



NATIONAL REFORM PROGRAMME OF LATVIA PROGRESS REPORT 2023

#European semester
#National Reform Programme of Latvia
#Recovery and Resilience Plan of Latvia
#progress
#EU Council's recommendations

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ABBREVIATIONS, MEASUREMENT UNITS, AND SYMBOLS

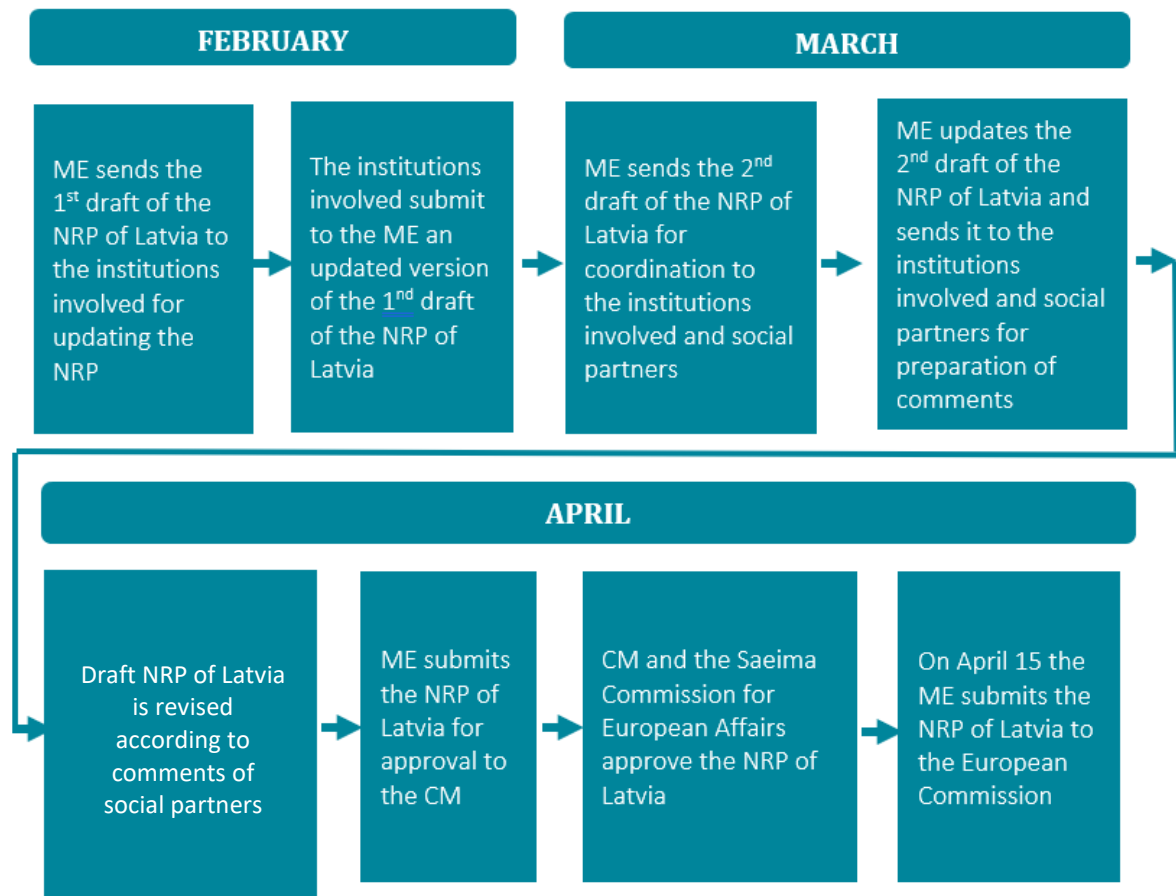
ALTUM	Development Finance Institution	ME	Ministry of Economics
AS	joint stock company	MEPRD	Ministry of Environmental Protection and Regional Development
CAP	Common Agricultural Policy	MES	Ministry of Education and Science
CCUH	Children's Clinical University Hospital	MF	Ministry of Finance
CIT	Corporate income tax	MH	Ministry of Health
CM	Cabinet of Ministers	MoW	Ministry of Welfare
CNPP	Chernobyl nuclear power plant	MW	megawatt
CO ₂	carbon dioxide	MWh	megawatt-hour
COVID-19	coronavirus	NDP2027	<i>National Development Plan 2021-2027</i>
CSB	Central Statistical Bureau	NECP	<i>National Energy and Climate Plan of Latvia 2021-2030</i>
EAFRD	European Agricultural Fund for Rural Development	NFM	Norwegian Financial Mechanism
EAGF	European Agricultural Guarantee Fund	NGO	non-governmental organisation
EC	European Commission	NIP	<i>National Industrial Policy Guidelines 2021-2027</i>
ECL	Employers' Confederation of Latvia	NRP	<i>National Reform Programme</i>
EDG	<i>Education Development Guidelines 2021-2027</i>	OECD PIAAC	Programme for the International Assessment of Adult Competencies of the Organization for Economic Cooperation and Development
EDIC	European Digital Innovation Centre	PEPCI	Programme of European Projects of Common Interest
EIGE	European Institute for Gender Equality	PIT	personal income tax
EMFAF	European Maritime, Fisheries and Aquaculture Fund	PSCUH	Pauls Stradins Clinical University Hospital
EMFF	European Maritime and Fisheries Fund	R&D	research and development
ERDF	European Regional Development Fund	REACT-EU	Recovery Assistance for Cohesion and the Territories of Europe
ESF/ESF+	European Social Fund (ESF+ in 2021-2027)	RECUH	Riga East Clinical University Hospital
ETI	Emissions Trading Instrument	RES	renewable energy sources
EU	European Union	RIS3	<i>Smart Specialisation Strategy of Latvia</i>
FDL	Fiscal Discipline Law	RRF	Recovery and Resilience Facility
GDP	gross domestic product	RSS	Rural Support Service
GHG	greenhouse gas	SDG	Sustainable Development Goal
GRECO	Group of States against Corruption of the Council of Europe	SME	small and medium-sized enterprises
GWh	gigawatt-hour	SMUCSC	State and Municipal Unified Customer Service Centres
GWh/d	gigawatt-hour per day	STEM	science, technology, engineering and mathematics
ha	hectare	t	ton
ICT	information and communication technologies	TWh	terawatt-hour
IDAL	Investment and Development Agency of Latvia	UN	United Nations Organisation
IT	information technologies	VAT	value added tax
km	kilometre		
LLC	limited liability company		
MCE	Ministry of Climate and Energy		

INTRODUCTION

Latvia has prepared the twelfth Progress Report on the Implementation of the National Reform Programme of Latvia¹ (hereinafter – Progress Report on the Implementation of the NRP of Latvia) which is closely linked to the *Stability Programme of Latvia 2023-2026* and the *Recovery and Resilience Facility Plan for Latvia*, as well as the *National Development Plan 2021-2027* (hereinafter – NDP2027) and the Declaration of the Cabinet of Ministers (hereinafter – CM) on intended activities.

In accordance with Articles 121 and 148 of the Treaty on the Functioning of the European Union (EU), the *National Reform Programme of Latvia* (hereinafter – the NRP of Latvia) and the *Stability Programme of Latvia* are a part of an economic policy coordination and surveillance mechanism at the EU level (within the framework of the European Semester). The European Commission (EC) assesses the implementation of both programmes and, on the basis of the assessment, presents proposals for the EU Council’s country-specific recommendations.

Figure 1
Involvement of institutional and social partners for coordination of the implementation of the NRP of Latvia



The implementation of the NRP of Latvia is ensured through close cooperation among different institutions, including social partners and non-governmental organisations in the process as well. The Ministry of Economics (ME), as a national level institution responsible for coordination of the European Semester, has prepared the Progress Report

¹ The *National Reform Programme of Latvia for the Implementation of the “Europe 2020” Strategy* and the *Convergence Programme of Latvia for 2011-2014* were approved simultaneously by the CM on 26 April 2011, and submitted to the EC on 29 April 2011.

on the Implementation of the NRP of Latvia in cooperation with the Ministry of Finance (MF), the Ministry of Education and Science (MES), the Ministry of Climate and Energy (MCE), the Ministry of Welfare (MoW), the Ministry of Health (MH), the Ministry of Environmental Protection and Regional Development (MEPRD) and the State Chancellery.

At the stage of its harmonisation, the draft Progress Report was sent to social partners – the Employers’ Confederation of Latvia (ECL), the Free Trade Union Confederation of Latvia and cooperation partners – the Latvian Chamber of Commerce and Industry, the Latvian Association of Local and Regional Governments.

The annual process of updating the NRP of Latvia and preparation of the Progress Report on the implementation of the NRP of Latvia is shown in Figure 1.

The NDP2027 approved by the Saeima on 2 July 2020 sets priorities for Latvia for the period until 2027 laying the foundations for programming of European funds and state budget priorities. The CM *Government Declaration* approved by the Saeima on 14 December 2022 sets the **overarching goal of the government – transformation of Latvian economy for better life in Latvia and main priorities**. The government’s commitment sets accents for the implementation of NDP2027 in the coming years and is closely linked to the EU Council’s country-specific recommendations for Latvia: 1. security, 2. education, 3. energy, 4. competitiveness, 5. quality of life, human and public health.

The Progress Report on the Implementation of the NRP of Latvia consists of 4 chapters. Chapter 1 contains an updated medium-term macroeconomic scenario described in the NRP of Latvia. Chapter 2 assesses the progress on the implementation of the EU Council’s country-specific recommendations for 2022. Chapter 3 provides information on the implementation of the European Pillar of Social Rights in Latvia, and Chapter 4 characterises progress in the achievement of sustainable development goals of the United Nations (UN).

All numerical information and data, unless otherwise specified, is obtained from the Central Statistical Bureau of the Republic of Latvia (CSB) or the EU statistical office (Eurostat).

1. MEDIUM-TERM MACROECONOMIC SCENARIO

Following a 4.1% increase in 2021, as the Latvian economy was recovering from the COVID-19 crisis, in 2022, Russia started a full-scale war in Ukraine. As a result, Latvia's gross domestic product (hereinafter – GDP) decreased to 2%. However, the slowdown in growth has been smaller than expected when the war started, and the negative impact, contrary to forecasts, has been less evident in foreign trade data and disruptions in supply chains, but more evident in rising inflation and production costs as energy prices were rising rapidly in global markets. At the same time, the warm winter and state support measures have mitigated the negative impact of this increase in prices on the economy.

As the economy recovers from COVID-19 restrictions, in 2022, rapid growth was recorded in nearly all service sectors, with 15.7% growth in commercial services sectors making the largest contribution to GDP growth. A 57.5% increase in the accommodation and food service activities and 26.6% in arts, entertainment and recreation also played a significant role. The information and communication services sector developed very successfully last year, showing a 14% increase. Manufacturing also worked successfully in 2022, which despite the decrease in volumes in the two largest sub-sectors – woodworking and manufacture of food products – has managed to reach 2.7% growth.

Overall, last year's data shows that the negative impact of the war started by Russia in 2022 reflected mainly in the 18.7% drop in wholesale sector volumes compared to 2021. At the same time, negative dynamics also persisted in the construction sector, which, following a 9.8% decline in 2021, decreased by another 11.3% last year, with construction costs rising rapidly and re-conclusion of contracts being delayed.

By the expenditure approach, last year economic growth was driven by an 8.1% increase in private consumption, resulting from the cancellation of Covid-19 restrictions, as well as state energy support measures mitigating the negative impact of the rise in energy prices. Significant increases in household savings at commercial banks during the pandemic also helped to ensure consumption. Public consumption growth was more moderate last year. It increased by 2.8%, while investment growth (+0.7%) was delayed both by the rapid increase in construction costs and by the growing risk in the region close to warfare in Ukraine. Last year, exports and imports were growing rapidly (by +9.1% and +11.6%, respectively) with exports increasing slightly slower than imports. The contribution of net exports to economic growth was negative.

Due to high demand in foreign markets and price increases, exports of Latvian goods at current prices continued to grow rapidly (by 29.7%) in 2022, while in 2021 exports increased by 23.7%. In 2022, the increase in exports of mineral products by 165.6%, mainly influenced by a price increase, made the largest contribution to the increase in exports of Latvian goods. Exports of agricultural products and food (+41.2%) and wood and its products (+16.4%) also played an important role in the overall increase in exports of Latvian goods. Among the large groups of goods, the only decrease last year was in exports of metals and metal products – by 10.7%.

The unemployment rate, which reached 7.6% in 2021 due to COVID-19 restrictions, fell to 6.9% in 2022 and the negative impact of the war started by Russia on the labour market was virtually unfelt last year. At the beginning of 2022, the labour market was still affected by COVID-19 restrictions. State support to maintain employment helped to reduce these effects, but the unemployment rate fell quite sharply in the following

months when all the restrictions were lifted – from 7.3% in the first quarter of 2022 to 6.7% in the fourth quarter of 2022.

According to the labour force survey data, the number of people employed in the economy was 2.6% higher last year than in 2021, reaching 866 thousand. The increase in the number of workers was driven by the full return to the labour market of the workers, who received downtime benefits during the pandemic, and additionally the intake of Ukrainian residents contributed to the increase. 7.8 thousand of them were employed at the end of 2022 according to the State Revenue Service.

Along with the rapid rise in energy and food prices in the global market, consumer price based inflation reached 17.3% in 2022 – the fastest price increase since 1996. Inflation was mainly ensured by the rapid price increase in three groups of goods – housing related energy sources – gas, heat, electricity (+56.2%), as well as motor fuel (+38.2%) and food (+21.6%). Overall, in 2022, prices of goods increased by 20.6%, while prices of services rose by 8.1%.

Similarly to the last year, in 2023, the rapid price increase as a result of the war initiated by Russia and measures to limit the inflation taken by the world's central banks continue to define economic development, weakening economic growth, however, Latvian and global economies have managed to avoid the worst recession for the time being and economic growth forecasts have been gradually increased for several months.

A medium-term macroeconomic development scenario was developed in early February 2022, when preparing the *Stability Programme of Latvia 2023-2026*. The scenario was developed in consultation with experts from the Bank of Latvia and the ME, as well as the EC and the International Monetary Fund. The macroeconomic development scenario has been approved by the Fiscal Discipline Council publishing its opinion on 10 March 2023.

Table 1.1
Medium-term macroeconomic scenario

	2021	2022	2023f	2024f	2025f	2026f
GDP growth at current prices, %	10.9	16.4	11.7	5.5	5.7	5.5
GDP growth at constant prices, %	4.1	2.0	0.0	2.0	2.9	2.8
GDP deflator (y-o-y), %	6.5	14.1	11.7	3.4	2.7	2.7
Consumer price index (y-o-y), %	3.3	17.3	10.0	2.2	2.5	2.5
Employment changes, %	-3.2	2.6	0.0	-0.2	-0.3	-0.6
Unemployment rate, % (aged 15–74)	7.6	6.9	7.1	6.8	6.4	6.4

Data source: CSB

f - forecasts of MF of March 2023

The main assumptions of the medium-term macroeconomic scenario are the following:

- according to the scenario developed this February, this year GDP will remain at the level of 2022, while in 2024 economic growth of 2% is expected. Compared to the previous projections developed in early December 2022, the GDP growth forecast for 2023 has been increased by 0.6 percentage points, while for 2024 GDP growth is projected to be one percentage point lower than in December last year;
- in the next two years, 2025 and 2026, economic growth is forecasted at 2.9% and 2.8% respectively;
- economic development will continue to be influenced by the high energy price level, slowing down household consumption, which will decline by 0.9% this year following the rapid increase in 2022 as a result of lifting COVID-19 restrictions. However, this

is 2 percentage points higher than the forecast of December 2022, as this winter was warmer than expected. As prices stabilise and inflation slumps to pre-war levels, household consumption growth will recover to 2.1% in 2024 and household consumption over the next two years will grow by 4% and 3.5% respectively;

- the foreign trade channel will also have a significant impact – external demand growth during the forecast period is expected to no longer be as high as in 2022. As external demand stabilises, export volumes at constant prices will remain unchanged or increase by 0%. This will be partly underpinned by the fact that trade volumes with Russia and Belarus will remain low and there will be no sharp changes in the situation. In the following years, exports will increase by 4-5%, as projected in December 2022;
- investment growth in 2023 is projected at 1%, up 2.1 percentage points from the forecast of December 2022. The increase will be driven by the expected faster use of EU funds. In the following years, investment growth will be below 5%, assuming that the investment environment, including price stability, and business confidence will be more favourable than in this and last year;
- in 2023, the number of people employed in the national economy could remain broadly at last year's level, with economic growth slowing down but not experiencing a decline, while a slight decrease in the number of employed is expected in the following years, which will mainly be underpinned by the decrease of the working age population. A slight 0.2 percentage point increase is forecasted for the unemployment rate in 2023, while in the following years faster economic growth and demographic trends will determine the gradual decrease in unemployment to 6.4% in 2025;
- the monthly average gross wage growth rate is expected to accelerate to 8.5% in 2023, driven by both the massive increase in the minimum wage from EUR 500 to EUR 620, the increase in funding for fields of the public sector and the still high inflation rate that will force wage increases in private sector companies. In the following years, the average gross wage growth rate will gradually decrease, stabilising close to the productivity growth rate in the medium term;
- annual average inflation for 2023 is projected at 10%, a significantly lower price increase than in 2022. However, compared to what was forecasted in early December, the inflation forecast has been raised by 1.5 percentage points, driven by higher end-of-year fixed heat, electricity and gas tariffs, as well as stronger second-round effects of inflation. Inflation will continue to decline in 2024, with price increases amounting to 2.2% and then stabilising at 2.5%;
- the macroeconomic development scenario is still developed in a context of high uncertainty. However, the upside and downside risks of scenario projections are currently balanced. The further development of the economy will be greatly influenced by the efficiency of energy supply channels following the suspension of Russian energy imports, and risks are linked to possible wider supply disruptions, which may lead to a reduction in the supply of energy and other goods and significantly increase their prices, especially as the new heating season begins;
- economic growth rates may be significantly lower, with private consumption and private investment declining. In addition, consumer and business confidence can be hampered by further aggravation of the geopolitical situation and the further escalation of the situation, leading to a refusal from investing in the region;
- the downside risks also include gradually increasing labour market tensions as the working age population decreases and wages rise, which can erode companies' competitiveness.

2. IMPLEMENTATION OF THE EU COUNCIL'S COUNTRY SPECIFIC RECOMMENDATIONS OF 2022

2.1. FISCAL AND TAX POLICY, PUBLIC INVESTMENT, HEALTHCARE AND SOCIAL PROTECTION

RECOMMENDATION OF THE EU COUNCIL:

- IN 2023, ENSURE THAT THE GROWTH OF NATIONALLY FINANCED PRIMARY CURRENT EXPENDITURE IS IN LINE WITH AN OVERALL NEUTRAL POLICY STANCE, TAKING INTO ACCOUNT CONTINUED TEMPORARY AND TARGETED SUPPORT TO HOUSEHOLDS AND FIRMS MOST VULNERABLE TO ENERGY PRICE HIKES AND TO PEOPLE FLEEING UKRAINE. STAND READY TO ADJUST CURRENT SPENDING TO THE EVOLVING SITUATION. EXPAND PUBLIC INVESTMENT FOR THE GREEN AND DIGITAL TRANSITIONS, AND FOR ENERGY SECURITY TAKING INTO ACCOUNT THE REPOWEREU INITIATIVE, INCLUDING BY MAKING USE OF THE RECOVERY AND RESILIENCE FACILITY AND OTHER UNION FUNDS. PURSUE A FISCAL POLICY AIMED AT ACHIEVING PRUDENT MEDIUM-TERM FISCAL POSITIONS BROADEN TAXATION, INCLUDING OF PROPERTY AND CAPITAL, AND STRENGTHEN THE ADEQUACY OF HEALTHCARE AND SOCIAL PROTECTION TO REDUCE INEQUALITY.

2.1.1. FISCAL AND TAX POLICY

Fiscal Policy

At the CM meeting of 12 April 2022, the *Fiscal policy strategy for 2022-2025*, which takes into account the current socio-economic situation, was approved together with the *Stability Programme of Latvia 2022-2025*.

During the COVID-19 pandemic, the fiscal strategy was based on suspending provisions of the Fiscal Discipline Law (hereinafter – FDL) and using the general escape clause without limitation on scope. The new strategy, on the other hand, is based on a return to the application of the FDL provisions from 2023, providing for a transition procedure to meet the general government structural balance objective of gradually reducing the structural deficit (by an average of 0.5% of GDP annually) until it reaches the value of 0.5% of GDP set out in Section 10 of the FDL. Furthermore, the strategy defines the scope of one-off measures (including support against rising energy prices and for refugees from Ukraine) and the exclusion of related expenditure from the structural balance calculation and therefore does not affect the structural balance target. This expenditure must be made to the extent and at the time necessary to mitigate the negative impact of the crisis on society and the economy. From 2023 onwards, the rest of the expenditure must fit into fiscal discipline conditions.

Due to the Saeima elections held on 1 October 2022, the draft law “On the State Budget for 2023 and the Budgetary Framework for 2023, 2024 and 2025” was prepared in 2023, approved at the CM meeting on 7 February 2023 and in the Saeima on 9 March 2023. The draft law “On the State Budget for 2023 and the Budgetary Framework for 2023, 2024 and 2025” is based on the *Fiscal Policy Strategy for 2023-2025*², which formulates the general objective of fiscal policy and the specific objectives of fiscal policy, or the priority development directions of medium-term budgetary policy. **The overall goal of the fiscal policy of Latvia is transformation of Latvian economy for better life in Latvia.** The five closely interlinked areas – security, education, energy, competitiveness and quality of life for everyone, human and public health – are the specific objectives of fiscal policy or the priority development directions of medium-term budgetary policy, which aim to implement the tasks of the NDP2027 to achieve a broad economic transformation.

² The *Fiscal Policy Strategy for 2023-2025* is linked to the Declaration of the Intended Activities of the CM Headed by Arturs Krišjānis Kariņš.

Since the general escape clause is in effect in 2023, only the balance condition was used to set the structural balance target for 2023. In view of the projected output gap and the amount of one-off measures, as well as on the basis assessment of the structural balance in 2022 (-0.03% of GDP) as in January 2023, the structural balance target for 2023 has been set as capped by Section 10 of the FDL, namely 0.5% of GDP. Taking into account the defined fiscal conditions and the structural balance target, a fiscal space for financing the government priority measures was established in 2023.

Looking at the changes in the structural balance from 0% of GDP in 2022 to -0.5% of GDP in 2023, the fiscal stance is somewhat restrictive. In view of the different valuations in the classification of one-off measures and the uncertainty in the determination of output gaps, it can be concluded that the structural balance indicator mainly shows a neutral fiscal stance.

According to the MF estimate, the general government budget deficit in 2022 was 4.7% of GDP. Since the beginning of 2020, Latvia's national economy has faced the COVID-19 pandemic and its consequences, which led the government to decide on a substantial support package. In early 2022, as energy prices began to rise and Russia invaded Ukraine, the government had to decide on granting additional support to both reduce energy price growth and to Ukrainian civilians to respond to the crisis. As the level of prices remained high, in June-September 2022, it was decided on additional support for the heating season 2022/2023. The general government deficit for 2023 is projected at EUR 1.8 billion or 4.2% of GDP.

Box 2.1

SUPPORT TO MITIGATE THE CONSEQUENCES OF COVID-19 AND RUSSIAN MILITARY AGGRESSION

The total support implemented amounted to EUR 1.3 billion or 4.2% of GDP in 2020, while total support provided in 2021 amounted to EUR 2.3 billion or 6.9% of GDP. In 2022, according to the MF assessment, EUR 1.7 billion or 4.2% of GDP was spent on all three types of support, while EUR 824 million or 1.9% of GDP is currently planned for 2023.

The impact of the support on the general government balance is negative and accounted for 3.2% of GDP in 2020, 6.3% of GDP in 2021, and the impact of the support on the balance in 2022, as estimated by the MF, was 3.8% of GDP (together with the purchase of natural gas reserves – 4.8% of GDP) and is projected at 2% of GDP in 2023.

State support in the context of the increase in energy prices provides for a package of measures, which is included in the “Law on Measures for Reduction of an Extreme Increase in Energy Prices”. For four months, from 1 January to 30 April 2022, various types of support measures were provided to legal and natural persons to partially compensate for rising energy costs. The objective of the support measures was to mitigate the negative socio-economic impact on the welfare of the population and economic growth due to an unprecedented rise in energy prices. The energy support package for the heating season 2021/2022 was planned to be EUR 372 million and was implemented in the amount of EUR 348 million, including support for both businesses and households, including the payment of benefits to vulnerable social groups of society.

In June-September 2022, the government adopted a decision on support for the heating season 2022/2023 and the energy support package, taking into account the CM decisions adopted before 13 January 2023, it was planned to exceed EUR 1 billion, mainly partly compensating households and businesses for the increase in electricity, district heating costs and the purchase of various heating fuels. However, according to MF's assessments, taking into account the operative implementation of the measures until the end of 2022, budget expenditure on energy support in 2022 was generally below the planned amount of EUR 231 million and amounted to EUR 605 million or 1.5% of GDP, while in 2023 the plan of EUR 622 million or 1.5% of GDP is expected to be fulfilled.

Ukrainian residents who came to Latvia are provided with social assistance and social services. Expenses on food and accommodation is covered, local governments pay a one-off benefit in crisis situation of EUR 272 to an adult and EUR 190 for each child, the state provides a one-off benefit for taking up employment. Similarly, contributions to international organisations for the provision of humanitarian and military assistance to Ukraine have been made in the amount of EUR 7.2 million, funding has been granted for the provision of pre-school education services for refugee children, as well as funds for Latvian language courses. In 2022, the total amount of expenditure from the state budget amounted to EUR 81 million, while, according to the government's decision of 20 December 2022, EUR 102 million is planned for 2023.

Tax Policy Changes

The EU Council's tax recommendation is partly based on data on corporate income tax (hereinafter – CIT) revenues in 2020, which does not reflect the current situation. In 2021, CIT revenues were already 35.5% higher than in 2020, while in 2022 they were 34.7% higher than in 2021, which was a significant increase.

Work is currently underway on changes in the immovable property tax policy, taking into account the new cadastral values. In accordance with Paragraphs 45 – 47 of the

Transitional Provisions of the State Immovable Property Cadastre Law, until 31 January 2024 the CM shall submit the draft law to the Saeima which, in relation to changes in the base of cadastral values, provides for commensurate immovable property tax and which enters into effect at the same time with the base of cadastral values which will be used for the calculation of cadastral value on 1 January 2025.

In 2023, it is planned to finalise *Medium-Term Tax Policy Guidelines* defining tax policy priorities for the coming years, based on a broad and thorough analysis, including examining different scenarios for tax policy changes.

2.1.2. PUBLIC INVESTMENT TO PROMOTE THE GREEN AND DIGITAL TRANSITIONS

Green and digital transformation are among the main goals of the Latvian government. One of the main policy planning documents, which reflects the objectives and measures for promoting green transformation, is the National Energy and Climate Plan of Latvia 2021-2030 (hereinafter – NECP), which was approved by the CM on 4 February 2020 (see Box 2.2). It is a document for long-term planning of the energy and climate policy, which lays down the basic principles, goals and action lines of the Latvian national energy and climate policy for the next ten years, taking into account the outlined long-term development lines. The long-term objective of the Plan is promoting the development of climate neutral economy by improving energy security and public welfare in a sustainable, competitive, cost efficient, safe and market principles-based way.

Box 2.2

ACTION LINES OF THE NATIONAL ENERGY AND CLIMATE PLAN OF LATVIA 2021-2030

To implement the objective of the *National Energy and Climate Plan of Latvia 2021-2030* it is necessary:

1. to promote efficient use of resources and their self-sufficiency and diversity;
2. to ensure a considerable reduction in the consumption of resources, in particular fossil and unsustainable resources, and a simultaneous transition to the use of sustainable, renewable and innovative resources ensuring equal access to energy sources to all community groups;
3. to stimulate the development of such research and innovation that contributes to the development of the sustainable energy sector and mitigation of climate change.

The following action lines have been defined to achieve the objectives of the plan:

1. improving energy efficiency of buildings;
2. improving energy efficiency and promoting the use of RES technologies in heating and cooling and industry;
3. promoting the use of negative emission technologies in electricity generation;
4. promoting economically justified self-generation and self-consumption of energy;
5. improving energy efficiency, promoting the use of alternative fuels and RES technologies in transport;
6. energy security, reducing energy dependency, full integration of energy markets and modernisation of infrastructure;
7. improving the efficiency of waste and wastewater management and reducing GHG emissions;
8. efficient use of resources and reduction of GHG emissions in agriculture;
9. sustainable use of resources and reduction of GHG emissions and increasing CO₂ capture in the sectors of land use, land-use change and forestry;
10. promoting the reduction in the use of fluorinated greenhouse gases (F-gases);
11. 'greening' of the tax system and improvement of friendliness to energy efficiency and RES technologies;
12. informing, education and awareness-raising of the public.

The medium-term policy planning document "*National Industrial Policy Guidelines 2021-2027*" (hereinafter – NIP) approved by the CM on 16 February 2021 covers all sectors of the economy and defines action lines for the next seven years, both locally and internationally. The NIP defines the areas of the *Smart Specialisation Strategy of Latvia* (hereinafter – RIS3), which basically is the concentration of investment in research and development (hereinafter – R&D) and innovation. The promotion of R&D and innovation in the various areas of RIS3 also contributes to the achievement of the objectives of the *European Green Deal*, highlighting in particular the RIS3 areas such as "Knowledge-intensive bioeconomy", "Smart energy and mobility". At the same time, the areas "Photonics and smart materials, technologies and engineering systems" and "Information and communication technologies" also have a significant impact on industry greening and

the development of zero emission solutions (new products, technologies). As a result, the NIP also complements the *National Energy and Climate Plan 2021-2030*.

Financing from EU funds plays an important role in promoting the green and digital transition. As part of the *Recovery and Resilience Facility Plan for Latvia*, an investment programme was prepared in 2022 to promote **energy efficiency** in local government buildings and infrastructure, supporting measures with reduction of annual primary energy consumption and energy savings, introducing the more efficient CO₂ reduction measures to improve energy efficiency and heat resilience (funding of the Recovery and Resilience Facility (hereinafter – RRF) – EUR 29.30 million). A support programme was adopted on 25 October 2022 in order to ensure investments for the renewal of local government bus fleets by replacing fossil fuel powered local government vehicles (buses) with sustainable transport – zero-emission vehicles (electric buses) for the transport of learners, thus reducing GHG emissions and contributing to the achievement of climate objectives (RRF funding – EUR 10 million). On 30 August 2022, a support programme for development of infrastructure of industrial parks and territories of national significance (including green infrastructure and renewable energy technology solutions) and attraction of investors to regions has been adopted to promote creation of high value added and export-oriented jobs, as well as to reduce regional development differences between the Riga region and the rest of Latvia’s territory (RRF funding – EUR 80 million). In 2022, the milestones set out in the RRF Plan of Latvia – the coming into force of the CM regulations – were reached for these three investment programmes. In 2022, the development of the regulatory framework for the introduction of investments of the RRF reform “*Greening of the Riga Metropolitan area transport system*” continued and is expected to be completed in 2023.

Latvia continues the implementation of the Operational Programme “*Growth and Employment*” of the 2014-2020 programming period of the EU Structural Funds and the Cohesion Fund, because the implementation of the initiated projects must be completed and the objectives and indicators set out in the programme and projects must be achieved by the end of 2023. To promote the use of environmentally friendly public transport and the increase of passenger numbers in environmentally friendly public transport, EUR 286.53 million is provided from Cohesion Fund financing for the implementation of projects in the 2014-2020 programming period. A total of 21.3 km of existing tram lines are expected to be rebuilt and new tram lines of 4.22 km to be built, 26 new trams, 23 new electric trains and 145 environmentally friendly public buses to be purchased by 2023.

To eliminate the consequences of the crisis caused by the COVID-19 pandemic and to contribute to a green, digital and sustainable economic recovery, projects were launched in 2022 in investment programmes such as recycling of biodegradable waste, promotion of energy efficiency in local government buildings and infrastructure, development of public infrastructure necessary for entrepreneurship and implementation of complex management measures in *Natura 2000* sites. The projects are planned to be completed at the end of 2023. The total funding from EU funds for the implementation of the above actions is EUR 83.64 million.

Of the 218 projects approved for improvement of energy efficiency of local government buildings, the energy efficiency improvement of 126 buildings in 38 local governments was completed with the financial support of the 2014-2020 programming period of the EU funds. The completed projects achieved an annual primary energy savings of 31.45 GWh, and a reduction in GHG emissions of 7196 tonnes CO₂ equivalent per year. In 2022, additional selection rounds of project applications were conducted in the 12 projects approved as part of “*Improvement of Energy Efficiency in Local Government Infrastructure to Improve Economic Situation*” (for the total financing of the European

Regional Development Fund (hereinafter – ERDF) of EUR 5.27 million) – it is planned to reduce annual primary energy consumption by 2.42 GWh, as well as GHG emissions by 193.57 tons CO₂ equivalent per year.

Significant **environmental projects** were completed in 2022, as a result of which by the beginning of 2023 flood and erosion risks have been reduced already for 87,200 Latvian residents, the number of users of centralised wastewater collection system services complying with environmental requirements has increased by at least 22,200, installations for the recycling of biodegradable waste with total capacity 101,000 t/year have been created. Management measures in specially protected nature territories and micro-reserves continue to improve the state of protection of habitats and species – works have been completed already in an area of more than 1400 ha, covering 14 project activity territories. The modernisation of the air quality monitoring network, the most ambitious project of its kind in 20 years, has completed. New and improved existing air quality stations have been created as part of the project, introducing also a new data collection system and improving the way public operational information is displayed online. A significant stage of project implementation has been completed in remediation works of the historically contaminated site “Incukalns Sulphuric Acid Tar Ponds” – in 2022, the disposal of the depleted tar (~49,000 t) from ponds was completed. Within the framework of the 2014-2020 programming period, by the end of 2022, the total EU funding disbursed to environmental projects exceeds EUR 197,01 million.

On 25 November 2022, the EC approved the *EU Cohesion Policy Programme for Latvia 2021-2027*. Within its framework, the green transition will be promoted in 2023 by supporting efficient and pollution reducing replacement of combustion equipment in households, improvement of air pollutant and wastewater treatment plants in heating and water management enterprises, transition to a circular economy for entrepreneurs, as well as complex measures promoting pollution reduction, adaptation to climate change and nature protection for local governments; at national level, flood risk mitigation and comprehensive environmental monitoring. In 2023, it is planned to develop project application selection criteria and investment allocation conditions (CM regulations).

The funding planned in the *EU Cohesion Policy Programme 2021-2027* for climate change mitigation, adaptation to climate change and environmental protection and development priorities until 2029 is EUR 844.17 million. A number of measures are planned in the *EU Cohesion Policy Programme 2021-2027* to improve energy efficiency, promote the use of alternative fuels and RES technologies in transport: the development of multimodal public transport hubs, the development of micro-mobility infrastructure, the construction of high-capacity charging points for electric vehicles on the TEN-T core network, the purchase of zero-emission trains (for RRF funds), and the modernisation and development of the electrified rail network (including with the support of RRF) to provide convenient and integrated connections of different modes of transport in one place, facilitating accessibility of regions and changing citizens' movement habits. The planned funding of EU funds for these measures until 2029 is EUR 380 million.

To promote the transition towards climate neutrality and reduce the negative impacts of climate change through the financing of the *Just Transition Fund* (EUR 184.2 million), it is planned to phase out the use of peat in energy by 2030, to facilitate a balanced socio-economic transition in the regions most affected by the transition to a climate-neutral economy, to support the reclamation of degraded peat sites, restoration of habitats of EU importance, research development for sustainable use of natural resources, development of public infrastructure necessary for business, acquisition of zero-emission vehicles in municipalities, “greening” of enterprises and product development, improvement of

knowledge of local governments and regional specialists and employees affected by the transition to a climate-neutral economy.

Although overall the *European Green Deal* is not expected to have a significant impact on the overall number of jobs in Latvia, the challenges may arise from the transformation of existing jobs and structural changes related to the creation of demand for “green jobs” and “green skills”, especially in areas such as transport, energy, agriculture and industry. Many of these sectors already face severe labour shortages in Latvia, while changes in skills structure (skills transformation) in general may exacerbate labour shortages, especially shortage of STEM specialists and employees with vocational education, where the most significant increase in green skills and jobs is expected.

Introducing “green skills” into educational content as soon as possible is essential to reduce the shortage of “green skills” in STEM areas at all levels of education. In Latvia, the green transition according to the *Education Development Guidelines 2021-2027 “Future Skills for the Future Society”* (EDG 2021-2027) is included as a horizontal priority in most education and study development directions, all forms and grades of education. In line with the EU Council Recommendation of 22 May 2018 (2018/C 189/01) on key competences for lifelong learning, these competences have been included in the content of vocational education as a separate module “*Green skills*”. From 2020, this content is mandatory in vocational secondary education and vocational education programmes. At the same time, investment and development strategies of all vocational education institutions also include measures to implement the green transition in relation to the education programmes implemented and the qualifications to be obtained as part of their planned measures.

According to EDG 2021-2027, various measures in the area of skills are implemented in Latvia, providing for extensive skills development and reskilling opportunities both within the framework of the state budget and EU funding, in particular within the framework of the European Social Fund and the EU Erasmus+ programme.

In the context of ensuring the green transition, it is planned to start work on absorbing investments of the *Just Transition Fund*, where support for skills development, improvement and preparation of a reskilling offer is provided within the framework of the transformation direction, especially in short vocational education programmes.

Digital transformation affects all sectors of the economy and people’s everyday lives, jobs and communication. The further development of the digitisation of the NDP2027 has been identified as an intertwining element for all sectors, especially in areas such as innovation and science, education, healthcare, inclusive society and labour market, infrastructure, regional development, security, as well as environment and energy.

The *Digital Transformation Guidelines 2021-2027* (hereinafter – Guidelines) define the following vision: a favourable and modern living space has been established, based on the use of modern technologies and the ability of developed societies to build their prosperity and economic growth effectively by exploiting the potential of digital technologies and developing creative potential (see Box 2.3).

Box 2.3

DIGITAL TRANSFORMATION GUIDELINES 2021-2027

The overarching goal of the guidelines is a society, economy and public administration that purposefully exploit existing and create new digital technology opportunities, as well as the environment created by them, improving the quality of life for all individuals and society as a whole, increasing the competitiveness of the state and economy.

Based on an analysis of the current situation and taking into account future challenges and potential development scenarios, five areas of development are defined for the implementation of the Guidelines:

1. digital skills and education;
2. digital security and reliability;

3. access to telecommunications and computing;
4. digital transformation of the economy (incl. public administration);
5. innovation, ICT industry and ICT science.

An action plan is being drawn up for the implementation of these guidelines.

The digitisation of enterprises has become one of the basic rules for the competitiveness and growth of enterprises. In its Recovery and Resilience Facility (hereinafter – RRF) Plan, as well as in the 2021-2027 programming period, Latvia has provided for measures, which focus on business support for the promotion of digital transformation, which will also indirectly contribute to the implementation of the Green Deal. Until 30 June 2026, it will be possible for businesses to apply for support for digitalisation of their business processes, development of new products and services, as well as testing and purchasing of technological equipment.

To ensure that programmes appropriate to the needs of entrepreneurs are selected for the implementation of their investment project, two European Digital Innovation Hubs (hereinafter – EDIH) have also been approved in Latvia, which will provide consultations, mentoring, technological services, first and second digital maturity test, digital development roadmap and report development services with the help of regional contact points as one-stop shops.

The EDIH is an EC initiative under the *Digital Europe* programme, which aims to help both public and private sector organisations deploy the latest digital technologies, processes, products and services. The EDIH operates across the EU and forms a single network. The total funding of the support programme “*Support for the Establishment of Digital Innovation Hubs and Regional Contact Points*” is EUR 10 million, within the framework of which the contact points of the Latvian Information Technology Cluster and the Latvian Digital Accelerator will act as one-stop shops ensuring an in-depth evaluation of businesses, providing technical expertise, training, skills improvement to make the digital transformation happen.

By 30 June 2026, EDIH will also provide entrepreneurs with consultations on digital transformation and mentoring, access to experimentation, piloting and testing activities prior to investments, as well as help entrepreneurs prepare project applications for receiving support from the Investment and Development Agency of Latvia (IDAL) and Development Finance Institution ALTUM (ALTUM). At the same time, each EDIH will provide support in at least five regional contact points throughout Latvia.

The total financing of the support programme “*Support for Digitisation of Processes in Commercial Activities*” implemented by the IDAL is EUR 40.14 million and at least 200 entrepreneurs will receive support within its framework until 30 June 2026. At IDAL, entrepreneurs will have access to support for the introduction of new software and equipment in their companies, ensuring digitalisation of internal processes in commercial activities and increasing productivity. The IDAL will support the digitalisation of processes, which will be paid to the final beneficiary: micro and small enterprises will have access to support up to EUR 5000, while SMEs, large enterprises, NGOs, state-owned enterprises will have access to support up to EUR 100 thousand.

The total financing of the support programme “*Financial Instruments for Promotion of Digital Transformation of Businesses*” implemented by ALTUM is EUR 45.14 million and it intends to support a total of 133 digital transformation projects by 30 June 2026, raising private co-financing of EUR 37 million. At ALTUM, businesses will be able to obtain a loan to promote digitisation, automation and robotisation of companies. The minimum amount of the ALTUM loan is EUR 100 thousand, the maximum amount – EUR 7 million. Loan maturity – up to 10 years. The capital discount available for the repayment of the principal

amount of the loan will be up to 35% of the total costs of the project (observing regional intensity conditions of the state support), but not more than EUR 1 million if the conditions of the roadmap are met.

The implementation of the Norwegian Financial Mechanism 2014-2021 programme "*Business Development, Innovation and Small and Medium-Sized Enterprises*" (hereinafter – NFM Programme) that started in 2021 will continue until April 2024. Under the NFI programme, entrepreneurs have access to financing in the amount of EUR 14.7 million. The NFI Programme aims to promote the creation of higher value added products and services in three areas: (1) "green" innovation; (2) information and communication technologies; and (3) welfare technologies. The NFM Programme has received a total of 116 applications and supported the implementation of 44 projects. According to the data of the submitted projects, the NFI programme aims to achieve an annual reduction in CO₂ emissions of 21,222.36 tonnes, which is about ten times the planned amount, and the annual reduction in energy consumption is planned to reach 35,464.65 MWh per year.

Together with other EU Member States, Latvia is involved in some initiatives of the Important Projects of Common European Interest (hereinafter – IPCEI). For example, Latvia participates in the IPCEI Health Initiative, which aims to support innovation and improve the quality and accessibility of healthcare for European citizens. Latvia is also participating in IPCEI initiatives such as cloud computing and microelectronics.

Within the framework of the 2014-2020 programming period of the EU funds, by the end of 2022, contracts have been concluded in the field of digital transformation for the implementation of 58 projects with total ERDF funding of EUR 121.8 million, including 36 projects were completed (ERDF funding of EUR 61.2 million). 24 centralised information system platforms have been developed and a total of 373 operational processes have been improved in the ICT projects. Examples of the projects completed in 2022 are the information system of the Register of Natural Persons, the E-Cases Platform, the Single draft law development and coordination portal, etc. In 2022, amendments were made to the list of projects in the ICT field and funding was reallocated to reduce implementation risks within the framework of projects and to channel the funding saved in projects towards the implementation of significant and high-readiness digital transformation activities. All projects are expected to be completed by the end of 2023.

Through the investments available in the *EU Cohesion Policy Programme 2021-2027*, it is planned to promote digital transformation of the public and private sectors by developing state ICT solutions and services and creating opportunities for the private sector.

On 22 February 2023, the first three RRF support programmes for business digitisation were opened, within the framework of which it is planned to provide support to businesses in the amount of EUR 92.64 million.

Two more support programmes to promote digitisation are planned for 2023:

- the objective of the programme "*Development of Digital Skills of Enterprises*" will be to improve digital skills of micro, small, medium-sized and large Latvian enterprises, including skills that contribute to export promotion, high-level digital management skills at the level of enterprise management and skills for the use of digital technologies in different business processes;
- The objective of the programme "*Support for Introducing New Products and Services in Business*" will be to provide grants for the development of new digital products, technologies and services to increase private R&D spending through targeted public investment.

A total of five new RRF investments will be introduced to promote the digital transformation of enterprises³, three of which will continue to operate within the measures of the *EU Cohesion Policy Programme 2021-2027*. Consequently, in the period up to 30 June 2026, it is planned to provide support to at least 376 entrepreneurs and employees of at least 3000 companies, by investing EUR 183.5 million from RRF and the *EU Cohesion Policy Programme 2021-2027* in the digital transformation of entrepreneurship, as well as in the development of digital services and necessary abilities and skills in general. It is also planned to promote the digital transformation of enterprises in the media sector by implementing the Latvian RRF Plan Investment 2.2.1.5.i “*Promotion of Digital Transformation of Media Enterprises*” with planned funding of EUR 3.7 million.

EDG 2021-2027 provide that one of the most significant horizontal changes, covering all or several areas of education, is digitisation, including the priority development of **digital skills** as a transversal competence in society. The MES is implementing comprehensive measures, including within EU projects, in order to develop digital skills of Latvian residents.

In 2022, the MES started the implementation of the REACT-EU project “*Digitisation of Educational Institutions for Grades 7-9*” co-financed by EU funds, which provides for the purchase of portable computer equipment (25,080 units) for learners of general educational institutions. The project is implemented in co-operation with the National Centre for Education which has identified the experience of local governments so far and provides the necessary support measures for successful implementation of digitalisation of the educational process and targeted use of IT solutions in the study process. The purchase of technologies intended to ensure the study process will continue within the framework of the measures of the RRF and the EU Structural Funds.

To develop the digital skills that students need today, investment of more than EUR 7.8 million is available for universities in 2022 and 2023 under the REACT-EU programme co-financed by EU funds. The investments are intended to enable universities to introduce digitisation initiatives, including by taking over and adapting the best global experience and creating joint study content promoting the development of digital skills with appropriate learning methodologies and related technological solutions (developing virtual study environments through integration of artificial intelligence, data analytics, machine learning technologies into the study process). Support is also intended for academic staff for the introduction of new digital content, training methodology and digital technological solutions. The initiative for the development of digital skills of students will also be continued with other support measures in the new EU Funds 2021-2027 programming period, where digital transformation is one of the EU’s priorities.

In 2022, the MES developed the conditions of the RRF investment 2.3.1.1 “*Ensuring Acquisition of High-Level Digital Skills*” and approved three investment projects focused on developing high level digital skills in high performance computing technologies, language technologies and quantum technologies. Within part of investment projects, it will be planned to develop 21 new study modules and train 3,000 specialists (business, academic and public sector) and students by mid-2026, providing them with in-depth

³ Investment 2.2.1.1.i “Support for the Establishment of Digital Innovation Hubs and Regional Contact Points”;

Investment 2.2.1.2.i. “Support for Digitisation of Processes in Commercial Activities”;

Investment 2.2.1.4.i “Financial Instruments for Promotion of Digital Transformation of Businesses”;

Investment 2.3.1.2.i “Development of Digital Skills of Enterprises”;

Investment 2.2.1.3.i “Support for Introducing New Products and Services in Business”.

digital skills in high performance computing, language technology and quantum technology.

In 2022, implementation of European Social Fund (hereinafter – ESF) project *“Improving the Professional Competence of Employed”* continued. Within the framework of round 8 of the project, educational programmes for acquisition of basic digital skills (DigComp level 1) were offered. During the implementation of the project since 2017, 60,728 unique persons (including 11,743 with low level of education) have completed training in educational programmes and currently 1,786 persons are still continuing training. The largest involvement in educational programmes was recorded in production of electronic and optical equipment and in ICT sectors – 32,559. In late 2022, the Adult Education Management Council approved a list of educational offers for the round 9 of implementation of the project, which focuses on improving the digital skills of employees. The total funding allocated for implementation of the project is EUR 45.5 million, of which ESF funding amounts to EUR 38.68 million and state budget co-financing – EUR 6.85 million, which allows more than 87 thousand persons employed to be involved in educational programmes in the period from 2017 to 2023.

In addition, as part of the Erasmus+ project *“National Coordinators for the Implementation of the European Adult Education Programme”*, a non-formal education programme *“Use of Digital Services in Everyday Situations”* was developed in 2022 for adults with low digital skills and prepared for approbation in municipalities. So far, cooperation agreements have been signed with 12 municipalities to implement the programme and share good practices on how to achieve, address, engage and support adult learners lacking basic digital skills.

Within the framework of the RRF Plan, until 31 May 2026, it is planned to develop and approve the concept of individual learning accounts fit for the Latvian context, which strengthen implementation, management of individual learning paths and storage of information regarding learning results, as well as promote participation of adults in education, helping to acquire and improve digital skills of society, including promoting access to learning opportunities of international and foreign learning platforms, using resources of individual learning accounts. The funding of the measure consists of EUR 14.30 million of RRF funding and is planned that by 31 May 2026 at least 3,500 adults will get help in mastering digital skills using resources from individual learning accounts.

Within the framework of the RRF Plan, it is planned to create a new approach for the preparation of ICT specialists, i.e. the self-directed ICT learning school study environment and educating around 500-600 new ICT specialists by 2026. Investments are also envisaged for scaling up existing initiatives for the training of non-formal education ICT specialists, in particular by supporting the involvement of women in ICT work, the implementation of intensive training for people who wish to change careers and acquire the necessary skills for IT work. It is planned to involve about 400 additional persons in the training. The funding of the measure consists of EUR 7.6 million from RRF.

To promote the development and improvement of digital skills in adults, it is planned to develop a regulatory framework for the creation of a common framework for evaluation of digital skills, identification, planning and evaluation of learning needs, stipulating that the content and achievable learning outcomes of the educational programme aimed at acquisition of digital competences are structured according to the descriptions and the levels of acquisition of competences of the European Digital Competence Framework for Citizens (DigComp). By 31 May 2023, it is planned to develop and approve a regulatory framework that will apply to non-formal educational programmes, while by 31 December 2023 it is planned to develop and approve the national standard for continuing vocational

education and the national standard for professional improvement education, which will determine the strategic objectives of those educational programmes, the compulsory content of education and the basic principles and procedures for assessment of acquired professional qualification or professional competence.

2.1.3. HEALTHCARE

On 26 May 2022, the CM approved the *Public Health Guidelines 2021-2027* (hereinafter – Health Guidelines)⁴, which is the main policy planning document for the health sector, which includes priorities for the health sector for the coming years (see Box 2.4).

Box 2.4

PUBLIC HEALTH GUIDELINES 2021-2027

The aim of Public Health Guidelines 2021-2027 is to improve the health of the population of Latvia by extending healthy life years, preventing premature mortality and reducing inequalities in the field of health. The Health Guidelines also set out sub-objectives:

1. to provide the population with the possibility to maintain and improve their health by reducing the negative impact of risk factors of non-infectious diseases and injuries, while implementing health promotion and disease prevention measures to develop healthy, safe living and working environments;
2. to mitigate the risks of the spread of infectious diseases and their impact on public health, including taking into account the “One Health” approach;
3. to promote access to human-centred and integrated healthcare services;
4. to ensure that the proportion of employed medical practitioners for the provision of state-paid health care services increases, there is balanced replacement of generations of medical practitioners, as well as medical practitioners have the possibility for professional growth;
5. to ensure the sustainability and resilience of health care by strengthening governance and promoting the efficient use of healthcare resources.

The Health Guidelines envisage a rise in funding for healthcare to 6% of GDP in 2027. For 2023, in addition to the basic functions of the state budget, the additional funding needed to MH for the implementation of the health guidelines has been calculated in the amount of EUR 306.37 million. On 9 March 2023, the Saeima approved the state budget for 2023, which provides for an additional allocation of EUR 85.8 million for healthcare, which is 3.57 times less than necessary.

The main challenges in the field of healthcare are the accessibility of services and medicinal products to the population and provision of medical practitioners in the state-paid services sector. In 2023, additional funding allocated to ensure the adequacy of the health system, as well as to strengthen resilience and accessibility, will contribute only to addressing the most acute problems of the health care system, given that much more funding is necessary to improve access to health care services.

The issue of tariffs on health care services is also crucial. Much of the tariffs have not been reviewed for a long time, although technology and prices of medicinal products have changed. It is also necessary to compensate for the increase in energy prices. In 2023, it is planned to develop a plan for reviewing tariffs for state-paid health care services, and to develop and approve a methodology for tariff indexation by March 2024.

Additional funding was granted in 2022 to provide allowances to medical practitioners and other employees for additional workload, increased work intensity and danger due to the spread of COVID-19. The funding went to inpatient and outpatient medical treatment institutions that provided state-paid health care services to those infected with COVID-19 and their contact persons. Additional financial support was also provided to general practitioners' practices and pharmacies that issue state-compensated medicines, as well as other institutions in the healthcare sector involved in dealing with COVID-19 and its consequences. The additional funding allocated to mitigate the spread of COVID-

⁴ CM Order No. 359 of 26 May 2022 *Public Health Guidelines 2021-2027*. Available at: <https://likumi.lv/ta/id/332751-sabiedribas-veselibas-pamatnostadnes-2021-2027-gadam>.

19 in 2022 compensated for some of the expenses incurred by medical treatment institutions.

In 2023, it is planned to review the state tax policy, including the health care financing model.

Attracting Human Resources and Increasing Wages in Healthcare Sector

The increase in the remuneration of medical practitioners will continue to motivate them to work in the public sector. In 2022, the average wage of doctors and functional specialists integrated in tariff was raised to EUR 1,963 per month (5.42% more compared to 2021), for medical treatment and patient care professionals and assistants of functional specialists to EUR 1,183 per month (5.91% more compared to 2021), but for medical treatment and patient care support persons wage integrated in tariff was not increased in 2022 and remained at the level of 2021 – EUR 745 per month.

On 20 September 2022, the CM approved the *Informative Report on the Development of a New Procedure of Payment for Work of Medical Practitioners*⁵, which provides for the introduction of a new remuneration model for medical practitioners and the concept of full-time equivalent for medical practitioners. In 2022, the MH created a working group whose task was to develop a regulatory framework for implementation of the new procedure of payment for work of medical practitioners. According to the new remuneration model of medical practitioners, the target wages for all groups of medical practitioners are expected to be reached by 2027. The additional indicative funding required for the implementation of this model compared to 2022 is EUR 335.3 million.

Also in 2023, part of the additional funding for the health sector is planned to be directed towards increasing the remuneration of professionals working in the healthcare sector to reduce the outflow of labour from the state-paid healthcare sector, as well as to attract more students to the healthcare field. At the same time, in 2023, the solution to human resources issue includes provision of state-funded additional training for nurses responsible for general care and medical residents, improvement of availability of staff in the Emergency Medical Service, provision of additional study places in college study programmes for doctors' assistants.

In 2023, the average wage of doctors and functional specialists integrated in tariff is expected to be raised to EUR 2,083 per month (6.11% more compared to 2022), for medical treatment and patient care professionals and assistants of functional specialists to EUR 1,303 per month (10.14% more compared to 2022), but for medical and patient care support persons – to EUR 865 per month (16.11% more compared to 2022). The Free Trade Union Confederation of Latvia provided an opinion on the increase in remuneration in 2023, noting that the planned increase in average wages in the sector in 2023 is the compromise reached in tough negotiations between the Trade Union of Health and Social Care Employees of Latvia and the Free Trade Union Confederation of Latvia, on the one hand, and the MH, on the other hand. However, it is still lower than what was stated in the conceptual report “On the Reform of the Healthcare System”⁶. It is also necessary to increase payment for work for healthcare specialists working in inpatient medical treatment facilities – pharmacists and pharmacy assistants.

In 2022, the EC Directorate-General for Structural Reform Support has supported the request submitted by the MH for technical support in the project *Development of Health*

⁵ The *Informative Report on the Development of a New Procedure of Payment for Work of Medical Practitioners* is available here: https://tapportals.mk.gov.lv/legal_acts/fabe8439-4466-428f-8f4d-fbd91076e525.

⁶ Approved by CM Order No. 394 of 07.08 of 7 August 2017 *On the Conceptual Report “On the Reform of the Healthcare System”*: <https://likumi.lv/ta/id/292718-par-konceptualo-zinojumu-par-veselibas-aprupes-sistemas-reformu->

Workforce Strategy in Latvia. The project is implemented by LLC *Ernst and Young Baltic*. Funding of the RRF Plan of EUR 500 thousand is planned for the implementation of the results of the Health Workforce Strategy development project. Within the framework of the Health Workforce Strategy development project, it is planned to perform analysis of the health workforce and training system by May 2023, develop draft technical specifications for modernisation of the database (register) of medical practitioners, develop an action plan for training and development of skills of medical practitioners; develop a workforce planning model in the field of healthcare. The objective of the Health Workforce Strategy is to eliminate the identified organisational problems in the preparation of the Latvian healthcare workforce, to forecast future demand for healthcare workers and the necessary skills and competences.

The profession of a nurse responsible for general care was introduced in 2022. To provide the necessary knowledge and skills for nurses already working in the healthcare system, the implementation of training financed by EU funds started in 2022. 114 nurses completed the training in 2022. Taking into account the insufficient number of nurses in the country, in 2023, an additional EUR 2.9 million from the state budget is intended to be channelled towards acquisition of the qualification of a general care nurse, ensuring that a larger number of students master the nursing education programme in institutions of higher education, thus ensuring the inflow of additional nurses into medical treatment institutions in the long term and improving the quality of healthcare services.

In 2023, EUR 5.5 million is planned to be channelled towards improving staff availability in the Emergency Medical Service. This funding is intended to increase the number of doctors' assistants to be trained in medical colleges, as well as provide additional funding to ensure the payment for work of Emergency Medical Service staff.

Within the framework of the ESF project *Improving the availability of medical practitioners and medical treatment support persons outside Riga*, 1459 remuneration contracts have been concluded by the beginning of 2023, and in 2022, 334 medical practitioners were attracted for work in regions, including 46 doctors, 74 nurses, 58 doctors' assistants, 18 physiotherapists, 120 nurse assistants, etc. In 2022, 174 specialists were recruited to work in Riga, of whom 12 were doctors' assistants, 66 – nurses and 94 – nurse assistants.

In 2023, to ensure the further attraction of professionals to work in the provision of state-paid healthcare services with the support of funding for the EU funds 2021-2027 programming period, the legal framework for the implementation of projects and project assessment criteria and their methodology will be developed for attracting medical practitioners to work in Riga and regions.

In addition to ensuring the attraction of human resources, in 2023, it is intended to make amendments to the *Medical Treatment Law*⁷ and related CM regulations, stipulating that doctors may obtain specialisation in a more flexible way, i.e. in professional continuing education, (without direct link to an academic year), which provides for specialisation in accordance with labour market requirements (acquisition of medical speciality according to the demand in the healthcare system), as well as reduce the risks of double pay, thus more efficient utilisation of funds and channelling of resources for acquisition of basic speciality is expected.

Taking into account the war in Ukraine, recognition of qualification of medical practitioners, pharmacists, pharmacy assistants of the Ukrainian civilians who have

⁷*Medical Treatment Law* available here: <https://likumi.lv/ta/id/44108-arstniecibas-likums>.

arrived in Latvia is ensured. In Latvia, they must work under the guidance of the relevant Latvian medical specialist.

Improving the Quality and Efficiency of Healthcare

In 2022, clinical algorithms (a standardised description of successive actions, where each next action depends on the previous performance and serves to address the healthcare problem) were further developed to improve the quality of healthcare. A clinical algorithm to provide oxygen therapy to COVID-19 patients, as well as clinical algorithms and clinical pathways (a multidisciplinary healthcare organisation plan has been defined and structured for specific groups of patients defining the objectives to be achieved, the succession of actions, cooperation and coordination between medical practitioners of different specialities within the same treatment institution and between different treatment institutions, as well as other institutions involved in healthcare provision, with the aim of standardising patient healthcare, improving its outcomes and reducing costs) were developed for the dynamic observation of patients recovering from COVID-19 (adults and children). Similarly, in 2022, contracts were concluded for the development of new clinical algorithms, clinical pathways, and quality indicators in the fields of oncology, haemato-oncology, childcare and child psychiatry, as well as for the development of clinical algorithms and quality indicators in practice of a general care nurse.

By attracting outsourced service providers, a questionnaire has been developed and representatives from the Emergency Medical Service and hospitals have been provided with consultations regarding assessment of the psycho-emotional state of employees.

To ensure timely evaluation of autism, training was organised for clinical and health psychologists to learn how to use structured autism evaluation tools, including ADOS (a semi-structured, standardised method (play-talk based observation/assessment of social skills and communication skills), which evaluates a child's contact and communication skills and determines whether there are symptoms of autism spectrum disorders) and M-CHAT⁸. Providing a service to more children is expected to improve the quality of services through early identification, treatment, and rehabilitation of autism spectrum disorder, as well as significantly improve the further psychosocial prognosis of the person.

To ensure methodological guidance in the field of oncology and improve access and quality of cancer care, the establishment of the National Cancer Centre has started. On 11 January 2022, the Organisation of European Cancer Institutes (OECI) and Riga East Clinical University Hospital (RAKUS) concluded an agreement for the accreditation of RAKUS⁹. Funding is provided in the RRF Plan to prepare the Centre for accreditation. The National Cancer Centre is expected to be established by the end of 2025.

The dissemination of the results of the project *Development of a patient survey on the quality of healthcare services in Latvia and integration of the results of this survey in the Health System Performance Assessment system* supported by the EC Structural Reform Support Programme 2017-2020 continues. By the end of 2022, all level V hospitals, 57% of level IV hospitals, 71% of level III hospitals, 25% of level II hospitals, 20% of level I hospitals, 25% of specialised hospitals had introduced measurements of the experiences reported by patients, which provide that patients who were treated in a hospital could provide their feedback on the service they received. By 2027, 100% of level three to five

⁸ A two-stage parent survey, screening tool designed to assess risk of autism spectrum disorder in toddlers (*Modified Checklist for Autism in Toddlers*, M-CHAT Robins, Fein, & Barton, 2009).

⁹ *Accreditation and Designation Programme Agreement*.

hospitals and specialised hospitals and at least 75% of other hospitals are expected to get patient feedback on how treatment is going in the hospital.

For the purposes of improving the quality of healthcare, training for medical practitioners and medical treatment support persons is provided within the ESF project *Improving the qualification of medical and medical support staff*, ensuring the improvement of professional knowledge and skills and future re-certification opportunities, as well as creating opportunities for a non-practising medical persons to return to the labour market. By the end of January 2023 38.5 thousand persons have been involved in continuing education support measures and 123 methodological materials have been developed and published on the website *www.talakizglitiba.lv*. In total, as part of the project, doctors have the opportunity to study in 130, nurses – 115 and doctors' assistants – 93 non-formal education programmes. In 2022, 12 thousand medical practitioners were educated. Given the significant shortage of nurses in Latvia, EU-funded training has been implemented for nurses to renew their rights to practice (trainings were completed by 99 nurses in 2022).

The implementation of continuing education of medical practitioners is planned to continue during the 2021-2027 programming period of the EU funds.

In 2023, it is planned to develop the regulations for receiving support within the framework of EU funds for investments in infrastructure of medical institutions at all levels. At the same time, in 2023, it is planned to develop regulations for the receipt of support for the development of the infrastructure of palliative and chronic patient healthcare services of medical treatment institutions, as well as regulations for the development of the infrastructure of secondary outpatient healthcare service providers to ensure integrated provision of services, epidemiological safety and accessibility of the environment.

Digitalisation of the Healthcare Sector

To improve the quality and accessibility of healthcare services through the introduction of new digital solutions in healthcare, in July 2022, the MH signed a memorandum of cooperation on digital health¹⁰ in cooperation with professional organisations in the healthcare sector, medical institutions and patients, as well as non-governmental organisations representing the IT sector. In December 2022, the Digital Health Council¹¹ was set up to promote further digitalisation, ensure the creation and development of the digital health ecosystem, improve the quality, accessibility, and cost-effectiveness of healthcare. In 2023, *Digital Health Strategy* is planned to be submitted to the CM for approval. The purpose of the *Digital Health Strategy* is digital circulation and availability of healthcare data to both medical treatment institutions and patients for the achievement of treatment objectives, to policy planners and researchers for the planning and provision of data-based policies and statistics and the implementation of other public administration functions.

To ensure the preconditions for quality, safe and unified telemedicine services in Latvia, in 2023, the MH established an expert working group within the framework of the Digital Health Council, which will work on the implementation of recommendations of the project No. SRSS/2018/01/FWC/002 *Further development of hospital services, telemedicine and integrated care* supported by the EC Directorate-General for Structural Reform Support by developing practical guidelines for doctors for the provision of teleconsultation

¹⁰ *Memorandum of Cooperation on digital transformation, digital health ecosystem and the promotion of innovation in the health sector*: <https://www.vm.gov.lv/lv/jaunums/vienojas-par-jaunu-pieejju-veselibas-nozares-digitalizacija>.

¹¹ Information about the Digital Health Council: <https://www.vm.gov.lv/lv/digitalas-veselibas-padome>.

services, technical and safety requirements for teleconsultation platforms, as well as by preparing the legal framework for telemedicine services.

To ensure the collection and analysis of internationally comparable oncological data, the modernization of the National Cancer Register was initiated in 2022 and continued in 2023, which includes both development of regulatory framework and provision of technical solutions, including availability of cancer register data in the national E-Health system. The modernized National Cancer Register is scheduled to be introduced by 2024. Accordingly, the actual development costs of the first round amounted to EUR 966.4 thousand¹².

To ensure the full functioning of the National Cancer Register and avoid additional administrative burden for medical treatment institutions, in 2023, all Latvian clinical university hospitals will start the creation of an *Oncology patient data exchange platform*, which will ensure the input and processing of medical treatment data of oncology patients and the transfer of data necessary for statistics to the National Cancer Register. The implementation of the measure will be ensured within the framework of the RRF Plan in the amount of EUR 3.8 million¹³.

In 2023, in parallel with the technical development of the e-health system by the National Health Service, the MH will forward amendments to laws and regulations to provide the legal basis for the development of the e-health system (national electronic health card), the introduction of new e-health functions such as the inclusion of laboratory data in e-health, the inclusion of new data in the National Cancer Register.

In 2023, it is also planned to introduce an electronic vaccination administration management system for planning state-paid vaccination.

Improving the Availability of Healthcare Services

To improve the availability to state-paid healthcare services to the population, the range of persons exempt from patient co-payments has increased since 2022. Furthermore, Latvian residents with group 2 disabilities are exempt from patient co-payments when receiving state-paid healthcare services.

In 2022, the CM approved medium-term action plans providing for the improvement of healthcare services and improvement of their availability in the field of oncology¹⁴, rare diseases¹⁵ and mental health care¹⁶.

¹² According to Point 2 of § 1 of minutes No. 63 of the CM meeting of 24.09.2021, the allocation of additional state budget funding for 2022 in the amount of EUR 49.8 million for the implementation of the MH priority measure *Improvement of healthcare services in the field of oncology, including equipment at BKUS, RAKUS, PSKUS*, including for the creation of a cancer register in the amount of EUR 1.6 million. Accordingly, the actual development costs of the first round amounted to EUR 966.4 thousand.

¹³ Draft CM order on the approval of the passport of project 2.1.3.1. *Development of the oncology patient data exchange platform of clinical university hospitals* of reform and investment direction 2.1 *Digital transformation of the state administration, including local governments of component 2* "Digital transformation of the European Union Recovery and Resilience Facility Plan: https://tapportals.mk.gov.lv/legal_acts/88756e96-3138-498b-b541-1a479886a6e7.

¹⁴ CM order No. 493 of 6 July 2022 *On the Plan for Improvement of Health Care Services in the Field of Oncology 2022-2024*: <https://likumi.lv/ta/id/333775-par-veselibas-aprupes-pakalpojumu-uzlabosanas-planu-onkologijas-joma-20222024-gadam>.

¹⁵ CM order No. 774 of 25 October 2022 *Plan in the Field of Rare Diseases 2023-2025*: <https://likumi.lv/ta/id/336729-plans-reto-slimibu-joma-2023-2025-gadam>.

¹⁶ CM order No. 939 of 13 December 2022 *On the Plan for the Improvement of the Organisation of Mental Health Care 2023-2025*: <https://www.vestnesis.lv/op/2022/245.19>.

In 2022, the MH submitted to CM an *Informative Report on Strengthening Primary Healthcare*¹⁷. The report analyses the situation in primary healthcare and makes recommendations for further action. It is planned to reform primary healthcare and improve accessibility and quality of primary healthcare by setting the minimum amount of services to be provided and helping to ensure the amount of these services in each general practitioner's practice so that every resident of Latvia can receive it. At the same time, the reform envisages improving the payment system, arranging the infrastructure, strengthening the team of general practitioners, promoting digitalisation. The draft government action plan also identifies strengthening primary healthcare as one of its priorities – envisaging defining a basket of primary healthcare services, improving the primary healthcare funding model and strengthening the team of the general practitioner's practice.

In 2022, the MH developed hospice-type service content, which includes both healthcare and social care services, in cooperation with MoW and industry experts. Starting from 2023, mobile palliative services will gradually be introduced all over the country as a state-paid and coordinated cross-sectoral service.

As part of the RRF Plan, a study on the quality and availability of secondary outpatient healthcare services, including service mapping, will be carried out in 2023. The results of the study are planned to be used to develop recommendations to change future policy.

In order to minimise the risks to the health and life of the population, as well as the workload of hospitals, the number of persons entitled to receive state-paid vaccination against influenza was extended during the influenza season of 2021/2022. At the same time, the procedures for vaccination of risk groups against seasonal influenza were updated in 2022. For the influenza season 2022/2023, the number of doses of the influenza vaccine to be procured for state budget funds increased by 20% compared to the period before to the COVID-19 pandemic. In the spring of 2022, an outbreak of monkeypox spread rapidly in Europe and other countries around the world with the World Health Organization declaring the monkeypox outbreak a *public health emergency of international concern*. In response to possible threats, amendments have been made to several laws and regulations in order to protect the population of Latvia from the risk of infection with monkeypox, and procedures have been developed for vaccination of persons of risk groups against monkey pox in cooperation with non-governmental organisations. In 2022, vaccination of 12-14-year-old boys against human papillomavirus has also begun, protecting boys from human papillomavirus-induced types of cancers in men, as well as vaccination of pregnant women and 14-year-old adolescents against pertussis, which allows babies below vaccination age to be protected from pertussis and reduces the overall incidence of pertussis.

As the spread of COVID-19 continues, to reduce the risk of severe illness, hospitalization and death, the population is offered the opportunity to get vaccinated against COVID-19 in 2022 and 2023, highlighting the importance of vaccination for groups at risk. It is important for people with particularly high health risks related to COVID-19 to undergo booster vaccination and second booster vaccination, but those who have not completed primary vaccination are advised to complete it. Among elderly people, the 1st booster vaccination coverage reached 46.3% by the end of December 2022, while the 2nd booster vaccination coverage reached 9.3% by the end of December 2022. In the age group from 18 to 64 years, the 1st booster vaccine was received by 32.3% and the 2nd booster vaccine was received by 2.3% (by the end of 2022). In the age group from 12 to 17 years, the 1st

¹⁷ *Informative Report on Strengthening Primary Healthcare*:
https://tapportals.mk.gov.lv/legal_acts/44ee00ff-5edc-454e-85de-050003aa0213.

booster vaccine was received by 1% and the 2nd booster vaccine was received by 0.1% (by the end of 2022). When assessing COVID-19 vaccination status at the end of 2022, 11 percent of elderly people had received at least one dose of the vaccine, which provides full protection against COVID-19, in the past six months, while across the population, only 4.5% of the population had received at least one vaccine in the past six months, thus receiving adequate protection against COVID-19.

In 2023, additional state budget funding of EUR 30 million will be channelled to facilitate the timely identification of oncological diseases and ensure better treatment. In 2023, the register of reimbursable medicinal products is expected to include new oncological medicinal products, improve the availability and quality of palliative care services at home, and provide new examinations for oncology patients.

In 2023, additional funding of EUR 5 million will be channelled to improving availability of healthcare services for children. In 2023, the range of services provided to children is expected to be expanded and improved, the range of newborn screening tests and examinations of premature babies increased, and the availability of specific medical devices and medicinal products for children with specific diseases and disorders improved.

An action plan for 2023-2027 is being developed to further curb the spread of HIV, hepatitis, tuberculosis, and sexually transmitted infections (more testing, public outreach, improving epidemiological surveillance). It is also planned to develop a plan of further measures in 2023-2024 to improve cardiovascular health among the population.

In 2023, it is planned to develop a single regulatory framework for the provision of palliative care in the country and develop an algorithm for healthcare institutions for the unified provision of outpatient and inpatient palliative care services.

In the first half of 2023, it is planned to submit for approval to CM the plan *One Health 2023-2027*¹⁸ developed by the MH and the Ministry of Agriculture for limiting antimicrobial resistance and prudent use of antibiotics.

Ukrainian civilians, refugees of war, who have arrived in Latvia have the same rights as Latvian citizens to receive all state-paid healthcare services. State-paid healthcare services, including rehabilitation, are also available to Ukrainian soldiers arriving in Latvia.

Improvement of the Availability of Medicine Products

Since 2022, various measures have been taken to improve the availability of medicinal products, including the inclusion of medicines for rare diseases in the list of reimbursable medicinal products.

In September 2022, a *Conceptual Report on the Financial Availability of Medicinal Products* was submitted to the CM¹⁹. The report provides for measures to improve the financial availability of medicinal products and promote rational use of medicinal products and food supplements by reducing prices of medicinal products, reducing the VAT rate for medicinal products from 12% to 5%, defining that medicine prices and price markups of medicinal products in Latvia are not higher than the price markups in Lithuania or Estonia. To improve the availability of reimbursable medicinal products for patients, the possibility of revising the VAT rate for medicinal products by reducing the VAT rate for

¹⁸ Draft Plan for Limiting Antimicrobial Resistance and Prudent Use of Antibiotics "One Health" 2023-2027: https://tapportals.mk.gov.lv/legal_acts/97a12e40-7e01-4c9d-b19d-4acc6458ed21.

¹⁹ Draft Conceptual Report on the Financial Availability of Medicinal Products: https://tapportals.mk.gov.lv/legal_acts/138a53c9-bdfd-447e-93fc-de4a3063a337.

prescription medicinal products by not less than 5% will be assessed during the process of drawing up tax policy guidelines in 2023.

In 2023, in order to reduce patient expenditures on medicinal products, it is planned to introduce the generic name prescription principle also into prescriptions of non-reimbursable prescription medicinal products.

Patient Rights

Since 2022, a procedure has been in place to compensate for serious or moderately serious harm to the health or life of a patient inflicted due to adverse effects caused by the COVID-19 vaccine²⁰. It provides for reimbursement of treatment expenses incurred to prevent or mitigate the consequences of health damage caused by adverse effects of the COVID-19 vaccine.

In 2023, it is planned to develop and forward for adoption to the Saeima amendments to the *Law on the Patient Rights*, ensuring respect for and monitoring of patients' rights, expanding possibilities for the patient, including a minor, to participate in their medical treatment.

Promoting Health of the Population

The implementation of projects promoting health of the population within the 2014-2020 programming period financed by ESF will continue until the end of 2023. The following activities were implemented in 2022:

- 4 public awareness campaigns: on mental health (reducing the spread of mockery in the educational environment), on healthy diet, sexual and reproductive health, reducing injuries among children;
- 3 training programmes on sexual and reproductive health, oral and dental health related to healthy dietary habits and a pilot social impact prevention programme *Unplugged* for 12–14-year-olds in schools to prevent or delay the commencement of use of addictive substances;
- development of a methodological material for schools on identification, prevention and assistance in the use of addictive substances;
- an addiction prevention programme has been developed for 13–25-year-olds, who have an increased risk of developing health disorders caused by the use of addictive substances, as well as specialists in Latvian local governments are being trained for work with this programme.

The piloting of the psychiatric health promotion programme for pupils of grades 7-9 and 10-12, elderly people, young and future parents, as well as the pilot project for identifying and mitigating cardiovascular disease risk factors in children will continue in 2023.

In January 2022, 12 food companies popular in Latvia joined the *Memorandum of Cooperation on Improving the Composition of Food*²¹ signed by MH, the Latvian Federation of Food Companies and the Latvian Chamber of Commerce and Industry. The memorandum aims to improve dietary habits by promoting the availability of foods with reduced levels of saturated fats, sugar, and salt. Food producers joining the memorandum pledge to reduce saturated fatty acids, sugar, and salt in their products²².

²⁰ CM Regulations No. 272 of 3 May 2022 *Regulations Regarding Compensation for Serious or Moderately Serious Harm to the Health or Life of a Patient Inflicted due to Adverse Effects Caused by Vaccination against COVID-19 Infection*: <https://likumi.lv/ta/id/332106-noteikumi-par-kompensaciju-par-vakcinas-pret-covid-19-infekciju-blakusparadibu-izraisito-smagu-vai-videji-smagu-kaitejumu-pacienta-veselibai-vai-dzivibai>.

²¹ Available at: <https://www.vm.gov.lv/lv/sadarbibas-memorandi>.

²² Includes food groups such as meat and fish products, cereal products, products made of fruits and vegetables, frozen prepared foods, dairy products, sweets, beverages, potato products, baby foods.

*Recommendations for safe and healthy use of modern technologies for children*²³ intended for educational institutions and their employees, teachers, parents, legal representatives of children and other interested persons were developed in 2022.

On 25 October 2022, the CM adopted a *Plan for the Improvement of Prevention Measures and Healthcare Services in the Field of Reducing the Use of Alcoholic Beverages and Drugs for 2023-2025*²⁴. The purpose of the plan is to reduce the harm to public health caused by alcoholic beverages and drugs by providing evidence-based, targeted, high-quality measures for prevention of the use of addictive substances for the population, as well as early diagnosis and high-quality, accessible, and tailored healthcare and social services.

In 2023, it is planned to develop and approve a measure to stop the increase in overweight and obesity and to promote physical activity among the population of Latvia. It is also foreseen that from 2023 the MES, in cooperation with the MH, will start developing diagnostic tools on health education to adopt data-driven decisions at the level of educational institution, founder and at national level on the measures necessary to improve the learning of health education issues.

2.1.4. SOCIAL PROTECTION AND REDUCTION OF INEQUALITY

From 1 January 2022, the maximum differentiated non-taxable minimum raised from EUR 300 to EUR 350 per month, and from 1 July 2022 to EUR 500 per month, to further reduce the tax burden on low wage earners and increase their disposable income. The pensioner's non-taxable minimum was also raised in 2022. It increased twice – on 1 January 2022 from EUR 330 to EUR 350 per month and on 1 July 2022 – from EUR 350 to EUR 500 per month.

To mitigate the impact of the rapid price increase on the income level of the population:

- 1) along with the general support measures in the heating seasons of 2022 and 2023, the conditions for granting housing benefit were revised to allow a wider range of households to receive support and to provide more support for households at risk of poverty and/or social exclusion (a pensioner living separately or a person with a disability, or a household only with pension age persons and disabled persons). Similarly, from the beginning of 2022 to April 2023, a state earmarked subsidy of 50% was granted to local governments for provision of housing benefit to residents;
- 2) in 2022, pensions were indexed two months earlier than usual – on August 1. As a result of indexation of pensions, the average pension amount increased by around 20%.

To ensure the adequacy of social protection, especially for low-income residents, the Saeima approved the revision of the minimum income thresholds from 1 July 2023. Proposed changes to the minimum income thresholds provide for:

- 1) their determining according to a specific calculation methodology, namely, by replacing the existing absolute minimum income thresholds with a percentage of the median minimum income per equivalent consumer (equivalence scale: 1; 0.7; 0.7);
- 2) a regular review of the annual minimum income thresholds following the publication of data of the current Statistics on Income and Living Conditions (EU-SILC), replacing the current review frequency – at least every three years;

²³ Available at: <https://www.vm.gov.lv/lv/media/10445/download>.

²⁴ CM decree No. 773 of 25 October 2022 “On the Plan for the Improvement of Prevention Measures and Health Care Services in the Field of Reducing the Use of Alcoholic Beverages and Drugs 2023-2025”: <https://likumi.lv/ta/id/336736-par-profilakses-pasakumu-un-veselibas-aprupes-pakalpojumu-uzlabosanas-planu-alkoholisko-dzerienu-un-narkotisko-vielu-lietosanas>.

3) determining uniform coefficients for the calculation of housing benefit for different types of households in the country, with increased support for households with pension age and disabled persons.

It is expected that these changes will affect approximately 64 thousand poor persons and 37 thousand low-income persons, 24 thousand recipients of state social security benefits and 19 thousand recipients of minimum pensions. As a result of the increase in the state social security benefit, the amount of pensions and benefits resulting from the amount of this benefit also increases – CNPP benefit, funeral benefit, minimum amount of service pensions paid out of the main state budget, compensation of additional expenses due to an accident at work or occupational disease, minimum amount of compensation for loss of ability to work, etc. The additional planned state budget fund for the implementation of the changes in 2023 is EUR 10.3 million, including a state budget earmarked subsidy of EUR 5.6 million to local governments in the amount of 30% of the amount of guaranteed minimum income benefit and housing benefit paid to households.

In accordance with the proposed changes to revise minimum income thresholds from 1 July 2023 the support amounts of are as follows:

State social security benefit			
For persons with disabilities			
Disability group	Coefficient	Amount in EUR from 01.01.2021	Amount in EUR (% of the income median) from 01.07.2023
Since childhood			
Group I	1.4	190.40	219.80 (25% + coef.)
unemployed ²⁵		247.52	285.74
Group II	1.2	163.20	188.40 (25% + coef.)
unemployed ²⁶		195.84	226.08
Group III	Base	136	157 (25%)
Other persons with disabilities			
Group I	1.4	152.60	175 (20% + coef.)
unemployed ²⁷		198.38	227.50
Group II	1.2	130.80	150 (20% + coef.)
unemployed ²⁸		156.96	180
Group III	Base	109	125 (20%)
Amount in EUR for persons who have reached retirement age from 01.01.2021			Amount in EUR (% of the income median) from 01.07.2023
109			125 (20%)
Amount of survivor's pension in EUR from 01.01.2021			Amount in EUR (% of the income median) from 01.07.2023
Before 7 years of age, incl. children with disability.		136	157 (25%)
From 7 years of age		163	188 (30%)
Minimum pension			
Minimum old age pension ²⁹			
Amount of age pension calculation base from 01.01.2021			Amount in EUR (% of the income median) from 01.07.2023
For persons of retirement age		136	157 (25%)
For persons with disability since childhood		163	188 (30%)

²⁵ +30% markup of the amount defined for disability group I.

²⁶ +20% markup of the amount defined for disability group II.

²⁷ +30% markup of the amount defined for disability group I.

²⁸ +20% markup of the amount defined for disability group II.

²⁹ Applying to the old-age pension calculation base a coefficient of 1.1 and, for each subsequent year, exceeding the length of pensionable service required for the granting of an old-age pension, increasing the amount by 2% from the minimum old-age pension calculation base.

Minimum disability pension			
	Coefficient	Amount in EUR from 01.01.2021	Amount in EUR (% of the income median) from 01.07.2023
Since childhood			
Disability group I	1.6	260.80	300.8 (30% + coef.)
Disability group II	1.4	228.20	263.2 (30% + coef.)
Disability group III	Base	163	188 (30%)
Other persons with disabilities			
Disability group I	1.6	217.60	251.2 (25% + coef.)
Disability group II	1.4	190.40	219.8 (25% + coef.)
Disability group III	Base	136	157 (25%)
Minimum amount of survivor's pension in EUR from 01.01.2021			Amount in EUR from 01.07.2023
Until 7 years of age, incl. children with disability		136	157 (25%)
From 7 years of age		163	188 (30%)
Amount of minimum income thresholds in the field of social assistance in EUR from 01.01.2021			Amount in EUR (% of the income median) from 01.07.2023
Guaranteed minimum income threshold*		109 / 76	125 (20%) / 87.50
Poor household income threshold*		272 / 190	313 (50%) / 219
Low-income household income threshold*		Maximum amount 436 / 305	Maximum amount 501 (80%) / 351

* Amount for the first and only person in a household, an equivalence scale 1 and 0.7 is applied to other persons in the household.

2.2. RECOVERY AND RESILIENCE FACILITY PLAN, EU FUNDS

RECOMMENDATION OF THE EU COUNCIL:

- PROCEED WITH THE IMPLEMENTATION OF ITS RECOVERY AND RESILIENCE PLAN, IN LINE WITH THE MILESTONES AND TARGETS INCLUDED IN THE COUNCIL IMPLEMENTING DECISION OF 13 JULY 2021. SUBMIT THE 2021–2027 COHESION POLICY PROGRAMMING DOCUMENTS WITH A VIEW TO FINALISING THE NEGOTIATIONS WITH THE COMMISSION AND SUBSEQUENTLY STARTING THEIR IMPLEMENTATION.

According to the agreement reached, the overall funding available to Latvia from the EU Multiannual Financial Framework 2021-2027 and the Recovery Facility is EUR 12.92 billion. Of the total funding granted, EUR 10.44 billion is available for Latvia in the form of grants (allocations), while EUR 2.48 billion may be borrowed by Latvia with low interest if necessary.

With the support instruments of the RRF and EU funds, it is planned to invest additional EUR 1.6 billion in the economy of Latvia, providing investments in digital transformation (EUR 183.5 million), economic transformation and productivity (EUR 543.6 million), reducing inequality (EUR 205.5 million) and energy efficiency (EUR 668.5 million).

Latvia has started and continues the implementation of the RRF in the amount of EUR 1.82 billion. By the end of 2022, the CM Regulations or informative reports on the implementation of 43 reforms or investments approved the total RRF funding in the amount of EUR 976 million (approximately 53% of the total RRF funding granted to Latvia). On 7 October 2022, Latvia received the first payment from the EC in the amount of EUR 201 million for fulfilment of 9 targets and milestones of 2021 in the field of reducing inequality, rule of law and digital transformation. In the second half of 2023, it is planned to submit a payment request for the progress in 49 targets and milestones of 2022 in the fields of climate change, digital transformation, reducing inequality, health, economic transformation, rule of law – the amount of payment is EUR 438 million. Overall, by the end of 2023 Latvia is planning to approve the regulatory framework for the implementation of reforms and investments under Latvia's RRF for all remaining funding granted to Latvia, ensuring timely achievement of the milestones and targets set for Latvia.

The *Recovery Facility Programme* has now been developed for the part of the grant amounting to EUR 1,826 billion. According to the final calculations of the variable part, the final financing of the part of the grant available for Latvia is EUR 1.834 billion. Accordingly, *amendments to the Latvia's Recovery Facility Programme* are currently being developed to use additional available funding in the amount of EUR 8.5 million, as well as additional allocation in the field of energy – funding of the *RePowerEU* initiative in the amount of EUR 123.79 million.

The *EC EU Cohesion Policy Programme 2021-2027* was approved on 25 November 2022, and provides EUR 4.4 billion of ESF+, ERDF, Cohesion Fund and Just Transition Fund investments. In 2023, it is planned to launch 91 project selections for a total funding of EUR 2.8 billion for all political objectives of the EU Cohesion Policy Programme, which represents more than 60% of the total allocation. Intensive work is underway on the necessary CM regulations and project selection criteria to start the investments planned in the programme.

More detailed information on the concrete measures being implemented within the framework of Latvia's Recovery and Resilience Plan is reflected in other chapters of the Progress Report on the implementation of the NRP of Latvia.

2.3. AVAILABILITY OF FINANCING FOR SMALL AND MEDIUM-SIZED ENTERPRISES

RECOMMENDATION OF THE EU COUNCIL:

- IMPROVE ACCESS TO FINANCE FOR SMALL AND MEDIUM-SIZED ENTERPRISES THROUGH PUBLIC LENDING AND GUARANTEE SCHEMES AIMED AT FACILITATING INVESTMENTS OF STRATEGIC IMPORTANCE, IN PARTICULAR THE GREEN TRANSITION AND REGIONAL DEVELOPMENT.

Financial Instruments Support

To improve access to finance for small and medium-sized enterprises (SMEs) by the end of 2023 the following is planned:

- the portfolio of state aid programmes available to address failures in financial instruments market in the amount of EUR 1060 million;
- capital raised for enterprises in the amount of EUR 227 million, including private sector funds in the amount of EUR 125 million and ERDF funds in the amount of EUR 45.2 million;
- volume of raising resources from international financial institutions or in the capital market for increasing the amount necessary for solving the market failures of state aid programmes of financial instruments in EUR 20 million.

At the same time, it is planned that in accordance with the *Law on Agriculture and Rural Development* and the *Law on Development Finance Institution* the state is responsible for guarantees issued by the joint stock company “Development Finance Institution Altum” in the amount of EUR 250 million.

Business Incubator Support

The support provided by the business incubator support programme to starters of business continued in 2022. The aim of the measures is to support the establishment of new viable and competitive economic operators in the regions of Latvia by providing final beneficiaries with the necessary advice, training, measures regarding general business matters, also mentor support, environment (working space), and grant arrangements for covering the operational costs of economic operators. Pre-incubation support and incubation support can be received within the measures. By 31 December 2022, 649 businesses received grants, 1,041 businesses received non-financial support, 2,931 final beneficiaries received pre-incubation support. The measure will be available until 31 December 2023 continuing incubation and pre-incubation support.

Competence Centre Programme

The competence centre support continued in 2022 and aimed at increasing competitiveness of economic operators by promoting cooperation between research and industry and implementing projects that develop new products and technologies, as well as introduce them into production. 420 research projects had been approved as of December 2022. The co-funding of companies involved in R&D projects in December 2022 was EUR 52 million. In the supported companies, 610 new products and technologies were created in the second and fourth rounds of the competence centre programme.

Investment Fund Support

The objective of the Investment Fund is to promote new investments to expand entrepreneurship, as well as stimulate entrepreneurs to make new investments, starting from EUR 10 million and thus create a value added chain throughout the economy. Within the framework of the funding granted in the programme and the first and closed round, as of March 2023, the IDAL has approved 24 investment projects with the total planned

amount of investments EUR 517 million. The projects approved provide for the creation of 1149 new jobs with a wage amounting to 1.5 times the average in the region, as well as investment in R&D enterprises of more than EUR 16 million and ensuring exports of more than EUR 350 million per year.

Support to Mitigate the Consequences of Russian Military Aggression

New support measures have been developed and implemented to mitigate the economic consequences of Russian military aggression against Ukraine and to provide immediate support to economic operators:

- support in the form of liquidity loans to enterprises (SMEs, large) for the provision of working capital and investments up to EUR 3 million, but not exceeding 15% of the average turnover of the previous three financial years, or 50% of the total energy costs over the last 12 months. The planned funding is EUR 21.5 million;
- support in the form of liquidity guarantees for economic operators (SMEs, large enterprises, associations). The guarantee amount is up to EUR 5 million, but not exceeding 15% of the average turnover of the previous three financial years, or 50% of the total energy costs over the last 12 months. The planned funding is EUR 12.5 million;
- support for energy-intensive manufacturing undertakings to compensate for the increase of energy prices as a result of geopolitical influence. By 31 December 2022, support in the amount of EUR 23.5 million has been provided to 134 energy-intensive undertakings.

Within the framework of RRF and the new 2021-2027 programming period of EU funds, financial resources are available for Latvia to support entrepreneurship, including:

- EUR 183.5 million are provided for digital transformation;
- EUR 520.8 million are planned for promoting productivity;
- EUR 205.5 million are planned for reduction of inequality;
- EUR 673.1 million are planned for climate and energy efficiency measures.

The implementation of RRF support programmes will start in 2023, as well as the practical implementation of the support programmes of the new 2021-2027 programming period of EU Funds will start, thus ensuring continuity of access to funding for entrepreneurs.

To facilitate investment by SMEs in the more efficient use of their resources in services and manufacturing, the measure *“Introducing the principles of the circular economy”* (Cohesion Fund financing – EUR 10 million) will be implemented within the *EU Cohesion Policy Programme 2021-2027*, granting support for the introduction of eco-design principles, waste reduction, “safe by design”, closed material cycles, eco-innovations and other technological solutions and processes of the circular economy, as well as for the creation of new projects.

2.4. ENERGY POLICY

RECOMMENDATION OF THE EU COUNCIL:

- REDUCE OVERALL RELIANCE ON FOSSIL FUELS AND DIVERSIFY IMPORTS OF FOSSIL FUELS BY ACCELERATING THE DEPLOYMENT OF RENEWABLES, ENSURING SUFFICIENT INTERCONNECTION CAPACITY, DIVERSIFYING ENERGY SUPPLIES AND ROUTES AND REDUCING OVERALL ENERGY CONSUMPTION THROUGH AMBITIOUS ENERGY EFFICIENCY MEASURES.

On 4 February 2020, the *National Energy and Climate Plan for 2021-2030* was approved to promote energy independence and energy security in Latvia, which set ambitious renewable energy and energy efficiency targets, as well as set targets for diversification of energy suppliers, interconnection and reduction of energy dependence (for details see Chapter 2.1.2).

In 2022, active work started and will take place in 2023-2024 to update the *National Energy and Climate Plan 2030* in line with EU law, substantially increasing renewable energy, energy efficiency, and other targets and expanding and intensifying the action policies and measures developed.

In 2023, Latvia will also submit to the EC its progress report on progress towards meeting climate and energy targets in all dimensions of the Energy Union.

Energy Independence and Energy Consumption

Latvia's energy dependence decreased to 38.3% in 2021, which is by 15.7% less than in 2020. This is mainly due to an increase in domestic renewable energy consumption, such as hydropower and solar power generation and an increase in renewable energy consumption in the thermal energy sector, while reducing imported energy (both fossil and renewable).

Last year, annual gas consumption fell by more than 40% – from 12.7 TWh in 2021 to 8.8 TWh in 2022. The decline in consumption was mainly affected by favourable weather and unexpectedly high prices of natural gas. It should be noted that previously Latvia imported more than 90% of natural gas from Russia, but Russia's invasion of Ukraine facilitated faster and more efficient diversification of energy suppliers and supply routes, prioritising energy imports from trusted partners (e.g. Norway). It should be added that as of 1 January 2023, Latvian law has imposed a ban on imports of Russian natural gas. However, natural gas is still essential for local energy production, thus it is essential to complete the ongoing project "Improvement of the Latvia-Lithuania interconnector". Once the project is completed, the current capacity of the cross-border point 67.6 gigawatt hours per day (GWh/d) from Lithuania to Latvia and 65.1 GWh/d from Latvia to Lithuania will be almost doubled, increasing to 130.47 GWh/d from Lithuania to Latvia and to 119.53 GWh/d from Latvia to Lithuania. Furthermore, the commissioning of the Poland-Lithuania gas interconnector (GIPL) in May 2022 also has a positive impact on the energy security of the Baltic region, diversifying supply possibilities even further.

In 2022, Latvian electricity consumption decreased by 3.7%, reaching 7,106 GWh, while domestic production reached 4,794 GWh, decreasing by 14.5% over the year. Due to insufficient local production, the availability and quality of cross-border electricity interconnectors is of paramount importance. The busiest cross-border interconnector to Latvia in 2022 was from Estonia to Latvia with an average annual load of 72%, while the busiest cross-border interconnector from Latvia in 2022 was to Lithuania, with an average annual load of 48%. Maintaining a stable interconnection with Estonia is possible mainly due to the successful commissioning of an important project or the third Estonian-Latvian electricity transmission network interconnector (330 kV electricity transmission

line from Estonia to Riga) in 2021. Moreover, it should be noted that since February 2022 Latvia has not traded electricity with Russia, significantly restricting the use of the existing Latvian-Russian electricity interconnector and ensuring that the remaining physical electricity flows are necessary only for the overall stability of the network. Currently it is important to complete the ongoing synchronisation of Baltic States' electricity grids with the continental European grid within the planned timeline (by the end of 2025).

Renewable Energy

Latvia's share of renewable energy in 2021 was 42.1%, where in all energy balance sectors (except transport) – in electricity production, district heating, industrial and building sector, the share of renewable energy resources exceeded 50-55%. The actual share of renewable energy sources in electricity exceeds 63%.

In 2022 (and in 2023 as planned) a sharp increase in installed solar power plants (PV; photovoltaics) capacity is observed, when capacity installed in 2022 has increased 11 times – from 7 MW at the end of 2021 to 80-100 MW at the end of 2022. In solar power generation, the number of solar power plants (excluding microgenerators) more than doubled in 2022. The Latvian distribution system operator is planning that the solar power plant capacity installed in 2023 could reach 300 MW. A rapid increase in wind power capacity is planned somewhere in 2025-2026, because several wind farm developers have received final permits and are ready to install technologies, however, there is high demand for these technologies in the world and also difficulties in technology production chains in Latvia. Wind farm developers are also delayed by the global situation in manufacturing. Due to the geopolitical situation in the region and despite the increase in fuel prices, the amount of solid biomass fuel produced domestically (from domestic raw materials) has increased.

In 2022, a number of *Amendments to the Energy Law* were approved defining the legislative base for the guarantee scheme of origin for biomethane, energy and renewable energy communities. Sustainability criteria for biofuels and biomass fuels were also updated, ensuring sustainable use of biomass in specific installations. In 2023, the detailed formulation of the conditions defined in the law in CM regulations continues.

Energy Efficiency

Latvia exceeded its 2020 energy savings target by more than 5% and while primary and final energy consumption increased in 2020-2021 as the economy recovers from the impact of the COVID-19 pandemic, primary energy consumption 2019-2021 is down nearly 2%.

On 14 July 2022, the Saeima adopted *Amendments to the Energy Efficiency Law*, improving regulations regarding the rights and obligations of state institutions, large enterprises and large electricity consumers. Among other things, the amendments clarified certain regulations related to energy efficiency monitoring, included a reference to the *National Energy and Climate Plan* in the law and defined that the principle “energy efficiency in the first place” should be applied to sectoral development planning, sectoral policy-making and investment projects. In 2023, work on the implementation of EU energy efficiency legislation continues, and the provisions of the energy efficiency obligation scheme are being revised.

Implemented and Planned Support Programmes

The implementation of support programmes and projects for the 2014-2020 programming period of the EU Structural Funds and Cohesion Fund in areas such as energy efficiency of multi-apartment houses and public buildings, as well as enterprises and district heating continued in 2022 and should be completed in 2023. In addition, in

2022, the provision of support for energy efficiency of private houses and the introduction of renewable energy sources, as well as for multi-apartment houses within the framework of the repair fund, continued. The total amount of funding for these programmes was EUR 393 million.

In order to facilitate the abandonment of imported fossil, natural gas, on 8 March 2022 the CM approved the regulatory base for the third round of the support programme for investments in district heating, within the framework of which 42 projects were approved. The total amount of planned investments in supported projects is planned at EUR 139.9 million, of which EUR 39.2 million come from EU funds. The projects are intended for the construction of heat generation sources, replacing the existing heat generation source, and reconstruction, if after the investments renewable energy sources are used for heat generation.

In 2022, new RRF programmes for energy efficiency of multi-apartment houses and enterprises, as well as modernisation of electricity distribution and transmission networks were also launched. Work will continue in 2023 and the implementation of energy efficiency projects of public buildings will commence. EUR 668.5 million in total is planned for the above-mentioned programmes from the RRF and the 2021-2027 programming period of EU Funds.

Support programmes for the promotion of energy efficiency are implemented in Latvia, including in local government buildings and infrastructure, for the renewal of municipal bus fleets, promotion of the use of alternative fuels and RES technologies in transport, etc. (for details see Chapter 2.1.2).

Since May 2021, the CM has approved a number of support programmes to reduce GHG emissions under the Emission Allowances Auctioning Instrument (hereinafter – EAAI).

Within the framework of the project tender (support programme) *“Reducing greenhouse gas emissions in households – support for the use of renewable energy”* as of the end of 2022, contracts with 3493 project implementers have been concluded for the implementation of projects for the use of renewable energy sources in households. A total of 4686 project applications have been submitted and the number of project applications is growing. The funding available in the support programme is EUR 30 million. Within the framework of the project competition (support programme) *“Reducing greenhouse gas emissions in the transport sector – support for the purchase of zero- and low-emission vehicles”*, contracts for the purchase of 579 vehicles have been concluded by the end of December 2022 and the funding available in the support programme is EUR 10 million. Within the framework of the project competition (support programme) *“Reducing greenhouse gas emissions in protected architectural monuments of national significance”* (Round II) and the project competition (support programme) *“Reducing greenhouse gas emissions in lighting infrastructure of public territories of local governments”* evaluation of project applications and conclusion of contracts for project implementation took place within the support programme in 2022.

In 2023, it is planned to continue providing support in project competitions *“Reducing greenhouse gas emissions in households – support for the use of renewable energy sources”* and *“Reducing greenhouse gas emissions in the transport sector – support for the purchase of zero- and low-emission vehicles”* within EAAI, as well as in developing new support programmes to promote the implementation of comprehensive energy efficiency measures, as well as the introduction of innovative climate technologies and solutions.

From 2021, 2% of the total EU Emissions Trading Scheme allowances for the period 2021-2030 are auctioned to finance a new financing facility – the Modernisation Fund. The

Modernisation Fund aims to support low carbon investment by supporting countries in their progress towards climate neutrality by financing small scale investment projects. As part of the Modernisation Fund, a reduction in greenhouse gas emissions in the transport sector is being prepared as one of the first support programmes, supporting the acquisition of zero-emission vehicles for enterprises, local governments and institutions of direct administration.

3. IMPLEMENTATION OF THE EUROPEAN PILLAR OF SOCIAL RIGHTS IN LATVIA

The *European Pillar of Social Rights Action Plan*³⁰ sets new, long-term objectives for combating poverty and social exclusion. The Action Plan is the EC's contribution to the implementation of the principles of the social pillar and sets three objectives to be achieved by 2030, in line with the United Nations (UN) Sustainable Development Goals:

1. at least 78% of the population aged 20-64 should be in employment by 2030;
2. at least 60% of all adults should participate in training every year;
3. the number of people at risk of poverty or social exclusion should be reduced by at least 15 million by 2030.

The EC also calls on the EU Member States to define their own national targets, as a contribution to this common endeavour.

In order to achieve the three headline targets set out in the *European Pillar of Social Rights Action Plan*, Latvia has defined the following national targets to be achieved by 2030, in line with the commitments made at the Porto Social Summit:

- at least 80% of adults (aged 20-64) are employed;
- at least 60% of adults participate in training every year;
- the number of persons at risk of poverty or social exclusion has reduced by 95 thousand or 5 percentage points (base year – 2019).

Table 3.1
**Progress in achieving Latvia's targets
for the implementation of the *European Pillar of Social Rights Action Plan***

	2019	2020	2021	...	2030
Employment rate, aged 20–64, %	77.4%	77.0%	75.3%	...	80%
Adult (25-64 years) participation in learning during 12 months, %*	No data available*	No data available*	No data available*	...	60%*
Persons at risk of poverty or social exclusion, thsd and %	25.1% 474 thousand	26.1% 488 thousand	26.0% 482 thousand	...	20.1% 379 thousand

* From 2023 onwards, Eurostat changes the methodology of the Labour Force Survey and will measure the participation of adults in formal and non-formal education during the previous 12 months (previously 4 weeks before the survey) every two years, thus allowing the progress of the EU-level target to be monitored. The first publication of this data is scheduled for May 2023³¹.

The positive trend towards stable annual employment growth and gradual reduction of poverty and social exclusion observed until 2019, like in other EU Member States, was negatively affected by the spread of the COVID-19 pandemic and related changes in the economy and labour market. The increase in the risk of poverty or social exclusion should be mentioned as a challenge when evaluating progress in achieving Latvia's targets. Among all EU Member States, Latvia had the fifth highest share of people at risk of poverty or social exclusion.

According to the CSB data, in 2022, participation of adults in education has increased significantly in Latvia. The share of people aged 25-64 who took part in education in the

³⁰ <https://eur-lex.europa.eu/legal-content/LV/TXT/DOC/?uri=CELEX:52021DC0102&from=LV>, published on 4 March 2021.

³¹ Source: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Adult_learning_statistics.

last four weeks before the survey has risen from 6.6% in 2020 to 9.7% in 2022, reaching the highest level of participation since the beginning of the survey. In the previous year, the share of employed adults who participated in the education process during paid work hours has also increased 12.6 percentage points – from 34.9% in 2020 to 47.9% in 2022³². Statistical data shows that both employers and individuals have actively used the opportunities offered by the public for skills development, improvement, and retraining.

³² https://data.stat.gov.lv/pxweb/lv/OSP_PUB/START_IZG_IZ_IZI/IZI070.

4. PROGRESS TOWARDS THE UN SUSTAINABLE DEVELOPMENT GOALS

At the extraordinary meeting of 2 July 2020, the Saeima approved the NDP2027, which sets strategic objectives, priorities and targets for Latvia's sustainable and balanced development over the next seven-year programming period and on the basis of which state budget, EU funds and other investments are made in Latvia's development.

Latvia's progress towards the UN Sustainable Development Goals (SDGs) should be viewed in the context of the findings of the High-Level Political Forum of 2021 and 2022 that the implementation of SDGs at global level lags behind the desired pace and requires substantial additional investment and resources to speed up the implementation of SDGs.

In 2021, an *Informative Report on Implementation of the National Development Plan for 2014-2020* was developed and submitted to the CM and the Saeima for consideration, which also made it possible to evaluate the achievements of implementation of the goals included in the *Sustainable Development Strategy of Latvia*. This report and the conclusions contained therein were also used for the preparation of the *Latvia's Report on the Implementation of the UN Sustainable Development Goals in Latvia* in the first half of 2022, which was presented at the UN High Level Political Forum in July 2022. The main conclusions of the report are that Latvia has and, in the future, will probably continue to face both internal and external challenges, however, crises will not deter the country from its sustainable development goals set out in a lengthy, inclusive, and democratic process. Main ways to continue the implementation of the SDGs: we will continue and improve good governance practices; we will make greater use of factors that trigger behaviour and policy change; in partnership with society, we will plan the future – the reality we want in 2050.

Transition towards climate neutrality requires investment, so the state should provide support to people with lower income as well as to companies so that they can transition to the use of renewable energy sources. Latvia's recent work on shaping a sustainable finance system can help direct investments where they best contribute to climate goals and the reduction of poverty and inequality. Latvia's success in issuing its bonds, which includes support to Latvia's reform of minimum income levels, is a great example that will have a long-term impact on reducing poverty.

Latvia will continue to approbate the approach by building by facilitating multi-stakeholder cooperation for innovations and engaging the public. We hope to provide an innovative and eco-efficient "blue economy" around the Baltic Sea with a supportive environment for opening, encouraging, and implementing business, social and environmental innovations.

The Latvian government has declared the transformation of the economy as its central goal, and as a result we see the Latvian economy as innovative, digital and climate neutral. This will require investment in the introduction of a competence approach in education, infrastructure, and smart specialisation areas to drive societal growth and sustainability.

Although deep material deprivation and economic tension are falling, the risk of poverty among the elderly continues to rise and inequalities between individuals and regions remain high, negatively affecting trust and cohesion in society. Poverty, inequality of income and opportunity are partly caused by the generation factor, but it also depends on balancing our economic performance with social support. Against this background, the country reaches a glass ceiling of opportunities if no agreement can be reached on the redistribution of GDP: the level of private and public services, the level of civic and public

duties and services, the tax burden and solidarity of various groups, as well as the internal cohesion of the country, it is necessary to restore a broad public and political debate to address this issue.

1. No poverty

In accordance with CSB data, 22.5% of inhabitants of Latvia were subject to risk of poverty or social exclusion in 2021, that is by 0.9 percentage points lower than in the previous year. In 2021, as disposable income increased, the at-risk-of-poverty threshold increased as well. The risk of poverty decreased in the older age population and households with one adult and children, and even more rapidly the risk of poverty decreased among the older age population (over 65) living alone³³. However, it should be noted that since the beginning of 2022 there has been an increase in consumer prices, which currently negatively affects the purchasing power of the population, especially low-income residents.

To improve the situation for the lowest-income population, the minimum income from 2021 has almost doubled. Furthermore, services were introduced to improve people's access to the labour market and allow households to reduce costs. So, in 2022, total funding for assistant services for people with disabilities increased by 70% compared to a year earlier. In 2022, state co-financing of 50% was granted to local governments for provision of housing benefit. The non-taxable minimum for pensioner was raised twice, and poor and low-income households have been given the opportunity to get rid of their debt liabilities³⁴ caused by consumer lending contracts. At the same time, the amount of the minimum wage is gradually growing.

The government will continue the introduction of a targeted support system to support people in difficulties, including in the context of high inflation and rising energy prices. It will continue to review minimum income thresholds for different groups stemming from the minimum income median. The targeting of social benefits is expected to be revised and coverage of beneficiaries improved. Although this action leads to positive trends, the risk of poverty will continue to affect people of retirement age, the unemployed and other economically inactive people. These groups are affected by pronounced regional disparities in employment and unemployment rates, a high proportion of employees who pay state social security contributions from low incomes and insufficient understanding and knowledge of financial management in individual population groups.

2. Healthy nutrition and sustainable agriculture

On 11 November 2022, the EC approved the *Common Agricultural Policy (CAP) Strategic Plan of Latvia for 2023-2027*, which is the basis for the development of the bioeconomy with lower GHG emissions and a prerequisite for the availability of healthy and high-quality food for every Latvian resident. During this programming period, policy makers, in cooperation with industry NGOs, have committed themselves to achieving environmental quality and climate objectives under the CAP, such as lower pesticide use, development of organic farming, reduction of industry related GHG emissions, and redistribution of direct payments to smaller farms.

Latvian farms are diverse – out of 60 thousand beneficiaries of rural support payments, about 230 farms are considered large farms with turnover of EUR 1 million or more. If large farms are oriented towards increasing exports of products, then the role of small and medium-sized farms is to provide the local population with local products. It is

³³ <https://stat.gov.lv/lv/statistikas-temas/iedzivotaji/monetara-nabadziba-nevienlidziba-un-sociala-atstumtiba/preses-15>.

³⁴ <https://www.tm.gov.lv/lv/jaunums/no-2022-gada-1-janvara-trucigam-un-maznodrosinatam-personam-bus-iespeja-dzest-paradsaistibas>.

precisely for this reason that greater use of green public procurement in the provision of catering services should be encouraged, and short food chains promoted.

At the same time, the total increase in prices related to production of food products, which has developed after Russia's invasion of Ukraine, maintains the risk of availability of local food to Latvian residents and raises questions about the return of agricultural policy to society as a whole. Already in 2022, due to the increase in food prices in Riga municipality, a co-payment of parents is applied to preschool aged children and pupils for catering from October 1. Only catering expenses on pupils in grades 1 to 4 are covered in full by the state and local government budget, as well as catering is free of charge for pupils whose families are recognised as poor, low-income households, or families with three or more children.

According to the RSS data, 60 thousand customers received funding from EAFRD, EAGF, EMFF, EMFAF and state subsidies in 2022, where funding for area payments, investments in activities, as well as state aid amounted to more than EUR 586 million³⁵. For policy makers, the different economic scale of farms is a challenge to ensure fair support in the policy-making process for achieving social, economic, and environmental targets.

3. Good health and well-being

The data shows that the figure of healthy life years in Latvia is gradually improving. Similarly, access to health services appears to be improving as both the proportion of unmet health needs and out-of-pocket payments in health care have declined. Although this does not give rise to optimism, at the same time lower attraction of doctors and nurses to the provision of health services compared to other countries, as well as quality of healthcare and satisfaction of patients remain problematic. Despite efforts of recent years to improve the attraction of nurses to work in the healthcare sector, the situation has not improved and the total number of nurses per 100,000 inhabitants continues to decline. The figure for the number of practicing doctors per 100,000 inhabitants has also not changed since 2018. This, like the restrictions on receiving healthcare services during the COVID-19 pandemic, has an impact on the quality of healthcare services, leading to a significant deterioration in preventable and treatable mortality rates. It also most likely explains why patient satisfaction with received healthcare services is slightly decreasing.

To improve the quality of healthcare, the model of payment for health services needs to be changed, strengthening a value-based approach to paying for healthcare services, where the state pays for the result of treatment rather than the manipulations performed. At the same time, there is also a need to strengthen the system of assessment of the quality of services in healthcare at all levels and to develop integrated health and social care services for people with chronic diseases.

The changes in the daily lives due to the pandemic and the limitation of social contacts have led to deterioration of mental and emotional health of the population, which also has a long-term impact on physical health and well-being. This is confirmed by the fact that Latvia is still among the EU countries with the highest suicide rates. Similarly, the registered absolute alcohol consumption in litres per one 15-year-old and older inhabitant, not including the absolute alcohol consumption by tourists, is stably high. Although these trends have already been observed in previous years, there are still preliminary estimates that show that the proportion of regular smokers in the population is increasing at the same time. In order to improve public health, strict measures are needed to limit the prevalence of the use of addictive substances by significantly reducing the availability of addictive substances through excise duty and trade regulation.

³⁵ <https://www.lad.gov.lv/jaunums/lauku-atbalsta-dienests-paveiktais-2022-gada>.

4. Quality education

The state promotes opportunities for everyone to obtain a quality education, thereby gaining knowledge that will be relevant in the economy of the future, as well as professional and life skills. Latvia also moves towards inclusive education, which is achieved through early identification of educational needs, recognition of talent and abilities, support to reduce socio-economic risks, and timely adaptation of the environment for people with special needs.

From 27 October 2022 to 16 June 2023, the MES and the University of Latvia, in cooperation with the research centre SKDS, implement an international survey on education, skills and competences of adults in the OECD PIAAC, which is the most extensive study of the use of adult skills and abilities in the world. Latvia is participating in this study for the first time. The data obtained during interviews and tests will provide information regarding formal and additional education of Latvian residents, real employment and unemployment, the conformity of real skills and abilities with professional and daily life needs. The study will allow to obtain valuable internationally comparable information for educators, employers and state institutions regarding the supply and demand of skill levels of Latvian residents, as well as to plan education and training opportunities that would genuinely meet the needs of the population and economy. Data from the study will be published in 2024.

Significant reforms have been carried out in the higher education system of Latvia – in 2022, councils of institutions of higher education were established and started operating in all institutions of higher education established by the state. Their task is to promote strategic development of institutions of higher education, to take strategic decisions regarding activities of the institution of higher education in the field of finance and real estate management, to ensure supervision of functioning of internal control systems and risk management. At the same time, it should be noted that the trend of changes in the number of people obtaining a doctoral degree is worrying, as the proportion of 25- to 34-year-old people obtaining a doctoral degree in 2020 was approximately the same as in 2017 and significantly lower than in Lithuania and Estonia.

In order to ensure reproduction of high-quality human resources for research and innovation, on 25 June 2020 the CM supported the conceptual report *“On the Introduction of a New Model of Doctoral Studies in Latvia”*. A pilot project is implemented³⁶ to ascertain the effectiveness of implementation of the new model, at the same time amendments to the “Law on Higher Education Institutions” and the “Law on Scientific Activity” have been prepared and submitted to the Saeima in January 2023 in order to strengthen the new approach to implementation of doctoral studies.

Vocational education graduates and higher education graduates are monitored in order to provide policy makers, educational institutions and potential learners with the data regarding employment and income of graduates of educational institutions after graduation that is necessary for taking decisions. According to graduate monitoring data provided by the CSB, the average employment of graduates of vocational education of 2020 a year after graduation (in 2021) is 64.5% (it is higher than a year ago – 62.9%). The average employment of graduates of 2019 a year after graduation (in 2020) could be influenced by the COVID-19 pandemic. It decreased by 3.4% (from 66.3%) compared to the average employment of graduates of 2018 a year after graduation (in 2019). It should be noted that the graduate monitoring data do not include information on graduates who continue their education.

³⁶ (SO 8.2.2 investments).

Higher education monitoring data shows a consistent increase in the value of higher education both at national and individual level, both in terms of employment and income trends dynamics. The average employment of graduates of vocational education of 2020 a year after graduation (in 2021) is 87.7%, which is higher than of 2017 (in 2018) – 87.1%.

Higher education has also remained a stable and consistently growing asset during the COVID-19 pandemic, taking into account that there was a significant increase in business activities during this time, which made it possible to assume that graduates of higher education institutions are the ones who see opportunities for development and take advantage of them in times of crisis.

The number of scholarships for students in higher education institutions is increasing, especially for students from large families. Latvian national scholarships are also available to students from many developing countries.

5. Gender equality

The *Plan for the Promotion of Equal Rights and Opportunities for Women and Men 2021-2023* provides for the integration of this principle into sectoral policies. According to the EU EIGE Gender Equality Index 2022 (data of 2020), Latvia is ranked 16th among EU Member States, if different sets of indicators (sub-indexes) are summed up³⁷. The greatest inequality can be seen in the performance of the Knowledge Sub-Index (47.7), which expresses the proportion of women with tertiary education, followed by low performance of women in power (50.9), and time spent equally doing household work (65.8), also in the financial field, with women receiving generally lower pay for work than men, although the situation is better when pay is viewed together with social transfers (69.4).

Gender violence and reducing domestic violence are a major task for the government. This will be mitigated by promoting prevention, coordination, and cooperation between institutions, collecting data on violence for its prevention and implementing the requirements of the Council of Europe *Convention on preventing and combating violence against women and domestic violence*³⁸.

In addition, by the end of 2023, the horizontal plan envisages early identification of cases of trafficking in human beings, more successful conciliation of work and private life, closer proximity to ensuring equal pay to different genders, reducing stereotypes about occupations and sectors. Further reduction of the risk of poverty for women in retirement age remains among the big challenges, especially as women live about a decade longer than men on average.

In 2022, thanks to the decision and financial support of the Saeima Presidium, it was possible to start providing gender-neutral vaccination against human papillomavirus (to 12–14-year-old boys), which will protect boys from human papillomavirus-induced cancers in men in the future. Also in 2023, the MH will continue to provide vaccination against human papillomavirus to boys while increasing the age of boys to be vaccinated to 12–17-year-old boys (state-funded vaccination against human papillomavirus has been provided to girls since 2010).

6. Clean water and sanitation

Latvia is rich in natural water resources, but the ecological quality of surface water and sea is not perfect. In Latvia, approximately 185 million m³ of water is extracted from both surface and groundwater during a year, of which more than 45% is used to provide utilities (drinking water supply), ~ 25% is used in agriculture, ~ 20% – in industry, and

³⁷ <https://eige.europa.eu/gender-equality-index/2022/LV>

³⁸ Sub-Paragraphs of task 253 of the Government Action Plan.

~ 7% – in other sectors. Water protection is one of the priorities of Latvia's environmental policy.

The quality and availability of surface and groundwater is sufficient for the different uses of water. Although the ecological quality of many surface waters is not good, the proportion of water bodies of high and good ecological quality is increasing. It reached 35% in 2022.

In order to improve the status of inland water bodies and the marine environment, Latvia is seeking to minimise the impact of the economy, including agriculture, on water quality. Four river basin area management plans have been drawn up for 2022-2027, which are integrated into a single document with flood risk management plans.

By the end of 2023, with the support of EU funds, projects will together provide environmental wastewater collection services to at least 38,000 people (22,248 more by early 2023). A wastewater collection service meeting environmental requirements is currently available to > 90% of the population in densely populated areas.

In the coming years, it is planned to develop wastewater sludge management and to improve wastewater treatment plants.

International cooperation in the protection and management of water resources is also important for Latvia, as 56% of the total river runoff is outside Latvia – in neighbouring countries Lithuania, Estonia, Belarus, and Russia and is expected to be complicated in the future due to the international situation (war in Ukraine).

Access to clean drinking water is mostly provided to all the population. The centralised water supply is available to approximately 84% of the inhabitants of the territory of Latvia. Water monitoring is carried out at regular intervals, allowing information on the ecological and chemical quality of surface and groundwater waters, the quality of marine waters and the impact of agricultural pollution to be obtained. The development of the water monitoring system is essential for the investments of the EU funds for 2014-2020 and 2021-2027, extending and improving the monitoring network. Monitoring results show that 33% of lake water bodies and 34% of river water bodies were of good ecological quality in 2022. The quantitative and chemical status of 22 underground water bodies was good, the chemical condition was bad in 3 underground-risk water bodies.

7. Affordable and clean energy

At the end of 2021, Latvia has reached 42.11% of the share of energy produced from RES in gross final energy consumption, ensuring progress towards the target for 2027 (47.5%) of total energy consumption using RES, as well as achieving a complete transition of energy production to RES by 2050 in all sectors where this is technologically possible.

One of the sectors that consume the most fossil energy is transport, where Latvia provided 6.44% of the share of energy produced from RES in 2021.

In 2022, Latvia has made significant progress to remove obstacles to the production of electricity from RES, the establishment of self-consumers of electricity and energy communities, as well as guarantees of origin for biomethane. Active work is underway on a transnational joint project for offshore wind power production (ELWIND), concluding a feasibility study for the approval of the conformity of offshore territorial areas and the determination of the optimum area for the construction of the offshore wind farm. A joint venture of AS "Latvenergo" and AS "Latvijas valsts meži" has also been established for the implementation of strategically important wind farm projects in the country's forest lands, facilitating further progress towards achieving climate neutrality and ensuring energy independence.

In view of the rise in energy prices in order to ensure access to energy sources, support instruments were introduced to compensate partially for the increase in prices and support measures for vulnerable groups in the amount of approximately EUR 820 million, and the government will decide on the support programme in the context of continued increase of energy resources.

Full integration of energy markets and modernisation of infrastructure are planned. The use of RES technologies in electricity generation, heat supply and industry is expected to be increased. Support (including the EU funds) for households will be provided to ensure electricity and heat generation from RES technologies for own use and to promote the construction of energy-efficient buildings and the renovation of existing buildings.

In Latvia, three main reform directions have been set to achieve climate neutrality policy objectives: reduction of GHG emissions in the transport sector; increasing energy efficiency and measures to adapt to climate change. The most significant financial investments are planned in sustainable transport infrastructure in Riga and Pieriga region, the use of RES in transport, the promotion of energy efficiency in the public and private sector, the strengthening of crisis response capacity, and adaptation and emission sequestration measures.

8. Decent work and economic growth

The Latvian economy grew by a total of 2% in 2022. This was largely driven by exports, private and public consumption, the low base in early 2021, the gradual lifting of COVID-19 restrictions, while the most significant economic bottlenecks were rising energy prices and disruption of raw material supply chains due to Russia's invasion of Ukraine. At the end of December 2022, the registered unemployment rate amounted to 6.1%. GDP per capita by purchasing power parity level in Latvia remained stable in 2021 – 72% of the EU-27 average, while the risk of poverty among workers aged over 18 increased in 2020 (9.8%) and 2021 (9.2%), possibly in the context of COVID-19.

To ensure decent work, the minimum monthly wage of EUR 620 has been set as of 2023. With a view to further reducing the labour force tax burden for low-income earners, from 1 July 2022 the non-taxable PIT minimum for workers increased to EUR 500 per month, and the non-taxable minimum for pensioners is also raised at the same level. However, it should be noted that currently the purchasing power of the population, especially for low-income residents, is negatively affected by rising consumer prices.

In 2022, the number of fatal accidents at workplaces fell by 45%, the number of serious accidents fell by 25% and the total number of accidents fell by 11%.

Female employment continues to grow, reaching 70.2% in the 15-64 age group in 2022, 2.3 percentage points lower than male employment, while significant differences in pay between women and men are still present.

In 2022, the *EU Cohesion Policy Programme for 2021-2027* was approved, as well as the accompanying national regulatory package was developed, thus creating the preconditions for launching EU funds and RRF investments in Latvia. A new Law of the Bank of Latvia was adopted when the financial sector supervision reform was completed. It entered into force on 1 January 2023. The Law regulates the activities of the state central bank following its merger with the Financial and Capital Market Commission, and it is part of a set of measures necessary to ensure the implementation of the reform of the financial sector supervision system, as well as to modernise and develop the activities of the Bank of Latvia in the interests of society and the financial sector.

9. Production, innovation and infrastructure

Total expenditures of Latvia on research and development (R&D) in 2021 amounted to EUR 232 million or 0.71% of GDP. Compared to 2020, they increased by 11.6%, and investments of businesses in R&D activities increased by 19.1%. It is likely that such results were achieved due to the measures implemented for promotion of innovation in state-owned enterprises as well as measures to promote innovation in SMEs. Overall, the financing of R&D by businesses amounted to EUR 66.83 in 2021 or 28.7% of total R&D funding in the Latvian economy. However, this indicator significantly lags behind the achievements of EU Member States, where businesses provide more than half of total investments in R&D (2020: EU-27 – 65.8%; Latvia – 30.9%).

An innovation platform of Latvia's companies was established in 2018 and has successfully developed. It was initiated by the Cross-Sectoral Coordination Centre³⁹, the Prime Minister's Office, and the ME in cooperation with four most active state capital companies – Latvenergo, LMT, Tet, Latvijas valsts meži. Several related capital companies joined later. As a result, cooperation projects were implemented, as well as an offer was developed for strengthening and wider implementation of the innovation culture also in other state and local government capital companies. From 2022 onwards, the Cross-Sectoral Coordination Centre³⁹ has started compiling expenditures and/or capital investments of state-owned enterprises into R&D. According to the information provided by capital companies, they invested EUR 27.1 million in R&D in 2021, which is by EUR 4.94 million or 22.3% more compared to 2020. To ensure accurate accounting of R&D expenditures in enterprises, amendments to the Law on Annual Reports and Consolidated Annual Reports (refer to annual reports and consolidated annual reports starting from the reporting year 2021) came into force on 1 January 2022. In order to improve the acquisition of R&D statistics, including using resources of the Electronic Declaration System of the State Revenue Service, they imposed a mandatory obligation on enterprises (large and medium-sized enterprises) to provide detailed information regarding R&D expenditures in the financial reporting component – notes.

In 2022, the implementation of the Norwegian Financial Mechanism 2014-2021 programme "*Business Development, Innovation and Small and Medium-Sized Enterprises*" (hereinafter – NFM Programme) continued. The NFM programme will be implemented until April 2024. The IDAL Technology Business Centre also continues work within the NFM programme. As part of the Technology Business Centre, the IDAL Innovation Academy is being implemented, which enables business developer teams to engage in a specific training course, as well as receive 100% financial support for prototyping to validate the viability and potential of their business ideas and technological hypotheses.

For early-stage research projects with commercialisation potential in general, EUR 22 million are available in the National Research Programme "*Innovation Fund – Sectoral Research Programme*" (hereinafter – Innovation Fund) for the period 2022-2025. Innovation Fund initiatives started at the end of 2022 and two projects were supported within the programme, each amounting to EUR 5.7 million with the implementation period until 2024. One of the projects supported is implemented in the field of smart specialisation "Biomedicine, medical technologies, pharmacy" and the other in the field of smart specialisation "Photonics and smart materials, technologies and engineering systems".

To start the process of re-industrialisation and to ensure access to finance for large investment projects for economic recovery after the crisis caused by Covid-19,

³⁹ On the basis of CM decree No. 808 of 15 November 2022 "On Liquidation of the Cross-Sectoral Coordination Centre", the Cross-Sectoral Coordination Centre subordinated to the Prime Minister has been liquidated since 1 March 2023, merging it with the State Chancellery.

on 6 July 2021, the CM adopted Regulations No. 503 “Regulations regarding Loans with Capital Discount for Investment Projects for Merchants for Promotion of Competitiveness” (hereinafter – Investment Fund), approving the state budget of EUR 152.06 million. The programme is expected to continue in 2023, channelling additional funding of EUR 70 million for the programme. The objective of the Investment Fund is to promote new investments to expand entrepreneurship, as well as stimulate entrepreneurs to make new investments, starting from EUR 10 million and thus create a value-added chain throughout the economy. Within the framework of the funding granted in the programme and the first and closed round, as of March 2023, the IDAL has approved 24 large investment projects with the total planned amount of investments EUR 517 million. The projects approved provide for the creation of 1149 new jobs with a wage amounting to 1.5 times the average in the region, as well as investment in R&D enterprises of more than EUR 16 million and ensuring exports of more than EUR 350 million per year.

To contribute to the faster recovery of the Latvian economy from the Covid-19 crisis and to the improvement of the economic situation by accelerating investment attraction and increasing Latvia’s competitiveness, the MoE’s and IDAL’s initiative – a “green corridor” to accelerate the bureaucracy and administrative processes for high value-added investment projects – continues. The “green corridor” is for investment projects in priority industries covering smart specialisation, international business services centres, as well as construction, transport, and logistics if the implementation of these ideas is linked to priority industries. In 2022, 18 projects were with total investments of EUR 308 million and 1158 jobs created in mechanical engineering, renewable energy resources, aquaculture, electronics, smart materials, engineering services, real estate, and other industries.

In 2022, work on the creation of the innovation institutional governance and *Smart Specialisation Strategy* (RIS3) governance model continued. The reform provides for the involvement of the IDAL in the coordination of RIS3 areas, leading the work of the five RIS3 management groups to this end and envisaging a long-term strategy and action plan for each RIS3 areas. Similarly, within the framework of the reform for the approximation of innovation and research policies, including the supervision of RIS3, an Innovation and Research Governance Council has been established, where two ministers – ministers of economics and education and science, as well as directors of IDAL and the Latvian Council of Science cooperate. Finally, in 2022, the functions of the Latvian Research and Innovation Strategic Council headed by the Prime Minister were reviewed in order to ensure that this Council decides only on strategically crucial matters of R&D, innovation policy and RIS3.

In 2022, the CM approved a new support programme for the production of foreign films in Latvia – *“Procedure by which state budget co-financing is granted for the production of foreign films in Latvia”*. The total annual state funding of the support programme until 2024 constitutes more than EUR 850 thousand, which is 100% state funding. In the first selection round in 2022 eight project applications were received, two of which were supported for the total amount of co-funding of EUR 778 thousand. Six project applications were received in the second selection round, requesting the necessary co-financing in the amount of EUR 1.9 million. On 27 September 2022, the CM approved an increase in appropriations in the amount of EUR 2.1 million to ensure state budget co-financing for the production of foreign films in Latvia, thus supporting the projects submitted in both the first and second selection rounds, which were on the reserve list.

It is positive that the share of the employed scientific staff (full-time equivalent) as a percentage of the total number of employees is growing, although it is still significantly below the EU-27 average – it was 0.7908% in 2021, but, like with investments, efforts to

move towards the EU-27 average (1.4207%) should continue. The number of scientific staff (scientists, professionals, and project managers; working full and part-time) has increased considerably, in 2021 the number of scientific staff in Latvia exceeded 8 thousand (8344) – it is a significant increase compared to 2020, when this indicator was 7,721 researchers.

Scientists and other specialists from Ukraine have also started working in Latvia, thus Latvia supports employment of Ukrainian science workers and cooperation with both Latvian and other European partners.

It is planned to rebuild the main roads of the country in the TEN-T network, to construct new sections of main roads of the country, to modernise/create new railway infrastructure of the TEN-T network, to modernise railway passenger infrastructure, to construct/rebuild the transport infrastructure of Riga City ensuring the construction of an integrated transport system, to develop main streets and existing routes of state cities, to develop public infrastructure of large ports, as well as to develop high-performance network infrastructure for the provision of last mile connections, to build the middle mile optical network infrastructure, to establish the passive infrastructure of electronic communications networks for the deployment of 5G connectivity along the land transport routes of the TEN-T network, as well as to ensure cyber protection of the national electronic communications services centre. In order to reduce regional disparities, the state will invest in business support infrastructure for infrastructure development and reducing regional inequality obstacles, improve the efficiency and accessibility of services in line with demographic challenges and the administrative and territorial reform, including by supporting the use of smart solutions.

In 2022, production volumes in manufacturing, based on unadjusted data, were 2.7% higher than in 2021. It was affected by the increase in production volumes of metals, beverages, cars and trailers, non-metallic mineral products, and electrical equipment. The turnover of manufacturing at current prices also continued to grow year-on-year largely influenced by the increase of producer prices. Volumes of products sold in the domestic market grew by 19.8%, while volumes of exported products – by 4.6%.

10. Reduced inequalities

Income inequality in Latvia is one of the highest among EU member states. In accordance with CSB data, the Gini coefficient in 2021 was 34.3%, that is by 1.4 percentage points lower than in 2020. As the rise in income of the wealthiest (fifth quintile group) households decreases, income inequality also decreases, however in 2021 the income of wealthiest was 6.3 times higher than that of the most deprived. The fastest income growth in 2021 compared to 2020 was for households in the second (12.1%), third (12.1%) and fourth quintile group households (11.1%).

To ensure faster growth of the first and second quintile in 2021, the minimum income has almost doubled, including minimum age and disability pension amounts significantly increased. The government has pledged to regularly review the minimum income thresholds applied to different groups, linking them to the minimum income median.

To reduce the income inequality dimension, Latvia has increased material support for families with children, a progressive income tax rate has been introduced, differentiated non-taxable minimum has been increased, as well as pensions are regularly indexed, and minimum wage is raised.

On the other hand, the strengthening of out-of-pocket expenditures and equal opportunities is addressed by targeted services, as well as fairer access to and accessibility of all services. For example, a 70% increase in the assistant service reduces

out of pocket expenditures and also increases opportunities for education, work and quality of time spending for people with disabilities. In order to strengthen equal opportunities, Latvia is making improvements in almost all areas. Given the regional nature of poverty and inequality, it is important to ensure the effectiveness of services in the regions in line with demographic trends and the new administrative territorial division which entered into force on 1 July 2021.

11. Sustainable cities and communities

It is important for Latvia to contribute significantly to better density of population not only in big cities, but also in small towns and rural areas. Within the administrative-territorial reform, the administrative-territorial framework was improved reducing the number of local governments – since 1 July 2021, there are 43 local governments – 36 municipality local governments and seven state city local governments instead of the previous 119 local governments. The initial assessment of the results of the reform is positive: local governments are economically stronger (based on budget revenues, the difference between the highest and lowest total budget revenues of local governments has decreased from 34 times before the reform to 6 times after the reform), there is concentration of administrative resources (the number of deputies decreased by 64%, the resources necessary for the reimbursement of deputies decreased by approximately EUR 10 million between July 2021 and July 2022). Previous services were maintained for residents and the places of provision of services of united municipalities continued. State and Municipal Unified Customer Service Centres (SMUCSC) continued operating as well. In 2023, there were 166 SMUCSC, and by the end of 2026 the territorial availability of SMUCSC is planned to be extended to 592 sites or for each county and town.

The concentration of resources is expected to have a positive impact on raising investments in regions. In the future, it is essential to provide support to local governments for the achievement of the objectives of administrative-territorial reform.

For the successful implementation of the administrative territorial reform and regional development, it is essential to raise funding for the construction of national regional and local roads by facilitating access to services and jobs in the administrative centres of new municipalities. In total, EUR 300 million is needed to construct indicatively 900 km of roads for the purposes of the administrative-territorial reform. Until the end of 2022, construction works were carried on 827 km of national regional and local roads. Until 2025, with the RRF support, it is planned to continue the work started and to implement construction works in road sections of at least 210 km.

Significant support from the EU funds has been used by local governments for the development of business infrastructure in the regions to boost economic activity, including for creation of jobs and non-financial attraction in the regions – EUR 376.4 million (including ERDF of EUR 319.7 million)⁴⁰. The following cumulative outcome indicators had been reached by the end of 2022 – 3063 new private sector jobs had been created; private-sector non-financial investments of EUR 266.53 million had been raised; degraded areas of 430.8 ha had been restored and adapted to new economic operators or to the extension of existing economic operators.

Lack of affordable and quality housing affects sustainability of population significantly. That is one of the reasons behind the mobility of the population, the development of

⁴⁰ SO 3.3.1 “To increase the volume of private investments in regions, making investments for business development according to the economic specialisation of the territories specified in local government development programmes and based on the needs of local businessmen”; SO 5.6.2 “Revitalisation of territories, regenerating degraded territories according to integrated development programmes of municipalities”; SO 13.1.3.3 “Revitalisation of territories to promote business in municipalities”.

territories and the reduction of regional disparities. More than a third of Latvia's households live in overcrowded housing, however, the number of people living in decent conditions is slowly, but gradually increasing. A support programme for the construction of low-rent housing was created in 2022 with a view to promoting the availability of low-rent housing meeting construction standards and energy efficiency requirements for households unable to afford housing on market conditions (the RRF funding available is EUR 42.9 million). New support programmes have been launched for the energy efficiency and repair of multi-apartment houses. The task – “Availability of housing for labour force in regions” – defined in the *Regional Policy Guidelines 2021–2027* should continue, ensuring solutions for promoting affordable housing. Growing housing costs, the low level of income and purchasing power of the population are the main reasons for housing affordability problems throughout Latvia. Both short- and long-term solutions are being implemented to address the specified challenges. One of the short-term solutions that helped mitigate the negative impact on the purchasing power of the population resulting from the COVID-19 pandemic and Russia's war in Ukraine is the adoption of amendments to the “Law on Measures for Reduction of an Extraordinary Increase in Energy Prices”. The objective of the amendments was to mitigate the negative socio-economic impact on the welfare of the population and economic growth due to an unprecedented rapid rise in energy prices, and to determine time-limited state support measures, which reduce the negative impact of rapidly increasing energy prices on the welfare of the population and the economy as a whole. With the introduction of these amendments, support to households for the partial reimbursement of heating costs was established. According to the regulatory framework, the MERPD has already transferred financial resources of EUR 20.5 million to municipalities to cover expenses incurred by partially compensating households for heating expenses in October-December 2022. According to the amendments to the “Law on Measures for Reduction of an Extraordinary Increase in Energy Prices”, the above-mentioned state support is expected to be provided until 30 April 2023.

One of the long-term solutions is the establishment of a new state-owned enterprise “Housing Stock Institution” planned in the CM Decree No. 537 of 20 July 2022 “On State Support to Local Governments to Provide Quality and Affordable Rental Housing for Residents”. With the establishment of the Housing Stock Institution, it is planned to significantly improve the availability of housing in Latvia by building at least 4000 apartments by 2035. With this MERPD support mechanism, it is planned to eliminate the market failure – the situation that the market is unable to ensure the fulfilment of the public interest in the relevant field, the shortcoming of the specific service has been identified. The market failure is supported by the OECD studies, EC's country-specific reports on Latvia, economic development reports of Latvia, as well as the compilation of statistics performed by the MERPD in 2021 on loans of commercial banks in real estate and construction. The “Housing Stock Institution” is planned to ensure the construction of rental housing while selling 5% of homes from the total rental fund on an annual basis.

Significant attention is also paid to improving the quality of the environment, with the support of EU funds in the 2021-2027 period, air pollution in Latvia's densely populated cities will reduce, both in the household sector and through solutions to improve local government infrastructure. Generally, air pollution in the country is not high. However, there are some air quality problems in larger cities such as Riga, Liepāja and Rēzekne. The municipal waste management system is also about to be improved.

12. Responsible consumption and production (circular economy)

Sustainable development is based on ensuring responsible use of natural resources so that production and public consumption do not exceed the recovery capacity of natural

resources. The current linear economy model has contributed to depletion of natural resources, increase of waste volumes and disposal of waste in landfills also in Latvia.

Quality sorting and reintegration of waste into the economy is a responsible action to ensure the sustainable environment for life. Investment of EU funds in 2021-2027 is also planned to promote this action. At the same time, Latvia sets new targets for reducing the amount of waste generated and their wider recycling. An increase in recycling capacity by at least 141,000 tonnes per year is expected by the end of 2023 through the EU funds financing for 2014-2020.

At the same time, the Declaration of the new government of Latvia⁴¹ clearly expresses support for the circular economy, which becomes a transversal element in each form of entrepreneurship, thus reducing both the total amount of waste and facilitating the return of resources to the economy.

Moreover, in February 2023, a year has elapsed since Latvia started operating the beverage packaging deposit system, which provides an opportunity to soundly manage the most common types of beverage packaging. During the year, more than 250 million empty deposit packaging units have been transferred to 1400 deposit points throughout Latvia⁴².

EU funds investments for 2021-2027 will support waste management hierarchy-based waste management and circular economy implementation activities, with a view to promoting the development of the secondary raw materials market, the reduction of waste generated, the development of reuse and recycling, and the achievement of disposal reduction targets.

To facilitate investment by SMEs in the more efficient use of their resources in services and manufacturing, the measure *“Introducing the principles of the circular economy”* (Cohesion fund financing – EUR 10 million) will be implemented within the *EU Cohesion Policy Programme 2021-2027* – see also Chapter 2.3.

13. Climate action

Latvia’s Plan for Adaptation to Climate Change until 2030 (adopted in 2019) is still up-to-date and is focused on reducing the vulnerability of Latvian people, national economy, infrastructure, building and nature to the effects of climate change⁴³. The mid-term evaluation of the measures included in the plan will be carried out at the end of 2026. At the same time, the objectives and indicators of the plan serve as a road map for Latvian local government planners and leaders of local action groups, identifying activities and action directions in the field of climate adaptation and resilience in their planning documents.

In 2020, the *Latvian Strategy for Reaching Climate Neutrality by 2050*⁴⁴ was adopted, which is a long-term vision document, a framework document for policy planners to ensure a unified national progress towards achieving climate neutrality in 2050. An assessment of the progress of the indicators included in the strategy is planned for 2029.

In order to promote a balanced achievement of climate neutrality in cross-sectoral policies and national economic development goals, the government has decided to create a new Ministry – Ministry of Climate and Energy – the task of which is to develop, organise and coordinate climate and energy policy.

⁴¹ <https://www.mk.gov.lv/lv/media/14490/download?attachment>.

⁴² <https://depozitapunkts.lv/gada-laika-depozita-sistema-nodots-ceturtdalm>.

⁴³ <http://polsis.mk.gov.lv/documents/6507>.

⁴⁴ <http://polsis.mk.gov.lv/documents/6641>.

The NECP covers all measures of economic sectors to achieve the objectives of overall climate neutrality. It is important to update the measures included in the new policy planning period – guidelines, programmes, and plans, as well as to evaluate the prioritisation of implementation of measures that promote faster energy independence of Latvia using renewable energy sources. More detailed information on the specific measures taken to improve energy efficiency, promote the use of alternative fuels and RES technologies in transport is presented in Chapter 2.1.2 of the progress report.

Russia's invasion of Ukraine and sanctions against Russia have accelerated Latvia's decisiveness in finding solutions to energy independence. Already in 2022, two state-owned enterprises – AS "Latvijas valsts meži" (LVM) un AS "Latvenergo" – agreed on the establishment of a joint venture for the construction of a Latvian wind farm, which will ensure not only the energy independence of Latvia, but also promote the export of energy sources. The overall strategic objective of the joint venture is to implement wind farm projects of strategic importance to achieve the objectives set out in the NECP and to further progress towards achieving climate neutrality by promoting energy independence.

EU funds support programmes are also intended to contribute to the achievement of climate targets, including the *Territorial Just Transition Plan* approved in 2022, which foresees, inter alia, the phasing out of peat use in energy by 2030.

With the support of the EU funds 2014-2020, by the beginning of 2023, floods and erosion risks from climate change have already been reduced for 87,200 residents. New adaptation measures for different climate risks, in particular through green and blue infrastructure solutions, are intended with investments from the EU funds for the programming period 2021-2027.

14. Life below water

A healthy and diverse Baltic Sea is needed by people and the planet. Given the intense nutrient efflux, up to 97% of the Baltic Sea suffers from eutrophication. Human activities (overfishing, pollution, increasing effects of climate change, etc.) are changing the ecological balance and reducing the resources available beyond their natural recovery potential. In addition, the Baltic Sea is one of the most heavily used seas on the planet. The Baltic Sea is particularly sensitive to environmental load because it is closed and with relatively small biodiversity, and the long winter season limits its productivity and brackish water creates difficult conditions for both saltwater and freshwater organisms.

The *Baltic Sea Action Plan* (adopted in 2007 by the *Helsinki Convention*) aimed to restore the Baltic Sea environment to good ecological status by 2021. However, the nine Baltic Sea states have not fully achieved this goal. In October 2021, the updated *Baltic Sea Action Plan* was approved at the ministerial meeting of the parties to the *Helsinki Convention*. To achieve its objectives, the plan sets out specific measures and actions to be taken at the national level or jointly at regional or international levels. Each of the measures of the *Baltic Sea Action Plan* is numbered and includes information about the background, expected results, criteria for assessing progress, links with other measures, the HELCOM working groups responsible for implementation. Concrete deadlines are foreseen for the implementation of the measures, which do not go beyond 2030. At the same time, evidence shows that good environmental status in the marine environment would not have been possible by 2020, as it can take marine ecosystems several decades to recover, and the effects of the planned measures will be felt in the longer term. Climate-induced changes, such as rising water and air temperatures, could also hamper marine recovery. The need to act immediately to change what we manage and use unsustainably is underscored by the significant decline in the Baltic cod population.

SDG 14 is the area where decisions on the use of water resources cannot be made without scientific data and research. Because water is an environment affecting the viability of other resources, achieving an evidence-based balance between the economic interests of society and the sustainability of natural resources is crucial.

Research is underway from 2020–2025 on protected habitats and to determine the protection status in the exclusive economic zone of Latvia in the Baltic Sea. Should there be any scientific basis, the network of protected marine areas might be expanded.

The MERPD carries out research and improves the knowledge base to achieve and maintain good marine environmental status in accordance with EU and Latvia's marine environment protection and management conditions. They analyse the state of the marine environment, the ecosystem, pressures affecting the marine environment and its interactions, social and economic use of the sea, assess social and economic benefits of the use of the sea. The Nature Conservation Agency together with its partners implements the EU LIFE programme's project "*Exploring marine protected habitats and establishing the necessary conservation status in the exclusive economic zone of Latvia*" (2020-2025). It plans to address the creation of a comprehensive marine resources protection system by improving the monitoring methodology for evaluating protected marine habitats and species.

Latvian scientists, for instance, from the Latvian Institute of Hydro-Ecology and the Scientific Institute of Food Safety, Animal Health and the Environment BIOR, are also involved in international water resource research.

This evidence is key for Latvia and other EU member states in developing common policy in the field of fisheries, protection of the marine environment, and other areas.

15. Life on land

Latvia's diverse ecosystems include forests, which cover about half (53%) of its territory, meadows, seacoast and bogs.

Latvia has designated specially protected nature territories – national parks, biosphere reserves, nature parks, protected landscape areas, nature reserves, nature monuments, and marine protected areas. Specially protected nature territories cover 18.46% of Latvia.

Natural habitat degradation and biodiversity loss due to human activity is becoming a reality in Latvia. The availability of natural resources is important in economic activity. Therefore, local governments and local action groups are seeking various site-specific climate resilience solutions. Local governments take into account specially protected nature territories in their development planning.

In Latvia, 10% of EU-protected habitats and 41% of species are in good condition. Degradation of natural habitats and the loss of biodiversity have consequences for anthropogenic load and an intensive economy that has an impact on the environment. The Latvian economy is significantly linked to the availability and use of natural resources for economic activity, and therefore there is a need for innovation and new technological solutions, as well as targeted public education to change everyday habits and reduce the impact of the economy on the quality of the environment, including various support measures, including from EU funds.

The Nature Conservation Agency together with its partners implements the *EU LIFE programme's project "Optimising the administration and management of Natura 2000 protected areas"* (2020-2028). During the project, it is planned to develop innovative approaches to address topical nature conservation issues and to implement the priority

action framework for *Natura 2000* areas, thereby ensuring a favourable conservation status for habitats and species of EU importance in Latvia.

Measures were implemented during the EU funds 2014-2020 programming period and new measures are planned in the EU funds 2021-2027 programming period to reduce environmental pollution, anthropogenic load and improve the favourable conservation status of habitats and species of EU importance in order to ensure that natural values are not degraded, natural heritage is preserved, and environmental requirements are respected. With the support of EU funds, the implementation of an ambitious habitat recovery project was launched in 2021 and continued in 2022 across Latvia, with the aim of creating appropriate conditions for the sustainable existence of 20 EU habitats and at least eight species habitats, as well as contributing to the responsible management of 13 protected lanes.

Projects to reduce anthropogenic load, eutrophication, erosion, environmental pollution, ensuring epidemiological safety requirements and restoring ecosystems in an area of 6370 ha were also approved in 2022.

Taking into account the data obtained during the Nature Census project regarding the distribution of habitats of EU significance, an evaluation is being prepared regarding the results of the identification of the distribution and quality of protected habitats of EU significance and further action for ensuring favourable conservation status of protected habitats, as well as the impact of the proposed scenarios on the areas, resources available for forestry, agricultural and other economic activities. The assessment analyses the impact of the proposed scenarios on sectoral development, as well as Latvia's commitments resulting from the implementation of climate policy.

To mitigate the deterioration of the environmental situation, mitigation measures have been taken to promote biodiversity and mitigate climate risks, including the completion in 2021 of the largest restoration and reclamation works of historic pollution in Inčukalns sulphuric acid tar ponds, completing the disposal of the tar removed from ponds in 2022, which will thus allow the decontaminated area to be returned to economic circulation.

16. Peace, justice and strong institutions

The administrative-territorial reform approved in 2020 is implemented in the field of good governance. In this connection, the Law on Local Governments⁴⁵ came into force on 1 January 2023, which provides for significant improvements in the transparency of the activities of local governments, accessibility of information to the public and expands the possibilities for public involvement in the work of local governments with new tools such as collective application, population council and participation budget. At the same time, the central government has reduced the number of employees, strengthened horizontal strategic communication. In 2021, a single portal for the development and harmonisation of draft legislation has been introduced and successfully demonstrated, providing modern participation opportunities for stakeholders in the drafting and harmonisation of draft legislation and development planning documents.

The *Public Administration Modernisation Plan 2023-2027* has been developed and submitted to the CM for approval to promote the development of public administration. The draft plan includes measures in the following directions: uniform and efficient public administration, human resources development, quality of policy and regulation, centralisation and standardisation of support functions, creation of a smart working

⁴⁵ Adopted by the Saeima on 20 October 2022, replaced the Law on Local Governments adopted on 19 May 1994.

environment and development of innovation. The purpose of the plan is to increase the level of trust of Latvian residents in public administration.

E-file is one of the digital transformation initiatives that, in phases up to 2026, envisages a gradual transition to electronic investigation, litigation and enforcement process, where the first phase of introducing an e-file provides for creating single electronic judicial proceedings and ensuring the exchange of information between courts, the prosecution office and the enforcement authorities, the participants of the proceedings and other information systems related to the judicial authorities. In the next phases of the e-file programme it is planned to attract the Information Centre of the Ministry of the Interior and integrate the e-file platform with the information systems developed and improved within the framework of the IIS2 project of the Information Centre of Ministry of the Interior.

Communication with the customer has been made more accessible and friendly, ensuring immediate provision of information about services at any time of day due to the introduction of virtual assistants on the websites www.zemesgramata.lv, izsoles.ta.gov.lv.

The establishment of a single forensic examination institution, the Examination Office of the Forensic Science Administration of the State Police continues by adding it to the State Forensic Science Bureau.

In 2022, the Economic Court examined 366 cases, of which 119 were civil cases, 80 – criminal cases and 167 – proceedings on criminal property. The length of proceedings in courts of first instance has increased in relation to the base year in civil cases (8.1/9.1 (2022)), criminal cases (5.7/10.4 (2022)) and administrative violation cases (2.1/4.4 (2022)).

To comply with the recommendations made by the GRECO to prevent corruption and promote integrity in the central government and individual law enforcement institutions, Latvia has implemented several activities, as a result of which Latvia has become the second country to successfully conclude the GRECO Fifth Evaluation Round⁴⁶.

In 2022, Latvia's Corruption Perceptions Index remained stable – 59 points, ranking Latvia 15th among EU countries. At the same time, the report *Exporting Corruption 2022*⁴⁷ by the *Transparency International* recognises that Latvia is the only EU country to improve its performance in combating bribery of foreign officials. The successful pre-trial investigations carried out by the Corruption Prevention and Combating Bureau and the measures taken by Latvia to improve this area have been appreciated and placed equally with the United Kingdom, Germany, France, and Norway.

The national NGO fund's allocations to NGO grant tenders are increasing, public media has left the advertising market and support of the National Media Support Fund for media in the development of public interest content increased, the VAT on books, press and news portals reduced.

17. Partnerships

In view of Russia's aggression in Ukraine, in 2022 Latvia has increased all support to Ukraine, including financing of development cooperation policy. Total support from Latvia to Ukraine in 2022 exceeded 1% of GDP, including multilateral contributions to humanitarian aid, support for women who have suffered from violence, rehabilitation programmes for war victims, good governance, euro-integration, education, business

⁴⁶ <https://www.knab.gov.lv/lv/media/3624/download?attachment>.

⁴⁷ <https://www.transparency.org/en/publications/exporting-corruption-2022>.

promotion, reconstruction of Ukraine, etc. Civic society and the private sector have actively provided significant support to Ukraine, including its refugees in Latvia.

In 2022, the bilateral development cooperation budget managed by the Ministry of Foreign Affairs has tripled reaching EUR 1.36 million. In 2022, a total of 39 projects were implemented, a development cooperation agency was established, the geographical scope of the support was extended, where besides the traditional beneficiaries of development cooperation – Ukraine, Moldova, Georgia, as well as the countries of the Central Asian region, for the first time Latvia implemented a project on the African continent – in Namibia and Zambia. Priority lines of cooperation included strengthening democracy, good governance, media literacy, gender equality, quality education, environment, and climate, as well as smart entrepreneurship and digitisation. The Ministry of Foreign Affairs ensured the link of bilateral development cooperation activities of Latvia with activities of other donors, promoting the sustainability, efficiency and visibility of support provided by Latvia, especially in the field of good governance, including training of young professionals, improvement of provision of public services, promotion of the capacity of audit institutions. The official development assistance in absolute terms amounted to more than EUR 94 million (the data is provisional).



#European semester
#National Reform Programme of Latvia
#Recovery and Resilience Plan of Latvia
#progress
#EU Council's recommendations