

Foreword

Latvia has made impressive progress in its transition to a market-based economy and a democratic society based on the rule of law. The turnaround in economic performance witnessed since 1996 has continued, with economic growth expected to reach around 4 percent in 1998. The fact that the economy could maintain a comparatively high rate of growth in the face of the financial crisis in Russia testifies to the diversification of economic activity and opening of new markets as well as to prudent macro-economic management and the stabilization of the financial sector in Latvia.

In the realm of politics, democratic institutions, practices, and processes are becoming more firmly imbedded in society. The past year saw another round of open, free, and fair elections to the Saeima (Parliament), the formation of a new coalition government and a national referendum on an issue of crucial importance to Latvia's future development as a socially cohesive society. Reforms were carried out at an impressive pace in central and local administrations and across all sectors of the economy, partly in continuation of efforts to meet the criteria for accession to the European Union. Latvia's progress in this regard has been noted by international observers. The continued growth of the third sector, with NGOs expanding in numbers and increasing their capacity, and the existence of a range of mass media, providing fora for debate and criticism of important issues in society, contributed to the further development of civil society. In a fitting commemoration of the 50th Anniversary of the Universal Declaration of Human Rights, the awareness and defence of human rights were strengthened by debates in the media, training work-shops, and a host of events, seminars, and conferences organized throughout the country by state institutions and NGOs. Latvia's commitment to human rights was expressed in the adoption by the Saeima of a series of amendments to the Satversme (Constitution) placing human rights at the centre of Latvia's constitutional structure.

It is important to note these achievements because Latvia continues to face very serious challenges in terms of **sustainable human development** and **social cohesion**. The previous three **Latvia Human Development Reports** have explored some of the most critical issues from the perspective of human development, that is, from a point of view which analyzes economic performance and social and political reforms from the perspective of their impact on the living standards and **choices** available to the people of Latvia. Thus, the **Latvia Human Development Report 1997** focused on issues of social cohesion and analyzed the increasing gaps in Latvian society between economically active and depressed regions, between rich and poor, and between different ethnic groups. The report put forward policy recommendations on the necessary measures to deal with these inequities, for, if left unattended, they threaten to undermine long-term sustainable economic growth and socially cohesive development. To adopt these recommendations, Latvia can draw on the gains of successive years of economic growth.

This year's **Latvia Human Development Report** explores another dimension, perhaps even a deeper layer of social cohesion in Latvia's transition toward an open society based on market mechanisms and the rule of law. Its focus is **the relationship and interaction between the individual, the state, and the private sector**. The **Report** takes as its starting point the persistent lack of confidence characterizing relations between these key actors, an attitude rooted in Latvia's history, deeply entrenched in mindsets and institutional behavior, and revealed in numerous surveys and opinion polls. Examining both the positive achievements and the set-backs in the relationship between these actors, the **Report** is inspired by a

vision of the productive energies that could be released by a better understanding and general acceptance of their respective roles and responsibilities, permitting them to interact and develop in a harmonious manner. In a sense, this aspect of **democratic governance** is as crucial to the further consolidation and development of democratic society in Latvia as a constitutionally guaranteed political system.

As in previous **Latvia Human Development Reports**, the present **Report**, on the basis of new and independent research, identifies a number of critical issues that need to be addressed. Some of these issues are in sensitive areas such as national legislation, public administration reform, and corruption, but the aim is positive: to stimulate the widest possible debate and to suggest options for future reforms.

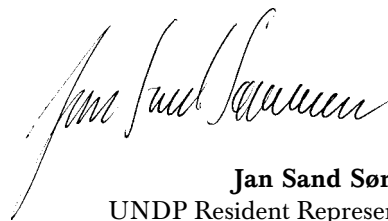
While UNDP Latvia will endeavor to increase the impact of the **Report** by sponsoring a variety of follow-up discussions, I would like to encourage various groups – the media; the Saeima; local government; schools and academia; NGOs; business circles – to examine the **Report** on their own initiative. UNDP will ensure the widest possible dissemination of the **Report**, which will also be accessible through the Internet on UNDP Latvia's homepage (<http://www.undp.riga.lv/un>).

The **Report** is the result of an extensive process of consultation and participation and draws on the most recent available data from the official statistics of the Central Statistical Bureau (CSB), labour force and household surveys, as well as independent research. The process has been a national one, controlled and driven by local experts. Each chapter was prepared by a team of researchers with different professional backgrounds under the guidance of a team leader, and the whole process was led by the Editor in Chief in dialogue with the UNDP Editorial Team. The preparation of the **Report** benefited at different stages from the comments and suggestions of independent readers, enriching it with the knowledge, experience, and perspectives of a large number of people. Thus, the **Report** does not reflect all the views of those involved in preparing it nor necessarily of UNDP or its Executive Board.

I would like to thank all those involved in the preparation of the **Latvia Human Development Report 1998**: in the first place Tālis Tisenkopfs as Editor in Chief, all the individual team members, listed overleaf, and the team leaders for the substantive chapters – Valdis Avotiņš, Juris Krūmiņš, Aivars Tabuns, and Brigita Zepa. Highly appreciated and valuable contributions were provided by Nils Muižnieks, Anita Švarckopfa, Vita Tērauda, as well as by Maarten Keune of the International Labour Organization.

A special word of thanks goes to Andris Bērziņš, Mayor of Riga, Vitālijs Gavrilovs, and a group of representatives from the private sector, including Ingrīda Blūma, Inese Pūkaine, Andris Deniņš, Teodoras Tverijonas, Irina Pētersone, and Iveta Simansone, who participated in a seminar that yielded very important feed-back on Chapters 3 and 4 of the **Report**. I would also like to thank Pauls Raudseps for his comments and for editing the English version. In addition, I would like to recognize Kims Ligers, UNDP Programme Advisor and LHDR project manager, Jūlija Berkoviča, Programme Assistant, together with Mārtiņš Hildebrants, UNDP Programme Manager, and other UNDP Latvia staff members for their contributions and commitment to this and other UNDP activities promoting sustainable human development in Latvia.

Finally, I would like to express my appreciation to the President of Latvia, H.E. Guntis Ulmanis, for his contribution to this year's **Report** and for his unwavering support of the principles and ideals of sustainable human development in general and of UNDP's programmes in Latvia in particular.



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Riga, December 1998