

Conclusion

There are many urgent tasks in human development. They require concrete action by concrete “social actors.” The responsibility for these tasks is borne not only by the state, but also by each individual and by the organizations making up civil society and the private sector. For this reason the **Report** has examined “the main players” – the individual, the state, and the private sector – and analyzed how to promote their harmonious interaction and joint efforts to achieve the goals of human development. Co-operation requires initiative, resolve, and effort, but it is possible and is becoming increasingly widespread. Significant social actors in Latvia are getting involved in joint efforts to promote human development. There are many positive examples:

- individuals and households;
- NGOs and community groups;
- businesses and business organizations;
- national and local government agencies.

The working group hopes that the **Report** will encourage debate about the possibilities for social partnership and wide-ranging co-operation. Collective strategies counterbalance capitalism’s individualistic incentives and extend the horizon of sustainable choice. For this reason the **Report** analyzes concrete partnership mechanisms and the “technologies of co-operation.”

Promoting the idea of sustainable human development, the **Report** also draws attention to the moral dimensions of development. As emphasized in the Introduction, for human development to be sustainable it must broaden and equalize people’s opportunities, allowing these opportunities to be shared with others and fully preserved for future generations. These preconditions of sustainability do not come into being on their own. They demand moral conviction, intellectual and financial effort, responsible policy, and skillful implementation on the part of every social partner. Without these qualities all talk of human development is nothing more than a veil of words thrown over the gloomy face of inequality and poverty.

Fostering human development means taking care of the long-term interests of the nation while taking into consideration the trends of global development. But it also means really helping those who need assistance today. As John Kenneth Galbraith wrote in the **1998 Global Human Development Report**, as people and countries become richer, they increasingly tend to ignore the poor. The rich and successful start explaining their superiority by claiming that the poor themselves are to blame for their poverty. This is a dangerous mental rift which calls forth social inequality. People in Latvia should also avoid saying that social stratification is “a normal phenomenon.” Egotism and indifference to the disadvantaged are incompatible with the principles of sustainable human development.

In writing this **Report**, the authors were helped immensely by the high standards of expertise established by previous **Reports**, their user-friendly style, and the reputation they have earned among various groups of Latvian society and its international partners. The working group has endeavoured to continue these traditions, carrying out quantitative and qualitative analyses and reviewing a mass of statistical information and the latest sociological studies. Like last year’s **Report**, each chapter in this **Report** contains a number of policy recommendations. These are aimed not only at government, but also at NGOs, the private sector, and the media. It is to be hoped that the policy recommendations from each chapter, which are reiterated below, will spur wide-ranging discussion and the adoption of practical measures for the advancement of sustainable human development in Latvia.

Recommendations

Chapter 1, Economic Growth and Human Development

- In the next few years investments funded by the state budget should be increased to at least 2.5%

of GDP and 7% of the state budget.

- The social insurance system should be further improved so that it is acceptable to the majority of the population and functions well in the market economy. Extensive information and explanations should be provided about the pension reform so that people clearly understand how their pensions will be calculated when they retire. Such explanations should promote the responsible participation of the public in the social insurance system and create trust in the role and services of the private sector in the field of social insurance.

- More attention should be paid to preventive health care and to providing the public with information and education about healthy lifestyles.

- The privatization of the large state monopolies should be completed, observing the utmost requirements of openness and transparency.

- When making decisions about the prices and tariffs charged by the large state monopolies for their goods and services, consideration should be given to whether the average residents of Latvia will be able to pay for them without endangering their health and the welfare of their children.

- Under present circumstances, when people's incomes are low and a free market for apartments has yet to be established, special steps should be taken to organize and protect low-income tenants. Co-operatives formed by tenants or by the owners of individual apartments should be encouraged. Rental boards could act as lower courts in rental disputes, providing legal assistance to less well informed tenants.

- Not only legal, but also economic and statistical analysis should be taken into account when drafting legislation affecting the interests of large parts of the population. The groups that would gain and the groups that would lose as a result of the proposed changes should be identified. Special care should be taken to prevent such changes from causing further stratification. If necessary, corrective measures should be adopted.

- Social care and rehabilitation requires considerable funds, which come from the taxpayers. At present most people expect the state to provide a wider range of social services than is possible, given today's limited budget. Therefore, co-operation between the state, the individual, and the private sector should be developed. The private sector should be encouraged to become more actively involved in the provision of social insurance and social services.

- The complexity of the system of social assistance results in the inefficient use of funds. In order for the social assistance sector to develop more successfully, expenditures should be streamlined by developing alternative types of care, such as care at home, guardianship, foster homes, and day-care centres. The

private sector should be encouraged to become involved in providing social assistance, thus expanding the market for services and developing competition. However, the state and municipal governments should retain control over the quality of the services transferred to the private sector or to NGOs.

Chapter 2, The Individual and the State: Building Bridges, Overcoming Mistrust

- The role of the state in the development of individual competitiveness and human resources must become pro-active and significantly larger. Every government programme, regardless of whether it is a part of rural, regional, industrial, employment, or anti-poverty policy, should include more projects to develop human resources through information, education, the strengthening of social ties, and support for local initiative.

- An anti-poverty programme should be drawn up and implemented without delay. Particular attention should be devoted to the development of human resources and to the education, training, and social mobilization of those suffering from poverty. The widest possible use should be made of the opportunities provided by NGOs.

- Both national and local administration should be capable and effective. To achieve this, the following principles should be observed: 1) in all cases political decisions should be *responsible*, striving for the maximum good of society as a whole; 2) national and local institutions should handle public resources and public expenditures *accurately and honestly*; 3) politicians and civil servants should *account* for their actions to the public, and institutionalized procedures should be established, determining how these *accounts* are to be presented and how the public can demand accountability from politicians, civil servants, and national and local government agencies; 4) administration should be *transparent* and the public should have free access to information on the decisions and the actions of the national and local government agencies and of other public organizations.

- Future reforms of the civil service should include the transfer to NGOs or to the private sector of those functions for which they are better suited than the state. The functions of civil servants and of state institutions as well as standards of responsibility and quality should be more clearly defined.

- Clear procedures for conducting business with the public should be drawn up for national and local government agencies. Standards defining the quality of service should be drawn up and made known to both civil servants and the public.

- A new system for remunerating civil servants should be developed in order to attract highly quali-

fied professionals to the civil service and to make them more performance oriented. To achieve this, the level of remuneration should be tied to performance and results.

- In the process of reforming the civil service, the Regulations on the Delegation of the Functions of the State Administration to Authorized Institutions, issued by the Cabinet of Ministers, should be implemented with care. Active measures should be taken to avoid the wholesale exclusion of various state agencies from the civil service system.

- The Bureau of Public Administration Reform should conduct special studies on the delegation of functions to determine whether they take place at the initiative of the state or of the relevant NGO.

- Local governments should actively co-operate with the national government in developing every level of local government into a “one stop” agency.

- The Law on the Organization of the Cabinet of Ministers should be improved by making the participation of NGOs and the private sector in the drafting of legislation and regulations obligatory. There should be well-defined procedures for consulting these organizations and allowing any organization to follow and participate in the development of draft laws and regulations.

- Procedures and institutions should be established allowing NGOs to participate in the negotiations on joining the EU.

- The laws regulating NGO activities should be optimized, a process which should not be limited to the drafting of a law regulating charitable contributions. NGOs should be legally classified according to: 1) whether they are associations, or foundations handling financial resources; and 2) whether they are public benefit organizations or mutual benefit organizations. At present it is not possible to change the system of taxation to the benefit of NGOs because the Ministry of Finance cannot differentiate between those organizations which should be entitled to tax benefits and those which should not.

- To promote the financial sustainability of NGOs, studies (including pilot projects) should be done on the feasibility of establishing public trust funds, which could be funded by NGOs, individuals and businesses.

- Positive examples of NGO activity should be popularized and new ways should be sought to pass on best practices. One effort in this direction is a joint project of the Union of Local Self-Governments and the NGO Center, aimed at collecting and publicizing such examples by co-operating with the press, radio, and television, by organizing little “market-places of ideas,” and by joint public-relations activities and conferences.

Chapter 3, The Individual, the Private Sector, and the State: A Common Responsibility for the Development of the Labour Market

- Employment policy should embrace projects aimed not only at creating new jobs, but also at developing employability, at improving working conditions, and reducing the work-related stress of those already employed.

- Professional-education programmes should become more diverse and offer broader instruction in a wider range of skills useful in the labour market, thus enhancing graduates’ employability.

- Schools of professional education should develop teaching standards and curricula in closer co-operation with organizations representing employers and particular industries.

- Employers’ associations, trade unions, and the State Employment Service should meet more frequently to discuss ways of helping job seekers find suitable employment and assisting employers in their search for qualified staff.

- Society should pay more attention not only to the problem of increasing employment and decreasing unemployment, but also to maintaining a balance between work and the time devoted to family, health, and education.

- The state should ensure that schoolchildren are not denied an education because of their material circumstances. The number of young people who do not obtain a professional education and the percentage of young people who are expelled from school before graduation should be reduced.

- The administrative system and structure of professional education should be put in order. The fragmentation of the system of professional education and the lack of co-ordination between its various parts and levels should be eliminated.

- By introducing various incentives, businesses should be encouraged to participate in and contribute to the modernization of the professional schools and the practical education of their pupils. Pupils should be given the opportunity to pursue their practical education at potential places of employment and at technologically advanced companies.

- The state should establish stricter control over the quality of higher education to prevent the system from producing negligently prepared specialists.

- Academic institutions should attract and promote young and talented people who are able to combine research with teaching. Those young specialists who have studied and obtained their degrees at Western universities during the nineties should be recruited into Latvian universities. The state and the private sector could establish a joint fund for the purpose of reversing the “brain drain” from Latvia.

- People's efforts to continue their education should be supported. Adult education should be made available to everyone, including rural residents, the disadvantaged, and the socially vulnerable.

- In order to promote the education and retraining of rural residents, it is vitally important that they become more mobile. This could be done by subsidizing transportation costs for those attending training courses. The establishment of a special fund for educational mobility should be considered.

- Special programmes should be prepared that are aimed at the unemployed from risk groups and at helping young people get their start in the world of work.

- Incentives should be provided for businesses that support adult education centres and training courses.

- Those graduates of schools of professional education who are unable to find work after completing their studies should once again be given the right to receive unemployment benefits.

- The media should provide more information on the three-way co-operation between employers, employees, and the government.

- Labour legislation should be adopted incorporating all the norms necessary to ensure equality in the relationship between employers and employees and conforming to international legal norms. An institution for resolving labour disputes such as a Labour Court or a Commission for Labour Disputes should be established.

Chapter 4,

The State and the Private Sector:

Creating a Better Environment for Development

- By continuing to reduce the share of the payroll tax paid by employers, the not uncommon practice in private business of differentiating between *official* pay and *real* pay should be reduced.

- Detailed studies should be carried out of various types, situations, and cultural interpretations of corruption in order to reveal its true nature and to strengthen democracy.

- The risk of corruption in various government agencies should be assessed. An analysis should be made of situations where laws and regulations are subject to arbitrary interpretation. To reduce bureaucratic corruption, clear procedures should be established, defining how state and local agencies interact with businesspeople.

- Public understanding of the functions of the public sphere in a democratic society should be increased. People should become firmly convinced that no compensation, whether monetary or in kind, should be given for public services that are paid for by taxpayers' money and to which the public is entitled by law. NGOs and the press should do more to

publicize the fight against corruption. They should also explain conflicts of interest: what they are and how democratic societies deal with them.

- The strengthening of business organizations creates favourable conditions for relieving public administration of a number of tasks which can be taken over by these organizations. One way to get business associations involved in the drafting and review of legislation and regulations and in the arbitration of disputes is to establish consultative business councils which maintain regular contacts with government institutions.

- The government should be more active in explaining and popularizing what it does to support business activity. Business organizations should be involved in disseminating information about government support projects and in putting them into effect.

- The registration of privately owned real estate should be accelerated by making the State Land Service a "one stop" agency handling all the procedures which at present are dispersed among a number of institutions.

- To increase the private sector's access to credit, the organizations providing credit guarantees and registering collateral should be developed further.

- Serious consideration should be given to the possibility of reducing the number of business activities for which a licence or permit is required. The right to determine which kinds of business activities need to be licensed should be entrusted to the legislature, while the executive branch should only define the procedures for granting licences.

- An effective system of administrative law is necessary to prevent corruption and conflicts between businesses and national and local government agencies. Such legislation should ensure that both individuals and companies have the opportunity to appeal decisions by civil servants or government agencies.

- At present research and technological development are not keeping up with the demands of the market economy. Therefore, scientific research should receive more support from various sources, and co-operation between universities and manufacturers should be improved.

- At present the state lacks administrative capacity to develop and implement programmes for the support of the business sector. It would be useful to establish a separate department or office in the Ministry of Economy that would be responsible for implementing the national programme for small and medium-sized enterprises.

- The mechanisms and implementation of state support should not be evaluated solely on the basis of their short-term financial consequences, without working out their medium- and long-term goals and benefits.