Internet cafes.

- (53) Another important factor is creative environment, which maintains cultural diversity, concurrently preserving cultural and historical heritage, directly and indirectly supports experiments and creation of new products, thus creating fertile soil for the development of culture and creative industry.

Possible Solutions

Strengthening of the Sense of Belonging to the Culture Space of Latvia

- (54) *Development of civil nation.* People as social beings have a great need to belong and feel convinced that this belonging guarantees a certain welfare, safety and certainty to their existence. Civil action and democratic institutions should be linked with the idea of single national culture, ideals and practice, which would be based on interaction of national identity and cultural diversity. Modern national identity, which should be interpreted not within the ethnic meaning, but within wider meaning – as political nation –, encompasses all inhabitants of Latvia who feel as if they belong to the culture space of Latvia and recognise it as theirs. Public sector is responsible for the maintenance of the national identity, citizenship, official language and the idea of state, as well as for guarantees of civil freedoms, concurrently respecting the right of each individual to cultural diversity and freedom of views and religion. This direction should be developed with the assistance of educational and cultural institutions and organisations. The society itself should assume a wider role in consolidation of the society, its self-organisation and the ability to achieve civil activation, and public administration should promote and facilitate this process.
- (55) *Preservation of the Latvian language and use of the potential of linguistic diversity.* Preservation of linguistic diversity is one of the basic conditions of the EU. The development of modern and comprehensively used Latvian language is the responsibility of the state of Latvia within the context of the European and global cultural diversity and preservation of heritage. Culture space of Latvia is special because of its diversity of languages, orthography and even alphabets. In preserving and developing the co-existence of the Latvian language and other languages, the linguistic diversity should be used as a resource for the development of state. Semantic compatibility and translatability of languages is the foundation for diverse use of digital technologies. Thus, by using natural advantages of Latvia – the co-existence of linguistic, cultural and regional diversity, it would be possible to establish a global centre for research and development of linguistic cognitive technologies.
- (56) *Strengthening of national identity.* The almost only possibility for states, which are not associated with mega brands, to differ and be competitive is ensured by national identity – people, language, culture and values. Intangible cultural heritage, including the traditions of the Song and Dance Festival, strengthen the sustainability of the Latvian nation in the globalised world. The creative industry (design, advertising, tourism etc.) and culture, which has already proved its quality, has a great significance in creation of the competitiveness of national identity. Due to this reason culture capital of Latvia could easily be expanded in active cultural diplomacy. Digital environment offers wide opportunities for the creation of brands in relation to the national identity, and, within its framework, it is very important to expand also the largely recognisable brand of the name of Riga.
- (57) *Promotion of cultural export and cultural diplomacy.* Excellence is of great importance to a small state in order for it to be noticed and respected around the world. Professional culture and art of Latvia are some of the most visible (if not the main) ambassadors of the state in the world. Representatives of professional and amateur art of Latvia promote the

recognisability of the state, indirectly promoting contacts also in other areas, including economy and attraction of investments. The excellent cultural products of Latvia have high exporting value, so they are able to efficiently strengthen the image of the state and to promote export in other sectors. Latvia has the necessary potential in order to develop exportable creative industry on the basis of culture (festivals, movie production, computer games, music records etc.), as well as to create design products with high added value. By creating competitive offer of cultural and educational programmes in music, visual art, cinema, architecture etc., Latvia has relatively good opportunities to export also vocational secondary and higher education in cultural and creative professions.

Establishment of Creative Society

- (58) *Cultural education for the development of creative skills of each individual.* One of the most important means for the creation of a creative individual and creative society is cultural education. Art and education is the fastest way for opening and developing creative skills of a person. Music and art school is an essential component of cultural education in Latvia. Cultural education in wider sense includes not only vocational education in the field of music, art and culture, but also provides for the needs of lifelong education of an individual. By involving in amateur art activities and cultural education programmes, every individual may implement and develop his or her talents.
- (59) *Creativity as integral part of educational programmes.* Introduction of creative thinking and educational programmes developing creative skills in all levels and types of education is a serious future challenge. General education system has a particular role in the creation of creative society in order to turn children and adolescents into creative personalities and persons having a deep understanding and regular users of culture. It will promote circulation in the field of cultural consumption and creative industries and thus will also increase economic return of the culture capital. By increasing their range of activities, cultural education and cultural institutions (state, local governments, non-governmental organisations and organisations of private sector, mass media) are also fulfilling social functions. Diverse forms and methods of cultural education promote social and communication skills of people, unity of the society and communication between generations, treatment of addictions, social inclusion.
- (60) *Creative urban environment and development of creative industries.* One way of strengthening the influence of culture and the presence of creativity in the urban environment is to establish special centres of contemporary culture or creative clusters. Creative and social climate prevailing therein stimulates people to express new, innovative ideas, encourages them to implement them into practice and to try again in case of failure. Creation of qualitative living space goes along with the concept of creative city. Creative city is the best place for living, working and reaching one's goals. It is a city, which supports and appreciates investments in entrepreneurship, creation and preservation of cultural and historical environment. The principle "city for inhabitants, inhabitants for city" should be at the very core of the development process of cities, emphasising that inhabitants not only have the right to qualitative and aesthetically attractive living space, but also a duty to create and maintain it themselves.
- (61) *Use of the potential of cultural heritage for the development of creative tourism.* Creative tourism is one of the ways for Latvia to use the potential of its tangible and intangible cultural heritage and cultural landscape. In parallel to the promotion of the tangible cultural heritage – monuments, architectural objects – also awareness regarding the intangible cultural heritage as a unique value, which hitherto has been of limited availability to tourists, should be promoted. It is an opportunity to support the economy of local communities, to

promote the preservation of rural cultural environment, the development of craftsmanship and creative industries, particularly in rural territories. For cities also creative tourism is a way of using and activating the creative potential of the society. In turn, tourists have an opportunity to feel the culture, environment and traditions of the relevant community in authentic location and even for a moment to have the feeling of being local inhabitant. Creative involvement of tourists in sectors related to practising of intangible heritage also changes the responsibility of the local community for heritage: mutually respecting co-operation and dialogue of cultures, not only commercial relationship, is forming between “inhabitant-teacher” and “tourist-student”.

- (62) *Expansion of the digital culture space of Latvia.* Information and communication technologies provide opportunities for significant expansion of the culture space of Latvia and for inclusion of the society at large in terms of accessibility – more diverse links between traditional and contemporary cultural media will form, digital and cultural divide in the society will reduce, active participation of the society in cultural processes and the ability to create and adapt to innovations will increase. New technologies should be used for the preservation and promotion of cultural heritage in virtual space. It is important that information regarding both the culture and experience of our society and us as citizens of democratic state would be available in the digital network. Creation of the digital culture space of Latvia means offering accurate and impartial sources of information, as well as competent comments and analysis. By supporting the creation of products of digital culture, issues related to the copyright protection of digital culture products should be solved.
- (63) *Public participation in the creation of cultural processes.* In the result of demographic changes and changes in the labour market integration of the society and local communities will be an everlasting challenge (change in the composition of rural inhabitants, migration). Unified society, firstly, is a society involved in cultural processes. Priority interest and co-operation of local governments and non-governmental sector have a substantial role in the creation thereof. Next to cultural and educational institutions, non-governmental organisations and enterprises will be the most active forces in the field of culture. Cultural organisations will operate efficiently, an important part of the budget will be formed by own revenue, while state and local government, in the form of earmarked grants, will ensure the implementation of cultural priorities and the basic-services basket. The role of large cultural institutions of national significance and offer to the society in the field of culture, education, science and social life will also increase.

Base Value and Productivity of Human Capital

Objective

To preserve the base value of human capital of Latvia and to increase its productivity until it reaches the average level of the EU, developing skills, which promote creative activity, flexibility and participation in the labour market.



Tendencies and Challenges: Ageing and Depopulation

- (64) *The human capital of the state is the average amount of the knowledge, talents and skills of inhabitants multiplied by the number of economically active people. Value of human capital is characterised by the base, use and productivity of its knowledge, skills and talents. Investments in human capital are education, health care, professional preparedness and other activities, which make people economically more productive and emotionally richer. Upon reduction in the number of people and ageing of the society, it is important to preserve the base value of the human capital and to increase its productivity.*
- (65) It is very possible than in 2030 the society of Latvia will be substantially different from the society living here at present – approximately 2 million people will live in the state, mostly they will be more than 45 years old and already in 2020 there will be more people of retirement age than children and young persons up to 18 years of age.
- (66) In Latvia, similarly as in Europe, depopulation and ageing has a quite strong regional dimension. Present tasks of development provide for even and balanced development of territories, however, it may be hindered in the future. If national policy is not directed towards the elimination of these tendencies, the number of inhabitants will decrease in all regions of Latvia, except Riga region. The more distance from the capital, the more the average number of inhabitants will increase. It should be taken into account that the ageing dynamics of inhabitants of Latvia is more rapid than on average in the EU states, and already reduction in the number of children in several age groups is evident.⁵ Upon reduction in the proportion of children and young persons in the society, the necessity to reduce the number of schools in less populated areas will increase in a longer period of time, and it will stimulate people to leave these places even more than before.
- (67) However, an opposite tendency is also emerging. In many places in Europe, and to some extent also in Latvia, “exchange” of inhabitants takes place – the less wealthy rural inhabitants move to the neighbouring cities and the wealthier city dwellers take their place in the countryside. Higher requirements in relation to the quality of life and solvency attract better and more expensive services, thus allowing the development of the existing infrastructure and the maintenance of the environmental quality. Employment and preservation of the base value of human capital in the countryside may be related to the work in e-environment, with a potential increase in the number of tourists in longer

⁵ Vitolīņš E. (2007). *Atšķirīgais un saistītais dzimstību raksturojošo rādītāju un ģimenes politikas izmaiņās Latvijā: situācija un nākotnes vīzijas*. P. Zvidriņš (Red.), *Paaukšņu nomaiņa un migrācija Latvijā*. Rīga: Zinātne.

perspective as it is happening, for example, in Northern Europe, or the development of “care” economy in the ecologically pure rural environment because very severe backwardness of rural territories is not forecasted in Latvia as it is, for example, in Lithuania.

- (68) Family and children is still one of the central values in Latvia, however, changes in the structure and lifestyle of families and households create new demographic situation also at micro-level. Almost every second marriage ends in divorce in Latvia, the average length of marriage until its dissolution is 11 years, the number of second and third partners inevitably increases. New kinships are forming – there will be a larger number of grandparents per smaller number of children and also larger number in kinships, which, most likely, will not live together in one place. In this context particular attention should be paid to the safety of children and that the psychological climate in the family corresponds to their interests.
- (69) Even according to quite conservative forecasts, for example, in Riga in 2025 one person or childless couple will live in more than half of households. It, in turn, means that the potentially larger number of small households, as well as the increasing energy costs may significantly change the demand for the type and size of dwellings.
- (70) The present and future demographic situation in Latvia is directly related to the influence of our main resource – human capital – on the economic capital and its development. The necessity to involve inhabitants as much as possible in the labour market and to maintain high productivity of the labour force will increase the tension as regards balancing of work and family life. The consequences of these tendencies will be felt not only in everyday life.
- (71) Ageing of the society is related to the loss of labour productivity and changes in the structure of the labour force. As regards the use of human capital, Latvia is one of the leading countries in Central and Eastern Europe, unfortunately in case of Latvia high employment does not mean higher productivity of human capital.⁶ If the productivity of human capital is not substantially improved within the following years, further investments in the base value and use of human capital will be inexpedient expenditure.
- (72) There are several reasons why labour productivity and also productivity of human capital in Latvia is presently at comparatively low level:
- a) due to short-term orientation enterprises and individuals make insufficient investments in the development of competences and skills of human capital, but substantial investments in human capital provide return only in a longer period of time;
 - b) enterprises and local governments are afraid that capable and trained employees will be led away from them and refrain from investing in their development;
 - c) the intensity of use of human capital and other obstacles (time, money) do not promote serious investments in education either by employees, or employers;
 - d) support programmes implemented by the state are often too complicated and are changing frequently, but the interested persons do not have adequate information and advisory support in order to take substantiated decisions.
- (73) In Latvia, similarly as in several other states of Central and Eastern Europe, the primary component of the base value of human capital is education at school, but in the second place – investment of parents in education and upbringing of their children at young age.

⁶ The productivity of human capital is measured as such part of the GDP, which is consumption versus investments in human capital. It is the most significant part of labour productivity. See more detailed information at <http://www.lisboncouncil.net/initiatives/human-capital.html>

These components should be definitely strengthened by investing in basic, secondary, vocational and higher education, as well as in general education of the society. It is necessary to continuously improve skills and competences throughout the work life by adult education and education at work places. Particular attention should be paid to the quality and availability of pre-school education – both because creative personality is forming at an early age and maximum and active involvement of parents in the labour market increases the necessity to find national solutions also at this stage of education.

- (74) The most significant possibility of the development of Latvia within the context of demographic load and changes is the promotion of the participation and economic activity of the labour force and investments in education of all age groups and elevation of the productivity of human capital. Next to the traditionally involved educational institutions, activities and services of libraries and cultural and educational institutions, as well as creative and interest groups may provide substantial investment in this area.

Priority Long-term Action Directions

Employment Programmes for Improvement of Labour Force Participation

- (75) In order to reduce the negative impact of demographic load on economic growth and social security of inhabitants, participation of the labour force should be increased and all labour force available in Latvia should be used to the maximum, including elderly people. Other solutions – increase in the amount of social contributions or reduction of the proportion between pensions and work remunerations – involve negative consequences: the first increases the costs of the labour force, promotes unemployment and reduces the competitiveness of enterprises, the latter reduces the standard of living of households and promotes poverty.

Development and Productivity Improvement of Human Capital

- (76) The development of human capital involves activities, which improve the capability of individuals to work efficiently and to improve their competences and skills, thus increasing their labour productivity, career opportunities and employment potential. Holders of human capital are individuals and employers who reach an agreement regarding the use of human capital of individuals and the distribution of the return benefit thereof. Thus, solutions should be provided for motivating everyone to participate in the development of his or her human capital and competitiveness and increasing the interest of employees and employers in more efficient use of human capital.
- (77) Measures and programmes, which are oriented towards improvement of the quality and productivity of human capital, should be based on specific institutional solutions and the support of the interested parties – social partners. A much larger emphasis should be put on lifelong education – the development of lifelong education, adult education within the framework of the existing educational system and increase of the influence of the capital acquired at work place. Skills and competences should be continuously developed and improved both in order to promote the productivity and competitiveness of human resources and also to allow employees of lower qualification to get out of the never ending circle of small income or even poverty.

Quality of Health and Social Services and Availability Thereof

- (78) Ageing will have substantial impact on the sector of services, particularly health care. Inevitably restructuration of health care institutions, for example, transformation of paediatrics departments into geriatrics departments, and specialisation in diseases more characteristic to elderly people will be necessary. Thus, it is particularly important to perform timely investments in health care, in knowledge and technologies related thereto (in life sciences, biomedicine, pharmacy) and in promotion of healthy lifestyle in all generations. Preparation for the future increasing demand for everyday care services for elderly people should take place in due time by developing “care” or “silver” economy. As elderly people will continue active economic life, demand for different services related to the consumer market and financial areas, as well as new forms of social integration and networking will increase.

Reduction of Depopulation Risks

- (79) Pressure on the field of public finances will increase, so it will not be easy to maintain the redistribution of social resources for long periods of time and in large scale for the benefit of promotion of birth rate and so that we might hope to stop depopulation. So we should look for more efficient and inexpensive ways, for example, by supporting “mother- and father-friendly” entrepreneurs, promoting examples of good practice and modern, flexible forms of work (e-work, remote working, part-time work etc.) for parents raising little children, improving the possibilities of these parents to return to work and co-ordinate their working and family life.
- (80) We will have to look for solutions for spatial dimension of depopulation in the direction of the so called “intelligent shrinking”, promoting the concentration of inhabitants in service centres according to demographical, economical and social projections, activating urban-rural co-operation forms, developing e-services and creating living conditions of good quality for attraction of new, economically independent groups of inhabitants in rural areas of Latvia.
- (81) Changes in the projection of negative natural increase and positive migration balance should be achieved for reduction of depopulation by 2030. In situation where mortality caused by unnatural causes of death, criminality, addiction to drugs increases, thus reducing economic development possibilities of the state, measures for reduction of unnatural causes of death and risks should be implemented.

Inclusion of Ageing and Household Structure Changes in the Policy of Public and Social Services

- (82) As mentioned previously, parental input in upbringing and education of children is the second most important component for the establishment of human capital basis. Upon reduction in the size of households, increase in the load in the labour market and reduction of the time, which parents spend with their children, the role of the public sector in the provision of different services increases. This very dilemma – strengthening of the role of parents or more intense employment of parents – will form a challenge to the society of Latvia in future decades.
- (83) As parents have fewer possibilities to dedicate their time for education of their children, it is possible that educational institutions will have to step in. It is a paradox, but otherwise the increase in the level of employment and standard of living may lead to lower value of human capital in future generations, and it does not agree with the common interests of

the society. Due to this reason large and purposeful state investments in primary, basic, professionally oriented and secondary (including vocational) education are necessary in order to ensure long-term base value of abilities and talents of human capital, as well as to compensate for the fact that parents are spending less and less time, educating their children.

- (84) In stimulating that children and parents spend time together, concurrently investments should also be made in the development of public space, creating adapted parks and recreational and development centres. As inheriting of knowledge and skills from generation to generation is weakening, the public sector will have to assume more responsibilities in relation to interest education of children and young persons (acquisition of practical skills in craftsmanship, horticulture, housekeeping, animal care etc.) and acquisition of different skills related to the role and responsibilities of parents for adults (for example, technical safety issues). This is the second most important foundation for the development of “care” economy in Latvia – it will inevitably emerge, so it is preferable to structure functioning thereof in timely manner.
- (85) Upon increase in the gap between generations and life expectancy, there is a tendency that different generations of one family live in separate households – the so called social responsibility gap increases⁷. It means that larger and larger number of elderly people do not have the opportunity to be regularly cared for by their relatives. The public and private sector will have to develop different forms of care in this area. Energy efficiency, layout and dimensions of dwellings will adapt to the needs of smaller households, the increasing technological competence and age of inhabitants. This is the third stimulus for “care” economy and synergy with the development of sustainable energy and construction.

Possible Solutions

Employment Programmes for Improvement of Labour Force Participation

- (86) *Promotion of flexibility of the labour market and employment security or flexicurity*⁸. The use of remote working and part-time schemes and introduction of flexible employment system in enterprises and organisations has an important role within the context of creative economy and co-ordination of work and family life, involvement of people with functional disorders, young students, elderly people and other potential human resources in the labour market, promoting transition between different employment situations and providing support during changing of work.
- (87) *Programmes for prevention of age discrimination*. The development and inclusion of a programme in social responsibility assessments and enterprise audits.
- (88) *Active labour market policy*. In drawing up modern labour legislation, collective labour agreements and innovative forms of work organisation, it is necessary to develop such conditions of employment contracts, which are concurrently flexible and safe to both the employee and the employer. It would give an opportunity for groups subjected to the risk of social exclusion to join the labour market and to strive for complete employment.
- (89) *Improvement of self-employment possibilities*. Creation of a micro-financing system and educational programmes for the promotion of economic activity of individuals.

⁷ In political literature designated as *social responsibility gap*.

⁸ Flexicurity is a socio-economic policy mode, which is based on the aspiration towards joining the flexibility of the labour market and the security of the labour market in a way stimulating economic activities and ensuring mutual benefit.

Development and Productivity Improvement of Human Capital

- (90) *Support to business strategies of employers oriented towards human capital development.* To provide active support to employers in the development of such business strategies, basic function of which would be the development of human capital (integration of the human capital strategy in the business strategy). Observation of this requirement could be one of preconditions for employer to receive different kinds of state support.
- (91) *Development councils of sectoral competences* – for the distribution of good practice and co-operation of enterprises.
- (92) *Establishment of the national qualification framework structure.* To introduce an efficiently functioning national system of qualification standards and credit points, which would allow individuals flexible combining of several qualifications in a longer period of time according to their needs, thus achieving complete standard.
- (93) *Link between tax payments and benefits.* Modern social security systems ensure substitution of income in case of emerging of social risk, concurrently promoting return of employees in the labour market. It is necessary to improve and promote the link between tax payments and the benefit system, active involvement of an individual in the labour market and making of his or her career.
- (94) *Individual development accounts.* Using instruments of fiscal policy, to encourage the investment of employers both in education of their employees and creation of sectoral educational funds, which would serve as the basis for the creation of individual development accounts for persons working in the sector.
- (95) *Information system of the labour market.* To maintain and develop an information system of the labour market of the highest quality, which would help employers, individuals and training specialists to take justified short-term and medium-term decisions. In the public sector practice of forecasting medium-term and long-term tendencies of the labour market and demand for professional competences should be promoted.

Quality of Health and Social Services and Availability Thereof

- (96) *Sustainability criteria.* To accept sustainability criteria of national level in relation to the budget, determining the level of expenditure for health services and childcare.
- (97) *Establishment of social enterprises and support to the development of social business⁹.* Social enterprises would ensure as wide range of services as possible to the households of elderly people. Similar support could be provided by non-governmental organisations by promoting social integration activities of active ageing and elderly people.
- (98) *Individual social care budgets.* To develop and gradually implement pilot projects of such budgets (accounts, programmes).

Reduction of Depopulation Risks

- (99) *Demographic development projections.* To develop demographic development projections, including in relation to the household structure and residence forms, and scenarios for administrative-territorial units for the next 20 years. To use projections for the development of projections for education, dwellings, services, energy provision, state financial requirements and demand for transport.

⁹ Social business organisations, including social enterprises, activities of which are based on the laws of market economy, however, their objective is not profit, but a solution to a specific social issue. The profit of the enterprise is reinvested for expansion of the activities of the enterprise or is donated, but is never disbursed in dividends.

- (100) *Implementation of purposeful migration policy.* The possible solutions would be support programmes, promoting return of inhabitants of Latvia who have emigrated, and implementation of a purposefully regulated immigration policy limited to certain extents for reduction of demographic load, particularly taking into account the needs of the labour market.

Inclusion of Ageing and Household Structure Changes in the Policy of Public and Social Services

- (101) *Multifunctional centres for parents with children.* To use actively public-private partnership forms and support of non-governmental organisations in order to offer working parents and grandparents such services, which correspond to their needs.
- (102) *Concentrated support for projects of small dwellings.* It would be necessary to provide support to projects of such dwellings, which are energy efficient and concurrently appropriate for smaller households (1-2 persons).
- (103) *Consulting, training and psychological support programmes for parents and grandparents.* Taking into account that parents are having less and less possibilities to spend time with their children, parents need training and psychological support so that when they do spend time with their children their communication would be wholesome and efficient. Moreover, investments in today's parents are also investments in tomorrow's grandparents. Special programmes for grandparents would promote their involvement in raising of their grandchildren¹⁰ (see also solutions in chapters *Qualitative and Available Lifelong Education* and *Equal Opportunities and Formation of Middle Class*).

¹⁰ It should be taken into account that demography specialists are foreseeing increase in the duration of active working life and healthy life expectancy, as well as increase in the age when women give birth to their first child. Moreover, strategy also provides for active introduction of work flexicurity policy, which would facilitate the involvement of working persons in raising of children and grandchildren.

Equal Opportunities and Formation of Middle Class

Objective

Upon increase in the GDP, to reduce social inequality and inequality of income – to promote social inclusion, to reduce poverty risks, to promote the formation of socially and economically stable middle class.



Tendencies and Challenges: Structural Inequality, Poverty Risks, Formation of Middle Class

- (104) *Social inequality in long-term may substantially reduce the economic potential and growth opportunities of the main resource of the state – human capital, so one of the sustainable development challenges of Latvia is to reduce socio-economic inequality and poverty risks, promoting social inclusion and formation of stable middle class in the society.*
- (105) Owing to the increasing amounts of international trade, as well as the development of information, communication and transport technologies, it is anticipated that by 2030 the growth of global economy will increase twofold and the absolute poverty will reduce. Mainly owing to the booming in China and India, the number of such people will increase in absolute numbers who are usually perceived as the global middle class. They will have at their disposal sufficient income and information in order to acquire education of world level and to travel and consume products and services of high quality. However, upon increase in the dynamics of economy, the risks of poverty and social exclusion also increase. The possibility of losing job and social status increases regardless of individual talents and deficiencies of a person.
- (106) In order to fully use the human capital at their disposal, countries should engage in elimination of the structural causes of poverty, social exclusion and socio-economic inequality, thus providing all members of the society with equal opportunities to participate in public, economic and culture processes.
- (107) In accordance with the calculations performed by the World Bank in 2007, presently there are approximately 430 million people in the world who belong to the middle class. It is anticipated that during the next 20 years this number will increase three times, reaching 1.15 billion in 2030¹¹.
- (108) A tendency related to the formation of a “new middle class” became apparent in several countries of Central and Eastern Europe after collapse of the soviet system, especially after joining the EU, in the result of the rapid increase in crediting amount, development of the labour market and evolution of consumer society. This very class has suffered extensive losses in crisis, thus endangering the strengthening of more pronounced socio-economic equality.

¹¹ *Global economic prospects: managing the next wave of globalization*, 2007 World Bank, World Bank Group

- (109) There are two kinds of indicators, providing objective characterisation of social equality. On one hand, they are the tendencies in the division of income and wealth (GDP per one inhabitant, the number of inhabitants who live below the threshold of poverty) and the characteristics of health of inhabitants (life expectancy, unhealthy habits etc.). On the other hand, they are the factors, which influence the forming of inequality at micro-level, for example, profession, belonging to a social class, place of residence, age, gender, education and qualification of an individual.
- (110) During the last 20 years socio-economic inequality in Latvia has progressed rather rapidly. In 2007 the Gini coefficient¹² for Latvia was 35.6¹³, which is one of the highest indicators in Europe and is significantly different from indicators of the neighbouring Nordic countries (below 30). Latvia had the highest proportion of inhabitants subjected to the risk of poverty and social exclusion in the EU – 21% of state inhabitants in 2007.¹⁴ Such situation is not surprising, taking into account that, from all EU countries, Latvia is spending the lowest amount of money for social protection (pensions, social benefits, administration of social assistance institutions etc.), and this tendency is not improving.
- (111) Poverty of children and young persons is particularly worrying. The high poverty level of children and young persons proves that poverty and social exclusion in Latvia has a distinctly structural nature – it does not depend on individual skills or abilities of persons struck by poverty, but on different life chances available to them. Gender inequality is also very pronounced in Latvia – women are still receiving lower remuneration than men on average, women are more dominantly the sole providers of children (family), subjecting them to a greater risk of poverty than men.
- (112) If these structural reasons are not eliminated, social inequality and exclusion will not reduce in the society of Latvia. Due to this reason the public sector should ensure equality not only because of the principle of tolerance, which provides for reduction of all kinds of social exclusion, but also because of economic considerations. On one hand a social security system should be created in order to help the persons who have entered the zone of poverty and social exclusion risk to get out of it, otherwise the state will lose the knowledge and creative potential of these inhabitants, and part of such people will become demographic burden to the society. On the other hand, only formation of stable middle class by expanding the range of active inhabitants and developing the ability to do business will create better prospective and higher quality of life for people and state at large. In turn, the formation of the middle class is based on education and professional qualification, which allows using the human capital to the fullest.
- (113) Wide access to education, vocational retraining and work opportunities is the way of becoming a socially and economically independent person in the constantly changing global economy. In turn, the social security system should be able to dampen the negative consequences of short-term poverty.

¹² Gini coefficient characterises the level of uniformity in relation to the division of material benefits among members of the society in scale from 0 to 100. The closer the value of the coefficient is to 0, the more equal the distribution of material benefits in the society is.

¹³ *Human Development Report*, 2009.

¹⁴ Data of the Central Statistical Bureau (06.02.2009).

Priority Long-term Action Directions¹⁵

Access to Education and Childcare of Good Quality

- (114) Studies show that life and career opportunities of young people are mostly influenced by the human capital accumulated by the age of 20, and the most important creators thereof are family and school. Due to different conditions in the family the level of preparedness of children, upon beginning to go to school, is very different – some children have already acquired computer skills, while other children did not even have a pencil at their disposal. The skills acquired during the first six years have very important role in the development of a child, and it is very difficult to achieve the levelling of the skills and knowledge of these children. So the priority task is to provide all children and young persons of Latvia with access to pre-school care of high quality and equally qualitative and available basic, secondary and vocational education.

Availability of Resources

- (115) As noted by researchers, the topic of social inequality is not being actively maintained in the political discussions and discussions dedicated to development issues either in Latvia, or in Central and Eastern Europe at large. Prevention of social inequality is mainly perceived as reduction of poverty, fiscal restrictions for the rich and combating corruption, however, nobody talks about the main mechanism for the maintenance of inequality – unequal access to resources, which form the basis for the life and work opportunities of an individual.
- (116) It is the quality of education that is very important for specification of life and work opportunities of a person in Latvia. Upon emerging of education market, access to higher levels of education is determined by the ability or inability of families to pay for the relevant education. The correcting role of the public sector is very important in this case, levelling out the possibilities of people to acquire education and appropriate qualification. If inequality in the field of education continues its increase, the shrinking human capital of Latvia will not be fully used.
- (117) In order to reduce social inequality and to concurrently motivate each person to take responsibility for his or her future and actions, the objective of the social policy in many states of the world is asset-based equality. This approach is based on the idea that social inequality can be reduced if all young persons – new participants of the free market – have access to as equal start-up capital for implementation of their ideas as possible. Equality of the available resources is achieved by granting each member of the society who has been born into this world or has reached majority a definite capital investment as a stimulus for creating savings, which could be further used for education in order to find work or begin entrepreneurship. As a result, the joint resources are not being directly redivided among the more and the less successful members of the society, but strengthen the ability of the less successful members of the society to get higher, leaving the responsibility for their choice largely in their own hands.

¹⁵ Due to demographical tendencies and tendencies of global economy (for example, migration), Latvia needs a serious discussion regarding future development of the long-term social model, which would specify the division of responsibility of the state, local governments and individuals. Similarly as in case of the development of long-term demographic policy, creation of such model is a separate work, which, however, is compatible with activities of *Latvija2030*. Discussions regarding new state functions and role in the field of social security are at the top of the list of priority tasks of several EU states.

Access to Labour Market and Reduction of Discrimination

- (118) In order to use the human capital of Latvia to the fullest, discrimination of any kind should be reduced in the labour market – ethnic, gender (both of women and men) and age discrimination, as well as discrimination against people with functional disorders. Informal discrimination is the very reason why security of work and income of individual social groups is reducing. In future in the result of different, including global, processes, for example, upon transfer of working places to other states or dying out of individual competences, individual professional or social groups may lose job and income. Any kind of discrimination against these groups would additionally reduce the quality of their life and their possibilities.
- (119) As welfare of children is very closely related to employment of their parents, it is especially important to provide parents with access to the labour market, motivating employers to employ parents as much as possible, and to ensure the possibilities of care for children from one year of age.

Dampening of Temporary Poverty and Poverty Risk Groups

- (120) One of the largest deficiencies of the social assistance system of Latvia is insufficient co-operation among different social assistance institutions.¹⁶ Upon increase in the temporary poverty risk, it is important for a person who has been struck by difficulties to receive assistance without delay, and at present a specialist of social work is not able to provide it because of the numerous bureaucratic procedures. Due to this reason social policy should be created within the intersectoral framework. In order to increase the possibilities of persons who have gotten into the poverty risk zone to improve their welfare, the social groups which are most subjected to the poverty risk should be identified and social security mechanisms suitable for them should be developed. One of important preconditions for reduction of poverty risk is efficient system of social services, social assistance and social security, one of the tasks of which is provision of efficient assistance to the most poor strata of inhabitants.

Possible Solutions

Access to Education and Childcare of Good Quality

- (121) *Multifunctional centres for parents with children up to six years of age.* Local centres (kindergartens or day care centres) are created for children up to six years of age and their parents where parents can leave their child for the whole day or for several hours. According to the needs of each local government, these centres may concurrently provide also a range of other services – help parents in meeting other families, share experience, receive consultations regarding infants, child psychology and health or receive assistance in seeking employment. The goal is to attain that all children, upon reaching the age of six, would have received sufficient care and would be equally prepared for school. Such centres should be created in the whole territory of the state, beginning with local governments where the level of poverty is the highest and the situation of children is in the most critical condition, concurrently inciting the participation of educational, cultural and sports institutions.
- (122) *Creation of the childcare voluntary nurse system.* One of the most successful examples of the world in the field of infant care is the childcare voluntary nurse institution. In normal conditions parents, particularly young parents, receive answers to questions regarding

¹⁶ Rajevska Feliciana (Ed) (2006). *Insider's views about social inclusion and social security in Latvia*. FAFO.

everyday care for infants and children from their parents and grandparents. Unfortunately, often parents who come from families subjected to risk do not have anyone to ask such questions. Due to this reason the so called childcare voluntary nurse institutions have been introduced in some countries. Usually, nurses are older women who have experience in taking care and raising of children and who give advices to parents in local social centres about taking care of a child in everyday situations.

Availability of Resources

- (123) *Individual development accounts.* They provide people with low income with an opportunity to make savings. The sum of money of persons which has been deposited in such savings accounts is supplemented by a deposit of the same amount from state institution, non-profit organisation or private enterprise. The resources invested in the fund may be used for the development of personal human capital – education, further education, interest education. For example, *Learn&Save* programmes have been created in USA and Canada, and such funds are functioning very successfully, and contributing organisations also offer training programmes in finances, accounting and entrepreneurship.
- (124) *Child investment funds.* A child investment fund is a long-term savings account, which is created by state immediately after birth of the child, depositing a certain sum therein. Parents or relatives may deposit additional resources in this fund, observing the maximum sum specified by the state. Resources of the fund are invested in stocks or deposited as deposit. The fund is managed by parents or guardians until the child reaches sixteen years of age and is able to take over the management of his or her fund, however, resources can be withdrawn from the fund only upon reaching the age of majority. Afterwards the young person can use the money as he or she wishes – in order to finance education, begin entrepreneurship or buy clothes for the first job interview.

Access to Labour Market and Reduction of Discrimination

- (125) *Support to enterprises and non-governmental organisations, which implement measures for prevention of discrimination.* Such support may be both moral, by granting the title “Mummy- and Daddy-friendly Employer”, “Age-respecting Employer” or “Enterprise Friendly to People with Functional Disorders”, and practical, by facilitating or speeding up bureaucratic procedures for enterprises, as well as offering other administrative advantages and services. Local governments and non-governmental organisations can be particularly efficient in the provision of such support.
- (126) *Informing of the society regarding social diversity.* The most frequent reason for prejudices and discriminating practice is lack of information. By informing the society and increasing its awareness of the social diversity and situation and problems of different social groups, for example, people with functional disorders, minorities, women or children, tolerance is strengthened and the frequency of discrimination cases is reduced. Such awareness may be increased by formal education programmes or also in informal way – by organising seminars and discussions regarding the situation of different groups of the society in Latvia and the world.

Dampening of Temporary Poverty and Poverty Risk Groups

- (127) *Short-term poverty assistance programmes.* Social programmes should be oriented towards operative assistance to people struck by temporary difficulties, operating according to the principle “Try again and we will help you”. Poverty is a socially complex phenomenon, so solutions should also be integrated, not specific and sectoral. In order to speed up the bureaucratic procedures for the provision of assistance to people struck by difficulties, it is

very important that the already developed intersectoral social assistance policy, which promotes intersectoral and interprofessional co-operation, is implemented.

- (128) *Social programmes for groups of inhabitants subjected to the poverty and social exclusion risk.* Regular analysis of poverty risks and structure should be performed, social programmes should be applied for the needs of specific risk groups of poverty and social exclusion in order to use state resources as purposefully and precisely as possible. The most critical risk groups of poverty and social exclusion at present and in future will be families with children with only one provider (mainly women), retired persons (especially lonely retired persons) and people with functional disorders, as well as gypsies (Roma).
- (129) *Training and socialisation programmes for people in retirement and pre-retirement age.* In order to prevent social isolation of elderly people and promote their inclusion in the labour market, programmes of lifelong education and raising of professional qualification should be created. It is important to offer the acquisition of skills, which are particularly current – skills of using information and communication technologies and language skills. Concurrently retired persons should be given an opportunity to voluntarily engage in public activities. For example, in Denmark retired persons voluntarily participate in university and school examinations.
- (130) *Accessibility of the environment and information for persons with functional disorders.* In accordance with the Convention on the Rights of Persons with Disabilities state has to perform appropriate measures so that persons with functional disorders could live independently and purposefully, applying themselves in all areas of life equally to other persons. These are measures, which include the survey and liquidation of obstacles hindering accessibility in buildings, on the roads, in transport, as well as in other internal and external objects – schools, dwellings, medical treatment institutions and work places. It also applies to information, communication and other services, among them – electronic services and emergency services. In order to satisfy the needs of persons with functional disorders, the availability of goods of universal design, as well as such services, installations and objects should be ensured gradually, which require as low adjustment as possible and the lowest costs.

Qualitative and Available Lifelong Education

Objective



To create one of the best educational systems in the EU and to become one of the leaders as regards the availability and use of adult education.

Tendencies and Challenges: Ageing, Quality and Accessibility of Education

- (131) *Concurrently with accumulation of specific competences and qualifications, which determine the ability of people to integrate in the labour market and to form successful professional career, education is also the development process of personal talents, emotional and social intelligence and personality. Due to this reason the quality, accessibility and content of education at all levels of education and age groups – from pre-school to adult education – is a development possibility of Latvia and the precondition for increase in the value of human capital.*
- (132) Demographic development of Latvia will also substantially affect the educational sector because the number of school-age children and the traditional age of students (18-24 years of age) will decrease. According to the estimates of the World Bank, by 2025 the number of pupils in basic schools will decrease by approximately 25%, in secondary schools – by 20%, however, the largest decrease is expected in higher education where the anticipated reduction in the number of students is 40%.¹⁷
- (133) Inequality of income and territorially unequal demographic situation in long-term may create significant obstacles for the provision of equal opportunities and access to education. For several years drop-out of pupils from schools, particularly basic schools, has been observed. The children and young persons who have left educational process enter the social risk group and later are also unable to use the possibilities provided by lifelong education.
- (134) Educational policy of Latvia is still insufficiently inclusive in relation to orphans and people with functional disorders.¹⁸ Positive examples for integration of such people in the society via educational system are more like exceptions than the result of systematically implemented state policy. Orphans and children with functional disorders are mostly educated in boarding schools, which are separated from the rest of the environment, and their possibilities for acquisition of the necessary skills for successful independent life are

¹⁷ Chawia, M. et al (2007). *From red to grey*. Washington, DC: The World Bank, pp. 217-261.

¹⁸ Study that reveals the problems for inclusion of people with functional disorders in the society: Pomere I, et al (2007). *Vientuļo vecāku, kuri audzina bērnus invalīdus, iespējas iekļauties darba tirgū un nepieciešamais atbalsts viņu sociālajai iekļaušanai* [Possibilities for Single Parents who Raise Disabled Children to Integrate in the Labour Market and the Necessary Support for Their Social Inclusion]. Rīga: SIA „LABA”.

limited.¹⁹ The purpose of the educational system of the 21st century is to develop the ability of people with functional disorders to learn continuously and to acquire novelties.

- (135) Innovation economics continuously demands new skills and competences, creates the need to repeatedly and regularly improve one's knowledge and skills, to return to school in order to adapt to the changing needs of the labour market. However, educational system of Latvia is not sufficiently flexible in responding to the needs of adult further education. Technological competence, the ability to integrate skills and competences of different areas, creative skills, human and risk management skills, as well as openness to international and intercultural co-operation becomes more and more important. It means that competitiveness of Latvia will increasingly depend on the link between educational system and changes in the labour market, as well as the capability to prepare a person for work in changing conditions during his or her whole life.
- (136) Already by 2020 more than 2/3 of the labour force will be more than 22-25 years old, which hitherto has been the time when the acquisition of the usual formal education ends. It, in turn, means that educational system and employers must promote the culture of lifelong education in the society so that individuals would not limit themselves only with the offer of formal education, but would be motivated to continuously improve their knowledge and skills.
- (137) At present the largest investments in human capital in Latvia, similarly as in other countries of Central and Eastern Europe, take place within the scope of formal general education system, whereas the amount of investments in the development of human capital at work places is relatively small.²⁰ Taking into account that productivity of human capital increases at comparatively slow rate (during the 90s in the EU – on average by 1.95% per year), Latvia needs substantial investments in the improvement of qualification of employees also at work places in the nearest future in order to reach the productivity of human capital necessary for the standard of living of Western countries. It is necessary to improve support measures in order to motivate employees to invest in the development of human resources of their enterprises.
- (138) The most significant challenge of the long-term development strategy of Latvia in the field of education is efficient use of financial and human resources in the educational system and in the state at large, joining the requirements of global economy and the pressure of demographic tendencies with the development of human capital, competences, creative activity and social and emotional intelligence of Latvia. Taking into account that global economy and technologies in the nearest 20 years may undergo rapid changes, an efficient and flexible system of higher education is a crucial factor of the competitiveness and human capital value of Latvia.

Priority Long-term Action Directions

Access to Education and Changes in Organisation of Educational Process

- (139) Such model for the management of educational system of general and cultural education should be created, in which parents, teaching staff, educatees and educational institutions are aware of their co-responsibility in the provision of education of good quality. The role

¹⁹ State Special Education Centre (2008). Informative Bulletin. No. 1 (1), p. 10. http://vsic.gov.lv/kratuve/vsic_zinas/zinas_1.pdf

²⁰ Ederer, P., Schuler, P., Willms, S. (2007). *The European human capital index: The challenge of Central and Eastern Europe*. Brussels: The Lisbon Council.

of the Ministry of Education and Science in this model becomes co-ordinating, consultative and supervisory, not commanding and regulating.

- (140) In this model systematic co-operation of general and vocational educational institutions with institutions of higher education becomes important both in creating the content of the studies and in promoting the improvement of the competence of teachers. Mandatory acquisition of all basic study subjects in all secondary schools should be introduced so that the graduates of secondary schools would have an opportunity to select and acquire any programme of institution of higher education.
- (141) There is an unequal division of resources in Latvia among state, local government, as well as private schools.²¹ In order to solve this situation, parents should be given more opportunities to select the educational institution and the principle “money follows pupil” should be observed. As shown by experience of several EU states, coupon system is one of the instruments for the creation of innovative and exportable school system. Such solution would also conform to the strategical principle in relation to more active participation of citizens themselves in decision-making. Taking into account the geographically unbalanced demographical situation, a special support system for small rural schools should be created in order to provide children of pre-school- and primary-school-age with schooling as close to their place of residence as possible.
- (142) A particular emphasis should be put on pre-school education because states where purposeful investments in education and upbringing of children of pre-school age are made demonstrate much higher success rate and social equality of pupils.²² Upon increase of the load of parents in the labour market, a diverse, qualitative and generally accessible offer of pre-school and child care services should be created. Pre-school financing should be ensured to sufficient extent, diversifying the mechanisms of financing, attracting private capital and concurrently guaranteeing access to pre-school to families from socially and economically excluded groups. Provision of pre-school education and care requires co-operation between institutions offering such services, parents, local society and public administration institutions in order to improve the conformity of services to the needs of the child and family as much as possible.

School as the Centre of Social Networking

- (143) Educational and cultural education institutions should become the centres of social networking, in the management of which parents, teaching staff, educatees, as well as wider local community, including entrepreneurs, representatives of professional and sectoral associations, participate and co-operate. It is especially important to involve parents in the acquisition of knowledge because at present many families in Latvia are not able or do not deem necessary to participate in education of their children. Within the context of ever increasing employment and work intensity, it is not rational to hope that in future the division of the time and attention of parents will change in favour of participation in education of their children. By neglecting such behavioural models of families ignoring education, Latvia suffers from risk of social degradation of the society. Without acquiring the skills necessary for lifelong education already in childhood, many new members of the society are not able to adapt to the changeable requirements of the

²² OECD (2001). *Starting strong*. Paris: OECD; The Strategy Unit (2008). *Realising Britain's potential*. Available at http://www.cabinetoffice.gov.uk/strategy/work_areas/strategic_challenges0208.aspx

labour market. They will not be sufficiently self-contained and independent, as well as will not be able or willing to take care of other members of the ever ageing society and the environment at large. So school should become an integral part of the society and the agent of positive changes, not an isolated institution which operates separately from the rest of the environment.

Contextual Education and Shift in the Profession of Teacher

- (144) Change of paradigm in education, providing for closer link of educational system with economic and public processes, will also change the nature of work of teachers. The traditional approach, which involves separation in teaching of subjects with emphasis on theoretical knowledge, should be replaced with more pragmatic approach where the context of the acquisition of knowledge is important.²³ So teacher should be not only the teacher of his or her study subject, but also a diverse, talented personality who helps, inspires, joins different fields, co-operates, gives advices and organises. Education, especially in elementary school and primary school, should be oriented towards the development of communication skills, individuality and thirst for knowledge of children. Preparation of teachers for teaching more than one study subject may be one of solutions, particularly in the countryside so that there would be no need to close schools, form classes of mixed age groups, working with which involves the need for a set of different skills for teachers. So that the profession of teacher would be selected by the most capable and talented young persons, the prestige of the profession and motivation system should be improved. It is possible that within the context of ageing of the society older professionals of different fields will have to retrain as teachers, as well as there will be a need to involve experienced specialists without pedagogical education in pedagogical work who are willing and ready to share their experience. Concurrently the offer of further education programmes for a teacher of adult education – a professional in his or her field – should be ensured so that he or she could improve his or her competences and ensure qualitative teaching of the subject.
- (145) In future the role of professional associations should be increased not only in accreditation process of study programmes, but also in organisation and implementation of the study process (training, apprentice training systems, attraction of entrepreneurs as teachers), paying more attention to employment possibilities of graduates. In professional programmes in higher and vocational secondary education concurrently with the selected speciality as priority sufficiently good knowledge regarding related professions should be provided so that in case of necessity it would be possible to acquire another profession requested by the labour market.

E-school and Use of Information Technologies

- (146) Information technologies have become the everyday occurrence and the object of interest of pupils, so they should also be skilfully used in the study process. By integrating distance learning elements in the study process, using the decentralisation advantages offered by technologies, it is possible to not only ensure the acquisition of interesting, interactive and qualitative study content in virtual environment, but also to find new possibilities for diversification and new forms of organisation of the study process, for example, where part of classes is taught by teachers face to face and part of the study material is acquired in virtual environment. It would help to attract the interest of young persons to the study

²³ Cantell, H. (2006). *Sustainable education, learning processes and environmentally responsible behavior of students*. In A. Pipere (Ed.), *Education and sustainable development: First steps toward changes* (pp. 90-100). Daugavpils: Saule.

material and would improve the general level of technological competence in Latvia because both pupils and teachers would acquire the skills. By participating in the development of different study projects, parents and grandparents of pupils could acquire the skills necessary for economic activity together with pupils.

Lifelong Education

- (147) By enlivening the culture of lifelong education in the society, the ability of each person, particularly young person, to see the necessity and to use the possibilities for education and career-making throughout life should be developed. Taking into account that human capital in European countries mainly occurs and develops in employment process, upon individuals improving their knowledge in the system of lifelong education and at work place, training of adults and more active involvement of formal education institutions and employers in provision of informal education offer is an important task also for Latvia.
- (148) Already now large part of students in institutions of higher education and colleges are representatives of the so called untraditional age group, i.e., above 23 years of age²⁴. This tendency testifies that institutions of higher education and institutions of vocational education have an opportunity to develop training of adults as stable action direction necessary for the society. Educational institutions in co-operation with regional entrepreneurs should be aware of local and global tendencies in the national economy in order to able to foresee and offer such content and format of studies, which would promote regional development and the competitiveness of individuals and organisations in economy of tomorrow.
- (149) In the nearest future a solution should be found for the way to create a link between the system of formal education and information education, and further education of adults so that those who have not followed the traditional path of education would be provided with equal mobility opportunities not only within the scope of educational system, but also in the labour market.

Possible Solutions

Access to Education and Changes in Organisation of Educational Process

- (150) *Coupon (guarantee) system in education.* Upon introducing a coupon (guarantee) system in pre-school, basic and secondary education, the principle “money follows the pupil” would be implemented.
- (151) *Mandatory secondary education.* By 2020 to introduce completely mandatory secondary education, seeing the raising of secondary education level of the society as a substantial precondition for the transition of Latvia to innovative and creative economy. A person with secondary education should be fluent in two foreign languages.
- (152) *Programmes for preservation of small rural basic schools.* In order to provide all children with access to education from 1st to 6th grade as close to home as possible, it is necessary to implement a programme for optimisation of small rural schools, taking into account the needs and possibilities of each particular local government, finding the most appropriate model of operation for the school to be preserved. Restructuring may be performed by joining classes, using special methods for work involving children of different ages, reducing the administrative apparatus, using methods of distance learning etc. Delivering of senior pupils to schools further from home is possible by creating a system of school

²⁴ Melnis A., Abižāre V. (2007). *Pārskats par Latvijas angstāko izglītību 2007. gada: Skaitļi, fakti, tendences.* Rīga: Izglītības un zinātnes ministrija, 71. lpp.

buses. The most optimal plan for restructuring of rural educational system should be modelled, using demographical forecasts for a specific period of time and place. Modelling of such type should be performed regularly so that it would be possible to foresee the necessity of schools in timely manner and to prepare infrastructure and teachers.

- (153) *Internationalisation of educational institutions.* To implement internationalisation of secondary educational institutions – to promote regular contacts between schools of Latvia and other countries, to organise student and teacher exchange and practice programmes.

School as the Centre of Social Networking

- (154) *Parental involvement in the study process.* Teachers and school managers should form a close link with parents of pupils as possible. Different methods may be used for the creation of the link – by organising meetings of parents and children, festivities, organising courses for parents, arranging “parental room” at school etc.
- (155) *Working groups of confreres.* In order to develop communication skills of pupils, the methods of the so called peer groups are used in schools around the world where pupils have to perform different tasks not individually, but together with their classmates, senior or junior pupils, parents, relatives or representatives of local community.
- (156) *Programmes of voluntary mentors.* Within the scope of these programmes adults without specific pedagogical education may apply at schools as voluntary mentors or advisors and help children who want to do their homework and to repeat the material acquired at school in the afternoons or evenings. Special support should be provided to involvement of retired persons in such mentor programmes, thus reducing social isolation of retired persons and strengthening the link between generations.
- (157) *Access to networks of social services and support.* Wider access to measures of social services, social assistance and other support for different groups of the society should be promoted, particularly for elderly people, children and parents of children. Activities of non-governmental organisations, charity and social enterprises should be actively promoted and new forms of activities, for example, informative and consultative services in the digital environment with emphasis on local and digital networking, should be stimulated. Already at present social services of local governments largely operate as the centres of social networking, for example, in youth day centres and care for elderly people. In Scandinavia functions of the social networking are fulfilled also by schools, churches and libraries.

Contextual Education and Shift in the Profession of Teacher

- (158) *Quality of pre-school education and care.* It is necessary to develop the state strategy for care and education of children of pre-school and primary school age, including also issues related to the preparation and qualification of educators, teachers and staff, emphasising the link of training with the further process of education and implementation of the approach of equal access opportunities. More active involvement of parents in upbringing of children of pre-school age and in activities of institutions should be provided for.
- (159) *Programmes of apprentices or trainees.* To create programmes of apprentices or trainees in educational institutions, to integrate practical tasks and regular practice in the environment of the labour market in close co-operation with employers, including representatives of professional and sectoral associations.
- (160) *Integration of entrepreneurial programmes.* Programmes of vocational and general educational institutions should not only prepare young persons as employees, but also orient them

towards the opportunities of making a career of entrepreneur. Concurrently with such necessary qualities as initiative, creativity and entrepreneurial ability graduates should be able to acquire practical knowledge regarding commencement and management of entrepreneurship.

- (161) *Creative thinking in study process.* In order to implement a long-term objective regarding mass creative activity and creative society, creativity should be developed in children at a very early age. General educational system should develop a creative personality in each pupil and his or her understanding of art, ability to learn and work in team. By including problem-solving in the study process, independence and transition from practical skills to conceptual knowledge would be promoted. Only an educated individual will be able to create products with high added value, to use alternative energies and modern technologies. Measures should be foreseen and responsible persons should be determined in relation to the promotion of interest education and creativity in the society, not leaving the solving of these issues only in level of territorial local governments.

E-school and Use of Information Technologies

- (162) *Digitalisation of schools and libraries.* In order to ensure access to a modern study process and information, digitalisation of all schools and libraries of Latvia should be implemented. The creation of digital content and possibilities of distance learning should be ensured within the scope of this process upon participation of both scientific and public libraries.
- (163) *E-lessons.* In addition to the usual study process educational institutions should create distance learning programmes, using e-technologies. Institutions of higher education may create programmes, which mainly take place in the e-environment. In schools teachers may use the e-environment as an addition to lessons at school.
- (164) *Study e-books.* Study books and materials should be freely available also in the e-environment.

Lifelong Education

- (165) *Open University.* One of the most successful global examples of further education is the Open University of Great Britain with e-library and regional centres, which are available to everyone and which, in case of necessity, may be used on site. Students themselves choose their study courses, and in each course every student has a mentor, usually a former student of the university, a specialist of the relevant field, who helps the student in studies. At present there are 150 000 students of Bachelor's programmes in the Open University, from whom 70% are employed full-time, for 50% of students studies are paid by their working place, 25 000 students are not from Great Britain and 10 000 students are people with functional disorders.
- (166) *Integration of further education in the system of formal education.* It is necessary to ensure the recognition of the knowledge, skills and competences acquired in informal way by giving an opportunity to a person to receive the document of formal education, if his or her knowledge, skills and competences conform to those acquired within the scope of a programme of formal education. An efficient evaluation system of courses of further education, which is free of bureaucratic obstacles, should be formed so that people who have not followed the traditional path of education would be provided with equal mobility possibilities both within the scope of educational system and the labour market.

- (167) *Measures for education of merchants.* In order to promote economic activities and the ability to engage in entrepreneurship, state support not only to entrepreneurship, but also to education of existing and potential entrepreneurs and popularisation of good practice is necessary. Sectoral associations and other non-governmental organisations representing the interests of entrepreneurs should assume a specific role.

Mass Creative Activity and Innovation

Objective



To become one of the leaders of the EU in terms of distribution of innovative and exportable enterprises.

Tendencies and Challenges: Globalisation of Economy and Promotion of Creative Activity

- (168) For the intellectual and creative potential of a person to change into growth of innovative, energy efficient and competitive economy, the economic model must change. Initiative and environment supporting entrepreneurship, support for the creation and commercialisation of new ideas, knowledge transfer and user-directed research come into the centre of attention. Approach of mass creative activity means that the creativity, knowledge and ideas of any inhabitant of Latvia may be used in the creation and distribution of diverse novelties.
- (169) There is an increasing number of countries and towns, which become part of the flow of international information, capital, goods and labour force, establishing global market, and as a result of standardisation production processes become a widely sold service around the world, which moves to countries with as cheap labour force as possible. Competitiveness of Latvia and other European countries is reduced by developing countries, which are not only able to offer cheaper labour force, but also purposefully invest in knowledge and technologies. Upon increase in the costs of the labour force, Latvia will increasingly lose its advantages of cheap labour force, and it is very likely that standardised processes of production and services will be moved to Asia and other countries.
- (170) Countries with expensive human capital are internationally competitive only if their human capital is very strong in creative activity.²⁵ The ability to export of the leading countries of the EU becomes increasingly related to the creative capital,²⁶ which is formed by creative employment, high technologies and high level of openness to new ideas. Unfortunately in terms of innovations²⁷ and labour productivity²⁸ inhabitants of Latvia are way behind the “old” EU Member States and USA. Regardless of relatively large investments in education, Latvia has the highest proportion of trade deficit in relation to GDP among the EU states. It draws a conclusion that human capital of Latvia is not used to its fullest. Without strong

²⁵ Florida, Richard and Irene Tinagli. (2004). *Europe in Creative Age*.

²⁶ For example, Sweden, Finland, the Netherlands and Germany are leaders of both European export and creative capital.

²⁷ Maastricht Economic Research Institute on Innovation and Technology. (2007). *European Innovation Scoreboard 2007 Comparative Analysis of Innovation Performance*. http://www.proinno-europe.eu/doc/EIS2006_final.pdf

²⁸ OECD (2007). *Economic survey of the European Union 2007: Key challenges for the European Union*. Available at http://www.oecd.org/document/39/0,3343,en_2649_34111_38960487_1_1_1_1,00.html

creative activity the creative capital of the state does not increase and the abilities to create innovations are not being developed.

- (171) Nowadays innovation is not attributed only to high technologies, but also to the creation and introduction of new ideas in every field of activities, so it becomes more important that the competitiveness of countries involves increasingly large number of inhabitants in the process of creative activity. Economic system with higher social mobility means also higher creativity of the society because each capable, creative person even from the lowest classes of the society has an opportunity to create and prove his or her ideas. Thus in present conditions not countries with the lowest wages, but countries with the highest equality of possibilities are most successful because they are able to ensure creative activities for as large number of inhabitants as possible.
- (172) In most of the cases creation and distribution of innovations is not the result of one particularly talented individual – more and more people get involved in the process, thus a crucial precondition of success is the ability to co-operate, openness, knowledge and creative activity. Also users of services and products become involved in the creation of innovations with different skills, knowledge and world outlook. Mass creative activity as instrument means that creative abilities, knowledge and ideas of any inhabitant of Latvia should be used in the creation and distribution of diverse innovations. It will be possible only in case if culture oriented towards wide co-operation is created, as well as new platforms promoting co-operation are offered in innovation policy, state administration, education and culture.

Priority Long-term Action Directions

User-driven Innovation

- (173) In conditions of economic globalisation an increasing number of enterprises are mutually competing in order to adapt and create new services and products for satisfaction of the ever changing needs of consumers. Global experience shows that approximately 73% of industrial innovations do not turn into successful industrial products²⁹ not because they are not technologically brilliant, but because they do not conform to the needs of users. Latvia should develop the abilities of enterprises to introduce such services and products in the market, which satisfy the needs of clients and consumers. Taking into account that Latvia as small country has relatively small scientific, research and development resources, a system of creative activity dependent on user-driven innovations should be created. This way of thinking includes both the understanding of the needs of users and systematic involvement of users in the process of creative activity. Nowadays users are the largest source of commercially successful and innovative ideas for enterprises of different sectors. An increasing number of users creates, modifies and improves services and products.

Practice of Open Innovations

- (174) In modern economy the role of knowledge, institutions of higher education and research becomes more important. Global experience shows that innovations more rarely come to life in closed research laboratories, and they more frequently emerge upon co-operation of enterprises and individuals with different external sources in order to acquire knowledge and ideas, which may be jointly transformed in innovations or new business models.³⁰ This

²⁹ Von Hippel, Eric. (2006). *Democratizing Innovation*. The MIT Press.

³⁰ Chesbrough, Hasselt et.al. (2008). *Policies for Open Innovation: Theory, Framework and Case*. Vision era.net.

process promotes higher speed of creation and distribution of knowledge, which is followed by more rapid emerging of innovations. In conditions of global competition it is increasingly important to create open innovation systems, which would promote more rapid distribution of the newest knowledge, as well as would liquidate the different obstacles for the acquisition of knowledge. Institutions of higher education and research institutes of Latvia should be as open as possible and should promote distribution of knowledge both in national region and the Baltic Sea Region. Educational and research institutions should create and maintain platforms, with the aid of which knowledge would become available to Latvian enterprises. Co-operation of small and medium enterprises in the creation and introduction of novelties should be promoted.

Innovative Entrepreneurship

- (175) Globalisation provides new opportunities for creative and enterprising individuals to choose cities and countries where entrepreneurship can be launched successfully in order to become part of and to be able to compete in the global market. Entrepreneurship is the driving force of innovations, moreover, it creates welfare and improves the standard of living. Although 53%³¹ of inhabitants of Latvia would wish to become entrepreneurs, for the most part of the society of Latvia entrepreneurship is not the most favourite choice of career – only 7% of inhabitants commence entrepreneurial activities. Latvia should become both a place that is attractive for the commencement of innovative entrepreneurship in Europe and the most enterprising society of Europe. Government has a significant role by creating and maintaining the framework, in which enterprises may introduce novelties, as well as by directly providing support when market fails. When creating the entrepreneurial environment of Latvia, firstly, the possibilities for making innovative entrepreneurship an attractive career choice for the largest part of the society should be considered. In this area the support possibilities of social partners and other non-governmental organisations should be used more, the activities of clusters, incubators and competence centres should be improved and the mentor movement should be developed.

Culture of Mass Creative Activity

- (176) Creative activity is not only individual, but also social phenomenon. It is a conversation, in which people exchange ideas, jointly create new ideas, improve and implement them.³² Only when the diversity of ideas and creative participation becomes a usual practice for large part of the society, it will be possible to promote successful creation of new ideas and introduction of innovations. Inhabitants of Latvia should become more active in terms of creativity both in their professional activities and in spending of their leisure time. People should not only become more creative, but also more open to new ideas and diversity of ideas. Mass creative activity and the culture of exchange of ideas will become part of the identity of Latvia. Mass creative activity is possible by promoting the involvement of entrepreneurs in social networking and social dialogue, developing entrepreneurial skills, creating working environment favourable to creative activity, attracting investments and developing export, using appropriate institutional framework and mechanisms.
- (177) Creative processes should be visible, open and freely available. Only then innovation economics will have its roots in creative culture, in which people co-participate, exchange ideas and implement them quicker than in other countries. The enlivening of such culture should become a long-term development objective.

³¹ Eurobarometer (2004). *Entrepreneurship. Flash 160 "Entrepreneurship"* (12/04/2004 – 29/04/2004).

³² Leadbeater, Charles (2008). *We Think: why mass creativity is the next big thing*.

Possible Solutions

User Innovation

- (178) *Agency of user innovations.* For the promotion of user innovations a co-operation network should be formed as an agency, the task of which would be to create and co-ordinate the network of innovations. Institutions of higher education, research institutions and enterprises should be involved in this network, social networks, which join the representatives of interested parties, should be attracted in order to create and distribute knowledge, methods and practices, which would improve awareness of user innovations, as well as would promote the involvement of users in creative processes.
- (179) *Co-operation of scientists and enterprises in the research field.* Within the context of innovations industrial and pre-competitive research programmes should be linked with the market demand. So representatives of enterprises should be involved in the management of science and research in order to jointly define the priorities of research, as well as to survey the future tendencies of technologies in timely manner. Financing for science and research should be diverted with participation and intermediation of the entrepreneur – the consumer of the end product of science.
- (180) *Programme of co-operation innovations.* Within the context of user –driven innovations the programmes for the support of innovations should be redefined. State should create co-operation platforms, within the framework of which different participants of innovations would be encouraged to co-operate. In order to reduce uncertainty and risk in relation to introduction of innovations in the market, the government and local governments should provide financial support for the creation of new services, products and technologies only when potential users participate in the process of development. Such approach would encourage enterprises to look for and to co-operate with clients and consumers demanding novelties, as well as strengthen the ability of enterprises to create and distribute innovations.
- (181) *Internationalisation of research and development.* Research and development (hereinafter – R&D) becomes global very rapidly and is becoming an increasingly important service offered in the global market, which is purchased by an increasing number of large enterprises. In conditions of globalisation the success of innovation policy of small countries becomes more dependent on the ability to integrate its enterprises in international flows of knowledge. So the government should offer financial support to the enterprises, which co-operate with users in the creation of novelties, for the purchase and integration of R&D services in global networks of R&D.
- (182) *Cluster development programme.* Global experience shows that practice of user innovations is used in large companies or by such enterprises, which operate in innovative clusters. Infrastructural support for the creation of clusters should be provided in cases when enterprises are ready to co-operate with large companies or participate in the creation of groups of small and medium enterprises. Having the knowledge that the small and medium enterprises of Latvia mostly lack knowledge and skills for the promotion of products in markets of Europe, Asia and USA, it would be preferable to promote partnerships where Latvian party would provide R&D services and the foreign party - marketing and sales services. Large part of the market of end users in modern world is governed by large multinational corporations. Concurrently with the increasing control of these firms over distribution channels, globalised dispersion of manufacturing processes takes places, opening opportunities for enterprises of developing countries, including Latvia, to become part of the production chain almost in any stage of creation of added

value. By attaining that multinational corporations create R&D projects in Latvia, it would be possible to access the knowledge they have accumulated regarding the needs of users and market.³³

Practice of Open Innovations

- (183) *Procurement of open-source software.* The observation of the principles of open-source activities in most of the cases causes more extensive and rapid convergence of innovations. State and local government institutions may show an example and promote practice of open innovations, allocating part of the resources provided for the procurement of software for the procurement of open-source software and developing respective procurement programmes. Open-source programmes may be purchased for lower fees or free of charge, however, they require higher maintenance costs. Even if the total costs, using open-source software in state institutions, would not become lower, use thereof would have positive side effects – would create jobs in the local IT sector, develop programming skills of the labour force of Latvia and, thus, promote entrepreneurship. Procurement of open-source programmes would provide direct support to the sector of high technologies in Latvia.
- (184) *Open knowledge and science.* Knowledge becomes out-of-date very rapidly, so it is very important to improve the speed of distribution and availability thereof to enterprises and inhabitants. It requires new approaches in distribution of knowledge. In order to promote the spreading of knowledge, as well as to reduce obstacles for access thereof to state financed institutions of higher education and research institutes, lecture materials of state institutions of higher education and results of state financed scientific researches should be easily accessible to every inhabitant of Latvia via the Internet. Virtual business incubators and digital networks for the transfer of knowledge and digital platforms, which are easy to access for everyone and in which experts, teachers and scientists would share their knowledge, thus, facilitating access to knowledge and concurrently observing the interests of holders of intellectual property, should be developed.
- (185) *Digital licensing of intellectual property.* It would be a freely accessible digital platform, in which the intellectual property belonging to the state, institutions of higher education and research institutes would be compiled, as well as possibilities to buy their licences in digital environment would be ensured. Such platform would promote wider use of intellectual property, as well as would reduce licensing costs.
- (186) *Strengthening of international competitiveness of research institutions.* Research institutions should reorient towards the provision of R&D services appreciated in the market to enterprises, state and local government institutions. Taking into account the globalisation tendencies of R&D, it is necessary to create a programme, which would strengthen the competence and ability of research institutions to provide internationally competitive R&D services to foreign enterprises.

Innovative Entrepreneurship

- (187) *Risk capital sector.* By founding a risk capital sector supported financially by the state, it would be easier for Latvia to attract investments for R&D area. The state could subsidise

³³ Such policy is being successfully implemented in Israel where the so called BIRD programme covers 50% from expenditure of R&D project, in which one party is typically medium-sized or large USA company with knowledge regarding the needs of users and the market and the other party – an Israeli company, which undertakes to perform the R&D work. Thus the party of USA receives free of charge and low-risk R&D, in turn, the party of Israel gets access to knowledge regarding marketing and needs of users, as well as successfully recovers the monetary funds invested in R&D.

innovation funds, which operate together with private capital. Research centres of leading enterprises are readily placed in places where risk capital for commercialisation of products is available. Thus, Latvia would acquire highly-paid working places and would attract both its emigrated scientists and foreign researchers who would want to work in a place where it is possible to earn money by transforming inventions into innovations. The function of risk capitalists is not only financial provision of the development of product, but also successful selling of the established enterprise. By promoting the presence of foreign risk capital firms with experience in development and selling of enterprises in stock markets in Latvia, the state would create an opportunity for Latvian entrepreneurs to take over the knowledge and experience in successful marketing of new enterprises.

- (188) *R&D tax credit.* Researches in other countries prove that a tax credit especially provided for research and development may have a positive effect on the increase in the number of innovations. It allows the firms working in the field of R&D to receive tax reliefs for legitimate expenditure. Also in case if an enterprise works without profit, it may apply for a lesser tax burden.
- (189) *Innovation bonds of pension funds.* If the state established and maintained the funds of derived bonds, it could the capital of the 3rd pension level for the promotion of innovations. Such funds would emit bonds, which would be derived from innovative investment projects supervised by the fund. Managers of pension funds would have an opportunity to invest in safe bonds, concurrently developing innovations and ensuring higher pension to the beneficiaries thereof.
- (190) *Innovation procurement programme.* State and local government institutions should allocate financial resources in order to procure new innovative services and products, which have been created specifically for their needs. In such a way administrative institutions would assume the role of catalyst in the promotion of creative activity and creative entrepreneurial environment.
- (191) *Delegation of public services to the market.* In order to create additional possibilities of entrepreneurship, such programme should be created in the state, which transfers part of the provision of public services to private enterprises. Such programme would not only increase the interest regarding entrepreneurship, but also would make public services more efficient and richer in innovations.

Culture of Mass Creative Activity

- (192) *Creativity education.* Educational system should particularly develop the ability to think, cooperate and adapt independently, critically and creatively. Creativity education should be directed towards interdisciplinary co-operation and development of skills, educational process, which develops individuality, imagination, creative thinking and talents. By perceiving the significance of the skills of independent creative thinking in creation of innovation economics, in more than 30 countries creative thinking is taught as a separate study subject at schools. Training in creative thinking should also be introduced in the school system of Latvia.
- (193) *Leisure time platforms.* Many people create novelties during their leisure time, led by creative interest. Free sharing of information at hobby level frequently takes place when it is not possible to find opportunities for commercialisation of knowledge. For example, upon development of technology, someone notices the possibilities of its commercialisation and tries to gain commercial benefit from it, introducing this novelty in the market. This is how airplanes and “Apple” computer came to life.³⁴ In order to mobilise this creative interest, it

³⁴ Peter B. Meyer, Network of Tinkerers: *A Model of Open-Source Technology Innovation*, US Department of Labor Working paper, November 2007.

is necessary to create both digital platforms and creative groups. By supporting such creative communities, the culture of mass creative activity is promoted because they may “infect” large parts of the society with their creativity.

- (194) *Idea banks and idea accounts.* The distribution of the culture of mass creative activity may be promoted by introducing idea accounts of individuals and idea bank. Each inhabitant inserts ideas in a joint idea bank, which he or she deems new, but is unable to implement them. Each individual gains access to ideas of other people at different levels. Level is granted according to the quantity of the submitted ideas. Each year the most productive generator of ideas is awarded. Creation of such system could promote the culture of exchange of ideas.
- (195) *Innovation guarantees.* A guarantee or a coupon is granted to a specific number of individuals who have been most active in submission of ideas to the idea bank and whose ideas have received the highest appraisal of other users. Guarantee may be exchanged for financial support for the development of new services, products or technologies.

Renewable and Safe Energy

Objective



To ensure energy independence of the state by increasing the provision of energy resources and integrating in the EU energy networks.

Tendencies and Challenges: Energy Independence and Energy Provision

- (196) Our everyday life at home, rest, work and production cannot be imagined without the use of energy. Organisation of our life, national economy and welfare is largely dependent on decisions in the field of energy policy. Energy consumption continues its increase both in the world and Latvia, and it is most likely that it will also continue to grow during the period until 2030. It is anticipated that, without performing any measures, by 2050 global energy consumption could increase even by 3.5 times³⁵.
- (197) All regions of the world, including the EU and Latvia, will feel it not only as exhaustion of fossil energy resources and increasing rise of energy prices, but also as climate changes and their impact on the national economy and ecosystems.
- (198) According to the EU legal acts on climate and energy Latvia must attain that by 2020 40% of the final energy consumption will be ensured by renewable energy resources (hereinafter – RER). Upon successful implementation of the energy policy, in 2030 half of the total final energy consumption in the state could be ensured by RER. Moreover, by using RER, concurrently with the increasing improvement of energy safety and import-export balance, additional growth opportunities would be acquired in the field of regional development and entrepreneurship and employment of local scale.
- (199) Although fossil energy and consumption thereof is not a possibility of sustainable future development, during the next 20 years Latvia will definitely not have any possibility to provide for our energy needs with renewable energy resources only. Thus, concurrently with the increase in the use of RER, Latvia should also ensure possibilities for import of safe and advantageous electricity and fossil energy resources in long-term.
- (200) Import of fossil resources is characterised by large price fluctuations, which do not promote balanced development of the national economy and increase political instability and difficulties to foresee the situation in part of the world regions exporting these resources. Upon implementing measures for reduction of the impact of climate changes, exhaustion of deposits of fossil resources, as well as upon renewal of demand for energy resources after the global financial crisis, the prices of fossil energy will inevitably increase. Moreover, such important energy resource as natural gas is supplied to Latvia only by one country – Russia.
- (201) Energy dependence of Latvia or the proportion of imported energy resources reached the highest level (68.9%) in 2004, but in 2007 it had already reduced to 61.5%³⁶. Such progression is positive, and we should try to preserve it by promoting gradual increase in

³⁵ IPCC. *Special Report on Emissions Scenarios*, http://www.grida.no/publications/other/ipcc_sr/

³⁶ <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home>

the use of RER, as well as by widely implementing energy efficiency measures. Regardless of the fact that total energy intensity of economy of Latvia or energy consumption per one unit of the produced GDP during the last years is gradually reducing, in 2007 it was still twice as large as on average in the EU³⁷. So it would be necessary to substantially improve the energy efficiency indicators both in the group of end users and in the production and transmission of energy.

- (202) Mostly fossil resources – petroleum products and natural gas – are used in energy production in Latvia. Energy produced from RER in 2007 formed 29.7% of gross domestic energy consumption of Latvia³⁸. The most important local RER at present are wood and water. Latvia has significant peat resources at its disposal, however, their use in energy production is insignificant. Wind and biogas energy is used, there are also possibilities to use solar energy, however, the proportion of these types of energy in energy production is small at present. The quantity of electricity produced by large hydroelectric power stations situated on the River Daugava is slightly different each year due to changeable weather conditions, but possibilities for the creation of new water energy capacities is limited. In turn, the unused resource of wood is substantial.
- (203) Latvia has sufficient RER at its disposal in order to increase the quantity of electricity produced therefrom. Already at present Latvia is one of the EU leaders in production of electricity, using RER, however, it does not ensure the whole amount of electricity necessary for consumption in the state. The biggest consumers of electricity are building, service sector, households and industry. Electricity consumption during the last seven years has increased by 31%³⁹, but in 2007 self-provision of electricity formed 61.4%⁴⁰. The missing electricity is ensured by importing it from the neighbouring countries.
- (204) Production of centralised thermal energy is a substantial part of energy, which forms more than half of the consumption of primary energy resources, providing for the needs of inhabitants of Latvia for heat during the winter period, as well as for hot water. The consumption of centralised thermal energy in the state during the last years has reduced by one tenth. More than 80% of the centralised thermal energy are generated, using natural gas. The proportion of consumption of petroleum products has significantly decreased in the centralised heat supply during the last years, however, they have been basically replaced by the use of natural gas and comparatively less – wood. The proportion of RER in the production of centralised thermal energy in the time period from 2000 until 2007 has slightly increased – from 11.3% to 15%⁴¹. In return, the proportion of thermal energy produced in cogeneration plants has rapidly increased and forms 55.5%⁴². Henceforth, in renovating the existing and building new heat plants and cogeneration plants, local energy resources – wood, straws, reeds and, using environmentally friendly methods of extraction, also peat – should definitely be used in the production of thermal energy.
- (205) Energy consumption in the transport field forms approximately one third of the consumption of primary energy resources of Latvia and is almost completely based on the import of petroleum products because the proportion of electricity and biofuel in the final energy consumption of transport is comparatively small. A challenge in the transport field is wider use of electric drive both in public transport and in private road transport. Biofuel and biogas has good perspectives in order to ensure transport with energy.

³⁷ <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home>

³⁸ <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home>

³⁹ *Latvijas enerģētika skaitļos* [Power Industry of Latvia in Numbers], 2008

⁴⁰ *Latvijas enerģētika skaitļos* [Power Industry of Latvia in Numbers], 2008

⁴¹ *Latvijas enerģētika skaitļos* [Power Industry of Latvia in Numbers], 2008

⁴² *Latvijas enerģētika skaitļos* [Power Industry of Latvia in Numbers], 2008

Renewable and Safe Energy



Priority Long-term Action Directions

Energy Safety and Independence

- (206) Energy independence of the state may be achieved by, at first, improving energy efficiency, increasing the proportion of renewable energy resources in the energy sector, diversifying the supply sources of energy resources and energy and reducing energy import. Energy safety of Latvia should be strengthened by forming the Baltic Sea Region as a single energy market in order to ensure the possibilities to purchase the necessary strategically important energy resources (natural gas, petroleum products) and electricity from several suppliers for market prices.

Use and Innovation of Renewable Energy Resources

- (207) Upon successful use of advantages of the EU energy market, it is possible to increase the proportion of renewable energy resources in the energy sector of Latvia and also preserve the EU leader position in the field of the use of renewable energy resources in future. In turn, by active promotion of research and creative activity in the field of energy efficiency and RER, it is possible to improve the competitiveness of the economy of Latvia and investment in eco-efficient, knowledge-based economy, as well as in creation of new working places. In acquiring the existing potential of wood cogeneration, it is also possible to concurrently increase the production of electricity from RER. Already at present there is sufficient potential in relation to the use of solar and wind energy, and it should definitely be developed also during the next decade, taking into account the anticipated drop in costs of the power installed and the possibilities for dispersed energy production.
- (208) It would be possible to grow energy cultures appropriate for the production of biofuel in the unused areas of agricultural land. However, it should be taken into account that the development of biofuel should be linked with taking over of innovations and good practice so that the amount of energy used would not exceed the amount of biofuel energy obtained.
- (209) Use of renewable energy resources in the transport sector will definitely be linked with the technology of electric engines, probably also with the development of hydrogen engines. Latvia should take active part in international co-operation, researches and accumulation of knowledge in this area.
- (210) In order to implement transfer from fossil resources to local renewable energy resources special state support is necessary, however, in long-term it will be not only financially and economically advantageous, but also will give an opportunity to strengthen positions in sustainable use of RER and to preserve the leading position in terms of climate protection.

Energy Efficiency Measures

- (211) In Latvia the total energy consumption of households exceeds the consumption of producers, and energy intensity in economy is approximately twice as high as on average in the EU. Due to this reason energy efficiency measures in the national economy and private sector, for example, heat, electricity and transport fuel economy measures, more intense use of the public transport and cycling, are tasks of national importance concurrently with raising of public awareness and participation of the society. The main criteria for success of energy efficiency measures is reduced heat and electricity consumption and more efficient use of energy resources both in private and public sector.
- (212) It is particularly important to perform renovation of apartment houses, centralised heat supply systems, heat plants and transmission lines in order to reduce the consumption and losses of thermal energy. It would be preferable to increase the number of centralised heat supply connections, thus improving the efficiency of operation of centralised heat supply systems.

Energy Efficient and Environmentally Friendly Transport Policy

- (213) Transport is the largest air pollutant in cities – in Europe it forms 40% of CO, NO_x and CO₂ emissions in cities.⁴³ Latvia should also implement measures for improvement of air

⁴³ European Commission (2006b). Communication from the Commission to the Council and the European Parliament. Keep Europe moving – Sustainable mobility for our continent, Mid-term review of the European Commission's 2001 Transport White Paper. COM

quality, particularly in the large cities. In order to reduce the proportion of use of private vehicles, primarily the quality and access to public transport should be improved, as well as the popularity of public transport with the society should be increased. Concurrently with the increase in flows and services of the public transport and potential restrictions in the use of personal transport environment and infrastructure appropriate for pedestrians and cyclists should be created.

- (214) In the long-term transition to the use of more environmentally friendly vehicles – electromobility, vehicles equipped with hybrid engines – should be promoted, particularly in the centres of large cities and agglomerations. Gradual servicing of public transport vehicles with local RER fuel types should be organised, as well as the use of fuel-saving vehicles should be supported at household level. Pilot projects for adaptation of the transport infrastructure to the use of locally produced biogas and biofuel should be supported.
- (215) Upon developing more environmentally friendly and qualitative infrastructure of the public transport, including improving regional and international traffic, rail transport should be assigned the priority status. Within the context of energy challenges it is necessary to develop safe ship transport and port infrastructure for improvement of carriage of both cargos and passengers.

Possible Solutions

Energy Safety and Independence

- (216) *Creation of energy interconnections.* Creation of two-way interconnections of electricity, as well as actual electricity and gas market is necessary in the Baltic Sea Region. Latvia should integrate in electricity networks of Europe – particularly Northern Europe – by joining the UCTE system. In order to ensure the diversification possibilities of natural gas supply sources, it is important to build a gas pipeline to Poland, thus connecting Latvia to a unified network in Central Europe.
- (217) *Increase and regionalisation of energy supply capacities.* The possibilities for generation of additional capacities and energy resources in Latvia should be evaluated, linking the arrangement of new capacities with regional and economic development planning. Amounts of electricity generating capacities in regions should be increased, if necessary, reviewing the quota system of renewable energy resources.
- (218) *Production of dispersed and micro-level energy.* In order to use as much as possible the natural and human resources already at our disposal for production of the needed energy, production of dispersed and micro-level energy from renewable energy resources should also be developed in the private sector. Mainly, it could be use of solar energy for water heating and production of electricity.

Use and Innovation of Renewable Energy Resources

- (219) *Use of biomass for the production of thermal energy and electricity.* Wood as RER has the largest potential as regards increase in the use, thus, it is necessary to make changes in the wood use policy with the purpose of stimulating wholesome use of energy wood mainly for the development of local energy. In order to ensure co-operation between owners of wood resources, owners of generating capacities and consumers of largest capacities, joint

enterprises with stable and full energy cycle (RER extraction, supply, energy generation and supply to the end user) should be established. It is important to use this for the development of biomass cogeneration plants of low and average capacity in centralised heat supply systems of the large cities of Latvia. By acquiring the existing regional potential of wood cogeneration at the level of maximum summer heat loads and using it in central heating networks of all largest cities, it is also possible to concurrently increase the production of electricity from RER. Thermal energy additionally necessary during the winter period could be produced in heat plants using wood. Thus, the needs of thermal energy of Latvia in centralised heat supply systems may be ensured with local resources in the amount of 100%.

- (220) *Use of straws, reeds and peat in heat supply.* Use of straws, reeds and peat for the needs of heat supply is also possible in local heat plants. The proportion of peat in the final energy consumption may be increased provided that the best available technologies for extraction of peat, which do not emit methane, are used in extraction thereof. For the promotion of development of RER sector significant increase in the use of combined heat and power plants of regional biomass cogeneration (wood waste, straws and reeds) should be ensured – they as high-efficiency pilot projects may be located in small and medium-size cities of the state.
- (221) *Development of the wind energy potential.* Theoretically, wind power plants (WPP) may ensure up to 15% of electricity production. The use of the potential of offshore wind power plants is hindered by the lack of legislative basis for the provision of the corresponding zoning. Thus, for example, in order to reach the production of 1000 GWst, it would be necessary to ensure dispersed placement of 500 MW WPP capacity in the territorial sea and continental shelf of the Republic of Latvia, planning up to 200 square kilometres for placement thereof, as well as providing for the placement of link-up networks of the territory on dry land. Preconditions for installation of WPP are the provision of optimum use and more advantageous access to transmission networks of wind capacities. Implementation of WPP, at least initially, will be comparatively expensive, so it should be performed gradually, if necessary, providing for opportunities for commensurate state support for such investments.
- (222) *Development of solar energy.* Although at present the cost-effectiveness of the production of solar energy is not sufficiently high, individual types of the use of solar energy – at first as additional source of thermal energy and later electricity – will definitely prove themselves in Latvia already by 2020. The use of solar energy for water heating in private houses during summer season is already economically justified. In future also dispersed production of electricity would be possible and preferable, allowing private individuals to produce the electricity necessary for their households and to transfer the remainder to the joint transmission network. In order to practically promote the development of this sector, it is necessary to support demonstration pilot projects.
- (223) *Use of hydroenergy.* The existing Daugava HPP cascade should also hereinafter be preserved and used as a significant producer of renewable energy. Taking into account that the quantity of electricity produced in small HPPs is small, moreover, in most of the cases fish migration routes do not operate therein, modernisation of these plants should be provided for. In order to ensure the preservation of internal fish stocks of the state, strict requirements in relation to the small HPPs, which are arranged on salmon rivers or other rivers that are significant from the point of view of biological diversity, should be introduced and implemented.

- (224) *Use of biogas resources.* One of the potential resources for the production of biogas is biological waste. Upon developing the production of biogas, it would be possible to use it in the public transport sector, agriculture, as well as production of thermal energy.
- (225) *Use of biofuel.* Use of biofuel in the public transport and agriculture should be promoted.
- (226) *Co-operation of research institutions and enterprises in the RER field.* Co-operation between research and participants of the energy market has crucial role in order to promote the transfer of the latest technologies and innovations to enterprises operating in the field of energy efficiency technologies, as well as use of renewable energy resources. Support to local innovations in the use of the RER potential, particularly wood and straws, is necessary.

Energy Efficiency Measures

- (227) The most important seven measures to be performed, which are intercomparable in relation to the state and local government investment unit:
- (228) *Renovation of apartment houses and reduction of thermal energy consumption.* Renovation will result in liquidation of heat losses and the total consumption of thermal energy will decrease. Upon implementing such projects, the different solvency of inhabitants should be taken into account and such solutions should be found, which do not create insurmountable obstacles for implementation of renovation. Upon increase in the demand for construction materials, local producers of construction materials will also have more opportunities to use local raw materials and mineral resources to larger extent. Perspective mechanism is tax relief accounts, which provide for tax reliefs for energy efficient households. Inefficient energy consumption would cost more, so inhabitants would be informed regarding causes of such additional costs and the possibilities for reducing them.
- (229) *Increase in thermal energy production efficiency.* High efficiency biomass (wood, straws) cogeneration stations and heat plants should be widely used in the heat supply of big cities of Latvia (Rīga, Daugavpils, Liepāja, Ventspils, Rēzekne). The efficiency of thermal energy production in existing centralised heat supply systems of other cities should be increased.
- (230) *Investments in centralised heat supply systems.* At present only 19% of the centralised heating networks have been changed. Reduction of heating network losses will allow significant saving of resources used for the purchase of heating fuel.
- (231) *Reduction of electricity transmission and distribution losses.*
- (232) *Improvement of energy efficiency of electrical transport and linking thereof with other types of transport.* It is important to link passenger carriage by railway with the public transport in cities, particularly in Riga city.
- (233) *Energy efficient street lighting in cities.* Investments in perspective and environmentally friendly technologies, for example, automatic lighting systems and light emitting diodes, could reduce the expenditure of local governments for electricity and servicing of lighting systems in long-term.
- (234) *Promotion of rational energy consumption in households.* Education and awareness-raising of inhabitants in relation to the possibilities of saving energy, for example, in relation to disconnection of unused electrical devices from electricity network, use of energy efficient light bulbs, economic driving of vehicles, rational water consumption, has a significant role.

- (235) *Energy efficiency and considerations of the life cycle analysis of products should be included in the criteria of state and local government procurement procedures.*

Energy Efficient and Environmentally Friendly Transport Policy

- (236) *Environmentally friendly transport.* To promote the transition of the public transport and private vehicles to electric drive, vehicles equipped with engines operated by biogas and biofuel and hybrid engines, thus reducing environmental pollution and the consumption of fossil energy resources. To limit irrational use of freight transport, applying fiscal methods, as well as to promote the use of freight transport, which emits the lowest amount of polluting substances per unit of the freight carried and per mass of the vehicle. For freight transport railway and ports should be used as much as possible and motor roads – as less as possible, thus investments in port infrastructure should be provided for, electrifying quaysides, improving collection of waste and pollution. The intensity of the use of private vehicles should be reduced in the biggest cities and agglomerations thereof, the use of public transport and cycling should be promoted.
- (237) *Access to broadband Internet and e-services.* The Internet and digital environment not only allows the receipt of services and information, but also offers the possibilities of remote working and education, concurrently reducing the necessity and frequency of the use of the public transport.
- (238) *Pedestrian streets, bicycle paths and green corridors.* Low emission areas for achievement of air quality standards should be determined in centres of the big cities. Pilot projects regarding partial or complete restriction of road transport movement in city parts, regarding creation of pedestrian streets and integrated network of bicycle paths should be implemented. If a pilot project receives favourable opinion of the society, specific territories of the city may be completely dedicated to the needs of pedestrians and cyclists, closing them for road transport movement.

Sustainable Management of Natural Values and Services

Objective



To become the EU leader in the preservation, increase and sustainable use of natural capital.

Tendencies and Challenges: Sustainable Nature's Services

- (239) Natural capital is formed by an aggregate of ecosystems (sea, forest, agro etc.), which creates and maintains natural resources and services of ecosystems necessary for existence of the mankind. Natural resources are divided into non-renewable⁴⁴ and renewable⁴⁵ natural resources. Services of ecosystems include food supply, water, air and water regulation, preservation of soil fertility, circulation of nutrients, aesthetical and cultural values provided by nature etc. Natural capital ensures not only the supply of people with food, dwelling, pure water and air, but is also an important precondition for safety, culture, health and personal freedom. In this case we mean both critical, as well as constant nature capital that can be traded. Upon reduction in these natural capitals, access to the resources and services, which are important for survival and standard of living of people, also reduces. In turn, it is not possible to always substitute natural capital with other capital forms, and reduction thereof may be irreversible process.
- (240) The world natural capital is reducing in increasing rate.⁴⁶ Since 1950s soil fertility in Europe is rapidly deteriorating. 42% mammal, 43% bird, 45% butterfly, 30% amphibian, 45% reptile and 52% freshwater fish species are facing extinction threats. Majority of the most important saltwater fish stocks do not reach biologically safe level, but approximately 800 plant species in Europe are facing extinction threats.⁴⁷ Reduction in biological diversity and ecosystem services is caused by changes in natural habitats, which are basically caused by change in the use of land, distribution of invasive species, environmental pollution and climate changes. Also the existing non-sustainable consumption and production models promote depletion of natural resources and endanger the services provided by ecosystems.
- (241) Within the framework of the EU Latvia may be considered a natural capital power. The population density of Latvia is relatively low, thus Latvia is one of the “greenest” and least urbanised EU territories.⁴⁸ The proportion of the natural capital of Latvia and

⁴⁴ Natural resources, deposits of which cannot be restored and consumption of which is irreversible (for example, mineral resources).

⁴⁵ Resources, which are characterised by their ability to renew in relatively short period of time. So that their use would be sustainable, consumption and extraction thereof should be within the framework of reproductive capacity of ecosystems.

⁴⁶ Millennium Ecosystem Assessment (2005). *Ecosystems and human well-being biodiversity synthesis*.

Available at: <http://www.millenniumassessment.org>

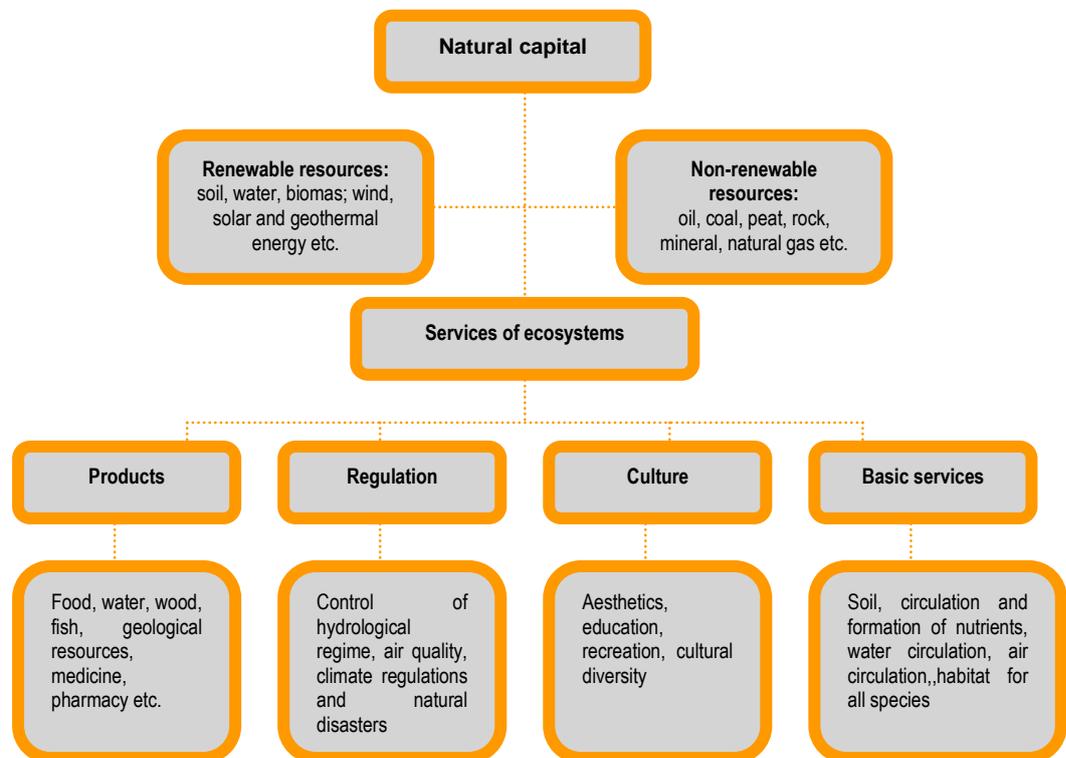
⁴⁷ European Commission (2006) Communication from the Commission – Halting the loss of biodiversity by 2010 and beyond – Sustaining ecosystem services for human well-being. COM (2006).

⁴⁸ European Environment Agency (2005) Land take (CSI 014) – Assessment published Nov 2005.

achievements in the preservation of natural capital bind Latvia to become an example for other EU states in relation to the management of the natural capital, also taking into account the new development challenges. The largest natural wealth of Latvia is formed by forests, subterranean depths and water, as well as flora and fauna. At present forests of Latvia absorb such amount of CO₂ that is larger than the amount created in Latvia. Latvia is also one of the leaders in terms of the use of biomass and biological diversity. The bird population and diversity dynamics index attests to good condition of ecosystems in Latvia.⁴⁹ The population in Latvia of several species, which are endangered in Europe and even in the world, forms a substantial part of global population, for example, lesser spotted eagle and corncrake.

- (242) However, also negative tendencies are observed: air pollution created by transport, amounts of household waste, intensity of the use of fossil energy is increasing, as well as the number of lesser spotted eagles nesting in Latvia is significantly decreasing.
- (243) In the nearest 20-30 years the mankind may reach a dangerous line, upon crossing which it will be difficult or even impossible to restore ecosystems. Within the context of this reduction of natural diversity Latvia has such riches as no other country. The service value of natural ecosystems in the world is measured in trillions of USA dollars (in 2004 – 42 trillion USA dollars). Part of this value is situated in the territory of Latvia, forming an important capital for future. The maintenance, multiplication and commercialisation of this value may become an important resource of competitiveness and a significant part of the well-being and quality of life of inhabitants of Latvia because nature gradually becomes a sought-after rarity in Europe and elsewhere in the world. By using the available natural capital, Latvia should become the EU leader in the provision of sustainable nature services.

Natural Capital – Resources and Services



http://themes.eea.europa.eu/IMS/ISpecs/ISpecification20041007131735/IAssessment1116504972257/view_content

⁴⁹ Eurostat (2005). *Common Bird Index*.

Priority Long-term Action Directions

Management of Natural Capital

- (244) The previous market mechanisms, policies and support programmes have not been efficient in the preservation and restoration of the natural capital. In order to change the situation, a natural capital management approach should be introduced for the identification and evaluation of the value of goods and services of ecosystems, risks and losses caused by nature and anthropogens. This approach provides for reduction of pollution and waste flow, sustainable management of natural resources and development of services of ecosystems. It unites environmental and economic axioms, allowing combining the management of the natural capital with the practices of economic decision-making and development.
- (245) In order to efficiently manage the natural capital, it is necessary to determine the critical natural capital, reduction of which is not admissible, and the objectives and indicators of the preservation and restoration of the natural capital. Due to this reason comprehensive gap analysis of the natural capital of Latvia should be conducted, which would compare the existing condition with the reference or benchmark level thereof. Such analysis could result in bringing forward of long-term requirements in relation to sustainable management of resources, different natural habitats and areas needed by them, evaluating which ecosystems need protection, which – active management and which – restoration of natural habitats.
- (246) The developed gap analysis of ecosystems and the estimates of the national natural capital should be accepted as the basis in the development of the natural capital development programme. This programme should eliminate the risks and threats related to the development of the natural capital: change in the use of land, distribution of invasive species, environmental pollution and climate changes, as well as unsustainable models of consumption and production. This programme should also ensure integration of the development objectives, principles and tasks of the natural capital in other sectoral policies, including foreign policy.

Creation of Market Instruments

- (247) Global experience shows that state efforts alone are not enough in order to eliminate the increasing threats to the nature and the services of ecosystems provided thereby. Additionally market with activities preserving the nature diversity should be created. State institutions should introduce market instruments that would create a market of services and products of ecosystems and promote the increase of eco-efficiency⁵⁰ of the national economy. These instruments would also allow the development of new services, which would promote the involvement of entrepreneurs and land owners in the restoration of natural diversity, attraction of private financing for the preservation and restoration of the natural capital.

Capitalisation of Natural Assets

- (248) The demand for ecologically certified and healthy products is increasing in the world. Pure

⁵⁰ Eco-efficiency is expressed as the consumption of natural resources against the unit of the gross domestic product produced.

and natural environment becomes more and more important for the maintenance of comprehensive quality of life. Taking into account the comparatively large natural capital of Latvia among the EU states, active entrepreneurial support policy for capitalisation of natural assets should be created. Sustainable use of the natural capital may promote the forming of the image of Latvia as “green” country. It is the possibility to promote the development of export and many sectors of economy and creative activity, for example, in the service industry – environmentally friendly tourism, leisure, recreation and medical treatment, healthy catering services; in agriculture – biological agriculture and aquaculture; in production – energy production from RER, production of natural cosmetics and medicinal products, production of wood products, houses and furniture; in creative industry – creation of environmental movies and sounds; in sectors of high technologies – creation of environmentally friendly technologies. Natural capital of Latvia opens an opportunity to develop diverse and exportable “green economy”.

Promotion of Sustainable Lifestyle

- (249) Reduction in natural diversity and climate changes is largely promoted by households as final consumers. Economic activities and excessive consumption by people causes ever increasing inflow of greenhouse gases in the atmosphere and depletion of natural resources. Natural capital is constantly facing new threats, including expansion of infrastructure and building and negative impact of climate changes. In order to reduce such threats and to preserve natural diversity, the society should be mobilised and the participation of people in the preservation of ecosystems should be promoted. By promoting sustainable lifestyle, it is possible to create a society that takes care of natural capital.

Possible Solutions

Management of Natural Capital

- (250) *Natural capital approach.* Natural capital approach should be integrated in the environmental, economic, spatial and regional development and land policy. Evaluation of the products and services of ecosystems should be used in all stages of the policy analysis, creation and implementation.
- (251) *Estimation of the national natural capital.* In order for the society to be successful in the preservation, increasing and sustainable use of the natural capital, it is necessary to estimate its value. Upon estimating the value of the natural capital, the concept of full economic value⁵¹ should be taken into account, which includes both the direct and indirect value of use and the value of disuse. Thus, it will be possible to determine the losses and benefits, which would be brought by changes in natural capital: in resources and in services of ecosystems. It will serve as the reference point for the acquisition of new knowledge regarding changes in the value of natural capital. The estimation of the national natural capital should be oriented towards physical and monetary accounting of natural resources and services of ecosystems, as well as towards estimation of monetary benefits and losses. Estimates should be scientifically justified, using the latest scientific discoveries in this area.
- (252) *Green budget reform.* Taxes, subsidies and other financial instruments promote or limit different sustainable economic activities. Policy of many ministries still does not promote

⁵¹ With its help the profitability of natural resources and service, including those which cannot be expressed in monetary terms, may be evaluated.

sustainable development, so the “green budget reform” should be introduced, which provides for restructuring of the tax and subsidy systems so that economic stimuli and instruments would promote the preservation and sustainable development of natural capital and subsidies, which stimulate non-sustainable models of consumption and production, would be eradicated.

- (253) *Nature preservation and restoration plan.* The government should introduce a plan for the preservation and restoration of natural capital at state level, which would also include spatial planning of the nature preservation and restoration and the possibilities and risks of the use of biotechnologies. Within the framework of this plan it would be necessary to estimate the natural capital and to create a mapping of the natural capital, as well as target indicators of the preservation and restoration of nature. Within the framework of the plan the society should be offered sustainable policy for the development of products and services of ecosystems.

Creation of Market Instruments

- (254) *Auction of services of ecosystems.* The preservation of the natural capital requires more efficient way for distribution of subsidies to land owners who maintain and preserve natural values. The state could procure services of ecosystems at an auction from those land owners who offer to purchase the most competitive services of the maintenance of ecosystems, i.e., the estimation of the value of services of ecosystems would be offered opposite to the maintenance costs requested (subsidies granted).
- (255) *Taxes and fees for the use of natural capital.* The observation of the principle “polluter pays” should be observed in relation to entrepreneurs and land owners if their activities reduce the value of natural capital. Part of the collected resources should be diverted to the nature restoration foundation with the purpose of preservation and restoration of natural capital.
- (256) *Nature restoration foundation.* For the needs of restoration of the natural capital taxes for activities degrading natural capital should be increased. These taxes should be renamed as taxes for restoration of nature. The financing acquired should be diverted to a pre-established nature restoration foundation, the purpose of which would be to restore the most important basic processes of ecosystems in the territories belonging to the state and local governments.
- (257) *Programme of eco-gifts.* It is a stimulation programme in order to encourage land owners to present ecologically-sensitive land parcels as gifts to the nature restoration foundation. Ecologically-sensitive land is a territory or place, which provides at present or could provide in the future significant investment in the natural capital of Latvia. Within the framework of this programme the contributors could receive personal income tax reliefs, which would be in proportion with the value of the natural capital.

Capitalisation of Natural Assets

- (258) *Investment funds of green economy.* For more rapid capitalisation of natural assets it is necessary to stimulate such entrepreneurial activities, which ensure sustainable use of natural capital. The purpose of the nature restoration foundation would be to improve the possibilities for receipt of financing for small and medium enterprises, which develop new services, technologies and products, efficiently and sustainably using natural resources.
- (259) *Knowledge transfer and support networks.* Environmentally friendly entrepreneurship is promoted by large knowledge transfer and support networks. Creation thereof would

strengthen capitalisation of natural resources because entrepreneurs would have better opportunities for access to the latest knowledge, entrepreneurial practices and technologies, as well as would widen the export possibilities of environmentally friendly entrepreneurship.

- (260) *Innovation programme.* This programme should promote the creation and distribution of innovations (services and products) and new ideas in the environment of entrepreneurship that capitalises natural assets. As many enterprises from different sectors as possible, which obtain or may obtain economic benefit from capitalisation of natural assets, should be involved in the programme. The programme should strengthen the development of the “green economy” and sustainable use of natural capital.
- (261) *Digitalisation programme of natural capital.* Within the framework of the programme in co-operation with the creative industries digital platforms should be created, which immortalise natural values in the digital environment, concurrently developing locators of natural resources. Platforms should be open. Upon developing the already existing and implementing new digitalisation projects of natural capital, innovations created by users and nature digitalisation services should be encouraged. This programme would promote the image of Latvia as a country rich in natural values and ecologically pure and “green” country, becoming an integral part of the brand of Latvia.

Promotion of Sustainable Lifestyle

- (262) *Environmental education programmes stimulating changes.* Environmental education may become a significant promoter of sustainable lifestyle, educating pupils and their parents about the necessity and possibilities to change their everyday practice, as well as to promote participation in activities of sustainable lifestyle. It is strategically important to create environmental education programmes where theoretical knowledge of pupils is supplemented with practical activities in cleaning up of local environment and restoration of the natural capital.
- (263) *Ecological footprint accounts.* “Ecological footprint accounts” of households may be introduced for the distribution of sustainable lifestyle. Such accounts would improve the awareness of the households regarding the impact of individual consumption of households on the natural capital of the planet. New Internet sites may be developed and created where people exchange ideas about the ways to reduce the “ecological footprint” of households, concurrently not reducing their quality of life. Establishment of such accounts together with open sites for exchange of ideas might be an efficient tool for improvement of participation of inhabitants in the preservation of natural capital and sustainable development of the society.
- (264) *Certification of sustainable products.* Sustainable consumption may be promoted by developing and improving a system for certification of products, providing information to the buyer regarding the impact of the product and its production on natural capital. Such system improves the possibilities of inhabitants to participate regularly in the promotion of sustainable practice.
- (265) *Publicly available objects of nature.* It provides for the development of the existing data base and creation of a new data base available to all inhabitants regarding natural values belonging to the society, for example, forests, coastal area, rivers and lakes etc. Such data bases and publicly available objects of nature concurrently with the application of the status of the public benefit would raise awareness regarding nature as joint resource of sustainable development. Natural values belonging to the society should be linked with transport networks and recreational infrastructure, forming an integrated chain of services.

Objectives



To create equal life and work conditions for all inhabitants regardless of the place of residence by facilitating entrepreneurship in regions, developing transport and communications infrastructure and public services.



To strengthen international competitiveness of Latvia and its regions by increasing the role of Riga as metropolis of Northern Europe and international role of other largest cities of the state.

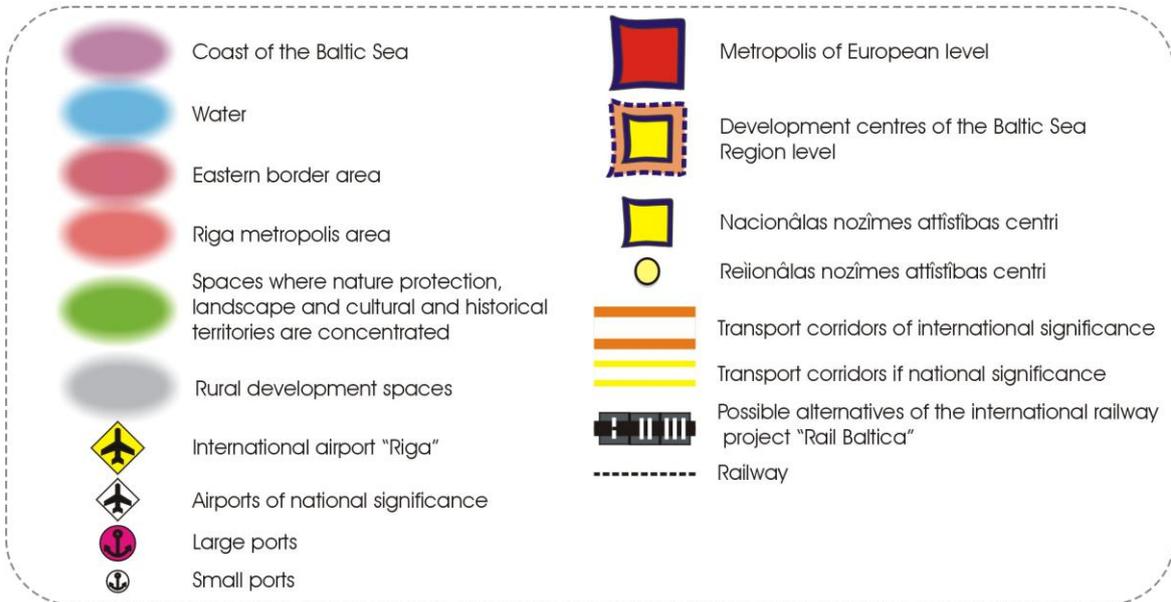
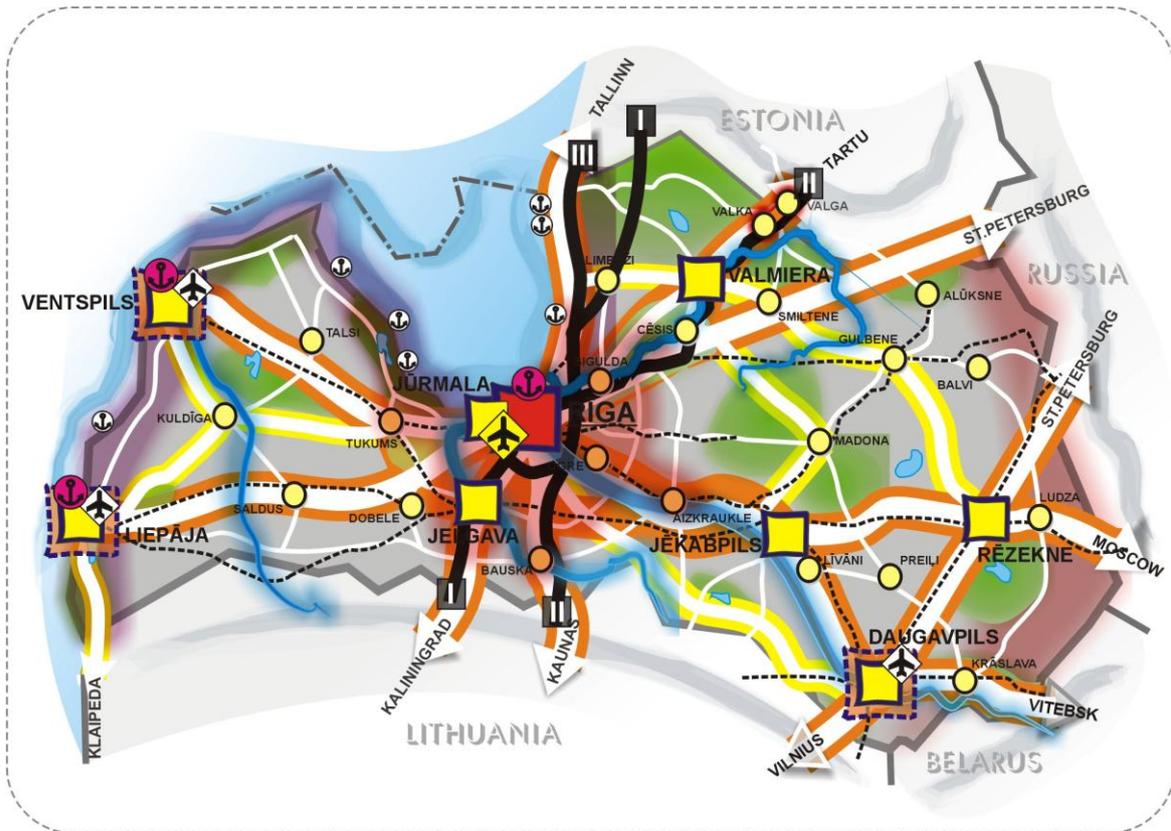


To preserve the originality of Latvia – the diverse natural and cultural heritage, typical and unique landscapes.

On Spatial Development of Latvia

- (266) The task of the spatial development perspective of Latvia is to determine policy directions for sustainable and balanced development of the state territory, attaining full use of the economic potential of regions, improvement of the quality of life of inhabitants, preservation and skilful use of natural and cultural and historical values. On the basis of this position, the spatial development perspective puts emphasis on three main aspects:
- accessibility and mobility possibilities,
 - settlement as the economic development, human life and work environment; and
 - spaces of national interest – unique specific territories, which are significant for the development of the whole country.
- (267) Regardless of the location and number of the cities, which will become the centre of the state development, those territories will be competitive and attractive, which will offer qualitative and attractive living environment, as well as wide range of public services. Concentration of human resources and initiatives is a precondition for growth.
- (268) The spatial development perspective marks an integrated view of the state development so that main values, resources and advantages of Latvia would be used in the most efficient way possible, creating higher value with as small investments as possible and ensuring sustainable use of resources. It offers guidelines for further planning and promotion of development in national, regional and local administrative level according to the potential and needs of the growth of territory.

Future Spatial Structure of Latvia

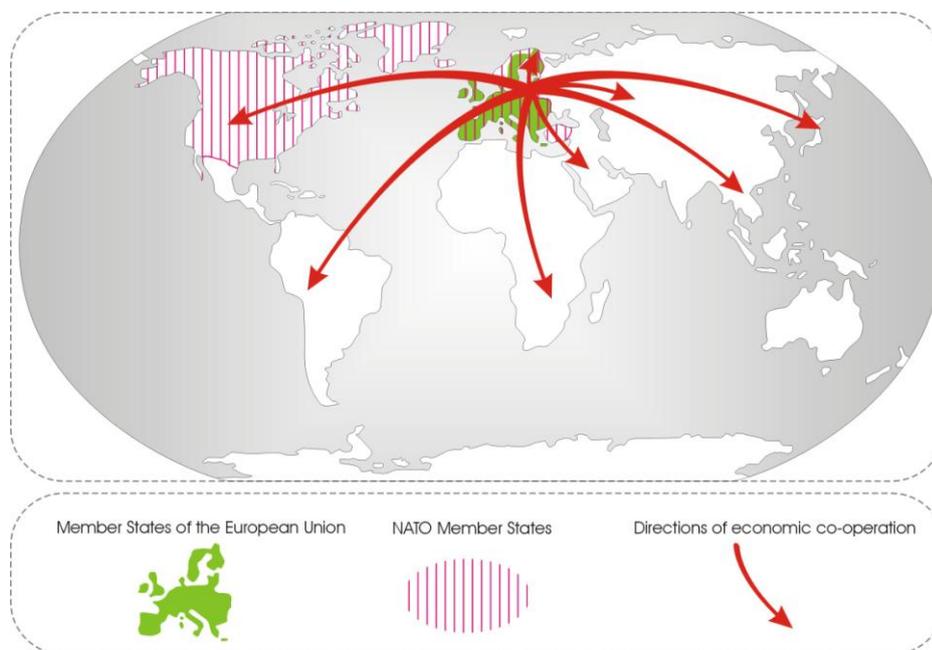


Latvia in Global Space

(269) The political, economic and ecological processes taking place in the world both directly and indirectly affect also Latvia. Globalisation will increasingly influence the use of the political and economic potential of Latvia. World economy in the conditions of globalisation has become more open and dynamic, amounts of the trade flow and economic co-operation have significantly increased.

- (270) Latvia is relatively small country with limited economic and natural resources, so the competitiveness and development of the state is most directly connected with the ability to be aware of and to adjust rapidly competitive in the global world space, using its advantages as efficiently as possible.

Latvia in Global Space



- (271) Latvia in interaction with the outside world should create such framework for the provision of national interests, which would efficiently promote the implementation of sustainable development model. At the same time this framework should ensure protection of inhabitants of Latvia against the new threats created by globalisation – international terrorism, threats caused by climate changes, distribution of mass destruction weapons, international organised crime, spreading of pandemics, increased global competition for access to natural resources.
- (272) During the next decades the EU will strengthen its positions as one of the leading global political and economic players. Although at present the political and economic development of the world is characterised by intensification of multipolarity processes, in foreseeable future the USA will still be a dominating large-scale power and the EU as largest trade block and most important economic partner of USA will retain strategic role in world politics. Relationship with Russia will be one of the main directions of strategic activities of the EU. Entering into force of the Lisbon Treaty, development corresponding to objectives of the Lisbon Strategy in the EU Member States, as well as presence of common EU energy policy will create more comfortable position for Latvia in developing relationship with Russia. Both the presence in the EU space and boundary with the Commonwealth of Independent States (hereinafter – CIS) and knowledge regarding differences of the culture of these countries will promote the development of Latvia as transit state, as well as will ensure more efficient co-operation platform in international scale.
- (273) Development of closer co-operation with Asian states is an opportunity for Latvia to increase its global competitiveness. China and India will become the central global players

of the century, and increase in economic influence of these countries will also increase their political influence. The Middle East and Northern Africa will also hereinafter be important cultural, religious and political centres of the world and will retain their role in terms of extraction of world petroleum resources. The economic growth potential of individual states of Africa, for example, Southern Africa and Nigeria, will be substantial. Latin America at large will undergo economic growth, although development in different countries will be different. The region has large development potential, particularly its largest country Brazil, which has the necessary economic, scientific and educational, resource and military potential in order to become an influential player not only in regional, but also in global scale. Thus the opportunities provided by economic development of the region of Latin America should be used efficiently.

- (274) Global warming caused by climate changes will make the international society to pay more attention to the Arctic, which is the neighbouring region of the Baltic Sea. It contains the largest surveyed deposits of natural gas in the world and substantial petroleum deposits, thus increase in the global strategic significance of the region may be foreseen in the future. Melting of the Arctic glaciers may result in an opportunity to use this region for commercial navigation to Asia. Commencement of commercial navigation in the Arctic Ocean will have a significant impact on the development of the transit of goods and entrepreneurship of ports in the Baltic Sea Region and in Europe at large, reducing their importance in the circulation of global flows. The changes taking place in the Arctic and a range of unsolved international issues in this strategically important region will significantly increase the importance of Transatlantic link in long-term.
- (275) In the time period until 2030 the fastest increase in the number of inhabitants is expected in Africa, the Middle East region and Southern Asia. In combination with the threats caused by changes in global climate (draught, rising of the water level, soil erosion) the limited access to freshwater and food resources will cause substantial threats to inhabitants of these regions. Due to this reason, during the next 20 years, the support of developed countries will increase to regions and countries, which are affected by deficiency of food products and have fallen behind the global technological progress, particularly in the field of environmentally friendly energy technologies. In the result producers and service providers of Latvia will have access to wider export market and will have opportunities to take active part in support programmes for the poorest world regions.
- (276) One of the most important tasks of external relations for Latvia will be to ensure economic presence of the state in the most important markets of Asia, Africa and Latin America. From medium-term point of view, upon structural reforms in the economy of Latvia, the strengthened export sectors of Latvia will have an opportunity to find a good market of increasing sale in these regions. In turn, educational system of Latvia should improve the knowledge level of entrepreneurs of Latvia regarding entrepreneurial specificities of these regions and national traditions, so that it would be sufficient for work in the new markets.
- (277) Although possibilities of direct external military threat to Latvia are unlikely and NATO will continue to guarantee territorial safety of Latvia, serious attention should be paid to the strengthening of national security. In future strategic interests and security of NATO and EU Member States will be globally challenged by international terrorism, distribution of mass destruction weapons, threats to the international society caused by dissolution of power of individual countries. These very reasons will encourage Latvia as NATO Member State to solidarily participate in the provision of the interests of the North Atlantic Alliance also outside geographical boundaries of NATO.

Improvement of Accessibility

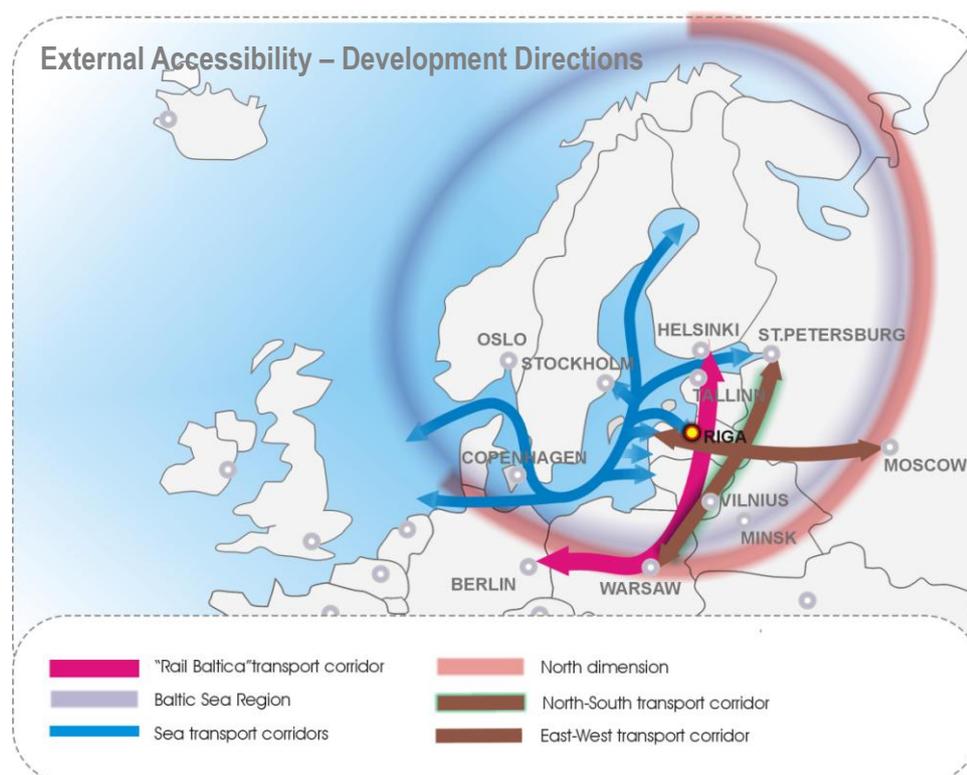
Tendencies and Challenges

- (278) Upon increase in the scope of international co-operation and trade, the population mobility and the freight and information flow increase significantly. As a result of the EU enlargement and opening of internal borders, as well as economic integration of the Baltic States in the EU, the amounts of international trade and traffic flow have significantly increased also in the Baltic Sea Region. However, despite increasing mobility needs, EU transport infrastructure has not undergone substantial changes. The EU regions, which are more densely populated and economically more developed, are still enjoying better accessibility advantages under conditions of the EU common market, but there is a lack of sufficient economic justification for implementation of huge transport projects in the territories, which are located outside regions of metropolises and have lower density of population.
- (279) The advantage of Latvia in competition for servicing of passengers and freights is its geographical location – location by the Baltic Sea, on the axle which connects markets of Western Europe, Russia and Asia. During the last years the use of road transport and air transport has rapidly increased in Latvia, but carriage by rail has decreased. Latvia has no link by railway with Central Europe and Western Europe and carriage of passengers by rail to and from Baltic States and EU states is not taking place. Transit traffic is dominating in the structure of railway freight carriage, mainly from Russia and Byelorussia by East-West railway corridor to the ports of Latvia. Although turnover of freights in ports is gradually increasing, the potential of ports is not used completely – transshipment capacities of freights are not used to their fullest, passenger transport by sea is poorly developed and cannot compete with the neighbouring ports of the Baltic Sea, for example, Tallinn, Helsinki or Stockholm. External accessibility of Latvia in respect of carriage of passengers is mainly ensured by air traffic from the international airport “Riga”, the number of passengers served by which has increased by 3.5 times during the last five years.
- (280) Motorways still have the main role in the provision of internal accessibility. The motorway network of Latvia is dense enough, though the quality of motorways is significantly lower than the quality accepted in Europe. Although the most part of carriage of passengers is performed using road transport, there is no motorway in the state complying with the parameters of motor highway and the maximum permitted driving speed is lower than in other countries.
- (281) The provision of the infrastructure of other types of transport is also unsatisfactory. During the last ten years several railway lines have been closed and their infrastructure has been disassembled; carriage of passengers has been discontinued or reduced in other railway lines. Also carriage by air from the airports of Liepaja, Ventspils and Daugavpils is not performed. All in all it must be concluded that proportion of the public transport has reduced during the last years, particularly in rural territories, having adverse effect on the accessibility of remote territories and worsening their possibilities for development.
- (282) Taking into account global tendencies, the demand for comfortable, speedy, cheap, environmentally friendly and safe transport connections between and inside countries, as well as for efficient and safe solutions of communications and information technologies will increase significantly in the future. Good accessibility is a decisive precondition not

only for successful global competitiveness of the state, but also for balanced development of certain regions and locations thereof.

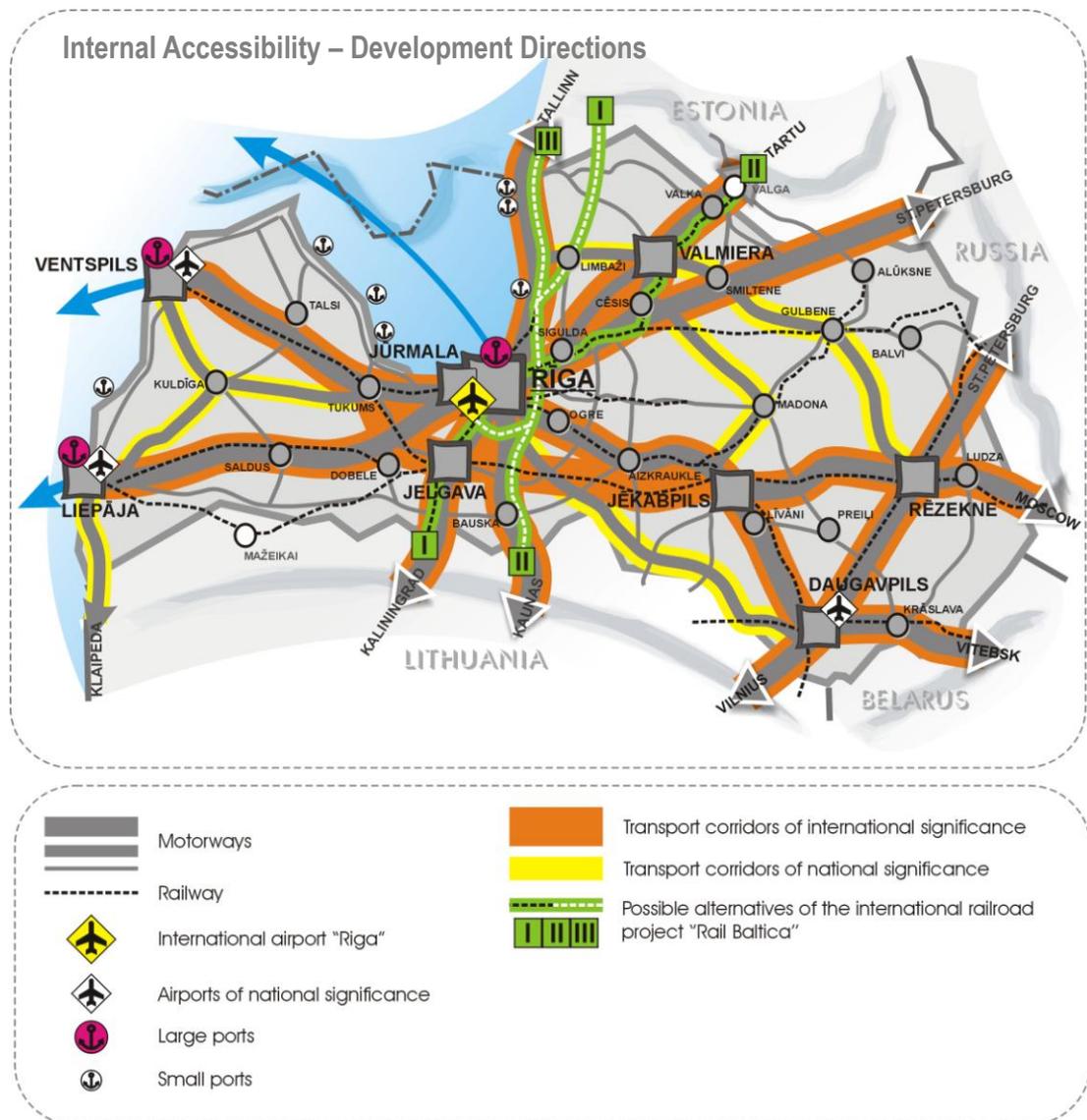
Improvement of External Accessibility

- (283) The development of the infrastructure of motorways, railways (Trans-European Transport Network or TEN-T), ports and airports of international significance has a substantial role in improvement of external accessibility of Latvia. It would ensure the possibility for Latvia to develop successfully as a significant transit country, the bridge between the EU states, Asia, Russia and the nearest neighbouring countries, as well as to serve as a link between two economic regions of Europe – Eastern Europe and Northern Europe – in the space of the Baltic Sea Region. Upon development of international co-operation, Latvia should become the most advantageous and attractive transit path for the flow of goods from Russia and Asia to other EU states and vice versa.
- (284) Investments are necessary for the development of services of the infrastructure and logistics of the main railways of Latvia, the main motorways of the country and the large ports (Riga, Ventspils, and Liepaja) in order to promote the attraction of Latvia as a freight transit country. It is essential to support diversification of the types of freights and attraction of new freights for more complete use of the existing transit potential. Air traffic and the international airport “Riga” as an important air traffic hub of European significance will continue to have the main role in ensuring of fast external accessibility in larger distances.
- (285) Improving the mobility between the states of the Baltic Sea Region, the development of environmentally friendly types of transport – railway and sea transport – is especially important and prior. Upon developing the project of the international railway route “Rail Baltica”, the integration of Latvia into unified European railway system will be facilitated and the possibility to use railway transport as equal alternative for air traffic will be ensured. It is also necessary to improve maritime transport carriage along with air and railway transport.



Improvement of Internal Accessibility

- (286) The quality of regional and local motorways, as well as of public transport should be improved with the aim to reduce the time spent on the way for the improvement of internal accessibility of the state, facilitation of regional development and promotion of mobility of inhabitants from regions. The duration of trip in the public transport, travelling from the centres of national and regional significance to Riga, should be reduced, as well as the possibility to get to the nearest centre of national and regional significance from any populated area within 45 minutes by smooth motorway equipped with road safety technical means, *inter alia* covered with asphalt, should be ensured. To attain it, the quality of motorways which connect former administrative centres of parishes with county centres, centres of regional and national significance should be improved. To attain wider use of the public transport, linking of different types of transport should be improved, for example, by development of the “Park & ride” system. The potential of the existing railway network should be used fully for inland carriage of passengers, the existing railway network should be retained and its improvement should be planned.
- (287) Preconditions for wider accessibility of information and communication technologies within the entire territory of the country should be provided, which would allow better implementation of the availability of services and information in electronic environment, concurrently reducing the demand for transport and the impact of transport on environmental quality.



Development Directions and Solutions

Planning of Transport Infrastructure

- (288) In order to improve external and internal accessibility, taking into account plans for the development of transport infrastructure and the researches performed, such territories which are necessary for the development of transport infrastructure of national significance should be included in the planning documents of territorial development, as well as the territories to be reserved for the development of transport infrastructure of regional and local significance should be determined. The spatial development perspective provides the vision regarding their location, determining transport corridors of international and national significance. Transport corridors of international significance, including TEN-T network, will provide link between the development centres of international significance in Latvia and in the neighbouring countries, but the transport corridors of national significance will connect the development centres of national significance with the development centres of international and regional significance, as well as with international transport corridors. In order to improve the efficiency, safety and comfort of movement, the renovation and reconstruction of the existing infrastructure shall be put forward as the first priority as regards the preservation and planning of development of the infrastructure.
- (289) In order to ensure forward-looking planning of the transport infrastructure and services for the territory of Riga and Pierīga, it is necessary to develop and consistently implement mobility plan for Riga and Pierīga, and to assess the necessity to develop mobility plans of regional level also for other regions.

Establishment of Integrated Public Transport System

- (290) From the point of view of the territory development, it is important to ensure mutually co-ordinated functioning of the public transport system. Convenient and unified public transport system should be created, attaining mutual co-ordination of different types of transport and appropriate comfort level of the public transport. By co-ordinating routes of the public transport and their servicing timetables, the total time spent on way should be reduced.
- (291) Public transport should be ensured between the centres of national and regional significance which is running both in the express and normal mode, providing the inhabitants of rural territories with possibilities to get to places where services are provided. In planning routes of the public transport, not only the quantitative indicator – number of inhabitants – should be taken into account, but also the right of inhabitants to receive equal public transport services in all regions.
- (292) The State support for the maintenance of public transport should be at such level so as to ensure at least the minimum mobility requirements – the possibility to get to the county centre every day by public transport, to attend educational institutions, to get to workplaces, state and local government institutions, especially in less populated rural territories.

Development of Motorway Network

- (293) The quality of the country's motorways should be raised to such level, which ensures comfortable, fast and safe movement, reduces the time necessary for the trip by motorways of international and national significance. Coating of all regional state

motorways with black asphalt should be ensured, as well as the proportion of the local state and local government motorways coated with black asphalt should be increased substantially, connecting the populated areas in rural territories. Thus the development of counties and the improvement of life quality of inhabitants will be facilitated, guaranteeing the mobility possibilities necessary for inhabitants of rural territories in any weather conditions. The road safety should also be improved and the harmful environmental impact caused by transport should be reduced.

- (294) External accessibility and logistics services may be improved by development of infrastructure for crossing the EU external border and facilitating the procedures for border crossing. By reconstruction of several existing regional motorways and establishing them as motorways of national significance, the mutual accessibility of centres of national and regional significance, as well as the accessibility in territories with insufficient transport infrastructure quality, which reduces the competitiveness of those territories, will improve.
- (295) The considerably increasing traffic intensity requires improvements in the infrastructure of motorways and streets in the area of Riga metropolis. Territories for construction of important transport infrastructure objects should be intended and provided for in the territorial planning of Riga city and region of Riga metropolis. In order to reduce harmful effect of transport on the safety and health of inhabitants of cities, by-pass highways should be constructed for those cities and populated areas which are crossed by considerable transit flows.

Development of Railway Transport

- (296) Development of the railway transport should become the priority in the future because it is the most perspective type of terrestrial transport from the point of view of both, safety and environmental quality, and state support and investments in the provision of carriage of passengers should also be increased. As the railway system of Latvia is fully compatible with the CIS railway networks, the East – West railway transport corridor, as well as Saint Petersburg – Warsaw transport corridor should be developed and brought up-to-date, allowing to use the potential of Latgale region in the provision of logistics services.
- (297) Latvia together with Poland, Lithuania and Estonia should implement the international railway project “Rail Baltica”, which would ensure the establishment of rail traffic complying with today’s requirements between the Baltic States, Central and Western Europe, ensuring connection with other types of transport as much as possible.
- (298) In order to ensure efficient and rational use of the railway transport potential also for inland needs, its role should be increased by reopening the closed railway lines at places where it is economically substantiated and may provide essential contribution to the development of territories. It is necessary to improve railway infrastructure in routes between Riga and centres of national significance in order to reduce the time necessary for a trip. It is necessary to implement electrification of the railway network of Latvia in a planned way in order to reduce the use of fossil energy resources and make the use of railway more environmentally friendly way.

Development of Air Transport

- (299) Air transport as the fastest and most efficient type of transport has significant role in the provision of external accessibility. The international airport “Riga” is dominating in the Baltic States and it should become the centre of air transport of European level, thus promoting the competitiveness of the region of Riga metropolis and also economic growth

of the whole country. Such infrastructure and route offer should be developed which would allow increasing the number of passengers carried at least up to 10 million a year.

- (300) The international airport “Riga” should develop not only as important destination of direct routes, but also as significant transit airport for further flights to Central Asia and CIS countries. Therefore, it is important to establish and maintain regular air traffic connections with the large EU air transport points, such as London, Amsterdam, Frankfurt, Copenhagen, as well as capitals of other countries which ensure the possibilities for global travel.
- (301) It is necessary to use the potential of airports of Liepāja, Ventspils and Daugavpils for the facilitation of regional development of Latvia. They should serve as the air traffic points of the Baltic Sea Region, ensuring air traffic with other capitals and largest cities of the Baltic Sea Region, therefore, they should be formed as airports of national significance in the future. The development of national airports will be significant for the promotion of tourism and entrepreneurship not only at regional or national level, but also for the transnational co-operation.

Development of Ports

- (302) Due to geographical location by the Baltic Sea, economic development of Latvia is closely connected with shipping. In order to use the potential of ports to the fullest, new flows of cargoes shall be attracted, particularly from Asia and CIS countries. Distribution and management centres of the flows of cargoes should be developed, thus increasing the competitiveness of the ports of Latvia in comparison with ports of Klaipeda, Tallinn, and Helsinki, Primorsk, Baltiysk and other ports of the Baltic Sea Region. New investments should be made for the development of the ports of Riga, Ventspils, Liepāja, their access roads should be improved, and transshipment capacities of ports should be increased, including the use of the latest cargo management technologies.
- (303) The ports of Latvia should specialize in servicing of certain types of cargoes and co-operate mutually, not compete. The small ports, specializing mainly in timber export, servicing of fishing ships and yachts, should become the centres of regional economic activities, thus taking stable place in economy of Latvia. The connection of large and small ports with terrestrial types of transport shall be facilitated for the improvement of cargo shipment.

Development of Pipeline Transport

- (304) The long-distance pipeline system in the territory of Latvia includes two petroleum pipelines and one pipeline of petroleum products. Together with petroleum terminals they form the transit corridor of petroleum and petroleum products of Latvia, which is one of the economically most profitable, technically most advanced and environmentally most safe petroleum transit corridors in Europe. At present its potential is not used completely, therefore, its full use should be attained and petroleum transportation should be renewed.
- (305) In the subsequent years gas will be one of the most significant energy resources in Latvia and Europe. Now it is supplied to Latvia only by Russia. Inčukalns natural gas storage facility and infrastructure of natural gas pipelines established in Latvia is used for supply of natural gas to local consumers. Latvia has a possibility to become one of the largest centres of storage of natural gas in the future, using its unique geological underground structures. Thus, the needs of the Baltic States for natural gas would be fully ensured and a possibility

to supply natural gas to other countries in the Central Europe and Eastern Europe would arise additionally, which would be alternative in case of possible supply problems.

Provision of Availability of Communications, Mass Media and Data Transmission

- (306) At present and also in the future the most part of economic and social processes will depend on the possibilities to receive information, work and exchange with it. Therefore, the coverage of information broadcasting networks which provides stable and continuous access to the Internet and other information systems in the entire territory of the country should be ensured. By establishing high-speed broadband networks, the Internet will become faster and offer new, interactive services. The “applied Internet” will create the basis for new types of Internet usage, for example, for the monitoring of energy consumption, transport safety systems or supervision of building safety. High quality Internet connection for a commensurate price for the use of service, regardless of the technology used, should be available to any household. In order to promote the increase in the number of Internet users, a qualitative mobile Internet is necessary which would provide not only new possibilities for entrepreneurship and transform work organisation models, but would also provide public services, for example, support services for travellers with functional disorders or for emergency aid workers.
- (307) Equivalent access to information and telecommunication services, including broadband Internet, should be ensured within entire territory of the country by developing the availability of these services initially in rural areas and remote centres with poor transport possibilities. It is necessary to carry out the modernisation of public radio and television broadcasting networks and systems, ensuring stable and qualitative receipt of radio and TV programmes in the entire country, especially in remote rural areas and border area.

Settlement

Tendencies and Challenges

- (308) In the world the number of those inhabitants which choose cities as their home is growing (in 1980 – 1.75 billion inhabitants or 39%; in 2000 – 2.85 billion or 47%; in 2010 – 3.5 billion or 50%; in 2030 – 4.9 or 60%)⁵². Because the social and economic activity is centered in cities and inhabitants have greater possibilities to ensure welfare in comparison with rural territories. Although cities are growing rapidly, owing to the growth resources available therein, such development has global negative consequences – faster depreciation and insufficiency of the infrastructure, concentration of social problems, load on the environment which is an additional factor for global climate changes etc.
- (309) Ever increasing urbanisation is observed also in Europe due to which number of inhabitants is growing rapidly in cities. 72% of all inhabitants of Europe are living in cities. Moreover, the economic growth is concentrating within limited number of regions of metropolises, mostly in capitals⁵³. Concurrently some metropolises are creating co-operation networks/integrated zones, as a result of which the growth is concentrating in certain territories. As an example in Europe the so called Pentagon⁵⁴ should be mentioned, which is considered as the only global economic integration zone of Europe where the majority of the EU economic functions are concentrating.
- (310) In Latvia, similarly in other European countries, the degree of urbanisation is high – approximately 68% of all inhabitants of the country are living in cities, though cities cover only 11% of the whole territory of the country. Although settlement structure is formed by rather evenly dispersed network of small and medium-size cities and rural populated areas, capital-oriented monocentric settlement and traffic infrastructure, as well as concentration of social and economic activities in the functional zone of Riga is characteristic to Latvia, and this tendency is becoming stronger.
- (311) In Latvia there are substantial differences in the standard of living between Riga and the remaining territory of the country. Migration of inhabitants is still continuing not only from the countryside to cities, but also from small towns to larger and stronger cities. As a result the proportion of urbanised territories is increasing, more and more new construction territories are formed on the account of rural territories, concurrently adequate attention is not paid to the quality of urban environment and renovation of declined territories.
- (312) The main challenge is to implement such policy, which strengthens the capacity of regions, using their advantages and resources for growth as efficiently as possible. Contrary to the present monocentric settlement structure, the polycentric settlement structure should be developed, which would be formed by mutually subordinated and related networks of development centres of different levels, concurrently not weakening the positions of Riga

⁵² Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2006 Revision and World Urbanization Prospects: The 2007 Revision, <http://esa.un.org/unup>, Wednesday, July 29, 2009; 2:58:33 AM.

⁵³ The Territorial State and Perspective of the European Union: Towards a Stronger European Territorial Cohesion in the Light of the Lisbon and Gothenburg Ambitions. Based of the Scoping Document discussed by Ministers at their Informal Ministerial Meeting in Luxembourg in May 2005.

⁵⁴ Territory which includes London, Paris, Milan, Munich, Hamburg.

as metropolis. Such policy should be oriented towards reduction of disadvantageous differences between regions and within regions themselves. By stimulating urban-rural partnership it will be possible to ensure more equal life and work conditions, access to basic services and mobility possibilities in both cities and the countryside.

Development Directions

- (313) In order to provide inhabitants with equal life and work conditions regardless of the place of residence and to strengthen the polycentric settlement structure in the state, it is necessary to work in several directions. The most essential development directions to be implemented are the following:
- (314) enhancement of the potential and competitiveness of the development centres⁵⁵ (cities) – the driving force of regions – according to the resources and priorities, creating attractive urban environment for both inhabitants and investors;
- (315) mutual co-operation and interaction of cities and rural territories in provision of workplaces and services, thus facilitating entrepreneurial activities and creation of qualitative living conditions in the countryside; and
- (316) establishing of functional networks for development centres, agreeing upon efficient use of resources which is based on the role supplementation and co-operation principles.
- (317) An integrated approach in the planning and implementation of the development of territories, the development of creative urban environment, as well as partnership of cities and urban-rural partnership is necessary for the implementation of development directions. In order to achieve it, the capacity of planning regions and local governments should be improved in planning of the development of territory.

Growth of Development Centres

- (318) Cities will become the main centres of economic development, economic capacity and competitiveness thereof will increase. Cities should become the driving force of each region and the whole country. The increase in quality of urban environment will ensure living space that is aesthetically and functionally suitable and safe for inhabitants, provide preconditions for attraction of investments, development of entrepreneurship and preservation of cultural heritage. Balanced development of urban territories should be attained, including by renovation of the declined territories of the city. Each city should specialise, using its unique features and strengthening its special role and identity.
- (319) Taking into account the size of populated areas, range of services, potential for development, servicing territory and location, as well as basing on the planning documents for development of regions, the following division of development centres has been determined: development centres of international, national, regional and county significance.
- (320) **In Riga**, as in the capital of Latvia and the largest city of the Baltic States, large part of the scientific and entrepreneurial potential is concentrated. Combining this potential and establishing clusters for science, research and development, innovations, as well as for growth of technologically capacious enterprises, it is possible to attain the development of

⁵⁵ Development centre is a territory where there is the concentration of resources (including human resources), social and economic activities and which facilitates the development of the surrounding territory. Development centres of international, national and regional significance form the network of the most significant (primary) development centres of the country because majority of inhabitants of the country and economic and social activity is concentrated therein.

Riga as business, science, culture and tourism centre of Northern Europe. The development of Riga in such direction is significant for the growth of all Latvia, ensuring further transfer of the excellence, potential and resources created in Riga region to other regions, as well as for the strengthening of the competitiveness of Latvia in the international economic environment.

- (321) **Development centres of national significance** are the largest cities where the industry, transport, public services and social infrastructure is developed. Daugavpils, Jelgava, Jēkabpils, Liepāja, Rēzekne, Valmiera, Ventspils and Jūrmala have the status of development centre of national significance. These cities should profile as the centres of economic growth and knowledge creation centres, the driving forces of economic development. Upon their co-operation and interaction with the nearest cities and rural territories, the critical mass necessary for the growth will be created, as well as the outskirts effect of certain territories will be reduced.
- (322) The potential of **Liepāja, Daugavpils and Ventspils** is sufficient for them to become stronger as competitive partners within the network of the Baltic Sea Region countries, fulfilling the role of development centres of international significance in transnational and cross-border co-operation.
- (323) In order to integrate in the Baltic Sea Region, **Liepāja** should develop logistics services for markets of the Nordic countries and Western Europe, using the vicinity of ports, railways and airports, as well as the vicinity of Lithuania that provides the possibilities to attract more tourists.
- (324) The potential of **Daugavpils** in the field of entrepreneurship and education, its multinational society and geographic location, as well as special role in the promotion of eastern-western co-operation is a precondition for growth of Daugavpils as multicultural and multifunctional city, the centre of cross-border economic development and services. The significance of Daugavpils exceeds the borders of region and country, assigning Daugavpils the role of a point of intersection of transit directions of international significance.
- (325) On the basis of the provision of logistics and multimodal transport services of the city, education possibilities, science and research potential, **Ventspils** has a possibility to become the development centre of innovations, industry and engineering sectors with high added value (especially in the field of electronics, information and communication technologies), as well as logistics and transit in the Baltic Sea Region.
- (326) Growth and economic activity of **Jūrmala** is closely related to the development of Riga city. Specialising as one of the leading centres of resort, business tourism, leisure activities and culture in the Baltic Sea Region and attracting flows of tourists from Lithuania and Estonia, the CIS, as well as from the Western Europe and Scandinavian countries, Jūrmala will promote the strengthening of international potential and competitiveness of Riga and thus also of the whole Latvia.
- (327) Other development centres of national significance have also the possibility to develop as cities of international significance, using their geographical location, socio-economic preconditions and co-operation with other cities.
- (328) **Development centres of regional significance** are towns which are important culture and/or production centres of the region with developed social infrastructure and varied services – Kuldīga, Talsi, Tukums, Saldus, Dobele, Bauska, Ogre, Aizkraukle, Sigulda, Cēsis, Limbaži, Smiltene, Alūksne, Gulbene, Balvi, Preiļi, Līvāni, Ludza, Krāslava, and Madona. The potential of these cities is considerably exceeding the potential of the rest of small towns. In the future development centres of regional significance should continue

specialisation, developing mutually supplementing co-operation, thus achieving the attraction of human resources and economic activity equal to development centres of national significance.

- (329) **Valka** has a special role – it is the only border town of Latvia and one of six European towns which are located on the border of two countries. Historically Valka and Estonian town Valga have formed one town which is spatially and functionally connected with common street network. Taking into account the advantages of its location, in perspective Valka together with Valga as “twin towns” may develop as significant transport, logistics and cross-border co-operation centre, performing the function of the “North gate” of the country.
- (330) Small towns and, in certain cases, larger rural populated areas should fulfil the role of development centres of county significance, providing services and ensuring workplaces to inhabitants of surrounding territories. Development centres of county significance should become a part of the joint functional network of development centres of national and regional significance. Therefore, services, which ensure attractive living environment and preconditions for economic development, should be concentrated in development centres of county significance. Development centres of county significance should be specified in planning documents of territorial development of regional and local level.

Urban-Rural Interaction

- (331) Urban-rural interaction and co-operation provide wider possibilities to inhabitants and diversify the availability of qualitative environment regardless of the place of residence.
- (332) Cities are support centres of surrounding rural territories, including farmsteads and villages, market for agricultural products, workplaces and places for receipt of different services for rural inhabitants. In turn, the countryside, concurrently with the production of agricultural and forestry products, provides recreation possibilities for inhabitants of cities, qualitative living space for those who are working in cities, as well as territories for non-agricultural entrepreneurship. By development of rural tourism and other alternative types of trade, particularly possibilities for e-work, using rural farmsteads also as holiday and summer houses, the preservation of lifestyle characteristic to Latvia with historical settlement structure, cultural landscape and traditions should be promoted.
- (333) Using special advantages of each territory and jointly solving the problems, the possibilities for development will increase for both cities and rural territories. Local governments should facilitate urban-rural interaction by encouraging:
- (334) mobility possibilities, including providing accessibility of the development centres for rural inhabitants, as well as establishing possibilities for marketing of agriculture and forestry production;
- (335) the flow of labour force and knowledge, facilitating knowledge transfer;
- (336) capital flow, diversifying economy of rural territories, supplementing traditional agricultural sectors with production of new and innovative products; and
- (337) the flow of tourism, diverting it from cities to rural territories.

Functional Network of Development Centres

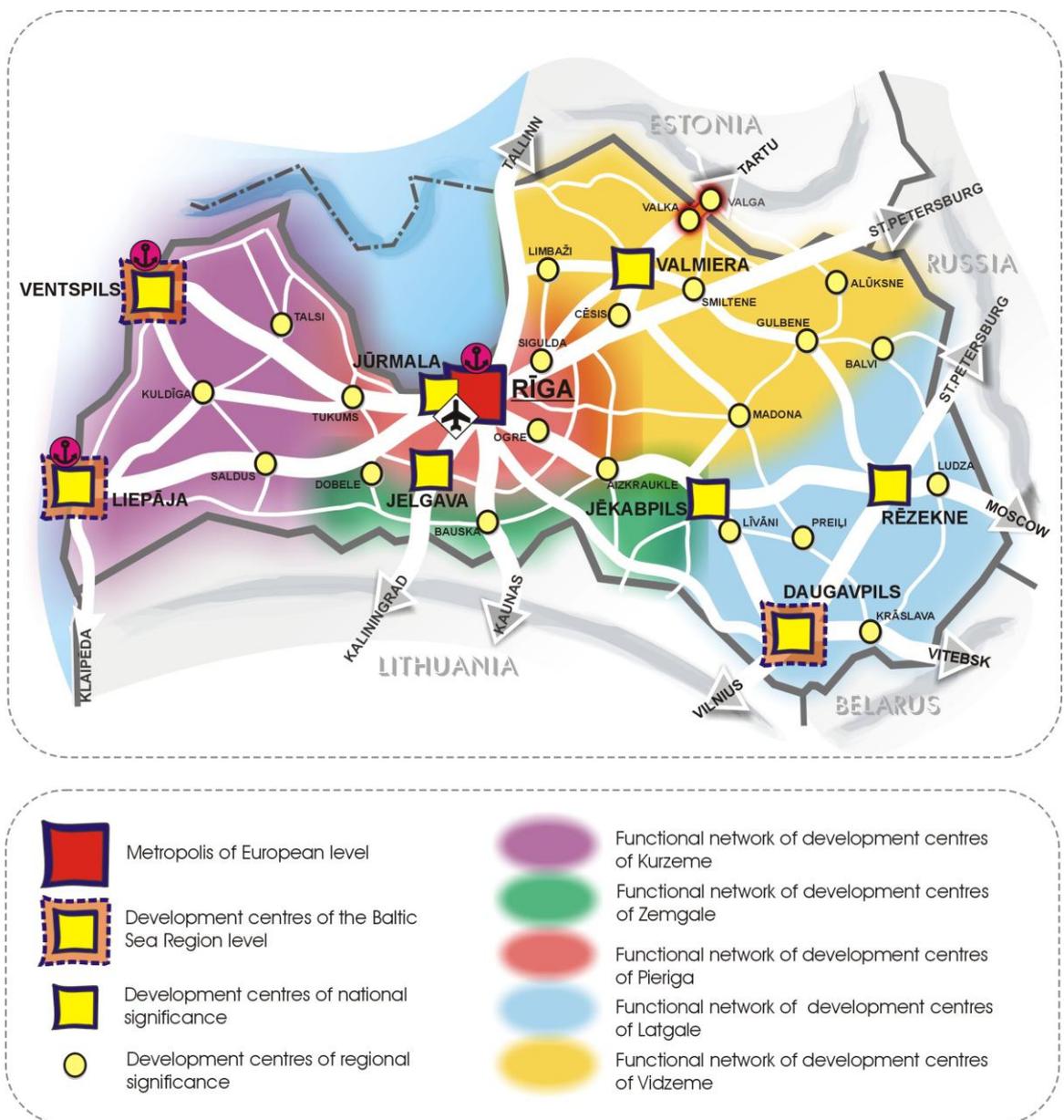
- (338) Upon mutual interaction and co-operation of development centres of different significance, regardless of administrative belonging or political considerations thereof, a

polycentric network of functionally related development centres is forming, ensuring diverse and mutually supplementing network of infrastructure and range of services. The place and role for each development centre should be found in the functional network depending on its growth potential and specialisation.

- (339) Mobility, as well as availability of information and communication technologies, has a significant role in strengthening of development centres and settlement structure. Better accessibility of development centres will facilitate the integration of rural territories in the common functional network. Efficient mobility should be ensured between both, development centres of different level and the capital.
- (340) Several functional networks of development centres can be distinguished, which are significant for the promotion of economic growth of regions and which are based on interaction and co-operation of more significant development centres of the relevant region. Development centres may concurrently fall within several functional networks by co-operation and interaction in different fields, thus functional networks mutually overlap and may differ from the administrative and culture-historical borders of regions.
- (341) The pillars of the functional network of development centres of **Kurzeme** are Liepāja, Ventspils, Kuldīga, Talsi and Saldus. Liepāja as industrial city with experience and traditions in production and logistics and Ventspils as logistics, education, science and innovation centre will be the leading driving force of the region with growing international potential. Concurrently these cities in co-operation with Kuldīga, Talsi and Saldus will ensure the specialisation of the region in the field of competitive transit and logistics business, as well as in the production of technologically modern food products, fishery and tourism.
- (342) The role of Jelgava and Jēkabpils as the driving force of the region should be strengthened within the functional network of development centres of **Zemgale**, by developing the potential of education, science, production and logistics and reducing further spreading of Riga agglomeration at the same time. Inclusion of development centres – Jelgava, Jēkabpils, Bauska, Dobele, Aizkraukle – within the united functional network of the region will facilitate establishment of industrial, logistics and technology parks, co-operation of science and research centres and placement of services. The network of development centres of Zemgale will ensure mutual accessibility and co-operation of east and west regions of Latvia and strengthen cross-border co-operation with the nearest cities of Lithuania.
- (343) The development of the functional network of development centres of **Pierīga** will provide greater possibilities for Riga to form as globally-oriented business, science and financial centre of Northern Europe. Jūrmala, Tukums, Ogre, Sigulda will supplement the functions of Riga, disposing production, diverse services, dwellings and providing possibilities for recreation. Concurrently strengthening of development centres of Pierīga will limit non-controlled sub-urbanisation processes in Riga agglomeration.
- (344) The main pillars of the functional network of development centres of **Vidzeme** are Valmiera as education, production and innovation centre, and Cēsis as culture and tourism centre. They, in co-operation with Valka, Limbaži, Madona, Smiltene, Alūksne, Gulbene and Balvi, will form the critical mass necessary for growth of the region, concurrently strengthening the attractiveness and competitiveness of the region of Vidzeme. Mutual co-operation and complementarity of development centres, exchange of information and experience will facilitate the development of innovative entrepreneurship of the region, as well as strengthen cross-border co-operation with North-West regions of Estonia and Russia.

(345) The support framework or the “centre of gravity” of cities of the functional network of development centres of **Latgale** is formed by the main promoters of economic growth of Latgale region Daugavpils, Rēzekne and Jēkabpils. Daugavpils will develop as significant cross-border science, economic development and service centre; Rēzekne will form as the centre of culture, education and innovative entrepreneurship, but Jēkabpils will be the point of intersection of transit roads. These cities will function together as the driving force of economic development of Latgale region and as the gate between East and West. The competitiveness of the functional network will be supplemented by the development centres of regional significance – Preiļi, Līvāni, Krāslava, Ludza and Balvi, providing integration of region in the cross-border co-operation networks.

Development Centres and Functional Networks



Solutions

Development of the Capital Riga as Metropolis of Northern Europe

- (346) The approximation of Riga as the most significant state development and growth centre to metropolis of Northern Europe level should be ensured, fully using the potential of development and international competitiveness of the city, including in the fields of transit, services, entrepreneurship and tourism. Riga as metropolis of Northern Europe level should encourage the development based on knowledge, innovations and competence, joining international education and science networks and entrepreneurship clusters, as well as strengthen its functions of administration, representation (representations of international organisations, state administrative institutions of higher level etc.) and “the gate” (airport, port).

Competitiveness of Development Centres of National and Regional Level at the State and International Level

- (347) Growth in the development centres of national significance should be oriented towards full use of economic potential and raising of competitiveness at international level, including for the development of science and research, intellectualisation of economy and provision of technological excellence. For successful growth of development centres of regional significance growth advantages thereof should be used, the development of individual profiles (specialisations) and unique competences should be encouraged, concurrently increasing the capacity of human resources, institutions and infrastructure. In addition growth should be oriented towards creation of attractive and qualitative living environment in the development centres of national and regional significance, promoting the provision of working places and wide and diverse range of services to inhabitants of cities and surrounding territories.

Growth of Development Centres of County Significance

- (348) For further successful growth of development centres of county significance (small towns, large villages) it is necessary to ensure the development of all types of infrastructure and improvement of its quality, the availability of basic (education, health, social etc.) services and qualitative dwellings, the possibilities for culture and spending of leisure time, as well as of entrepreneurial activities, creating work possibilities for inhabitants, including in rural territories adjacent to the development centre.

Development of Urban Environment

- (349) In implementing sustainable urban planning, complex support is necessary for the development of urban environment. Measures for revitalisation of declined territories of the city, preservation and development of spatial and visual identity of cities (arranging of central parts of the city), development of up-to-date culture space, arranging of public infrastructure, maintaining of green zones and public space of cities, promotion of mobility between different parts of the city and suburbs, including for inhabitants with impaired movement, should be performed.

Facilitation of Urban-Rural Co-operation

- (350) The use of special advantages of each territory (nature, culture, economic, social potential) strengthens urban-rural co-operation, preventing unnecessary mutual competition. It is essential to ensure the availability and accessibility of services (education, health, social, culture, entertainment etc.) and work places to rural inhabitants, as well as recreation and living possibilities for city inhabitants by developing qualitative and mutually connecting transport infrastructure, particularly improving the road quality, electronic communications and public infrastructure, thus creating attractive environment for living in rural territories.

Mutual Interaction and Co-operation of Development Centres

- (351) The functional complementarity of development centres in different fields (including in the field of education, culture, knowledge, social, health and other fields) according to their hierarchy within the network of development centres should be ensured for further promotion of interaction and co-operation between them, as well as the market of viable goods and services should be strengthened and developed. In order to implement it, mobility should be improved by establishing qualitative transport infrastructure, entrepreneurship should be developed, especially small and medium enterprises, including cluster⁵⁶ type enterprises, as well as the minimum basket of services corresponding to the level of development centres should be determined, ensuring the availability of state and local government services according to the principle of “one-stop agency”.

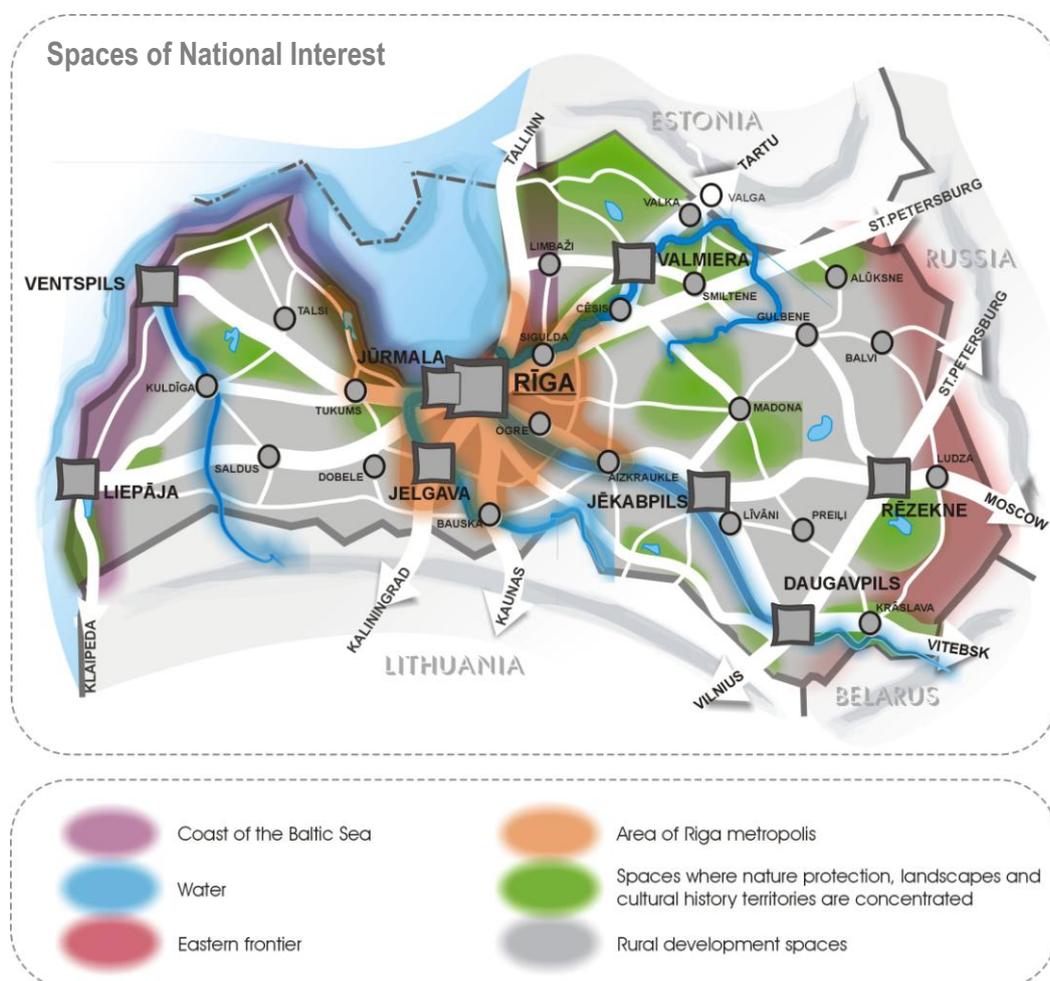
Integrated and Sustainable Planning and Implementation of the Development of Territories

- (352) In order to promote the integration of urban-rural territories in mutually complementary networks, integrated approach in the planning and implementation of development and support should be observed. In defining their role in the functional networks, each city should focus on its advantages and perform measures for the development of physical, economical and social infrastructure and services, improvement of connection of certain parts of the city and renovation of declined territories. Concurrently in planning and implementing the development in rural territories, measures for diversification of rural economy and more efficient use of available resources of growth should be intended, thus facilitating the improvement of quality of life. In order to attain it, mutual co-ordination of sectoral development priorities and linking with development priorities of the territories should also be ensured by joining physical, social, infrastructural, cultural and environmental aspects, as well as foreseeing impact on the surrounding territories.
- (353) The tendencies of further spreading of cities should be eliminated in the planning of development of cities, preserving natural resources of suburbs, as well as applying the model of “compact” city with mixed zoning, varied land use and more dense construction.
- (354) In order to ensure qualitative planning of development of the territories, the capacity of human resources should be strengthened at all levels of administration – national, regional, and local level, but for its implementation it is essential to ensure wider and more varied possibilities for introduction of planning documents of development of regions and local governments.

⁵⁶ Clusters – a group of sectors or enterprises which are united by joint raw materials, production chains or other factors with the aim to co-ordinate production.

Spaces of National Interest

- (355) Territories and areas with outstanding value and importance for sustainable development of the country, preservation of identity and which contain strategic resources significant for the development of the country are considered as the spaces of national interest. Concurrently different conflicts of interests and problems exceeding the competence of regions and certain sectors are emerging in these territories, therefore, complex solutions and purposeful state policy is necessary.
- (356) The perspective of spatial development marks the following as the spaces of national interest:
- rural development space – rural territories where natural resources significant for the country’s economy are located – agricultural land, forests, water, mineral deposits;
 - coast of the Baltic Sea – one of the largest values of Latvia where the preservation of nature and cultural heritage should be balanced with promotion of economic development;
 - area of Riga metropolis, which strengthens the role of Riga as globally-oriented metropolis of the Baltic Sea, thus promoting the development of the whole country;
 - Eastern border, which is a territory with special status, role and specific problems for the solution of which different approach and special measures are necessary; and
 - outstanding areas of nature, landscapes and cultural history territories where its unique values are concentrated which form the identity and international recognisability of Latvia and its different regions.



Rural Development Space

Tendencies and Challenges

- (357) The countryside is the source for the most significant natural resources and services of ecosystems, work and recreation environment, the depository and preserver of the diversity of nature and cultural and historical heritage. Each of these functions may acquire the leading significance or evenly combine with other functions. The most significant strategic resources for sustainable development of the countryside and of the whole country are forests, agricultural land, mineral deposits and water. In accordance with the data of the State Forest Service, forest lands cover 50.2% of the total state territory. The area of forest lands has the trend to enlarge on account of the former utilised agricultural areas by their growing over or afforestation.
- (358) Utilised agricultural areas cover 37.9 % of the total state territory⁵⁷, which can provide independence in food supply of the country. The most significant areas of agricultural lands of national significance are located in Zemgale – in the territories of Rundāle, Bauska, Dobele, Tērvete and Jelgava counties⁵⁸. Tendencies of the last years show that the number of persons employed in agriculture and the interest to be engaged in agricultural production has decreased. As a result, great part of utilised agricultural areas is not used for agricultural needs and they are gradually growing over, thus degrading the environment. This is due to the large number of small farms where it is not practically possible to ensure competitive production of traditional agricultural produce.
- (359) Latvia is rich in both surface waters – the sea, rivers and lakes, and underground waters which are vitally important renewable energy resources and ensure economic activities, household and recreational needs. Water courses and reservoirs form joint hydrological network of Latvia and they are important factor of biological diversity.
- (360) The most significant mineral deposits of Latvia are peat and different raw materials for construction supplies, such as sand, sand-gravel, dolomite, clay, limestone and rock gypsum. During the last years sand-gravel and dolomite is demanded the most of all.
- (361) Taking into account the tendencies of socio-economic emptying of the countryside – the flowing away of people and economic and social activities from the countryside to cities or other countries, as well as profound changes that have taken place in the structure of rural economy, particularly in the agriculture and production sectors related thereto, industry and field of services, significant future challenge is to retain and develop the countryside as qualitative life and work space by fully using the diverse potential for economic development.
- (362) Integrated (cross-sector) vision of the state on qualitative changes in the countryside of Latvia, including economical, social and environmental aspects, is necessary for rural development space.

Development Directions

- (363) In order to ensure efficient use of resources of rural development space, it is necessary to:
- (364) provide efficient and sustainable use of forest resources;

⁵⁷ Land Report of the Republic of Latvia as of 1 January 2008.

⁵⁸ Cabinet Regulation No. 689 of 30 June 2009, *Regulations regarding Agricultural Territories of National Significance*.

- (365) strengthen the efficiency and competitiveness of traditional sectors of agriculture in supplying the country with qualitative and competitive food products;
- (366) diversify rural economy by developing rural tourism, craftsmanship, biological agriculture, extraction of mineral deposits and production of construction materials, development of transport and other services, formation of clusters etc.;
- (367) promote the development of fishery; and
- (368) develop production and use of renewable energy resources.

Solutions

- (369) *Restructuration of the forest industry.* Restructuration of the forest industry should be facilitated orienting towards deeper processing of wood, production of internationally more competitive end products with high added value.
- (370) *Development of agrarian industry.* Development of specialised, highly efficient and technologically up-to-date agrarian industry for the production of food products and industrial raw materials should be supported.
- (371) *Re-profiling of farms.* Re-profiling and diversification of trade types of farms (particularly small and medium farms) should be supported by developing and combining rural tourism, craftsmanship, biological agriculture and other directions.
- (372) *Rural business co-operatives.* The establishment of rural business co-operatives should be supported in order to ensure efficient use of production resources, improvement of sale possibilities, and more efficient representation of rural business interests under conditions of free market.
- (373) *Innovations and modernisation in agriculture.* It is necessary to facilitate the transfer of knowledge and innovations in agriculture and forestry. The modernisation of enterprises processing agricultural produce, the consolidation and use of raw materials produced in Latvia should be supported.
- (374) *Consolidation of agricultural lands.* It is necessary to support the consolidation of valuable agricultural lands and the formation of larger producing farms, improving the competitiveness of the sector in export markets and concurrently taking into account and assessing the ecological, aesthetical and cultural and historical value of landscapes.
- (375) *Measures for land amelioration.* Support should be provided to farms for performance of drainage and land amelioration measures.
- (376) *Use of biomass.* The production of biomass as renewable energy resource should be planned in those territories where agricultural lands are less favourable for the production of food.
- (377) *Development of rural tourism and non-agricultural business.* It is necessary to promote the development of rural tourism on the seacoast, in areas with cultural and historical value and landscapes. Also introduction and development of non-agricultural business should be supported in rural territories.
- (378) *Development of aquaculture and fishing.* It is necessary to support investments in aquaculture enterprises, including for processing and marketing of fishing and aquaculture products, as well as the support to development and investment projects for fishing in internal waters should be provided.
- (379) *Reforestation of lands.* Support should be provided for reforestation of unutilised agricultural lands of low value.

Coast of the Baltic Sea

Tendencies and Challenges

- (380) In Latvia, similarly as all over the world, the interest regarding coastal area is increasing – original sea and land interaction zone with features and properties characteristic and specific only to this space which determine the requirements for its use and development to great extent. Natural complexes, natural habitats and outstanding landscapes of European significance are located in the territory of Latvia by the coast of the Baltic Sea. Concurrently bank erosion and accumulation processes observed in part of the seacoast under conditions of climate changes are serious risk factor for the use of the seacoast in long-term.
- (381) During the last decade, upon increase in the significance of the seacoast in the field of recreation and tourism, the demand for construction territories has rapidly grown, as a result of which the transformation of spatial structure is happening – new type of construction is forming, but historical villages of fishermen are perishing. It has several reasons. By reduction of fish resources of the Baltic Sea and fishing restrictions aimed at renewal of fish stocks, part of able-bodied local population is flowing away to large cities. The traditional lifestyle disappears from the seacoast and the landscape closely related thereto is endangered – the proportion of elements connected with fishing (boats, bridges, net hovels and similar) is reducing, utilised agricultural areas are growing over; constructions uncharacteristic to the coastal area are appearing beside the typical construction. The part of those owners, who are using immovable property as holiday houses, is growing, and the proportion of foreigners is increasing among them.
- (382) The development of the seacoast of Latvia as diverse and multifunctional space should be ensured, which concurrently is a qualitative living environment and the bank of public benefits with clean water and air, seaside, healthy ecosystems, special landscapes, and economically active space with various employment possibilities throughout the year. It will promote efficient integration of Latvia in the international space and promote its recognition in the world. It is necessary to promote small and medium entrepreneurship and improve traffic and tourism infrastructure on the seacoast, as well as ensure rational use of the seacoast territories, preserving the special natural and cultural values and diverse landscape.
- (383) Comparatively new practice in Europe and in some other countries of the world is to view the seacoast development matter within the context of the sea spatial planning. Taking into account the ever increasing interest of different sectors not only in the seacoast, but also in the sea in connection with the conflicts regarding the types of use thereof, the role of spatial planning of the sea is emphasized more and more. It is proved by the international activities and recommendations and particularly by the activities and recommendations of EU level, the co-operation settings of the ministers responsible for spatial planning and development of the Baltic Sea Region, as well as the commencement of addressing of an integrated maritime policy in Latvia. The state regional development policy should provide for advantages for receipt of different types of support for sustainable development projects and activities of the seacoast.

Development Directions

- (384) In order to ensure sustainable use of the coast of the Baltic Sea, it is necessary:
- (385) to develop the environment favourable for the entrepreneurship that would ensure economic activity and employment possibilities along the entire seacoast, supporting it by balancing of the traditional (fishery, fish processing, recreation, resort farm) and “new” type of economic activity (international tourism, including yacht tourism, extraction of alternative renewable energy resources) with the interests of environmental protection;
- (386) to preserve the unique natural complexes of the seacoast, their biological diversity, ecological processes and outstanding landscapes as the treasure of national and international significance, concurrently ensuring qualitative living environment in the populated areas of the seacoast;
- (387) to promote co-operation between local governments of the seacoast, planning regions, state administrative institutions and the society, providing good management of the seacoast; and
- (388) to activate the co-operation of the countries of the Baltic Sea Region in planning and implementation of the seacoast development and ensure co-ordinated planning of spatial development of the land part of the seacoast and the sea aquatorium.

Solutions

- (389) *Guidelines for spatial development of the seacoast.* Guidelines for spatial development of the seacoast should be developed and introduced into practice.
- (390) *Development of thematic planning.* It is necessary to develop thematic planning in the country for risk (flood, seacoast processes etc.) territories, the seacoast tourism infrastructure, landscapes, use of wind energy or other alternative energy resources (waves and thermal resources).
- (391) *Forecasting of the seacoast processes.* To prepare materials (including maps) of forecast of the seacoast processes, practical and usable in the spatial planning of local governments, and guidelines for determination and planning of risk zones.
- (392) *Spatial planning of the sea.* Spatial planning of the sea should be developed for state territorial waters and for the exclusive economic zone in relation to the land part which is functionally connected with the sea aquatorium.
- (393) *Investments in infrastructure.* It is necessary to support investments in the development of the infrastructure of the fishing and yacht ports.

Metropolitan Area of Riga

Tendencies and Challenges

- (394) The metropolitan area of Riga is formed by the city of Riga together with nearby cities of different size – Jūrmala, Olaine, Jelgava, Baldone, Salaspils, Ogre and Sigulda. Taking into account the arched location thereof and relatively convenient accessibility of Riga, strong functional links have emerged which are determined by the attractiveness of Riga as economical, financial and cultural centre and which are promoted by everyday commuting of inhabitants in the direction work-home.

- (395) The morphological border of the city of Riga is extending far over its administrative borders – the zone of urban development of Riga has emerged which is stimulated by different economic activities. However, the lack of co-ordinated planning of the development of suburban territories causes whole spectrum of problems, including deterioration of transport situation, reduction of green and recreational territories of Pierīga, lack of appropriate infrastructure etc. The proportion of inhabitants of Riga planning region has increased by 1.2% of all inhabitants of the country since 2003.
- (396) Co-ordinated development of the spatial structure of the area of Riga metropolis and co-ordination of the processes occurring therein should be attained by drawing up an integrated perspective for spatial development (thematic planning) and using integrated approach and complex solutions in order to co-ordinate the different interests of Riga, surrounding local governments, state and inhabitants.

Development Directions

- (397) In order to ensure unified and sustainable development of Riga metropolis, co-ordinated co-operation between local governments, planning regions and state institutions should be implemented.
- (398) It is necessary to ensure co-ordinated planning of the transport infrastructure, public transport and urban (construction) development.
- (399) The preservation and functioning of green territories and ecological corridors between urbanised territories should be ensured.

Solutions

- (400) In order to improve spatial attractiveness of the area of Riga metropolis, to enhance its competitiveness and improve functionality, integrated planning should be developed for it, taking into account the following principles:
- (401) *formation of the internal spatial structure of the area* with subordinated multicentric (polycentric) system and efficient transport and communication links;
- (402) *strengthening of the towns located in the area* by determining their specialisation, role and place, relieving Riga from functions not characteristic thereto;
- (403) *implementation of compact city construction model* by maximum use of non-constructed and degraded territories, avoiding from expansion of construction;
- (404) *organisation of urbanisation processes*, performing the assessment of the perspective of the new villages of Pierīga dwelling construction, consolidation regarding settlement centres with compact construction, certain range of services, high level of utilities, sufficient engineering provision and good accessibility;
- (405) *avoidance of creation of continuous built-up area* and mechanical merging of constructed territories;
- (406) *restriction of expansion of construction* by strictly separating urban development territories from not yet constructed, less affected nature territories and determining the criteria and requirements for the creation of new construction territories. In Riga agglomeration new construction with high density in zoning of territories should be allowed only within the borders of the existing villages; and

- (407) *strategic noise mapping* and implementation of the action plan for reduction of noise exceedance⁵⁹.

Eastern Border Area

Tendencies and Challenges

- (408) The development of border area territories is affected by many factors which by summing up act as hindering forces. Relatively large distance from the capital Riga causes the effect of out-of-the way place which is intensified even more by the poor quality of roads, insufficient provision of public transport, economic backwardness, as well as the geopolitical factor – EU border with Russia and Byelorussia. Due to these factors emptying of border area territories occurs.
- (409) In order to strengthen the strategically important “gate and bridge” role between Europe and the CIS, and the countries of Asia, the border area should become active transit zone with high level services – economically developed and viable territories with modern, efficient and operatively working border crossing and transit service infrastructure, offering wide range of services.

Development Directions

- (410) The economical potential of the border area should be used efficiently by strengthening the role of large cities – Rēzekne and Daugavpils – in establishment of international co-operation links with the neighbouring countries and the role of small towns of border area – Viļaka, Kārsava, Zilupe, and Krāslava – for the support of development of remote rural territories.
- (411) Cross-border co-operation should be developed with the neighbouring countries Russia, Byelorussia and Lithuania at regional and local level, promoting the development of common programmes, projects and unified strategies.

Solutions

- (412) *Efficient use of border area territories* for the provision of transit and transport services, improving and facilitating border crossing procedure, developing the related infrastructure and services.
- (413) *Improvement of accessibility of border area territories* by developing transport corridors, making efficient freight and passenger transport, improving the quality of the existing motorways.
- (414) *Measures of the state support for entrepreneurship*, promoting the traditional trades – agriculture, forestry, craftsmanship, and developing alternative sectors- tourism, transport and transit services.

⁵⁹ In agglomerations – should be performed in accordance with EP Directive 2002/49/EC relating to the assessment and management of environmental noise.

Outstanding Areas of Nature, Landscape and Cultural and Historical Territories

Tendencies and Challenges

- (415) A special value of Latvia is its nature, landscapes and cultural heritage. In comparison with other European countries, Latvia is one of the greenest and less urbanised countries with excellent diversity of species, natural habitats and landscapes. The status of special area of conservation has been determined for many nature territories. By interaction of both the natural factors and the traditional management types and settlement structure, territories with excellent aesthetical, ecological and cultural and historical landscape value have formed which may serve as precondition and potential for the economic development of these territories.
- (416) Recently, upon increase in urbanisation pressure, the reduction and fragmentation of natural environment takes place in Pierīga and neighbourhood of other cities. Due to short-term economic interests, transformation of historical structure and silhouette of landscape of the cities, which is a cultural and historical value, is observed in the development of cities.
- (417) Upon disappearance of the traditional way of rural management, the transformation and degradation of valuable cultural landscapes is occurring. The overgrowing of non-utilised agricultural areas with bushes and afforestation of these lands changes the cultural landscape of mosaic type so characteristic to Latvia. The fragmentation of nature systems is promoted, to great extent, by formation and merging of new construction territories, construction of transport infrastructure and large-scale forestry activities.
- (418) Therefore, it is necessary to study, preserve, manage reasonably and use efficiently the areas of nature, landscape and cultural and historical heritage territories of national significance, which mark the identity of each region and the entire Latvia. In implementing the economic potential of these territories, sustainable development principles and the needs of local inhabitants and of the whole society should be taken into account. The landscape quality and culture traditions are also significant potential for the tourism sector of the country; therefore, state support is necessary for the preservation thereof.

Development Directions

- (419) In order to preserve the biodiversity and the unique nature and cultural and historical landscapes typical to Latvia which are the preconditions for the living environment quality of inhabitants, measures for the preservation of viability of rural territories should be implemented, state support for multifunctional and productive rural territories, preservation and creation of cultural landscape should be ensured.

Solutions

- (420) *Landscape planning and nature protection.* In implementing the European Landscape Convention, to ensure the integration of landscape planning and nature protection issues in sectoral policies, legislation and in the planning of territorial development. The landscapes typical and unique for Latvia should be determined, the inventory thereof

should be performed and proposals for landscape management and monitoring of the processes should be developed.

- (421) *Educating and involvement of the society.* To educate and involve the society in the management of nature and cultural and historical landscapes.
- (422) *To determine requirements and conditions in the territorial planning* for the nature and cultural landscape and recreation territories significant for the society, which ensure public access to the coast, watersides, nature and culture monuments and provide protection of places of landscape significance.

Increase in the Social Capital Value

Objective

To establish efficient public administration, which is capable not only to respond quickly to changes, but also foresee and guide them, creating significant services necessary in the future, and in which the majority of the society of Latvia takes active part.



Tendencies and Challenges: Transformation of Democracy Institutions

- (423) One of the most important tendencies of political government in the world is the reduction in popularity of representative democracy institutions. The distrust of citizens in politicians and scepticism towards democratic institutions is growing even in so called “old democracies”.⁶⁰
- (424) The situation in Latvia is even more critical because not only the participation of persons having the right to vote in the elections of the *Saeima*, but also the trust of inhabitants in State administrative institutions and political parties has decreased. According with the latest polling data, 3/4 of the inhabitants of Latvia do not trust either the *Saeima*, or the Cabinet, or political parties.⁶¹ Such low trust credit casts doubt over the legitimacy of the decisions taken and significantly encumbers the implementation of the State policy even if the decisions are rational, weighted and objective. If only a small part of the society takes part in taking of decisions of national importance, inevitably decisions not reflecting the interests of the majority of the society, as well as not reflecting sufficiently the opinions of different social groups (ethnic, linguistic, economic etc.) are taken. It, in its turn, means higher risk of corruption, non-efficient decision implementation process and insufficient use of the creative potential of inhabitants.
- (425) If the majority of the society is standing apart from political processes, the radicalisation risk of the society increases because the basic function of democratic institutions is to maintain public discussion which helps to achieve compromise between opinions of different social groups. If such process of seeking compromise does not take place, the radicalism of individual social groups may increase the risk of probability of social conflicts and even violence. Studies in other countries of the world show that the possibility to involve in political decision-making process and the ability to influence it significantly affects the satisfaction with life and life quality.⁶²
- (426) The crisis of representative democracy does not mean the end of democratic system, however, it marks the transformation of democracy and increase of the role of

⁶⁰ Stoker Gerry (2006). *Explaining Political Disenchantment: Finding Pathways to Democratic Renewal*. The Political Quarterly, Vol. 77, No. 2 (April-June 2006), pp. 184-194.

⁶¹ SKDS (2007) Attitude of the Latvian people towards corruption. November – December 2007. Available: <http://www.politika.lv>

⁶² Stutzer Alois & Bruno Frey (2006) *Political participation and procedural utility: An empirical study*. European Journal of Political Research, Vol. 45, pp. 391-418.

participation democracy institutions.⁶³ The participation of the citizens of Europe in the elections gradually decreases, however, they more frequently use new forms for expression of their opinion. Internet comments, forums, social network portals and Internet diaries (weblogs or blogs) are only some of examples for new forms of public discussions in which not only the opinion of the society regarding essential issues is formed, but also the co-operation of inhabitants in solution of common social problems is taking place. The activity of inhabitants of Latvia in the use of new forms of public discussions is very high.

- (427) Within the context of transformation of democratic institutions the most significant challenge for the government of Latvia is the ability to find new co-operation and participation mechanisms which would establish and multiply the social capital of the society. Simultaneously with the support of such forms and practices of co-operation of organisations representing the interests of the public administration and different groups of society, which have justified themselves and have been efficient hitherto, new mechanisms for participation of the society should be searched for and developed.
- (428) People more gladly dedicate their time for public issues, if they can see definite result of their participation. The decision-making process should be reformed as much as possible, taking into account the principle of subsidiarity according to which each decision should be taken as closely to those to whom this decision applies as possible. In certain cases it means that the rights of decision-making are transferred to local government, in other case – that the decision is taken by citizens themselves in a referendum, in yet another case that the most efficient solution is to form private-public partnerships. It depends on each particular case or field specifics at which level the decision should be taken. The potential direct democracy instruments, the application of which in certain fields should be further assessed, are referendums and guarantees (coupons).
- (429) In this area it is worth to learn from experience of other countries. For Latvia, as comparatively small country, it is easier to introduce innovative government and participation solutions than for large countries. However, in order for Latvia to become the leader of Europe in the introduction of innovative government mechanisms, public innovations should become everyday practice where as wide range of people as possible is involved in the creation of new ideas and there is a favourable environment and infrastructure for public creative activity, which allows the implementation of these ideas in reality.

Priority Long-term Action Directions

Public Participation in the Policy-making

- (430) In order to use to the utmost the human capital of Latvia, adopt decisions of better quality and facilitate the introduction thereof, the society should be involved in the development of policy as much as possible. In order to do it, the possibilities for real participation should be provided, as well as motivation mechanisms, which would encourage the use of these possibilities, should be intended, for example, social recognition systems, administrative advantages or simply obvious proofs that the results of participation are being actually introduced.
- (431) By involving the society in the development and assessment of draft laws and decisions, the diversity of the society and social variety should be taken into account. The goal to be achieved is that in discussion opinions of all interested groups of the society are taken into

⁶³ Pearce Jenny (2007). *Toward a post-representational politics?: Participation in 21st century*. World Futures, Vol. 63, pp. 464-478.

account. The creators of policy and projects of public services should identify such groups of the society in due time to which the relevant project applies; they should be addressed and involved in the discussion. The most appropriate means should be applied for each target group and feedback should be provided by informing the society regarding what was taken into account and what was not. The mechanism of tripartite social dialogue includes the co-operation of the organisations of employers and employees with the State and local government institutions, but bipartite social dialogue – the co-ordination of opinions and interests of employers and employees.

- (432) On 1 October 2009 the ministers of the Members States of the Council of Europe approved the document *Code of Good Practice for Civil Participation in the Decision Making Process*. The Code reflects the values, guidelines and mechanisms of participation of the civil society and responsibility of parties in relation to active participation of inhabitants and organised civil society in the decision making process.

Civic Education and Social Integration

- (433) In order to make the process of public participation as constructive and efficient as possible, the abilities and skills of inhabitants of Latvia to participate in public processes should be strengthened via implementation of civil education programmes within the framework of general education and outside it – in the form of seminars, lectures and courses. Thus, civil education would not only develop the abilities of the society to participate, but also facilitate social integration of the society.⁶⁴

E-government and Public Innovation

- (434) In order to find new management solutions to introduce in Latvia and in case of luck “to sell” to other countries, the production and discussion of innovative ideas should become the everyday practice of the persons working in the state administration. Studies show that ideas of mass creative activity emerge to employees of state administrative institutions in direct contact with customers and to users of state administrative services, and to persons working in academic, non-governmental and private sector.⁶⁵ Therefore, it is essential not only to promote the creation of ideas within the state administration itself, but also to ensure that the ideas born outside administration are heard and they have a possibility to be implemented.
- (435) In many countries creative activity is closely connected with the development of e-government, perceiving it not simply as digitalisation of existing administrative practices, but restructuring of state institutions, using the possibilities of more efficient government created by new information technologies.

Possible Solutions

Public Participation in the Policy-making

- (436) *Citizens’ panel*. Most political decisions demand certain compromise between different groups of the society because each of them may have its own opinion and interests. The disinclination of one party to take other solution is frequently related with the lack of

⁶⁴ Jurado, Elena (2008) *Citizenship: tool or reward? The role of citizenship policy in the process of integration*, Policy Network Papers, <http://www.policy-network.net/publications/publications.aspx>

⁶⁵ Mullgan, Geoff (2007). *Ready or not?: Taking innovations in the public sector seriously*, NESTA.

information regarding the opinion and arguments of the other party. The citizens' panel is a mechanism in which it is examined what the opinion of the society would be, if the parties involved were informed regarding opinions of all parties. In establishing a citizens' panel regarding particular political decision, initially a representative national (if the decision is of national level) or appropriate lower level selection of citizens is established. First of all, their opinion is found out in a questionnaire. Before participation in a panel discussion thorough information regarding the issue to be reviewed and the possible solutions is sent to its participants, and after discussion participants repeatedly fill in the questionnaire and express their attitude. Makers of the relevant decision use the final report in adoption of the final decision.

- (437) *Participation in the development process.* In developing new or in reforming present public services, end users (former, present and potential) of the service should be involved in the process. The co-operation should take place, starting from the identification of the problem or evaluation of the present service up to detailed development of a new service. Depending on the stage of the development process, "brain storm", focus groups or other methods may be used for involvement of users.
- (438) *Citizens' juries.* Instead of traditional public discussion a citizens' jury is established for the assessment of certain political issue or draft law, similarly as jury in the court system of the USA. The developers of policy present a drawn up draft to the citizens' jury. The jury is entitled to ask questions and request additional information; afterwards it votes "pro" or "against" the particular draft. Depending on the scope of the draft under discussion, one or several such juries may be organised.
- (439) *Provision of participation of organised civil society.* The groups of organised civil society possess knowledge and skills, how to involve inhabitants in public processes. Organisations provide support to inhabitants when neither the state, nor local government is capable to provide it, therefore, the work of such organisations is highly valued and promoted. The groups of organised civil society are a bridge between inhabitants and state administration, they provide competent opinion based on public needs, involve in the development, implementation and assessment of action policy.

Civic Education and Social Integration

- (440) *Social sciences.* In order to create awareness of public processes – economy, policy, culture – more attention should be paid to social sciences – sociology, anthropology, economy, politology – in general education and further education programmes. Only by understanding what is going on in the society, social problems and their possible causes, a person may form his or her opinion and actively participate in solving of these problems.
- (441) *Civic participation programmes.* Alongside with theoretical knowledge civic education should make a pupil aware of how the state where he or she is living is practically working, what essential social processes are and what the institutional mechanisms are with which the individual may express his or her opinion and influence the situation in the country. In the provision of civic education, schools should co-operate with civic participation practitioners – non-governmental organisations, as well as involve parents and relatives of pupils.
- (442) *Discussions on themes actual in the society.* In order to improve public awareness and understanding regarding social problems and their possible solutions, public discussions should be organised in which current events are discussed, opinions, assessments and necessary steps are expressed. Significant organisers of such discussions could be schools because the required resources (suitable premises, equipment) are at their disposal and they

can easily mobilise an audience, inviting pupils, their parents, friends and relatives. Alongside with schools such discussions could also be organised by non-governmental organisations, libraries.

- (443) *Diversity management.* One of the instruments successfully used in the world for enhancement of participation, administrative efficiency and mass creative activity is diversity management.

In order to approximate the administration to the society as much as possible, it should respect also the diversity dominating in the society and observe the principle of equal rights of different groups of the society also in the field of management of the administrative personnel.

- (444) *Education regarding social diversity.* By organising seminars and courses the knowledge of the society regarding social diversity should be enhanced. It is very essential to educate persons working in state administration, particularly managers of higher and medium level, as well as employees who are working in direct contact with customers, regarding existence of different social groups, situations and needs.

E-government and Public Innovation

- (445) *Portal of mass creative activity.* In order to use the creative potential of the society to the utmost, a mechanism should be introduced so that everybody could recommend ideas of mass creative activity. If e-environment is used, it could be a portal where inhabitants can submit their ideas, evaluate, comment and supplement ideas submitted by others. In order to motivate people to exchange ideas, a foundation for testing and implementation of the most successful ideas should be established and it should be determined that 10 most popular ideas are implemented from the resources of foundation every year etc.
- (446) *Award of mass creative activity.* In order to motivate inhabitants to think of innovative ways for improvement of the management of the society, social recognition mechanisms are used in many countries, for example, the national award of mass creative activity which is awarded to the most original or most successful innovation every year.
- (447) *Institution for co-ordination of intersectoral mass creative activity.* The majority of public creative activity concerns several sectors and state institutions; therefore, another essential precondition is mutual co-operation of different sectors and institutions in implementation of innovative ideas. In some countries separate institutions are established for such purposes which have administrative and financial resources at their disposal for examination and implementation of mass creative activity into the practice.
- (448) *E-government.* The introduction of e-government should be used in order to perform structural reforms in the previous state administration, making it more efficient. In order to facilitate the possibility for inhabitants to participate in referendums and to submit petitions, the possibility to participate in a referendum and submit petitions via e-technologies should be ensured at local and national level. The possibility to vote in the Internet has already been successfully implemented in several European countries. Also e-discussion, comment and rating possibilities should be used actively, as well as e-signature, which is advantageous to a user and easy to use, shall be introduced.

Implementation and Indicators

Implementation of the Strategy as Challenge

- (449) The implementation of the Sustainable Development Strategy of Latvia until 2030 is a challenge for the next 20 years not only for politicians, public management, economically active and organised civil society. “*Latvija2030*” addresses every household, every person who will be the main winners in case of successful implementation of the strategy. In outlining guidelines for the development of the future of Latvia, it is emphasized in “*Latvija2030*” that the first and most significant precondition for implementation thereof is joint work of the society and responsible, co-ordinated action. Thus, “*Latvija2030*” updates and expands the main idea of the conceptual document “Model for Long-term Growth of Latvia: Human Being in the First Place” approved by the *Saeima* of the Republic of Latvia, that the development of the society is directed by desire of every person to live better and think about better life for their children, improving the quality of life in different ways of its expression.
- (450) Hitherto Latvia had not had any united long-term development vision of the state. Large number – several hundred – of development planning documents with the average programming period of 5 years has been created in the state. The present development planning system is poorly connected with the budget planning, medium-term and long-term assessment and systemic modelling of fiscal effect of action policy is not practiced. The explicitly sectoral planning and operational character of state administration, insufficient succession and purposefulness in implementation of decisions also causes difficulties. Disbelief and distrust of inhabitants in state administration is a reason for insufficient involvement of the society in planning, implementation and supervision processes of action policies. An important factor is the lack of political will, as well as the scepticism of employees of state administration regarding the implementation possibilities of the accepted strategies.
- (451) A precondition for implementation of the strategy “*Latvija2030*” is not only determination, but also patience and insistence because majority of the necessary contributions and actions will not provide tangible public and economic return immediately or within several years, but in long-term. Most of the tasks of the strategy require also change in attitude and habits, as well as high level of understanding and support in the society.
- (452) Present generations of inhabitants of Latvia have already experienced a change in habits and thinking, transferring from the soviet society and socialist management to democratic society and market economy. By joining to the EU in the status of the Member State, Latvia – the country with comparatively small number of inhabitants – has acknowledged itself as dynamic country which has been capable to implement such changes which would require much more time and resources in larger countries. The inhabitants of Latvia have demonstrated admirable ability to learn and adapt. This experience is our advantage also in the future.
- (453) “*Latvija2030*” is an ambitious challenge, because it should be implemented under conditions when the impact of global economic crisis, fiscal strain, GDP decline, increase of debt commitments of the state, enterprises and households must be overcome, which,

in its turn, causes objective and widely recognised need for long-term perspective and necessity to assess the sustainability of decisions, action policies and measures to be taken. The aggregate of targets, principles and tasks of the strategy should be used as a reference system for such assessment.

Implementation within the Framework of Single Development Planning System

- (454) The Development Planning System Law determines that the Sustainable Development Strategy of Latvia is, in terms of hierarchy, the highest long-term development planning document of the state where the state long-term development targets, priorities and spatial development perspective put forward are implemented by implementing subordinated development policies of sectors and territories.
- (455) Thus, important task for successful implementation of “*Latvija2030*” is the enlivening and implementation in the practice of the development planning system specified by the law, providing co-ordination and harmonisation at all planning levels – national, regional, local, as well as co-operation between the parties involved in the planning – public, private sector, the society. It is important to achieve that the development planning system is flexible enough and, on the basis of regular analysis of the state development tendencies and forecasts or in accordance with the sustainable development needs of the state, provides possibilities in case it is necessary to make corrections in planning documents of all levels. “*Latvija2030*” is used not only for drawing up of development planning documents of national, regional and local level, but also for the formulation of national interests of Latvia in the EU, international organisations and forums.
- (456) According to the long-term strategic tasks of the state and spatial development perspective, new territorial development, as well as sectoral policy planning documents of national, regional and local level are drawn up or the existing ones are assessed and updated, which at the same time are also implementation instruments of “*Latvija2030*” because they provide for certain measures and actions, are connected with financing and serve for attaining of common strategic targets.
- (457) The main instrument for implementation of strategy of the state is the National Development Plan, which determines the priorities for the development of sectors and territories in medium-term or in time period up to seven years. The plan is implemented via development policies of sectors and territories (regions, local governments), including by planning investment programmes of the state and local governments, instruments of EU policies and other financial sources.

Link between Development Priorities and Budget Planning

- (458) Link between development priorities and budget planning is a principally essential precondition for implementation of “*Latvija2030*” and development planning documents subordinated thereto. In general the priorities in planning and utilisation of public finances should comply with the selected and approved long-term development directions and priorities of the state.

- (459) Economic crisis, fiscal strain in the state budget, as well as increasing national debt commitments alongside with the increase of demographic strain have caused serious challenge for sustainability of public finances of Latvia, including the possibilities to commence and implement investment-capacious, long-term projects.
- (460) However, from the point of view of sustainable development, limitations of public finances and strict fiscal policy not only endanger long-term tasks of Latvia, but emphasise the necessity for innovative and efficient solutions, for example, the use of renewable energy resources as a solution within the context of energy safety and also external payment balance, greater activity of citizens in making of decisions affecting themselves and in creation of services as a solution for relief of public management, lifelong education as a solution for counterbalance of increasing demographic strain and reduction of social inequality.
- (461) Long-term fiscal discipline should be the norm for the implementation of the strategy “*Latvija2030*”.

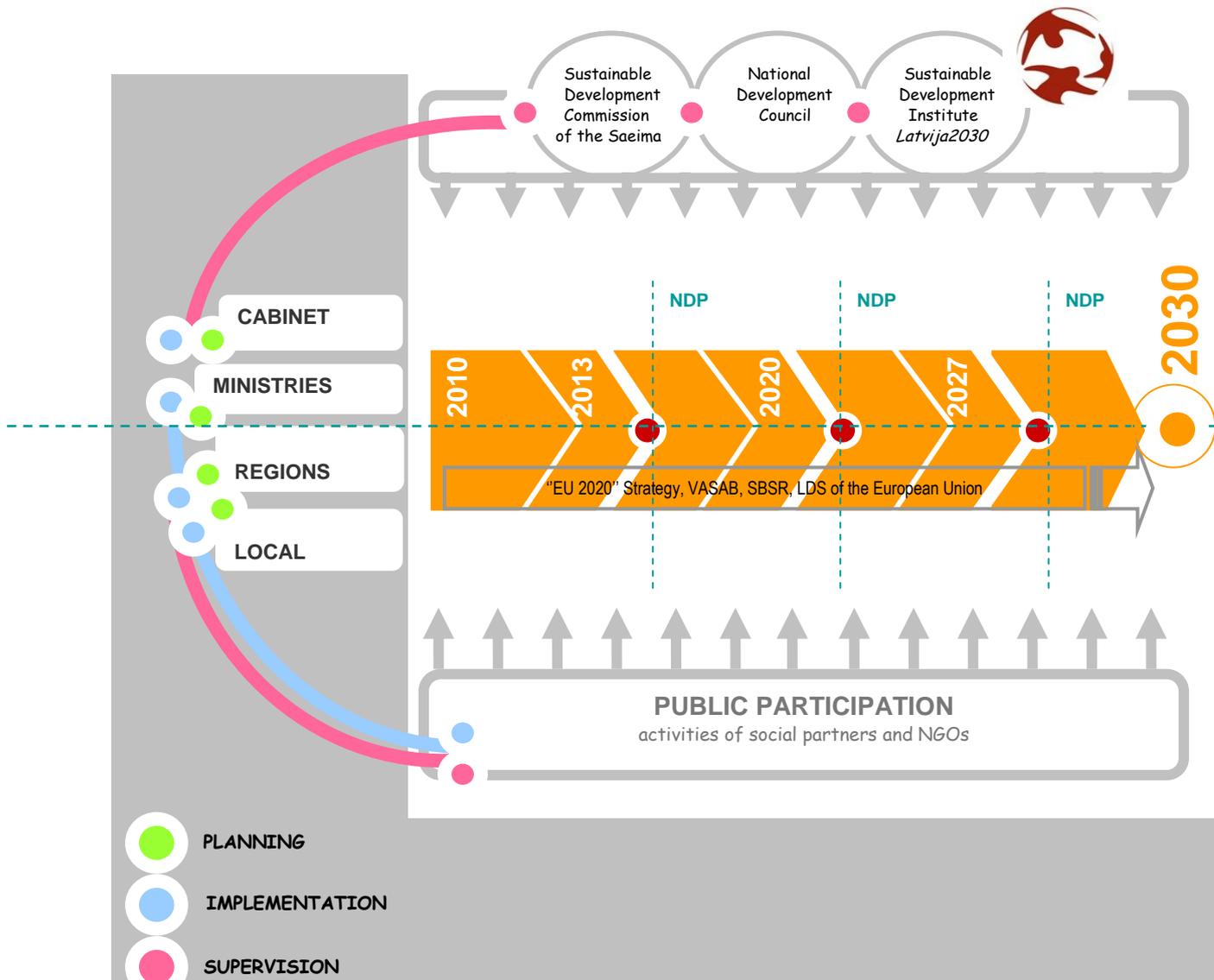
Implementation and Supervision Process of Sustainable Development

- (462) The implementation and supervision of “*Latvija2030*” shall be ensured by public administration – the Cabinet, institutions of direct administration, planning regions and local governments in co-operation with social partners and representatives of organised civil society.
- (463) **The Saeima of the Republic of Latvia** shall approve the strategy “*Latvija2030*”, and once in 2 years – in the first and third year after election of the *Saeima* – the Cabinet shall submit the Report On National Sustainable Development and Strategy Implementation Progress for review at the *Saeima*. On the basis of the Report, the *Saeima* may decide regarding certain changes in strategic tasks. The *Saeima* shall establish the **Commission of Sustainable Development** members of which shall be regularly informed regarding actual issues in the national development planning, implementation of “*Latvija2030*” and the National Development Plan.
- (464) Strengthening of competitiveness of Latvia, successful development of national economy is closely connected with research of qualitative and successive global and national socio-economic processes, as well as practical use of the results obtained and recommendations in planning of action policies and in the supervision process of sustainable development. Therefore, in Latvia, like in most of other European countries, it is necessary to establish an independent research and forecasting institution – **Sustainable Development Institute “*Latvija2030*”**, which by gradual and purposeful development of capacity thereof would form stable base for research of strategic issues of the state for adoption of politically responsible decisions and preparation of justified recommendations. Concurrently the task of the institute would be to assess the compliance of the state fiscal policy with the adopted development planning documents and sustainable development principles, as well as to facilitate the co-operation and analytical discussion with public organisations, professional associations, academic communities and public administration institutions.
- (465) The basic task of the Sustainable Development Institute “*Latvija2030*” would be to prepare the Report On National Sustainable Development, including on implementation of the National Development Plan and “*Latvija2030*” for review at the Cabinet and the *Saeima*.

- (466) The principle of private-public partnership and the financing of founder parties – the state, private and non-governmental sector – should be used for the establishment of the Sustainable Development Institute “*Latvija2030*”. It is essential that the studies and forecasts of the institute would be available to the public and serve to all society, including entrepreneurs, ensuring not only awareness of the public administration, but also of the society regarding the development tendencies and possible solutions.
- (467) In order to promote the linking of the national long-term development priorities determined by the *Saeima* with the government priorities and ensure the necessary succession of actions for the implementation of the objectives determined in the planning documents, **the Cabinet** shall prepare *the government action strategy* for the entire term of office of the *Saeima*. The government action strategy shall contain determination regarding the scope and themes of implementation of priorities determined in the strategy “*Latvija2030*” and planning documents subordinated thereto, including the National Development Plan, in the relevant period, as well as mark the medium-term framework of the state budget for the implementation of these tasks. In order to avoid fragmentation of the previous development and investment planning, as well as the isolation of the development planning from the budget planning processes, the Cabinet shall appoint a minister responsible for the development planning of the state in the rank of the Deputy Prime Minister, expanding his or her mandate in the issues of planning and supervision of development and investments. It shall be intended that the minister accepts the most significant development and investment planning documents prior approval thereof in the Cabinet, involves in the process of the state budget planning, providing the sustainability and compliance of the fiscal policy implemented by the state with the adopted development strategies, as well as represents the Cabinet in co-operation with the *Saeima* and other institutions in the issues of the development planning of the state, implementation and supervision of “*Latvija2030*” and the National Development Plan.
- (468) The change of paradigm in economy and education, searching of innovative solutions in many fields, as provided by the sustainable development strategy of Latvia, should be related to formation of intensive strategic idea and exchange of ideas at national level. Therefore, in order to consider the issues connected with sustainable development of the state, as well as to supervise the implementation process of “*Latvija2030*”, the **National Development Council** shall operate under the Cabinet. The Council shall serve as the platform for co-operation and exchange of opinions, including opinions regarding the results and forecasts of the studies performed by the Sustainable Development Institute “*Latvija2030*” prior to their submission for discussion to the government. The Council shall be managed by the Deputy Prime Minister – the minister responsible for the development planning. The composition of the Council shall be formed by the representatives of the *Saeima*, the Cabinet, planning regions, local governments, the Sustainable Development Institute “*Latvija2030*” and non-governmental organisations.
- (469) **The ministry responsible for the development planning of the state** shall supervise the process of the development planning of the state and supervision process – manage the drawing up of “*Latvija2030*” and the National Development Plan and co-ordinate the implementation thereof, participating in drawing up and co-ordination of sectoral action policies and territorial planning documents. The Ministry shall perform the supervision of the implementation of “*Latvija2030*” and National Development Plan. The ministry shall organise the work of the National Development Council and ensure co-operation between the institutions involved in the implementation and supervision of “*Latvija 2030*” and the National Development Plan.

- (470) “*Latvija2030*” shall apply to every inhabitant of Latvia, therefore, the institutions responsible for the implementation and supervision of the strategy shall maintain and incite **public discussion** within the framework of which the exchange of information is taking place between different groups of the society regarding the best, most creative and innovative ideas for sustainable development. New **forms for participation of the society** should be created (citizens’ panels, citizens’ juries, platforms for intersectoral and public innovations and co-operation, innovation portals etc.), involving as wide range of people as possible and providing as good environment as possible for generation of new and creative ideas. The possibilities and ways for inhabitants of Latvia to ascertain regarding the utilisation of public financial resources for the implementation of long-term strategic objectives, as well as to involve in the decision-making and co-development of public services, should be expanded.
- (471) State administration and local governments should implement the practice of sustainable and efficient public administration, showing an example for the rest of the society. Not only the accounting of invested resources should be implemented in efficiency assessment of the work of public administration, but mainly the **measuring of the results (benefits)** obtained assessing the cost efficiency of investments and using other assessment methods commensurable with the private sector. They shall be supplemented with the measurements of regular satisfaction of inhabitants with the services provided by the public administration.
- (472) “*Latvija 2030*” **indicators** have a significant meaning in the measuring of results (benefits), which reflect progression to the specified long-term objectives. The strategy indicators mark the most important development aspects in order to inform the society in a clear form regarding the progress in particular development directions, allowing everybody to join the discussion with understanding, assess the correctness of the selected priorities, as well as to link the expected results with responsibility for the implementation of strategic tasks.

Implementation Model



Indicators

Strategic Indicators of “Latvija2030”

	From	2030	Source, year
Number of inhabitants (mill.)	2.26	>2.02	CSB, 2009
Gini coefficient	38	<30	Eurostat, 2008
GDP per inhabitant per year (EUR according to purchasing power parity)	14000	>27000	Eurostat, 2008
Regional differences of GDP per inhabitant - dispersion of regional GDP per inhabitant (%)	46.8	<30	Eurostat, 2006
Ecological footprint (ha per inhabitant)	3.5	<2.5	GFN, 2008
Human development index (place in the world)	48	<30	UNO, 2007
Global competitiveness index (place in the world)	68	<40	WEF, 2009/10

Indicators of “Latvija2030”

1 Development of Culture Space

Number of culture events attended per year (per 100 inhabitants)	181.7	>250	MoC, 2008
Export proportion of creative industries from the total national export (%)	0.73	3	CSB, 2008
Number of movies – full-length and short – produced in Latvia per year	46	>100	CSB, 2008
Number of publications of Latvian original literature per year	1522	>2500	MoC, 2008
Number of participants of amateur art collectives per year (per 100 inhabitants)	2.7	>3,5	MoC, 2008
Proportion of inhabitants whose native language is Latvian and inhabitants whose native language is not Latvian, but who are proficient in Latvian from all inhabitants of Latvia (%)	79	100	MoRDLG, CSB, 2000

2 Investments in Human Capital

Poverty risk index (according to social transfers)	26	<16	Eurostat, 2008
Labour productivity (GDP according to PPPS per one worker % of the average EU level)	51.3	>95	Eurostat, 2008
Average life expectancy of newborn infants – men	67.2	>75	Eurostat, 2008
Average life expectancy of newborn infants – women	77.9	>82	Eurostat, 2008
Summary coefficient of birth rate	1.45	>1,6	Eurostat, 2008
Number of persons who have died from external causes of death per year (per 100 000 inhabitants)	107.9	<48	Eurostat, 2008
Demographic dependence of age (% of inhabitants above the working-age in relation to inhabitants in working-age 15-64)	24.9	<30	Eurostat, 2008

3 Change of Paradigm in Education

Number of children in pre-school institutions (ISECED 0) at the age of 4 (% of the total number of children)	76	>95	Eurostat, 2007
Participation of inhabitants (from 25-64 of age) in adult education (% from all inhabitants of the relevant age)	6.8	>14	Eurostat, 2008
Proportion of persons who left school before time	15.5	<10	Eurostat, 2008
Proportion of foreign students in institutions of higher education (% at the beginning of the study year)	1.24	>10	CSB, 2008/09
Proportion of the persons who have acquired higher education in the age group from 30 up to 34 years (%)	27	>40	Eurostat, 2008

4 Innovative and Eco-efficient Economy

Balance of external trade (export-import, bill. EUR per year)	-4.04	>0	Eurostat, 2008
Energy dependence – net import of energy resources/gross domestic energy consumption plus bunkering (%)	61.5	<50	Eurostat, 2007
Expenditure for research and development from GDP per year (%)	0.61	>3	Eurostat, 2008
Energy intensity in economics – gross domestic energy consumption against GDP (kg of petroleum equivalent per 1000 EUR from GDP)	306.60	<150	Eurostat, 2007
Proportion of export of high technology sectors from total annual export	4.25	>15	Eurostat, 2006
Proportion of RER from gross domestic energy consumption (%)	29.7	>50	Eurostat, 2007
Turnover of innovative products (% from total turnover)	3.4	>14	Eurostat, 2007
Proportion of innovative enterprises (% from all enterprises)	19.6	>40	CSB, 2008

5 Nature as Future Capital

Proportion of recycled waste (% from the collected waste per year)	34	>80	CSB, 2008
Productivity of use of natural resources (EUR/ton of resources)	520	>1550	Eurostat, 2005
Greenhouse gas emissions per year (against amount of emissions per base year) (Kyoto Protocol)	46.6	<45	Eurostat, 2007
Proportion of area of special areas of conservation (% of the state territory)	18	18	LEGMA, 2007
Rural bird index (1999=100)	99.4	>120	Eurostat, 2006
Areas used in biological farming (% from all utilised agricultural land)	9.8	>15	Eurostat, 2007
Forest cover (area of forests, % from the whole state territory)	49.9	55	CSB, 2008
Inflow of nitrogen/phosphorus compounds in surface freshwater bodies (tons per year)	3717/424	<2500/300	LEGMA, 2007

6 Spatial Development Perspective

Proportion of urban/rural inhabitants (%)	67.8/32.2	70/30	CSB, 2009
Motorways with black asphalt from regional state motorways (%)	75.4	100	LSR, 2009
Motorways with black asphalt from local state motorways (%)	19.8	>50	LSR, 2009
Number of foreign tourists who are staying for 4 days and more (mill., per year)	0.4	>1,5	Eurostat, 2008
Proportion of inhabitants of the Riga planning region (% of all state inhabitants)	48.5	<48	MoRDLG, 2009
Freight turnover in ports of Latvia (mill. of tons per year)	63.6	>130	CSB, 2008
Passenger circulation in public transport (mill. of passenger kilometres of scheduled traffic buses per year)	2487	>2850	CSB, 2008
Number of the serviced air traffic passengers in the airport "Riga" (mill., per year)	3.69	>10	CSB, 2008
Passenger circulation in railway transport (mill. passenger kilometres per year)	951	>1150	CSB, 2008
Number of the services passengers in the Riga Port (thous., per year)	503.6	>1500	CSB, 2008

7 Innovative Government and Public Participation

Index of efficiency of state administrative activities (%)	70.1	>95	WB, 2008
Participation of voters in the elections of the <i>Saeima</i> (%)	60.98	>70	CEC, 2006
Participation of voters in the elections of local governments (%)	53.75	>70	CEC, 2009
Individual use of e-government (% of inhabitants in the age of 16 to 74 who have used the Internet during the last three months upon co-operation with state institutions)	16	>80	Eurostat, 2008

Terms and Abbreviations

CEC – Central Election Commission

CIS – Commonwealth of Independent States

CSB – Central Statistical Bureau

EU – European Union

EUROSTAT – Statistical Office of the European Communities

GDP – gross domestic product

GFN – international agency “Global Footprint Network”

ICT – information and communication technologies

ISCED – international standardised qualification of education

LEGMA – SLLC “Latvian Environment, Geology and Meteorology Agency” [*Latvijas Vides, ģeoloģijas un meteoroloģijas aģentūra*]

LSR – SC “Latvian State Roads” [*Latvijas Valsts ceļi*]

MoC – Ministry of Culture

NGO – non-governmental organisations

PPPS – purchasing power parity standard

R&D – research and development

RER – renewable energy resources

SBSR – EU Strategy for the Baltic Sea Region

SME – small and medium enterprises

TEN-T – Trans-European Transport Network

UAA – utilised agricultural area

UCTE – Union for the Co-ordination of Electricity Transmission

UNESCO – United Nations Educational, Scientific and Cultural Organization

UNO – United Nations Organization

USA – United States of America

VASAB – Vision and Strategies around the Baltic Sea

WB – World Bank

WEF – World Economic Forum

- Absolute poverty** – a situation where the basic needs of a human being, including the need for food, drinking water, sanitary living conditions, health, shelter, education and information, are not satisfied for extended periods of time.
- Accessibility** – refers to the level of easiness to reach final destinations. In addition to physical accessibility, using transport infrastructure, interconnectivity via modern telecommunications system promotes the intangible accessibility of territories. Accessibility depends on the transport infrastructure and the distribution and quality of services.
- Active ageing** – continuation of public activities (including paid employment, participation in public organisations, active recreation etc.) after reaching the age of retirement.
- Agglomeration (in planning)** – a highly urbanised territory, which most frequently consists of the centre of the territory – one or several large cities – and cities and rural centres of the adjacent territory, which have close mutual relations. The boundary thereof is determined by intensity of the mobility, commuting of inhabitants and services.
- Biogas** – fuel gas, which is obtained from biomass and/or biodegradable waste fractions and which may be cleaned, until the quality thereof is equal to the quality of natural gas that is used as biogas fuel.
- Biological diversity** – variety of living organisms in all environments, including dry land, sea and other aquatic ecosystems and ecological complexes, of which they are part. It includes diversity within the scope of a species, among species and among ecosystems.
- Biomass** – a resource of organic origin, the energy of which is transformed in heat, mechanical and electrical energy in the result of chemical conversion.
- Bunkering** – supplying a ship with fuel.
- Change of paradigm** – fundamental change in the views of individual persons or the groups of the society.
- Citizens' panel** – a form of discussions with an objective to find out the public opinion if all interested parties would be informed regarding the opinion and arguments of other parties.
- Cluster** – a co-operation network of merchants, research, educational and other related institutions, which operates in a specific sector of national economy or in interconnected sectors, use related technologies and labour force resources of similar profile, consist of legally independent merchants that are mutually competing and concurrently implement mutual co-operation.
- Cogeneration** – concurrent production of electricity and heat energy in a single thermodynamic cycle, using one type of heating fuel.
- Competence centre** – a centre, which has been established upon co-operation of one or several merchants with laboratories of institutions of higher education or research laboratories, studies of which are used for the creation of new requested knowledge and intellectual values that can be commercialised.
- Coupon system** – a system, within the framework of which part of the budgetary financing provided for a particular area is attracted to coupons, which are distributed to all citizens. Each citizen may consecutively choose to what he or she wishes to direct his or her coupons and thus – the financing attracted thereto.
- Creative activity** – human activity, which results in the creation of new and original material and spiritual values of ideas in good quality. Spiritual work where unusual, original relationship between surrounding objects, phenomena, ideas, facts etc. are noticed and developed.

- Creative capital** – creative people who create new ideas, technologies, content, products and services, as well as advanced technologies.
- Creativity** – an inherited and developed property of an individual, an ability to create original and new images. Creative action helps to discover new opportunities and forms for the best models of living together and activities, to adapt to new conditions and to alter existence, using creative imagination and initiative. Creativity refers not only to the creation of new art objects or styles, but also to the solving of problems in any possible area.
- Cultural education** – a component of the educational system, which encompasses not only vocational education of all levels (basic, secondary and higher) in cultural sectors and further education opportunities for specialists, but also general education in cultural sectors, development of any creative talent in the perspective of further education.
- Culture capital** – tangible and intangible cultural values inherited from previous generations and newly created, which upon purposeful and creative application may create and do create new economic social and cultural values.
- Culture space** – a foundation uniting the society of Latvia, which is characterised by the identity of the nation, which has emerged during historical development of Latvia and the core of which is the Latvian language and the values created by Latvians and other nations living in Latvia, as well as Latvian diaspora. The social environment and the public life order of the culture space are created by concepts and traditions, which are common for the society at large. Actions, achievements and ideas of individuals are equally important in the network of traditions of the culture space.
- Demographical load** – statistical indicators characterising the proportion of children and inhabitants in retirement age in relation to inhabitants in working age.
- Depopulation** – reduction in the number of inhabitants.
- Development centre** – territory where the resources (including human resources) and social and economic activities are concentrated and which promotes the development of the neighbouring territory.
- Dispersion** – indicator, which is used in statistics as an intermediate stage in the determination of standard deviation and selection of inductive statistical methods. The arithmetic mean of the selection has a significant role in the calculation thereof.
- Eco-efficiency** – relation between the development of sectors, the consumption of resources and the environmental pollution caused. Indicators of eco-efficiency allow tracking how the acquisition and consumption of resources affects the development of sector and the loads caused in the environment. Increase of eco-efficiency may be achieved by more efficient use of resources, i.e., introducing innovations in the use of resources and labour force, as well as substituting capital- and resource-intensive products and services with labour-intensive ones.
- Eco-efficient economy** – economy aimed towards the preservation of the environment, for example, by reducing emissions of harmful substances resulting from production in waste, replacing harmful substances with harmless substances, ensuring continuous circulation of materials, which ensures that substances do not lose their raw material value.
- Ecological footprint** – a land and water area expressed in hectares, which is necessary in order to ensure long-term survival of any economy or population in specific living standards.
- Economic capital** – all resources, for example, labour force, equipment and raw materials, which create economic value.

Ecosystem – a group of living organisms present in a specific territory, which are mutually related by similar requirements for organic (abiotic) environmental conditions, symbiosis, food chains etc. relations.

Ecosystem services – a set of resources and processes, which is ensured by natural ecosystems and are divided into four groups: provisioning (for example, food substances and drinking water), regulating (climate and disease control), supporting (nutrient cycling, seed dispersal), cultural (spiritual and recreational).

Energy safety – ensuring the amounts of energy necessary for the operation of the state and economy, by reducing the threats of discontinuation in the supply of energy import and technological risks.

Globalisation – modern global development trend, which is related to economic, social, technological, political etc. changes, in the result of which most states and regions of the world become more closely related and also inter-dependent. This process includes increasing flow of goods, services, capital and inhabitants among states.

“Green” economy – a concept of interdependence of economy and natural ecosystems (for example, consequences – climate changes and global warming). “Green” economy includes the production of energy based on renewable energy resources by substituting fossil sources, as well as efficient use of this energy.

Human capital – average stock of the talents and abilities of inhabitants multiplied by the number of economically active people.

Incubator – an organisation, which promotes the creation of new and successful enterprises, providing them with the necessary support: premises, business support services etc.

Infrastructure – component of the territorial structure of national economy, which is formed by the transport, communications, trade, energy and water management system, as well as dwellings, schools, objects of health protection, culture, sports and other objects for care of inhabitants and their arrangement in any territory.

Innovation – a process, in which new scientific, technical, social, cultural and other ideas, developments and technologies are implemented in a competitive product or service that is demanded in the market.

Integrated planning – a process, which involves different administrative levels and different sectors of the society and economy in special planning activities, in opposition to sectoral planning. Integrated planning is the focal point for institutional initiatives and attraction of the relevant resources. Within the context of integrated or in-depth planning, economic, social, ecological and cultural factors are joined and combined in order to provide proposals for decisions in relation to the use of territories and infrastructure with the purpose to promote sustainable spatial development.

Kyoto Protocol – the United Nations Framework Convention on Climate Change.

Labour productivity – indicator of labour efficiency — the amount of the production produced in a specific period (year) per one person employed in the state or in an enterprise. It depends on the capacity for work of employees (physical and mental abilities, health, qualification, experience, age etc.), their willingness to work (creative attitude towards work and other stimulating conditions), their being equipped with work tools (modern machinery and technological equipment, instruments, arrangement of the working place etc.).

Landscape – territory in such meaning as perceived by people and which has emerged in the result of natural and/or human activities and interaction. Landscape is both, a physio-geographical

complex and a set of historically inherited traditions, conventions and aesthetical properties, a cultural heritage, which has a specific structure and functions.

Lifelong education – educational process throughout the life of a person, which is based on changeable needs to acquire knowledge, skills, experience in order to improve or change one's qualification according to the requirements of the labour market, one's interests and needs. Lifelong education unites informal and formal education, develops natural skills concurrently with new competences.

Mentors – experienced managers, entrepreneurs, professional experts in different sectors who act as advisors.

Metropolis – large cities with good access and people-friendly environment. Metropolis is a state or regional economic, political and cultural centre and is an important component of international communications.

Nature capital – the aggregate of elements of the ecosystem, which creates and maintains the services and products of the ecosystem valuable for existence of the mankind.

Paradigm – clear assumptions and perception of individuals or the groups of the society regarding different global events. Systemic paradigm helps to perceive phenomena and events in dynamic interconnection thereof.

Park & ride – a system of car parking and switching vehicles, which provides for the connection of car parks with the public transport network in order to ensure more complete use of the public transport and relieve the traffic flow in the city centre.

Polycentric spatial structure – refers to the morphology of the settlement system. It assumes that a plurality of urban agglomerations of similar size exist at the various levels of the urban hierarchy, as opposed to situations where a single large urban centre dominates each level and even eliminates the presence of intermediary levels. The principle of polycentric spatial structure and development can be applied at the various geographical scales, from the European to the regional one.

Principle of subsidiarity – each decision should be taken as closely as possible to those to whom this decision applies.

Public (state) administration – an aggregate of institutions of direct and mediated national, regional and local administrative level. The mission of public administration is to serve the society, to satisfy its needs and to ensure the development of the state by implementing the national policy in accordance with the law, professional standards and the principles of democratic government.

Regional positioning – the creation of competitive advantages and identity within regional framework.

Relative poverty – situation where the living conditions of a person are comparatively worse than the living conditions of the remaining society. Temporary poverty is a situation where a person finds himself or herself in absolute or relative poverty.

Remote working – employment relationship where an employee performs his or her duties without being physically present at the working place, but using information and communication technologies.

Renewable energy sources – energy sources, which may theoretically exist indefinitely because they restore themselves in natural process. They include solar energy, wind energy, falling and flowing water energy, biomass, geothermal energy etc.

- Revitalisation** – functional activation of an ancient building complex or territory, adapting it to a new public function.
- Silver economy** – a concept of economy (type), which, upon changes in the demographic structure and increase in the number of elderly people, considers this group as potential consumers, creating new types of services and goods, thus also increasing the economic growth and improving the quality of life of elderly inhabitants.
- Social capital** – informal social links and networks existing among the members of the society. Social capital is characterised not only by the existence or non-existence of social links and networks, but also by the level of mutual trust, the quality of co-operation and the mutuality.
- Spatial capital** – spatial diversity and availability, which creates economic, social, cultural and environmental values.
- Spatial development** – evolution of territories in all dimensions thereof (economic, social, environmental and physical).
- Spatial planning** – includes methods, which are used by the public sector in order to influence the distribution of people and their activities in different levels, as well as the placement of nature, recreational territories and infrastructure of different types.
- Strategy** – a comprehensive and complex action plan or programme for a longer period of time, in which basic objectives are set forward and the main means for achievement thereof are indicated. On the basis thereof more detailed short-term plans (tactic) are developed.
- Structure of settlement** – a stable aggregate of the mutual layout and links of the different spatial elements to be distinguished in the settlement, which can ensure the entirety of the distribution of population and the preservation of the essential properties thereof, also upon taking place of internal and external changes.
- Sustainable development** – integrated and balanced development of social welfare, environment and economy, which satisfies present social and economic needs of inhabitants and ensure the conformity with environmental requirements, without endangering the possibility to satisfy the needs of future generations, as well as ensures the preservation of the biological diversity.
- Synergy** – includes technical, economic and managerial elements. In technical sense, synergy is a mutually advantageous combination of different elements. In economic aspect, it means an increase in the value of assets or conditional economy of costs of the amount. In managerial sense, synergy means forming of connection between individual resources or rationalisation of the existing organisation in order to increase efficiency.
- Tolerance** – toleration towards other views, faith, traditions.
- Transnational** – means international co-operation between organisations and enterprises in several states.
- Urbanisation** – long-term socio-economic process, which is characterised by concentration of inhabitants and production in cities, increase in the proportion of city inhabitants and the development of the territories of the cities themselves; process, which results in change from rural way of life of the society to city way of life, distribution of urban way of life.