



**NATIONAL REFORM PROGRAMME OF LATVIA  
FOR THE IMPLEMENTATION OF THE  
EUROPE 2020 STRATEGY  
PROGRESS REPORT 2020**

#European semester  
# National reform programme of Latvia  
#progress  
#EU Council recommendations  
# Europe 2020 strategy

**Riga  
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## ABBREVIATIONS, MEASUREMENT UNITS, AND SYMBOLS

ALMP	active labour market policy measures	ktoe	kiloton oil equivalent
RE	renewable energy	kWh	kilowatt-hour
RES	renewable energy sources	LB	Bank of Latvia
DFI	Development Finance Institution	FTUCL	Free Trade Union Confederation of Latvia
AIC	Academic Information Centre	ECL	Employers' Confederation of Latvia
MD	Ministry of Defence	IDAL	Investment and Development Agency of Latvia
UN	United Nations Organisation	LQF	Latvian qualifications framework
JSC	joint stock company	MoW	Ministry of Welfare
MFA	Ministry of Foreign Affairs	LCCI	Latvian Chamber of Commerce and Industry
FDI	foreign direct investment	Mbps	megabit per second
bbl	barrel	CM	Cabinet of Ministers
CO <sub>2</sub>	carbon dioxide	Mt	megaton
COVID-19	coronavirus	Mtoe	megaton oil equivalent
CSB	Central Statistical Bureau	SME	small and medium-sized enterprises
DI	deinstitutionalisation of long-term social care	MW	megawatt
DAC	Demographic Affairs Centre	NEET	youth not in education, employment or training
WBL	work-based learning	PMLTPF	Prevention of Money Laundering and Terrorism and Proliferation Financing
FEAD	Fund for European Aid to the Most Deprived	NRP	National Reform Programme
EDS	electronic declaration system	SEA	State Employment Agency
EEA	European Economic Area	NHS	National Health Service
eID	electronic identification	NGO	non-governmental organisation
CEF	Connecting Europe Facility	OECD	Organisation of Economic Cooperation and Development
EMFF	European Maritime and Fisheries Fund (2014-2020)	MPC	mandatory procurement component
EC	European Commission	R&D	research and development
EQF	European qualifications framework	WB	World Bank
ETI	Emissions Trading Instrument	VECC	vocational education competence centre
EAFRD	European Agricultural Fund for Rural Development	PINTSA	Tripartite Sub-council for Co-operation in Vocational Education and Employment
ME	Ministry of Economics	PJ	petajoule
EQAR	European Quality Assurance Register for Higher Education	CSCC	Cross-Sectoral Coordination Centre
ERDF	European Regional Development Fund	VAT	value added tax
EU	European Union	YPLL	years of potential life lost
ESF	European Social Fund	SO	specific objective
ETS	Emissions Trading System	GHG	greenhouse gas
EUR	euro, EU single currency	LLC	limited liability company
FDL	Fiscal Discipline Law	SKDS	market and public opinion research centre
FIU	Financial Intelligence Unit	MT	Ministry of Transport
FCMC	Financial and Capital Market Commission	CDPC	Centre for Disease Prevention and Control
MF	Ministry of Finance	STEM	science, technology, engineering and mathematics
GWh	gigawatt-hour	TEN-T	trans-European transport network
GDE	<i>Guidelines on Development of Education for 2014–2020</i>	MJ	Ministry of Justice
PIT	personal income tax	TWh	terawatt hour
CIPL	<i>Amendments to the Law On Prevention of Conflict of Interest in Activities of Public Officials</i>	CIT	corporate income tax
GDP	gross domestic product	RE	Register of Enterprises
ICT	information and communication technologies	USD	US dollar
SEQS	State Education Quality Service	MEPRD	Ministry of Environmental Protection and Regional Development
GDIS	<i>Guidelines for Development of Information Society for 2014-2020</i>	SJSC	state joint stock company
IT	information technologies	SEDA	State Development Education Agency
MES	Ministry of Education and Science	SRS	State Revenue Service
YEI	Youth Employment Initiative	SC	State Chancellery
CF	Cohesion Fund	MH	Ministry of Health
km	kilometre	MTG	Medium-Term Budget Goal
MC	Ministry of Culture	MA	Ministry of Agriculture
KNAB	Corruption Prevention and Combating Bureau	GDSTI	<i>Guidelines for Development of Science, Technology and Innovation 2014–2020</i>
CCFI	Climate Change Financial Instrument		

## INTRODUCTION

Latvia has prepared the ninth Progress Report on the Implementation of the National Reform Programme of Latvia within the “Europe 2020” Strategy<sup>1</sup> (hereinafter – Progress Report on the Implementation of the NRP of Latvia) which is closely linked to the *Stability Programme of Latvia for 2020-2023*.

In accordance with Articles 121 and 148 of the Treaty on the Functioning of the European Union (hereinafter – the EU), the *National Reform Programme of Latvia for the Implementation of the “Europe 2020” Strategy* (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 (in the framework of the so-called European Semester). The European Commission (hereinafter – the EC) assesses the implementation of both programmes and, on the basis of the assessment, presents proposals for the EU Council’s country-specific recommendations.

The Progress Report on the Implementation of the NRP of Latvia was prepared taking into account the *National Development Plan of Latvia for 2014–2020* approved by Saeima on 20 December 2012 and the *National Development Plan of Latvia for 2021–2027* (hereinafter referred to as NDP2027)<sup>2</sup>, *Partnership Agreement for the EU Investment Funds Programming Period 2014–2020*, the *Operational Programme Growth and Employment for the EU Funds Programming Period 2014–2020*, commitments of Latvia under the *Euro Plus Pact*<sup>3</sup> approved by European Council on 24-25 March 2011, the EU Council’s country-specific recommendations for Latvia for 2019-2020<sup>4</sup>, the *2020 Annual Sustainable Growth Strategy*<sup>5</sup> published on 17 December 2019 by the EC, the Commission’s staff working document *Country Report – Latvia 2020*<sup>6</sup>, and the Letter from the EC Secretariat-General to the EU Member States on the European Semester 2020<sup>7</sup>.

The Ministry of Economics (ME), as a national level institution responsible for coordination of the European Semester, has prepared the Progress Report on the Implementation of the NRP of Latvia in cooperation with the Ministry of Defence (MD), the Ministry of Foreign Affairs (MFA), the Ministry of Finance (MF), the Ministry of Education and Science (MES), the Ministry of Culture (MC), the Ministry of Welfare (MoW), the Ministry of Transport (MT), the Ministry of Justice (MJ), the Ministry of Environmental Protection and Regional Development (MEPRD), the Ministry of Health (MH), the Ministry of Agriculture

(MA), the Cross-Sectoral Coordination Centre (CSCC), the State Chancellery (SC), the Financial and Capital Market Commission (FCMC), the Corruption Prevention and Combating Bureau (CPCB) and the Financial Intelligence Unit (FIU).

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 (FTUCL) and cooperation partners – the Latvian Chamber of Commerce and Industry (LCCI) and the Latvian Association of Local and Regional Governments.

Issues related to progress of Europe 2020 strategy and the European Semester, as well as the implementation of the NRP of Latvia and the Stability Programme of Latvia, including implementation of the EU Council’s country-specific recommendations, are discussed on a regular basis at the Cabinet of Ministers (CM), in Saeima, with social partners and cooperation partners, and representatives of other non-governmental organisations, for example, at the National Tripartite Cooperation Council of Latvia, the Saeima Committee for European Affairs, etc. Bilateral meetings with the EC mainly addressing the progress of Latvia in implementing structural reforms and the EU Council’s country-specific recommendations take place on a regular basis.

The Progress Report on the Implementation of the NRP of Latvia consists of 6 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 2019. Chapter 3 provides a brief description of Latvia’s progress in achieving the targets of the Europe 2020 strategy and UN Sustainable Development Goals. Chapter 4 provides a detailed description of the NRP policy directions, including the progress in the implementation of measures related to the achievement of the quantitative targets of Latvia within the Europe 2020 strategy and, where applicable, in the fulfilment of individual UN Sustainable Development Goals. Chapter 5 presents information on the use of the EU funds. Chapter 6 includes information on the involvement of institutional and social partners in the implementation of the NRP of Latvia and in the preparation of the Progress Report.

All numerical information and data, unless otherwise specified, is obtained from the Central Statistical

<sup>1</sup> 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.

<sup>2</sup> draft *National Development Plan of Latvia for 2021 – 2027*, [http://tap.mk.gov.lv/doc/2020\\_02/NAP\\_2021\\_2027\\_gala\\_redakcija\\_261.docx](http://tap.mk.gov.lv/doc/2020_02/NAP_2021_2027_gala_redakcija_261.docx)

<sup>3</sup> *Euro Plus Pact*, conclusions of the European Council of 24–25 March 2011: [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ec/120296.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/120296.pdf)

<sup>4</sup> Recommendations of the EU Council for Latvia 2019: <http://data.consilium.europa.eu/doc/document/ST-10167-2019-INIT/lv/pdf>

<sup>5</sup> *2020 Annual Sustainable Growth Strategy*: <https://eur-lex.europa.eu/legal-content/LV/TXT/PDF/?uri=CELEX:52019DC0650&from=EN>

<sup>6</sup> *Country Report Latvia 2020*: [https://ec.europa.eu/info/sites/info/files/2020-european-semester-country-report-latvia\\_lv.pdf](https://ec.europa.eu/info/sites/info/files/2020-european-semester-country-report-latvia_lv.pdf)

<sup>7</sup> Letter from the EC Secretariat-General to the EU Member States on the European Semester 2020 dated 11 October 2019.

Bureau of the Republic of Latvia (CSB) or the EU statistical office (Eurostat).

# 1. MACROECONOMIC SCENARIO AND KEY MEASURES TO MITIGATE THE IMPACT OF THE CORONAVIRUS

## 1.1. MEDIUM-TERM MACROECONOMIC SCENARIO

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After the acceleration of Latvia's economic growth in 2017 and 2018 to 3.8% and 4.3% respectively that has been fostered by growing external demand and restoration of the flow of investments, GDP growth rates became slower again in 2019. Last year, Latvia's economic growth slipped to 2.2%.

The slowdown of growth rates in 2019 was driven by both the deterioration of the external environment and a number of unique internal factors, both the weather conditions unfavourable for the energy sector in the first half of the year and the drop in transit and the decline in financial services exports. In the transport sector, transit of goods through Latvian ports has been falling since the spring 2019 driven by both Russia's policy to shift cargo to its own Baltic Sea ports and by falling demand for Russian coal in global markets. Meanwhile, the financial sector was affected by a decline in its non-resident servicing business and a drop in financial services exports.

Last year, construction (+2.9%) showed significantly slower growth than in the previous two years, which was mainly related to stabilising investment flows of EU funds. This has underpinned a weaker increase in civil engineering volumes, while a relatively strong increase was recorded in construction of buildings. Manufacturing showed a moderate growth of 2.1% in 2019, and its development last year was hampered by both the weakening of global economic growth and declining demand in external markets and the adverse situation in the largest manufacturing sub-sector, woodworking, which was affected by falling demand and prices on export markets. The decrease in production volumes was also recorded in the second largest manufacturing sub-sector – production of food products. At the same time, production of metal products and electrical equipment, as well as production of computer and electronic equipment were still able to show strong growth.

In 2019, economic growth was secured by private consumption, which, in turn, was boosted by still rapidly rising wages and falling unemployment. As the flow of investments from the EU funds has stabilised, investment in gross capital increased about five times slower last year than in 2018. On the other hand, faster export growth was hampered by a slowdown in global economic growth and global trade, as well as a sharp drop in re-exports of goods. Meanwhile, exports of goods produced in Latvia increased last year, which was particularly positively affected by high export volumes of cereals, while a sustained increase was also registered in the export of services. At the same time, the increase in goods and services imports in 2019 was

more rapid than the increase in exports, so the contribution of net exports to economic growth in Latvia was negative.

Exports of goods at current prices increased by 0.2% in 2019 being considerably slower than the increase in 2018, when they reached 9.7%. The development of exports of goods was negatively affected by a number of factors, including the drop in external demand driven by the global and, in particular, the EU's growth slowdown, the decline in wood prices, and a reduction in the re-export of turbojet engines to the United States. At the same time, the negative effects of these factors were mitigated by a 14.8% increase in agricultural and food exports driven by the rapid increase in cereal exports due to last year's high cereal yields. In terms of export value, the largest increase in exports of goods in 2019 was registered to Estonia (+94 million EUR), the Netherlands (+62 million EUR) and Germany (+47 million EUR). On the other hand, the largest decline in the value of exports of goods was to the United States (-313 million EUR), Sweden (-69 million EUR) and Poland (-34 million EUR). At the same time, exports of goods at current prices increased by 6.8% in 2019 fostered by an increase in exports of telecommunications and IT, transport services and construction services.

Annual average inflation in Latvia increased to 2.8% in 2019, which was by 0.3 percentage points higher than in the previous year. The largest contribution to the increase in consumer prices in 2019 was secured by an increase in food prices by 3.3%. Like in 2018, the most significant increase in prices in 2019 was also registered in utilities such as electricity, gas, waste collection and water supply. In 2019, prices of alcoholic beverages and cigarettes, as well as recreational, cultural and food service activities increased as well.

Despite slowing economic growth rates, the unemployment rate continued to reduce sharply in 2019. In 2019, according to the labour force survey data, the unemployment rate in Latvia decreased by 1.1 percentage points to 6.3%. At the end of December 2019, registered unemployment rate was 6.2% and was by 0.2 percentage points lower than a year ago. In 2019, the number of registered unemployed decreased by 3% to 57.8 thousand at the end of December 2019.

The decrease in the unemployment rate in Latvia was mainly underpinned by a smaller number of working-age population and a slight decrease in the economic activity of the working-age population. Overall, the population in the 15-74 age group decreased by 0.8%

last year, with a more rapid decline in the number of economically active population. As a result, the economic activity rate decreased by 0.2 percentage points to 69.4% in 2019.

The population employed in the economy increased by 0.1% to 910 thousands in 2019.

**In February 2020, the Ministry of Finance developed medium-term macroeconomic forecasts, which anticipated growth of the Latvian economy by 2.2% in 2020. The rapid spread of the coronavirus (hereinafter – COVID-19) around the world and in Europe, and the measures introduced to limit the pandemic have had a serious impact on economic development of countries. Thus, in April 2020, the MF developed a new medium-term macroeconomic development scenario which takes into account the negative impact of the Covid-19 on Latvia's economic growth and anticipates a 7% decline in Latvia's GDP in 2020. Its main assumptions are:**

- The macroeconomic development scenario is formed based on the technical assumptions of EC's 2020 spring forecasts, including on global economic growth. It is assumed in the forecasts that the average oil price in 2020 will be 38 USD/bbl, which is by 41% less than the average price in 2019;
- The scenario is based on the assumption that the virus pandemic is limited in the first half of 2020 and then economic activity gradually resumes. This assumption is based on the macroeconomic forecasts of all international institutions based on the latest data and results of Covid-19 spreading dynamics in China and on the improvement of the situation in Italy;
- The scenario predicts that GDP will show a 1% to 1.5% drop in Q1 2020. The largest economic drop is expected in Q2 2020, with the added value of individual sectors declining by more than 50%. On the other hand, in Q3 and Q4 2020, the annual decrease will be approximately half lower than in Q2. In the sectors more affected by the crisis in the transport, accommodation and food service activities, the arts, entertainment and recreation industry, output volumes in the professional

services sector will not return to the level of 2019 by the end of 2020;

- From the point of view of expenditure, the biggest drop in 2020 is expected in investment, where abandonment and deferral of investment projects by companies will lead to be 18% lower gross fixed capital formation than in 2019. Exports and private consumption will decrease by 9% and 6% respectively, while the overall economic decline will somewhat be softened by a 2% increase in public consumption;
- Economic growth will gradually recover over the coming years with GDP growth at 1% on a provisional basis in 2021 and 3.5% in 2022, but not yet returning to the levels of 2019 and exceeding it only in 2023;
- The inflation forecast has been reduced to 0.4% for 2020 and to 1.7% for 2021. The decline in inflation is underpinned by falling energy prices and lower food price growth forecasts, as well as by falling core inflation as demand is weakening and the effects of the wage increase are fading;
- In the Covid-19 impact scenario, it is assumed that due to the spread of the virus and under the influence of its restriction measures the population employed in the national economy will decrease by an average of 45 thousand or 5% in 2020 with the loss of part of workers in the sectors directly affected by the restrictions, including in transport, trade, accommodation and food services activities, professional and administrative services, and a slight decrease in the number of employees in the indirectly affected sectors. Accordingly, the unemployment rate is expected to rise by 4.9 percentage points to 11.2% in 2020 compared to 2019. In 2021 and 2022, with economic growth restored, the number of employees will increase slightly stabilising at 883 thousand by 2023;
- It should be noted that the macroeconomic indicators forecasts are prepared under very high uncertainty and scenario risks have a downward trend. If COVID-19 spreading restrictions draw out over time, the decline in GDP and employment rates will be more rapid than expected in the COVID-19 impact scenario.

Table 1.1  
**Medium-term Macroeconomic Scenario of the Impact of Covid-19**

	2018	2019	2020f	2021f	2022f	2023f
GDP growth at current prices, %	8.4	4.9	-7.9	2.4	5.6	4.4
GDP growth at constant prices, %	4.3	2.2	-7.0	1.0	3.5	2.4
GDP deflator (y-o-y), %	4.0	2.6	-1.0	1.3	2.0	1.9
Consumer price index (y-o-y), %	2.5	2.8	0.4	1.7	2.0	2.0
Employment changes, %	1.6	0.1	-5.0	1.2	1.0	-0.1
Unemployment rate, % (aged 15-74)	7.4	6.3	11.2	10.1	9.0	8.6

Data source: CSB, (f) forecast of the Ministry of Finance (April 2020)

## 1.2. IMPACT OF THE CORONAVIRUS AND POLICY MEASURES

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Due to the rapid spread of the COVID-19 worldwide in early March, Latvia also experienced the first cases of this virus. Since March 11 this year the World Health Organization announced that the spread of COVID-19 reached the extent of a global pandemic, on March 12 the government declared the emergency situation to limit the spread of the COVID-19 virus in Latvia. For the time being, the emergency has been declared until May 12, but if the number of COVID-19 patients increases, it cannot be excluded that the government will extend the emergency.

The current economic crisis and the expected economic recession are not related to problems in financial markets or economic imbalances. The cause is the spread of the virus – the national measures to limit the spread of the virus are those that are stalling economic activity. Various precautions have been initiated by the Latvian government, such as social/physical distancing in public places, prohibition of assembly, cancellation or postponement of any events, etc. The sooner the spread of the virus is stopped and the restrictions are lifted, the sooner the economy begins to recover.

The safety measures and restrictions introduced by the Latvian government due to the emergency situation, as well as the measures implemented by other countries to limit the spread of Covid-19, have a negative impact on Latvia's economic development: demand in export markets for goods and services produced in Latvia is declining rapidly, there are breaks in international supply chains, a rapid drop in transport and passenger transport services, as well as a drop in domestic demand are observed. As a result, many companies have been forced to narrow down production and provision of services or, in the worst case, terminate their operations and fire their employees. All of this has an overall negative impact on both the state of public finances, as tax revenues decline and there is a need to increase state support and social allowances, as unemployment is growing and households' disposable income and access to socially important services are shrinking, such as scheduled healthcare and pre-school education services, and quality of life in general. The medium and long-term effects on public health are also on the government's agenda.

At this time, it is not possible to **quantitatively predict the impact of COVID-19 on the national economy**, as it is not yet known when the spread of the COVID-19 virus will decrease as the number of people infected by this virus continues to increase in Latvia every day, however, the spread of the disease is moderate. GDP in Latvia is projected to decrease by 7% in 2020 compared to 2019. It also cannot be excluded that if the global impact of the virus is longer and wider, the negative impact on Latvia's economy will be even greater and the economy is at risk of entering an even deeper recession. A more detailed description of the

macroeconomic scenario is reflected in the *Stability Programme of Latvia for 2020-2023*.

**The impact on the labour market** depends to a large extent on the length of restrictions related to the spread of the COVID-19. The longer the restrictions are kept, the higher the risk of job losses and rising unemployment. On average, the impact on the labour market is slower – with a 2-3-months lag, so the impact on employment and unemployment rates could be felt not earlier than at the end of April/beginning of May. Currently, employees are fired in large numbers only by individual companies, which do not see the possibility of a full recovery of their activities within the next 3-4 months.

In view of the situation, the COVID-19 restrictions could affect approximately 21 thousand jobs or 2.6% of the total number of employees in the economy. With the situation deteriorating further and restrictions remaining for more than 1-2 months, the number of jobs potentially affected could rise to 3.7% (around 30 thousand jobs) affecting other related sectors.

Thanks to responsible **fiscal policy** in previous years, the government has a fiscal security reserve which will be used to finance various support measures aimed at mitigating the impact of the COVID-19 crisis on the economy. This year, on March 26, Latvia also used the borrowing facility in financial markets and made an additional issue of bonds in circulation amounting to 550 million EUR with maturity in 2026. This year, on April 6, Latvia issued new three-year bonds in international financial markets with a maturity in 2023 attracting 1 billion euro.

**The government has approved and implemented a series of support measures** targeting entrepreneurs and inhabitants. This chapter reflects information on the measures adopted and planned until 16 April 2020.

The measures supported by the government so far provide entrepreneurs with a payout of compensation for employees of companies in downtime, credit holiday guarantees, working capital loans, support in taxes, support for rent payments of companies and implementation of EU fund programmes.

On the other hand, the government's adopted and planned support for the population focuses on payment of sick-leave allowances issued due to diseases caused by the COVID-19 or persons' staying in quarantine, exemption of self-employed persons from the PIT advance payments, and support in the social area providing assistance to low-income, disabled, unemployed persons, etc.

Credit institutions are also currently forthcoming, taking into account the current COVID-19 crisis, and are offering entrepreneurs and inhabitants credit holidays or postponement of the principal loan amount.

The FCMC supports the efforts of credit institutions to support the borrowers in difficulty due to COVID-19 and will apply the flexibility provided for by regulations following the recommendations of the European Banking Authority and the position of the Single Supervisory Mechanism. In order to strengthen the equity base and expand the capacity of credit institutions to continue lending to the national economy, the FCMC called on credit institutions to cancel or postpone payment of dividends from their profits of 2019.

On 5 April 2020, the *Law on the Operation of State Authorities During the Emergency Situation Related to the Spread of Covid-19* entered into force in Latvia. The Law establishes both the cooperation of national authorities during the pandemic crisis and the rights and obligations of individuals with a view to ensuring financial and legal stability.

In turn, with a view to ensuring financial and legal stability, thereby maintaining the possibility for economic operators to continue their business more efficiently, a regulatory framework has been provided under which creditors, including employees, are prohibited from submitting an application for insolvency proceedings of a legal person until 1 September 2020 if any of the characteristics of the insolvency proceedings of a legal person referred to in Section 57(1)(1), (2), (3) or (4) of the *Insolvency Law* exist.

*Amendments to the Law on Measures for the Prevention and Suppression of Threat to the State and Its Consequences Due to the Spread of Covid-19* entered into force on 5 April 2020. These amendments set out a number of temporary measures in the regulatory framework of legal protection proceedings and insolvency proceedings with a view to mitigating the adverse effects of the spread of Covid-19.

The purpose of legal protection proceedings is to restore the debtor's ability to settle its obligations if the debtor is in financial difficulty or is expected to face financial difficulty. In order to ensure more favourable conditions for the implementation of the legal protection process, the amendments extended the time limits for the enforcement of the legal protection proceedings, providing that during the emergency situation and 6 months after its end, when submitting an application for approval or amendment of legal protection proceedings, the deadline for its implementation shall be no more than four years from the date of entry into force of the court decision on the implementation of the legal protection proceedings. On the other hand, for those legal protection proceedings, which have already been extended, the deadline for their implementation may be extended for one more year.

The adverse effects of the spread of Covid-19 may be expected to affect individuals, including those implementing the insolvency proceedings of a natural person. A sharp decline in the level of income may prevent the debtor from making payments to creditors specified in the insolvency plan of a natural person. In

order to support such individuals, the *Law on Measures for the Prevention and Suppression of Threat to the State and its Consequences Due to the Spread of Covid-19* has been supplemented by a regulation whereby the court, following a reasoned application by the debtor during the procedure for the repayment of liabilities of a natural person during the emergency situation period and for 6 months after its end, will be able to decide on postponement of the payments included in the liability repayment plan to creditors, extending the deadline for the repayment procedure.

Similarly, in relation to compliance with the social/physical distancing requirement, the *Amendments to the Law on Measures for the Prevention and Suppression of Threat to the State and its Consequences Due to the Spread of Covid-19* provide for the possibility to hold creditors' meetings in legal protection proceedings and insolvency proceedings remotely, as well as provide that applications for legal protection proceedings, insolvency proceedings of a legal person and insolvency proceedings of a natural person, which could earlier be submitted only in person, can also be submitted electronically.

Since international and domestic passenger transport restrictions have a negative impact on the aviation sector, the government is currently considering various options for providing specific support to companies working in the sector, including the Riga International Airport, the Latvian national airline "Air Baltic Corporation", SJSC "Latvijas gaisa satiksme". Thus, for instance, the share capital of SJSC "Latvijas gaisa satiksme" will be increased by approximately 6 million EUR. In order to ensure exit from the economic crisis and stabilisation of the economic situation in the sector, an increase in the share capital of JSC "Air Baltic Corporation" by 36.1 million EUR was supported by the Cabinet of Ministers Decree No. 139 of 31 March 2020 "*On an increase in the share capital of Joint-Stock Company "Air Baltic Corporation"*" to repay the loan issued by the state to the JSC "Air Baltic Corporation". Investing of 150 million EUR in the share capital of the JSC "Air Baltic Corporation" has been conceptually supported, the evaluation of the materials submitted continues.

On 7 April 2020, the government supported granting of 2.04 million EUR from the state budget programme "*Emergency funds*" to support Latvian mass media. The purpose of the funding is to support continuity and capacity building of commercial media during the COVID-19 crisis. This would in turn ensure the creation of high-quality content of local national and regional importance and strengthen the national information space.

On 14 April 2020, the government supported the intention to grant MA 45.5 million EUR from the state programme "*Emergency funds*" with a view to ensuring continuity of agricultural, forestry, fisheries and food production during the COVID-19 emergency and to maintain the liquidity of businesses operating in these sectors. MA, in cooperation with representatives of other EU Member States, prepared an additional

proposal for *amendments to the Regulation of the European Maritime and Fisheries Fund (EMFF)* to make it possible to provide the necessary support in the fisheries sector. As a result, the EMFF regulation will be supplemented to allow for significant support for the fisheries sector to mitigate the impacts of Covid-19. The main support is intended for temporary cessation of fishing activities, storage of fishery products, compensations and working capital in aquaculture and processing of fishery products. MA has already prepared the necessary amendments to the *Action Programme for the Development of Fisheries in 2014-2020* that are necessary for the implementation of the support for their further forwarding and is working on the preparation of legislative acts to ensure that, when the amendments to the EMFF Regulation enter into force, the availability of support to the sector is ensured as soon as possible.

Several sectoral ministries, primarily MH, are organising work in a continuous mode paying for overtime hours and involving additional staff, as well as purchasing additional personal protective equipment, medical devices and reagents, and supplementing material reserves for the implementation of national safety and health measures. In order to partially cover the additional costs related to COVID-19, there are intentions to submit an application to the EU Solidarity Fund, as well as the possibility of mobilising funds from other international funds are evaluated.

In order to ensure operative work, employees of several departments, including state and local government medical institutions, which provide inpatient healthcare services, as well as employees of the Emergency Medical Service, officials and employees of MH, CDPC are permitted to have such overtime working hours which exceed the maximum overtime hours specified in Section 53.<sup>1(2)</sup> of the *Labour Law* and *Medical Treatment Law*, but do not exceed 60 hours per week. On March 26, the government also decided to grant 8 million EUR for

supplements over a period of three months to medical practitioners, epidemiologists, public health professionals and other specialists involved in reducing the spread of COVID-19 and pharmacists, as they are at increased risk of coming into contact with COVID-19 patients.

There is free psychological support available to medical practitioners, which is necessary in relation to work under intense high strain and in a regime at risk of burnout.

On 16 April 2020, the government supported granting of 2.6 million EUR from the state budget programme "*Emergency funds*" for COVID-19 crisis supplements to policemen, border guards and officials of the State Security Service. The intended supplements amount to 20% of the wage and will be limited to those officials, who are in direct contact with persons infected or suspected to be infected with COVID-19, who are in direct contact with patients at risk of COVID-19, or are working in conditions of increased intensity and hazard, providing a special contribution to limiting the pandemic and mitigating the effects caused by it.

In order to make it easier and more convenient for inhabitants and entrepreneurs to find their way in the information related to Covid-19 and to help them learn about Covid-19 related matters they are interested in, the State Chancellery has created two new information tools. The website [www.covid19.gov.lv](http://www.covid19.gov.lv) provides information from the websites of responsible authorities, statistical data, and frequently asked questions and answers to them – all in one place. On the other hand, the single informative toll-free phone 8345 has been created to help the population understand which institution they should contact for help and answer the most frequently asked questions. Both tools are available in Latvian and Russian.

More detailed information on the accepted and planned support measures for entrepreneurs, inhabitants and those involved in the suppression of the consequences of Covid-19 is summarised in the Box 1.

Box 1
<p><b>Support measures to mitigate negative impact of the COVID-19</b> (information as of 16 April 2020)</p> <p><b>SUPPORT FOR ENTREPRENEURS</b></p> <ul style="list-style-type: none"> <li>• <b>Payment of remuneration to employees of companies in downtime:</b> <ul style="list-style-type: none"> <li>– the downtime benefit will be paid to the employee at 75% of the average monthly gross salary in the last 6 months before the emergency situation or according to the data actually declared by the employee in the last 6 months, but not more than 700 EUR per calendar month;</li> <li>– the downtime benefit is also available to self-employed persons, recipients of royalties and micro-enterprise tax payers.</li> </ul> </li> <li>• <b>Credit holiday guarantee:</b> <ul style="list-style-type: none"> <li>– the SMEs and large enterprises, which, due to the spread of Covid-19, have experienced objective difficulties in making loan payments to credit institutions, have access to a credit guarantee allowing the credit institution to postpone payment of the principal amount;</li> <li>– available to economic operators, farmers and to the fisheries and aquaculture industry.</li> </ul> </li> <li>• <b>Working capital loan:</b> <ul style="list-style-type: none"> <li>– economic operators, farmers and fishermen, whose operations have been affected by Covid-19;</li> <li>– up to 1 million EUR with a maturity of up to 3 years.</li> </ul> </li> <li>• <b>Equity fund to support large enterprises:</b> <ul style="list-style-type: none"> <li>– possibility of receiving a capital investment of up to 10 million EUR in an enterprise.</li> </ul> </li> <li>• <b>Support to local governments for increasing the share capital of capital companies:</b> <ul style="list-style-type: none"> <li>– the possibility of receiving state loans to increase the share capital of local government capital companies if the turnover of the capital company has decreased by more than 50% due to the COVID-19 crisis (the Saeima will decide on amendments to the law).</li> </ul> </li> </ul>

- **Support in the field of taxes:**
  - the economic operators affected by the crisis may request distribution or postponement of their tax payments over a period up to 3 years, as well as an extension of the deadline for overdue tax payments for which the payment deadline has already been extended in accordance with the Law on Taxes and Duties if the delay occurred as a result of COVID-19;
  - PIT payers are not obliged to make advance PIT payments from the operating income for the tax year 2020. This condition applies to advance payments starting from 1 January 2020. These payments may be made on a voluntary basis;
  - faster repayment of overpaid VAT: the VAT overpaid from this April 1 to December 31 shall be repaid within a shorter period of time than provided for by the applicable VAT law;
  - a reduction of the excise duty security up to 90% for economic operators holding a special permit for the production of alcohol, as well as an exemption of the excise duty on undenatured alcohol, which is used for the production of alcohol-based disinfectants;
  - the deadline for the submission of the annual financial report has been extended until July 31.
- **Support for rent payments of companies:**
  - in 2020, local governments have the right to set tax deadlines different from the Law on RET by postponing them to a later date in 2020. This right can be exercised by a local government both by taking a decision on all taxpayers and by defining certain categories of taxpayers. The decision must be made publicly available to taxpayers;
  - it will be possible not to apply late interest and contractual penalties in the event of late payment, except for money for the services consumed – electricity, heat, water supply and other property maintenance services.
- **EU funds:**
  - The EC has prepared amendments to the regulation of EU funds allowing for reallocation of unused EU funds (balances of 2019) to mitigate the consequences of COVID-19 in the health sector, employment and business sectors. The amendments provide for simplified procedures for reallocation – the possibility of nationally reallocating 4% of the total amount of the operational programme, which in the case of Latvia amounts to 176.7 million EUR (excluding national co-financing);
  - The amendments proposed by the EC aim to extend the eligibility of ERDF to combat the consequences of COVID-19 in the health sector, in the field of employment and to support businesses:
    - in the health sector – expenditure relating to combating the virus, including hospital equipment, lung ventilators and protective masks;
    - in the area of business – aid in the form of financial instruments (loans, guarantees) for working capital of SMEs, including companies in difficulty, including large ones;
    - in the field of employment – short-term employment measures;
  - it has been decided that the direct COVID-19 crisis management measures will be funded from the state budget. In turn, funding from EU funds will be mobilised for the post-emergency phase of economic recovery;
  - The MF has set up and chairs a working group with representatives delegated by partners, which will consider future proposals for the reallocation of EU funds financing;
  - the possibility of co-financing the expenses incurred in EU funds projects from EU funds if the spread of COVID-19 affected the performance of operations, recognising the impact of COVID-19 on the implementation of the project as force majeure.

#### **SUPPORT FOR THE POPULATION**

- **Payment of sick-leave certificates:**
  - the state will pay for sick-leave certificates issued due to diseases caused by COVID-19 or persons' staying in quarantine. This procedure will be in force until 30 June 2020.
- **Exemption of self-employed persons from PIT payments for 2020.**
- **Extension of payment of the parental allowance:**
  - for those beneficiaries of the parental allowance, whose period of payment of the parental allowance ends during the emergency situation announced in the country due to Covid-19, but due to the circumstances caused by the emergency situation, it is not possible for them to return to work, the payment of the parental allowance is extended beyond the child's age of one year or one-and-a-half years. The extension of the parental allowance will be paid for the period from 12 March 2020 until the person begins to earn income as an employee or self-employed, but not longer than the end of the emergency situation announced due to Covid-19. For this period, the extension of the parental allowance is paid out in the amount of the previously paid parental allowance, but no more than 700 EUR per month.
- **Allowance for securing basic needs:**
  - to a family (person) who, due to the emergency situation, is unable to meet his or her basic needs, the local government will be able to grant an allowance in a crisis situation. The state will provide a target grant to local governments to cover costs of 50% of the allowance granted to the person in a crisis situation, but not more than 40 EUR per month per person over a three-month period. During the declared state of emergency and for one calendar month after its end, the local government will provide additional 50 EUR for each cared child under 18 to families or persons receiving the allowance in a crisis situation, including foster families and guardians. Payment of the allowance is intended from the state budget.
- **Extension of deadlines of the documents related to receiving of social services and social assistance, provision of services:**
  - if a poor or low-income family ceases to have the status of a poor and low-income family (person) provided by the social service of the local government and the term of validity of the previous declaration of means of subsistence ends, they shall be automatically extended for the period of the emergency situation and for one calendar month after the end of the emergency situation;
  - if a person's application and documents for a repeated disability expertise have not been received during the emergency situation, the decision on disability issued earlier by the State Medical Commission for the Assessment of Health Condition and Working Ability will be extended automatically for a period of six months. This procedure also applies in the cases where a person is not able to draw up an application and submit documents for repeated disability expertise three months after the end of the emergency situation;
  - regulated use of an assistant service during the emergency situation with a view to maintaining the amount of remuneration previously received by assistants, ensuring that persons with disabilities continue to be assisted, as well as assistants who, in many cases, are family members of persons with disabilities, are not left without income and are not forced to apply to the municipality for social assistance;
  - the state and local governments have the right to make payments to providers of social services, with which a contract for the provision of social services on site has been entered into, as well as to out-of-family care centres, if it was not possible to provide them due to the emergency situation.
- **Review of the conditions for granting unemployment benefits and conditions for the implementation of temporary paid community work:**
  - until 31 December 2020, the unemployed will be able to engage in temporary paid community work regardless of the duration of the registered or actual unemployment (until now, in order to participate in the activity, the person had to be registered as

unemployed for at least 6 months or has been registered as unemployed for less than six months, but has not worked for at least 12 months);

- the amount of monthly remuneration is 200 EUR, incl. mandatory state social insurance contributions for pension insurance are paid;
- The draft law *Amendment to the Support for Unemployed Persons and Persons Seeking Employment Law* submitted to the Saeima provides that a) furthermore the employees in a double status who lose employment and who are owners of a micro-enterprise and whose company has no turnover, or who are self-employed without income, will be able to receive unemployment benefit depending on the tax contributions made; b) the time during which the person can work without losing his or her unemployment status will be doubled, increasing it to 120 days over a 12-month period. During this working period, the person will not receive an unemployment benefit, but will be able to continue to receive it after the end of a limited-period employment relationship, thereby also facilitating the conclusion of fixed-term employment contracts for short-term employment during the crisis period.

- **Provision of education:**

- provision of pre-school services to parents who cannot look after their children themselves has been ensured by organising functioning of watch groups in pre-school education institutions and institutions providing child supervision services;
- the educational process is ensured remotely. The MES together with partners provided more than 5,000 missing smart devices for pupils to enable them to participate fully in the remote learning process (~3% of pupils). An educational TV channel has been created;
- possibility has been provided for local government to use the state budget financing, which will be transferred in April 2020 for free lunch of pupils of forms 1-4, for provision of food to children of low income and large families;
- assistant services are available to children also during the emergency situation;
- the possibility of postponing the repayment of the principal amount of study and student loans, as well as of scholarships equivalent to a loan for a period of up to 6 months.

#### **SUPPORT TO THOSE INVOLVED IN THE PREVENTION OF THE CONSEQUENCES OF COVID-19**

- Free psychological support counselling (remote video counselling) for medical practitioners and police officers in relation to work under intense, high strain and in a regime at risk of burnout. Counselling is provided by specialists of the Crisis and Consultation Centre "Skalbes";
- supplements to medical practitioners, epidemiologists, public health professionals and other specialists involved in reducing the spread of COVID-19 and pharmacists, as they are at increased risk of coming into contact with COVID-19 patients.

It should be noted that the support measures reflected in Box 1 may, as time passes, be accompanied by new measures, because the government is currently still discussing the introduction of additional measures, which could be approved in the near future if the situation continues to deteriorate.

Given the gradual increase in unemployment, further efforts are being made to boost employment and reduce unemployment, as well as the adjustment of

existing active employment policy measures funded from the state budget and co-financed by the ESF.

The government may continue to consider measures of an economic nature that would provide intense support for high-readiness projects, thereby contributing to the heating of the economy.

## 2. IMPLEMENTATION OF THE EU COUNCIL RECOMMENDATIONS

### 2.1. FISCAL AND TAX POLICY, FINANCIAL SECTOR

ENSURE THAT THE NOMINAL GROWTH RATE OF NET PRIMARY GOVERNMENT EXPENDITURE DOES NOT EXCEED 3,5% IN 2020, CORRESPONDING TO AN ANNUAL STRUCTURAL ADJUSTMENT OF 0,5% OF GDP. REDUCE TAXATION FOR LOW-INCOME EARNERS BY SHIFTING IT TO OTHER SOURCES, PARTICULARLY CAPITAL AND PROPERTY, AND BY IMPROVING TAX COMPLIANCE. ENSURE EFFECTIVE SUPERVISION AND THE ENFORCEMENT OF THE ANTI-MONEY LAUNDERING FRAMEWORK.

On 1 January 2018, the **tax reform** entered into force with a number of measures oriented towards reducing the tax wedge of the labour force, increasing income of low-earning employees and families with children. The reform considerably reduces the tax wedge of the labour force. For example, the labour tax<sup>8</sup> wedge for persons with no dependable persons receiving 67% of the average wage will decrease from 41.8% in 2016 to 38.7% in 2020, but the labour tax wedge<sup>9</sup> for a worker with one dependable person and receiving 67% of the average wage will decrease from 36.2% in 2016 to 33.5% in 2020.

In order to reduce the burden for low-income earners and shift taxes to other sources:

- Within the scope of the tax reform, in 2020 there were plans to increase the differentiated basic allowance to 250 EUR per month for income, which does not exceed 440 EUR per month, and to gradually reduce the basic allowance calculated according to a formula for income from 440 EUR to 1200 EUR until it reaches 0 and is no longer applicable for income above 1200 EUR per month. In the course of preparation of the budget for 2020, the government supported the decision to increase the differentiated basic allowance more rapidly than provided for by the tax reform – from 1 January 2020 the differentiated basic allowance is EUR 300 per month for income up to 500 EUR per month, for income ranging from 500 EUR to 1200 EUR per month the basic allowance calculated according to a formula reduces gradually and is no longer applicable for income above 1200 EUR per month;
- *Amendments to the Law On Lotteries and Gambling Fee and Tax* provide, starting from 2020, for an increase in the rate of gambling tax on roulette, card and dice games and slot machines, and for a change in the distribution of revenues from gambling tax in state and local government budgets;
- The excise duty on fuel and tobacco products, except cigarettes, has increased from 1 January 2020;

- From 1 August 2019, the excise duty rate on other alcoholic beverages (spirits) has reduced by 15%, i.e. 1564 EUR for 100 litres of absolute alcohol. The changes are related to the law adopted by Estonia to reduce from 1 July 2019 by 25% the excise duty on part of alcoholic beverages (spirits, beer and fermented beverages up to 6% vol), thereby mitigating the effects on cross-border trade. Starting from 1 March 2020 gradual increase rates in excise duty (5% per annum) are anticipated for all types of alcoholic beverages;
- From 1 January 2020 the application of reverse VAT payment procedure to deliveries of construction products, deliveries of electronic household appliances and electrical household appliances has been cancelled.

By 31 May 2020, it is planned to submit to the CM the *Guidelines of the Medium-Term National Taxation Policy for 2021–2025* developed together with the social and cooperation partners, which are based on three main principles: 1) fairness; 2) simplicity; 3) competitiveness.

Measures for more efficient tax collection and improving the tax payment culture are continuing:

- Starting from 12 July 2019 a wider right has been provided to exclude VAT payers registered by SRS from the register of VAT payers, to set stricter criteria for the special VAT regime in goods import transactions, as well as to promote the fulfilment of the obligation of a registered VAT payer to provide information on the course of transactions to SRS;
- Starting from 1 July 2019 the declaration of cash on the internal border of Latvia has been introduced, thereby contributing both to the fight against money laundering and tax evasion;
- In 2019, the legal person's overdue tax compensation regulation has been improved, providing that liability for legal person's overdue tax payments can be applied not only to a member of the board, but also to the actual CEO of the legal person. At the same time, the criterion under which SRS is entitled to launch a process for compensating

<sup>8</sup> Tax wedge – characterises the difference between the net income of an employee and the cost of this labour force for the employer. It is calculated as a percentage of labour taxes (personal income tax, employee's and employer's mandatory state social insurance contributions) in the wage before all taxes and employer's mandatory state social insurance contributions.

<sup>9</sup> Taking into account that the tax system is not the only mechanism to reduce the burden on low-income earners, the benefits of the tax reform should be evaluated together with the changes made to the social benefits system (see Chapters 2.2, 3.5.1 and 3.5.2).

- legal person's overdue tax payments to the budget has been improved;
- Starting from 2020, the SRS has more extensive rights to provide information on the taxpayer's risky counterparties, which will help taxpayers avoid unfair counterparties and minimise the risk of being involved in fraudulent transactions;
  - *Amendments to the Law On Taxes and Duties* entered into force on 1 May 2019 providing that taxpayers, including natural persons who do not carry out economic activity, are not allowed to carry out real estate alienation transactions in cash, thereby contributing to the fight against money laundering, the alienation of fictitious immovable properties and tax evasion;
  - In 2019, the regulatory framework for construction was improved by lowering the threshold for the introduction of electronic registration of working hours, i.e. from 1 January 2020, the electronic system for registration of working hours should be introduced on construction sites with a construction works cost threshold of EUR 350,000 and more;
  - A regulatory framework has been adopted which requires credit institutions and payment service providers to refuse remote payments with a payment card issued to a resident of the Republic of Latvia to an unlicensed organiser of interactive gambling and interactive lotteries in the Republic of Latvia, as well as to provide information regarding these activities to the SRS. At the same time, the regulatory framework determines a ban on and responsibility for the person's participation in unlicensed interactive gambling and interactive lotteries in the Republic of Latvia;
  - Starting from 1 January 2020, CM Regulations No. 333 of 16 July 2019 *Regulations of the Register of Individuals Who Have Refused Themselves from Gambling and Interactive Lotteries* entered into force introducing a single national *Register of Individuals Who Have Refused Themselves from Gambling and Interactive Lotteries*. Such a tool enables individuals to restrict access to gambling and interactive lotteries for themselves.

Significant work has been done on the **reform of the financial sector** to ensure its transparent, sustainable and secure functioning in Latvia and to regain good international reputation.

A number of regulatory enactments were approved in 2019, including the adoption by the Saeima of draft laws for "overhaul" in the financial sector on 13 June 2019 (including *Amendments to the Finance and Capital Market Law, Amendments to the Credit Institutions Law and Amendments to the Law on the Prevention of Money Laundering and Terrorism Financing*), which resulted in significant changes in the financial sector:

- The procedures for reporting suspicious transactions to the Financial Intelligence Unit have been conceptually changed, the scope of entities subject to the *Law on the Prevention of Money Laundering and Terrorism Financing* has been

- extended to include insolvency administrators, the conditions that give the Register of Enterprises (RE) more powers in evaluating the information submitted have been incorporated and will facilitate the timely informing of law enforcement authorities about the false information provided by companies to RE, including the provision of false information or failure to provide information on beneficiaries;
- A procedure for the exclusion of high-risk economic operators from RE has been introduced, as well as clearer customer due diligence requirements for cooperation with high-risk third countries have been set, and arrangements for preventing proliferation financing have been introduced;
- The requirements for accurate identification and verification of data have been set taking into account the development of new technologies and digitalisation of payments. On 20 February 2020, the Saeima adopted *Amendments to the Account Register Law* in the 1<sup>st</sup> reading providing that in order to be included in the account register providers of data shall also provide information on the recipients of the individual safe deposit box service ensuring that data enabling the identification of credit institutions and payment accounts and individual safe deposit boxes belonging to one person are adequately collected and available in a timely manner to financial investigation authorities and other competent authorities.

In December 2019, the *Latvia's Technical Compliance Progress Report*, which provided information and expert assessment on Latvia's progress in the development of the regulatory framework so that it complies with the 40 recommendations of the Financial Action Task Force (FATF), was reviewed at the *Moneyval's* plenary session. Following an evaluation of the progress report, out of the FATF 40 Technical Compliance Recommendations 7 have been assessed as fully compliant and 33 as mostly compliant.

At the plenary session on 21 February 2020, FATF adopted a decision recognising Latvia as the first Moneyval member state to successfully comply with all 40 FATF recommendations. The country's progress has been assessed as sufficient and Latvia was therefore not included on the list of countries with significant strategic deficiencies in the prevention of money laundering, terrorism and proliferation financing (the "grey list").

On 1 October 2019, the Financial Sector Development Council supported the *Terrorism Financing Prevention Strategy for 2019-2021*. The strategy aims to improve the terrorism financing prevention system, strengthen Latvia's capacity in fighting terrorism financing and ensure improvement of Latvia's international reputation. In order to further strengthen Latvia's PMLTPF system and the reforms started on 17 December 2019, CM approved the *Plan of Measures for the Prevention of Money Laundering, Terrorism and Proliferation Financing for the period 2020-2022*.

Implementation of the measures under it currently has been launched.

On the basis of the *Amendments to the Law on International Sanctions and National Sanctions of the Republic of Latvia* and the *Procedures for the Proposition and Enforcement of International and National Sanctions* established by CM and the *By-laws of the Sanctions Coordination Council* approved by CM, the procedure for the application of sanctions has been reformed ensuring greater coordination between the institutions involved, as well as cooperation with the private sector.

In recent years, the Financial and Capital Market Commission (FCMC) has also made considerable effort to strengthen internal control systems of banks, reduce the risks of money laundering and terrorism and proliferation financing, and has taken measures to strengthen supervision. As a result, the regulatory framework and procedures have been improved, the number of FCMC's on-site inspections increased, fines have been imposed and legal measures to improve the internal control system have been set, IT solutions have been introduced to improve the effectiveness of supervision, and supervision capacity has been strengthened.

In turn, one of the priority strategic tasks of the Financial Intelligence Unit (FIU) in 2019 was to create new cooperation channels, as well as to strengthen the channels established in 2018: The cooperation coordination (or public-private partnership) platform, the cooperation platform for monitoring and control authorities, as well as a platform for the exchange of financial crime information between law enforcement authorities. International cooperation and the exchange of information with similar foreign services play an important role in financial intelligence. In 2019, FIU received 706 requests from 62 foreign financial intelligence units, which is 10% more than in 2018. Meanwhile, FIU sent 900 requests to 71 foreign financial intelligence units in 2019 – twice as many as in 2018. In 2019, FIU received 198 spontaneous reports from 36 units but sent 145 spontaneous reports to 37 units.

In order to improve the circulation of information, to create a common understanding of approaches to matters of supervision and to ensure feedback, FIU, in close cooperation with supervisory and control authorities, organises seminars for the private sector representatives, which are obliged to report alleged money laundering, as well as terrorism and proliferation financing. FIU has developed more than 40 methodological materials, guidelines, risk

assessments and other strategic analysis reports, has organised a number of international seminars for the private and public sector, as well as a very highly appreciated international conference named *How to improve effectiveness in IO11?*

In 2019, the Financial Intelligence Unit issued 362 freezing orders, freezing historically the largest amount of potentially laundered financial resources – 345.98 million EUR, which is three times more than in 2018. In 2019, 15 immovable properties and 4 safe deposit boxes in credit institutions were also frozen. In 2019, FIU sent 199 materials to law enforcement authorities for further investigation, which is 14% more than in 2018.

In order to increase the capacity of law enforcement and judiciary authorities in the fight against money laundering, additional funds will be channelled in 2020:

- 136.2 thousand EUR for the establishment of a court of economic affairs in order to ensure rapid and efficient adjudication of commercial and economic crime cases;
- 2.45 million EUR for increasing the monthly wages of court staff by an average of 10% in order to reach the 85% of the monthly wages group (received for carrying out similar tasks and basic duties) within the scope of the reform of the system of wages of court staff to ensure adequate remuneration for the work carried out and to increase the competitiveness of the remuneration;
- 70.3 thousand EUR for the development of court infrastructure, but 280.8 thousand EUR will be allocated from additional resources for this goal to ensure the development of courtrooms for public purposes and the efficiency of court work.

The ESF project *Justice for development* will also continue by training persons in courts, law enforcement authorities and persons belonging to the judicial system.

The evaluation processes of Latvia by international organisations (phase 3 evaluation of Latvia by the OECD Working Group on Bribery in International Business Transactions) will continue, as will the ongoing process of MONEYVAL's enhanced follow-up), and the timely implementation of the recommendations made under these evaluations will be ensured in order to contribute to the prevention of money laundering.

## 2.2. SOCIAL SAFETY NET, EDUCATION, AND HEALTH CARE

ADDRESS SOCIAL EXCLUSION NOTABLY BY IMPROVING THE ADEQUACY OF MINIMUM INCOME BENEFITS, MINIMUM OLD-AGE PENSIONS AND INCOME SUPPORT FOR PEOPLE WITH DISABILITIES. INCREASE THE QUALITY AND EFFICIENCY OF EDUCATION AND TRAINING IN PARTICULAR OF LOW-SKILLED WORKERS AND JOBSEEKERS, INCLUDING BY STRENGTHENING THE PARTICIPATION IN VOCATIONAL EDUCATION AND TRAINING AND ADULT LEARNING. INCREASE THE ACCESSIBILITY, QUALITY AND COST-EFFECTIVENESS OF THE HEALTHCARE SYSTEM.

Work is ongoing on the improvement of the **social safety system** and the improvement of adequacy of social safety nets:

– In August 2019, CM approved the *Minimum Income Level Introduction Plan for 2020-2021*. 9.8 million EUR have been earmarked for the implementation of the plan (the implementation of the plan requires funding of 29.5 million EUR). The measures are not implemented in full due to limited funding. Starting from 2020:

- 1) The minimum base for calculating old age pension has been set at the level of 80 EUR (for persons with disability since childhood – 122.69 EUR). As a result, for persons with an insurance period between 15 and 20 years, the minimum old age pension will be 88 EUR and for persons with disability since childhood – 134.96 EUR (increase by 17.57 EUR). For persons with an insurance period between 21 and 30 years, the minimum old age pension will be 104 EUR and for persons with disability since childhood – 159.5 EUR (increase by 20.76 EUR). If the insurance period is between 31 and 40 years, the minimum old age pension will be 120 EUR and for persons with disability since childhood – 184.04 EUR (increase by 23.96 EUR). In turn, if the insurance period is 41 years or more, the minimum old age pension will be 136 EUR and for persons with disability since childhood – 208.57 EUR (increase by 27.15 EUR). Number of beneficiaries of the minimum old age pension – 20,494 persons;
- 2) The amount of the state social security benefit for persons with disability has been increased from 64 EUR to 80 EUR (for persons with disability since childhood – 122.69 EUR). Number of beneficiaries – 18,587 persons;
- 3) The minimum amount of the disability pension has been increased by applying the state social security benefit of 80 EUR (for persons with disability since childhood – 122.69 EUR). In case of group I disability, the minimum disability pension will be 128 EUR (for a person with disability since childhood – 196.30 EUR), in case of group II disability –

112 EUR (for a person with disability since childhood – 171.77 EUR), in case of group III disability – 80 EUR (for a person with disability since childhood – 122.69 EUR). Number of beneficiaries – 33,000 persons;

- 4) The minimum amount of compensation for loss of ability to work and compensation for damage has been increased by applying the state social security benefit of 80 EUR (for persons with disability since childhood – 122.69 EUR). Number of beneficiaries – 683 persons;
- From 1 January 2020 the guaranteed minimum income level (GMI) will increase from current 53 EUR to 64 EUR per month per person in a household. The number of GMI beneficiaries is expected to rise by 4,926 persons or 25% in 2020 compared to 2019.

The measures taken in the field of **education policy** in general aim at ensuring the quality of education at all levels of education. Also, comprehensive reforms in the field of vocational education continue to improve the quality, attractiveness and relevance of vocational education to the national economy needs, as well as promote the interest of students, including adults, in education (*for detailed information about the reforms in education see Chapter 4.3*).

In view of the low participation of the population in adult education, a number of integrated communication campaigns are planned in 2020 to promote vocational and adult education with a view to promoting public awareness and motivation to participate in educational activities.

The employed, including those having low level of education, have the possibility to increase their professional competence and competitiveness by applying for studies within the EU funds project *Improving the professional competence of employees*. Within the scope of the project, vocational continuing education, professional improvement, vocational education modular programmes and non-formal education programmes as well as evaluation of a professional competence obtained outside the formal education system are offered, for employees aged 25 years and above, including those with low level of education<sup>10</sup>, with education in a speciality experiencing lack of labour force, or with education

<sup>10</sup> Completed or uncompleted basic education or general secondary education.

in a speciality with supply exceeding demand. The project's education supply also includes 38 adult education modules for developing basic competences developed with the support of the Erasmus + programme.

Support for education of adult employees has been developed taking into account the identified barriers to participation – education programmes are implemented with 10% co-financing. Participation of the employees who have been granted the status of a low-income or poor person, as well as persons with disabilities is free of charge. In addition, additional support personnel is provided to disabled persons. For adults with the status of a low-income or poor person support for regional mobility is provided. It is planned to involve 36 thousand persons in the project by the end of its implementation, 31 December 2022, incl. 12,934 persons with low level of education.

5273 persons with low level of education were involved in training activities within the project (41% of the number planned by the end of the project). In order to encourage participation of people with low level of education in the training, the 5<sup>th</sup> selection round of the project will primarily focus on the training needs of those individuals.

Integrated communication campaigns, including publications in national and regional mass media, on TV, radio, in press, on the internet and social networks are organised, and active cooperation with local governments – adult education coordinators involved by local governments is ongoing to address and attract more target groups.

In order to ensure better quality of training (including in terms of material resources, staff and training content, methods, etc.), vocational continuing programmes and professional improvement programmes are implemented as a priority in vocational education competence centres (VECC). At the same time, work to set the quality criteria for non-formal education and adjust the regulatory framework is ongoing.

In order to better reach the target audience and offer more appropriate training supply, an *Evaluation of more effective involvement of the employed adults with low qualification into training* is carried out within the framework of EU funds evaluation support and will be completed in 2020.

The cooperation project with the OECD co-financed by the *Erasmus+* programme, which aims to develop the *Latvian National Skills Strategy*, which started in 2018, continues. At the end of 2019, the first phase – Diagnostics – was completed in which, on the basis of international comparative data, identification of opinions of more than 500 representatives of stakeholders and good practices of the OECD countries and Latvia, the governance, financing and compliance of the Latvian skills system with the labour market was evaluated. The OECD *Skills Strategy* Diagnostic Report with recommendations

for improving the adult education and vocational education system was published in 2019. Work in cooperation with the OECD on the development of the Education and Skills Development Guidelines for 2021-2027 is continuing in 2020 in the Action phase of the project.

In order to promote the quality of **training for the unemployed** and compliance with the implementing conditions, amendments to CM Regulations Regarding the Procedures for Organising and Financing of Active Employment Measures and Preventative Measures for Unemployment Reduction and Principles for Selection of Implementers of Measures have been prepared. The amendments also include provisions to strengthen cooperation with local government social services for the successful involvement of long-term unemployed in active employment measures and compliance with job search obligations.

In order to improve the quality, accessibility and feasibility of costs of health care services, **implementation of health care reform** is ongoing (for more information see *Chapter 4.8*).

In line with the *Conceptual Report on the Reform of the Health Care System*, work is ongoing to improve the quality and availability of outpatient and inpatient health services, access to reimbursable medicinal products, to increase the wages of medical practitioners and tariffs on medical services, to ensure high quality medical education, and to promote the efficiency of the health system. The implementation of measures of the health care reform depends on the funding granted in addition. In 2019, 142,5 million EUR more were allocated for health care in the state budget than in 2018, and the total budget for the health sector was therefore 1205.7 million EUR (3.96% of GDP) in 2019, including funding of 154.2 million EUR to continue the implementation of measures of the health care reform. Furthermore, the total budget for the health sector for 2020 amounts to 1259.5 million EUR or 3.8% of GDP, including funding of 144 million EUR to continue the implementation of measures of the health care reform. In 2021, the maximum permissible amount of expenses in the main state budget is planned at 1,236.3 million EUR, including funding of 144 million EUR to continue the implementation of measures of the health care reform and retained state social insurance contributions to health care of 0.78 million EUR.

When implementing the Reform plan:

- 1) 5 levels of hospitals were introduced and the first assessment of compliance of the services provided by hospitals started in 2019 and will be completed in 2020 and then repeated on an annual basis;
- 2) wages of medical practitioners have been increased;

- 3) the waiting times for health services have been reduced;
- 4) new state-funded health care services have been introduced;
- 5) the availability of medicinal products reimbursed by the state has improved;
- 6) clinical guidelines in cardiology, mental health, maternal and child health care have been developed (the development of guidelines in oncology continues);
- 7) a reorganisation of the institutions subordinate to the MH has been performed;
- 8) work continues to restore the infrastructure of medical facilities;
- 9) support measures for attracting medical practitioners to work in regions have been introduced;
- 10) the duration of studies in individual medical specialties has been reduced, etc.

In 2019, the average wage of medical practitioners increased by 20% compared to 2018, while in 2020 – by 10% compared to 2019.

In order to increase the availability of health care services from consulting specialists, to diagnose the disease in good time and to start the treatment process as soon as possible (data as at 01.07.2019) the waiting lines for health services were reduced in 2019:

- to specialist consultations reduced on average to 92.27 days (before the reform up to 100.48 days);
- to day hospital services reduced on average to 207.22 days (before the reform up to 407 days);
- to outpatient rehabilitation services reduced on average to 113.25 days (before the reform up to 500.2 days).

From 1 January 2020, patient co-payments for health services have reduced. The most significant changes apply to persons aged 65 and above who have a co-payment of 1 EUR for attending a general practitioner (previously 1.42 EUR) and to persons under the age of 65 who have a co-payment of 2 EUR for attending a general practitioner.

In order to improve the availability of health services, the list of state-funded health care services was extended in 2019 with services such as pain relief health care services, psychoemotional support measures for oncological patients and their families, vaccination of children (second vaccine) against varicella, vaccination against influenza for pregnant women and children under the age of 2.

In order to improve the availability of medicinal products, from 1 April 2020, the doctor will indicate the international generic name of the medicinal product in the prescription when prescribing

medicinal products from the list of reimbursable medicinal products and the pharmacy will provide the patient with a reference or lowest-priced medicinal product of equivalent effectiveness.

On 20 June 2019, amendments to the *Law on Healthcare Financing* entered into force, which extended the deadline (until 31 December 2020) by which the Latvian population, irrespective of making health insurance contributions, may receive healthcare services within the scope of state mandatory health insurance.

In order to contribute to improving public health indicators and to implement preventive prophylaxis improvements to the regulatory framework and various campaigns, trainings and dissemination of information materials have been implemented, as well as development planning documents have been developed – the *Plan for improving the accessibility of mental health care for 2019-2020* was adopted by CM on 19 June 2019 and on 17 July 2019 CM approved a *Plan to limit the use and distribution of drugs for 2019-2020*.

Under the EU funds programming period 2014-2020 the possibility is provided to raise qualification and renew medical practitioners' certificates, thus allowing a medical practitioner not practising in his/her speciality to return to the labour market. The training process started at the end of 2018 and 5491 persons have been trained and 62 methodical materials have been developed by the end of 2019. The trainings will be provided in all the priority areas highlighted in the project – in the area of cardiovascular, oncology, paediatric, starting from the perinatal and neonatal period, and mental health until the end of 2022.<sup>11</sup>

In order to attract medical practitioners for work in regions, 478 compensation agreements on work outside Riga were entered into by January 2020 withing the EU funds programming period 2014-2020. Beneficiaries included doctors of different specialisations, assisting doctors, nurses, assisting nurses, midwives, physiotherapists. (see also Chapter 4.8).

Funds amounting to 15.43 million EUR were planned in 2019 to improve the quality and availability of primary care in continuing the reform of the health sector. In 2019, 132 projects for the total amount of 1.5 million EUR were approved in the first project<sup>12</sup> selection round. The second project application selection sub-round providing support for the development of primary care centres is expected to be announced in 2020.

Implementation of EU fund-financed health promotion and disease prevention measures

<sup>11</sup> For more information visit <http://www.talakisglitiba.lv/>

<sup>12</sup> Specific objective 9.3.2 "To improve the availability of health care services, especially to population subject to social and territorial exclusion and poverty risk, developing the health care infrastructure".

continues at national and local government level (see also *Chapter 4.8*).

## 2.3. INVESTMENT NEEDS

FOCUS INVESTMENT-RELATED ECONOMIC POLICY ON INNOVATION, THE PROVISION OF AFFORDABLE HOUSING, TRANSPORT, IN PARTICULAR ON ITS SUSTAINABILITY, RESOURCE EFFICIENCY AND ENERGY EFFICIENCY, ENERGY INTERCONNECTIONS AND DIGITAL INFRASTRUCTURE, TAKING INTO ACCOUNT REGIONAL DISPARITIES.

The indicatively planned public investment directions and investment amounts for investment from the state budget, local government budget, EU funds and other financial sources (including foreign and national funds, programmes) in Latvia, which are enshrined in the *National Development Plan 2021-2027*<sup>13</sup> (hereinafter referred to as NDP2027) and which will help to achieve the strategic objectives for the country's development defined in the plan by 2027, as well as will support sectoral policy directions and key reforms. The **strategic objectives of NDP2027** are productivity and therefore competitiveness and income growth, equal opportunities as an instrument for reducing inequalities, regional development as a basis for balanced state development and social trust to cooperation and implementation of democracy.

The **investment** of Latvia's state budget in R&D is one of the lowest in the EU, which makes it impossible to ensure the amount of knowledge needed to achieve the national development objectives and their transfer to education and industries. Climate change, changes in the geopolitical situation, high inequality, low productivity, rapid technological development and increasing migration are creating new challenges for Latvian society and security, which require investment in R&D. In order to stabilise its place and role in world science, participate in innovation processes, Latvian science must participate in the achievement of the NDP2027 objectives in strategically important cooperation networks and research consortia with other European and world countries, should use the opportunities provided by partners and the Latvian diaspora around the world. Therefore, NDP2027 aims to significantly increase scientific excellence, the number of researchers, the mobility of specialists, the scope of patents and cooperation projects and joint research and innovation work with the private sector, partners from other countries and the diaspora.

Future economic growth and ensuring a higher standard of living for the Latvian population depend on the ability to develop new, knowledge-based competitiveness advantages in a rapidly changing environment compatible with improving the quality of the environment, namely increasing productivity through investment in human capital, research and eco-innovation, as well as introduction of new, digital

solutions and technologies. The country should focus its limited development resources on fields of knowledge where entrepreneurs have the potential to develop eco-innovation and digital solutions-intensive products and services, including by promoting the use of RES in manufacturing and the use of high-tech/digital solutions in traditional industries, as well as in security and defence sectors. The support focuses on five smart specialisation areas – knowledge-intensive bioeconomy; biomedicine, medical technologies, biopharmacy and biotechnologies; smart materials, technologies and engineering systems; smart energy; information and communication technologies – and prioritises investment in activities with the largest structural change effect towards high added value.

Investment in quality, provision of accessible, inclusive education is also a priority of NDP2027, and investment aims to ensure high-quality, accessible and inclusive education and inclusive education environment, to strengthen efficient governance of the education system, to ensure economic growth in education, including adult education.

**Sustainable development** and high-quality environment protected from major impacts of pollution generated by the national economy can be achieved by targeted diversification of production, maximising the use of each resource unit and supporting the development of the climate-neutral economy. On the other hand, the support and achievements of public and scientific institutions in the wider use of renewable or alternative energy sources are important in moving towards the use of zero emission vehicles. Similarly, the reduction of air pollution is achieved by introducing more efficient emission reduction technologies in densely populated areas, including by reducing pollution caused by biomass.

**Investments to improve energy efficiency** and replace fossil energy sources using local and renewable sources, in particular solar and wind energy, will reduce the country's dependence on energy imports, increase energy security and reduce air pollution.

Action is also needed to improve the **sorting and recycling of waste** and to develop the use packaging deposit system. Recycling will ensure diversification of

<sup>13</sup> National Development Plan of Latvia 2021–2027 (draft)  
<https://www.pkc.gov.lv/sites/default/files/inline-files/NAP2027galaredakcija.pdf>

the economy and increase the efficiency of each resource unit and reduce environmental pollution caused by waste.

**Transport** is the largest energy consumer in Latvia, as well as an important source of GHG emissions and air pollution. The levels of traffic congestion and related pollution, particularly in Riga, are still an unresolved problem.

Therefore, in response to changes in the socio-economic and technological environment, an integrated, sustainable transport system will be developed providing high-quality mobility of people and goods throughout the country, as well as ensuring international reachability. In addition, mobility will be safe and the transport system will be environmentally, socially and economically sustainable. Investing resources in regional infrastructure, including by using innovative solutions, will provide support for further development of economic activity centres and facilitate internal labour mobility in order to meet public mobility needs throughout Latvia in conditions of reduced population. The challenge for the future is the **synergy of transport infrastructure with information technology solutions** and their security to ensure that the transport system is user-oriented and that smart transport services become part of daily life of every citizen.

Latvia rates highly in the offer of **digital public services** by the government with some weaknesses in quality and open data availability. However, digital skills of the population will need to improve if Latvia is to improve the productivity of businesses and integration of digital technologies, because companies and people do not use digital opportunities sufficiently productively. In order to provide the population with convenient and timely access to public and municipal services, the benefits of IT technology development will increasingly be exploited by introducing the “digital by default” principle, since electronic services and solutions are cost-efficient and often more flexible than on-site services. Any electronic service and solution will undergo a cyber security risk assessment prior to its deployment, as well as its cyber security will be ensured throughout its lifecycle in order to ensure continuity, integrity and data protection of the service and solution.

The **energy chain and security infrastructures** provided by the state to the population face internal risks (depopulation) and external factor risks. Cost-efficient investment in the energy supply system and ensuring its sustainability are essential for the prevention of state energy supply risks, for the operation of any infrastructure, and for the functioning and competitiveness of the national economy as a whole. The main support lines are **energy supply infrastructure, energy generation and energy management and effectivisation of energy consumption in different sectors** (including electricity, heating, cooling, transport). In order to improve overall energy efficiency and meet energy saving commitments, incentives will be needed to attract more private investment in this area, as well as

support mechanisms to encourage the population and businesses to make more use of renewable energy sources (including self-consumption) and additional investment to develop additional renewable energy generation.

Decent **housing** in a safe living environment is considered to be a basic human need because housing involves the needs of an individual such as the need for safety, protection, privacy, heat.

Lack of affordable and qualitative housing is one of the reasons delaying internal mobility in the state, and this causes other negative effects – lower opportunity to involve job seekers and unemployed in the labour market, delayed national economy growth and profound depopulation. Housing investment is crucial to national development as it facilitates better employment opportunities and improved labour mobility within the country. Regional development, on the other hand, is also an important ingredient in reducing emigration and thus slowing the rate of population decline. Moreover, growing costs of housing and the availability of housing for low- and medium-income households are a problem in both the regions, in Riga and municipalities near Riga. The set of NDP2027 objectives has been designed to make housing available to all households in Latvia, so that the existing housing stock meets high standards of energy efficiency, construction, security and comfort by 2050, as well as to support sustainable urban development and increase the volumes of housing construction in the populated areas where business and labour demand are growing in order to better respond to increased demand for housing, to keep housing prices at a level appropriate to the solvency of the population and to facilitate labour mobility.

The above-mentioned areas are an important part of the investment areas planned in NDP2027 as a whole, which are essential for the sustainable development of the country and for economic growth. At the same time, it should be noted that NDP2027 also provides for investment in other areas relevant to society and national development, such as culture, health care, protection of rights, regional development, etc.

The most significant investment needs in regional development are the development of public infrastructure for business support, improving the efficiency of local government services, including improving energy efficiency in municipal services buildings and support for smart municipalities, investment in the development of pre-school infrastructure, investment in development of sustainable public outdoor spaces and capacity building for municipalities and planning regions for smart development planning and implementation.

At the same time, it should be noted that the public investment needs identified by sectoral ministries while developing NDP2027 were approximately three times higher than the available public budget and foreign financial assistance funding for the implementation of NDP2027, so choices have been

made in NDP2027 regarding the general key investment support directions and measures.

## 2.4. EFFICIENCY IN THE PUBLIC SECTOR

STRENGTHEN THE ACCOUNTABILITY AND EFFICIENCY OF THE PUBLIC SECTOR, IN PARTICULAR WITH REGARD TO LOCAL AUTHORITIES AND STATE-OWNED AND MUNICIPAL ENTERPRISES AND THE CONFLICT OF INTEREST REGIME.

In order to increase **efficiency in the public sector**, in particular, simplifying administrative procedures, on 14 November 2017 the CM approved the *Public Administration Reform Plan 2020* (hereinafter referred to as PARP2020) envisaging to give an impulse to the development of public administration, labour quality and efficiency improvement for the purposes of creating effective, responsible and flexible public administration. The plan includes ten lines of reforms and measures for their implementation, including reduction of administrative burden, centralisation of support functions, assessment of financial impacts, increasing the value of public administration services, etc. A *PARP2020 implementation monitoring system* has been created under which the implementation of the plan and progress towards indicators are monitored.

The *training of public administration employees* in modern working methods, in the use of user-oriented approaches continues. For the next period, the development of digital and new technology skills in public administration is a priority. The professional improvement of public administration (direct public administration and local government employees) will be ensured through the development of modern digital solutions, future competence, reskilling systems, knowledge transfer and internal coaching approaches.

On 20 August 2019, CM adopted an *Information report on the implementation of the "one in – one out" approach in the process of drafting regulatory enactments*, according to which from 1 November 2019 the obligation to follow the "one in – one out" approach was introduced, which covers draft laws affecting entrepreneurs. This means that when submitting a draft regulatory enactment that increases administrative burden or creates new compliance costs for businesses for approval to the CM, the ministry should at the same time submit a draft regulatory enactment, which reduces administrative burden or cancels compliance requirements in an equivalent scope for the same target group. Monitoring of the implementation of this approach started on 1 November 2019.

Three innovation labs, which are working on innovative solutions for reducing administrative burden, strategic development of human resources and improving the image of the state administration, continued to work within the scope of the project "ExCeL!" (*Excellent for Centenary of Latvia!*) in 2019. A *Methodology for calculating administrative burdens for public administration employees and addressing*

*challenges* using modern user-oriented techniques (design thinking, LEAN, AGILE, etc.) has been developed within the project and is available electronically. Furthermore, it would be necessary to develop an entire ecosystem of public administration innovation, including to create a single experimenting framework.

An important challenge for the planning and mitigation of evidence-based action policy is to develop and practically introduce more effective analytical tools in the near future: feasibility study, research, evaluation and methodological tools, and to strengthen civil society participation and social dialogue.

On 1 January 2020, Amendments to the Law On Governance of Capital Shares of a Public Person and Capital Companies entered into force in the field of **governance of capital companies of a public person**. They are related to the obligation to disclose information, governance of capital companies of derived public persons, as well as requirements for candidates for the position of board and council members. The amendments extend the scope of the information to be published and impose an obligation on the CSCC to monitor the fulfilment of this obligation. The range of capital companies to be supervised includes all state capital companies and those local government capital companies which qualify as large. Governance of local government capital companies is separated from the political governance of the local government, because the law transfers the fulfilment of the duties of the holder of capital shares to the executive director of the local government. In the past, the duties of the holder of capital shares in local governments were fulfilled by the chairman of the local government council. An essential novelty in the field of nomination processes is the ban on appointment in the board or council of a person, who is or in the last 24 months before the deadline for submission of applications within the public procedure of application of candidates has been an official of a political party or an association of political parties, and also compliance requirements for independent council members have been included in the law and reinforced. The amendments are expected to reduce political influence in capital companies as well as increase governance transparency.

On 28 March 2019, the Saeima adopted *Amendments to the Competition Law*, which will enable the Competition Council (hereinafter referred to as the CC) to address distortions of competition by public persons

more effectively. The amendments entered into force on 1 January 2020. In addition, on 7 January 2020 CM adopted amendments to CM Regulations No.179 of 29 March 2016 *Procedures for the Determination of Fines for the Violations Provided for in Section 11(1) and Section 13 of the Competition Law and Sections 5, 6, 7 and 8 of the Unfair Commercial Practice Prohibition Law* establishing the procedure for imposing fines on capital companies of public persons.

On a regular basis, the CC organises measures to educate the public, the public sector, including representatives of local governments, on the principle of competition neutrality and the practical aspects of its application, as well as on the re-evaluation of holdings of a public person (organisation of seminars and discussions, publication of infographics and podcasts, etc.). Since many local government and state capital companies are expected to perform a re-evaluation of holdings in 2020, the CC intends to further develop a list of essential issues that should be assessed by the public when deciding on the continuation of its shareholding in the capital company in order to facilitate and make the process of re-evaluating the holding more qualitative and thus to ensure that public persons do not undermine private initiatives and do not deform the business environment.

On 21 March 2019, the Saeima decided to continue the **administrative territorial reform** and to create economically viable administrative territories by 2021 with local governments able to ensure fulfilment of the autonomous functions provided for by laws in a comparable quality and accessibility and provide quality services to the population at a reasonable cost. In line with the Saeima decision, the implementation of the reform was launched with the aim of strengthening the capacity of local government, creating more opportunities for local governments to promote economic activity in their territory and thus reducing socio-economic inequalities between regions. On the basis of the planned administrative territorial division, the *draft Law on Administrative Territories and Populated Areas* has been drafted and supported by CM with a view to creating strong, economically viable local governments which can provide equivalent services of comparable quality for all Latvian residents regardless of their place of residence. On 13 March 2020, the Saeima reviewed the draft law in the 2<sup>nd</sup> reading, forwarding a proposal for the 3<sup>rd</sup> reading to set up 40 local governments instead of 119 local authorities.

The **interest conflict prevention system** is being developed by improving the provisions of the *Law on Prevention of Conflict of Interest in Activities of Public Officials* (hereinafter referred to as LPCI) on a regular basis.

In 2019, amendments to the LPCI were adopted and will enter into force on 1 July 2020 setting a limit on combining work as a Saeima deputy, the Prime Minister and his or her deputy, a special assignment minister and a parliamentary secretary with other positions in associations, foundations and social enterprises. The Amendments to the law provide that these state officials may occupy a post in an association, foundation or social enterprise only provided that they do not receive remuneration. Such a condition is necessary in order to avoid a conflict of interest, since such organisations may also have economic or other objectives which may affect the performance of the duties of a public official.

For now, the Public Administration and Local Government Commission of the Saeima will continue the review of significant *Amendments to the LPCI*, for example, there are intentions:

- to substantially improve the procedures for accepting donations;
- to impose a new temporary limit on the public official to earn income from persons in respect of whom they have represented institutions of a public person in courts;
- to impose an additional obligation to inform the head of the institution of a public person or KNAB about conflict of interest situations or potential cases of corruption;
- to extend the range of persons to be mentioned in the declaration of a public official;
- to determine the duties and procedures for the submission of the declaration of the public official of the Director of the Constitution Protection Bureau;
- to clarify the procedures by which the public officials employed in security and other law enforcement authorities submit declarations and lists of such officials are submitted;
- to impose temporary restrictions on commercial activities on a public official who has performed investigative functions;
- to provide that a public official shall provide the head of the institution or his or her authorised person in writing with the information necessary for carrying out internal control activities to prevent the risk of corruption and conflict of interest.

In addition, in 2020, the LPCI regulation is expected to be supplemented updating the conditions for combining positions of an adviser to the President, the Prime Minister, the Deputy Prime Minister, the head of the office of a special assignment minister, an advisor, a consultant and an assistant, and that such political officials shall get a permission for combining positions by the public official (President, Prime Minister, Deputy Prime Minister, minister or special assignment minister) who has appointed him or her.

### 3. PROGRESS TOWARDS THE OBJECTIVES OF THE EUROPE 2020 STRATEGY AND UN SUSTAINABLE DEVELOPMENT GOALS

The quantitative targets of Latvia for 2020 in the context of the Europe 2020 strategy (quantitative targets of Latvia) have been set taking into account the medium-term development scenario of the Latvian economy, as well as targets of the Sustainable Development Strategy of Latvia – *Latvia 2030*, and are reflected also in the *National Development Plan of Latvia for 2014 – 2020* (NDP2020), which was approved by the Saeima on 20 December 2012.

According to the quantitative targets of Latvia, the plans for 2020 are to achieve the employment rate of 73% for the population aged 20-64, to increase investments into research and development (R&D) to 1.5% of GDP, to increase the share of the population having acquired tertiary education to 34-36%, to reduce the share of early school leavers to 10%, to reduce the share of persons at-risk-of-poverty and of those living in households with low work intensity to 21%, to increase the share of renewable energy sources in gross energy consumption to 40%, and so on (see Table 3.1).

Latvia has exceeded its national targets for the level of employment, the share of those who acquired tertiary education, the share of early school leavers, the share of renewable energy.

According to the dynamics of the statistical data by years, Latvia has a good chance of achieving the national targets for greenhouse gas emissions and energy efficiency.

Latvia has also exceeded its national target for reducing the number of persons at-risk-of-poverty and of those living in households with low work intensity by 121 thousand in absolute terms compared to 2008 (in 2019, the number of persons at-risk-of-poverty and of those living in households with low work intensity decreased by 124 thousand compared to 2008), but in terms of share Latvia has not achieved the target because the share of persons at-risk-of-poverty and of those living in households with low work intensity has been increasing since 2012<sup>14</sup>.

Latvia will fail to achieve the national target for investment in research and development (R&D).

Table 3.1

Progress towards the achievement of Latvian targets in context of the Europe 2020 Strategy		
	Fact 2019	Target 2020
Employment rate (population aged 20-64, %)	77.4	73.0
Tertiary education (share of population aged 30-34 having completed tertiary education, %)	45.7	34-36
Share of early school leavers aged 18-24, %	8.7	10.0
Share of renewable energy in the final consumption of gross energy, %	40.3*	40.0
Total greenhouse gas emissions Mt CO <sub>2</sub> equivalent	12.2	12.2
Energy efficiency (energy savings to 2008, Mtoe)	0.602	0.67
Number of persons at-risk-of-poverty and/or persons living in households with low work intensity, thousand	-124000	-121000
Share of persons at-risk-of-poverty and/or persons living in households with low work intensity, %	24.2	21.0
Investment in research and development (R&D), % of GDP	0.64*	1.5

\* Data for 2018

Latvia has made relatively good progress towards the **UN Sustainable Development Goals**. Slower progress of Latvia has so far been in the achievement of health care, innovation and inequality reduction targets.

The share of people at risk of poverty or social exclusion (27-28%) has slowly decreased and stabilised in recent years in Latvia. Employment is increasing and the number of people living in low work intensity households in Latvia is still lower than the average in Europe. The risk of poverty of employees is also relatively lower than the average in Europe. Deep

material deprivation remains significantly more prevalent than in the EU on average. The strategic objective of *NDP2027* is to reduce child poverty, in particular for those living with one adult or for families with three or more children, and to reduce the risk of poverty in general through social transfers.

Thanks to a targeted agricultural development aid policy, the size of tended agricultural area has been growing in Latvia since 2014 reaching 1.98 million ha in 2018. Latvian agriculture is one of the *cleanest* in the

<sup>14</sup> The objectives of the Europe 2020 strategy for poverty reduction use three indicators: the poverty risk index (%) and/or material deprivation

and/or the number of people living in low work intensity households (thousands).

EU<sup>15</sup>, while future agricultural development directions are set to further strengthen the implementation of environmentally friendly production practices.

Life expectancy in Latvia has been moderate but increasing in the last ten years. This is mainly explained by growing quality of life, including improvements in health care. Since 2013, the availability of health-care services has improved in all people's income quintiles. At the same time, early mortality from chronic diseases has decreased, although overall this rate is higher than in other EU countries. This is due to lifestyle habits, namely the spread of smoking and risky alcohol use in society, particularly among men. The situation with the spread of HIV and AIDS is also exacerbated in Latvia. In 2015, the country had the second highest number of newly identified HIV infections in the EU, and this rate was 3.5 times higher than the average in Europe. Latvia also has the highest share of newly identified AIDS cases in the EU, followed by the highest rate of mortality from tuberculosis, HIV or hepatitis, which was the highest in the EU in 2016 (10.5 dead per 100,000 inhabitants in Latvia compared to 2.6 dead per 100,000 inhabitants on average in the EU).

8.7% of Latvian young people aged 18-24 are early school leavers (data for 2019). If we compare the achievements of Latvian pupils in PISA 2018 and PISA 2015, there is a decline in reading achievements. Data from PISA 2015 show that Latvia has a small percentage of students with high learning outcomes (levels 5 and 6 of PISA) reaching 4.3% in reading proficiency. At the same time, the share of low performers (PISA level 1 and lower) remained high reaching 17.7% in reading proficiency. These results demonstrate the need to continue the reforms undertaken in the education system by promoting the quality of education. Data on the share of people aged 25-64 involved in adult education (over the last four weeks) have shown a slight increase in recent years: from 5.6% in 2014 to 7.4% in 2019, but it is still below the EU average and promotion of participation of adults in educational activities should be continued.

In 2019, Latvia had the highest share of women in leading positions across Europe (28.3%), yet the pay gap between men and women was 14.1% (EU – 15.7%) in 2018. Women also play an active part in shaping the political agenda: In 2019, 30% of women worked in the Saeima and government, which is 12% more than five years ago. Gender inequalities related to free care obligations and the carrying out of household works among 20-64 years old people decreased by 4.2% compared to 2013 reaching 12.8% in 2018 (27.1% in the EU in 2018). However, physical and sexual violence against women still holds sway.

The implementation of good agricultural practices, the share of organic farming (14% of agricultural land; Eurostat data for 2017) and the area of specially protected nature territories, which occupy 18.2% of

Latvia (data of the Nature Conservation Agency for 2020), play a key role in the availability of water of good quality. Access to clean water and compliance of sanitary conditions with the specified requirements is ensured in 90% of households (connection to water pipeline and sewerage). At the same time, more intensive and productive management of natural capital has raised the issue of preserving natural values and maintaining their quality.

Latvia intends to achieve a complete transition of energy generation to renewable energy sources in all sectors, wherever technologically feasible, by 2050<sup>16</sup>. Greenhouse gas (GHG) emissions have decreased slightly since the mid-2000s due to improved energy efficiency and increased use of renewable energy sources. Renewable energy sources must account for 40% of the country's primary energy supply in 2020. The main renewable energy source is solid biofuels and hydropower. Current forecasts evidence that the planned share of RES in Latvia's energy balance will be reached in 2020. In recent years, Latvia has improved its performance in tackling energy poverty, but providing heat in housing remains a problem for households below the poverty risk threshold.

The recovery in investment activity, as the flow of investment from EU funds increases, the favourable situation in the external environment and growing demand in 2018 allowed Latvia's economic growth to reach the highest level of 4.6% in the last seven years. However, growth rates have become slower in 2019. Productivity growth continues to be hampered by low innovation level, inefficient deployment of resources, in particular labour force, and relatively high share of the shadow economy. In Latvia, the employment rate exceeded the EU average in 2018, while recruitment in more rapidly growing segments of the labour market is becoming more and more difficult.

Latvia is not investing sufficiently in research and development (R&D), and the level of investment is among the lowest in the EU and it has not changed significantly over the past decade. Moreover, research funding relies almost entirely on EU funds. The structure of Latvian industry is mainly characterised by low-tech companies – the share of medium- and high-tech companies is significantly lower than the EU average.

Income inequality in Latvia is high compared to the average level in EU countries. The income quintile share ratio S20/S80, as well as the Gini index characterising it, despite a slight decline last year, remain one of the highest in the EU. Although the risk of poverty before benefits does not differ much from the EU average, the role of social transfers in reduction of poverty is insufficient and has even decreased significantly in recent years.

<sup>15</sup> According to the information collected by the European Food Safety Authority in 2016, the food products available to Latvian consumers

are among the cleanest in the Baltic Sea region and also at EU level in terms of residues of plant protection products.

<sup>16</sup> Latvian strategy for reaching climate neutrality by 2050.

The regional development gap in the country remains high, as the majority of the country's population is concentrated and the largest share of the country's GDP is created in the Riga planning region. The reduction of these disparities has been identified as one of the priorities of regional policy, including by providing support to municipalities for the development of the business environment, by increasing productivity and attracting human resources in regions, and by developing regional innovation and knowledge systems.

Targeted investment has led to progress in the more intensive use of local resources, improved air quality management, management of water resources and waste, which resulted in an increase in the share of RES in final energy consumption and a 57% reduction in the country's total GHG emissions compared to 1990<sup>17</sup>.

The Baltic Sea is the second largest brackish water body in the world and is still seriously affected by various natural and anthropogenic factors – eutrophication, inflows of hazardous substances, invasive species and marine waste. Pollution and eutrophication caused by nutrients in the Baltic Sea has been identified as the main ecological problem, which has a serious impact on marine habitats and species and their sustainability, and therefore fish resources in the Baltic Sea are gradually decreasing. Seven protected marine territories (hereinafter referred to as PMT) for the protection of specially protected habitats and species, as well as important feeding and wintering sites of migratory birds, have been established in the territorial sea of Latvia. PMTs occupy a total of 436,468 ha or around 16% of the marine waters under the jurisdiction of Latvia and are included in the EU *Natura 2000* network.

Latvia's population density is relatively small, but intensive agricultural production and logging pose risks to the preservation of natural values. Latvia has great biodiversity. Its diverse ecosystems include forests (which cover about half of its territory), grasslands, coastal areas and peatlands. Latvia has exceeded the 2020 Aichi Biodiversity Targets for protected territories, as more than 16% of its marine waters and more than 18% of its land territories are covered by one of the types of protection.

The share of murders has fallen sharply in Latvia, but remains higher than in most EU countries. The number of deaths from external causes like suicides, road accidents, drowning and fire accidents should be reduced. In order to strengthen confidence of the population in the law enforcement process, both trust in the law enforcement system (court, prosecutor's office and police), the length of the trial in district courts of 1<sup>st</sup> instance will be measured and data on the effectiveness of the Latvian judicial system will be analysed.

In 2018, the general government debt of Latvia was the eighth lowest in the EU and amounted to 10,608 million. EUR or 36% of GDP. Latvia, upon its accession to the EU, expressed its support for the global partnership pledging to increase official development assistance (ODA) to 0.33% of gross national income (GNI) by 2030 earmarking 0.15-0.20% of ODA/GNI for the least developed countries.

It should be noted that in the process of drafting *NDP2027* both the strategic objectives set at EU level and the UN Sustainable Development Goals were taken into account and measures were anticipated to meet the above objectives.

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<sup>17</sup> Latvian strategy for reaching climate neutrality by 2050.

## 4. POLICY DIRECTIONS

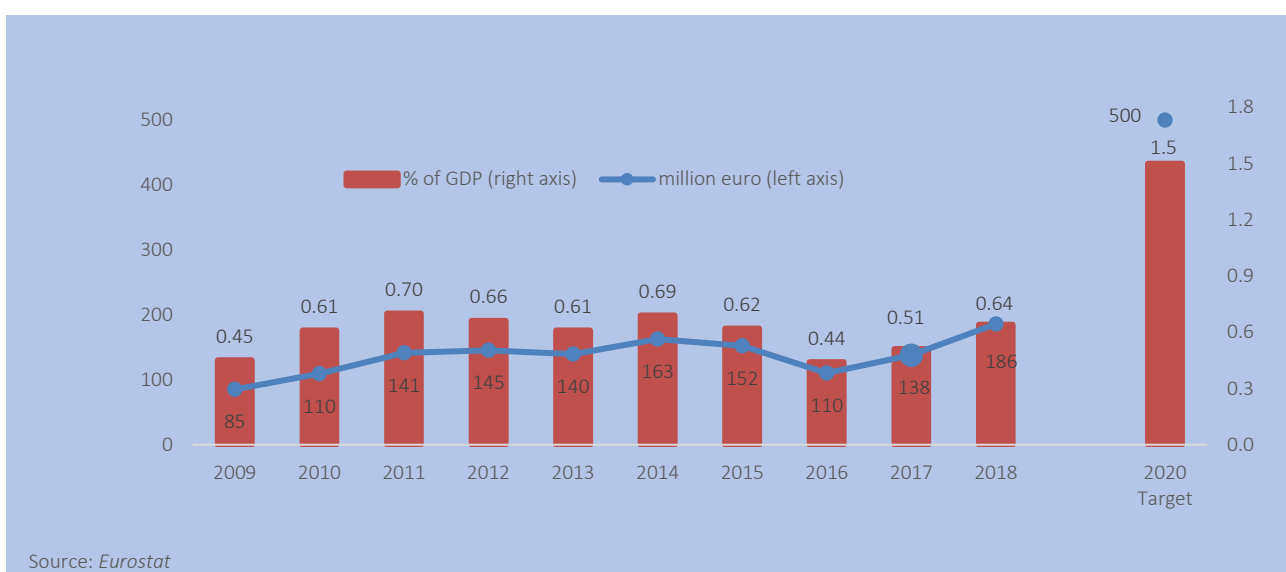
### 4.1. RESEARCH AND DEVELOPMENT, INNOVATION

The target of the NRP of Latvia regarding investments in research and development (R&D) for 2020 is 1.5% of GDP.

The *European Innovation Scoreboard 2019* assessment places Latvia 24<sup>th</sup> among 28 EU Member States included in the research, allowing it to keep its position in the *moderate investors* group, where performance in the area of innovations is 50-90% of EU average level.

The R&D investment targets set for 2020 will not be achieved (see Figure 4.1). Similarly, most of the indicators for achieving the objective of the *Smart Specialisation Strategy* in relation to the transformation of the national economy to higher added value in 2020 will not be achieved due to insufficient R&D financing<sup>18</sup>.

Figure 4.1  
Target for investments in R&D  
Total financing on R&D



Total expenditures of Latvia on R&D in 2018 amounted to 186.2 million EUR or 0.64% of GDP. They increased by 35% compared to 2017 mainly due to the increase in ESIF funding. Investments of businesses in funding R&D activities also increased (by 6%), which was largely influenced by the measures taken to promote innovation in state capital companies, as well as measures to promote innovation in SMEs (for more information about the platform see below in section *Supporting the development of innovative enterprises*).

Despite the positive dynamics of recent years, the amount of investment in R&D is insufficient and substantially behind the NRP target. Moreover, the structure and dynamics of R&D financing evidence that investments in research and development in Latvia depend on ESIF funding.

Funding of R&D by businesses has remained at low levels for a long time. In 2018, their share in total

expenses on R&D amounted to 22.3%, which is almost by half less than the EU average.

The Latvian science base funding is not being paid out in 100% of the amount calculated in accordance with the legislative framework<sup>19</sup>. Only 38.5% of the calculated science base funding were allocated in 2019. Although a large share of EU structural funds are invested in activities to increase the number of persons employed in research, the number of persons employed in science (in terms of the FTE) is increasing slowly – from 5 739 FTE in 2014 to 5 806 FTE in 2018, while the average load of one scientific employee is 0.5 FTE. Latvia still has one of the lowest indicators for the share of persons employed in science (in terms of the FTE) in the total national labour force (0.62%) compared to the average indicators of EU Member States – 1.39% (0.88% – in Lithuania, 0.97% – in Estonia). The number of scientific employees is directly linked to the dynamics of the number of students and doctoral students. In the 2014-2018 period, the

<sup>18</sup> Paragraph 2 of the CM protocol decision of 10.03.2020 "Information report "Monitoring of the Smart Specialisation Strategy. Second report"" (prot.No.10 §19)

<sup>19</sup> CM Regulations No. 1316 of 12 November 2013 Procedure for Calculation and Allocation of Base Funding for Scientific Institutions.

number of doctoral graduates in RIS3 areas has fallen by nearly half (from 223 to 132).

Latvia has both low total investment in R&D and its amount per 1 scientific employee (in terms of the FTE), which amounted to 30 833 EUR in 2018, which is 29% of the EU average level (105 568 EUR). However, despite the low investments, Latvian scientists show high efficiency of the investments made proving the fact that for Latvia the costs of 1 scientific publication (in 2018, the data from the *Web of Science* database) in the total expenses on R&D expenditure amount to 94 thousand EUR, which is 27% of the EU average. Latvian scientists achieve equivalent research results as their counterparts in other EU countries with much smaller investments.

#### **The main problems in the R&D field in Latvia:**

- The business structure of Latvia is mostly made up of micro-enterprises, small and medium-sized enterprises with no capacity to invest in R&D and a small share of high technology enterprises;
- Insufficient level of private sector investments in research and development;
- A small number of employed in science and research, technology development and innovation and insufficient replacement of personnel engaged in these areas;
- Insufficient cooperation and coordination between scientific institutions, higher education institutions, public administration institutions and the industry;
- Governance and financing of the field of science and innovation is fragmented;
- Significant international cooperation progress has been achieved in science, yet international cooperation is still underdeveloped, in particular in innovation;
- Insufficiently developed system of research results and intellectual property.

The *Guidelines on Research, Technology Development, and Innovation for 2014–2020* (hereinafter – the GRTDI) set the following **main GRTDI sectoral policy directions**:

- Raising the sectoral competitiveness;
- Connecting the sector with societal and economical needs;
- Efficient management of the sector;
- Raising awareness in the society and promoting science and innovation.

GRTDI makes a contribution to the achievement of goals of the *Smart Specialisation Strategy* (hereinafter – *RIS3*) – to stimulate transformation of the national economy to more efficient use of resources, creation of higher added value products and services.

#### **The *RIS3 strategy* also identifies the following specialisation areas:**

- Knowledge-based bio-economy;
- Biomedicine, medical appliances, bio-pharmacy and bio-technology;
- Smart materials, technology and engineering systems;
- Smart energy;
- ICT.

The second *RIS3 monitoring report* was prepared in 2019 and was approved at the meeting of the Cabinet of Ministers on 10 March 2020. Based on the improved methodological approach, which provides an overview of the overall RIS3 implementation progress in 2016–2018, as well as an analytical insight into RIS3 specialisation areas ecosystems by topics, identifying the priorities, goals and activities to be put forward in the process of drafting RIS3 for the new period (2021–2027) in accordance with the specifics of development needs of each RIS3 area. The analysis does not point out to the need to redefine RIS3 specialisation areas.

Since 2018 focused coordination of each RIS3 specialisation area ecosystem and ensuring representation of international interests in programme committees of *Horizon 2020* is ongoing within the scope of EU funds support. There are also active preparations for the introduction of the new Horizon Europe framework programme ensuring representation of national interests in the development of a new programme, including the thematic “shadow” programme committees.

In 2019, a basis for strategies for value chain ecosystems of biomedicine, smart cities covering areas of smart energy and ICT specialisation areas<sup>20</sup>, and smart materials and for a memorandum of cooperation was developed. The purpose of ecosystems is to establish a coordination mechanism that promotes, in the long term, co-responsible cooperation between all involved and interested stakeholders and the designing and development of innovative solutions, as well as makes a known contribution to and investment in research and development of industries.

A number of measures have been taken to link the existing science and innovation policy management model more closely with national needs, including the procedures for the implementation and financing of national research programmes have been reviewed (see *Box 4.1*), a modernisation of governance of higher education institutions has been started (see *Chapter 4.3*).

Starting from 2018, funding for fundamental and applied research projects has been increased from 4.4 million EUR per year to 9.5 million EUR in 2019 and to 11.15 million EUR in 2020.

<sup>20</sup> In addition, Regional Policy Guidelines 2021–2027 (approved by Cabinet order of the Cabinet of Ministers No. 587 of 26 November

2019) provide for support for smart municipalities co-financed by European Union funds.

## The main policy directions and measures:

### Raising the competitiveness of GRTDI sector

/responsible institution – MES/

The main tasks of this policy are the following:

- 1) To create a national post-doctoral research support system;
- 2) To support practical research which includes industrial research and experimental development for solving the problems and securing the needs of the national economy and society;
- 3) To support implementation of individual post-doctoral R&D projects, including supporting post-doctoral work places in undertakings;
- 4) To ensure granting the science base funding in the amount of 100% and gradually increasing;
- 5) To implement the unity of pedagogical and research work;
- 6) To introduce research excellence-oriented criteria in allocation of base funding necessary for the implementation of research projects;

- 7) To support participation of Latvian scientific institutions in EU and other international scientific cooperation organizations, etc.

Funding from the EU funds (2014-2020) specific objective *To Increase the Research and Innovative Capacity of Latvian Scientific Institutions and the Ability to Attract External Funding by Investing in Human Resources and Infrastructure* will be used for implementation of policy tasks No. 1, 2, 3, and 7. A new approach in assessment of scientific projects is introduced, including the adopted EU research and innovation programme *Horizon 2020* assessment approach and criteria for evaluation of the scientific quality of projects.

Measures to raise the competitiveness of GRTDI sector are reflected in Box 4.1.

Box 4.1

#### Measures to raise the competitiveness of GRTDI sector

In 2019, work on implementation of the following EU fund (2014-2020) measures continued:

- **Post-doctoral research programme, within the scope of which it is planned to improve skills and scientific capacity of indicatively 260 young scientists – post-doctoral researchers.** The total funding of the programme is 64.03 million EUR (including ERDF funding of 54.4 million EUR, state budget funding of 6.4 million EUR). In 2019, 132 research applications with a total funding of 17.6 million EUR (including ERDF funding – 14.9 million EUR, state budget funding of 1.7 million EUR, other funding – 0.9 million EUR) within the first round of the programme, as well as the 61 research applications with a total funding of 8.1 million EUR (including ERDF funding – 6.9 million EUR, state budget funding – 0.8 million EUR, other funding – 0.4 million EUR) within the second round continued to be implemented. In 2019, 203 research applications were submitted within the third round, of which 82 research applications were approved at the beginning of 2020, 82 research applications (indicative total funding – 10.8 million EUR). The fourth selection round with total public funding of 11 million EUR is planned in the first half of 2020.
- **Programme of research aimed at practical application**, the purpose of which is to support research, which contributes to the achievement of goals of the Latvian RIS3, to the development of human capital for science and technology and to the creation of new knowledge for the improvement of competitiveness of the national economy. The total public funding of the programme is 76.5 million EUR (ERDF funding – 65 million EUR, state budget funding – 11.47 million EUR). In 2019, 74 research projects with a total public funding of 39.6 million EUR (including ERDF funding – 36.67 million EUR, state budget funding 2.98 million EUR) within the first round of the programme and 43 research projects with a total public funding of 23.4 million EUR (including ERDF funding – 17.83 million EUR, state budget funding of 5.61 million EUR, private eligible costs – 4.44 million EUR) within the second round continued to be actively implemented. Private investments of 3.42 million EUR have been raised within the first two rounds in the projects being implemented, which complement the state aid for innovation or research and development projects. The implementation of 22 research projects completed in 2019. The third round of project applications took place in 2019. In August 2019, the submission of projects in the third selection round of the programme for indicative total public funding of 13.3 million EUR (including ERDF funding of 10.4 million EUR, state budget funding of 2.9 million EUR) was announced and the evaluation of research applications started in October 2019. Indicatively 23 research applications are expected to be forwarded for approval within the third round. On the basis of the mid-term evaluation of the EU structural funds, additional 20 million EUR are expected to be raised for the programme of research aimed at practical application to ensure the implementation of approximately 50 additional applied research focusing on the development of products or services important to economic development in the smart specialisation areas of Latvia. The fourth project application selection round (ind. total public funding of 20.76 million EUR) is expected to be announced in the first half of 2020. Both research staff employed in institutions and students and persons qualifying for a scientific degree will be involved in implementation of research aimed at practical application, in order to promote involvement of young researchers in the field of research.

Overall, by the beginning of 2020 the projects implemented within the two above-mentioned programmes created 169 new research staff jobs employing scientific staff and technical scientific staff, ensured cooperation of scientific institutions with 69 merchants in the implementation of research projects, 754 scientific articles have been drafted and submitted for publication, 67 new products or technologies with commercialisation potential have been developed, as well as private co-funding of 3.58 million EUR has been attracted for the implementation of the projects.

In 2018, conceptually new implementation rules for state budget R&D investment programmes – Fundamental and applied research and state research programmes were developed, which have fostered and are expected to foster an increase in state budget funding of R&D in the coming years:

- Starting from 2018, the amount of annual funding available for the implementation of projects was significantly increased for the implementation of the projects of the **Fundamental and Applied Research Programme** – from 4.4 million EUR per year to 9.5 million EUR per year, and to 11.15 million EUR in 2019 (the increase was secured partly taking into account the changed funding structure in the national research programmes as well as the additional national budget allocation of 1.4 million EUR). The purpose of the Fundamental and Applied Research Programme is to create new knowledge and technological considerations in all fields of science, thus creating the

necessary knowledgebase and human capital necessary for further knowledge and technology transfer. In 2018, 102 projects for the total funding of 26 million EUR were approved and started as a result of the project selection. Furthermore, 47 projects for the total funding of 13.7 million EUR were started in 2019.

- In order to foster the state order for scientific research in a sector of priority for the state, the procedure of implementation and financing of **state research programmes** was revised. Thus, on 28 June 2018 the Saeima approved amendments to the Law on Scientific Activity enabling sectoral ministries to create, implement and finance their state research programmes as the state order in scientific research considering their sectoral priorities. The implementation of three state research programmes has started since 2018 – the state research programme of the Ministry of Economics in energy “*Energy*” (the total planned funding for 2018-2020 – 6 million EUR), as well as state research programmes of the Ministry of Education and Science “*Latvian Language*” and “*Heritage of Latvia and the future challenges to the sustainability of the state*” (the total planned funding for 2018-2020 – 6.2 million EUR).

In order to foster Latvia’s participation in implementation of projects and strategic forum infrastructure of the European research space and European research infrastructure, thereby promoting the **international cooperation in the areas of research and technology**:

- In 2019, the implementation of projects within EU funds measure *Support to International Cooperation Projects in Research and Technologies* continued. The planned total funding of the programme is 37.68 million EUR, including ERDF funding of 32.03 million EUR, state budget funding of 5.65 million EUR. The implementation of complementary measures of national and institutional level is ongoing within the measure for the development of international cooperation. In 2019, within the scope of the first round the Ministry of Education and Science and the State Education Development Agency continued work on the implementation of projects, including ensuring a active national representation in programme committees of the *Horizon 2020* programme, ensuring informative and advisory expertise of the National contact point, as well as financing the implementation of 11 research projects within ERA-NET COFUND activity and allocating funding to the development of 67 high-quality project applications of *Horizon 2020* programme and other international research projects. The implementation of projects of the second round of the programme, which were introduced by 18 leading scientific institutions, started in 2018. Within the scope of the second round in 2019, preparation of 296 high-quality project applications for *Horizon 2020* programme (data as at 20.02.2020) was ensured, as well as 43 national partnership plans for participation in strategic forums of European research infrastructures were implemented. In turn, within the third round of the measures in 2019 funding from EU structural funds was granted for the implementation of 8 projects of the *Horizon 2020* programme, which were assessed above the quality threshold, but have not received funding for the implementation of the project.
- Within the scope of measure *Development of R&D infrastructure in smart specialisation fields and strengthening the institutional capacity of scientific institutions* 14 agreements with scientific institutions on the implementation of projects continue for the total eligible funding of 128.74 million EUR, incl. public funding of 126.65 million EUR (of which ERDF funding of 111.45 million EUR, state budget funding of 17.29 million EUR). The implementation of the projects is planned until December 2021. In 2019, the reconstruction of the building of the Faculty of Mechanical Engineering, Transport and Aeronautics of RTU was completed, where the research platforms – Transport, Cities and development, Materials, processes and technologies – will be implemented. Similarly, the Latvia University of Life Sciences and Technologies has restored and reconstructed premises of the Latvian Plant Protection Research Centre of LULST and premises of the Division of Smart Technologies and the Division of Technology and Knowledge Transfer of the Research Laboratory of Biotechnology of LULST. Daugavpils University has purchased equipment (micro/nano resolution X-ray microscope, photoluminescence and Raman spectrometer semiconductor, high-resolution electron microscope) for its Life Sciences and Technology building for 2 million EUR, which will ensure development of the industry in research of nanostructures and nanostructured materials;
- On 14 December 2017, memorandums of understanding on the implementation of Norway and European Economic Area (EEA) financial instruments for 2014-2021 were signed. On 15 January 2019, the Cabinet of Ministers supported the concept of the EEA financial instrument and the Norwegian financial instrument programme “Research and Development”. On 27 August 2019, an agreement of the programme was signed and work on the development of the rules of implementation of the programme is ongoing. On 19 November 2019, the Cabinet of Ministers adopted regulations on the implementation of projects of innovation centres, which will promote the choice of careers in STEM areas by Latvian pupils and students in cooperation with Norwegian science centres. In the first half of 2020, CM regulations on the implementation of the Baltic Research Programme and Scholarship Activity are expected to be approved to enable Latvia to announce project contests in the *Baltic Research Programme and Scholarship Activity*. The aim of the *Baltic Research Programme* is to promote the development of deeper research-based knowledge by improving the research performance of the Baltic States at international level and by strengthening cooperation in research between the Baltic States and donor countries – Iceland, Liechtenstein and Norway. Scientific institutions from at least two Baltic States and at least one donor country are expected to take part in the research projects. Estonia announced a project contest on 25 October 2018, which resulted in the approval of 7 research projects, in six of which Latvian scientific institutions are project partners. Lithuania announced a project contest on 5 February 2020, in which Latvian scientific institutions can also participate as project partners. An open project tender will be announced in the scholarship activity at the end of 2020 creating synergies with the Baltic Research Programme. The aim of scholarship activity is to improve the skills and competences of university students and academic and administrative staff in the field of higher education and research promoting bilateral cooperation in the field of higher education between the universities of Latvia and Iceland, Liechtenstein and Norway.

## Connecting the GRTDI sector with societal and economical needs

/responsible institutions – ME, MES/

The main tasks of this policy are the following:

- 1) To prioritize the doctoral and post-doctoral research related to solving scientific or technological issues identified by the industry;
- 2) To continue implementation of the National Research Programme;
- 3) To continue development of competence centres as a long-term cooperation platform for research institutions and merchants;
- 4) To continue development of Technology Transfer Contact Points established with the higher education institutions for transfer of technologies

and support for innovations; to introduce a Single Technology Transfer Platform;

- 5) To promote cooperation of higher education institutions with enterprises and cooperation of enterprises with enterprises from other countries, as well as interdisciplinary cooperation in creation and commercialisation of different innovative products.

Funding from the EU fund specific objectives (2014-2020) 1.1.1 *To Increase the Research and Innovative Capacity of Latvian Scientific Institutions and the Ability to Attract External Funding by Investing in Human Resources and Infrastructure* and 1.2.1 *To Increase the*

Private Sector Investments in R&D will be used for implementation of tasks No. 1, 3, 4 and 5.

The measures for connecting the GRTDI sector with societal and economical needs are reflected in Box 4.2.

Box 4.2

#### Measures for connecting the GRTDI sector with societal and economical needs

As a result of implementation of EU funds (2014-2020) specific objective *To Increase the Research and Innovative Capacity of Latvian Scientific Institutions and the Ability to Attract External Funding by Investing in Human Resources and Infrastructure*, by 2023 16 million EUR are expected to be attracted in private investments, and 450 merchants are expected to cooperate with research institutions.

In order to facilitate a long-term cooperation between undertakings and scientists, a measure *Support for Development of New Products and Technologies within the Competence Centres* is being implemented. The aim of this measure is raising the competitiveness of merchants by stimulating cooperation between research and industry sector, which develops new products and technologies and introduces them in production, thus fostering cooperation between companies and the research sector for the development and commercialisation of new products and technologies. Total EU fund financing available in this programme by the end of 2021 is 64.3 million EUR.

By the end of 2023 the programme is expected to support 123 merchants, who receive grants for the development and marketing of new products and technologies, including private sector funding into R&D of at least 16.07 million EUR. As at December 2019, 142 research projects have been approved within the scope of the fourth round to commercialise new products and technologies. The co-funding of companies involved in R&D projects reached 17 million EUR as at December 2019. 118 performers of economic activities received support within the scope of the fourth round.

Practical implementation of the *Technology transfer programme* started in 2017 and continued in 2019. The following support is available within this programme:

- **for facilitation and coordination of technology transfer** (establishment of a single technology transfer centre). The programme will constitute a supplement to those EU fund programmes providing support for conducting research, ensuring monitoring of programme results to identify commercialisation possibilities. In parallel, consultations are provided on technology transfer, innovation and available support instruments, as well as a cooperation promotion platform is provided;
- **for commercialisation and patenting of research results** (support to research organisations for the development of projects not related to economic activity);
- **for innovation vouchers** (support to merchants in attraction of external services for new or substantially improved product of technology development by means of technology transfer);
- **to attract highly qualified employees** (for conducting specific research activities, solving technological problems, or developing new or significantly improved products or technologies);
- **support measures for start-ups** (support to participation of start-ups in international exhibitions, conferences, contact stocks, investor attraction activities, as well as opening of representation offices of start-up in the United States, in the Silicon Valley).

Total planned EU funds funding available in the *Technology transfer programme* is 37.9 million EUR. 40 scientific idea commercialisation projects for the development of a feasibility study and a commercialisation strategy and applications of 72 merchants for granting of innovation voucher support had been approved by the end of 2019 within the *Technology transfer programme*. The 3<sup>rd</sup> round of applications for commercialisation projects was announced in December 2019, in which 60 project applications are planned to be approved.

The implementation of 4 projects started in 2019 under the EU funds measure *Innovation Grants for Students* with the total eligible funding of 12.83 million EUR, including ERDF funding of 9.62 million EUR, in order to foster the development of leadership, innovation and business skills in students, develop innovative ideas, as well as promote cooperation between higher education institutions and merchants. Total planned funding of the programme for the implementation of the measure is 27.38 million EUR, incl. ERDF funding of 20.53 million EUR. The full implementation of student innovation programmes in higher education institutions was launched in Q3-4 2019, but implementation of part of the activities was launched even earlier (e.g. the Technology and Innovation Day of the University of Latvia was held on 17 May 2019). Educational, stimulating and incubating activities, such as student business/innovation pre-incubators, student business/innovation incubators, innovative development working groups and programmes, innovation contests and competitions, hackathons, innovation-related study programmes and training courses, informative and engagement-enhancing networking and ideation activities, practices, summer schools and so on will be implemented within the scope of Student Innovation Programmes of higher education students. Projects of the first selection round will be implemented by 2022.

## Efficient management of GRTDI sector

/responsible institution – MES/

The main tasks of this policy are the following:

- 1) To increase efficiency of R&D investments;
- 2) To ensure increase in state-budget funding to sectors of science, technology, and innovations, and allocate science base funding in line with these settings;
- 3) To introduce policy implementation monitoring and impact assessment system.

The second *RIS3 Strategy Monitoring Report* was approved on 10 March 2020, in which it has been identified that greater focus on incentives to promote scientific excellence should be ensured in the development of R&D financial instruments for the next period, as this is the area where there is the greatest

difference from the rest of Europe is observed. It is also necessary to change the existing governance model of RIS3 of Latvia by transferring the main responsibility to ME, including RIS3 as part of the National Industrial Policy Guidelines, as well as in the implementation of the next period RIS3 putting much emphasis on the development of strategic value chain ecosystems based on structured dialogue and coordinated action between all stakeholders, developing effective cooperation platforms in each RIS3 area.

Structural reforms have been implemented – scientific institutes have been consolidated from 40 to 22, science base funding allocation conditions have been changed funding only internationally competitive scientific institutions and introducing a funding

formula, which stimulates research quality and attraction of external funding, implementing regulations for investments of EU funds and state budget in science and innovations have been developed. At the same time, it was concluded that the main indicator characterising knowledge and technology intensity – investments in R&D – has not grown, including the volume of state budget investments was not provided according to the plan.

In order to consolidate the functions of the implementation of Latvian science policy, which are currently located in a number of related institutions, there are intentions to reorganise the direct regulatory authorities subordinated to MES – the Latvian Council of Science and the Study and Science Administration, creating a single and strong direct regulatory authority for the implementation of the science policy – the Latvian Council of Science. The new model will provide

a unified and national level focused science policy implementation, monitoring, administration and analytical capacity in the full science cycle – from fundamental science to commercialisation of scientific results. The Latvian Council of Science will also be the leading authority for the provision of peer review in the field of research and innovation. In accordance with the conceptual report “*On institutional consolidation of the Latvian science policy implementation system*”, MES has to take the necessary measures to establish the Latvian Council of Science and to start its activities by 1 July 2020.

In 2019, the second international evaluation of Scientific institutions started, where the scientific capacity and performance, as well as governance efficiency of scientific institutions will be evaluated, which will become the basis for further decision-making and public funding allocation principles in this area.

### Supporting the development of innovative enterprises

/responsible institutions – ME, MF/

Funding from EU funds (2014-2020) specific objective *To Increase Private Sector Investments in R&D* and *To Promote Introduction of Innovations in Merchants* measures is used for implementation of policy direction task.

#### **The following measures are being implemented in the EU funds period 2014-2020 in order to boost development of innovative merchants:**

- *Support in introduction of new products* – the goal of the programme is raising the productivity and competitiveness of merchants by providing support for the manufacture or purchase of experimental production equipment with a view to developing and introducing new products into production thus increasing the private sector investment into R&D and innovation. The total ERDF funding available in the programme is 60 million EUR. 17 projects for the ERDF funding of 24.27 million EUR were approved in the first round of selection of project applications, of which 3 projects have been completed by the ends of 2019, the implementation of 12 project continues, but the implementation of 2 projects was interrupted. 29 projects for the ERDF funding of 35.78 million EUR were approved in the second round of selection of project applications, of which 3 projects have been completed by the end of 2019, the implementation of 25 projects continues, but the implementation of 1 project was interrupted. The overall goal of the programme is to support at least 30 enterprises introducing new products and technologies by 2022 earmarking at least 10.5 million EUR investments of the private sector (enterprise) for R&D activities;
- *Innovation Motivation Programme* – the goal is to inform and encourage (including giving awards) as large part of society as possible to start business and introduce innovations. The total funding available in the programme is 5.7 million EUR. A number of activities for different target groups were implemented within the scope of the programme in 2019, including for pupils, students, business starters, existing enterprises and start-ups, as well as any interested person, involving different innovation and business activities in a practical and interactive way. Overall, measures were implemented in 2019 involving more than 15 thousand participants;
- In order to facilitate the development of innovative merchants, support measures for training of employees have been developed (*for information on adult education see Chapter 4.3*);
- For the purposes of promoting wider involvement of state capital companies in research, development and innovation activities, an initiative continued in 2019, within the scope of which state capital companies (Latvenergo, LMT, Lattelecom, Latvijas valsts meži) engaged in closer cooperation for definition and development of joint cooperation lines and projects. The cooperation is developing on three levels: 1) management workgroup – ensures coordination and long-term development of strategic cooperation; 2) intersectoral project development workgroups for identification and commencement of project-level measures; 3) innovation forums – once half a year public events are organised to discuss the results achieved and latest news. New state capital companies, for example, *Latvijas Pasts*, *Latvijas Valsts radio un televīzijas centrs*, *Latvijas dzelzceļš*, *Elektroniskie Sakari* and others have gradually jointed this cooperation platform.
- In 2019, work continued on the implementation of programme *Business development, innovation and small and medium-sized enterprises* of 2014-2021 programming period of the Norwegian financial

instrument. The programme is managed by IDAL and will be implemented until 30 April 2024. Within the scope of the programme enterprises will be able to receive support for the development and implementation of such new, innovative products and technologies, which make a contribution to the development of digital and ICT solutions, support more environmentally friendly and society inclusive solutions. Total funding of the programme is 14.7 million EUR, where 12.5 million EUR are a grant of the Norwegian financial instrument and 2.2 million EUR state budget co-funding. The beginning of implementation of the projects is planned for the second half of 2020;

- Development of **start-ups** in Latvia –the goal is to foster development of innovative commercial activity and research in private sector, as well as commercialization of research. On 1 January 2017, the *Law On Aid for the Activities of Start-up*

### Raising awareness in the society and promoting science and innovation

/responsible institutions – MES, ME/

The goal is popularization of science and innovation, as well as sectoral achievements that might have a positive effect on making science and technology development attractive for talented youths.

From 2018 to 2023 MES will implement an integrated campaign to communicate science to foster the awareness of importance of science in creation of welfare and developing competitiveness of national economy.

IDAL implements and supports a number of activities, for example, networking events for businessmen, interested persons, developers of business ideas; operation of pupil education companies (PEC) and local and international events subordinated to them; contest of innovative business ideas “*Cup of Ideas*”, international technological conference “*Deep Tech Atelier*”; “*MiniMBA*” for strengthening company innovation management capacity, as well as ensures functioning of portal labsoflatvia.com and organisation of other events. Other activities are also implemented within the scope of state innovation support programmes: annual innovation and digitalisation conference “*DigIn*”, events to promote cooperation between scientists and businessmen in regions “*Burger with a scientist*”, different hackathons and other activities.

Since 2018, cooperation networks with the Latvian diaspora have been strengthened actively, incl. the World Congress of Latvian Scientists IV was organised and a study for identification of the scientific diaspora network has been conducted, which resulted in the development of recommendations for cooperation with diaspora scientists, as well as a number of activities for strengthening cooperation and further extension of the network have been implemented.

*Companies* entered into force. This law is intended for start-up – capital companies possessing a high growth potential and whose main economic activity is related to design, production of development of scalable business models and innovative products. This law provides for aid programme for making the fixed payment with an additional opportunity to receive PIT relief, as well as for aid programme allowing to attract highly-qualified employees. At the same time, start-ups have access to venture capital funding – 15 million EUR in acceleration funds (incl. ERDF funding of 13 million EUR. ALTUM has selected three managers of acceleration funds in total – *Overkill Ventures*, *Buildit Latvia* and *Commercialization Reactor Fund*, which will support 150 enterprises by 2021) and 60 million EUR in seed and growth venture capital funds (incl. ERDF funding of 32 million EUR).

In 2019, targeted cooperation with organisations of scientists and researchers in the countries, where most of the Latvian scientific diaspora is concentrated (United States, United Kingdom and Germany), continued to establish cooperation networks and contacts to promote joint projects and activities for the development of Latvia. Identification of cooperation networks is also planned in Sweden.

The Latvian science calendar “*Science for Latvia*”, which will annually include 12 scientists from different Latvian scientific institutions and innovative enterprises, has been created for the third year (since 2018). Throughout the year, the “*Science for Latvia*” calendar is organised throughout Latvia as a travelling exhibition. 7 exhibitions were held in 2019, while at least 10 exhibitions are scheduled in Latvia for 2020. The travelling exhibition will also go to foreign countries, where events for scientists of the Latvian diaspora are planned – United Kingdom, Sweden, United States.

In 2019, a research was started to identify target groups of scientific communication, the results of which will be used for the implementation of a science communication strategy – preparation of messages, selection of communication channels, etc. In 2019, the unified brand #researchLatvia has been developed for positioning of Latvia’s science abroad, which will continue in 2020.

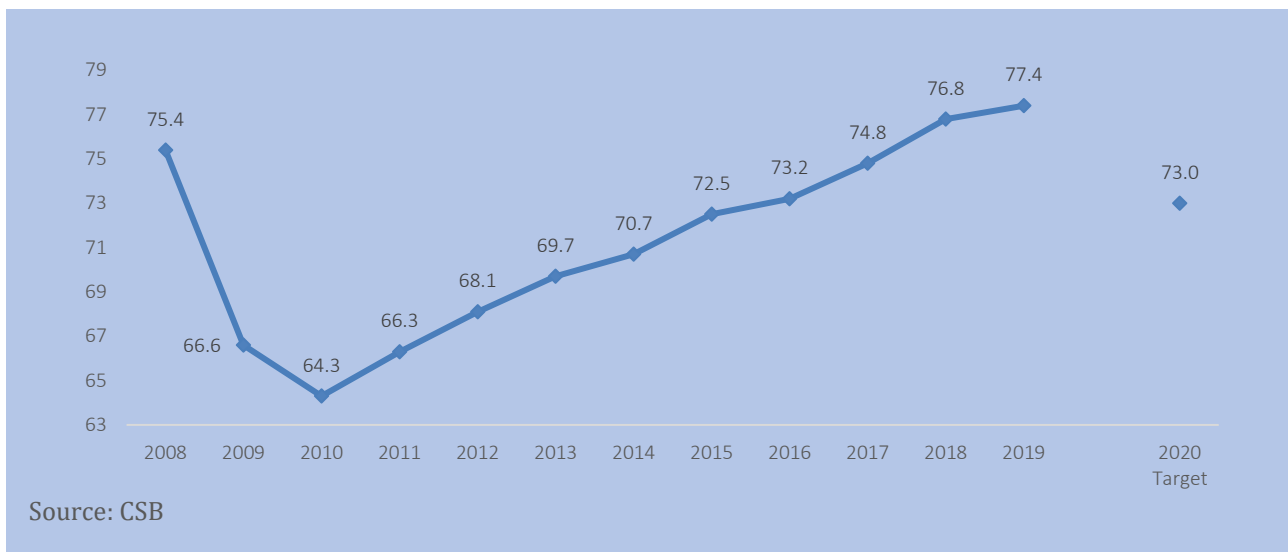
The European Researchers’ Night was organised in 2018 and 2019 with events in several Latvian cities communicating scientific achievements to the general public in an appropriate way and promoting the researcher’s profession as a choice of future careers.

## 4.2. EMPLOYMENT

A target to reach a 73% employment rate (population aged 20–64) by 2020 has been set in the NRP of Latvia.

The employment target for 2020 was reached back in 2016.

Figure 3.2  
**Employment target (population aged 20–64)**  
*Employment rate, %*



Along with economic growth until the beginning of 2020, there was also an increase in employment and a steady decline in unemployment, but in the current situation, along with the impact of COVID-19, there has been a drop in economic activity, followed by an increase in unemployment, which is likely to continue and will also be reflected in the overall labour market indicators of 2020. At the same time, it should be noted that demographic factors also have a major impact on labour market indicators, since the total number of economically active population has decreased significantly over the past seven years.

**The main elements of the Latvian employment policy:**

- Supporting the labour demand – stimulation of economic activities and entrepreneurship, including reduction of the labour taxes, the fight against undeclared employment, indirect and direct support measures for businesses ensured by the government, measures to reduce administrative barriers, business incubators, etc.;
- Strengthening labour supply — improving competitiveness of unemployed and persons at the risk of unemployment in the labour market, including the improvement of skills to match the labour market demands (vocational continuing education, informal education for the unemployed, consultations and professional mobility), lifelong learning measures, consultations on business start-ups, etc.;
- Facilitating the process of adjustment of the labour supply and demand<sup>21</sup>, including the improvement

of the education system, involvement of employers’ organizations in the improvement of the quality of education, forecasting the compliance of the labour market supply with the labour market demand, educating the labour market participants, including pupils and students, on labour market and career issues (see Chapter 4.3 on education reform).

In 2019 and 2020, work on and improvement of various ALMP was continued aimed at improvement of skills and qualification of labour force, measures were taken to improve engagement and activation of the unemployed, for example:

- Providing a more targeted support to certain groups more exposed to unemployment risk, paying special attention to support for long-term unemployed and persons with mental disorders;
- Supporting activation of long-term unemployed in the labour market;
- Promoting youth employment and reducing unemployment as inactivity;
- Supporting elderly employed persons in retention of ability to work and extension of working life.

Latvia is one of the EU Member States with the lowest coverage of active labour market policy measures while, in line with the OECD impact assessment (comparing control and participation groups and the impact on wages and employment), the impact of active labour market policy measures is relatively favourable (both positive impact and compared to the impact assessments of other EU countries). Training activities organised by SEA have a positive impact on employment. Both vocational training and non-formal

<sup>21</sup> ME is preparing an *Informational Report on Labour Market Medium and Long Term Forecasts*, and it will be taken into consideration when adjusting the MES and SEA proposal.

training improve job-finding opportunities and have a positive impact on wage growth.

Various international organisations, including the EC, are actively urging to increase funding for active labour market policy measures, in particular for the training of the unemployed.

In 2019, 74.6 thousand unemployed participated in ALMP (unique persons). The registered long-term unemployed participate in the ALMP measures about twice more often than the unemployed of other target groups. In 2019, 40.6 million EUR, incl. ESF co-funding of 26.5 million EUR, were diverted to ALMP measures. Approximately 35% of the said amount was used to raise and improve the qualifications of unemployed, 13% to arrange paid interim community work, approximately 15% to support employment, 8.7% to activate long-term unemployed and 4% to support social business. In 2019, in total 63.7 thousand unemployed found job, and almost 18.5 thousand or 29% of them were unemployed persons who found work after completing one of the active measures

(except for information day for the competitiveness raising measure (CRM)).

In order to facilitate employment and support labour mobility, in 2014-2020 programming period it is envisaged:

- To improve qualifications and skills of the unemployed according to the demand of labour market;
- To increase the involvement of NEET youths in employment and acquisition of education with the *Youth Guarantee*;
- To extend retention of ability to work and employment of employed elderly people;
- To increase the inclusion of disadvantaged unemployed in the labour market;
- To improve the involvement of long-term unemployed in the labour market;
- To improve integration of the population subject to risks of discrimination in the society and labour market.

### **The main policy directions and measures:**

#### **Improving training measures for the unemployed**

/responsible institution – MoW/

The aim is to improve the quality and efficiency of the process of training the unemployed, to involve employers in the improvement of quality of training of the unemployed (determining the continuing education supply according to the needs of sectors; more funding for higher quality of training), as well as by improving access to these measures. In order to achieve the aim, the following measures are being implemented:

- The SEA online survey tool *Training Monitoring* is improved for training monitoring efficiency measurements, where customers provide their feedback about the quality of trainings. Information about employment within six months of completion of the training is used for training efficiency measurements;
- The field of studies offered within the scope of ALMP training measures is determined, taking into account labour market needs (there is a Training Commission in the MoW, which uses short-term, medium-term and long-term labour market forecasts, takes into account opinions of Sectoral expert councils, incl. social partners, in its work);

- The development of the methodology for profiling the unemployed completed in 2019 for more targeted and personalised assessment of the customer's situation. Criteria for assessing the risks of job-finding opportunities, a customer self-assessment questionnaire were developed. In 2019-2020, testing of the improved profiling methodology is ongoing.

According to the statistics of the ESF project "*Support for education of the unemployed*" implemented by SEA, a total of 20 thousand people were involved in the training activities organised by SEA in 2019. 14 million EUR, including ES funding of 11.9 million EUR, and state budget funding of 2.1 million EUR, was indicatively spend on skills measures in 2019. The planned funding for 2020 is 12.6 million EUR (ESF funding – 10.7 million EUR).

In 2019, about 41% of registered unemployed and job seekers were permanently recruited after completion of vocational further education, improvement and non-formal education (language and ICT programmes) 6 months after the completion of the measure.

#### **Implementing support measures to reduce youth unemployment**

/responsible institutions – the MoW, the MES/

The aim is to develop practical skills of the youth aged 15-29 (inclusive) and to foster the possibility for them to find a job successfully by developing and implementing new measures aimed at youth who are neither in education, employment nor training (i.e., the youth belonging to the NEET group).

Following the conclusion of the *Youth Guarantee* project implemented by SEA starting from 1 January 2019, support for the young unemployed is provided in accordance with the general procedure under ALMP. The support provided under the Youth Guarantee and the improvement in the labour market situation have contributed to the reduction in youth unemployment

(15-24 years) in 2019 to 12.4% (EU27 – 15.1%), as well as to the decrease in the level of NEETs (15-29 years) to 10.3% (EU27 – 12.9%).

After the conclusion of the *Youth Guarantee* project, the following measures continue:

- Implementation of the SEDA project *Implementation of initial vocational education programmes as a part of Youth Guarantee*, within which youth aged 17 to 29 years (inclusive) can obtain a professional qualification within a year or year and a half in one of 154 professions. In September 2019, there was the final admission to the *Youth Guarantee* for 23 professions in demand in the labour market, offering young people the opportunity to learn a profession within a year and a half in 13 vocational education institutions;
- The ESF project *KNOW and DO!* launched by the Agency for International Programs for Youth. The goal of the project is to develop the skills of youths at a risk of social exclusion and to facilitate their engagement in education, including vocational training with master craftsman, in employment, etc. Before 31 December 2019, cooperation agreements on project implementation had been signed with 82 municipalities (youths from at least 21 more municipalities having no cooperation agreements concluded were also involved in the project). Overall, 33 online trainings were organised and 37 on-site non-formal education activities were organised for 602 mentors delegated by the municipalities, as well as 15 four-day training

modules were organised for 243 programme leaders delegated by the municipalities. By the end of 2019, 2890 youths have involved in the project and 1763 of them have completed the individual event programme provided to them under the project successfully<sup>22</sup>. In view of the importance of the project and the results achieved, a decision has been taken to extend the project until the end of 2021 by providing additional funding<sup>23</sup>.

Along with the above measures:

- The Latvian and Swiss cooperation programme *Support for the development of youth initiatives in peripheral or disadvantaged regions* ended in 2017. In order to promote sustainability of 26 youth initiative centres created within the scope of the programme, trainings for representatives of youth initiative centres were organised in 2019, where participants shared experiences and contributed to understanding of promoting intercultural education in local communities. In 2020, it is planned to organise trainings as well as to monitor sustainability of youth centres;
- 418.2 thousand EUR of state budget funding were available for the implementation of projects within the scope of the *Youth Policy State Programme 2019*. Support was provided for the implementation of youth policy and work with youth for the creation of the system at local level (28 projects), support for operations of youth organisations (5 projects), support for initiatives of youth organisations (6 projects).

## Efficient return of the long-term unemployed and social assistance clients to the labour market and supporting regional mobility

/responsible institution – MoW/

The aim is to activate the economically inactive population groups, especially social assistance clients, by providing more efficient and targeted support to long-term unemployed and by promoting geographical labour mobility. In 2019 and 2020, in this area:

- In order to solve primary problems of social nature preventing SEA from fully involving long-term unemployed in active employment measures, changes to the regulatory framework have been developed, namely, SEA will be entitled to include in the individual job search plan the obligation for the long-term unemployed to cooperate in the fulfilment of the individual social rehabilitation plan developed by the local government social service, if it is a precondition for the successful involvement in active employment measures and compliance with job search obligations. The

interinstitutional harmonisation of the amendments to the regulatory framework has completed, and the document is ready for review by the government;

- The availability of several services for the long-term unemployed were provided within the ESF project *Support for long-term unemployed* implemented by SEA for long-term unemployed, including targeted measures for long-term unemployed with dependencies, long-term unemployed with disabilities. Support within the framework of the project has been provided to 49.15 thousand unemployed. The total funding of the project is 16.03 million EUR, including ESF funding of 13.63 million EUR, and state budget funding of 2.41 million EUR;
- Support for regional mobility support to promote

<sup>22</sup> In accordance with the AIPY information 1763 youths (69.71% of graduates) have completed the programme successfully, of which: 36% have engaged in the labour market, 24% – have engaged in *Youth Guarantee* project activities or active employment or preventive unemployment reduction measures implemented by SEA, 20% – have engaged in education, incl. vocational training with master craftsman, 20% – have engaged in activities of non-governmental organisations and youth centres.

<sup>23</sup> In accordance with the AIPY information 1763 youths (69.71% of graduates) have completed the programme successfully, of which: 36% have engaged in the labour market, 24% – have engaged in *Youth Guarantee* project activities or active employment or preventive unemployment reduction measures implemented by SEA, 20% – have engaged in education, incl. vocational training with master craftsman, 20% – have engaged in activities of non-governmental organisations and youth centres.

regional mobility of employed persons for getting to work has been granted to 288 persons (the performance was similar in the previous years). In 2019, in total 108.8 thousand EUR were spent on regional mobility promotion of employed persons. Support for regional mobility is also available within employment measures, when the unemployed go to a training or a subsidised employment job (3787 unemployed have used such a possibility in 2019 to go to a training and 77

unemployed – to go to subsidised jobs).

## Retaining the working ability and fostering employment among the elderly people

/responsible institution – MoW/

The aim is to provide support to elderly employed in order to foster a longer participation in the labour market and of a higher quality. Labour market measures for residents aged 50 and above, especially before reaching the retirement age, shall be provided to address the obstacles for their involvement or staying in the labour market. The following major measures are implemented:

- Implementation of informational measures aimed at fostering awareness among employers and society in general on societal and labour force ageing trends and possible solutions for a longer and better working life;
- Assessment of working environment and human resources potential when determining the suitability of working environment and organization to benefit from potential of elderly employees and while assessing the knowledge, skills, and health condition of elderly employees,

and recommendations for improvement of situation will be provided as a result;

- Support measures for maintaining of working ability and employment among the elderly employed by providing training and lifelong learning opportunities, adjusting work places and introducing flexible employment forms, as well as fostering the inter-generational transfer of skills.

Collective talks on ageing management matters are provided by cooperation partners of the project – ECL and FTUCL.

In 2019, the evaluation of the occupational environment and human resources potential was conducted for 12 employers. 12 ageing management plans and 1095 individual reviews have been prepared. 853 employment contracts have been concluded with employees. 388 employees were involved in the support measures.

## Improving the efficiency of work of the State Employment Agency

/responsible institution – MoW/

The aim is to improve the existing working methods in the SEA and to introduce new ones, thus ensuring a faster inclusion of the unemployed into the labour market, by offering the customers quality services in a timely manner and ensuring a more efficient cooperation with the employers. In 2019 and 2020, in this area:

- The implementation of the ESF project *Improvement of the labour market forecasting methodology* continued. The purpose of the project is to create a system of anticipating changes in the labour market, which would help policy makers to take justified and relevant decisions for the needs of the national economy for the development and implementation of an action policy. The system of anticipating changes in the labour market will ensure conveniently and readily available information about the demand for skills and professions in the short term, in the medium term and in the long term, as well as information about education possibilities simplifying the choice of future or further profession. Within the scope of the project work has completed on the development of a technical specification for the establishment of a platform for reflection of medium-term and long-

term labour market forecasts, which will further be developed within the ERDF project *Creation of a labour supply and demand forecasting and monitoring system* until the end of 2020;

- The improvement of the SEA's CVs and vacancies portal (CVVP) continues in order to make it easier to use and extend its usage possibilities. Since 2019, recruitment competitions for civil servants have been announced on CVVP. Since December 2019, an application for a status of the unemployed or job seeker may be submitted on CVVP online without an electronic signature by authenticating using an internet bank authentication tool only;
- SEA has developed new services, as well as has started online consultation of experts of the European Employment Services network EURES and a new electronic training module *How to develop an effective job search strategy* has been developed;
- In order to increase the quality of provision of services, in 2019 SEA has gradually commenced cooperation with employers of national importance – those having branches in the territory of Latvia, or with active activity in the territories under the supervision of several branches, as well as

employers who attract employees from the entire territory of Latvia. In general, cooperation has started with 26 employers. In particular, employers are particularly invited to use the SEA selection services for their job vacancies and organisation of trainings with the employer;

- Meetings between unemployed persons and job seekers and employers who offer job opportunities in their businesses, institutions or organisations are organised by SEA branches on a regular basis. During the meetings, employers present their business and working conditions, while job seekers have the option to apply for a job.

## Promoting self-employment and entrepreneurship

/responsible institutions – MEPRD, MA, MoW, MJ/

The aim is to provide support for business start-ups and micro-enterprises in order to promote the establishment and development of new competitive micro-, small, and medium-sized enterprises by supporting business incubators, organising training of young entrepreneurs and issuing loans and grants, as well as promoting non-agricultural entrepreneurship or employment in rural territories.

15 business incubator units (8 national level development centres in municipalities, 6 regional level development centres in municipalities, and 1 creative industry business incubator in Riga) have been created within the *Business Incubator (BI) Programme*. Overall, by December 2019 within the scope of BI activity 1628 applications had been received for pre-incubation support, of which 1358 applications were approved, and 1167 applications had been received for incubation support, where incubation support was granted to 605 merchants. In 2019, 109 merchants have been created within the scope of the BI Programme. On a regular basis, business incubators organise measures ensuring the attraction of new merchants, promote the improvement of knowledge of support receivers in business matters (incl. organise master classes, lectures, seminars, etc.), attraction of mentors is ensured for merchants, and targets to be reached during the support period are set individually for each merchant. Amendments to CM regulations are currently being made and the total planned funding for the implementation period of the programme, which is until 31 December 2023, is expected to be 28.8 million EUR (22.2 million EUR for regional business incubators and 6.6 million EUR for incubators of creative industries), of which ERDF funding is 24.5 million EUR and state budget funding is 4.3 million EUR. For the recovery of the economy, additional funding for promotion business is planned for the liquidation of the consequences of COVID-19. Close cooperation with planning regions and local governments has established while implementing the BI Programme.

FTUCL and ECL implement the ESF co-funded project *Social Dialogue Development in the Development of Better Legal Regulation in the Area of Business Support*, which aims to ensure the development of bilateral social dialogue between sectors in five sectors as a priority – timber industry, chemical industry and related industries, transport and logistics, telecommunications and communications. As a result of the project general agreements will be concluded in

each of these sectors providing a legal regulation in matters of importance for the industry.

Since 2016, the Court Administration has been implementing the *Justice for development!* project co-financed by ESF. The aim of the project is to improve the commercial environment by improving the competence of the staff of courts and law enforcement authorities by providing ambitious upskilling measures not only for those working in the judicial system, but also for law enforcement and investigating officers. Within the project, the plan is to train over 12 thousand persons by the end of 2022, 8232 persons have already been trained within the project by the end of 2019, incl. 3136 persons in 2019. The funding of the project is 11 million EUR, including ESF funding of 9.3 million EUR, and state budget funding of 1.7 million EUR.

On 3 November 2019, the *General Agreement on the Minimum Wage in Construction* entered into force. It provides for a minimum gross wage of 780 euro and a 4.67 euro minimum hourly rate for the entire construction industry. It also provides for the possibility of receiving a 5% premium if the employee has obtained education corresponding to the profession, thereby guaranteeing a minimum salary of 820 euro.

The general agreement is binding on all employers – natural or legal persons or partnerships with legal capacity, which employ on the basis of an employment contract at least one employee who carries out economic activity in the territory of the Republic of Latvia in the construction sector, regardless of whether or not the employer has registered the type of activity.

On 17 December 2019, the *General Agreement in the Glass Fibres Manufacturing Industry*, which provides for the wage of employees based on the level of the qualifications of the employee – the wage intended for the highest qualification level has a minimum level 2.5 times the minimum wage of in the country in 2019, 2 times higher – for the medium qualification level, 20% higher for the lowest qualification level.

In the hospitality sector, the Latvian Restaurant Association and the Association of Hotels and Restaurants of Latvia have shown an initiative to seek conclusion of a collective (general) agreement, industry and government representatives are discussing the necessary minimum hourly tariff rate to conclude the *collective (general) agreement in the hospitality sector*. Within the framework of the industry

and trade union General Agreement, the most common groups of professions, the size of minimum hourly tariff rates and their breakdown also considering the location of the company – Riga or regions, have been set. The scope of the General Agreement applies to NACE 55 and NACE 56 groups. In 2019, there was intensive joint work on preparing the necessary calculations to achieve a fiscally neutral effect. On 16 March 2020, the Association of Hotels and Restaurants of Latvia, the Latvian Restaurant Association and the Latvian Association of Traders signed a general agreement of the industry.

Unemployed persons expressing a wish to start a commercial activity or be self-employed may receive both consultations and financial aid for implementation of their business plan. In 2019, in total 296 persons received aid for start-up of self-employment or business within the ALMP measures (state budget funding consists of 0.58 million EUR, the measure is funded from the special state employment budget). Support measures for start-up of business activity or self-employment of the unemployed are aimed at establishment of small enterprises and starting self-employment taking into consideration the target group and the small volume of financial aid allocated for implementation of business plans.

In support of local government public infrastructure for business, 80 contracts have been concluded for the implementation of projects by 31 December 2019 for total ERDF funding of 50.18 million EUR or 78.4% of available ERDF funding, including 50 projects were completed (ERDF funding of 26.53 million EUR). 461 new jobs have been created and 54.23 million EUR of non-financial investments have been raised within the scope of implementation of the projects.

Loans up to 430 thousand EUR are available to one borrower under the *Lending Programme for the Purchase of Agricultural Land* for the purchase of agricultural land used for production of agricultural products.

By the end of 2019, 1 922 contracts for the total financing of 95.4 million EUR had been signed.

Since 2016, the Latvian School of Public Administration has been implementing the ESF project *Professional development of public administration for development*

*of better legal regulation in the field of support to small and medium-sized enterprises.* The goal of the project is to provide the employees in Latvian public administration with the necessary competences for the understanding of business factors and regulatory enactments regulating business, as well as for the improvement of public services and legal frameworks, in order to reduce the normativism and administrative burden, support business development, promote the competitiveness and sustainability of companies. Participants the trainings get professional improvement on topics such as legal framework, reduction of normativism, public-private cooperation, communication of public administration with entrepreneurs, customer oriented governance, public services, foundations of business, fair competition and promotion of competitiveness, promotion of export, support for innovative small and medium-sized enterprises and others topics. The project helps to train medium and lower level managers, policy planners and implementers, including control officers, lawyers, customer service, personnel and procurement specialists. Individual online training is also available to local government employees. By the end of 2019, more than 9000 certificates have already been issued within the framework of the project for participation and for passing tests, including 4778 certificates in 2019. The funding of the project is 3.6 million EUR, including ESF funding of 3 million EUR, and state budget funding of 533.7 thousand EUR.

## 4.3. EDUCATION

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### Preschool Education

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The target set for the preschool education sector is to ensure that at least 95% children (aged 4 up to mandatory school age) are involved in preschool education in Latvia by 2020. The indicator reached 95.9% in school year 2018/2019.

An autonomous function of each local government is to ensure an opportunity for the children living in their administrative territory to obtain preschool education

in an educational institution that is the nearest to their place of residence; in practice, however, the place in municipal preschool educational institution is not always guaranteed (mainly in republican cities and densely populated territories, where the population has increased rapidly). At the same time, more attention should be paid to the quality of preschool education.

## The main policy directions and measures:

### Ensuring access to and quality of preschool education

/responsible institutions – MES, MEPRD/

The issue of waiting lines to preschool education institutions is handled by considering possibilities to form additional groups under elementary schools, basic schools, secondary schools, and children and youth centres.

Municipalities are obligated to cover the costs of a private preschool education institution, if a child who has reached the age of one and a half years and whose declared place of residence is in the administrative territory of the respective municipality, is not provided a place in a municipal kindergarten. Since 2016, a single method and procedure for assessment of costs is in force in order to ensure a transparent and similar approach in calculations of municipalities. Every year municipalities recalculate the amount of support and MEPRD supervises whether municipalities do this correctly. In 2019, the average amount of municipality support for 1.5-4 years old children was 234.97 EUR per month, while for the children undergoing mandatory preparation for basic education municipality support was 165.07 EUR on average.

21 municipalities, within their budget possibilities, have determined the amount of support for children, who use child supervision services (babysitters). In 2019, the average municipality support level per child was 147.51 EUR per month.

As one of the solutions to improve the accessibility of the preschool education service in municipalities, it is to provide local governments with opportunities to

receive loans for the construction of new preschool education institutions or for the expansion of existing preschool education institutions. A procedure to be used by MEPRD when evaluating investment projects for the construction of a new preschool education institution or expansion of an existing preschool education institution for the receipt of state budget loans as drafted in Q1 2020.

In order to improve and promote the professional activities of heads of development-oriented education institutions, the State Education Quality Service (SEQS) has been organising an evaluation of the professional activities of heads of the preschool education institution since 2018. When the head of an education institution takes office, the evaluation shall be organised within two years, and then every six years.

Proposals for balancing the workload, remuneration and organisation of the work of preschool teachers and ensuring a high-quality teaching process are expected to be developed by June 2020.

In order to identify the situation and develop proposals for improving the quality of preschool and state 1 basic education programmes and for a successful transition from preschool to elementary education in the context of the competence approach in general education, a study *Preschool education and transition to basic education* will be carried out in 2020<sup>24</sup>. Expected funding amounts to 60.5 thousand EUR, of which ESF – 51.42 thousand EUR.

## General Education

The target of the NRP of Latvia is to reduce the share of early school leavers (aged 18–24) to 13.4% by 2020. Taking into account the progress in achieving this target, Latvia has set the new target of 10% for 2020. Since 2017, the share of early school leavers among youths aged 18-24 has been within 8-9% (8.7% in 2019). However, considerable differences are observed in terms of gender – the share of early school leavers among girls constituted 6.8% in 2019, while the share among boys was 10.5% – and in terms of region – 6.2% in cities and 13.4% in rural schools. Lack of motivation and difficulties in mastering disciplines are

the main causes of school leaving, while unjustified absences have been recognised as the most serious risk of early school leaving, which education institutions would have to attend to in a timely manner, including by providing absentees with necessary support<sup>25</sup>.

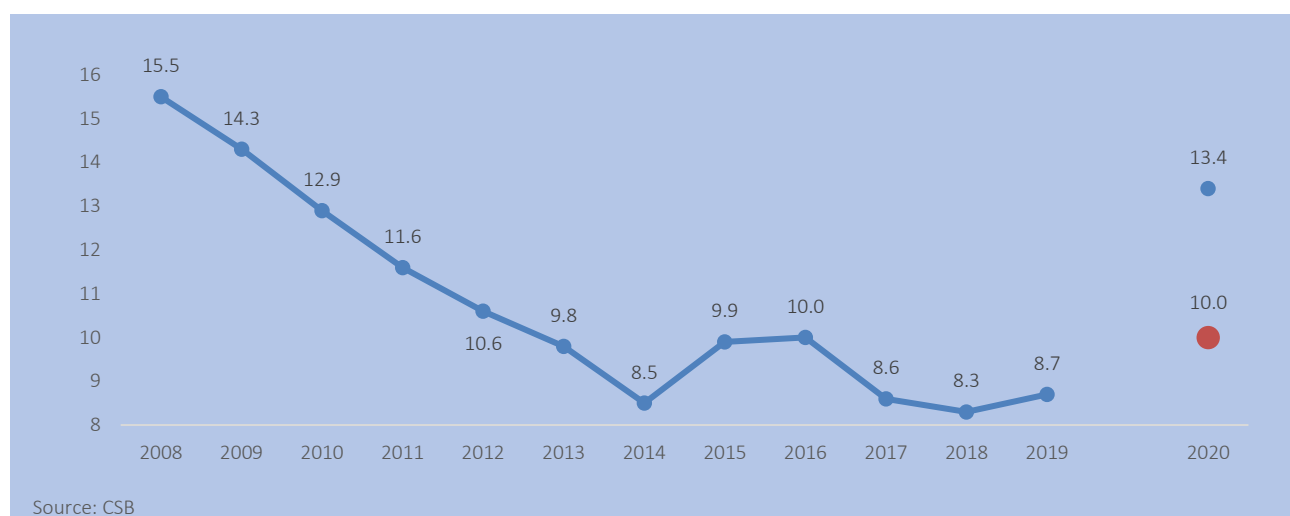
<sup>24</sup> The MES project “Support for research to ensure the fulfilment of the preconditions for investment in education in the EU funds programming period 2021-2027” is implemented within the framework of the support objective 10.1.3 “Supporting and improving the implementation, monitoring, control, audit, coordination of horizontal policy principles and improving e-Cohesion”.

<sup>25</sup> Report of the State Education Quality Service Long-term unjustified absences of pupils and students of *general education and vocational education institutions and action to prevent them in school year 2016/2017*.

Figure 3.3

## Share of early school leavers among youths

Youth having basic or lower education level and who are no longer learning

**The main policy directions and measures:****Ensuring access to and quality of basic and secondary education**

/responsible institution – MES/

In order to provide each pupil with a quality education, work is ongoing on the arrangement of the network of general education institutions. In May 2019, an initial offer for the arrangement of the network of general education institutions was presented to CM<sup>26</sup> proposing to determine the minimum number of pupils in accordance with the territorial division of Latvia, taking into account the population of the specific territory, as well as taking into account the administrative territorial reform planned in 2021. The offer is based on the territorial breakdown of Latvia into 4 blocks of regions with different minimum pupil count criteria for each of them. In January 2020, CM will review the evaluation of the network of general secondary education institutions with updated minimum pupil count criteria intended for general secondary education level. At the end of March 2020, MES is planning to submit to CM a supplemented report on the arrangement of the network of general secondary education institutions. There are intentions to align the minimum pupil count criteria for the secondary education level with the CM regulations adopted on 11 September 2018, which lay down the procedure of participation of the state in financing of wages of teachers of general education institutions at the stage of secondary education. The CM Regulations will enter into force on 1 August 2020.

At the same time, the modernisation of infrastructure of general education institutions continues. By attracting ERDF funds and considerable municipality

co-funding to general education institutions<sup>27</sup>, it is planned to create a modern, ergonomic learning environment meeting sanitary requirements supplemented with necessary information and communication technology equipment and solutions. Projects are implemented in municipalities of national and regional development centres, individual municipalities of the Pierīga Region, as well as in the Vijaka Municipality<sup>28</sup>. The construction of new buildings of education institutions is intended in the municipalities, where the number of pupils increases and the existing infrastructure is insufficient. It is expected that at least 100 general education establishments will be fully modernized by 2023, and 20-25% of students will have access to a fully modernized general education learning environment. 42 projects for the total amount of 332.6 million EUR, where ERDF funding is 131.1 million EUR (of the total 142.9 million EUR (of which 4.1 million EUR are state budget overcommitment financing) are implemented at the beginning of 2019.

Measures for the preparation, attraction and retention of excellent teachers as one of preconditions for the quality of education are reflected in Box 4.3.

The state has established a single procedure stipulating how children who are not registered with any educational institution are registered. In school year 2019/2020, 1101 children declared in Latvia have not been registered in Latvian education institutions for different reasons.<sup>29</sup>

<sup>26</sup> Informative report of 21.05.2019 "On arrangement of the school network".

<sup>27</sup> Specific objective 8.1.2 *Improving the educational environment in general education institution*, within the scope of which investments in the infrastructure of general education institutions are made.

<sup>28</sup> The only functioning state gymnasium outside national and regional development centres.

<sup>29</sup> Pursuant to the *Law on Local Governments*, provision of education is one of the functions for local governments, therefore, duty of the local governments is to update on a regular basis the information on reasons

An ESF project *Support to reduce early school leaving* has been implemented by SEQS since March 2017 to reduce the number of children, who leave school and do not complete their education. The project created a sustainable and effective prevention system, which would involve the local government, the school, teachers and parents to identify in a timely manner the children and youths at risk of school leaving and provide them with customised support. By the end of 2019, 118 cooperation agreements have been concluded with municipalities and state vocational education institutions, involving 523 education institutions in total, including 33 state vocational education institutions. Once a semester an individual support plan is created for each child and youth exposed to the risk of early school leaving. 31.9 thousand plans have been implemented since the beginning of the project providing support to over 20 thousand pupils. Pupils mainly received advisory support and consultations for learning education content. A public awareness-raising campaign on the risks of early school leaving was implemented in 2019 by creating a Latvian Television show “KLASE”. By the end of 2022, it is planned to provide support to reduce the risk of early school leaving in 665 education institutions and to create a sustainable comprehensive mechanism building supportive and inclusive environment for any learner. Total available funding is 37 million EUR, incl. ESF – 31.4 million EUR.

Support for career development also contributes to diminishing the early school leaving. In order to increase career guidance accessibility, the ESF project *Career support in general and vocational education institutions* has been implemented since 2016. Educational institutions involved in the project shall ensure the work of an teacher-career adviser and career support measures for students. In school year 2019/2020, 76 municipalities and their associations and 17 VECC were involved in the project, 369 teachers-career advisers were employed and career guidance was received by 150.4 thousand learners in 407 general and vocational education institutions. Similarly to previous years, different career guidance and information activities – conferences, seminars, career days, professional craftsmanship and other – were organised also in 2019. The implementation of the project is planned to be extended until the end of 2021. Total planned funding is 23.08 million EUR, incl. ESF – 19.6 million EUR.

In school year 2020/2021, career education will be included in the improved curriculum. In addition, activities are intended to educate parents in career guidance matters.

The opportunities in the school education sector offered by the EU’s *Erasmus+* programme significantly foster the quality and the innovative approach of

general education. In 2019, the SEDA administered 138 training mobilities, 25 strategic partnerships and 443 school exchange partnerships. In 2019, 65 training mobility projects were approved in the school education sector with total funding of 1.35 million EUR, which in total provide 583 staff representatives of preschool education institutions and schools with an opportunity to go to other European country to obtain new knowledge and experience. Within the scope of strategic partnerships in this sector 10 projects for 1.6 million EUR and 144 school exchange partnerships of 3.8 million EUR were approved.

12 special education development centres<sup>30</sup> are operating in Latvia ensuring homogeneous distribution of special education institutions-development centres in all territories of Latvian planning regions. Thus, children with special needs, who are integrated in general education institutions, as well as their parents are provided with equal opportunities to receive consultations and methodical support in the implementation of qualitative inclusive education.

Amendments to the *General Education Law* provide that from 1 September 2020 special basic education programmes for pupils with physical development disorders, somatic diseases, speech disorders, learning disorders can no longer be implemented in special education institutions, this should be done inclusively – only in special classes or groups in general education schools, as well as these pupils should be integrated in general education classes. On 19 November 2019, CM approved the requirements to be taken into account when enrolling children with special needs in general education programmes implemented by general education institutions. The range of support measures to be provided in the education process has been extended in line with the specific needs of each child.

A project *Creation and implementation of the education quality monitoring system*, which started in April 2018, continues. Within the scope of it by 2023 with support of ESF funding it is expected to develop, approve and introduce a description of the system of education quality evaluation monitoring and to develop and approve education quality monitoring tools, as well as to create and implement a national level research programme in education. Total planned funding is 4.6 million EUR, incl. ESF co-funding of 3.9 million EUR. Work has started on the development of a description of the monitoring system and development of the prototype of monitoring tools, as well as conditions of the national research programme in education have been approved, and a contract has been concluded on the implementation of the study. National level studies are focused on the study of various factors affecting the quality of education and the analysis of data from international comparative studies.

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why children whose residence is registered with the respective municipality are not registered with the educational institution, and to take the necessary action allowing these children to continue their education. Local government have not received more accurate information about most of these children, who have left their previous

place of residence and education institution, but have not been registered with a new education institution, and it is assumed that these families are abroad. Parents of 163 children have informed the local government that they receive preschool education in the family

<sup>30</sup> Data as at 1 September 2017.

The participation of Latvia in different international education studies, incl. OECD, continues. Total planned funding is 6.5 million EUR, incl. ESF co-funding of 5.5 million EUR. The results of the Programme for International Student Assessment PISA 2018 were

published in December 2019. On 25 March 2019, the study on Trends in International Mathematics and Science Study started in Latvian schools at the level of form 4 pupils (IEA TIMSS) – its results will be published in December 2020.

Box 4.3

#### Measures for the preparation, recruitment and retention of excellent teachers in the profession

The developments in the education sector in relation to the reform of the curriculum of general education institutions set out conceptually different requirements to the preparation of new teachers. The transition to a conceptually new, uniform teacher preparation model in higher education has started. The development of new curriculum for education of teachers has started within the framework of EU funds projects, in cooperation with higher education institutions implementing teacher preparation programmes – work is underway to organise pedagogic study programmes, as well as the introduction of a new one-year WB study programme for obtaining a teacher's qualification. 10 million EUR in total have been diverted to the development of teacher education. In January 2020, CM reviewed an information report *Work-based study programme for the preparation of teachers: implementation and development*, which provides that applicants with already acquired higher education will be able to apply for a study programme to acquire the necessary knowledge and skills for teacher's work. The implementation of the new WB teacher preparation programme is scheduled to be implemented from July 2020.

The improvement of professional competence of teachers is implemented both from foreign financial instruments and from state budget funds in the following directions: strengthening professional and transversal competences in the context of the introduction of new general education curriculum, improving the skills of teachers, managers and apprenticeship supervisors of vocational education, as well as the implementation of projects under the *Erasmus+* programme, promoting international between teachers and improving their foreign languages and ICT skills. In 2019, 828 teachers learned digital skills for state budget funding. In 2020, additional 500 thousand EUR were allocated in the state budget for improving the professional skills of teachers – for learning of digital skills. Digital skills learning modules for teachers with different levels of digital skills have been developed. Key topics of digital modules – processing information, security, gaming elements and meaningful use of the social network environment in the learning process, development of interactive learning materials, etc.

The opportunities in the school education sector offered by the EU's *Erasmus+* programme significantly foster the quality and the innovative approach of general education. In 2019, the SEDA administered 138 training mobilities, 25 strategic partnerships and 443 school exchange partnerships. In 2019, 65 training mobility projects were approved in the school education sector with total funding of 1.35 million EUR, which in total provide 583 staff representatives of preschool education institutions and schools with an opportunity to go to other European country to obtain new knowledge and experience. Within the scope of strategic partnerships in this sector 10 projects for 1.6 million EUR and 144 school exchange partnerships of 3.8 million EUR were approved.

The work on improvement of wages of teachers continues. In accordance with the *Teacher wage increase schedule* for the next five years approved by the government in 2018, which provides for the lowest monthly wage rate of teachers set in the timetable at the level of 750 EUR starting from 1 September 2019. The matter of further fulfilment of the timetable is currently being addressed: from 1 September 2020 – to 790 EUR, which required additional state budget funds of 8.2 million EUR for 2020 and 25.7 million EUR for 2021, respectively.

In addition, ESF project *Establishment and implementation of the Education Quality Monitoring System* intends to develop a forecasting tool which will collect information on the demand and supply of teachers and support staff at all levels of education at national, regional and institutional level. The draft technical specification is scheduled to be developed by May 2020, while the tool itself – by 2022. It is also planned to develop an instrument for evaluating the professional competences of teachers.

## Introducing modern teaching methods

/responsible institution – MES/

The target of Latvia is to reduce by 2020 the share of pupils with weak learning results in reading skills, maths, and natural sciences from 17%, 20%, and 12.3% respectively (in 2012) to 13%, 15%, and 10% (in 2020), as well as to increase the share of pupils with high achievements from 4.2%, 8%, and 4.3% (in 2012) to 7%, 8%, and 8% (in 2020). In accordance with the data of PISA 2018, the share of Latvian pupils with weak learning results in reading, maths and natural sciences was 22.4%, 17.3%, 18.5%, respectively, while the share with high learning achievements was 4.8%; 8.5%; 3.7%.

In order to improve the learning achievements of Latvian pupils, in addition to provision of education accessibility, (1) a gradual transition to competence based-approach education content is implemented, as well as (2) establishment and implementation of

support system for development of pupils' individual abilities.

In autumn 2018, CM approved preschool education guidelines<sup>31</sup> and basic education standards<sup>32</sup> and in September 2019 – the general secondary education standard<sup>33</sup>. The transition to competence-based general education in preschool education started on 1 September 2019, while the transition in basic education forms 1, 4 and 7 and secondary education form 10 will start from 1 September 2020. At the same time, approbation of content of the new competence-based approach curriculum started in 100 general education institutions at the stage of basic and secondary education continues. Sample programmes for basic education subjects, including STEM subjects, were designed and published. In order to strengthen knowledge of pupils in exact sciences and promote interest in technologies and engineering sciences, the

<sup>31</sup> CM Regulations No. 716 of 21 November 2018 "Regulations Regarding Preschool Education Guidelines and Sample Preschool Education Programmes".

<sup>32</sup> CM Regulations No. 747 of 27 November 2018 "Regulations Regarding Basic Education Standard and Sample Basic Education Programmes".

<sup>33</sup> CM Regulations No. 416 of 3 September 2019 "Regulations Regarding the State Standard in General Secondary Education and Sample General Secondary Education Programmes".

curriculum was included in the new studying area – *field of Technology studies*. In the field of technology, teachers are offered professional improvement training to prepare for the implementation of the new curriculum. Curriculum will be developed for new exams in physics, chemistry and biology. Diagnostic works in the field of natural sciences and maths have been created, and the development of diagnostic works in STEM subjects according to the new curriculum continues.

Methodological teaching aids, including for pupils with impaired mental development, as well as pupils with visual and hearing disorders, are developed in the context of the approbation and introduction of the new curriculum.

Total funding of the measure is 18.4 million EUR, incl. ESF co-funding of 15.6 million EUR. Additional funding of 5.9 million EUR is planned to be allocated in 2020 for the extension of the project, providing additional support for the introduction of the new curriculum, including the development of methodological recommendations, in order to ensure the implementation of the curriculum at the highest level of mastering at the stage of secondary education.

The first round of selection of project applications was announced in 2019 for the development of digital teaching and methodological aids of preschool education and basic education, and 12 projects were approved. Available funding is 1.87 million EUR, including ESF funding of 1.31 million EUR, and state budget funding of at least 0.56 million EUR. The second project application selection round providing support for the development of digital learning and methodological aids is indicatively planned to be announced in 2020. The planned funding for the second round is 1.70 million EUR, including ESF funding of 1.19 million EUR and private co-funding of at least 0.51 million EUR.

Two ESF-co-funded projects have been implemented since 2016 providing support for development of pupils' individual competences in general education institutions:

- *Project Support for implementation of national and international level measures for development of students' talents* is aimed at the development of students talents contributing to higher level of students' achievements in the country in general,

including providing for elaboration of methodology for teachers allowing to detect and foster the potential of high-achieving students. Holding of 15 regional and 3 national scientific conferences, as well as 48 national olympiads in school disciplines was ensured by the end of 2019. The 3<sup>rd</sup> European Physics Olympiad with participation of representatives from more than 34 countries was organised in 2019. Scientific research activity measures are provided in cooperation with Latvian higher education institutions. 319 pupils were provided with an opportunity to participate in international level olympiads in disciplines and scientific events. Overall, more than 12 thousand Latvian pupils were involved in implemented projects. Since 2018, professional competence improvement measures for teachers for early identification and development of talents have been organised. 279 teachers were involved in these measures. In 2020, it is planned to extend the contribution of the project to the development of general education ensuring adaptation of tasks of olympiads and scientific events and methodological instructions for teachers for the development of talents within the scope of general education;

- *Project Support for development of students' individual competences* is aimed at introduction of new learning forms in education establishments developing an individual approach to acquisition of education content and as extracurricular activities. The project offers diverse support to pupils with special needs and learning difficulties, as well as to students with high achievements. Particular attention is paid to the supply of STEM interest-related education programmes.

As a result of both projects, till 2022 272 general education establishments will introduce an individual approach to development of students' competences. In accordance with the information provided by the projects, 210 teachers from 180 education institutions have mastered the methodology for recognition and refining of students with a potential for high achievements by March 2020. 358 education institutions provided versatile support for development of student's individual competences. Total planned funding is 38.2 million EUR, incl. ESF co-funding of 32.5 million EUR.

## Secondary Vocational Education

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By 2020, the student count ratio in vocational secondary education and general secondary education was planned to be changed in favour of vocational education reaching the proportion of 50/50. The student count ratio in vocational secondary education versus general secondary education was 38.9/61.1 in academic year 2018/2019.

In order to change the student count ratio, the main measures are measures to promote the attractiveness

of vocational education, such as modernisation of infrastructure, quality of education programmes, social security for students, career education activities, cooperation with employers and trade unions, including for provision of apprenticeship and potentially provision of jobs, etc. Investment in modernisation infrastructure, which provides a learning environment and a material-technical base that meets modern requirements, is an essential

condition for young people to choose to continue their learning in vocational education.

The impact of the vocational education reforms will be reflected in statistical data with a time shift, however,

### The main policy directions and measures:

#### Implementing structural reforms in vocational education

/responsible institution – MES/

The aim is to improve the quality of vocational education, thus ensuring its conformity to the labour market needs, as well as to foster efficient use of available resources by streamlining and differentiating the number and regional locations of vocational education institutions.

The number of secondary vocational education institutions under the MES decreased to 21 institutions in 2019 (60 institutions in 2010), but the number secondary vocational education institutions under the CM reduced to 10 institutions as a result of reorganisation (14 institutions in 2014).

Total 23 vocational education institutions (incl. one college) obtained the VECC status, where 4 vocational secondary cultural education competence centres were established in vocational education institutions under MC and one – in a municipal secondary vocational cultural education institution.

Modernisation of infrastructure of vocational education institutions continues. 24 projects<sup>34</sup> are implemented earmarking ERDF funding, which are intended for purchasing of equipment and devices, modernisation of or construction of new infrastructure with classrooms and common-use premises and outdoor areas, strengthening of the functions of the methodical centre, equipment of and creation of new classrooms for natural sciences (physics, chemistry, biology) and maths, introduction of ICT and creation of an ergonomic learning environment. Overall, it is planned to provide support to 25 vocational education institutions, in particular VECC, by 2023. The total planned eligible funding is 104.2 million EUR, including ERDF funding of 88.6 million EUR and state budget funding of 15.6 million EUR.

In 2019, ESF project *Increasing the Number of Qualified Students in Vocational Education Institutions after their Participation on Work-Based Learning and Teaching Practice in an Enterprise* implemented by ELC continued. The purpose of the project is to promote the introduction of WB learning. Within the framework of the project, as at 31 December 2019 2 103 unique students were involved in WB learning 6 093 times in 469 enterprises. By the end of 2023, within this project, support will be provided for engaging 3 150 unique students in WB learning and 11 025 unique students in apprenticeship in an enterprise. The total available funding is 15.6 million EUR, including ESF funding of

it is already visible that the attitude of society is gradually changing in favour of vocational education.

13.3 million EUR, and state budget funding of 2.3 million EUR.

The Erasmus+ programme project *Testing New Approaches to Training VET and Workplace Tutors for Work Based Learning (TTT4WBL)* aiming to support the implementation of WB learning in Baltic countries exchanging experience and testing new approaches (for example, tandem training) in joint preparation of supervisors in an education institution and the company was completed in February 2020. Along with already prepared 300 WB supervisors of WB learning from schools and companies, based on improved professional improvement programmes for supervisors of WB learning and apprenticeship and methodical teaching aids, the preparation of WB learning supervisors using the tandem training approach continued (training for 26 more WB learning supervisors using the tandem approach took place in February 2020).

A legal framework for monitoring of graduates is expected to be introduced in vocational education by the end of 2020. In 2019, the experiences of other countries were studied and work for identification of the data needed to monitor future progress of graduates started. Necessary amendments to the *Vocational Education Law* have been drafted.

On the basis of a due diligence study on financing of vocational secondary education in Latvia conducted in 2017, the improvement of the financing model for vocational education programme continued. As part of this, it is intended to update the costs of implementation of vocational education programmes and to develop criteria for the education institutions of local governments and other founders to apply for state budget funding for the implementation of vocational education programmes. In 2019, current reference costs of a programme of the group of education programmes “Management and Administration” per learner have been identified, as well as the opinion of other institutions involved in the implementation of vocational education and proposals for improvement of the financing model were determined in cooperation with the education institutions subordinated to the ministry. In 2020, the minimum costs for the implementation of vocational education programmes per learner will be updated and

<sup>34</sup> 18 projects in institutions subordinated by MES, 4 in institutions subordinated by MC and 2 local government projects (specific objective 8.1.3 *Increasing the number of modernized vocational*

*education institutions*, within the framework of which investments in the infrastructure of vocational education institutions are made).

the relevant amendments to the regulatory enactments will be made.

## Implementation of vocational education curricula reform

/responsible institution – MES/

The vocational education curricula reform<sup>35</sup> continues with support of EU funds ensuring (1) a transition from subject-based vocational education curriculum to result-based learning, as well as introducing (2) a modular approach in implementation of vocational education programmes.

The ESF-supported project Establishment of Sectoral Qualifications System and Enhancement of Efficiency and Quality of Vocational Education<sup>36</sup> has been implemented since the end of 2016. The project improves the sectoral qualification system and to prepare descriptions, to develop and improve 200 professional standards and professional qualification requirements, develop and introduce 185 modular vocational education programmes and develop content of professional qualification exams for 206 professional qualifications, as well as develop relevant teaching aids and methodological materials. The total funding available is 12.6 million EUR, including ESF funding of 10.7 million EUR, and state budget co-funding of 1.9 million EUR<sup>37</sup>.

15 sectoral qualification structures have been developed, as well as 162 professional standards and professional qualification requirements planned

within the project have been drafted and coordinated at PINTSA by February 2020.

Work on the development of vocational qualification exam content for 83 professional qualifications continues. Work on the development of vocational qualification exam content for 47 professional qualifications has completed.

Work on the development of modular vocational education programmes continues – 99 have been completed and 42 are in active development.

The implementation of the developed modular vocational education programmes continues. Approbation and implementation of new modular programmes in areas such as finishing work and dry construction, forestry, crop production and horticulture, digital printing, renewable energy, customer service, financial and accounting started in school year 2019/2020. 28 vocational education institutions have involved in the implementation of modular vocational education programmes. Modular programmes in logistics, construction, IT, tourism and hospitality, beauty, electrical engineering, mechanical engineering and similar sectors were in demand among the students the most.

## Strengthening the cooperation with sectoral social partners to improve and develop vocational education

/responsible institution – MES/

To ensure preparation of specialists according to the requirements of the labour market, as a result of the reform of vocational education curriculum, regular cooperation mechanisms with social partners and sectoral organisations were created. ECL and the Agricultural Organization Cooperation Council (AOCC) continue to coordinate work of Sectoral expert councils (SEC) with involvement of sectoral experts in the development, implementation of vocational education curriculum and evaluation of qualification examinations, as well as in the implementation of reforms in vocational education. It is necessary to strengthen the capacity of all parties – employers and trade unions – in order to ensure high quality implementation of these tasks.

Starting from the beginning of 2016, a collegial advisory institution – convent, has been working in all of the vocational education institutions under MES and in all cultural education VECC. The convent includes the head of vocational education institution,

representatives of the ministry, local government, as well as employers and associations thereof, and may also include also a representative of the respective planning region. The aim of this convent is to facilitate development of vocational education institutions setting the strategic direction of their operation in accordance with market demands.

The implementation of ESF project *Efficient management of vocational education establishments and raising the staff competence* that started in 2016 continues. Within the project support is provided to teachers of vocational education institutions, internship supervisors, administration representatives and sectoral experts for the improvement of professional competence (latest news and novelties in sectors, practical pedagogics in the implementation of WB learning, development and implementation of modular vocational education programmes, increasing of general skills and competences, promotion of continuing education of adults and traineeship in

<sup>35</sup> In November 2015, the first stage of the reform ended, which focused on the development of cooperation mechanisms and drafting of methodologies, as well as study of the needs of economic sectors. At this stage, comprehensive studies of 14 sectors of the national economy are conducted, 12 sectoral expert councils have been created, 61 professional standards and 19 qualification requirements (80 in total) have been drafted or improved, 56 modular vocational

education programmes and content of professional qualification exams for 32 professional qualifications have been developed.

<sup>36</sup> The project is implemented by the National Centre for Education in cooperation with FTUCL, ECL, the Agricultural Organization Cooperation Council and the State Education Quality Service.

<sup>37</sup> Changes in funding in accordance with the Performance Reserve funding allocations in accordance with the protocol decisions of a CM meeting (prot. no. 47, §3).

companies). In accordance with the information provided in the project, a total of over 8500 participants had involved in the project and had received support for professional improvement as at December 2019. The total planned funding available is 6.49 million EUR, including ESF funding of 5.52 million EUR, and state budget co-funding of 0.97 million EUR.

The opportunities in the vocational education sector offered by the EU's *Erasmus+* programme foster the quality of vocational education, innovative approach and cooperation with stakeholders. In 2019, the State

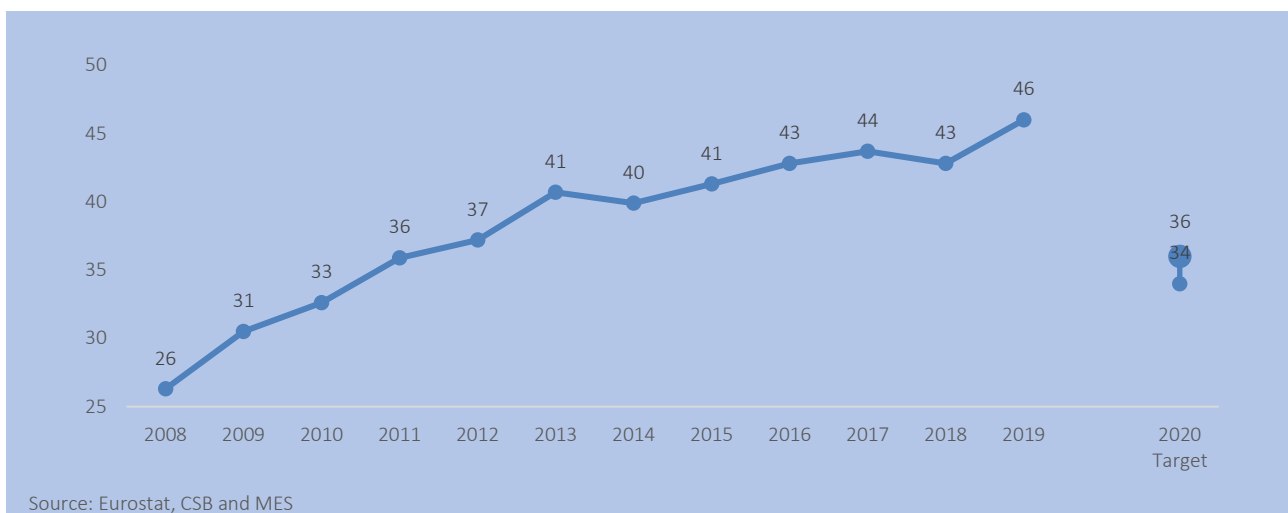
Education Development Agency (SEDA) administered 78 training mobility and 21 strategic partnership projects. In 2019, 35 training mobility projects were approved in the vocational education sector for a total amount of 4.3 million EUR, which in total provide 178 staff representatives and 1200 students of vocational education institutions with an opportunity to go to other European country to obtain new knowledge and experience. Furthermore, 8 projects with the total co-financing of 1.4 million EUR have been approved within the scope of strategic partnerships.

## Higher Education

The target of the NRP of Latvia within the higher education area is to ensure that 34-36% of the population (aged 30-34) have acquired tertiary education by 2020.

The goal set in the NRP for 2020 in relation to the share of population with higher education was reached already in 2012. The indicator reached 45.7% in 2019.

Figure 3.4  
Share of the population with higher education  
In age group 30-34, %



In Latvia, the declining number of students has been observed for the 10<sup>th</sup> year already. At the beginning of the academic year 2019/2020, a total of 80.3 thousand students were studying in higher education institutions of Latvia, which was by 1.5% lower than in the previous academic year. At the beginning of the academic year 2019/2020, a total of 79.4 thousand students were studying in higher education institutions of Latvia, which was by 1.2% lower than in the previous academic year. In the academic year 2019/2020, there were 32.8 thousand students or 41.3% of the total number of students studying in state-funded study positions. While the total number of students is decreasing, the share of students in state-funded study positions is increasing every year. In 2019, based on the medium and long-term labour market forecasts, about 57% of the state-funded study positions represent national priority areas: natural sciences, engineering, health care, as well as master and doctoral studies that are important for the preparation of both new teaching staff and scientists.

41% of state-funded study positions are provided in STEM programmes.

The area of higher education is still facing the following challenges:

- The low funding of higher education area compared to general education (funding per student in Latvia is among the lowest in EU limiting the opportunities to ensure quality and international competitiveness);
- A targeted funding has not been allocated to the increased number of graduates in the STEM areas envisaged in the policy planning documents, hence, a gradual and limited relocation from state-funded study positions from other study areas is possible;
- Competition with Nordic countries most of which offer free higher education to all EU citizens and, in contradiction to the demographic trends, provide own labour markets with qualified labour force. For example, Estonia has switched entirely to state-funded higher education.

## **The main policy directions and measures:**

### **Modernisation of higher education**

/responsible institution – MES/

Policy direction is aimed at ensuring higher education offer and adjusting it to the needs of development of Latvian economics and labour market, as well as research-based, quality higher education content and result management in higher education institutions.

Within the scope of the *New Financing Model of Higher Education*<sup>38</sup> in 2019 performance funding was granted to 13 higher education institutions and colleges, which involved students and young scientists in research and creative work most successfully, and implemented international research projects and cooperated with merchants (performance funding of 6.5 million EUR in total was paid). Current funding for research is insufficient and one of the lowest in Europe. As it is indicated in the *EC Country Report Latvia 2020* higher education is still fragmented, which has a negative effect on the quality of higher education and science. In order to stimulate progress towards excellence funding of the second pillar (performance) needs to be increased.

In 2019 on the basis of data of the State Education Information System teacher performance funding of 156 thousand EUR was granted to higher education institutions implementing pedagogic study programmes for their graduates of 2018 depending on careers of their graduates. The purpose is to stimulate higher education institutions to carefully evaluate motivation of potential students and their fitness for work in higher education institutions.

In 2019, the implementation of projects co-funded by EU funds will continue ensuring support to post-doctoral research and practical research. In programmes of EU funds, investments in the improvement of internal governance of higher education institutions<sup>39</sup>, development of personnel capacity and competence<sup>40</sup>, reduction of fragmentation of study programmes and sharing of resources<sup>41</sup> and innovation grants for students<sup>42</sup> were provided.

On 18 February 2020, CM supported the MES's *conceptual report on change of the internal governance model of higher education institutions*, which provides

for complex structural solutions for international competitiveness of the sector of higher education and science focusing on governance, financing and human resources. The plan of further actions includes preparation of respective amendments to the *Law on Institutions of Higher Education* envisaging a new typology of higher education institutions, the involvement of external experts in governance of higher education institutions (introduction of councils), as well as other matters. At the same time, CSCC will develop a council selection approval and cancellation procedure in universities and higher education institutions established by the state, as well as in art and cultural higher education institutions. The councils are expected to start functioning gradually by 2023. The conceptual report also provides for shifting of funding from EU structural funds to support the implementation of the change in the internal governance model in higher education institutions.

MES will separately evaluate the role of colleges and their place in the education system in cooperation with sectoral ministries, the Latvian Association of Colleges, organisations of employers and other social and cooperation partners.

In response to the studies and relevant recommendations of the World Bank, an informative draft report *on the introduction of a conceptually new framework for doctoral studies and a new doctoral thesis defence process in Latvia* has been drafted, which provides for: 1) to give greater responsibility to universities for the supervision, quality of research and the doctoral thesis drafted by the end of the doctoral studies; 2) to determine the organisation of doctoral studies in centrally established organisational units or doctoral schools; 3) the change of the status of doctoral student from doctoral student to academic staff representative with receipt of respective remuneration. The government's review of the draft informative report is scheduled for 2020.

<sup>38</sup> The implementation of a new financing model of higher education started in 2015 for the purposes of arranging the financing system of higher education institutions.

<sup>39</sup> The total planned funding of SO 8.2.3 *To ensure better governance in higher education institutions* is 20 million EUR, including ESF funding of 17 million EUR, and state budget co-funding of 3 million EUR. 17 projects with funding with total funding amounting to 14.2 million EUR, including ESF funding of 12.1 million EUR, and state budget co-funding of 2.1 million EUR, are implemented.

<sup>40</sup> The total planned funding of SO 8.2.2 *To strengthen academic staff of higher education institutions in areas of strategic specialisation* is 34 million EUR, including ESF funding of 27.4 million EUR, and state budget co-funding of 4.8 million EUR. 24 projects are implemented in rounds 1 and 2 with total funding amounting to 22.4 million EUR, including ESF funding of 19.1 million EUR, and state budget co-funding of 3 million EUR.

<sup>41</sup> The total planned funding of SO 8.2.1 *To reduce fragmentation of study programs and strengthen resource sharing* is 10.8 million EUR, including ESF funding of 9.2 million EUR, and state budget co-funding of 1.6 million EUR. 6 projects are implemented in round 1 with total funding amounting to 3 million EUR, including ESF funding of 2.6 million EUR, and state budget co-funding of 0.5 million EUR. 14 projects are implemented in round 2 with total funding amounting to 6.7 million EUR, including ESF funding of 5.7 million EUR, and state budget co-funding of 1 million EUR.

<sup>42</sup> The total planned eligible funding of measure *Innovation grants for students* is 27.4 million EUR, including ERDF funding of 20.5 million EUR, and private co-funding of 6.9 million EUR. 4 projects are implemented in round 1 with total funding amounting to 12.8 million EUR, incl. ESF funding of 9.6 million EUR and private funding of 3.2 million EUR.

## Ensuring equal access to higher education

/responsible institution – MES/

The policy is directed towards promoting availability of and participation in tertiary education. The aim is to improve the mechanism for granting scholarships, as well as study and student loans, thus giving a larger number of people an opportunity to study and promoting a more targeted choice of the study field.

In 2019, the crediting of student and study loans from assets of credit institutions with a state warranty was ensured according to demand.

In total, 257 agreements on granting student loans were signed in 2019 for the total amount of 1.81 million EUR, as well as 1213 agreements on granting study loans for the total amount of 7.6 million EUR. Study and student loans were granted also to those

studying abroad, thereby ensuring Latvian students accessibility of education also abroad.

A new study and student crediting systems with a state guarantee was developed in 2019 significantly simplifying the procedure of application for and receiving the loan. Draft CM regulations on the new study and student crediting system were announced at the beginning of 2020, which, upon approval, will be forwarded to CM for approval in the first half of 2020.

## Establishment of a national institution for quality assurance

/responsible institution – MES/

The policy direction is oriented towards the improvement of the quality assurance system of higher education and creation of provisions for the establishment of a national quality assessment agency and its registration at the *European Quality Assurance Register for Higher Education* or EQAR register. In June 2018, the European Association for Quality Assurance in Higher Education (ENQA) granted the Academic Information Centre (AIC) the status of a fully-fledged ENQA member, as well as welcomed AIC at EQAR in December 2018. The Latvian higher education quality assurance system is functioning according to Standards and Guidelines for Quality Assurance in the European Higher Education Area (ESG<sup>43</sup>). As a result, confidence in Latvian higher education and obtained diplomas will increase.

Apart from that, pilot accreditations of 12 study directions were implemented, informative seminars for higher education institutions on progress of pilot

accreditation and external and internal quality assurance matters were organised, as well as training of experts was performed within the project *Support for Fulfilment of Requirements to the Agency Set by ERAQ*. An e-platform to ensure the process of accreditation and licencing has been created. Higher education institutions will further submit all the documents and necessary information for quality assessment in the e-environment. The project was concluded in December 2019. The project was implemented with support of EU funds, its total funding was 1.44 million EUR, incl. ESF funding of 1.22 million EUR.

A new comprehensive stage of accreditation of study directions started in 2019.

Within the framework of new accreditation conditions it is necessary to ensure the involvement of employers in the quality assessment of higher education – in the process of licencing and accreditation.

## Modernising the material-technical base of higher education institutions and raising the efficiency of resource use

/responsible institution – MES/

The aim is to improve the provision of advanced devices, equipment and technologies in such priority fields of studies as natural sciences, mathematics and information technologies, engineering, manufacturing and construction, as well as to use the public and attracted private financing rationally.

To ensure a modern study environment and research environment for the implementation of the STEM study programmes, incl. the medicine and creative industries, and at the same time to ensure a territorially focused creation of study premises and

foster the matching of higher education with the needs of economic development and the labour market, a territorially focused infrastructure of the studies and scientific work is developed. Total funding is 44.7 million EUR, incl. ERDF co-funding of 38 million EUR. At the same time, a support from EU funds is provided for the 1<sup>st</sup> level vocational higher education STEM study programmes, including medicine and creative industries, and improvement of learning environment in colleges. Total funding is 14.1 million EUR, incl. ERDF funding of 12 million EUR<sup>44</sup>.

<sup>43</sup> European Standards and Guidelines for Quality Assurance

<sup>44</sup> Specific objective 8.1.1 To increase the number of modernised STEM, including medical and creative industry, study programmes and specific

The implementation of 6 projects completed in 2018. The implementation of other 17 projects continued in 2019. At the end of 2019, CM supported allocation of the EU funds performance reserve funding to the projects being implemented, as well as shifting of the performance reserve funding of completed projects

and the balance of funding to the new beneficiary – Latvian Maritime Academy (total planned funding of the project is 273.5 thousand EUR). The implementation of the projects is planned until December 2022.

## Reducing fragmentation of study programmes, joint use of resources

/responsible institution – MES/

The policy direction is aimed at consolidation and joint use, elaboration of joint study programmes, strategic specialisation of higher education institutions.

In 2017-2018, the second stage of the research was carried out in cooperation with the World Bank *on the improvement of higher education governance and human resources policy for modernization of higher education*. On the basis of expert recommendations received during the first stage of the research (implemented in 2016-2017), a programme of EU structural funds was developed for strengthening of governance of higher education institutions, the implementation of which started at the end of 2018.

The second stage of the research resulted in expert recommendations on the improvement of academic staff career development and employment conditions. Conclusions and recommendations of the second stage of the research have been taken into account, when developing programmes of EU structural funds to reduce fragmentation of study programmes and strengthen academic staff, the beginning of implementation started in the second half of 2018.

In 2019, work on implementation of the following EU fund (2014-2020) programmes continued:

- *Reduction of fragmentation of study programmes of strengthening of shared use of resources*, which intends to invest by 2023 ESF funding in the development of new, string and internationally competitive study programmes in the next five years, including for the creation of new pedagogical study programmes in 6 state higher education institutions. Both state and private higher education institutions, including colleges, are able to get involved in the project. Total indicative funding is 10.8 million EUR, incl. ESF funding of 9.2 million EUR. At the beginning of 2020, CM supported allocation of funding of EU funds amounting to 2.3 million EUR to implement a new WBL second level professional higher education programme to get teacher's professional qualification in cooperation with the "Mission Possible" foundation (*for more detailed information on preparation of teachers see box 4.3*). In 2019, the implementation of HEI projects continued in developing new study programmes – 22 pedagogical study programmes, 59 study programmes in EU languages and 9 joint doctoral

study programmes. 6 new study programmes were licenced and 16 were submitted for licencing at the beginning of 2020. In autumn 2020, it is planned to start the implementation and approbation of the new study programmes;

- *Strengthening of academic staff of higher education institutions* in strategic specialisation areas, including in 6 higher education institutions in strengthening capacity of academic staff for the implementation of pedagogic study programmes. Thus, higher education institutions have access to funding for targeted improvement of competences and skills of teachers, as well as attraction of new teachers (doctoral students) and foreign teachers. Total indicative funding is 34.3 million EUR, incl. ESF funding of 29.2 million EUR. In 2019, the implementation of 18 projects continued within the scope of round 1, as well as the implementation of 6 projects within round 2 (for strengthen capacity of academic staff in pedagogical study programmes). By the beginning of 2020, support for attraction of 94 doctoral students and 116 foreign lecturers for work in higher education institutions, as well as 662 lecturers (academic staff) participate in professional improvement measures. In 2020, it is planned to announce the third project application selection round. Overall, it is planned to attract 420 new lecturers (doctoral students) and 300 foreign lecturers and to ensure professional improvement measures for 1140 lecturers (existing academic staff) by 2023;
- *Improvement of governance and organisational processes of higher education institutions*. Investments from EU funds are intended for strengthening of cooperation of higher education institutions with the industry for the improvement and alignment of study programme curriculum with industry development needs, for the implementation of e-solutions and shared resources, as well as improvement of competencies of management personnel in order to create a range of heads and leaders of higher education institutions, who are competent to work at international level and drive change management culture. The total indicative funding is 20 million EUR, incl. ESF funding of 17 million EUR. The implementation of 17 projects continued in 2019.

objective 8.1.4 *To improve the learning environment of STEM, including medical and creative industry, studies of the first level professional higher education in colleges, within the framework of which the*

forementioned investments in the infrastructure of higher education institutions and colleges are made.

The projects are implemented both by state and private higher education institutions, including colleges. In 2020, it is planned to draft conditions for earmarking funding from EU funds to support the change in the internal governance model of higher education institutions arising from the conceptual report *On change of the internal governance model of higher education institutions* supported by CM in February 2020.

To ensure compliance of the supply of higher education with the demand of the Latvian economy and labour market, it is necessary to continue to involve employers in effective use of resources in higher education, including in consolidation of higher education institutions and colleges to reduced fragmentation of study programmes, allocation of state budget-funded study positions.

## Internationalization of the higher education

/responsible institution – MES/

In order to foster competitiveness of Latvian higher education and raise the level of quality, the policy direction is aimed at short-term mobility of foreign and Latvian students, attracting full-time foreign students to study in Latvia, as well as other international cooperation measures and development and implementation of joint programmes.

In academic year 2018/2019, 8380 foreign students, who have obtained previous education outside Latvia (mobile students) are studying in higher education institutions of Latvia constituting 10.4% of the total number of students. These students most frequently obtained their previous education in India, Uzbekistan and Germany (23%, 15% and 12% respectively)<sup>45</sup>. In academic year 2019/2020, 10148 foreign students, who have obtained previous education outside Latvia (mobile students) are studying in higher education institutions of Latvia constituting 12.8% of the total number of students. The number of mobile students has increased by 93.1% since academic year 2014/2015 compared to the data on academic year 2019/2020. In academic year 2019/2020, mobile students most frequently obtained their previous education in India, Uzbekistan and Germany (26.8%, 16.9% and 10% of mobile students respectively).

In academic year 2019/2020 187 Latvian state scholarships were granted to foreigners from 28 countries, incl. 92 for studies, 25 for research, 70 for participation in international summer schools organised by Latvian higher education institutions.

15 accredited joint study programmes were implemented in 2019 in Latvian higher education institutions in cooperation with foreign higher education institutions (including higher education institutions in Lithuania, Estonia, Belarus, Spain, Austria, Netherlands, Denmark and Germany) in the areas of international business and export management, management of technologies and innovations, innovative engineering of roads and bridges, strategic border management, European education management, social work and social rehabilitation, nature recreation, etc.

During the academic year of 2018/2019, there were 374 foreign teaching staff in the Latvian higher

education institutions, constituting 6% of the total number of academic staff. The goal in Latvia was to increase the share of foreign teaching staff to 7% in 2020. Measures for support of higher education institutions were approved at the beginning of 2018 to promote the attraction of foreign teaching staff and internationalization of higher education. In 2019, 14 higher education institutions started the implementation of ESF co-financed projects on the development of study programmes in EU languages and joint doctoral programmes. It is planned to implement the projects by 2023.

ESF projects enable the improvement of professional knowledge of academic staff and attraction of foreign teachers. These projects were started at the end of 2018 and the implementation is planned until 2022.

The EU budget grant is available to Latvia for higher education within *Erasmus+* in 2019 for student and staff mobilities between countries of the programme was 9.1 million EUR, and 1.8 million EUR for student and staff mobilities between programme and partner countries. In order to ensure equal access and conditions among the mobility activities in higher education, every year state budget co-financing is provided for the student and staff mobility in the amount of 20% of the total activity funding. In 2019, state budget co-funding was 2.08 million EUR. 45 projects for mobilities between programme countries with the total number of mobilities 4061 and 17 projects for mobilities between programme and partner countries with the total number of mobilities 600 were approved in 2019 within the scope of total available funding. The projects approved in previous years were also being implemented, and in 2019 SEDA administered 181 mobility projects in the sector of higher education institutions, 9 projects in activity of strategic partners. Implementers of strategic partnerships in the higher education sector drafted new innovative training programmes, education methods, courses.

In the competition of *Erasmus+* higher education international cooperation centralised activities of 2019 the EC's Education, Audiovisual and Culture Executive Agency (EACEA) approved 6 projects with

<sup>45</sup> Since academic year 2014/2015 the Central Statistical Bureau has changed its data methodology collecting data on mobile students instead of international students.

participation of Latvian higher education institutions. The nature of these activities is transfer of knowledge and experience of consortiums of European higher education institutions to higher education institutions of partner countries, to higher education systems according to approved priorities of partner countries.

Since the beginning of the *Erasmus+* programme in 2014, in EACEA activity *Strengthening capacity in higher education in partner countries* the EC's Executive Agency approved 34 projects with participation of Latvian higher education institutions (11 projects, where Latvian higher education institutions are project coordinators, and 23 projects, where Latvian higher education institutions are project partners).

Furthermore, in the *Erasmus+ Jean Monnet (JM)* centralised activity, within which different aspects related to European integration, research, popularisation of European achievements and values are solved, since 2014 EACEA approved 3 projects coordinated by Latvian institutions, and a Latvian higher education institutions is a project partner in one project.

In December 2017, cooperation memorandums on the implementation of Norway and European Economic Area financial instruments for 2014-2021 were signed (for information see Box 4.1).

## Adult education

7.4% of the Latvian population aged 25 to 64 years were involved in education in 2019, which is a 2 times lower indicator than the set target – to reach 15% by 2020. At the same time, it is has been one of the highest participation indicators since 2008 (see Figure 3.5).

In accordance with the Adult Education Survey data, the most common reason for low involvement in education is low motivation of adults – about 35% of respondents report that they do not want to participate in adult education. It is necessary to promote public awareness of the importance of adult education. The most serious obstacles for participation in adult education are also financial difficulties and inability to combine studies with work of respondents or family life<sup>46</sup>.

The measures of the *Education Development Guidelines for 2014-2020* are focused on the introduction of the

lifelong learning principle, while one of the action lines envisages expanding education opportunities for adults (for example, expanding the second chance education opportunities, support for employers in educating employees, as well as support in raising the qualification of the employed based on employers' requirements, etc.).

Latvia has started to participate in the OECD's Programme for the International Assessment of Adult Competencies (PIAAC)<sup>47</sup>, which allows to evaluate skills of 16 – 65 years old Latvian population in main information processing areas – literacy, numeracy and problem solving and the use of these skills. An OECD's PIAAC trial study will take place from April to June 2020. The base PIAAC study is intended to be conducted from August 2021 to March 2022. The study results will be available in 2023.

Figure 3.5  
Participation of people aged 25–64 in the education process  
share, %



<sup>46</sup> Eurostat. *Adult Education Survey* (2016)

<sup>47</sup> *The Programme for the International Assessment of Adult Competencies (PIAAC)*.

## The main policy directions and measures:

### Promoting cooperation and ensuring coordination among the partners involved in adult education

/responsible institution – MES/

The aim is to provide a single and well-coordinated adult education system management.

The implementation of the *Adult Education Management Model Implementation Plan for 2016-2020*<sup>48</sup>, which was approved in 2016, continues. The goal of the plan is to ensure accessibility of education and quality for residents irrespective of their age, sex, previous education, place of residence, income level, ethnic origin, functional disorders, and other factors.

An inter-sectoral consultative institution – *Adult Education Management Council*, has been established and is functioning to carry out coordination of the plan and monitor the implementation. It consists of representatives from ministries involved in adult

education and other organizations, as well as representatives from social and cooperation partners.

In 2019, the development of project *Adult Education Management Model Implementation Plan for 2021-2026* started in cooperation with stakeholders, incl. social and cooperation partners. There are intentions to pay more attention to the quality of adult education, incl. to definition of the criteria for the quality of non-formal education in the regulatory framework, building understanding at state level of the need for adult education, segmenting of the target group, targeted support measures, as well as possibilities of public-private partnership in the development of adult education will be evaluated.

### Supporting improvement of employee qualifications

/responsible institution – ME, MoW, MES/

The aim is to provide the employed with an opportunity to improve their professional competence by mastering professional improvement, continuing education or non-formal education programmes.

In 2017, implementation of ESF project *Improving the Professional Competence of Employed* was started. The purpose of the project is to improve professional competence of the employed (incl. self-employed) aged above 25 to eliminate in a timely manner any non-compliances in labour force qualification with labour demand, promote competitiveness and increase work productivity of workers. The Adult Education Management Council approved a list of education programmes in cooperation with social partners, employers and sectoral experts.

Four rounds of studies have been organised so far. Needs for studies in 12 sectors of national economy are covered<sup>49</sup>. A total of 26 thousand persons have started the training, of which 3.3 thousand persons started learning professional further education programmes, 3.5 thousand persons – professional improvement programmes, 19 thousand persons – non-formal education programmes and 192 started learning modular programmes. Almost 17 thousand employees have completed their training by March 2020. The most demanded studies are in ICT, transport and logistics, as well as food and beverage services.

From October 2017 to December 2019 in cooperation with SEA, 588 employees received career consultations, while 401 employees received an evaluation of professional competence mastered outside the formal education system. The total eligible

funding available in the project is 27 million EUR, including ESF funding – 23 million EUR, and state budget funding – 4 million EUR (*for information about the project and the persons with low education involved see Chapter 2.2*).

Measures have been developed to support learning for employees requested by the employer:

- *Support for employed learning (technology learning)*. Support is provided for learning provided to persons employed with a merchant. The aim of this measure is to provide the merchants with labour force holding the relevant qualification, thus contributing to an increase in productivity and development and putting into production of new or improved products and technologies. Two project selection rounds are planned. The total ERDF funding available within the programme is 18 million EUR. In spring 2016, 10 projects of the first round implemented by the largest sectoral associations were approved. These associations represent manufacturing subsectors, the ICT sector or accommodation and food service activities sector. Agreements for 16.7 million EUR were concluded, including ERDF funding of 8.99 million EUR. Within the scope of the first round of the programme, more than 12 thousand non-unique persons employed with more than 660 merchants had been trained by February 2020. The period for implementation of projects of the first round is until 31 December 2022. On 23 April 2019, CM approved conditions for the implementation of the second round. 6 project applications were received in the

<sup>48</sup> CM Regulation No. 287 of 5 May 2016 *On Adult Education Management Model Implementation Plan 2016–2020*.

<sup>49</sup> Construction, timber industry; manufacture of electronic and optical equipment, information and communication technologies; metalworking, machinery and mechanical engineering; manufacture of

textiles, wearing apparel, leather and related products; food industry and agriculture; food and beverage service activities and tourism; printing and media technologies; transport and logistics; energy; chemical industry; culture (libraries).

second round, in which ERDF total investments of over 6.4 million EUR are intended. Project applicants – associations and foundations – represent information and communication technologies, timber industry, construction and international business services centres industries. 4 thousand employees are expected to be trained through the implementation of projects of the second round, thus providing 260 merchants with labour force with appropriate qualifications. Agreements with beneficiaries are planned to be concluded in 1<sup>st</sup> half of 2020;

- *Support for ICT and non-technology learning, as well as learning aimed at attracting investors (non-technology learning).* The measure is developed with the aim to increase the productivity and work efficiency of self-employed persons, as well as micro, small, medium, and large merchants, by raising the employees' qualifications and skills in information and communication technology areas, to provide merchants with employees holding the relevant qualification, promoting introduction of non-technological innovations in merchants, as well as to provide support for learning thereby attracting investments in the country. In a limited project application selection conducted in 2016, LCCI, LICTA, and IDAL were selected to ensure a successful implementation of the programme. Agreements for 15.1 million EUR were concluded, including ERDF funding of 6.9 million EUR. By February 2020, 4.9 thousand non-unique persons employed with more than 990 merchants had been

trained. The deadline for implementation of the projects is 31 December 2022.

The opportunities in the adult education sector offered by the EU's *Erasmus+* programme significantly foster the quality and the innovative approach of adult education. In 2019, 20 training mobility projects were approved in the adult education sector with total funding of 230 thousand EUR, which in total provide 125 teachers of adults with an opportunity to go to other European country to obtain new knowledge and experience. Within the scope of strategic partnerships 10 projects (3 for exchange of good experiences and 7 for development of innovations) for 1.7 million EUR were approved. Thematic directions of projects are related to pedagogic and didactic matters, development of new innovative education programmes, business education and promotion of creativity.

In accordance with provisions of the *Education Law*, which will enter into force at the end of 2022, the state should support adult education by financing adult non-formal education programmes, as well as supporting employers in additional training of their employees. In 2020-2022, work on the development of regulatory framework for state support measures for employers for education of their employees is planned, including it is planned to set criteria for receiving such support. At the same time, it is planned to draft a procedure for the state to finance adult non-formal education programmes, continuing education programmes and professional competence improvement, as well as criteria for receiving respective funding.

## Ensuring assessment of knowledge, skills and professional competences obtained outside formal education

/responsible institution – MES/

The aim is, in compliance with the legislative framework, to ensure possibilities and accessibility for residents to carry out assessment of professional competences obtained outside formal education, and receiving a professional qualification document attesting to it.

475 persons received assessment of knowledge, skills and professional competence acquired outside the formal education in 2019. From 2011 until the end of 2019, more than 7 thousand professional qualification certificates were issued as a result of evaluation of professional competence that had been obtained outside the formal education system.

Assessment of non-formal education results is gradually becoming increasingly more in demand, while employed adults have access to support for evaluation of professional competence obtained outside the formal education system, also within the ESF project *Improving the Professional Competence of Employed*.

Recommendations for changes in the regulatory framework for the improvement of the system of evaluation of professional competence obtained outside the formal education system and adjusting the regulatory framework were drafted in 2019.

## Developing national qualifications framework and adjusting its level to the European qualifications framework

/responsible institution – MES/

The aim is to develop the qualifications framework of Latvia (LQF), which is based on learning outcomes and was made equivalent to the European qualifications framework (EQF) in 2011. In supplements to Latvian higher education diplomas a reference to the corresponding EQF level has been included since 2013,

in vocational education documents the corresponding LQF level has been indicated since 2017. An updated self-assessment report on the development LQF was defended before the EC in 2019.

The Latvian qualification database (LQD) is linked to European online portals PLOTEUS/LOQ<sup>50</sup> and ESCO<sup>51</sup> to ensure comparable information on Latvian qualification at European scale. In 2019, technical

improvements were made to LQD and an interactive tool was introduced, which ensures the possibility to analyse data on the qualifications included in LQD.

## 4.4. POVERTY REDUCTION

The target of the NRP is to reduce the number of persons at risk of poverty and/or of those living in households with low work intensity by 121 thousand or 21% until 2020.

Although the common trend of development of poverty and social exclusion indicators points to a gradual improvement of situation, the main risks for reaching the target of poverty reduction are the following:

- A large sector of informal economy affecting the social security level of people working there in case of social risk, thus increasing the burden on the state and local government expenditures on social security in the long-term;
- The high share of employed making state mandatory social insurance contributions from the

minimum wage (about 30%) that will affect their income level after retirement;

- The high indebtedness level of households (consumer credits, mortgages, debts for public utilities) — as a result, people with relatively medium or high income may fall into the category of social assistance beneficiaries.

The main directions of measures implemented in 2019 and 2020 remained the same and were aimed at reduction of labour tax burden, increase of income for employed persons with low income and families with children, improvement of material support for persons of retirement age and improvement of services for population groups exposed to poverty and social exclusion, improvement of support for persons with disability.

Box 4.4

### Declining trend in the share of persons at-risk-of-poverty and/or persons living in households with low work intensity

Until 2013, there had been a steady development towards the target set in the NRP, i.e., to reduce the number of persons subject to risk of poverty and/or living in low work intensity households. As income inequality of the population increases, the share of people at-risk-of-poverty has started to grow again since 2013. This was fostered by faster increase of income from paid work and a growing employment rate. In 2018, the share of persons at-risk-of-poverty and/or persons living in households with low work intensity reached 459 thousand or 24.2% of the population. Therefore, in absolute terms reaching of the set target has considerably increased in the last year, however, it should also be noted that changes in absolute numbers are largely affected by changes in the population count. Thus, for instance, the population of Latvia was 2.163 million at the beginning of 2009, and the population was 1.920 million at the beginning of 2019 (by 2.163 million or 11.2 % less).

In 2018, 27.3% or 518 thousand of the population were exposed to risks of poverty or social exclusion, which has been the lowest indicators in the last 11 years. Since 2011, a steady rise in income can be observed in all households. At the same time, the data evidence that the income increase dynamics is inhomogeneous (there is the highest increase every year in a different quintile) and unequal (the amount of increase is not equal in all quintile groups).

In 2018, Latvia was one of the EU countries with the lowest share of the population (7.6%) living in households with very low work intensity. The situation has been gradually improving since 2011 and the poverty risk has been reduced for households with the main income from paid work, as well as for families with children. The share of children exposed to the risk of poverty continued to reduce reaching 14.5 % in 2018. Furthermore, in the households with fixed income as the main source of income (pensions and benefits) which increase much slower than wages, the risk of poverty continues to grow, especially among persons of retirement age. In 2018, the share of the population exposed to the risk of poverty in the age group above 65 increased (from 38.1% in 2015 to 47.9% in 2018). Lonely elderly people are exposed to a very high risk of poverty – if a person aged above 65 years resides alone, this indicator is 74.9%. The relative median poverty risk gap has increased in recent years reaching 28.2% in 2018.

Compared with other EU countries, Latvia has one of the highest income inequality – in 2018 the Gini coefficient in Latvia reached 35.2%. Furthermore, the income of the 20% of the wealthiest part of population was 6.5 times higher than that of 20% of the poorest part of population (in 2017 – 6.3 times, in 2016 – 6.8 times).

The share of social transfers in disposable income of households has diminished by 9.5 percentage points – from 32.4% in 2010 to 22.9% in 2018. Meanwhile, share of income from paid work has increased from 63.7% in 2010 to 71.3% in 2018. Income from paid work per household member available to households increased from 352 EUR per month in 2017 to 388.98 EUR per month in 2018.

A crucial support for reducing poverty and social exclusion in 2014–2020 will be provided through measures co-financed by the EU funds. 225 million EUR or 35% of ESF funding is intended to promote the social inclusion and to fight poverty and any type of discrimination. Additionally, 193 million EUR or 8% of ERDF funding will be diverted to this objective.

In 2019, the improvement of social services and the development of professional social work in local governments continued (see Box 4.5).

It is planned to use 48.2 million EUR in 2014-2020 programming period in Latvia for the support of the most deprived persons, including 41 million EUR from *Fund for European Aid to the Most Deprived* (hereinafter referred to as FEAD) funding.

<sup>50</sup> Portal on Learning Opportunities Throughout European Space / Learning Opportunities and Qualifications.

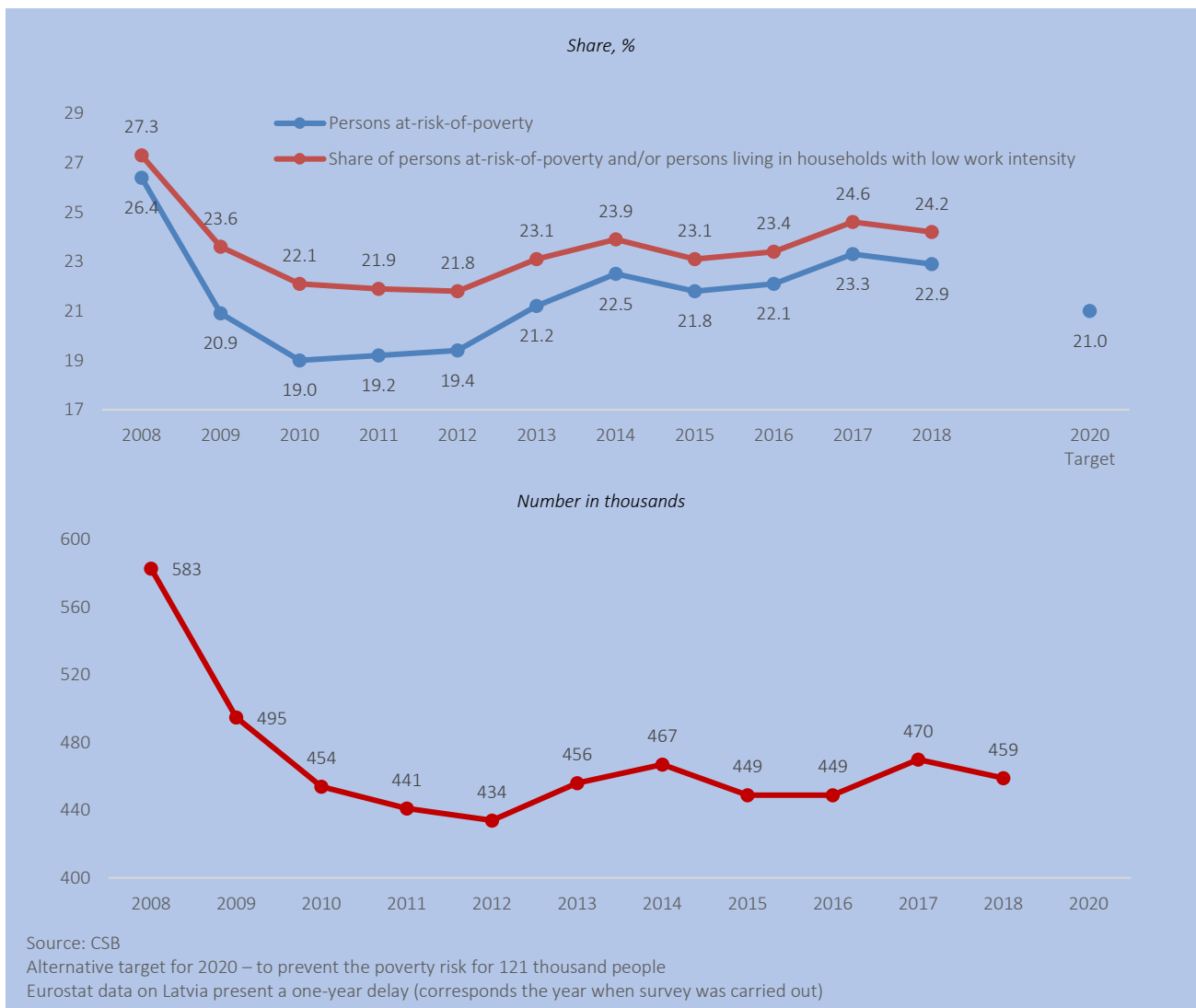
<sup>51</sup> European Skills/Competences, Qualifications and Occupations database.

With the FEAD support, in 2019 a total of 70.4 thousand persons living in poor, low-income households and persons in crisis received sets of food, hygiene and household goods, as well as 9.3 thousand pupils received school supplied kits. Additional support was provided for families with infants and small children: one thousand children at the age from 7 months to 2 years received hygiene product sets and 1.4 thousand children below the age of 2 received hygiene product sets. Moreover prepared meals were issued to 5.1 thousand persons. 1050 additional measures have taken place in 2019 (informative

measures, individual and group work, non-formal education measures, socialisation measures, etc.) with participation of 6.3 persons.

In 2019, changes have been made to the Action Programme to provide food and basic material assistance to the most deprived, which provide for the extension of the range of persons of the target group stating that basic material assistance, that is hygiene and household goods sets, can further be received not only by children aged up to 18 years, but also by adults.

Figure 3.6  
Poverty reduction target



Box 4.5

**Improvement of social services and development of professional social work in local governments**

In 2019, the implementation of the project *Professional Social Work Development in Municipalities* continued, its total funding is 9.5 million EUR, incl. ESF funding of 8.0 million EUR. Within this project 2000 social work specialist will raise their competence, methodologies for social work with different client target groups will be developed, cooperation between institutions and individuals will be improved, and social work in the community will be developed. According to the data collected before Q4 2019, the number of supported social work specialists involved from the beginning of the project has reached 1 900 persons in 113 municipalities. Overall, 29 310 supervisions and training events were held, for which municipalities received compensation of 441.9 thousand EUR from the beginning of the project to 30 March 2020, incl. 375.2 thousand EUR for supervision provided to social work specialists and 66.7 thousand EUR for training. 375.6 million EUR of the total amount assimilated are ESF funding, and 66.3 million EUR are state budget funding.

With ESF support deinstitutionalisation (DI) projects are implemented in all the regions of Latvia with participation of 115 municipalities. Within DI projects, 3307 persons of the target groups have been assessed and individual support plans have been developed (children in extra-

familial care and children with functional disorders (FD) who have been diagnosed disability and who are living in families, and for adults with mental disorders (MD) who have been granted several and very severe disability (disability group I and II). All planning regions developed regional DI plans and plans for reorganisation of child care institutions and branches of social care centres supported for closure. The implementation of ERDF projects to create necessary infrastructure for the provision of social services defined in DI plans of planning regions has started. In parallel, provision of community-based social services has started: by the end of 2019, services of day care centres, group houses, specialised workshops, care houses, temporary respite services, specialist consultations, support groups and group classes were provided to 468 people with MD, social care, temporary respite and social rehabilitation services were provided to 1045 children with FD. Social rehabilitation services were provided to legal representatives or foster families of 433 children with FD. A communication campaign "Human, not diagnosis!" was implemented in order to reduce the negative impact of society to people with MD and to ease introduction of DI. Likewise, with the ESF support within the project "Improvement of the social services support system", until 2021 a social services support system will be improved where a community-based social services funding and support person services implementation mechanisms will be developed and tested. Testing of funding mechanisms for provision of community-based services to children with FD and adults with MD is planned as a part of this project involving 100 adults with MD and 100 children with FD in the practical testing. In September 2019, approbation of the mechanism of financing of the community-based social services completed – an individual budget model for children with FD approbation pilot project, the evaluation of the results of the pilot project has started. Approbation of the mechanism of financing of the community-based social services – an individual budget model for adults with FD – approbation as a pilot project started in August 2019. Cooperation agreements with 10 municipalities were concluded, and provision of community-based social services to 100 persons from the target group have started. The implementation of the support person service pilot project has completed. 330 adults with mental disorders were involved in the project providing them with support in mastering of legal, financial, daily life skills and in the area of development, health and social care, and in the formation of a support circle. Within the scope of the provided support, service recipients have learned to take decisions independently, their life situation has improved, part has started to work and study, their self-consciousness has improved. The evaluation of the results of the pilot project has started.

## **The main policy directions and measures:**

### **Reducing income inequality**

/responsible institutions – MF, MoW/

The aim is to reduce the tax burden on the economically active population and population groups at high risk of poverty (especially families with children and people with low income), as well as retired persons.

Since 2019, the indexations of pensions resulted in: the old age pensions paid every month were by average 25.94 EUR higher in 2019 than in 2018 (339.69 EUR in 2019; 313.75 EUR in 2018), while the planned increase

in 2020 is 20.41 EUR per month. For detailed information on the measures for increasing the level of income of pensioners implemented and planned in 2019 and 2020 see Chapter 2.2.

From 1 January 2018, the tax reform, including in labour taxes, where one of priorities was to reduce income inequality of the population. For detailed information on the measures for implemented in 2019 see Chapter 2.1.

### **Encouraging people at risk of poverty and social exclusion to participate in the labour market**

/responsible institutions – the MoW, the MJ/

To foster the return or inclusion of the persons at the risk of poverty or social exclusion to the labour market, ALMP measures were implemented for these groups of population ensuring jobs co-financed by the state. Overall, 831 unemployed got involved and received support in the ESF co-financed measures *Subsidised jobs for the unemployed* in 2019. The funding spent on newly created 619 subsidised jobs within the scope of the Measures was indicatively 6.1 million EUR in 2019.

Within the scope of the ESF co-financed measures *Professional rehabilitation*, 59 persons with MD have been involved in the skill training programme and 45 persons with severe disability have been involved in professional rehabilitation continuing education programmes. Out of 104 persons of the target group involved in the measure 64 persons have already completed their participation in the project, of which 37 persons have started job seeking, involved in training, employment, including self-employed, after participation in the project. Total funding for implementation of the measure is 1.75 million EUR, incl. ESF co-funding of 1.48 million EUR.

In order to improve the accessibility of services provided by SEA to persons with a disability, a service of a sign language interpreter during ALMP.

SEA career consultants consulted imprisoned persons on career in 7 detention places: Overall, 654 imprisoned persons received career consultations.

Starting from Q4 2016 and until the end of 2022, within ESF co-funded project *Social Entrepreneurship Support*, support is provided for actors within social entrepreneurship, including those taking work inclusion measures, facilitating employment of certain target groups (long-term unemployed, elderly unemployed (over the age of 54), unemployed with dependents, unemployed with disability or mental disorders) in the social enterprises. Within the said time frame, social enterprise support system, including providing financial support to social enterprises, shall be developed and implemented as a part of this project. The total planned eligible funding within the project is 19.9 million EUR, including ESF funding of 16.9 million EUR, and state budget funding of 3 million EUR. Since the entry into force of the *Social Enterprise Law* (1 April 2018) to the end of 2019 the status of a social enterprise was assigned to 81 companies (active

companies)<sup>52</sup>. At the same time, before the entry of the *Social Enterprise Law* into force 98 actors within social entrepreneurship were registered in the ESF pilot project *Social Entrepreneurship Support*, of which 33 have received financial support. Actors within social entrepreneurship and merchants who have received the status of a social enterprise may submit business plans to the Development Financial Institutions ALTUM to the implementation of a social idea and to pretend for a grant up to 200 thousand EUR. In 2019, ALTUM received 41 applications and 29 agreements for the total amount of 1.58 million EUR were concluded. The enterprises, which had concluded these agreements, included 21 social enterprises, whose total grant funding reaches 1.01 million EUR.

In order to contribute to return of persons to the society and to the labour market after serving a sentence, as well as to prevent recurrent crime, since the beginning of 2017 the Prison Administration has been implementing ESF-co-funded projects:

- *Integration of former prisoners in the society and labour market.* Specific support measures for employment of prisoners and new support methods for former prisoners are implemented within the project. Measures for career planning of, official language learning by and development of labour skills of prisoners and former prisoners are implemented. Likewise, support measures for

families of prisoners and former prisoners are implemented (for example, family day measures in Latvian prisons) and measures for maintenance of positive social ties of former prisoners. By the end of 2019, 4305 prisoners and former prisoners received resocialisation measures and support within the scope of the project, of which 1229 persons received support in 2019. Until the end of the project, it is planned to provide resocialisation measures and support to 16 thousand prisoners and former prisoners. Total funding of the project is 4.8 million EUR, incl. ESF funding of 4.1 million EUR;

- *Increasing efficiency of the resocialisation system.* Professional capacity raising and improvement of the training system for employees of prisons and probation specialists working with prisoners and former prisoners started and continued within the project. By the end of 2019, 875 persons had been trained, of which 182 persons were trained in 2019. It is planned that 1 650 prison and probation specialists will be trained by the end of the project. The existing resocialisation system has been evaluated and a mechanism to increase its efficiency by introducing new tools (resocialisation programmes, support programmes, etc.) was been developed within the project. Total funding of the project is 4.0 million EUR, incl. ESF funding of 3.4 million EUR.

## Eliminating discrimination threats and stereotypes, as well as fostering participation of the civic society

/responsible institution – MC/

The aim is to ensure support measures enabling groups of population at risk of social exclusion, including the Roma, third country nationals of a different culture, religion, language and ethnic origin, and persons excluded due to poverty and regional remoteness to take active part in all aspects of life of the European society. To achieve the aim, various forms of civil participation are strengthened and promoted, as well as any kind of discrimination is restricted.

With the support from EC (within the EU programme *Rights, Equality and Citizenship Programme 2014-2020*), the project *Platform III for Latvian Roma People: Promoting Cooperation and Participation* was implemented in 2019, the aim of which was to continue developing the Platform for Latvian Roma People, as well as a Latvian Roma integration policy coordination and implementation support mechanism at national, regional and local level, which promotes mutual cooperation and exchange of experience among all the persons involved, as well as engagement and participation of Roma, in particular Roma youths, in the development civic society and intercultural dialogue. The total project funding was 63.8 thousand

EUR, incl. EC funding of 60.6 thousand EUR. 213 participants from 19 cities and municipalities, incl. 90 Roma representatives, 109 state and local government representatives, non-Roma NGO representatives, 11 experts of EU Member States and international organisation and others participated in project activities.

The next project of the programme *Platform IV for Latvian Roma People* started in summer 2019 aiming to promote a dialogue between Roma and local governments, public institutions and to improve access to different services, as well as to ensure exchange with best practices in the context of integration of Roma. The funding intended for the project is 65 thousand EUR, incl. EC funding of 61.7 thousand EUR. The planned number of participants in project activities is about 250. Five mediators in Latvian regions will continue work along with support to Roma.

To foster integration and participation of the civic society in the implementation of the policy, support from the national budget within the open project tender is provided on a regular basis for the development of an intercultural dialogue, and to the

<sup>52</sup> <http://www.lm.gov.lv/lv/es-finansejums/lm-istenotie-projekti/aktualie-projekti/esf-projekts-atbalsts-socialajai-uznemejdaribai/socialo-uznemumu-registrs>

NGO projects for ethnic minorities, including Roma people, thereby building their capacity and facilitating mutual cooperation, as well as cooperation with the local governments. In 2019, 5 NGO support centres in regions received 180 thousand EUR for strengthening of capacity and cooperation of regional NGOs, promotion of civic participation and intercultural dialogue between minority representatives, the implementation of the projects continues in 2020.

Funding amounting to 739 thousand EUR was available within the state budget funded programme *NGO fund* for the implementation of NGO capacity and projects in 2019 and 48 projects were supported. The funding available for the implementation of the programme in 2020 is 1.097 million EUR.

In 2019, the implementation of the ESF co-financed project *Promoting Diversity (Preventing Discrimination)* continued, and the provision of a motivation increasing and support services to groups of persons subject to risks of social exclusion and discrimination in Latvia continued as well. The Society Integration Foundation with the help from different experts (social workers, psychologists, lawyers, etc.) has provided support to almost 1000 persons from socially vulnerable groups. Specialists have helped 328 persons to master new abilities and skills for life, to start job search and find a job.

An informative educational programme *Diversity is Power* was initiated and 31 employers interested in strengthening of their work environment have joined it in 2018 and 2019 and carried out a self-assessment. The platform [www.dazadiba.lv](http://www.dazadiba.lv) was created in order to interest and motivate other employers to create an inclusive work environment and be open to diversity.

An informative campaign *Openness is a Value* started in 2018 to draw the attention to discrimination, tolerance

and unequal treatment matters. The second thematic year of the informative campaign started in 2019 and was devoted to people of different ethnic origin and affinity. Diverse activities for youth, employer and other Latvian audiences were implemented. 87 publications been prepared within the framework of the campaign. Overall, more than 400 specialists of different levels have received knowledge and understanding why leniency and diversity management is important for employers, what benefits for employers are. It is planned to train at least 200 specialists in 2020. A public thought surveys "Opinion of the Latvian population about ethnic relations in Latvia (2019)" was conducted within the framework of the campaign.

An Information Centre for Newcomers (ICN) has been functioning with financial support of the *Asylum, Migration and Integration Fund (AMIF)* since 2016 in order to provide unified and targeted integration support to third country nationals and to promote their successful inclusion in the Latvian cultural environment. In 2019, ICN submitted almost 1.5 thousand consultations for 1112 persons.

Five AMIF projects for learning and strengthening knowledge of Latvian in third country nationals, including using language clubs, were supported in 2019 and 2020. The total funding allocated for these projects was 798 thousand EUR, incl. AMIF funding of 598 thousand EUR.

In 2019 and 2020, training courses were implemented within AMIF to promote integration of persons under international protection in society. 138 persons listened to the integration course and 68 persons attended the language course in 2019. The allocated funding is 240 thousand EUR, incl. AMIF funding of 175 thousand EUR.

## 4.5. ENERGY EFFICIENCY

The aim of the *Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency* (hereinafter – Directive 2012/27/EU) is to promote energy efficiency and ensure the achievement of the headline energy efficiency target of 20% and lay the foundation for further improvement of energy efficiency.

The **national energy efficiency targets** correspond to the following amounts of energy savings expressed in figures:

- The total indicative national energy efficiency target<sup>53</sup> — primary energy savings in 2020 – 0.670 Mtoe (28 PJ);

- The annual saving target of 1.5% for energy supplied to end consumers<sup>54</sup> – final energy savings in 2020 — 0.213 Mtoe (8.9 PJ);
- The annual renovation target of 3 % of the state-owned building area (maximum estimates — 678.5 thousand m<sup>2</sup>) together with the renovation of municipal buildings — energy saving during the entire period of 2014–2020 – 0.016 Mtoe (0.67 PJ or 186 GWh).

The assessment of energy savings and calculation of the targets were based on the GDP forecasts until 2020 envisaging changes in energy demand, and the current energy policy, including in the area of energy efficiency and renewable energy (hereinafter referred to as RE) policy.

<sup>53</sup> Savings are determined as the difference between the base scenario and the scenario with measures. These savings do not refer to the absolute reduction of national energy consumption. They refer to the limit of the increase achieved by those measures. The methodological

requirements for notifying about the target are laid down in Annex V to the Directive 2012/27/EU.

<sup>54</sup> The annual final energy savings correspond to the national mandatory accrued final energy savings 0.850 Mtoe.

Table 3.1

**Trajectory of achievement of the energy efficiency improvement target**

Mtoe

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2020
Primary energy consumption*	4.57	4.43	4.56	4.30	4.45	4.36	4.35	4.27	4.32	4.30	Primary energy saving 0.67 Mtoe**

\* Gross domestic energy consumption – non-energy consumption: according to the requirements of Directive 2012/27/EU

\*\* According to the requirements of Directive 2012/27/EU

At present, the gross domestic energy consumption had decreased from 4.57 Mtoe in 2008 to 4.30 Mtoe in 2017 (decrease by 0.27 Mtoe), and the implementation of energy efficiency measures has an important role in this progress. Primary energy consumption trends correspond to the achievement of the target

(0.670 Mtoe savings) set for 2020. The primary energy savings as at 2015 were 0.514 Mtoe, including 0.506 Mtoe for end consumer of energy and 8 ktoe – in electricity transmission and distribution. Thus, Latvia is in line with the estimated trajectory of the primary energy saving target (*see Table 3.2*).

Table 3.2

**Primary energy saving forecast**

Mtoe

	2014	2015	2016	2017	2018	2019	2020
Primary energy saving forecast	0.224	0.295	0.390	0.466	0.534	0.602	0.67

\* Gross domestic energy consumption – non-energy consumption: according to the requirements of Directive 2012/27/EU

The energy efficiency policy measures until 2020 are expected to ensure the achievement of the target. Multi-apartment residential buildings, local government and public institution buildings, industry, services sector and transport, as well as centralised heating systems have the largest energy efficiency potential. Overall, the implementation of energy efficiency measures is expected to foster the transition to an energy-efficient economy and increase the competitiveness of industry and other sectors.

Low energy efficiency causes the risk of reduced energy security, sustainability, and competitiveness, and raising this level is the fastest and the most cost-efficient way to reduce the risks, at the same time creating additional jobs and fostering growth. To reach maximum energy savings, energy efficiency should become a horizontal cross-sectoral policy objective.

On 28 January 2020, CM approved the *National Energy and Climate Plan 2030* (NECP-2030), which will be the main document for the formulation of long-term

energy and climate policy. NECP 2030 aims to promote the long-term development of a climate neutral and internationally competitive economy. Reaching NECP 2030 targets will open up the possibility for Latvia's faster economic growth, reduce energy dependency on third countries; and eliminate risks of energy poverty and contribute to the wellbeing of the population in general.

NECP 2030 long-term targets aim to reduce non-ETS (sectors not covered by the Emissions Trading Scheme) GHG emissions by 6% compared to levels of 2005, to increase the share of renewable energy sources in total final energy consumption to 50% (currently 40%), while promoting the implementation of energy efficiency measures is expected to reduce primary energy consumption to 45.8 – 47.2 TWh (currently 62.5 TWh). Among other things, NECP 2030 also sets a long-term target for electricity interconnection levels of not less than 60% compared to 2017 (currently 50%).

**The main policy directions and measures:****Improving energy efficiency in households and industrial production**

/responsible institutions – ME, MEPRD/

The measures to improve heat insulation of multi-apartment buildings are aimed at increasing energy efficiency of multi-apartment residential buildings, thus ensuring sustainable housing and efficient use of energy resources. For the purpose of promoting the activity, an extensive information campaign *Warmer Living* has been carried out thus encouraging apartment owners to get involved in the management of the common property and improvement of the energy efficiency of buildings.

Within the EU funds programming period 2014-2020, measures to increase energy efficiency in public and residential buildings will be supported: renovation of buildings, energy certification of buildings and construction works to improve energy efficiency, as well as installation of such energy generation sources in buildings, which use RES for energy generation for achieving particularly high energy efficiency and causing no negative impact on centralised heat supply. The support is provided in the form of grants, loans or

guarantees. The ERDF financing available for increasing energy efficiency of residential buildings constitutes 141.5 million EUR, while financing for increasing energy performance of public buildings – 94.6 million EUR, with available reserve of 3.1 million EUR in case of fulfilment of the performance framework. By 31 January 2020, 881 project applications for the total indicative ERDF funding of 141.5 million EUR have been submitted within the support programme to increase energy efficiency of residential buildings. The implementation of 155 projects has completed, and 56 projects are still under construction within the scope of the support programme.

Efficient use of energy resources and reduction of energy consumption in manufacturing are also planned to be supported within the EU funds programming period 2014-2020: measures to improve energy efficiency of industrial buildings, energy certification and construction works to increase energy efficiency, and purchase and installation of new RES-based manufacturing equipment for generation of heat. The total CF funding of 23.7 million EUR to be issued to merchants as a grant is available within the scope of the support programme for improving energy efficiency in the manufacturing sector. By 1 March 2020, agreements on the implementation of 46 projects for the total CF co-funding of 12 million EUR were concluded within the scope of the support programme, including 23 projects have been completed for the CF co-funding of 5.7 million EUR.

The purpose of energy efficiency measures for public (state and local government) buildings is to provide financial support to public building energy efficiency improvement projects to promote an improvement in energy efficiency, smart energy management, use of renewable energy sources, reduce greenhouse gas emissions (hereinafter referred to as GHG), thus reducing municipal costs of heat supply.

By 1 March 2020, 129 project applications for the total ERDF co-funding and state budget co-funding of 123 million EUR have been approved or conditionally approved within the energy efficiency improvement programme, incl. the implementation of 20 projects with ERDF and state budget co-funding of 19.5 million EUR has completed.

Within the EU funds programming period 2014-2020, local government buildings are reconstructed and their energy efficiency is restored, as well as the use of RES in buildings is promoted under supervision of MEPRD. The most significant support criterion is a reduction in

primary energy consumption and GHG emissions compared to the invested ERDF funding. The intended ERDF funding is 47 million EUR. As a result of these investments, the primary energy annual consumption reduction in public buildings shall be achieved – 20.54 GWh/per year and reduction of greenhouse gas emissions – at least equivalent to 5 180 CO<sub>2</sub> annually. In 2019, selections of project applications and implementation of projects in municipalities with development centres of national importance, as well as the evaluation and implementation of projects submitted in the selection of project applications for municipalities that closed in 2017 continued. By 31 December 2019, 122 projects with the ERDF funding of 39.1 million EUR have been submitted for evaluation, which amounts to 83.2% of total planned ERDF funding, incl. agreements of the implementation of 58 projects have been concluded (ERDF funding of 23.4 million EUR), incl. 57 projects with ERDF funding of 12.8 million EUR were completed. The reduction in annual primary energy consumption reached in local government buildings energy efficiency support programmes in December 2019 reached 14.14 GWh/year or 69% of the indicators planned in regulations of the Cabinet of Ministers regulating the support programme, while the reduction in greenhouse gas emissions reached as a result of the project was 4015 CO<sub>2</sub> equivalent tons/year or 76% of the planned one.

After closing of Climate Change financial instrument (CCFI), the MEPRD has started implementation of a new support programme – Emission Allowances Auctioning Instrument (EAAI). Within the scope of EAAI projects are implemented or supervised in four open project tenders, incl. in two agreements on *Reduction of greenhouse gas emissions using smart urban technologies* and *Reduction of greenhouse gas emissions by developing energetically-self-sufficient construction of buildings* on the implementation of projects for the total requested EAAI funding of 17.8 million EUR were concluded in 2019. In 2020, there are plans to prepare regulations for project tenders to provide support for reduction of greenhouse gas emissions in the transport sector, increasing of the number of low-emission and zero-emission vehicles in public administration institutions, in public transport or in specific areas of economic activity with high fuel consumption in vehicles, as well as implementation of comprehensive energy efficiency measures and introduction of innovative climate technologies and solutions, including the implementation of the heat supply system of the fourth generation.

## Improving energy efficiency in heat production

/responsible institution – ME/

The aim of increasing the efficiency of district heating systems is to reduce energy losses in transmission and distribution systems and to promote replacement of fossil fuels with renewable fuels.

In the EU fund programming period 2014-2020, support to increasing energy efficiency of district heating systems and increasing the share of renewable energy sources, including reconstruction and

construction of heat transmission and distribution systems, replacement of existing heat generation units, construction of heat accumulation units and connection of new consumers to the existing district heating system is granted in the form of grants. The total CF co-funding of 60 million EUR is available in the support programme. 98 project applications for the total CF co-funding of 49.5 million EUR have been submitted within the support programme by 1 March 2020. Within the scope of these project applications, 225.8 MW heat generation capacity is to be installed,

including by reconstructing existing heat generation sources operating on renewable energy sources, and making a transition from fossil energy sources to renewable energy sources. 59.8 km of heat transmission and distribution networks are also to be reconstructed within the scope of the projects. It is important to note that the reduction in greenhouse gas emissions, which will be achieved through the above mentioned actions is higher than 160 thousand tons per year.

### Support to energy-intensive merchants

/responsible institution – ME/

*Procedure for Energy-Intensive Manufacturing Companies to Get the Right to Reduce their Participation in the Mandatory Procurement Component Payment* set qualification criteria for energy-intensive manufacturing enterprises and the procedure for the enterprise to obtain the right to reduced participation in compensation of its expenses to the public trader. Therefore, the energy-intensive manufacturing industry enterprises operating within supported

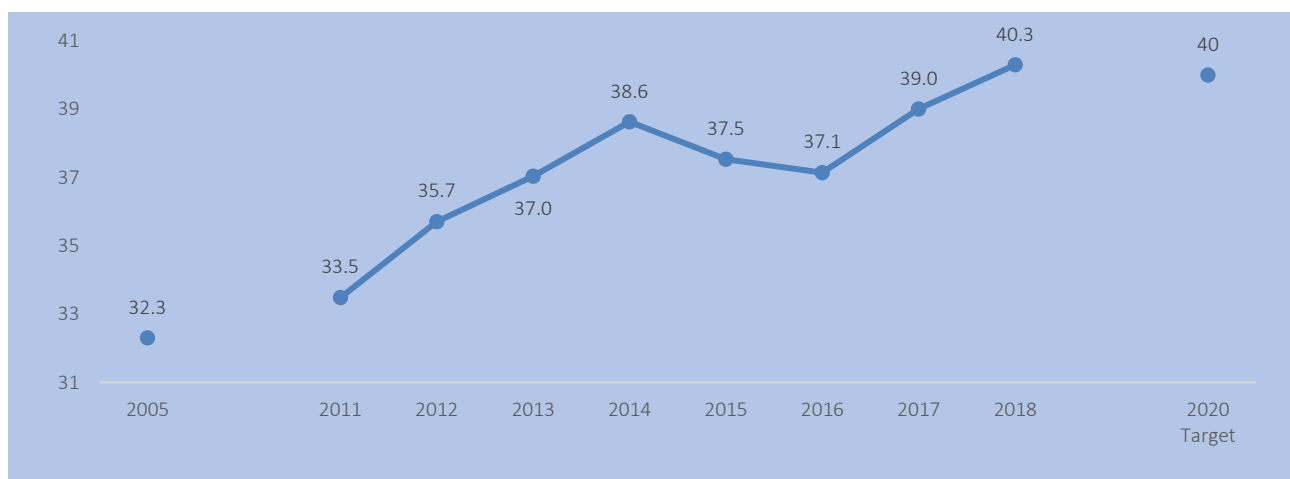
sectors can qualify for reduced participatory payment of mandatory procurement component. Decisions for payout of support for a total of 14.14 million EUR have been adopted since the beginning of the implementation of the support programme (for the period from the second half of 2015 to the end of 2018). 19 energy-intensive manufacturing companies received support for payouts in 2018.

## 4.6. RENEWABLE ENERGY

The quantitative target of Latvia is to increase the share of energy produced from RES in the total gross final energy consumption to 40 % by 2020, while the share of RE in the transport sector must reach at least 10 % of the gross final energy consumption in transport. In accordance with the *Electricity Market Law* and dependent CM regulations, the state aid mechanism that was introduced and implemented

(mandatory electricity procurement) has been the main tool to reach this target in Latvia, by 2018, in accordance with *Eurostat* statistical data. Latvia had reached 40.29% share of renewable electricity in final energy consumption, thus reaching the target set for 2020. The increase in the share of RE in 2018 was fostered by an increase in RE in the transport and heat sector.

Figure 3.7  
Renewable energy share increase target  
Renewable energy share, %



The requirements of *Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources* (hereinafter — *Directive 2009/28/EC*) are binding on Latvia, including legally binding targets for 2020 in respect of final energy consumption.

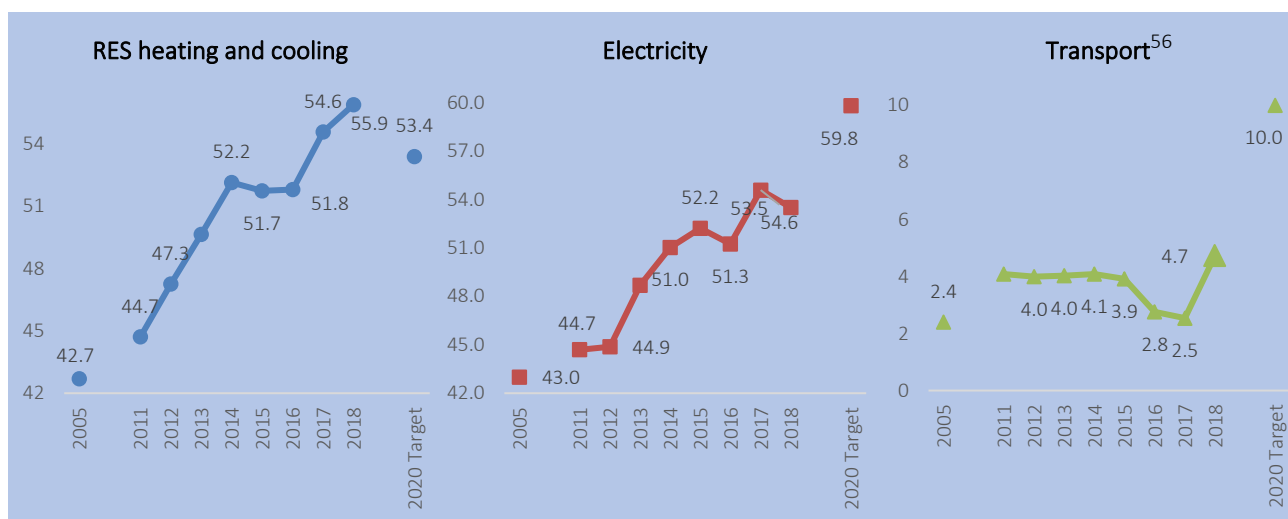
The measures to be implemented and the expected outcomes of a broader use of RE are closely related to the progress of promoting energy efficiency, particularly, the energy efficiency target for 2020, which is defined in *Directive 2012/27/EU* (see *Chapter 3.6.2*). Latvia still has a high energy saving potential in

all final energy consumption sectors, while it is not proportionally equivalent in all the sectors.

Following the technology development trends and global challenges, Latvia is revising its support mechanisms for the production of renewable energy by reinforcing control of the merchants receiving support aiming to make them more economically justified. The support measures implemented by now have encouraged producers to start project planning and invest in electricity production using the RES. At the same time, it must be noted that the large number of supported projects has led to a significant increase in MPC. In order to stop its growth and maintain it on the level of a mean value of 22.68 EUR/MWh, state budget

financing is allocated<sup>55</sup> to prevent from imposing an additional burden on end users of electricity, including burden on development and competitiveness of energy-intensive sectors. However, in order to maintain competitiveness of the economy, current support mechanisms for the RE have been revised, including careful assessment of total costs and aid intensity. When launching additional harmonisation with the EC, it is ensured that the granted support, incl. in correlation with investment support, for mandatory procurement of energy produced by plants or the guaranteed fee for the installed electric power is compatible with the internal market of the EU, and whether the support sum does not exceed the necessary minimum.

Figure 3.8  
Renewable energy share in the final consumption of energy by sectors  
% of final energy consumption of each sector



### The main policy directions and measures:

#### Adjusting the legal basis

/responsible institution – ME/

The aim is to promote a broader use of non-biomass RES in energy production and consumption, including in the transport sector.

The energy net payment system has been introduced in Latvia since 1 January 2014. Within the system, household users who generate electricity for their own needs (final consumption) and who, according to the calculated consumed and produced energy volume, have delivered a greater volume of energy to an operator of the distribution system network than consumed, the relevant volume of energy will be

accounted for in the next electricity payment period within the calendar year starting on 1 April and ending on 31 March. At the beginning of 2020, amendments to the *Electricity Market Law* were approved providing that users of the net system will not have to pay for the variable part of MPC for the amount of electricity transferred by net system users to the grid and received back from the grid within the scope of one year.

In 2016, amendments to legislative acts were made in order to prevent the risk of further electricity price

<sup>55</sup> CM Order No. 572 of 4 October 2016 *On the Conceptual Report Complex Measures for Development of Electricity Energy Market:* <https://likumi.lv/ta/id/285195-par-konceptualo-zinojumu-kompleksi-pasakumi-elektroenerijas-tirgus-attistibai>.

CM Order No. 530 of 22 September 2017 *On the Conceptual Report Complex Measures for Development of Electricity Energy Market:* <https://likumi.lv/ta/id/293753-par-konceptualo-zinojumu-kompleksi-pasakumi-elektroenerijas-tirgus-attistibai>.

CM Order No. 202 of 7 May 2018 *On the Reduction of the Total Mandatory Procurement and Power Component.*

<sup>56</sup> The calculation methodology in transport sector has been changed with the Directive (EU) 2015/1513 of the European Parliament and of the Council amending Directive 98/70/EC relating to the quality of petrol and diesel fuels and amending Directive 2009/28/EC on the promotion of the use of energy from renewable sources (ILUC Directive), by applying multipliers to the electricity consumed in railway and road transport.

increase for all the end users of electricity, stipulating that within the existing support mechanism prior no tenders will be arranged, and electricity producers will not be eligible for new rights to sell electricity within the mandatory procurement or receive a guaranteed payment for the electrical capacity installed.

In July 2016, amendments to the existing regulations were adopted providing for a procedure on payments for the electricity acquired under mandatory procurement or electric capacity installed in the plant, introducing an overcompensation prevention mechanism and prescribing that the total capital investment internal profit norm in the plant during the entire support period may not exceed 9%. After coordination of the state support for energy producers with the EC on 24 April 2017, as of July 2017 the total capital investment internal profit norm in the plan is restricted to 9% during the entire support period.

At the same time, in 2017 state support was reduced for cogeneration power plants with installed electrical capacity above 100 MW, thus considerably reducing

the burden of the mandatory procurement of electricity on the society.

In 2018, amendments were made to the regulatory enactments regulating mandatory electricity procurement and the guaranteed payment for capacity installed in cogeneration, intensifying control of merchants, as well as preventing provision of the planned support to those merchants, who do not observe the requirements of regulatory enactments, including supplementing them with the duty of ME to cancel without a warning the decision entitling to sell electricity within the scope of mandatory electricity procurement, if significant violations are stated.

In 2019, CM approved the offer of the Ministry of Economics with regard to further solutions in solving the problem of mandatory electricity procurement, based on which the Ministry of Economics has started working on further improvement of regulatory enactments. At the beginning of 2020, amendments to the Electricity Market Law were approved, which provide for different improvements to the support system.

### Ensuring the availability of financial resources for the production of renewable energy

/responsible institution – ME EFIN, MEPRD, MA/

The aim is to promote a broader use of local RES in the energy production and consumption, to promote energy production in cogeneration, and diminish the dependence on the imports of primary energy resources.

Within the *Latvian Rural Development Programme for 2014-2020* support is provided for acquisition of equipment for production of energy sources (except

for equipment intended for production of energy from biomass of agricultural or forestry origins) in order to sustain own economic activity without the aim to gain profit from the produced energy. In 2019 and in the first months of 2020, support for the achievement of the aim was granted to 1 project with the total eligible costs of 627.8 thousand EUR, incl. public funding of 251.1 thousand EUR.

### Measures for achievement of 10% RES within the transport sector

/responsible institutions – MT, ME/

The aim is fostering utilisation of sustainable biofuel, electrification of transport sector, such as development of network of trams and trolleybuses, electrification of trains or creation of a charging network for electric vehicles, thus supporting utilisation of environmentally friendly and supply-secure RES.

Funding from EU funds is available in the EU funds programming period 2014-2020 for the achievement of the target within several specific objectives (SO) and measures for areas like a network charging stations for electric cars, tram infrastructure in Liepāja and Daugavpils, as well as passenger buses in development centres of national importance.

The *Alternative Fuel Infrastructure Development Plan for 2017-2020* applies to road, air and sea transport and aims at reduction of GHG emissions in these sectors. The main emphasis is on alternative fuel types which in accordance with *Directive 2014/94/EU of the European Parliament and of the Council of 22 October 2014 on the deployment of alternative fuels infrastructure* shall be introduced or necessity for

introduction thereof shall be assessed in certain transport sectors by Member States as a mandatory measure. In accordance with the measure defined in the plan, an interim impact assessment of the *Alternative Fuels Development Plan 2017-2020* was drafted and amendments to CM order *On the Alternative Fuels Development Plan 2017-2020* were drafted in 2019. These amendments aimed to supplement the plan with measures like, for instance, promoting installation of electric vehicle charging infrastructure in new and renovated parking lots (parking spaces) of public buildings, support for increasing of the number of low-emission and zero-emission vehicles in public administration institutions, in public transport and/or in specific areas of economic activity with high fuel consumption. The measures will be implemented during the effective period of the plan by the end of 2020.

In the first half of 2020, ME will repeatedly forward the draft law – *Transport Energy Law*, which aims to create an umbrella regulation for the transport energy sector, which will set the main obligations of fuel suppliers,

incl. to ensure the delivery of a certain amount of RES for final consumption in transport, to ensure a certain amount of biofuel admixture, as well as to ensure a reduction in the intensity of transport energy life cycle GHG emissions. The law also includes a delegation to CM to issue regulations, such as fuel quality and biofuel sustainability criteria, requirements to alternative fuel filling and charging equipment, duty to supervise the conditions and penal sanctions in case of failure to comply, etc.

At the end of 2019, amendments to CM *Regulations on Requirements for Conformity Assessment of Petrol and Diesel Fuel* aiming to increase the minimum biofuel admixture in diesel fuel from 4.5% to 6.5% (arctic diesel fuel without admixture of biofuel can be traded only in winter) and in 95 RON petrol from 4.5% to 9.5%, thus fostering the share of energy obtained from RES in the final consumption in transport in Latvia.

The *Law Amendments to the Law on Pollution*, which entered into force on 6 March 2018, and CM

*Regulations Procedure of calculation and reporting of the amount of transport energy life cycle greenhouse gas emissions and its reduction* enshrine a mechanism for restriction of intensity of transport energy life cycle GHG emissions used in vehicles in final consumption obliging the suppliers to reduce by 6% the scope of life cycle GHG emissions compared to the base standard of 2010. Although this mechanism is currently in force until 31 December 2020, the *Transport Energy Law* extends it also beyond this period.

On 19 February 2019, the CM approved amendments to the *Regulations Regarding the Sustainability Criteria for Biofuels and Bioliquids, the Mechanism for Introducing Thereof, and the Procedure by Which They Shall Be Supervised and Monitored*. Sustainability criteria for biofuels and bioliquids have been strengthened considerably by stating clearly that sustainable biofuel should be used in the fulfilment of the goals set for the state and the fuel supplier.

## 4.7. REDUCING GREENHOUSE GAS EMISSIONS

Latvia's political goals in terms of climate are connected with the EU climate policy goals, as well as the international climate policy – the *UN Framework Convention on Climate Change* (hereinafter referred to as the Convention) and its *Kyoto Protocol and the Paris Agreement, as well as UN Sustainable Development Goal No. 13 – action to combat climate change*. The target of Latvia is to limit or stabilise the total national GHG emissions so that by 2020 they would not exceed 12.16<sup>57</sup> Mt CO<sub>2</sub> equivalent. This target has been divided into activities included in EU Emissions Trading System (hereinafter referred to as EU ETS) and other activities (hereinafter referred to as non-ETS activities). In the period prior to 2020, the objective for the EU's total non-ETS GHG emission reduction does not include the sectors of land use, land use change and forestry activities (hereinafter referred to as LULUCF). In the land reference categories set in the LULUCF sector (afforested land, deforested land and managed forest land –FMRL (forest management reference level)), it should be ensured that accounted GHG emissions do not exceed the GHG removals<sup>58</sup> accounted during the entire period until 2020.

According to the 2019 GHG inventory for 1990–2017<sup>59</sup> (hereinafter — 2019 GHG inventory) and a rough GHG inventory for 2018<sup>60</sup>, total GHG emissions of Latvia from 1990 to 2017 and 2018 have reduced by 56.9% and 55.1% respectively, while in the period from 2005

to 2017 and 2018 total GHG emissions of Latvia reduced by 0.7% and 3.4% respectively. (see Table 3.3).

GHG emissions generated by Latvian ETS operators amounted to – 2049.8 kt CO<sub>2</sub> eqv. in 2017, and 2612.6 kt CO<sub>2</sub> eqv. in 2018, or 18% and 22 % of Latvia's total GHG emissions, respectively. Compared to 2005, EU ETS operators in Latvia have reduced their GHG emissions by 28.2 % by 2017 and by 8.5% by 2018. The annual emission reports submitted by Latvian EU ETS operators evidence that in 2017 Latvian EU ETS operators are progressing towards reaching in 2020 the target of 2.26 Mt CO<sub>2</sub> equivalent set in the Environmental Policy Guidelines for 2014–2020<sup>61</sup>, while ETS emissions of 2018 evidence of problems in meeting this target.

The GHG emissions dynamics of non-ETS activities<sup>62</sup> currently evidences of an increase in emissions – 8.4% increase in 2005–2017 and an increase by 7.4% from 2005 to 2018. Overall, until 2017 and 2018 Latvia was within the annual targets set for non-ETS activities.

The biggest sources of non-ETS GHG emissions were transport accounting for 35.8% of non-ETS activities in 2017, agriculture – 30%, as well as non-ETS energy – 25.2%.

GHG emissions projections prepared in the *Report on GHG projections, policies and measures*<sup>63</sup> (submitted to the EC in 2019) for the scenario of measures until 2030 evidences that the total GHG emission volume may

<sup>57</sup> *Environmental Policy Guidelines for 2014–2020* (CM 26.03.2014 <http://polsis.mk.gov.lv/dokuments/4711>).

<sup>58</sup> Calculated as the sum of total emissions and total removals in respective activities together in accordance with the accounting conditions defined in decision 2/CMP.7.

<sup>59</sup> <https://unfccc.int/documents/194812>

<sup>60</sup> [https://cdr.eionet.europa.eu/lv/eu/mmr/art08\\_proxy/envxta4zg/](https://cdr.eionet.europa.eu/lv/eu/mmr/art08_proxy/envxta4zg/)

<sup>61</sup> *Environmental Policy Guidelines for 2014–2020* (CM 26.03.2014 <http://polsis.mk.gov.lv/dokuments/4711>)

<sup>62</sup> The calculation of GHG emissions was carried out using the formula provided by the EC, which is total GHG emissions of the state (apart from LULUCF including also indirect CO<sub>2</sub> emissions) minus amount of CO<sub>2</sub> emissions verified by EU ETS operators, local aviation CO<sub>2</sub> emissions and NF<sub>3</sub> emissions (there are no such emissions in Latvia).

<sup>63</sup> *Report on GHG projections, policies, and measures 2019*: [https://cdr.eionet.europa.eu/lv/eu/mmr/art04-13-14\\_lcds\\_pams\\_projections/pamsprojections/envxk3aeq/pams/envxiolw/](https://cdr.eionet.europa.eu/lv/eu/mmr/art04-13-14_lcds_pams_projections/pamsprojections/envxk3aeq/pams/envxiolw/)

reach 11.75 Mt CO<sub>2</sub> equivalent in Latvia in 2020, thereby securing by 3.4% lower Latvian GHG emission volume than the set national GHG emission reduction target 12.16 Mt CO<sub>2</sub> equivalent.

Total GHG emissions from non-ETS activities will increase by about 5.51% in 2005-2020 and may reach 9 120.57 kt CO<sub>2</sub> equivalent in 2020. Thus, Latvia will

also be able to fulfil its non-ETS target in 2020 – no more than 17% increase in GHG emissions from non-ETS activities in 2005-2020. Meanwhile, the EU ETS GHG emission volume, provided the current scenario of measures applies, may reach 2 647.60 kt CO<sub>2</sub> equivalent which is approximately 15.1% more than the set target for 2020.

Table 3.3  
Trajectory of achievement of the greenhouse gas emissions target  
Mt CO<sub>2</sub> equivalent

	2005	2013	2014	2015	2016	2017	2018	2019	2020
Total emissions <sup>64</sup>	11.4	11.3	11.2	11.3	11.3	11.3	11.8	11.6	11.7
Latvian national total GHG emission target <sup>65</sup>			12.0	12.0	12.1	12.1	12.1	12.2	12.2
EU ETS emissions <sup>66</sup>	2.9	2.7	2.4	2.3	2.2	2.04	2.6	2.5	2.6
Latvian national EU ETS GHG emission target <sup>67</sup>		-	-	-	-	-	-	-	2.3
Non-ETS emissions <sup>68</sup>	8.6	8.7	9.0	9.0	9.1	9.2	9.2	9.1	9.1
Latvian non-ETS GHG emission target <sup>69</sup>		9.3	9.4	9.4	9.5	9.7	9.8	9.9	10.0

### The main policy directions and measures:

#### Limiting non-ETS emissions

/responsible institutions – MEPRD, ME, MT, MA/

The following activities have been included in the non-ETS activity GHG emission reduction target: any burning of fuel for purposes of heating, electricity, as well as industrial production processes, in fixed combustion plants (including those in households); activities related to use of fuel in vehicles – road transport, railway, local aviation or navigation and in non-road mobile equipment and military sector, agriculture – livestock farming, crop and fruit growing, waste and sewage management, as well as use of industrial raw materials and various chemical substances.

GHG emissions in the **energy sector** may be reduced by reducing primary energy consumption and secondary final energy consumption, by taking energy efficiency measures for equipment and buildings, as well as replacing fossil fuel with renewable energy sources. In order to reduce GHG emissions in the energy sector, different complex measures are taken to reach EU targets with regard to increasing the share of renewable energy and energy efficiency, as well as electricity synchronisation projects are implemented to increase the availability of electricity from renewable energy sources.

The reduction of GHG generated as a result of activity in the **transport sector** is mainly possible by reducing the fuel consumption (more economical engines with lower volume), introducing more sustainable cargo and passenger (both public and private) transportation, for example, renewing the used car fleet, electrifying the vehicles used for transportation of passengers (public and private) and cargo, replacing use of fossil fuel with renewable energy resources or other alternative types of fuel, as well as using for cargo operation not only roads, but in different sections also railway, inland waterways or marine routes (incl. combined transportation). By creating an integrated public transport and promoting micromobility, the population is provided with opportunity to move from private to public and/or more environmentally friendly vehicles. Indirect positive impact on the reduction of GHG emissions can be achieved with a number of EU instruments – the requirement to ensure a reduction in the intensity of transport energy life cycle GHG emissions, requirements of CO<sub>2</sub> emissions for new vehicles, application of vehicle operation tax to new vehicles based on CO<sub>2</sub> emissions generated, a more extensive use of alternative fuel in vehicles (electric transport, natural gas, hydrogen, and biofuel, etc.), renewal of road infrastructure, the EU initiative

<sup>64</sup> GHG inventory of 2019 and approximate GHG inventory for 2018, *Report on GHG projections, policies, and measures* (2019).

<sup>65</sup> *Environmental Policy Guidelines for 2014-2020* (CM 26.03.2014 <http://polsis.mk.gov.lv/documents/4711>).

<sup>66</sup> Emission reports submitted by the Latvian EU ETS operators, *Report on GHG projections, policies, and measures* (2019).

<sup>67</sup> *Environmental Policy Guidelines for 2014-2020* (CM 26.03.2014 <http://polsis.mk.gov.lv/documents/4711>).

<sup>68</sup> In accordance with the calculations, using annual GHG inventories, including the GHG inventory of 2019, the approximate GHG inventory for 2018, *Report on GHG projections, policies, and measures* (2019).

<sup>69</sup> The non-ETS GHG emission reduction targets in accordance with the *Commission Decision No. 2013/162/EU of 26 March 2013 on determining Member States' annual emission allocations for the period from 2013 to 2020 pursuant to Decision No 406/2009/EC of the European Parliament and of the Council; Commission Implementing Decision No. 2013/634/EU of 31 October 2013 on the adjustments to Member States' annual emission allocations for the period from 2013 to 2020 pursuant to Decision No 406/2009/EC of the European Parliament and of the Council; Commission Decision (EU) 2017/1471 of 10 August 2017 amending Decision 2013/162/EU to revise Member States' annual emission allocations for the period from 2017 to 2020.*

regarding the introduction of joint regulations for different combined cargo transportation methods between EU Member States, the construction of fully electrified railway line *Rail Baltica*. In the coming years, further improvement of the transport infrastructure is planned by developing Park&Ride infrastructure, promoting the creation of multimodal points, improving regional road networks, developing specialised transport corridors, which will positively affect organisation of the transport flow, electrification, creation of micromobility infrastructure in cities, etc. The role of railway in passenger transport is strengthened by making railway the backbone of the public transport system.

In the **agricultural sector**, the biggest volume of emissions is generated by tillage, which constitutes more than 60.8% of the total emissions in the agricultural sector in 2017. Emissions from intestinal fermentation of cattle were the second largest source of agricultural emissions, representing 31.2% of total agricultural emissions. Manure management generated 6.8%, while liming and carbamide use together accounted for 1.2% of total agricultural emissions in 2017. The potential for emission

reduction is limited here. The current use of mineral fertilizers on 1 ha of cultivated agricultural land is one of the lowest in the EU, and the utilisation of mineral fertilizers will increase with the development of agricultural production. Replacing the use of mineral fertilizers with the organic fertilizers is hindered significantly by the fact that organic fertilizers in Latvia are not sufficiently available in relation to a low density of livestock. The Ministry of Agriculture in cooperation with the Latvia University of Life Sciences and Technologies have selected cost-efficient measures to reduce GHG emissions, which are planned to be introduced in the Common Agricultural Policy in the next programming period.

In order to reduce GHG emissions, in 2019 and in the first months of 2020 within the Latvian Rural Development Programme for 2014– 2020 support for creation facilities for manure storage was granted to 90 projects with total eligible costs of 11 991.2 thousand EUR, incl. public funding of 7 463.7 thousand EUR, as well as for purchasing of accurate technologies – to 197 projects with total eligible costs of 10 401.3 thousand EUR, incl. public funding of 5 147.2 thousand EUR.

## Research, innovation climate policy integration in sectoral policies, public information

/responsible institution – MEPRD/

The aim is to promote a transfer of products and technologies reducing GHG emissions in Latvia, to increase integration of climate change aspects in sectoral and regional policies and activities, as well as to support measures in order to change public behaviour.

Several studies have been conducted in Latvia in the area of GHG emission reduction and RER. Studies have been financed not only from CCFI, but also from National Research Programme, the Administration of Latvian Environmental Protection Fund, programme *Horizon 2020* and also other project budgets.

In 2019, the project *Raising Capacity for Implementation of LIFE Programme in Latvia* continued where funding provides for implementation of innovative and sustainable environmental quality and climate change projects within *LIFE programme* until 2020.

In 2020, MEPRD is planning to start the implementation of pre-defined projects *Integration of the climate change policy in sectoral and regional policy* within the programme *Reducing Climate Change, Adapting to It and the Environment* co-financed by the Norwegian Financial Instrument. The aim of the project is to establish a system to link policy planning systems of different sectors to the goals of the climate change policy and, where possible, assess the impact on generated greenhouse gas emissions and carbon removals.

A proposal for the *National Climate Change Adaptation Strategy* was developed by implementing several thematic researches to assess risks and vulnerabilities and to identify adjustment measures in 2017. Project

research results were used to prepared the *Latvia's Climate Change Adaptation Plan for the Period until 2030*, which was approved by the Cabinet of Ministers on 17 July 2019. The adaptation plan provides for introduction of more than 80 adaptation measures, which aim to reduce vulnerability of Latvia's people, economy, infrastructure, buildings, and nature to the side effects of climate change and promote the use of opportunities created by climate change. The implementation of measures requires extensive institutional involvement.

In 2019, the implementation of the State Research Programme *Energy* continued, where the ME carries out research in 4 thematic directions in 2018-2021: 1) renewable and local energy sources; 2) energy efficiency; 3) sustainable energy infrastructure and market and 4) analytical framework of national long-term energy policy planning.

On 28 January 2020, the meeting of the Cabinet of Ministers supported the vision developed by the Ministry of Environmental Protection and Regional Development on the achievement of climate neutrality in accordance with the submitted informative report *Latvian strategy for reaching climate neutrality by 2050*. Climate neutrality is a condition where greenhouse gas emissions generated by humans are fully compensated by their removals. It is a condition where human activity has "zero" net impact on the climate system. The achievement of this status requires balancing of greenhouse gas emissions with carbon dioxide removals. The strategy is a long-term vision document, a framework document for policy planners to ensure progress of the entire state, as well as it would lay the

foundation for including in planning documents of all sectors basic principles of low-carbon development. The strategy is planned to be implemented through the following National Energy and Climate Plans, which lay

down specific measures and responsibilities, as well as set deadlines and financing.

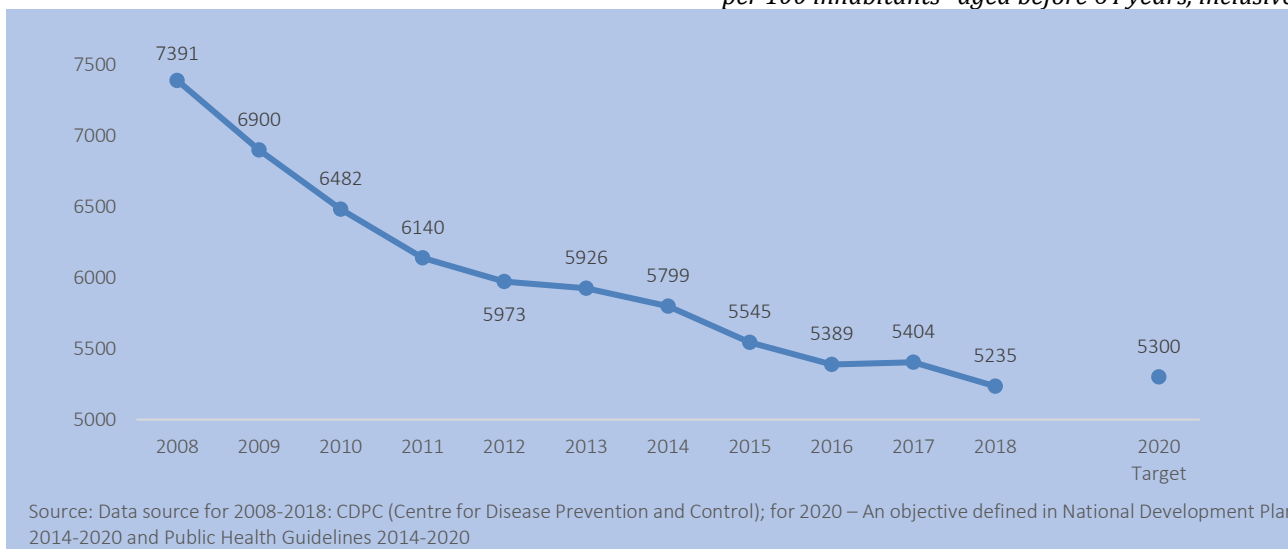
## 4.8. HEALTH CARE

Despite the fact that a number of public **health indicators** in Latvia lag behind the average EU indicators, they are improving gradually.

A steady trend of reduced infant mortality indicators is observed. In 2001, infant mortality rate was 11 per 1000 born alive, while in 2018 the number had reduced to 3.2. The average life expectancy at birth in Latvia has increased over the past ten years, however, it is still amongst the lowest in EU (in 2018 it was 75 years in Latvia and 81 years in the EU). The gender gap in life expectancy is almost ten years, which is the biggest difference in the EU. Life expectancy in Latvia differs not only depending on gender, but also depending on the level of education. The average life expectancy of 30-years old men with the lowest level of education is by 11 years shorter than average life

expectancy of men with higher education, while the difference among women is eight years. This can largely be explained by the fact that less educated people are more subjected to different risk factors. Since people with lower level of education often have lower income and lower level of life, this may also cause a bigger impact of other social and environmental risk factors and to reduce assess healthcare.<sup>70</sup> As premature death reduces, years of potential life lost (hereinafter — YPLL) reduce as well. The *Public Health Guidelines 2014-2020* set the target to reduce the YPLL (up to 64 years) indicator by 11% (to reach 5300 YPLL per 100 000 inhabitants in 2020) by 2020). The progress towards the target is quite rapid and in 2018 a lower level (5235) than that planned in 2020 (5300) was reached.

Figure 3.9  
**Lost years of potential life reduction target**  
*per 100 inhabitants\* aged before 64 years, inclusive*



However, premature mortality in Latvia is still among the highest in the EU. The main cause of the years of potential life lost are diseases of the cardiovascular system, external causes (suicides, traffic accidents) and malignant tumours.

Addressing the persistent underfunding of the health system is essential to improve access to high-quality care.<sup>71</sup> In order to create a sustainable health care system and improve the quality and accessibility of

health care services for Latvian residents, implementation of health care reform continues.

<sup>70</sup> State of Health in the EU · Latvia · Country Health Profile 2019.

<sup>71</sup> State of Health in the EU · Latvia · Country Health Profile 2019.

## The main policy directions and measures:

### Health care funding model, rates and service accessibility

/responsible institution – MH/

The aim of the health care reform is to increase the number of healthy life years among the population and to ensure the required human resources in health care system by improving the quality and accessibility of health care services funded from state budget, as well as raising the wages of medical practitioners.

In order to achieve the goals of the reforms, in 2017, the CM adopted *Conceptual Report on the Reform of the Health Care System*, and additional funding was requested for its implementation for the improvement of availability of outpatient and inpatient health services, raising the wages of medical practitioners and tariff elements of medical services, provision of medical education, payment for reimbursable medicines and medicines purchased in a centralised way.

In accordance with Section 4(2) of the *Law on Healthcare Financing*, starting from 2020 the healthcare general government sector<sup>72</sup> funding should amount to at least 4% of GDP. In 2019, the total budget for the health sector amounted to 1205.7 million EUR (3.96% of GDP), including funding of 154.2 million EUR to continue the implementation of measures of the health care reform. By 142.5 million EUR more than in 2018 were allocated for healthcare in the state budget in 2019. Furthermore, the total budget for the health sector for 2020 amounts to 1 259.5 million EUR or 3.8% of GDP, including funding of 144 million EUR to continue the implementation of measures of the health care reform. In 2021, the maximum permissible amount of expenses in the main state budget is planned at 1 236.3 million EUR, including funding of 144 million EUR to continue the implementation of measures of the health care reform and retained state social insurance contributions to health care of 0.78 million EUR.

In January 2019, the CM adopted an *Informative Report on the Implementation of Health Reform Activities in 2019*, which includes the following measures for the total amount of 154.2 million EUR:

- Improvement of accessibility of healthcare services and reduction of queues;
- Improvement of diagnostics of oncology diseases and treatment accessibility;
- Reduction of infectious diseases;
- Improvement of quality and accessibility of the primary health care system;
- Reduction of cardiovascular diseases and improvement of disease treatment efficiency;
- Carrying out the reform on levels of medical institutions;

- Organisation of a strategic procurement of rehabilitation services;
- Improvement of mental health care;
- Improvement of the environment and effectivisation of infrastructure.

In 2019, the list of state-funded health care services was extended with the following services:

- The screening of genetic diseases was extended with four new examinations to reveal in a timely manner the pathologies that can be treated at an early stage;
- A programme for adolescents to reduce the risk of depression and suicide (implemented by MH in cooperation with the Children's Clinical University Hospital, foundation *Children's Hospital Foundation* and the Adolescent Resources Centre);
- Pain relief healthcare services;
- New state-funded intestinal cancer testing method, which is more convenient is used and more accurate than the previous method;
- Psychoemotional support measures for oncological patients and their families;
- Support services for primarily diagnosed HIV infected person to simplify a visit to a medical institution, to conduct HIV diagnostics and start treatment;
- Mobile units, which ensure HIV and infection risk groups access to potential harm reduction measures;
- Tooth extraction under general anaesthesia in acute situations for patients with group I disability due to mental and behavioural disorders;
- Home visits to people with mental disorders.
- Paediatric rooms in level III, IV, V hospitals providing an opportunity to get paediatrician's consultations in case of an acute disease;
- Vaccination of children (second vaccine) against varicella;
- Vaccination against influenza for pregnant women and children up to 2 years of age.
- Arrhythmology and nurse rooms.

In addition to the aforementioned, the following measures are implemented in 2019 to improve the quality and availability of health care services:

- In order to improve the availability of the psychiatry service for children and youths, from 2019/2020 the duration of the academic year for

<sup>72</sup> Within the meaning of Paragraph 2.113 of Annex A to Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May

2013 on the European system of national and regional accounts in the European Union (Text with EEA relevance).

obtaining the speciality of a paediatric psychiatrist reduced by half;

- The *Plan to limit the use and distribution of drugs for 2019-2020* was approved;
- The *Plan for improving the accessibility of mental health care for 2019-2020* was adopted;
- Clinical algorithms, clinical patient paths and relevant quality indicators in three of four priority health areas: in the cardiovascular area, in the field of mental (psychic) health; in the field of perinatal period care and paediatric (starting from neonatal period) care were developed.

On 20 June 2019, amendments to the *Law on Healthcare Financing* entered into force, which extended the deadline (until 31 December 2020) by which the Latvian population, irrespective of making health insurance contributions, may receive healthcare services within the scope of state mandatory health insurance.

On 13 June 2019, the Saeima adopted amendments to the *Law on Healthcare Financing*, which instruct MH to draft and submit to CM by March 2020 a draft law on the uniform scope of state-paid healthcare services and introduction of a comprehensive state mandatory health insurance.

Although waiting lines have reduced compared to the time before the introduction of reforms (see also Chapter 2.2), however, data of the 1<sup>st</sup> half of 2019 evidence that the actual reduction in waiting lines for secondary outpatient healthcare services, which resulted from the effect of the additional allocated funding on the demand for healthcare services, is slower, because a change of habits of patients is observed: those inhabitants of Latvia appear on the line, who did not receive healthcare service earlier due to lines, distance or finances, as well as part of patients switch from paid services to the state-paid healthcare services sector.

The availability of medicines has also increased. Statistical data evidence that in 2017 the Latvian population overpaid almost 25 million EUR when purchasing non-reference medicines<sup>73</sup>. They could save most of this amount by purchasing lower priced medicines of equivalent efficiency. On 16 July 2019,

amendments to CM Regulations *Procedure for Compensation of Expenses on Purchasing of Medicines and Medical Devices Intended for Outpatient Treatment* were adopted, which provided that from 1 April 2020, the doctor will indicate the international nonproprietary name or INN of the medicinal product in the prescription when prescribing medicinal products from the list of reimbursable medicinal products and the pharmacy will provide the patient with a reference or lowest-priced medicinal product of equivalent effectiveness. The purpose of the amendments is to reduce prices of medicines and the amount of co-payments of patients and to improve the availability of medicines by reducing overpayment by patients for medicines by not purchasing lower prices medicines with equivalent therapeutic efficiency. An informative campaign *Rational and economically justified use of medicines to promote patient compliance* will be implemented at the beginning of 2020 to inform doctors, pharmacists and Latvian society in general about these changes and further actions.

In 2020, there are intentions to introduce a state-funded parenteral nutrition, as well as to start working on changes in organisation of healthcare services so that persons with recurrent malignant tumour could receive diagnostics and start treatment in a timely manner.

In order to obtain scientifically sound proposals on the necessary investments and solutions to develop a new patient-oriented integrated model for the provision of care services, including HOSPICE-type services and how to introduce them and a study *Evaluation of the investments needed to develop a new patient-oriented integrated model for the provision of care services for patients with chronic diseases* started and will be conducted by the end of 2021.

Work has started on amendments to the regulatory enactments to improve pharmaceutical care and availability of medicines in less populated areas, changing the geographical and demographic criteria of location of pharmacies, as well as increasing the availability of medicines to the population, eliminating the actual and artificial unavailability of medicines as far as possible, and making wholesale of medicines more transparent.

## Mapping medical institutions, issues of infrastructure, human resource development in health care, and health care system management

/responsible institution – MH/

The breakdown of providers of healthcare services into levels was enshrined in regulatory enactments in 2018, including the types to services to be provided at each level were defined. These requirements entered into force on 1 April 2019. NHS in cooperation with HI will review the compliance of the services provided by hospitals on an annual basis evaluating the count of

medical staff of each hospital, their loads and availability of services. In autumn 2019, HI conducted inspections in 10 hospitals with one of evaluation criteria being compliance of the number of specialists in admission departments with the set hospital level. According to provisional data, 30% of hospitals do not correspond to the set level and the level would have to be revised. The first evaluation of compliance of

<sup>73</sup> Medicines having the same active substance and not the cheapest in their group.

hospital levels and the following review of levels will be completed by the end of 2020.

In order to ensure efficient and high-quality management of the health system, in 2019 HI carried out an assessment of practices of family doctors in implementing the vaccination calendar, as well as an audit of healthcare of stroke patients in inpatient medical facilities. An audit of obstetric services started in 2019 and will continue in 2020.

In order to establish effective workload of human resources in hospitals, from 1 April 2019, a total of 14 paediatric rooms have been set up in level III and IV hospitals to enable children to get help in acute cases in a timely manner, as well as specialist advice on paediatric matters, since the situation has been observed so far that parents go to admission departments of hospitals to receive paediatric healthcare services in the afternoon, in the evening and during night hours, as well as on weekends and holidays (outside the working time of their family doctor).

17 diabetes training rooms have been set up by January 2020.

In December 2016 CM approved the *Informational report on mapping and development reform of systemically important medical institutions*. At the end of 2016, provisions for implementation of EU programming period 2014-2020 investments in highest level hospitals (university, regional and monoprofile hospitals (rehabilitation, obstetrics, and traumatology)) were approved.

In 2018, the implementation of investment projects of EU funds started in 18 hospitals of level I, II and III and in 4 institutions providing urgent medical assistance.

In order to improve the quality and efficiency of healthcare services, hospital collaboration territories were defined in 2017 and ERDF funding was granted to hospitals of levels I, II and III for the development of collaboration territories. Having evaluated the fulfilment of hospital collaboration agreements in 2018, it was concluded that all the territories implemented collaboration in accordance with concluded agreements. Examples of good practice collaboration include: developing joint procedures for patient flow between hospitals at different levels, joint planning of human resources in the collaboration territory, joint planning of provision of health services, etc. By 1 April 2020, hospitals are required to submit reports on the fulfilment of collaboration agreements in 2019 and MH will start a review of these reports accordingly.

The implementation of EU funds investment projects for the improvement of primary healthcare (hereinafter referred to as "PHC") infrastructure started in 2018. 140 project proposals covering more than 200 family doctors' practices were submitted (132 projects approved) and the projects are currently

being implemented. In the first half of 2020, the 2<sup>nd</sup> sub-round of selection of project applications for the improvement of PHC infrastructure will be started for the remaining funding, and there are plans to announce a selection of project applications for the development of primary care centres (see also *Chapter 2.2*).

In 2018, the MH project *Hospital Collaboration Model* supported by the EC Structural Reform Support Service was started, the purpose of which is to develop an effective, well-functioning hospital cooperation models to promote qualitative and effective provision of healthcare services. In developing hospital collaboration there are intentions to develop a strategy for the planning of health services for hospital collaboration territories and guidelines for health authorities regarding the introduction and provision of telemedicine services.

The matter of wages in being resolved to ensure the availability of human resources in health care. The *Conceptual Report on the Reform of the Health Care System* provides that starting from 2021 the average wage of physicians and functional specialists reaches the double average wage of those employed in the national economy, at the same time increasing wages of other medical persons<sup>74</sup>. In order to ensure the necessary increase in wages for employees of the healthcare sector *Amendments to the Law on Healthcare Financing* were made on 13 December 2018. The amendments provide that in 2019, 2020 and 2021 the average wage of employees in the sector increases by 20% annually. In 2019, the average wage of physicians and functional specialists in tariff was raised to 1350 EUR per month (by 20% compared to 2018), for medical and patient care persons and assistants of functional specialists to 810 EUR per month (by 20% compared to 2018), but for medical and patient care support persons – to 540 EUR per month (by 20% compared to 2018). On the other hand, in 2020, the average wage of physicians and functional specialists in tariff was raised to 1485 EUR per month (by 10% compared to 2019), for medical and patient care persons and assistants of functional specialists to 891 EUR per month (by 10% compared to 2019), but for medical and patient care support persons – to 594 EUR per month (by 10% compared to 2019). Active work is currently ongoing on the review of the model of payment of wages to medical practitioners at the initiative of the MH.

Taking into account shortage of human resources and at the same time also continuing to increase wages of medical practitioners as planned, the Saeima adopted *Amendments to the Medical Treatment Law* by extending until 31 December 2021 the period, when Section 53.1 on maximum permissible overtime hours for medical practitioners – 16 hours on average within a seven-day period, and it is calculated in the reporting period not exceeding four months.

<sup>74</sup> Table 12 of the Conceptual report "Health sector budget growth 2018-2023 to increase wages of medical practitioners", p.57.

Starting from academic year 2018/2019 the projected numbers of medical practitioners for full-time work will be taken into account when planning the number of places for interns. In turn, the duration of internship for obtaining a doctor's speciality was reviewed in 2019 to increase the number of specialists in the specific area. In 2019, the duration of internship was shortened for children's psychiatrists and transfusiologists. The duration of internship for children's psychiatrists is 4 years with children's psychiatry as the main speciality.

In order to reduce shortage of medical nurses and promote the development of profession of a nurse in accordance with changing labour market requirements, MH in cooperation with professional industry organisation drafted a conceptual report *On Further Development of Profession of a Nurse*<sup>75</sup>. The aim of the conceptual report is to extend the competence of profession of a nurse (including current surgical, outpatient and intern nurse competences and cancelling the need to get a certificate to start working) to make a nurse more mobile in the labour market. This means simple access to the labour market, thus indirectly contributing to the attraction of nurses to the sector. In 2020, work has started on the development of a regulatory framework necessary for the implementation of the conceptual report.

In 2018, support measures started within the ESF project *Improving the availability of medical and medical support persons outside Riga* to attract medical practitioners (doctors and nurses) to work in regions and thus reduce the lack of these specialists outside Riga. 478 compensation agreements have been

## E-health system

/responsible institution – MH/

E-health is an instrument allowing to ensure a more efficient operation, monitoring and analysis of health care system. E-health system is available to residents, medical institutions, and pharmacies since 12 September 2016. In the e-health portal [www.eveseliba.gov.lv](http://www.eveseliba.gov.lv), residents may access their electronic health card, and medical practitioners may write medical documents, such as e-prescriptions or e-sick-leaves, cards of patients having certain diseases, etc.

In order to ensure regular exchange of information between NHS and users of the E-health system, as well as to better involve users of the system in planning of the development of E-health, in 2019 MH created a council of users of E-health.

## Health promotion and disease prevention

/responsible institution – MH/

Implementation of EU fund-financed health promotion and disease prevention measures continues. National level measures are implemented by MH in cooperation

concluded within the project by the beginning of 2020, of which: assistant nurses – 231; nurses – 73; assistant doctors – 87; midwives – 8; physiotherapists – 11; ergotherapists – 2; doctors – 66. Most of new nurses were attracted in Vidzeme and Latgale, where new specialists will work in the Emergency Medical Service, Vidzeme Hospital, Cēsis Clinic, Daugavpils Regional Hospital, Strenči and Daugavpils Psychoneurological Hospitals.

In 2018 under the EU funds programming period 2014-2020 continuous education support measures for medical practitioners were started enabling to raise qualification and renewal of medical practitioners' certificates, allowing a medical practitioner not practising in his/her speciality to return to the labour market.

In order to improve supervision of capital companies, in which MH is a holder of capital shares, as well as to contribute to greater transparency in operations of capital companies and introduce internationally recognised good governance conditions, councils of capital companies were approved in February 2020.

In 2019, NHS conducted a strategic procurement of inpatient medical rehabilitation services based on previously developed service provider selection criteria.

A strategic selection of rehabilitation services for a day hospital is expected in 2020 to ensure uniform requirements to the number of attracted specialists, the technology used and patient selection criteria for receiving the service, which are necessary to reach the goal of rehabilitation.

E-health infrastructure improvement works were conducted at the end of 2019, which resulted in progress in stabilisation of functioning of the E-health system, regular interruptions in its functioning at the times of intensive use were prevented, as well as additional infrastructure improvements are expected to be introduced in the 1<sup>st</sup> half of 2020. The development of the e-health system is planned in addition.

In 2019, a new solution meeting modern requirements and needs was developed for the national register of HIV/AIDS cases, which will improve the collection, storage and use of epidemiological data on HIV/AIDS cases and reduce the administrative burden on medical practitioners.

with its delegated institutions, while 95 municipalities are implementing projects for local level health promotion and disease prevention in the local

<sup>75</sup> Order of the Cabinet of Ministers No. 537 of 29 October 2019.

community. EU fund-financed health promotion and disease prevention measures in other 24 municipalities are implemented by CDPC.<sup>76</sup>

On 14 August 2019, a new policy planning document *Plan on restriction of antimicrobial resistance and cautious use of antibiotics "One health" 2019-2020*<sup>77</sup> was approved, which provides a number of new initiatives in the health policy to reduce spreading of antimicrobial resistance and promote responsible and cautious use of antibiotics.

The draft *Action plan for reduction of consumption of alcoholic beverages and restriction of alcoholism 2020-2022* has been prepared, which aims to take alcohol consumption prevention measures, as well as to limit the availability and marketing of alcoholic beverages at the same time improving alcohol addiction treatment and rehabilitation services.

In order to ensure early detection of HIV infection, funding for operation of a mobile unit for low threshold services was provided within the scope of the health care reform. In turn, in order to promote access of persons infected by HIV to doctors for confirmation of their diagnosis and starting of treatment, as well as to support continuation of treatment of the person infected with HIV, a support person service for persons infected with HIV started within the scope of the health care reform in 2019. In order to promote compliance of persons infected with HIV, payment for services of a compliance room from state budget funds has started within the scope of the reform. Also, in 2019, a new solution meeting modern requirements and needs was developed for the national register of HIV/AIDS cases, which will improve the collection, storage and use of

epidemiological data on HIV/AIDS cases and reduce the administrative burden on medical practitioners, thus one of the most important instruments helping to supervise and restrict spreading of HIV/AIDS in Latvia will be improved.

In order to educate society on different public health matters different educational programmes and informative campaigns are implemented. For example, from 2017 to the end of 2019, a pedagogical museum programme *Sexual and reproductive health* for pupils of forms 9 – 12 was available in the Pauls Stradiņš Museum of the History of Medicine and by the end of 2019 was attended by 659 person, and the Pauls Stradiņš Museum of the History of Medicine also had an exhibition *Sexual and reproductive health*. Informative educational handouts *Relationship and health – my responsibility!*, *HIV infection, Girls, boys and puberty* were also drafted.

Two public information campaigns were implemented in 2019:

- *Kustinācija* aiming to stimulate people to move on a regular basis. Informative materials have been prepared, organisers of classes have been trained, 285 educational institutions have been covered within the scope of the campaign;
- *Force to say No!* aiming to convince people to refuse substances causing dependence. The campaign was implemented in 4 stages, the most successful activities are expected to be continued in 2020.

A mental health promotion campaign against mocking among pupils will be implemented in 2020.

## Improvement of health care quality and patient safety

/responsible institution – MH/

A *Health Care System Quality Improvement and Patient Safety Concept* as well as the action plan to be implemented within it were approved by CM in January 2017. Implementation of the measures continues, and EU fund programming period 2014-2020 resources have been allocated for this purpose. The concept includes measures such as capacity building of health care in the areas of quality and patient safety issue coordination and supervision, setting and monitoring of health care quality and patient safety indicators, improvement of procedure for monitoring of medical institutions, assessment of clinical guidelines registered in the database of guidelines and approved medical technologies, improvement of medical institutions registration process, educating on health care quality and patient safety issues.

In 2019, clinical algorithms, clinical patient paths and relevant quality indicators in three of four priority health areas: in the cardiovascular area – 24 clinical algorithms and 21 clinical patient paths, in the field of mental (psychic) health – 30 clinical algorithms and 30

clinical paths; in the field of perinatal period care – 30 clinical algorithms and 20 clinical paths and paediatric (starting from neonatal period) care – 17 clinical algorithms and 18 clinical paths. In the fourth priority health area – oncology, the development of clinical algorithms, clinical paths and quality indicators continues. In 2020, clinical algorithms and clinical patient paths are expected to be developed in children's psychiatry. The development of an ICT solution for publication of clinical algorithms and patient paths started.

On 1 September 2019 MH started the project *Development of a patient survey on the quality of healthcare services in the country and integration of the results of this survey in the Health System Performance Assessment (HSPA) system* financed by the EC Structural Reform Support Programme 2017-2020. Its aim is to introduce a uniform and systematic collection of data on patient-reported experience measures (PREMs) in the country. The pilot project will start in July 2020 and seven medical institutions have

<sup>76</sup> More information at <https://www.esparveselibu.lv/>

<sup>77</sup> Regulations of the Cabinet of Ministers No 402 of 14 August 2019.

expressed their wish to participate in it. The project will finish on 1 July 2021.

## 4.9. TRANSPORT, ENERGY AND ENVIRONMENTAL INFRASTRUCTURE

The main aim of the transport policy development is a competitive, sustainable and co-modal transport system that can ensure high quality mobility. In order to achieve this, the work must be focused on two directions – to increase competitiveness of Latvian transit and logistics services, as well as to ensure internal and external accessibility and high quality mobility throughout the country.

The **transport infrastructure** network in the country is sufficient to ensure domestic mobility and international accessibility. However, the quality (primary) and sustainable development of the network plays a major role.

An assessment of both state and municipal roads and streets shows that the overall technical condition of roads is insufficient and does not correspond to the needs of economic, safe, convenient, and environmentally friendly traffic. Approximately 37% of the roads with asphalt surface are in a bad or very bad condition in 2019. Approximately 51% of gravel roads are in a bad condition.

The condition of **railway infrastructure** is good. There are issues of a technical nature in several railway hubs and there is an increased focus on solving these. Works for restoration of infrastructure objects, incl. repairs of railway tracks and repairs of railway crossings, were conducted in 2019. *SJSC Latvijas dzelzceļš*, with co-financing of the CF, has implemented and is implementing several infrastructure development projects, incl. projects for modernisation of most important railway hubs and railway passenger infrastructure modernisation projects. The implementation of the *Rail Baltica* project continues, incl. by developing Riga into a multimodal transport hub integrated into the TEN-T network, creating a single link to Riga railway station, airport and bus terminal and promoting integration of *Rail Baltica* into the existing public transport network. Three agreements on co-financing of the Connecting Europe Facility (CEF) for the project have been signed in the period of time until 2020 resulting in the available funding in Latvia amounting to 292 million EUR. The designing of all 6 Latvian *Rail Baltica* track sections is progressing as per schedule – 3 designing works agreements for the central part (130 km) and 1 designing and construction agreement (Riga Central Hub and related infrastructure) have been signed, round 1 of the procurement for construction of the connection of *Rail Baltica* to the *Riga* International Airport completed in February 2020 and the procurement for the designing of the two other track sections (135 km) will complete in December 2020. The designing of the track is expected to be completed by December 2022, the construction stage depends on the available funding. The Baltic States are currently

working actively on the preparation of the next applications for funding – an application for funding for the CEF project tender 6 (CEF6) was submitted in February 2020 and work is ongoing on the preparation of the next application for funding (CEF7), as well as on the development of the model of implementation of the *Rail Baltica* integrated project and an infrastructure management model.

Development of **aviation sector** is successful providing a crucial precondition for economic growth. In 2019, the national carrier *JSC Air Baltic Corporation* served over 5 million of passengers for the first time in the history of its existence, which is 22% more than in 2018. In turn, the number of passengers served by *SJSC Riga International Airport* in 2019 reached 7.8 million, which is 10.5% more than in 2018, thus strengthening positions of Riga as a regional air traffic centre and promoting the development of the *Riga* airport as an important centre of North European air traffic. The demand for the regular flights on route Liepāja – Riga – Liepāja by *JSC Air Baltic Corporation* continues to grow, thus improving the accessibility of the region and promoting economic development of the region. In 2019, the Liepāja Airport served 14 082 passengers (including 13 835 passengers in regular traffic, which is 48.5% more than in 2018).

2019 was important in the field of improvement of **energy infrastructure and interconnections**, because *Kurzeme Ring*, the biggest electricity transmission object since Latvia regained its independence, was commissioned – 330 kV electricity transmission line Ventspils-Tume-Imanta, which significantly improves safety of power supply in the Western region of Latvia and is a basis for potential construction of wind energy infrastructure. The construction of the 3<sup>rd</sup> Estonia-Latvia interconnection has progressed considerably and is expected to be completed at the end of 2020, thus fostering cross-border power throughput and market integration through the 3<sup>rd</sup> Estonia-Latvia interconnection. One of the projects prioritised by the EC continues – synchronisation of Baltic States with the network of the continental Europe, which is expected to be concluded in 2025 and the implementation of phase 1 of which in the territory of Latvia in 2019 was co-financed by the EC by CEF funding of 57.75 million EUR. The Baltic States synchronisation project will significantly strengthen energy independence and security of the system, in particular, in technical terms.

The interconnectivity target of Latvia (10%) has been exceeded for several years and according to the data provided by *JSC Augstsprieguma tīkls* was 61% at the beginning of 2020.

At the beginning of 2019, a decision was made to grant 44 million EUR EC co-funding from CEF for

modernisation of the Inčukalns underground gas storage facility investing 88 million EUR in total by 2025. At the same time, the implementation of the Latvia-Lithuania gas interconnection modernisation project to increase transmission capacities and therefore strengthen energy security of countries, in particular after the completion of the Polish-Lithuanian interconnection *GIPL*. EC co-funding for financing of construction of the Latvia-Lithuania interconnection amounting almost to 4.9 million EUR was received at the end of 2019.

The development aim of the **environmental protection infrastructure** is to ensure quality water management services for the Latvian population by improving and developing water management, to prevent the risk of threats caused by floods and erosion in the cities, to reduce the risk of flood in rural territories, thus preventing flooding of strategically important infrastructure objects and reducing the number of flooded territories, to ensure the reuse and regeneration of waste, as well as to continue separate waste collection and sorting. It is also crucial to promote the preservation of biological diversity by creating an anthropogenic load reducing infrastructure in *Nature 2000* territories, to ensure completion of rehabilitation of areas historically contaminated with oil products, and revitalisation of degraded territories of municipalities, as well as improve environmental monitoring infrastructure and societal participation in environment management. Within EU fund programming period 2014-2020, funding from EU funds amounting to 483.9 million EUR is available for the improvement of environmental protection infrastructure – eight specific objectives and measures, including revitalisation of degraded territories of municipalities (incl. Riga):

- a) for the reduction of the risk of floods – 10 project implementation contracts for the total ERDF funding of 24.3 million EUR have been concluded, including one project has been completed, by 31 December 2019. The introduction of the projects continued in 2019. 28 387 inhabitants in Ventspils and Ogre have been protected from the threat of flood at the same time preventing the risk of flooding of 15 objects, thus reducing potential threat of pollution being discharged to the environment;
  - b) for the development of waste management – contracts on the implementation of 7 projects have been concluded (CF funding – 50.4 million EUR), although the demand for funding for treatment of biologically degradable waste within the open tender was double the funding available. All four separate waste connection system development projects have been completed constructing 36 separate waste collection points and 2 fields, as well as purchasing 2 vehicles serving the separate waste collection route, thus improving the availability of the separate waste collection service in Ādaži, Ikšķile, Daugavpils and Jelgava.
- 1 859 tons of waste per year will be collected separately in the infrastructure created within the project. The introduction of waste treatment and regeneration projects continued in 2019;
- c) for the development of waste management services – contracts for the implementation of 46 projects for total VF funding of 101.4 million EUR or 95% of available CF funding have been concluded, including the implementation of two projects in Olaine and Roja has been completed, by 31 December 2019. Since the beginning of the project, the number of users of centralised wastewater collection services has increased by 4 150 inhabitants, whose connection were built within the scope of the projects;
  - d) to ensure preservation of biological diversity – the construction and restoration of all the infrastructure planned in 13 projects has been completed by the beginning of 2019 (ERDF funding – 3 million EUR) in 12 specially protected nature territories, which are included in the network of protected territories of importance at EU level. Activities were implemented within the projects in accordance with the nature protection plan of the respective territory, which intend to mitigate the impact on nature values to be protected from the human impact. The plank-ways, stairs, watchtowers, recreation sites and other types of objects have been created within the projects reducing anthropogenic impact on more than 48 000 ha of habitats in total;
  - e) for promotion of the development of the environmental monitoring and control system – contracts for the implementation of four projects for the total CF funding of 22.8 million EUR have been concluded by 31 December 2019. Their implementation continues in 2019, incl. one of the most important projects in the field of nature protection in recent years – mapping of habitats. Studying the data of nature values has been conducted in more than half of the land territory of Latvia to evaluate the status of nature protection in a comprehensive study;
  - f) for rehabilitation of polluted areas – the implementation of the project for rehabilitation of Inčukalns sulphuric acid tar ponds continued for the total ERDF funding of 24.9 million EUR;
  - g) revitalisation of territories of municipalities, incl. Riga – 75 contracts have been concluded for the implementation of projects by 31 December 2019 for total ERDF funding of 157.5 million EUR or 65.6% of available ERDF funding, including 24 projects were completed (ERDF funding of 25 million EUR). 677 new jobs have been created and 98.09 million EUR of non-financial investments have been raised within the scope of implementation of the projects.

A positive EC's decision on compliance with the EU funds performance framework was received in 2019

allowing to use the planned performance reserve funding in environmental specific objectives.

## The main policy directions and measures:

### Ensuring a high quality and competitive infrastructure of logistics and transit services

/responsible institution – MT/

The measure aims to increase the competitiveness of logistics services and ensure carrying capacity of EU's external borders in accordance with potential freight and passenger traffic flow.

Unified participation of businesses in transit and logistics sectors in international exhibitions, conferences is ensured in cooperation with non-governmental organisations fostering awareness of the Latvian transit corridor. In 2019, the sector participated in nine international exhibitions under a unified industry logo VIALATVIA.

Work has started on the assessment of the port activity model and on the introduction of OECD principles in port management.

In order to ensure sustainable transport infrastructure and transport and logistics services of good quality, CF and ERDF support measures are combined in the EU funds 2014-2020 programming period promoting sustainability and achievement of effective results. CF and ERDF support for the transport sector is planned in the way to foster ensuring of qualitative transport infrastructure (incl. roads, railway, TEN-T link to cities, Riga Airport, large ports).

Areas of support:

- Sustainable transportation system (main motorways, ports, railway, Riga International Airport, TEN-T infrastructure of centres of national importance, regional roads);
- Promotion of low carbon emissions in transport (network of electrical chargers for cars; tram infrastructure in Liepāja and Daugavpils; passenger buses in other development centres of national importance).

In 2019, the implementation of approved projects continued in the following areas: main motorways, ports, railway, Riga International Airport, TEN-T infrastructure of centres of national importance, regional roads, network of electrical chargers for cars; tram infrastructure in Liepāja and Daugavpils; passenger buses in other development centres of national importance.

### Constructing state regional roads

/responsible institution – MT/

State regional roads are constructed with the ERDF co-financing. The total public financing for regional roads for 2016-2019 was 220.5 million EUR, including in 2019 – 37.7 million EUR.

217.6 km of state regional roads were constructed, incl. the total length of regional roads restored within the

In 2019, national level coordination of selection of projects financed by the Connecting Europe Facility (hereinafter referred to as CEF) was ensured. In 2019, EC supported one project with participation of Latvia – project of *SJSC Latvijas dzelzceļš Creation of an interoperable railway system in the Baltic States*. The project is expected to be implemented in cooperation with the Estonian company *AS Eesti Raudtee*.

Activities intended in the project: 1) analysis of the possibility of introducing a telematics application for passengers and cargo (law; business model; processes; system architecture); 2) development of a total system concept; 3) introduction the prototype of a real-time railway transport management system; 4) development of technical specifications and purchasing/deployment of systems (infrastructure management and interoperability with CIS railway system). The implementation of EU funds programming period 2014-2020 project *Development of a Safe and Environmentally-Friendly Infrastructure in the International Airport Riga* continued.

In the area of air transport, an extension of passenger service infrastructure, the modernisation of the aircraft control system and further development of the cargo handling sector is important due to rapidly growing numbers of passengers and amount of cargo handled. Therefore, in 2019 the Riga Airport started to develop a construction project for the second stage of extension of the passenger terminal, which will be connected to the *Rail Baltica* railway station forming a single passenger service complex and ensuring a convenient and quick connection not only with the capital of Latvia, but in the future also the entire *Rail Baltica* network, to develop a construction project for round 6 of extension and to construct a new load apron. The procurement procedure for construction of a new air traffic control tower, which will allow to deploy and use latest technologies in air traffic control.

In 2020, monitoring of specific support objectives within EU funds programming period 2014-2020, as well as coordination of CEF-financed project selection will be continued.

projects financed by the EU funds amounted to 58.1 km in 2019. In 2020, the construction works of state regional roads connecting international, national and regional level development hubs with TEN-T road network was continued as a part of EU funds programming period 2014-2020.

During 2020, construction works will be completed in another 58.7 km of state regional roads within the EU fund finances projects. Since the beginning of the period and until the end of 2020, in total 335.7 km of state regional roads are planned to be constructed. In

### Improving energy market and infrastructure

/responsible institution – ME/

Changes in the electricity market resulted in a reduction of the final electricity price from 1 January 2020, which was fostered by the approval of a new distribution system service tariff. Depending on the selected connection method and the variable part of the consumption distribution tariff will reduce within 7%–20%, thus reducing the total electricity bill by 5.5% of average.

A considerable reform with regard to the electricity transmission system operator ownership model was conducted in 2019 and from 1 June 2020 JSC *Augstsprieguma tīkls* will not only be a transmission system operator, but also the owner of the transmission system (transmission system infrastructure – poles, lines, substations, etc.) instead of current JSC *Latvijas elektriskie tīkli*.

On 21 May 2019, the Cabinet of Ministers approved a political roadmap for synchronisation of Latvian power grids with the European electricity system in 2025, as well as accepted signing of the agreement for accession to the European synchronous zone drafted by JSC *Augstsprieguma tīkls* and other Baltic transmission system operators.

A change in the trading service mechanism for protected users is expected in 2020 allowing any electricity trader to provide the services and apply the service to protected users automatically using the protected user data information system. Similarly, in 2020 there are plans to introduce a legal basis for operations of aggregators and for the development of a demand response service in Latvia.

As to the UN Sustainable Development Goals, the result indicator of Latvia for energy dependence on energy imports was 44.05% in 2017 (target – more than 44.1%).

From 3 April 2017, the **natural gas market** is open for free competition, and in total 24 natural gas traders are currently actively operating on the Latvian market in 2020, and the structure of natural gas supplies has changed and since 2017 Latvian consumers receive natural gas also from the Lithuanian liquefied natural gas terminal in Klaipėda.

In turn, the Finland-Estonia interconnection *Balticconnector* connecting the Finnish natural gas market, which was isolated until now, to Baltic countries, started functioning from 1 January 2020. This is a unique project unprecedented for Europe, which resulted in the creation of a single entry-exit tariff system of Finland, Estonia and Latvia, as well as a single balancing zone of Estonia-Latvia. The single

turn, in 2020, construction works are planned to be commenced in at least 1 new project with the total length of 6.1 km.

entry-exit tariff system ensures that natural gas flows freely throughout the entire tariff zone, thus contributing to market liquidity and competition, as well as providing new opportunities for natural gas traders and users. However, natural gas transmission system operators, regulatory authorities and responsible ministries of these countries do not stop and actively continue work on the implementation of new and ambitious goals, including by progressing towards an extended market zone encouraging other European Union Member States (for example, Lithuania and Poland) to join it.

As the natural gas market liberalisation was implemented, the earlier monopolist JSC *Latvijas Gāze* was reorganised by separating from the company the operator of the transmission system JSC *Conexus Baltic Grid*, which also fulfils the function of a storage system operator, and the operator of the distribution system AS *Gasol*. In order to foster independence of the transmission system operator JSC *Conexus Baltic Grid* from the merchants involved in natural gas and electricity production and trade and to promote the establishment of a regional gas market, in 2017 the electricity transmission system operator JSC *Augstsprieguma tīkls* purchased 34.36% of shares of JSC *Conexus Baltic Grid*.

At the same time, security of natural gas market supply is ensured in free market conditions, because as at the beginning of the heating season of 2019, merchants had pumped into the Inčukalns underground storage facility 17.7 TWh of natural gas, which is sufficient to secure Latvian demand for natural gas during the heating season, when natural gas supply restrictions for deliveries by pipelines are possible. This is also a positive signal from the market, taking into account that 13.4 TWh of natural gas were pumped in before the beginning of the heating season of 2018. In 2018, regulatory framework has been approved providing that natural gas safety reserves shall be maintained in Latvia in the amount required to ensure a continuous supply of natural gas to users to be secured<sup>78</sup> for as long as it takes to avert any possible natural gas supply disruptions.

A *National Risk Assessment of Security of Gas Supply of Latvia 2018* and a *Regional Risk Assessment of Security of Gas Supply of Finland, Estonia, Latvia, Lithuania 2018* were drafted. The Preventive Action Plan of Latvia, which lays down measures to prevent and mitigate identified risks, as well as the Emergency Action Plan of Latvia, which defines roles and duties of natural gas companies and energy producers, competent institutions and other structures, whom the tasks, the

<sup>78</sup> Households, schools, preschool education institutions, hospitals, state and municipal long-term social care and social rehabilitation

institutions, crisis centres and other institutions of social importance and related to security of the state

role and duties are delegated at each crisis level, are being updated.

## Improving the environmental infrastructure

/responsible institutions – MEPRD, MA/

The environmental infrastructure is improved with the CF and the ERDF support, by attracting also state, local government, and private co-financing.

During the programming period 2014-2020, EU fund investments in investments protection were continued in the amount of 284 million EUR<sup>79</sup>. The said funds are diverted to development of environmental infrastructure and environment protection, mainly – expanding the sewage network (107 million EUR), separate waste collection, processing and regeneration infrastructure development (50.2 million EUR), reducing flood risks in cities (28.9 million EUR), and rural territories (total funding – 43.4 million EUR, incl. ERDF funding of 36.8 million EUR), building and reconstruction of infrastructure reducing anthropogenic load in *Natura 2000* territories (3.4 million EUR), biological diversity measures (15.9 million EUR), environment monitoring, improvement of environment control and environment information centre infrastructure (16.9 million EUR), as well as rehabilitation of historically polluted areas (24.9 million EUR). Furthermore, an open tender for rehabilitation of historically polluted places will be implemented in 2020 within the programme *Reducing Climate Change, Adapting to It and the Environment* of the Norwegian Financial Instrument for 2014-2021 (11.0 million EUR).

In order to develop water management system, a project selection for expansion of sewage networks is ongoing. The intention is that after project implementation, the number of actual users will increase by 42 thousand residents extending to 46 agglomerations. Connections of households for more than 4 150 people have been ensured by the end of 2019.

In order to protect 180 thousand persons from the risk of flooding, an additional project application selection is ongoing for implementation of preventive measures against flood risk threats and coastal erosion in several flooding cities. One project has been completed and the implementation of 9 projects continues, and as a result 28 387 inhabitants in Ventspils and Ogre have been protected from the threat of flood at the same time preventing the risk of flooding of 15 objects, thus reducing potential threat of pollution being discharged to the environment.

Works to restore and reconstruct polder pumping stations, protecting dikes and flood control tunnels of national importance continue to reduce the risk of flooding in rural territories. By investing ERDF funds intended in the 2014-2020 programming period for the improvement of melioration infrastructure, *SJSC*

*Zemkopības ministrijas nekustamie īpašumi (ZMNI)* continues to implement the works planned within the measure *To reduce flood risks in rural territories* – to restore and reconstruct hydrotechnical structures belonging to the state, as well as to implement projects to restore flood control tunnels of national importance.

The reconstruction and restoration of 16 structures (polder pumping stations, protecting dikes and flood control tunnels) has completed by 17 February 2020. 6 another structures, which have been reconstructed, are expected to be commissioned by the end of 2020 (incl. 1 – polder pumping station, 1 – protecting dyke, 4 – flood control tunnels). By now, construction works for the total amount of 25.01 million EUR have been implemented.

By implementing approved projects, flood risks have reduced for the total area of 28.6 thousand hectares, reducing the flood risk for 9 876 residents, incl. their buildings, farms and equipment, as well as agricultural and forest lands.

A habitat mapping project continued in 2019, which identified EU especially protected habitat distribution and quality (mapping of habitats) all over Latvia, and ensured the development of protection plans for nature and specially protected species in special areas of conservation. Mapping results will provide with more precise information on condition and quality of nature in Latvia, and will allow to use these data for decision making and the required measures for sustainable management. In 2017-2019 most of Latvian inland territory was surveyed, as well as the development of protection plans for nature started in 15 specially protected nature territories. In 2019 three projects for the improvement of environmental monitoring, environmental control system and infrastructure of environmental information centres, as well as for compliance with the requirements of the *INSPIRE* Directive continued. Investments in all waste management system development measures are made. In 2019, the implementation of four separated waste collection system projects was completed, 8 projects for recycling of domestic, biodegradable and dangerous waste were implemented, as well as the selection of projects for the creation of a waste regeneration plant was completed. Thus, the separated waste collection system will improve, waste recycling, incl. domestic and biologically degradable waste, as well as waste regeneration with energy recovery units will be created. The investments will result in the increase in waste processing capacity by at least 143 608 t/per year, waste regeneration with energy

<sup>79</sup> The scope and breakdown of funding is indicated in accordance with the data for 2019 and may change upon review of the proposal for the

use of the performance reserve funding and balances in the field of environment.

recovery capacity increase by at least 11 000 t/per year, while volumes of sorted waste will grow.

## 4.10. INFORMATION AND COMMUNICATION TECHNOLOGIES

The aim is to ensure equal access to electronic communications across Latvia, to increase the contribution of ICT to the growth and innovation of all sectors of the economy. The activity direction envisages implementation of measures set in the flagship initiative Digital Agenda for Europe of the *Europe 2020* strategy in Latvia.

In order to determine further strategy and policy of the state with regard to the use of artificial intelligence (AI) solutions in Latvia, the informative report *On development of artificial intelligence solutions* was approved at the Cabinet of Ministers on 4 February 2020. The informative report provides an insight into the artificial intelligence (AI) technology, the current situation with the use of AI in the world and in Latvia, describes the potential for growth and challenges, promotes introduction of AI technologies in public administration and in the Latvian national economy in general. The informative report lays down several main development directions:

- To improve education and skills in the field of AI;
- To ensure the availability of data, data transmission and computation capacities;
- To introduce evaluation indicators;
- To introduce AI solutions in public administration and to promote the use of AI in the private sector.

In order to introduce a uniform and efficient ICT management system in public administration, as well as to ensure digital, reachable and effective public administration to the extent possible, the draft law *E-Management Law* was prepared in cooperation with the E-Management Sub-commission of the Sustainable Development Commission of the Saeima and was submitted for review to the Saeima on 7 November 2019. The draft law is based on the idea on introducing such a management model for information and communication technologies (ICT) in public administration, which allows:

- To distribute roles and responsibilities in the ICT management area among different institutions depending on the specifics of their operations, preventing the need to maintain competence to ensure ICT and implement public administration in each institution;
- To make useful use of the finances and human resources related to the use of ICT, preventing fragmentation of ICT means and personnel into separate institutions;
- To ensure ICT support in accordance with the service principle – one institutions (also

private person) provides ICT support in accordance with the needs of other institution;

- To strengthen competence (also capacity) of institutions for the implementation of public administration, using the opportunity to receive ICT support from such institutions, operations of which focus on ensure ICT.

In 2019, 86% of the Latvian population used internet on a regular basis (at least once a week). There were 83% of households with broadband access in Latvia in 2019, which is four percentage points higher than in 2018.

In 2019, Latvia reached the EU average indicator in the use of high speed broadband (share of homes subscribed to high-speed internet above 30 Mb/s), and these were 40.4% of all connections. The number of mobile broadband users per 100 inhabitants increased to 123 (96% in the EU). Communications of 81% of the population with public and municipal authorities were electronic (64% in the EU) and 82% of the population completed online forms (58% in the EU).

The *Guidelines for Development of Information Society for 2014–2020*<sup>80</sup> (hereinafter — the GDIS) define the priorities of the ICT area for the programming period 2014–2020.

The Cyber Security Strategy of Latvia for 2019-2022 defines national cyber security action lines for the period until 2022 to strengthen and develop cyber protection ability, increasing resistance to cyber attacks and promoting public understanding of threats in the cyber space.

The *Development concept of next generation broadband electric communication networks 2013 – 2020* lays down measures to reach the target set in the *Europe 2020* strategy – to improve access of Europeans to high-speed and very high-speed internet.

The *Policy Plan for the Electronic Communications Sector for 2018-2020* was approved in 2018 setting main tasks to be performed in two action lines: 1) to foster provision of qualitative and end user oriented services and to ensure a stable investment environment; 2) to create conditions for the use of innovative technologies. The tasks defined in the plan meet EU priorities in the area of electronic communications, which are defined in the *EC Communication Connectivity for a Competitive Digital Single Market - Towards a European Gigabit Society* of 14 September 2016. The measures included in the plan, for example, development of a roadmap for the Latvian 5G mobile communications network, will make a contribution to the fulfilment of tasks, which should be performed by EU Member States by 2025.

<sup>80</sup> Adopted by CM in October 2013.

CM at its meeting of 18 February 2020 approved the informative report *Guide to the Deployment of Fifth Generation (5G) Public Mobile Electronic Communication Networks in Latvia*, which aims to

provide a vision of the aspects of the deployment of 5G mobile communication networks in Latvia.

## **The main policy directions and measures:**

### **Infrastructure development**

/responsible institution – MT/

The aim is to ensure equal access to electronic communication services across Latvia.

The broadband network is being developed based on the EU recommendations and in those geographical areas where there is no efficient competition and where no next generation networks would be established in the nearest future without the public support. By the end of 2020, in the second stage of the state support programme *Next Generation Networks in Rural Territories* the total length of optical cable lines built will increase by approximately 2000 km and the number of optical network access points will increase

by at least 220 points. The created optical access points offer the possibility to at least five electronic communication merchants to create “last mile” connections to provide broadband internet access services to end users on equal, non-discriminating conditions. Optical network construction works started in spring 2018 and continue in 2019, 2020. In accordance with the initiative driven by the EC to improve the availability of the broadband, MT provides advisory support in the implementation of the broadband project within the scope of fulfilment of functions of the Broadband Competence Office (BCO).

### **Ensuring access to digital content and e-services**

/responsible institution – MEPRD, MC, MH/

The aim is to increase the amount of digital content and the number of e-services thus ensuring their wider use.

Within specific objective 2.2.1 *To ensure an increase in the reuse of public data and an efficient interaction between public administration and the private sector* of the EU funds programming period 2014-2020, the total EU funds financing for implementation of ICT projects is 128.8 million EUR. The said EU fund financing shall be diverted to measures improving and developing the public administration data exchange, data publishing, and maintenance infrastructure, data accessibility and possibilities to use them, as well as improving public administration processes (including measures reducing the administrative burden and increasing the efficiency of public administration organization process). Within the project digitalization of cultural heritage and adjustment of services for cooperation in the European Single Market are supported.

Within EU fund programming period 2014-2020, the implementation of 48 projects continued with total ERDF funding of 107.9 million EUR.

Two projects have been completed (ERDF funding of 3.4 million EUR) – project of the Culture Information Systems Centre *Machine translation* and project of *SJSC Latvijas Valsts radio un televīzijas centrs LUDC network, safety platform and LUDC shared part*.

In 2019, 8 descriptions of projects for the second stage of public administration ICT development were prepared and approved by CM, including them in the state joint ICT infrastructure, within the scope of which investments from EU funds are intended to be diverted for further development of IS of Construction processes, creation of multichannel technological solutions for public services at SSIA, creation of an

integrated new generation IS for internal affairs, digitalisation of the cultural heritage content, etc.

A language technology platform *Hugo.lv* has been available since December 2018, which uses neural network machine translation, speech recognition and speech synthesis. In 2019, work continued on the project *Machine Translation Round 2*, as a result of which a platform of virtual assistants of public administration will be created, which provides information services in the form of an innovative natural language dialogue, ensuring users friendly use in online communication environments. Several virtual assistance were created on the basis of the platform in 2019 – UNA of the Register of Enterprises, TOMS of the State Revenue Service, JUSTS of the Court Administration. A joint public administration virtual assistance is being created, which will be deployed on the Single Platform of Websites created by SC.

In 2017, the National Library of Latvia in cooperation with the Culture Information Systems Centre, the National Archives of Latvia and the National Cultural Heritage Administration started the implementation of ERDF project *Digitalisation of Cultural Heritage Content (Round 1)* and in 2019 started the implementation of round 2 of the project. It is planned to develop single open information system platform and its components, to create cultural heritage digitalisation competence centres, etc. The matters of copyright, long-term preservation of digital cultural heritage and creation and reuse of open data in the cultural sectors are resolved within the scope of the project. Extensive digitalisation of cultural heritage collections has been carried out within round 1 of the project by February 2020, incl. 3.075 million pages of text documents, 117 thousand images, 223 thousand audios, 245 thousand

videos and 25 thousand movie recording minutes have been digitalised, 10 cultural monuments have been 3D scanned and over 28 thousand museum objects have been digitalised, as well as video streaming infrastructure has been created in 29 cultural centres, regions, a digital collection devoted for the General Latvian Song and Dance Festival and a collection of related data *Rainis and Aspazija* has been developed and other activities have been implemented. In the period from 2020 to 2021, round 1 of the project aims to complete the digitalisation activities, to introduce competence centres and to create stage 1 of the Latvian cultural heritage integrated platform. By September 2022, digitalisation of text, image, audio, video and other collections, development of a collection devoted to the industrial heritage of Latvia and finalisation of the development of the single cultural heritage platform, incl. the uniform management of copyright and dissemination of content are expected to be carried out within the scope of round 2 of the project.

In 2018, [www.eveseliba.gov.lv](http://www.eveseliba.gov.lv) started to operate on full scale. A further development of e-health system is planned using funding from EU funds programming period 2014-2020 (also see Chapter 3.5.2).

On 15 February 2017, the *Data-Based Society Action Plan*<sup>81</sup> was approved at the meeting of the Information Society Council, which includes specific activities for democratisation of data, involvement of the society in decision-making and support to the ICT sector focusing on innovative intersectoral products and services.

One of the ME's priorities in building excellent business is to promote the use of digital solutions in business, the digitisation of public services, and to contribute, in general, to the improvement of components of the Digital Economy and Society Index ("DESI") in the field of competence of ME, institutions subordinated to it and other institutions.

In 2020, ME is planning to continue activities related to identifying and exploiting the potential of various contemporary technologies and solutions of the 21<sup>st</sup> century, including negotiation cycles, public educational activities and discussions on the development of the sector of digitalisation. We have successfully developed the concept of the Data-based nation, popularised Latvia's strengths in RIS3 fields of the economic development strategy, and as a result created a unique vision and the first results in the development of Biomedicine, Smart City and Smart Materials ecosystems. Further emphasis will be placed on cooperation with information technology

## Promotion of ICT security

/responsible institutions – MD, MEPRD, MT/

On 17 September 2019, the Cabinet of Ministers approved the informative report *Cyber Security Strategy of Latvia for 2019-2022*, which characterises the Latvia's situation with cyber security, identifies future challenges and defines action lines for the

communication companies and start-ups, corporations, the education sector, state capital companies and other public sector institutions. Such cooperation will primarily allow companies and public service providers to become more digital, more efficient accompanied by experienced mentors and experts, while at the same time gaining an in-depth understanding of the needs of the sector and the possibilities for creating a scalable technology solution.

In order to successfully implement digital transformation by developing technology-based smart solutions that make business processes faster, more convenient and more beneficial, it is necessary to take account of the sequential development of things. Only information in digital format is subject to digital processes, and it is therefore important to contribute significantly to the use of the digital format in internal and external business activities. In order to facilitate a rapid transition from the use of paper format to digital format in business processes and public services provided by public administration, ME intends to take the *Zero paper economy* initiative in cooperation with MEPRD.

The creation of the concept is expected to lead to the development of a sustainable Digital Transformation Strategy for 2021-2030, which correlates with the next programming period of the European Union Structural Funds and its objectives set and activities to be performed, as well as policy planning documents of national importance and the initiatives proposed by the EU, including a steady increase in positions in the DESI index.

The concept of zero paper economy is a coordinated top-down and bottom-up initiative which shows that the parties involved (private and public sector) are involved in the real implementation of digital transformation, achieving the following results:

- The way of thinking of economic operators has changed (paradigm change);
- The demand for digital solutions has increased (innovation);
- The development of new business models;
- CO<sub>2</sub> reduction;
- Real-time processing of data;
- Shadow economy limited.

The initiative is set as one of the priorities of the ME's Action Plan for the improvement of the business environment and is in the phase of development.

national cyber security policy. The Latvian Strategy for Cyber Security for 2019-2022 distinguishes five action lines:

- Promoting cyber security, reducing the risks to digital security,

<sup>81</sup> <https://www.mk.gov.lv/lv/content/informacijas-sabiedribas-padome>

- Resilience of information and communication technologies, strengthening provision of critical information and communication technologies and services to society,
- Public awareness, education and research,
- International cooperation,
- Legality in cyber space and reduction of cyber crimes.

In order to implement the strategy, national regulatory authorities and other stakeholders have received specific tasks in each of the five action lines setting deadlines for implementation and responsible persons.

The strategy highlights cyber security as an element of a comprehensive national defence system. In comprehensive protection of the state, where each member of society is organised to protect the country against all kinds of attacks, both military and non-military, cyber protection is of increasing importance, given the consequences cyber attacks may have for the country and society.

Along with the Cyber Security Strategy of Latvia for 2019-2022 the Cabinet of Ministers also approved the informative report *On the implementation of guidelines for the action plan Cyber Security Strategy of Latvia for 2014-2018*. The report provides information that most of the tasks have been fulfilled or are in the process of execution, as well as point out to three problems which prevented from fully achieving the individual targets set out in the Cyber Security Strategy of Latvia for 2014-2018, and these are: cyber security issues are not always a priority, lack of personnel and lack of funding. Despite this, while the Cyber Security Strategy of Latvia for 2014-2018 was in effect, a regulatory framework was developed and information and communication technology security systems were established in each department. Many of the tasks are performed constantly and will continue to be carried out, such as training and educational activities, exercises and cooperation activities with allies and ICT infrastructure monitoring.

In 2019, penetration tests were still carried out in state ICT solutions and infrastructure, and the early warning system network was expanded, as well as both technical and leadership level cyber-security training was carried out, measures for education of the society in the area of cyber security were taken.

The requirements defined in *Regulation (EU) No. 2016/1148 of the European Parliament and the Council of 6 July 2016 concerning measures for a high common level of security of network and information systems across the Union* have been transposed into Latvian regulatory enactments. New bodies governed by law have been introduced – providers of basic services, which have also been identified in accordance with regulatory enactments, and providers of digital services, who are obliged to report information technology security incidents having serious impact on the basic service or digital service provided by the service providers and to observe specific information system security requirements.

On 26 March 2019, EC distributed the recommendation *Cybersecurity of 5G networks* envisaging a number of measures, which would allow to ensure high level of cyber security for 5G networks. In accordance with the recommendation, the Ministry of Defence in cooperation with other competent authorities conducted a risk assessment for the 5G network infrastructure, including by identifying the most sensitive elements, where security violations would have a negative impact. On 8 October 2019, EC distributed an overview of the risks for 5G networks at EU level. Furthermore, on 29 January 2020 a set of 5G instruments to be implemented by Member States to reduce cyber security risks in 5G networks, and includes recommendations for measures, which should be prioritised in risk impact mitigation plans at the level of Member States and the EU. The offered risk mitigation measures are broken down into two groups, strategic and technical measures, while activities supporting the measures are included into a separate group.

In order to promote wider use of a eID card, on 9 May 2019 the Saeima adopted *Personal Identification Documents Law*, which to determine eID as a mandatory and primary means of personal identification starting from 2023 envisaging a transition period from 2021 to 2022. The amendments provide for a uniform legal framework, which regulate the use of personal identification means practically used in the electronic environment and guarantee access to electronic services provided by the state.

On 26 February 2020, CM approved the *Conceptual Report on the eID card as a valid personal identification document in Saeima elections*, which provides for the use of eID in Saeima elections by introducing an electronic online register of voters and reading of personal identification documents and automated data input using properly configured smart devices.

In 2018, Latvia started to apply provisions of the *Law on Electronic Identification of Natural Persons* applying to qualified and qualified increased security electronic identification services. The first provider of qualified electronic identification services was registered and four of its electronic identification means were qualified, which (1) may be used to request and receive all the electronic identification services provided by national regulatory authorities, as well as to electronically confirm identity and authenticate to the services provided by private persons, where high identification security level is required; (2) are supervised and whose compliance with the law is evaluated by the Digital Safety Supervision Committee; (3) were notified to the EC as a national electronic identification scheme in accordance with *Regulation (EU) No 910/2014 of the European Parliament and of the Council on electronic identification and trust services for electronic transactions in the internal market*.

*SJSC Latvijas Valsts radio un televīzijas centrs (LVRTC)* is the only qualified increased safety qualified service provider of electronic identification services registered in the country. This means that certification of e-

identity using the mobile app *eParaksts mobile*, as well as eID card, *eSignature card* un *eSignature card+* has been performed using a qualified means of electronic identification of increased security.

At the beginning of 2019, in accordance with Regulation (EU) No. 910/2014 of the European Parliament and of the Council on electronic identification and trust services for electronic transactions in the internal market (eIDAS regulation), the Digital Security and Monitoring Committee submitted for review to the EC the first Latvian electronic identification scheme, which includes the four above-mentioned electronic identification means of LVRTC. EU experts have evaluated the electronic identification scheme as the one having a significant and high reliability level. At the end of 2019, EC published in its official journal the national electronic identification scheme notified by Latvia, which means that all the said electronic identification means ensuring confirmation of a person's electronic identity can be used by users to access public administration services in other EU Member States, which require confirmation of identity. The transition period will be 12 months of notification, that is until 20 December 2020.

eID Card, *eParaksts mobile*, *eSignature card* un *eSignature card+* are the only identity confirmation means available in Latvia, which have received accreditation of such level, moreover, Latvia has become the first and currently the only EU Member State, which has developed an e-Identity confirmation means, which is the only fully mobile solution independent of other data carriers.

With support of the CEF co-funded project *eIDAS CEF Project Latvia*, e-services will be adapted to the requirements of the eIDAS Regulation, using the unified login solution provided by the SRDA and the national eIDAS node, ensuring the availability of these services to the persons, who use electronic identification solutions notified by other EU Member States.

In 2019, Latvia was actively involved in the discussions on the Proposal for a Regulation of the European

Parliament and of the Council establishing the European Cybersecurity Industrial, Technology and Research Competence Centre and the Network of National Coordination Centres.

With CEF support, in 2019 the Latvian Safer Internet Centre continues the implementation of the project *Safer Internet* educating and informing the society about safety of children on the internet and ensuring the possibility to report discovered violations on the internet.

The implementation of the specific objective *Establishment of centralised public administration ICT platforms, optimisation and development of public administration processes* co-financed by ERDF continues. The project *LUDC (logically unified data centre) network, safety platform and LUDC shared part* continues, which is a part of the state electronic communication services centre. A centralised high-confidentiality, availability and integrity infrastructure to ensure backup and storage of state information systems and critical infrastructure information systems supervised by national regulatory authorities has been created within the project.

In 2020, the implementation of the tasks set in the Cyber Security Strategy of Latvia for 2019-2022 will be a priority, as well as the work on the implementation of the *Proposal for a regulation of the European Parliament and of the Council establishing the European Cybersecurity Industrial, Technology and Research Competence Centre and the Network of National Coordination Centres, Regulation (EU) 2019/881 of the European Parliament and of the Council on ENISA (the European Union Agency for Cybersecurity) and on information and communications technology cybersecurity certification and repealing Regulation (EU) No 526/2013 (Cybersecurity Act)*, as well as the implementation of the set of 5G instruments and measures for mitigation of selected risks that started in 2019, will continue. Work is ongoing on the establishment of a regulatory framework to introduce single access to the personal electronic identification means necessary for public administration e-services.

## Developing e-skills

/responsible institutions – MEPRD, MES/

The aim is to foster the development of information society by giving the opportunity to the Latvian population to learn e-skills relevant to their education and professional activity.

The e-skills development policy should be seen in the light of the GDIS, where ICT education and e-skills have been identified as one of seven action directions in the GDIS. Activities in the e-skills area should encourage both employees of small and medium-sized enterprises and citizens to learn e-skills.

In order to achieve the GDIS objective to promote e-skills, the following activities have been defined: improvement of e-skills of the population, entrepreneurs and employees of public

administration, training of the employed organised in a form of a partnership, e-skills training for the unemployed and job seekers, including by involving employers, etc.

The implementation of the GDIS is expected to improve the medium level ICT skills of the population, reaching 40% in 2020 and reducing the share of people that have never used internet from 18% to 9% by 2020.

Promotion of the ICT education and e-skills learning will result in improvements of e-commerce, thus enterprise turnover from internet sales will reach 15%

in 2020 and the public administration efficiency (GRICS indicator<sup>82</sup>) will increase to 85 % in 2020.

The implementation of the specific objective *To ensure an increase in the reuse of public data and an efficient interaction between public administration and the private sector* co-financed by ERDF continues. A state unified communication and training activity programme *My Latvia.lv Do it digitally!* is implemented by implementing the project *Public administration information and communication technology architecture management system* and the SRDA project *Service provision and management platform*, within which until 30 June 2020 the society will be informed about various state and municipal e-solutions.

The *computer science programme* content for forms 1-9 is intended to be gradually implemented in all the

general education schools on the state scale, starting from the academic year 2020/2021 – in forms 1, 4, 7, in academic year 2021/2022 – in forms 2, 5 and 8; in academic year 2022/2023 – in forms 3, 6 and 9.

The GDIS envisages the following measures for the promotion of e-skills of teachers in general education schools and heads of education institutions:

- Raising the professional qualification of the teachers, including entrepreneurial and leadership skills, creativity, ICT and language skills, allocating for this purpose an indicative financing of 1.8 million EUR;
- Improvement of practical skills of teachers involved in vocational education and practice supervisors (incl. ICT skills, allocating for this purpose 5 million EUR).

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<sup>82</sup> Governance Research Indicator Country Snapshot.

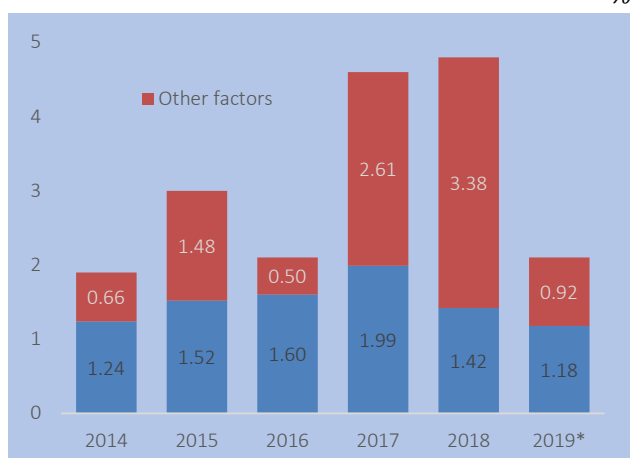
## 5. INVESTMENTS FROM EU FUNDS

### Financing of the EU structural funds of programming period 2014–2020 and its link to the Europe 2020 strategy and impact assessments of EU Funds

Investments from EU Funds have a positive impact on the development of the national economy of Latvia (see Figure 5.1). According to MF's assessments, investments from EU funds secured a real GDP increase of 1.2 percentage points in 2019.

State budget expenses for EU funds investment projects amounted to 719 million EUR in 2018, to 712 million EUR in 2019.

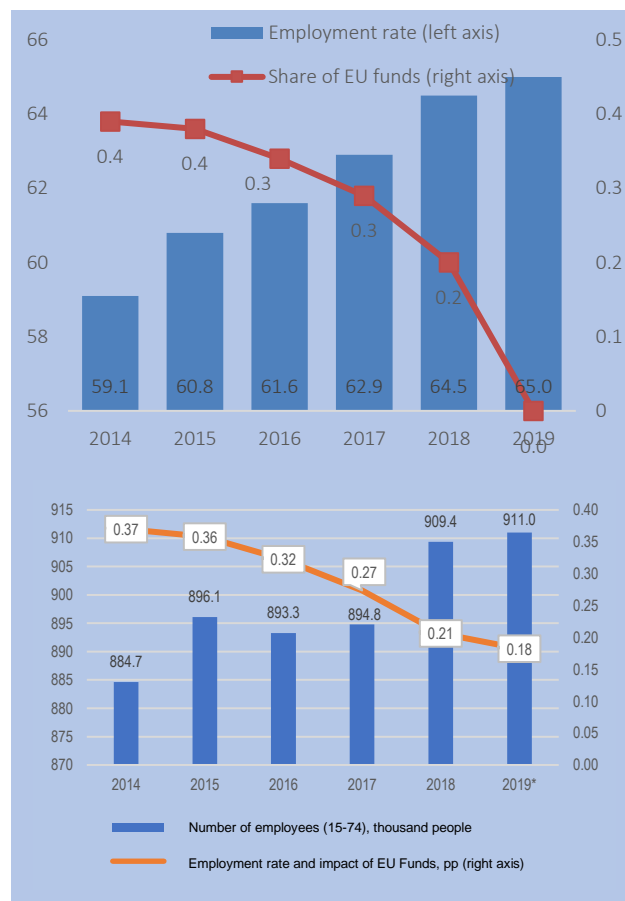
Figure 5.1  
GDP growth and impact of EU Funds  
%



\*Indicators for 2019 are provisional

Investments from EU funds have positively affected the dynamics of employment, increasing the rate of increase in the employed by 0.21 percentage points in 2018 and by 0.18 percentage points in 2019. At the same time, it should be noted that investments from EU funds also increased the level of consumer prices by 0.54 percentage points in 2018 and by 0.57 percentage points in 2019.

Figure 5.2  
Employment rate and impact of EU Funds  
%



In accordance with the thematic objectives laid down in the *Regulation (EU) No. 1303/2013<sup>83</sup> of the European Parliament and the Council* and ensuring a connection between Cohesion policy and strategy *Europe 2020*, the *Partnership Agreement for ESI fund programming period 2014-2020<sup>84</sup>* contains an indicative distribution of EU structural and investment fund financing and indicates connection with the national objectives in the context of *Europe 2020* strategy (see previous Progress Reports on the Implementation of the NRP of Latvia), which is available in Table 5.1<sup>85</sup>.

<sup>83</sup> Regulation (EU) No 1303/2013 of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the

*Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006.*

<sup>84</sup> Approved by CM Order No. 313 of 19 June 2014 *On Partnership Agreement for European Union Investment Fund Programming Period 2014-2020* and EC Decision C(2014)4237 of 20 June 2014 on Approval of Partnership Agreement.

<sup>85</sup> Taking into account the actual allocation of funding at the end of 2018.

Table 5.1  
**Latvian national targets in the context of Europe 2020 strategy and total available funding of EU funds\***

	Initial value	As at 2019 (value reached)	2020	million euro
1. Employment rate (aged 20–64), %	66.6 (2009)	77.4	73	800.4
2. Investment in research and development (% of the GDP)	0.46 (2009)	0.64**	1.5	452.7
3. Higher education (percentage of the population aged 30 to 34 with higher education), %	30.5 (2009)	45.7	34.0-36.0	36.7
4. Share of early school leavers among residents (aged 18-24), %	14.3 (2009)	8.7	13.4	146.4
5. Share of people at-risk-of-poverty, %	26 (2009)	24.2	21.0	353.5
6. Energy efficiency (gross domestic energy consumption), Mtoe	4.6 (2009)	4.18**	to get a reduction of 0.668	118.2
7. Share of renewable energy in the final consumption of gross energy, %	29.9 (2009)	40.29**	up to 40%	118.2
8. Greenhouse gas (GHG) emissions (Mt CO <sub>2</sub> equivalent of total GHG in Latvia or % of GHG emissions of 2005 in sectors outside ETS)				1037.4
Total GHG in Latvia, Mt	11.9 (2008)	9.18(p)	Not to exceed 12.19 Mt CO <sub>2</sub> equivalent	
GHG in sectors outside ETS, %	6.9 (2008)	7.5(p)	does not exceed 17% compared to 2005	

\* EU funds (ERDF, ESF, CF)

Value reached in 2019, (p) projection

Source: [http://www.esfondi.lv/upload/leviesana/statusa\\_tabula\\_2014-2020\\_uz\\_31.12.2019.xlsx](http://www.esfondi.lv/upload/leviesana/statusa_tabula_2014-2020_uz_31.12.2019.xlsx) and Eurostat

In order to update the information on the contribution of this operational programme to the achievement of objectives of the *Europe 2020* strategy, the analysis has been updated, which was carried out in the previous years on specific objectives of the Operational Programme *Growth and Employment*<sup>86</sup> and the supported activities included in it, which are defined in the CM Regulations for the respective measures in accordance with the situation as at 31 December 2019. The breakdown provided in Table 5.2 of the potential impact of investments from EU funds on the achievement of strategic objectives of *Europe 2020* should be evaluated with caution, because it is based on the assumption that supported activities directly or indirectly foster the achievement of strategic objectives of *Europe 2020*. This assumption can be fully tested, when the phase of EU Funds' investments within the 2014-2020 programming period ends and we have an impact assessment of EU Funds based on data on the investments actually made

All investments at the level of measures are analysed determining their direct or indirect effect. The analysis takes into account that the measures may potentially foster several strategic objectives simultaneously. Table 5.2 summarises the latest results of the analysis. The impact of EU funds on the achievement of the targets set in *Europe 2020* strategy will be evaluated in detail after the programming period 2014-2020 closes, using thematic effect assessments and observing the requirements of the EC regulation.

A final assessment of the support to youth employment and participation in education the special allocation within the scope of the *Youth Employment Initiative* (YEI) was made in 2019 in order to determine the feasibility of the investments and their impact on youth employment<sup>87</sup>.

<sup>86</sup> Taking into account the amendments made to the Operational Programme in 2018, which were approved by CM Order No. 485 of 3 October 2018. Changes in the allocation of funding also occur, because when starting to implement a specific measure in accordance

with state aid conditions, the amount of private co-funding to be raised was determined thus increasing to the total national funding.

<sup>87</sup> [http://www.esfondi.lv/upload/izvertejumi/nosleguma\\_izvertejums\\_jauniesu\\_garantija.pdf](http://www.esfondi.lv/upload/izvertejumi/nosleguma_izvertejums_jauniesu_garantija.pdf)

Table 5.2

## Latvian national Europe 2020 strategic targets and execution of the EU funds allocation

		ERDF million EUR	ESF million EUR	CF million EUR	Total million EUR	Total %
1.	Employment rate (aged 20–64), %	503.1	272.2	25.1	800.4	26.13
	(execution)	(237.7)	(151.5)	(4.1)	(393.3)	(49.14)
2.	Investment in research and development	452.7	0.0	0.0	452.7	14.78
	(execution)	(173.2)	(0.0)	(0.0)	(173.2)	(38.26)
3.	Higher education (percentage of the population aged 30 to 34 with higher education), %	6.0	30.7	0.0	36.7	1.2
	(execution)	(3.1)	(6.6)	(0.0)	(9.7)	(26.66)
4.	Share of early school leavers among residents (aged 18-24), %	88.4	58.0	0.0	146.4	4.78
	(execution)	(52.6)	(17.1)	(0.0)	(69.7)	(47.61)
5.	Share of people at-risk-of-poverty, %	193.4	160.1	0.0	353.5	11.54
	(execution)	(50.2)	(48.0)	(0.0)	(98.2)	(27.77)
6.	Energy efficiency (gross domestic energy consumption), Mtoe	90.2	0.0	27.9	118.2	3.86
	(execution)	(34.9)	(0.0)	(11.9)	(46.8)	(39.61)
7.	Share of renewable energy in the final consumption of gross energy, %	90.2	0.0	27.9	118.2	3.86
	(execution)	(34.9)	(0.0)	(11.9)	(46.8)	(39.41)
8, 9	Greenhouse gas (GHG) emissions (Mt CO <sub>2</sub> equivalent of total GHG in Latvia or % of GHG emissions of 2005 in sectors outside ETS)	215.1	0.0	822.3	1037.4	33.86
	(execution)	(133.6)	(0.0)	(221.3)	(354.9)	(34.21)
<b>Total</b>		<b>1639.1</b>	<b>520.9</b>	<b>903.2</b>	<b>3063.3</b>	100
	(execution)	(720.1)	(223.3)	(249.2)	(1192.6)	(38.93)

Source: [http://www.esfondi.lv/upload/leviesana/statusa\\_tabula\\_2014-2020\\_uz\\_31.12.2019.xlsx](http://www.esfondi.lv/upload/leviesana/statusa_tabula_2014-2020_uz_31.12.2019.xlsx)

It has been concluded in the evaluation that more than 28 thousand youths have participated in the support measures, and the support activities have purposefully contributed to the entry of youth in the labour market and education, in particular vocational further education and professional improvement measures. It has been concluded in the evaluation that youths themselves on average evaluate their experiences in the activities positively as their motivation has improved and new contacts were obtained, which have been useful for the youths also in the future.

The total funding available from EMFF in the period 2014-2020 amounts to 139.8 million EUR. The implementation of the *Operational Programme for Development of Fisheries 2014–2020* will help to achieve the strategic objectives of *Europe 2020*, which are set in three flagship initiatives: *Innovation Union*; *Resource efficient Europe*; *Agenda for New Skills and Jobs*.

The EAFRD funding available for 2014-2020 is 1 075.6 million EUR and it helps to implement the *Europe 2020* strategy fostering sustainable rural promoting such development of agricultural sectors and rural territories, which is more balanced in terms of territory and environment, more favourable to the climate, more stable and innovative. The national level objectives, the achievement of which will benefit from targeted investments from the programme are employment rate, investments in R&D, promoting energy efficiency and GHG emissions reduction.

Direct effect means such effect, where contributions from SO or measure are thematically related to the achievement of a *Europe 2020* strategic objective. Direct effect or primary effect are the consequences, which are caused by investments from EU funds, and which is stated immediately after the investments or during investment. Indirect effect comes from such SO and included measures, which plan investments with indirect positive effect on the achievement of *Europe 2020* strategic objectives and/or the target group, for example, the training provided in the work environment indirectly fosters employment.

Indirect effect or secondary effect are the consequences, which are caused by investments from EU funds, and which is stated after a longer period of time and frequently also indirectly. It should be taken into account that the Action Programme includes such support measures, which, in essence, have a cumulative or joint effect. Such effect is the effect, which combines effects from one or more projects funded from EU funds and together cause significant changes or cumulative effect (for example, individual projects, which are implemented in sequence; several projects implemented at the same time, etc.).

Investments from EU funds together make a contribution to the achievement of *Europe 2020* strategic objectives also in cases, when there is no direct/indirect thematic link of investments from SO or measures to Latvian national *Europe 2020* strategic objectives.

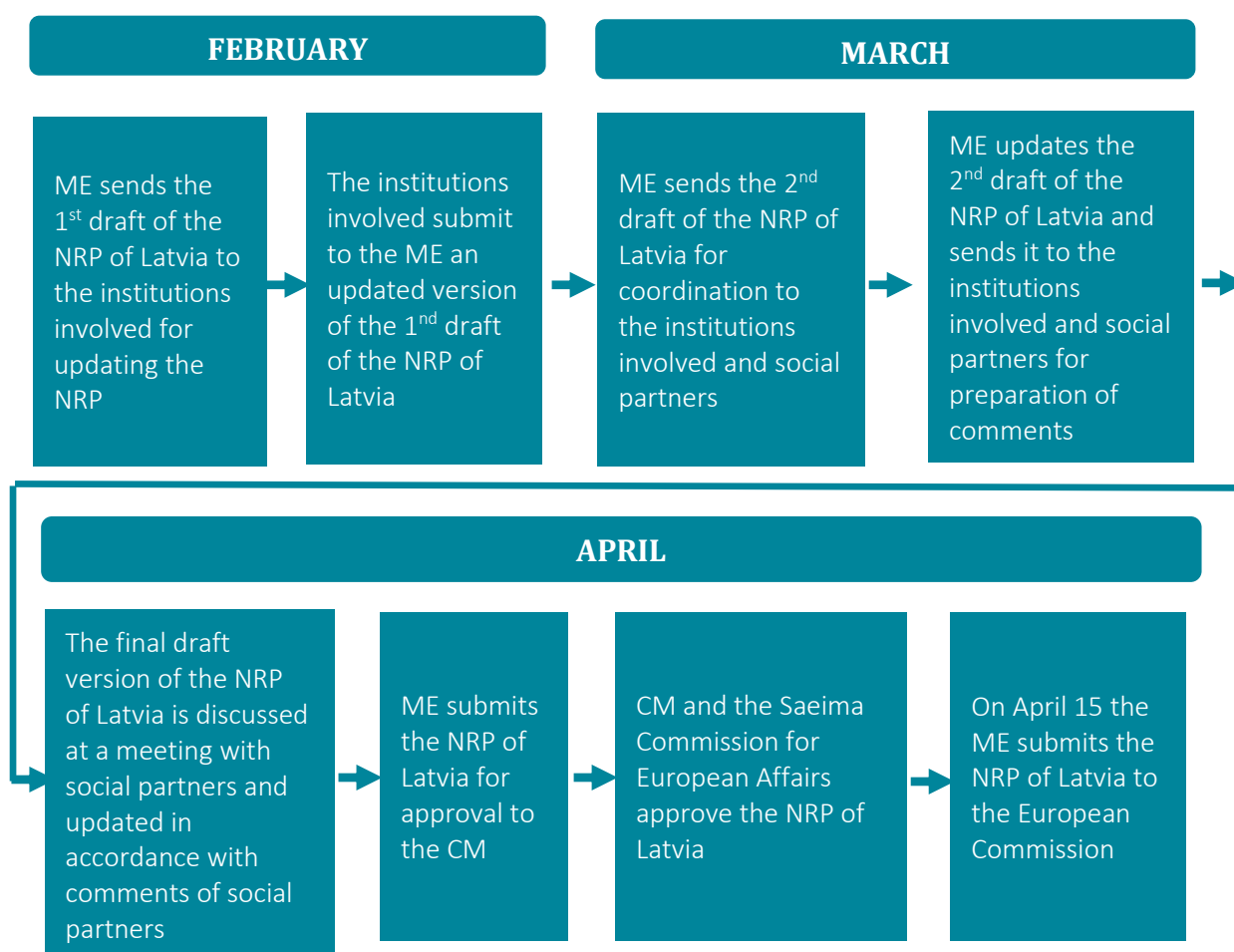
## 6. INVOLVEMENT OF INSTITUTIONAL AND SOCIAL PARTNERS

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. Most of the structural reforms included in the NRP of Latvia are discussed in the National Tripartite Cooperation Council, the National Development Council, the Employment Council and other, as well as in other formats, for example, in the established workgroups, etc. The matters related to Latvia's economic development and competitiveness are discussed on a regular basis in sub-councils of the National Tripartite Council, for example, in the Tripartite Cooperation Sub-council for

Competitiveness and Sustainability, the Tripartite Cooperation Sub-council for Budget and Tax Policy, the Tripartite Cooperation Sub-Council for Employment Affairs, the Tripartite Cooperation Sub-Council for Regional Development, etc. There are regular meetings of Saeima commissions, where discussion are not only on draft regulatory enactments, but also on the topics of development of the national economy of Latvia, for example, the Budget and Finance (Tax) Commission, the Education, Culture and Science Commission, the Economic, Agricultural, Environmental and Regional Policy Commission, the Sustainable Development Commission, etc.

Figure 6.1

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



In accordance with the timetable of progress in the European Semester process and Articles 121 and 148 of the Treaty on the Functioning of the EU, Latvia should update the NRP of Latvia on an annual basis by preparing progress reports on the implementation of the NRP of Latvia, which are closely related to the Stability Programme of Latvia, and both documents are submitted to EC in the middle of April. The Ministry of Economics is responsible for coordination of the

European Semester at national level, including for monitoring the implementation of the NRP of Latvia and preparation of Progress Reports on the implementation of the NRP of Latvia. The annual process of updating the NRP of Latvia and preparation of the Progress Report on the implementation of the NRP of Latvia with involvement of all institutions involved<sup>88</sup>, social partners<sup>89</sup> and non-governmental organisations<sup>90</sup> is shown in Figure 6.1.

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<sup>88</sup> Institutions involved in the development of the NRP of Latvia: ME, MD, MFA, MF, MES, MC, MoW, MT, MJ, MEPRD, MH, MA, CSCC, SC, FCMC, KNAB and FIU.

<sup>89</sup> Social partners: ECL, FTUCL.

<sup>90</sup> Non-governmental organisations – EM cooperation partner: LCCI, LALRG.



**#European Semester**  
**#National Reform Programme of Latvia**  
**#progress**  
**#EU Council Recommendations**  
**#Europe 2020 strategy**