

A growth model for Latvia

People First

This document presents a human-centred growth model for Latvia. The main resource for growth is the knowledge and wisdom of Latvia's inhabitants, and the ability of each individual to make use of this resource. The creation, enlargement and sharing of this resource requires immediate investment. Raising the quality of life in every aspect for each individual is the main goal of growth. The collective knowledge of the people must be used to achieve this. In achieving this goal we must make use of coordinated and balanced development of each aspect of life, taking into account the unity of activities and the expansion these activities beyond frameworks of individual sectors, institutions, formal state structures and across borders. Latvia must also link this process with partner countries. Priorities must be set for long-term tasks which require coordinated activities between many sectors and which are essential in order to fulfil the goals of the growth model. The detailed development programs for various sectors and growth directions must foresee concrete criteria, actions and instruments in order to achieve the goals.

Latvia has achieved a great deal since it restored independence in 1990. In less than 15 years it has established a stable democratic system, and a fully functional, liberal and open economy. Latvia has also successfully integrated into international structures.

Its achievements, however, have been centred on the most immediate needs of the country and overall development has been insufficiently consistent and coordinated. Frequent government changes have thwarted attempts to develop, inherit and implement long-term strategic goals. Concepts and programs in various sectors have not been linked, balanced and co-ordinated, and thus have not been efficient during their implementation. Latvia ranks last, or close to last, among EU Member States in a number of classifications.

When looking at Latvia's further development as an EU Member State, there are several possible scenarios:

- the backwardness scenario – the process remains uncoordinated; as the base level increases, the tempo of development starts to decline rapidly, leading to social tensions and greater dissonance in society; it becomes more difficult to pursue future goals; Latvia becomes a second-class EU Member State;
- the stagnation scenario – the development process adapts to those moving ahead the slowest; the present generation fails to achieve an average standard of living among EU Member States and people lose faith in activities based on long-term investment; education becomes a lower priority;
- the growth scenario – steady and rapid development that is balanced and coordinated at all levels and in all sectors; we maximize our comparative advantages, harmonize our priorities and focus our activities on a single, unified vision for the development of Latvia.

The basis of the growth model – a human-centred approach

Only the *growth scenario* will ensure rapid and stable movement toward the average standard of living in the European Union – something that would satisfy the natural desires and interests of every individual and all strata of society. This will, in turn, also serve Latvia's national interests. This can be achieved if we define long-term development goals for the

country which correspond to our existing resources. We must co-ordinate all strategic, economic, political and social activities in a way that instils public confidence in the prospects of growth and development. This document outlines an integrated growth model for Latvia over the next 20 – 30 years in the context of global development.

The growth scenario is possible to implement if all residents are motivated, united and ready to cooperate in pursuit of the agreed-upon goals. This, in turn, will strengthen social confidence in the real prospects and possibilities of future growth. For this reason, this growth model puts the person first – Latvia’s inhabitants. Individual interests, desires and activities are the priorities which serve as the model’s core idea – *a human-centred approach*.

A resource for growth: knowledge, wisdom and the ability to use them

Latvia’s natural resources will never serve as a long-term foundation for the country’s growth. Even the country’s forest resources offer limited benefits. Large economies could tend to emphasise the development of many, mutually linked sectors. A cheap labour force certainly cannot be seen as a basis for the further enhancement of the standard of living. Extreme types of development – e.g., becoming a haven for offshore companies – are impermissible for a European Union Member State.

The most important our resource to achieve a standard of living typical among the world’s most developed countries for society and any individual is *people - their level of knowledge and wisdom*, and their ability to put this knowledge to use. In such a growth model, knowledge is the driving force behind the quality of the labour force, the use of capital and the development of technologies. In total it determines efficiency of the model and promotes growth. An educated and knowledgeable society serves as a guarantee for a country’s domestic and external security. Knowledge management, co-ordinated and targeted creation, accumulation, sharing and utilisation of knowledge – these are the complex processes which serve as the cornerstone of economic and social life involving all society.

The knowledge potential of Latvia’s residents is sufficient to handle these functions, but requires immediate coordinated actions in order to be properly used and developed. Other countries may have the option of several developmental paths and choose between them. Latvia has no other alternatives. Any further delay could lead to irreversible consequences.

The goal – a steadily increasing quality of life

Establishing knowledge as the decisive resource means that the growth resource is distributed within each person’s head – that every resident of the country is a shareholder in the common state resource, that human beings, as the creators and carriers of knowledge, are and will increasingly be the most important value in our country. People become the primary driving force and asset for growth, which will determine how all economic, political and social activities are implemented. The creation of equal opportunities for all and the promotion of each individual’s responsibility to make use of these opportunities are principles that serve as the cornerstone for all processes and activities that are aimed at ongoing development.

The effective utilization of this knowledge resource means that each person, each individual knowledge carrier must have a personal interest in their own knowledge level and its

potential. This also requires a goal of growth that is easily understandable for everyone, and encompasses goals and tasks that coincide with each person's interests.

By concentrating the most important human desires, *as the goal of growth is nominated the raising the quality of life* in the broadest sense – through a higher level of welfare, security for individuals and their extended families, and a better future for their children and grandchildren. Individual interests and value's priorities, of course, are diverse, subjective and deeply personal, and produce differing opinions about what a good and happy life consists of. Values and interests also change as people grow older. But the most important desires are centred on the vitally essential factors of *welfare, security and sustainability*.

Such a goal creates an integral unity between our resources and the goal, which in itself becomes a precondition for growth, which is extremely important because of choice the knowledge as the growth resource. Choosing a higher quality of life as a growth goal, each individual becomes motivated and stimulated to undertake active work toward the realisation of the goal. The deeply human desire to want a better life and to see the quality of that life grow is a priority for the individual and, by extension, all of society. The individual's quality of life merges with that of the entire nation. Both internal and external aspects of this process lead to the emergence of national interests as a whole.

Quality of life – multi-dimensional aspects

Welfare is an issue of primary importance in Latvia. Material welfare is closely linked to other aspects that form the overall level of someone's true welfare. If the welfare of societies and individuals is to be enhanced, government policies and aid must be merged with each individual's desire to live a better life, as well as that individual's understanding of what needs to be done to achieve a better life.

Historically, the issue of *security* in Latvia has been shaped by the country's strategic and geopolitical situation, and various internal factors. Latvia's location in the economically active and politically significant Baltic Sea region creates not just advantages, but also risks for Latvia as a whole, and for each of its residents. Both domestic and external risks attract resources and hinder development in areas where sustainable processes are important. This means that there must be a constant survey of potential risks which might hinder growth. Their effect must be minimised.

Sustainability must be the lifestyle of this generation, in order that future generations can exist and develop. Balanced development throughout Latvia is a mandatory component in the country's long-term growth model. The rapid increase in growth achieved today is only beginning to stabilise the situation, but there are still many problems which must be resolved if sustainable development is to be guaranteed. Only sustainable development will help to ensure a reduction in the gap between Latvia's standard of living and that of EU Member States in absolute figures.

Seeing the level of welfare and security, the sustainability of growth processes and, by extension, the overall and high level of quality of life that can be achieved for Latvia's residents as a multi-dimensional concept, number of closely linked aspects must be taken into account, including:

- possession of information;
- education;
- creativity, R&D, innovation and the ability to develop and use new ideas;
- employment;
- material welfare;
- environmental protection;
- efficient use of material and energy resources;
- infrastructure services – supply of electricity, gas, heating, water; electronic communications, postage, transportation and waster removal services;
- balanced regional development;
- human resources;
- health;
- social security;
- household;
- the family;
- cohesion of society;
- higher level of democracy;
- lawfulness;
- physical security;
- privacy;
- modernization of governance, user-friendly public services;
- foreign relations;
- openness;
- inclusion, the importance of the self;
- growth stability;
- preservation of Latvia's identity;
- culture;
- development of the Latvian language and its full functionality;
- leisure time.

Basic principle of the growth strategy – unified activities

All of the aforementioned aspects must be enhanced in pursuit of a higher quality of life for people. The overall level is critically dependent on those aspects which have not yet been sufficiently developed. The principles of *unified actions, co-ordination and balance* must be strictly adhered to. Only if all of the aspects are improved in an even and balanced way will there be optimal increases in the quality of life. No aspect must be ignored, even in separate developmental stages. Over development and excessive resource allocation to any one sector does little to raise overall quality of life.

All of the steps that are to be taken and the utility of each step must be assessed with an awareness of their effect on each aspect. They must have a positive influence on other aspects, so as to achieve the effect of synergy. Harmonised and support activities must be performed

to develop also mutually interlinked aspects, and contradictions must be eliminated. The development of one aspect must never occur at the expense of others or even replace others.

Latvia's growth model must be pursued within the global network of countries. Latvia will not achieve much if it is isolated, since global processes cannot be significantly affected by a small country. When it comes to co-operation with partner countries, the main principle for Latvia must be the use of our strengths and opportunities while minimising threats and weaknesses. Each action must be assessed in the global context, achieving agreement with related activities in partner countries.

Growth in Latvia is, all in all, a part of a vast *networking* – all aspects and activities are mutually linked within the country, while Latvia, as a country, is included in a global network where its activities are linked with those of similar in other countries.

Success in this situation will be impossible if each sector is isolated from others and restricted within the sectoral framework and borders of Latvia. We must ensure that each activity is expanded beyond the framework of the relevant aspect of quality of life, beyond the frameworks of the sector and the branch, beyond the formal boundaries of the state. In a networked co-operation model we must pursue the strategic *principle of boundary spanning*. We must seek out the relevant instruments – dissemination of knowledge beyond the frameworks, boundaries and frontiers of the institution, the sector and the state, inter-sectoral co-operation and co-ordination, including informal partnership mechanisms.

This requires unity of all actions and the realisation of active co-operation principles, changing the essence of the frameworks and boundaries to make them softer, more transparent and more porous, enhancing the activity of operations in border regions in particular. Activities in various environments, in various segments of society, in various systems, cultures and languages are of decisive importance in growth.

Implementation of the growth model: co-operation and priorities

Using the strategic foundation of this document, and considering all aspects of a common and unified goal for the future, ministries and other government institutions, in co-operation with professional associations and non-governmental organisations, must draft and implement detailed strategic concepts, programmes and plans for the development of the various sectors and growth paths. They must define concrete criteria, actions and instruments that are necessary to achieve the goals set out in this document.

All programmes and concepts must be aimed at a *unified strategic direction*. They must supplement one another in a way that promotes the implementation of the growth model proposed in this document, and enhances the increasing quality of life of local residents. We must firmly adhere to the principle of networking between all activities and partners, in a way that promotes the equality of partners, protection of the interests of minorities, respect for the rights of the majority, and the impermissibility of conflict. While developing each aspect, some independence of actions may have to be sacrificed in order to promote movement toward the common goal.

In drafting and implementing any development programme and concept, we must take into account the boundary spanning principles which are defined in this document. The most important of those are: a comprehensive grasp of the full developmental process, the taking of active and pre-emptive steps, the integration and co-ordination of all strategic activities, openness, the division of management, independent, functionally relevant implementation, and innovative approach.

In implementing the growth model, there are several *priority long-term tasks* that must be pursued at once:

- because of limited material and human resources, we must define unified knowledge priorities in such areas as the economy, education, R&D, and innovation, which derive from Latvia's comparative advantages; we must develop and authorize all necessary normative, financial, institutional and other support instruments which will enable us to concentrate and maximize available resources;
- to make better use of our comparative advantages, we must take a series of steps to improve the education system; this will reduce existing knowledge asymmetries between individuals; each person must be guaranteed a secondary education, while the opportunity to achieve a quality higher education - academic or professional - must be ensured for one and all; the training of specialists of higher skills (master's degree and doctoral degree) must be expanded significantly, and the proportion of technical and natural sciences programmes must be increased at all levels of the education system;
- in order to expand human resources, steps must be taken in mutually related directions – health protection and treatment, expanding one's physical and working life, an increased birth rate, optimisation of social programmes, and reductions in tensions in society;
- in order to enhance each individual's economic, political and social activities, we must ensure general access to information, increase the role of lower-level employees in independent work, and promote the participation of all local residents in economic, social, cultural and political processes; this will enhance their motivation to work, increase psychological self-worth of each individual, strengthen the cohesion of society and enhance the ability solve one's own problems;
- foreign relations must be a logical extension of domestic policy, linked to the country's unified growth model, merging political aspects with economic, security, scientific, cultural, social, ecological and other aspects, and making extensive use of active public diplomacy.

We must encourage vigorous and co-ordinated activities, as well as harmonised and interested co-operation between administration, business and the population at large. All strata of society must work in concert to achieve common goals, in order to build confidence in the prospects of future growth, so that society will support politicians and civil harmony and co-operation will form throughout the country. The management, co-ordination and balancing of all strategic concepts, programmes and activities must be the responsibility of the Cabinet of Ministers, ensuring they are in accordance with baselines that are set out in this document.