

MISSION
Latvia

Investment climate and a long-term development strategy for Latvia

Raivis Bremšmits

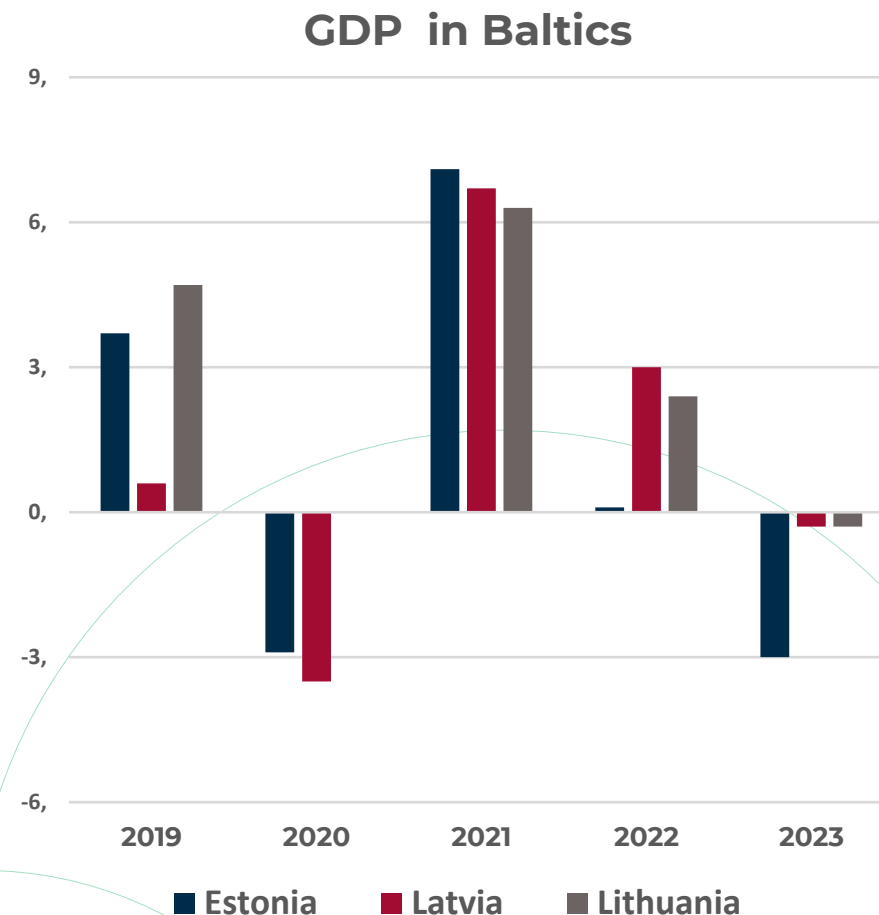
Director General

Investment and Development Agency of Latvia

Government presentations

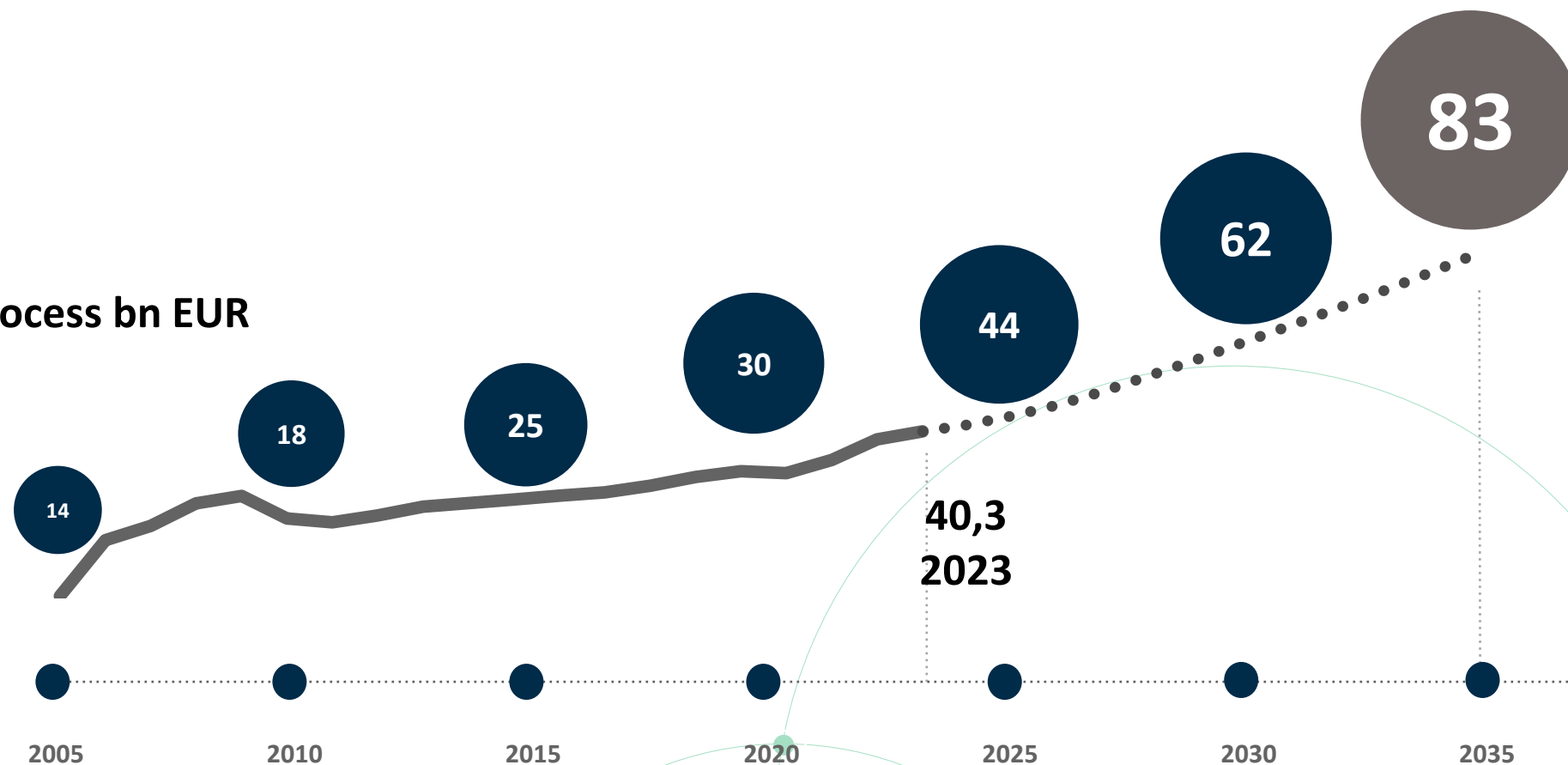
Latvia's Export-Driven Economy and GDP Challenges in 2023

- 70% of Latvia's economy is export-oriented, making it highly dependent on key markets like Germany, Estonia, and Poland.
- In 2023, economic difficulties in these countries weakened demand for Latvian products, negatively impacting Latvia's GDP growth.
- Recovery depends on both boosting domestic demand and improvements in key trading partners' economies.

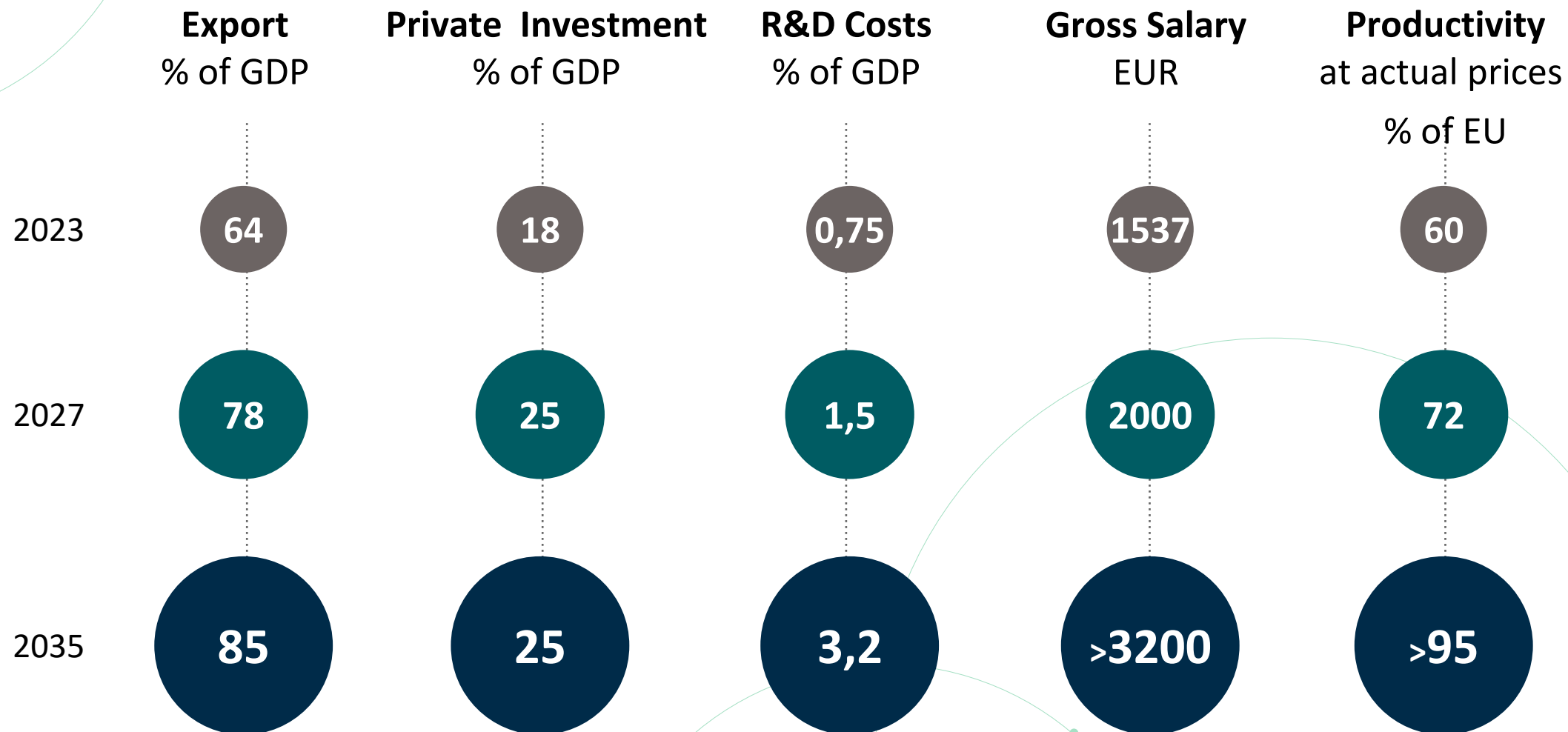


Goal: To double the size of the Latvia economy (GDP) by 2035

GDP at actual process bn EUR



Long and medium term goals



Growing interest – LIAA investment projects

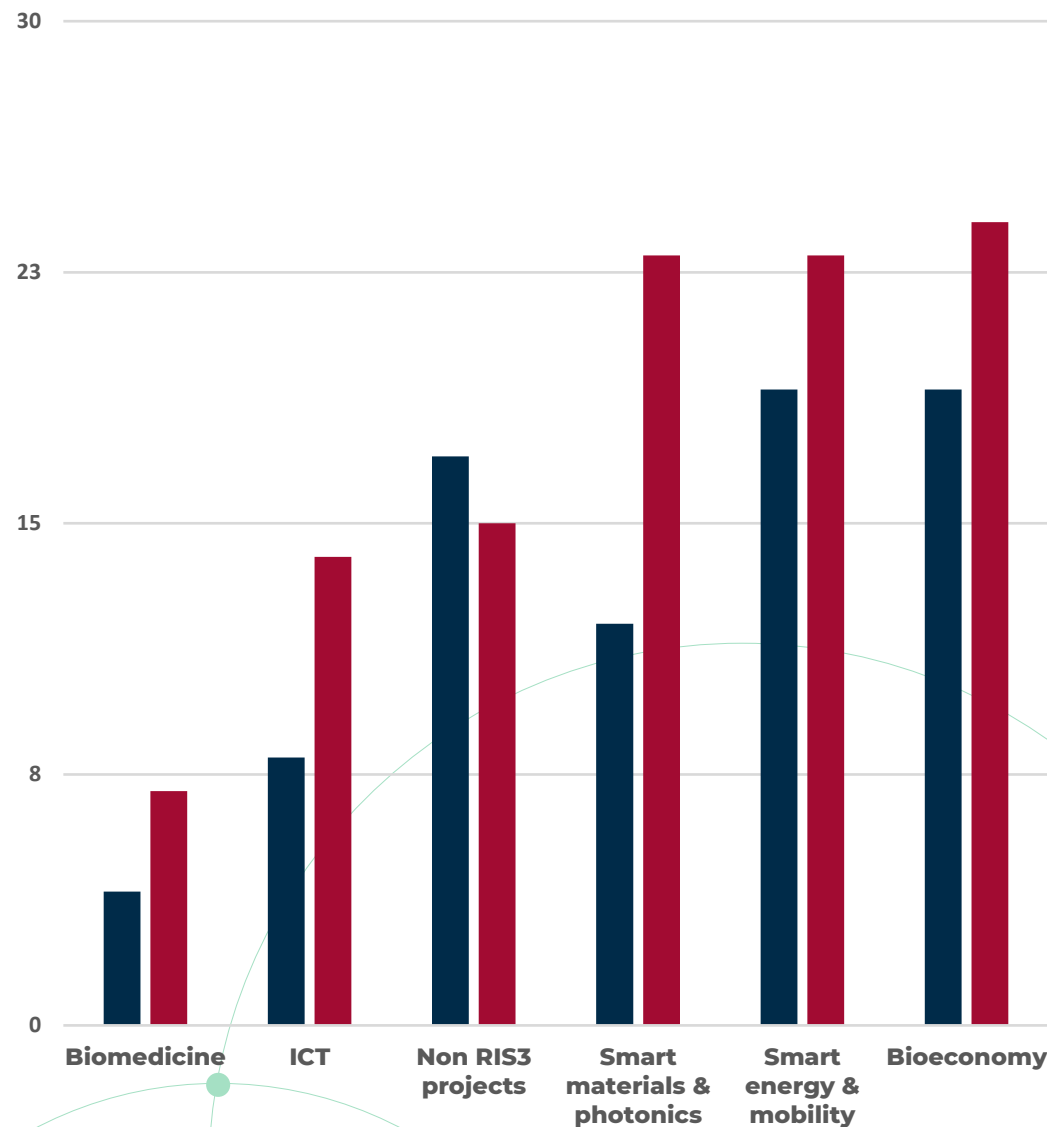
+42% new projects in EUR vs 2023

New projects registered (interest):

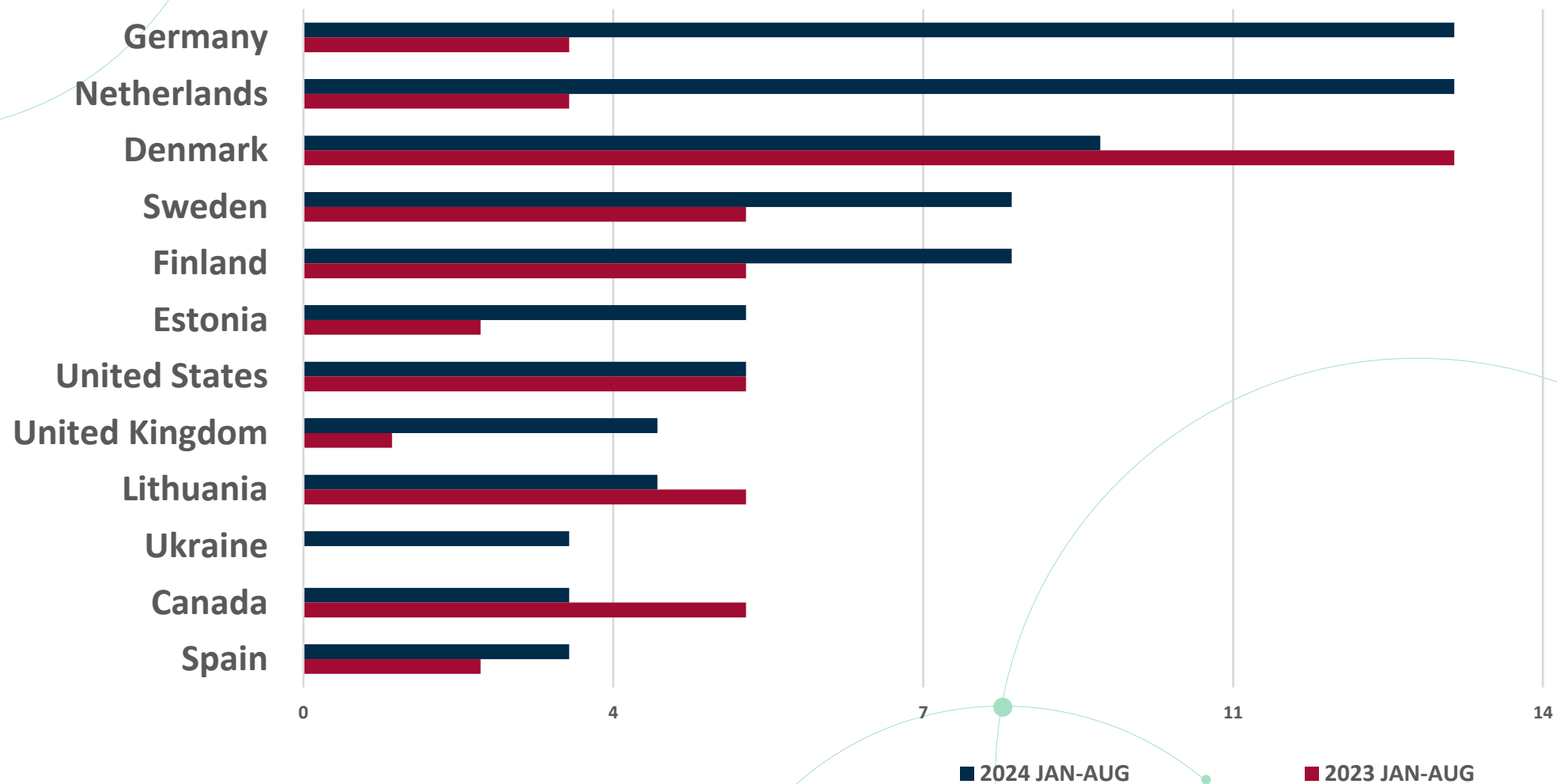
- 2023 investments amount 5.7 B EUR
- 2024 investments amount 8.1 B EUR

Positive decisions 2024 – 29

- Investment volume – 265 M EUR
- New jobs – 1,300



LIAA active investment projects by country, JAN – AUG 2023 & 2024



The largest mission in history

2 B EUR

the total turnover of the companies in the delegation (2023)

16.5 M EUR

in exports to the USA by companies in the delegation (2023)

72

participants

- Energy
- Biotechnology and Pharmaceuticals
- Public Sector, NGOs
- Technology
- Telecommunications
- Business Services
- Manufacturing



Goals

2x

increase in exports
to the USA
(within 3-5 years)

66%

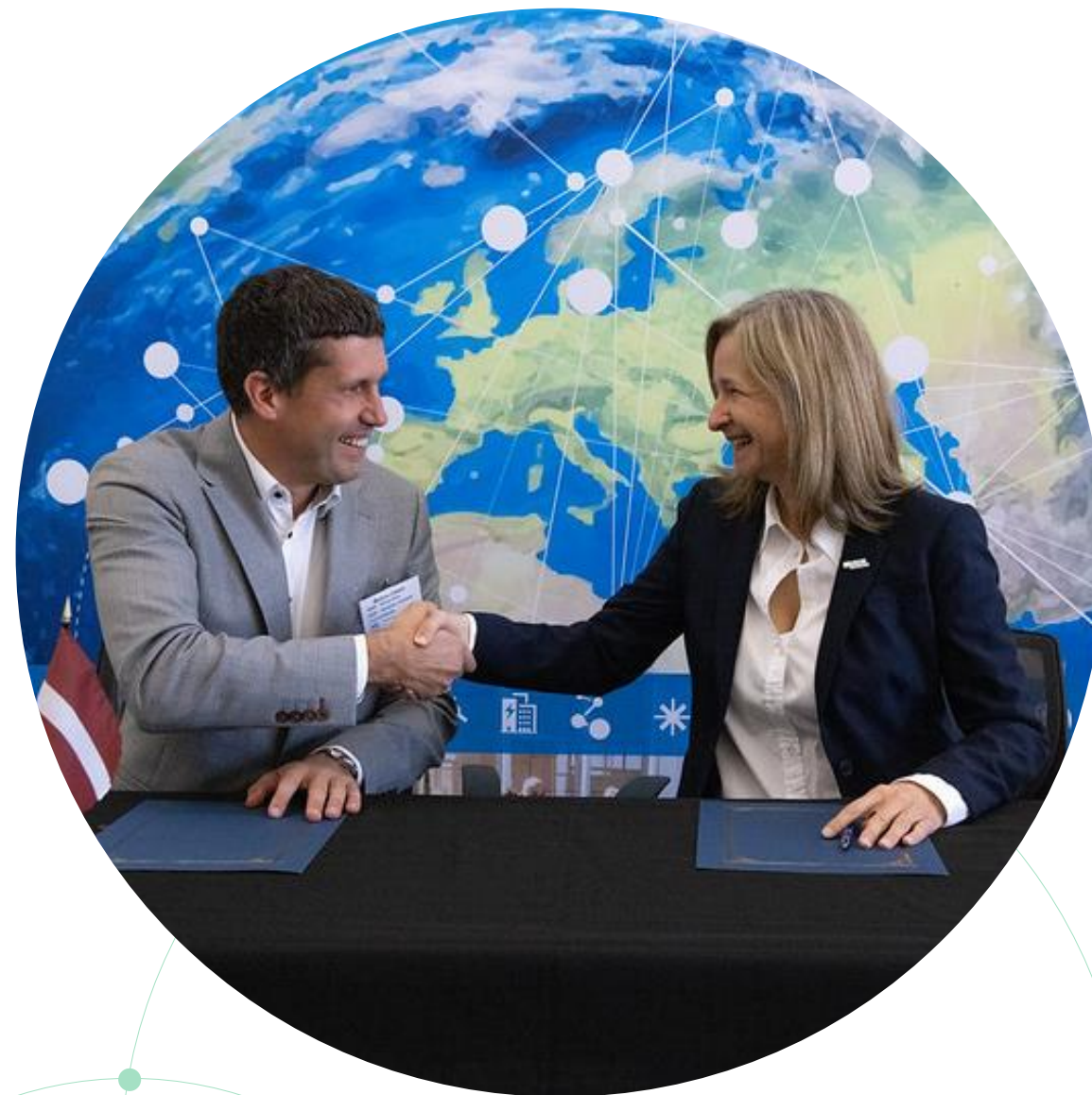
will start exporting
(non-exporting
companies to the USA)

1 B EUR

attracted
investments
(within 3-5 years)

+15%

increase in trade
turnover with the USA
(for companies
participating in the
trade mission)



Investment opportunities

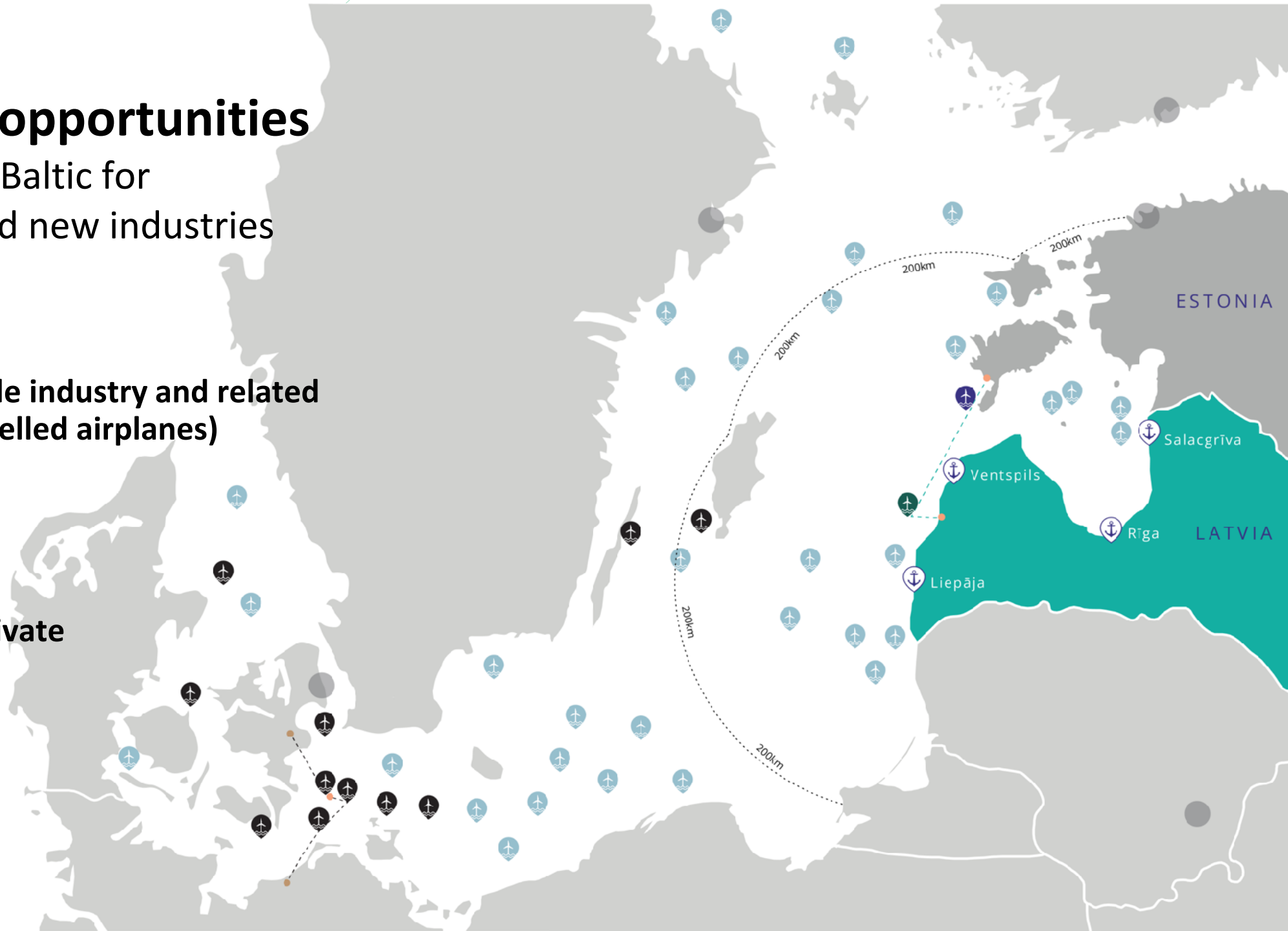
Latvia – Hub for Baltic for green energy and new industries

6 B EUR

Project in renewable industry and related products (i.e. H2 fuelled airplanes)

6.5 B EUR

Project in public private partnership



Next missions

Largest EU economies – Germany

October, 2024

- 1st by new investment projects in 2024
- 5th as export market
- 100 +participants

New markets:

- South Korea, November, 2024
- Japan, EXPO 2025

Approach – continuing high activity with large scale missions



Directions of action

(Economic development strategy of Latvia)



**COMPETITIVE
BUSINESS
ENVIRONMENT**



**INVESTMENTS IN
HUMAN CAPITAL**



**REGIONALLY
BALANCED
GROWTH**



**MODERN
INFRASTRUCTURE
AND AFFORDABLE
HOUSING**



**CLIMATE CHANGE AND
INVESTMENT IN
GREEN
INFRASTRUCTURE**

COMPETITIVE BUSINESS ENVIRONMENT

ACHIEVEMENTS

- Coordination Council for Large Investment Projects (LIP)
- Investment Fund (3rd selection round – 100 M EUR)
- Innovation Fund – 143 M EUR
- Support for for large international events of high significance
- Baltic Capital Market Acceleration Fund (at least 50 M EUR)
- Venture Capital Fund Manager (capital of 61,97 M EUR)

IN PROGRESS

- LIAA reform- focus on export and investment
- A new commercial bank in Latvia.
- Reduction of EU fund bureaucracy – reduction of the administrative burden by 50%.
- Large Investment Fund – 80 M EUR to support businesses.
- Deep Tech Investment Fund – 2 M EUR.
- State-owned companies in export markets.

Fast Track INITIATIVE

Fast track public services and foreign labour recruitment for:

- Investment projects
- Export-focused businesses
- Large scale investors

Regulatory sandbox regulation:

- accelerating innovation testing



Direct solution and decisions for large projects

Coordinating Council for large and strategically important investment projects (LIP)

- Offshore Wind Park Development. A clear and effective legal framework is needed to facilitate projects totaling 3 bn EUR in investments
- Geological Caverns Suitability for CO2 Storage.
- Legal framework issues are hindering 3.6 bn EUR in investments
- Long-Term Collaboration for Wood Availability. Affects investment projects worth 1.7 bn EUR

8.3 B EUR

value of decision



Competition in Baltics – biorefinery and digitalisation

Fibenol

Company capital: Estonia

Plans: commercial-scale biorefinery, international green chemistry competence hub

Status:

- Tested lining in Latvia's State Road (June, 2024)
- Signed land lease contract (August, 2024)

Investments: 700 M EUR

Biorefinery MoU

- 22 companies and organizations
- potential investment in the industry - **10 B EUR**

DIE  WELT

Attractive digitalisation:

"The smaller Estonia markets itself more aggressively than Latvia when it comes to digitization and automation, but Latvia is perhaps even further ahead when it comes to digital technologies. With an average monthly data volume of 41.8 gigabits, Latvia leads the ranking of OECD countries by far, while Estonia records a value of 22.2 gigabits."

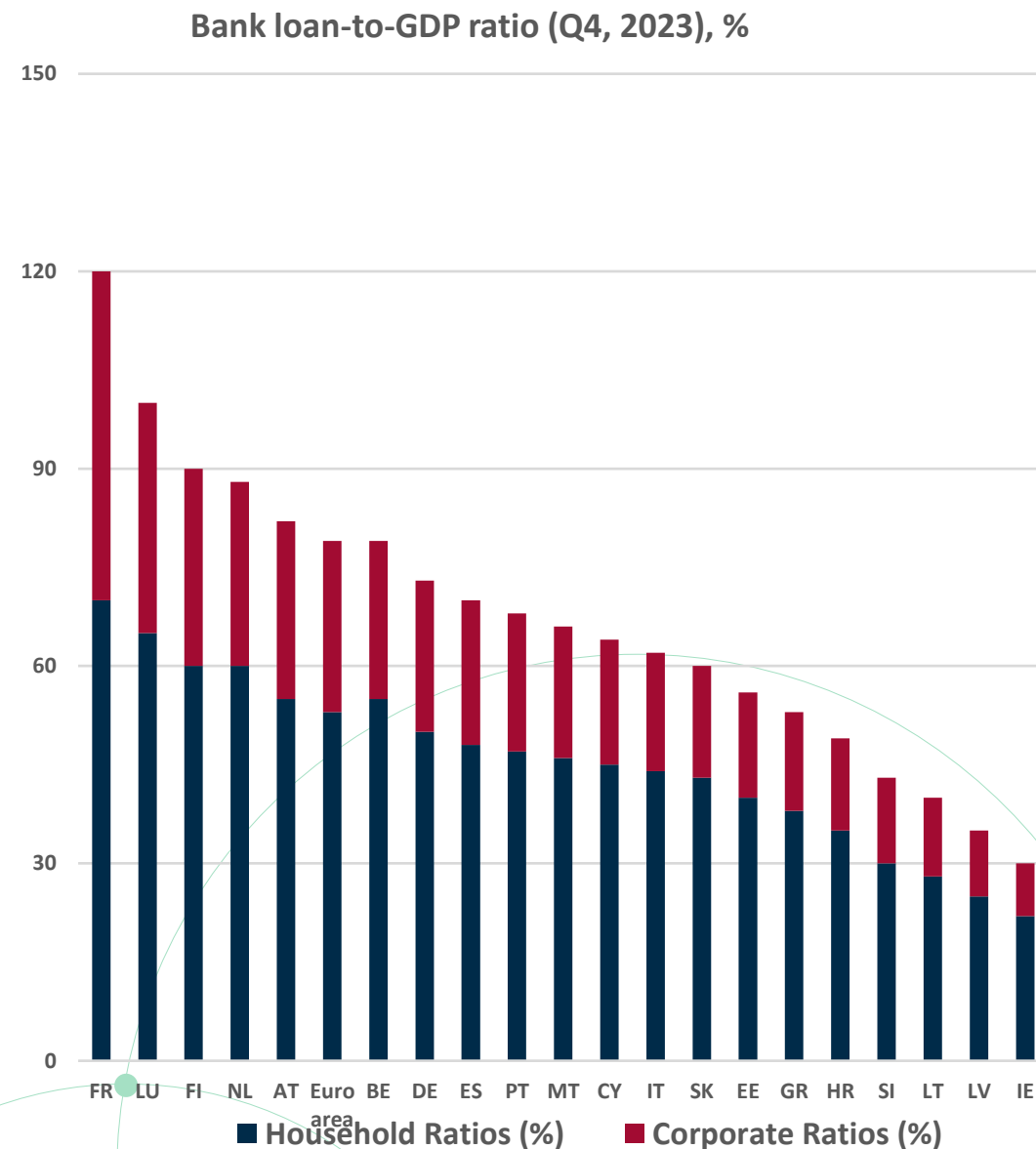


Access to finance

Tight Credit Conditions: Compared to the Eurozone, Latvian banks have maintained stricter credit standards for enterprises.

Cost and Collateral Issues: especially SMEs express dissatisfaction with the **high cost** of loans and **strict collateral** requirements.

Room for Improvement: Despite current challenges, Latvia's banking sector has significant growth potential in enterprise lending.



Initiatives to enhance access to Finance

Achievements

- Provided grants and financial instruments (loans, guarantees, risk capital) for productivity, digitalization, innovations and energy-efficiency – 1.2 B EUR (2023-2024)
- Launched Investment fund 3rd round – 100 M (2024)
 - 19 large investment projects are supported – support > 155 M EUR
 - 18 projects are in the line – planned > 130 M EUR
- Reduced provisioning requirements for ALTUM loans until 100,000 EUR, making these loans more affordable and cheaper for entrepreneurs (2024)
- Facilitated refinancing of consumer mortgage loans (2024)

In progress

- Improving the legal framework for corporate refinancing
- Transfer of bank account opening
- Review of the environmental requirements of the financial sector



Human capital

ACHIEVEMENTS

- Support program "Adult education based on sectoral needs"
- Simplified immigration processes and procedures
- Strengthened Human Capital Development Council for strategical and coordinated decision-making
- Identified labor market needs

IN PROGRESS

- Adapting the offer of vocational secondary education to future labour market needs.
- Flexible labour legislation – promoting of summer employment for youth.
- Introducing an AI solution for real-time data on in-demand occupations and skills.
- Developing "One-stop shop" for highly qualified foreign talent attraction, promotion of local entrepreneurs' competitiveness and faster economic growth.



Regionally balanced growth

ACHIEVEMENTS

- **Fibenol** (Valmiera Industrial Park)
- Loan and guarantee programs within the Participation Fund (eligible funding of 230.8 M EUR)
- ALTUM facilitated access to financing:
 - Loans up to 100,000 EUR with reduced collateral requirements
 - No collateral needed for loans under 25,000 EUR
 - Total loan applications: **29.2 M EUR (860 transactions)**

IN PROGRESS

- At least one industrial park in each planning region.
- Connectivity of regional development centres – PPP.
- Simplification of transactions for two private individuals – a unified account, automatic payment of 10% of the transaction turnover to the budget.



Modern affordable housing

ACHIEVEMENTS

- Support program for low-rent housing for households in the regions – 4 loan for 314 apartments
- Unified building registration process that involves abandoning the cadastral measurements of buildings during the construction process
- Building regulations that provide significant relief for the construction of industrially manufactured buildings
- Amendments to the Apartment Ownership Law, which provide the possibility for the homeowners' meeting to make a decision with the participation of at least one-third of the apartment owners in the residential building

IN PROGRESS

- Additional EU fund financing for the expansion of the rental housing program.
- Initiation of rental housing PPP projects – start of construction.



Real estate development

GOAL:

Reforms to reduce bureaucracy in real estate development, cutting project timelines by up to 70%

ACHIEVEMENTS

- Agreement on the action plan, which includes 60 complex measures primarily aimed at implementing a unified, consistent, and understandable process for real estate development

IN PROGRESS

- The action plan must be carried out by 2025
- A separate funding fund for the improvement of public infrastructure in new manufacturing establishment projects



Climate change and investment in green infrastructure

ACHIEVEMENTS

- Preliminary work for the separation of the 2025 Baltic energy system from synchronous operation with the Russian and Belarusian systems
- Latvenergo approved plan for renewable energy capacity of up to 600 MW by 2026
- Payment Procedure for Wind Power Plants for Local Community Development (Cabinet regulation adapted)
- An information system for compensating energy resource costs has been developed, aimed at providing targeted support to households
- An effective state model for purchasing oil product security reserves

IN PROGRESS

- Energy Strategy 2050.
- Investment projects for implementing the net-zero strategy.
- Simplify the environmental impact assessment regulations for renewable energy development projects to align with the EU's uniform standards, eliminating requirements that are more stringent than necessary (ETL law).
- Simplification of electricity capacity (connection) permit regulations.



Progress on communique 2023

Communique 2023

- Economic development of Latvia
- Sustainable development for the future
- Human capital
- Public sector efficiency
- Future public administration
- Rule of law
- A level playing field



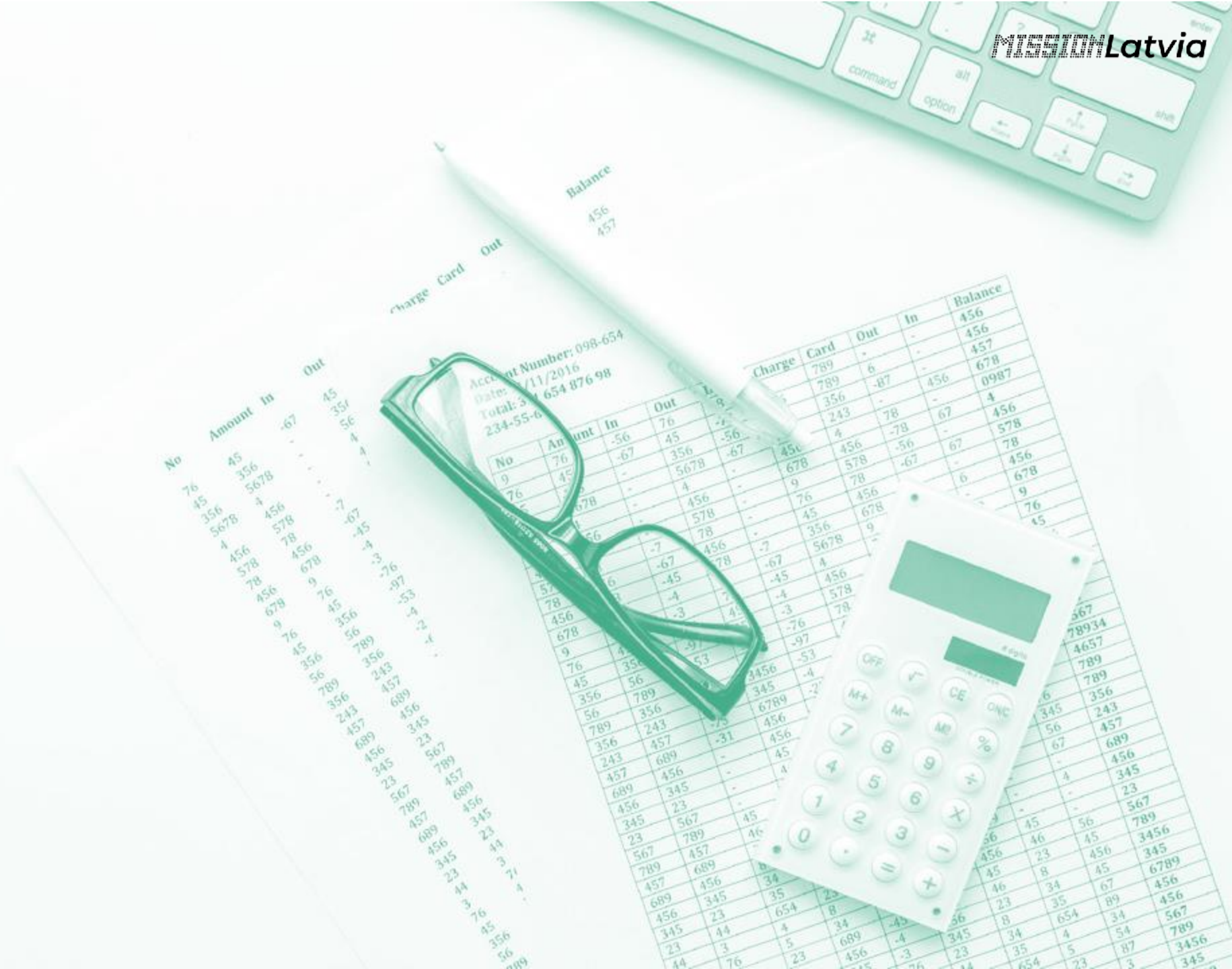
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ACHIEVED

17

IN PROGRESS

Looking for Your project !



Thank You!

Discussion: Long-term development strategy of Latvia

- Long-term development strategy of Latvia
- Human capital- related challenges
- Public sector reform
- Other topics include investment protection, shadow economy combatting, energy&green economy

Strategic Initiatives for Latvia's Future

Holistic Strategy | ALL

Focus on human capital, judicial reforms, digital transformation, green energy, healthcare, procurement, and transport reforms

Digital Transformation | VARAM

Prioritizing AI, data governance, and ICT to drive efficiency and innovation

Human Capital | IZA, LM

Investing in skills development and workforce readiness for future labor demands

Transport & Logistics | SM

Infrastructure improvements in rail and aviation to boost Latvia's global market integration

Judicial Reforms | TM

Streamlined court processes and reduced administrative burdens for enhanced business operations

Public Procurement | IUB

Increasing transparency and sustainability to foster innovation and investment

Green & Sustainable | KEM

Commitment to environmental sustainability across sectors
Ensuring energy prices lower than other regional countries
Competitive energy (electricity and other forms) is seen as a key component of Latvia's competitiveness

Healthcare | VM

Improved access, efficiency, and digital solutions for a healthier, productive workforce

GROWTH MODEL – INCOME GROWTH FROM EXPORTS

External factors



Geopolitical situation



Climate change EU Green Deal



Technological progress,
innovations



Digitization and artificial
intelligence

- QUALITY OF LIFE, INCOME, WELL-BEING OF ALL CITIZENS – DOMESTIC MARKET DEVELOPMENT
- LARGER ECONOMY® LARGER INCOME IN THE STATE BUDGET = BETTER PUBLIC SERVICES, INFRASTRUCTURE DEVELOPMENT

ECONOMIC GROWTH

New products and services in the global market –
GROWTH OF INCOME FROM EXPORTS

New business ideas – **COMPETITIVENESS OF ENTERPRISES**

HUMAN CAPITAL

INVESTMENTS

PRODUCTIVITY

EFFECTIVE STATE ADMINISTRATION

Reduction of bureaucracy, result- and efficiency-driven public sector,
introduction of modern digital solutions in public administration

DIRECTIONS OF ACTION



INVESTMENTS IN HUMAN CAPITAL

- 1) training high-level AI specialists
- 2) strengthening STEM knowledge at all levels of education
- 3) labour legislation fit for the future labour market



COMPETITIVE ENTERPRISES

- 1) targeted development of the defence industry
- 2) the potential of state-owned enterprises
- 3) quick decision-making on critical matters for entrepreneurs



REGIONALLY BALANCED GROWTH

- 1) industrial parks in the regions of Latvia
- 2) unified planning of the service availability basket
- 3) a system of indicators for economic and social achievements of municipalities



MODERN INFRASTRUCTURE AND AFFORDABLE HOUSING

- 1) clear, predictable, and fast real estate development
- 2) development of the rental housing market
- 3) production of insulation materials and environmentally friendly wooden construction buildings



CLIMATE CHANGE AND INVESTMENT IN GREEN INFRASTRUCTURE

- 1) development and production of hydrogen technologies
- 2) ELWIND
- 3) development and production of energy storage technologies

Digital Transformation and Public Sector Efficiency

Author:

Ministry of Smart Administration and Regional
Development, Ministry of Finance



Digitalization

Strategic Approach

- User-friendly public services for society
- Efficiency improvement in public administration
- Promoting sustainable ICT use

Digital skills development

- Digital Skills for Society initiative
- Launch of the Digital Skills Academy for Public Sector

Trusted AI governance model

- Implementation of the AI Act in 2024
- Development of national AI governance and capabilities

Key Accomplishments and Milestones

Digital Transformation

- State Digital Development agency established
- Sectoral architectures developed with NGOs and private sector

Digital Skills

- Agreements with local governments to train 40,000 residents by 2026
- 62,900 public servants will be trained in digital skills by 2026

AI Governance

- AI Competence Center planned for 2024
- Informative report on AI Act national implementation in 2024

Data Hub and Governance

Government Data Hub

- Data sharing and management platform (DAGR) launched
- Smart contracts introduced in 2024 to easy data exchange

National data transformation

- Setting up secure data processing environments for trusted reuse
- Development of national data analytics capacity by 2024 Q4

Key Accomplishments and Milestones

Data Hub

- 9 base registers are now sharing data via DAGR
- Timeline for connecting all major registers by the end of 2024

Data Transformation

- Smart contracts are reducing administrative burden
- Ongoing design of smart agreements for further services

Further steps

- National Data Competence Center concept to be finalized by Q4 2024

Ministry of Finance

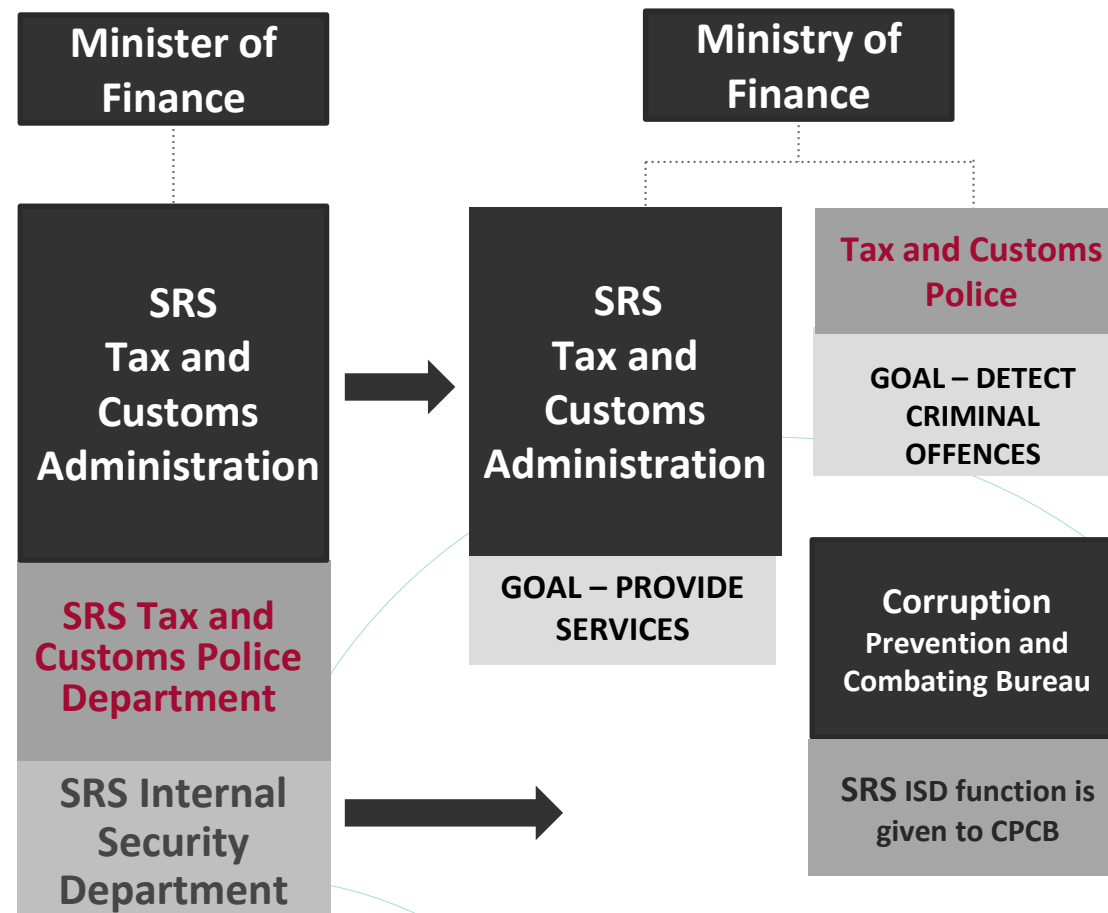
- Draft Budgetary plan (DBP) for 2025 in line with the reformed rules of the EU economic governance framework
 - Comprehensive tax review
 - Labor tax wedge reduction for low and middle wage earners and system simplification;
 - Compensation mechanism – indirect taxes rates increase, etc.
 - Reform of State Revenue Service (VID)
- Shadow economy tackling plan
 - E-invoice
- Agreement on capital market development
- PPP for affordable housing (1000 flats)
 - High levels of public investments, focus on growth friendly expenditure, promoting further structural reforms
 - Performance-based budgeting conceptual framework



Reform of the State Revenue Service

Goals of the reform:

- Separation of the «police/ repressive» functions from the functions of the service provider
- State Revenue Service develops as modern, customer-oriented service institution
- Digital transformation of State Revenue Service



Investments in human capital

Authors:

Ministry of Education, State Employment Agency (SEA),
Ministry of Culture, Ministry of Finance



Skills and Education for Future Workforce

Individual Learning Accounts (ILA)

A state-supported system empowering individuals to pursue personalized learning paths aligned with labor market needs

- Launch: October 2024
- Support System: Via a centralized Skills Management Platform providing access to personalized education offers, ensuring alignment with national labor market priorities
- Focus: personalized learning paths that consider both labour market demands and individual aspirations and skill levels



Skills Funds (SF)

A public-private partnership where employers co-invest in upskilling and reskilling employees

Key Benefits:

- Reduces strain on businesses' human capital development costs
- Provides tailored training programs in response to market demand
- Promotes long-term investment in workforce development



Sector Expert Councils (SEC)

- A structured dialogue btw industry and the education sector is being implemented via SECs, however, the capacity of the SEC needs to be further developed

Next steps:

- The Human Capital Development Strategy
- Starting ESF project to improve collaboration btw SECs and VET (SO 4229)
- Regulations on the optimized operation of SECs

Pro-active initiatives:

- German-Latvian cooperation for strengthening SECs capacity
- Latvian – Swiss collaboration program



Research & Development- Driving Innovation and Economic Growth

R&D Focus

- Targeted investments in RIS3 sectors

Green R&D

- Focus on sustainability with R&D support for green and digital transitions
- Key areas Smart Energy and Knowledge-Intensive Bioeconomy

Key R&D Programs

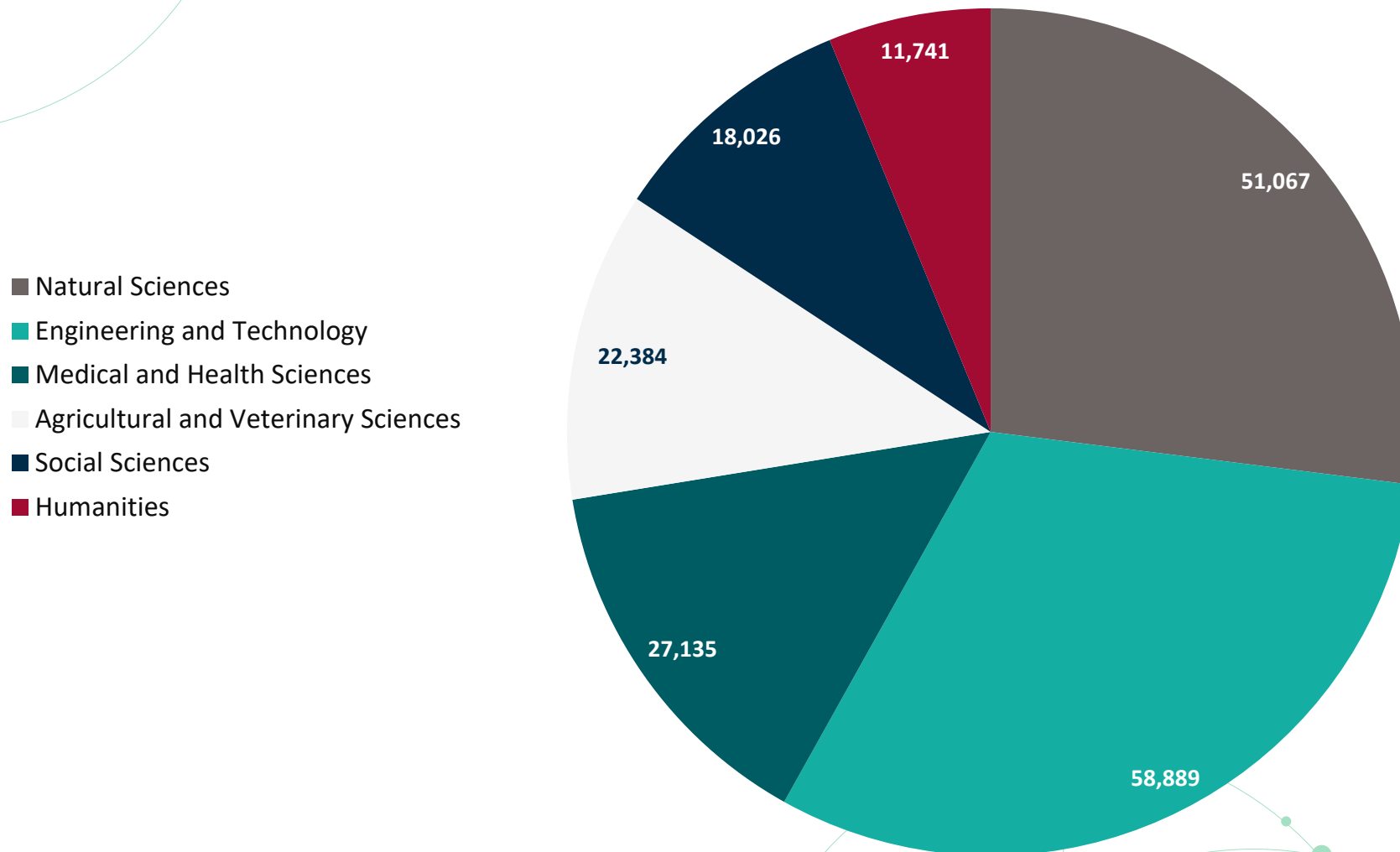
- Peat Research Platform: 5.9 M EUR for sustainable peatland use (2025-2029)
- Innovation Fund: 10 M EUR for biomedicine and smart materials (2024-2026) with possible extensions (2029-2032)
- State Research Programs: Focused on sustainability and biodiversity

Funding Reforms

- Performance-based model (since 2022) prioritize high-quality research and private sector collaboration
- Higher Education Reforms. More flexible funding to align education with market needs by 2026

Research & Development- Driving Innovation and Economic Growth

R&D in RIS by fields of science (2022, M EUR)



Labor Market and Employment Support

Employment Protection Legislation

Simplifying labor regulations to ensure transparency and address foreign investor concerns



Migration and Remigration Initiatives

Third-Country Nationals: New system effective January 2025 requires SEA confirmation before hiring foreign workers, prioritizing the local workforce
Remigration: Support for Latvian via online and offline consultations to ease reintegration into labor market



Collaboration with Employers

SEA partners with businesses for job placement services, job fairs, and upskilling programs
Key Figures 2024 (1st half)

- 5,974 personnel placements
- 1800+ participants in employer engagement meetings

One-Stop Agency

Riga, Liepaja, Daugavpils, Jelgava, Valmiera

A dedicated One-Stop Agency has been established to streamline services for all newcomers- third-country nationals, refugees and asylum seekers.

The agency provides:

- Consultations: Employment advice, language training, cultural orientation, housing, and healthcare support for creatives, asylum seekers, and refugees
- Legal and Translation Support: Services to help navigate regulations and ensure smooth business operations



Significant growth in Latvia's cultural and creative sectors contributes to human capital development and business growth

Statistics

- Over 76,000 professionals employed in CCI
- 4.5 M EUR turnover across approximately 19,000 companies

Key players

- CI Incubator in Riga (LIAA)
- Music Export Latvia
- Latvian Design Centre
- The Latvian Association of Architects
- The Northern Dimension Partnership on Culture (NDPC)
- Creativity Lab

Success stories

Companies like

- Ausma Media
- Gamechanger Audio
- Grafomap
- for lovers and trees
- «The Case of the Golden Idol»
- Creative Business Cup

have expanded significantly through state and private funding



Regional Development

Author: Ministry of Smart Administration and Regional Development



Eastern Border Area

- Support programs for investments, integration, and mobility to enhance quality of life
- Focus on economic development, security, and human resources improvement
- Addressing the impact of Russia's war on the region through targeted measures

Riga Metropolitan Area

- Targeted investment attraction to strengthen Riga's competitiveness in Northern Europe
- Implementation of sustainable mobility solutions for Riga and its surrounding areas
- Integration of Riga and Pieriga to foster joint development and coordinated planning

Transport and Logistics

Author: Ministry of Transport



Export and international competitiveness

Latvia's transport and logistics sector is focusing on five key areas to boost exports and enhance international competitiveness:

- New international freight routes to enhance export capacity
- Growth in export and domestic cargo to drive economic performance
- Expansion of industrial zones in ports and special economic zones
- Renewable energy projects integrated with transport systems
- Development of military mobility for strategic advantages



Strategic Transport and Infrastructure Reforms

ACHIEVEMENTS

Modernizing railways to serve as backbone of public transport

- Introduction of Station 2.0 Concept for improved services
- Rail Baltica Project – connecting Latvia with Europe

Aviation Strategy 2050

- Sustainable air transport as a key of focus for long-term growth
- Ensuring connectivity for both international and domestic markets
- Promoting business activities and improving access to export markets



Fair Competition

**By Competition Council of Latvia, Ministry of Finance,
Ministry of Economics**



Level Playing Field: Fair Competition

Preventing competition distortions



6
prohibited agreements



127
warned legal persons



6.9 M (2023)
142 k. (2024)
fines imposed on companies (EUR)



1.5 M (2023)
5.3 M (2024)
fines paid to the state budget (EUR)

Promotion of fair competition



9 market surveillance
competition level, administrative barriers,
public sector actions



68 opinions on draft legislation
in 28% cases regulatory framework
improved



Supervision of public administrative bodies
198 received complaints
6 negotiation procedures on competition
neutrality



72
opinions on public participation in capital
companies

Shadow economy restriction

- **Coordinated institutional work in managing the plan's actions** - involving the sectoral ministries Deputy state secretaries, social and cooperation partners
- **Transparency:** smart **cash flow** visibility
- **Risk-based approach:** reducing the administrative burden for low-risk taxpayers and monitoring higher-risk taxpayers
- **Efficient use of data: information exchange** in DARG, analytical tools and models, research, generative AI
- **Systemic and sustainable approach:** profiling of shadow economy participants, analysis of reasons for participation in the shadow economy, monitoring of phenomena
- **Changing public perception: communication** on the negative consequences of the shadow economy

In 2023 shadow economy is 22.9% of GDP, it's 3.6 pp. lower than in 2022 (26.5%)

Judicial and Legal Reforms

• **Author:** Ministry of Justice



Efficiency of Judicial processes

Court Specialization

A substantial improvement of legal framework of the arbitration courts in accordance with the UNCITRAL guidelines

Digitalization of Courts

Advancing Court Digitalisation by centralising the e-case platform, ensuring swifter data accessibility, enhanced user-friendliness, and increased process automation

Sustainable judicial training system

Establishing a sustainable judicial training system by progressing towards the establishment of a Judicial Academy



Public Procurement Modernization

Author: Ministry of Finance (Procurement Monitoring Bureau)



Improvements in public procurement (2023 – 2024)

Digital transformation

- New e-forms for procurement publications (since October, 2023)
 - automated data verification
 - improved data quality and availability
- Modernization of Publication Management System (in the process)
 - more convenient for users
 - more opportunities for data analysis

Professionalization strategy for procurement specialists

- Targeted training
 - collaboration with State Administration School through a specialized program based on the competence model
 - 946 specialists trained
- Improvement of methodological assistance tools
 - use of data-driven and risk-based approaches for better decision making

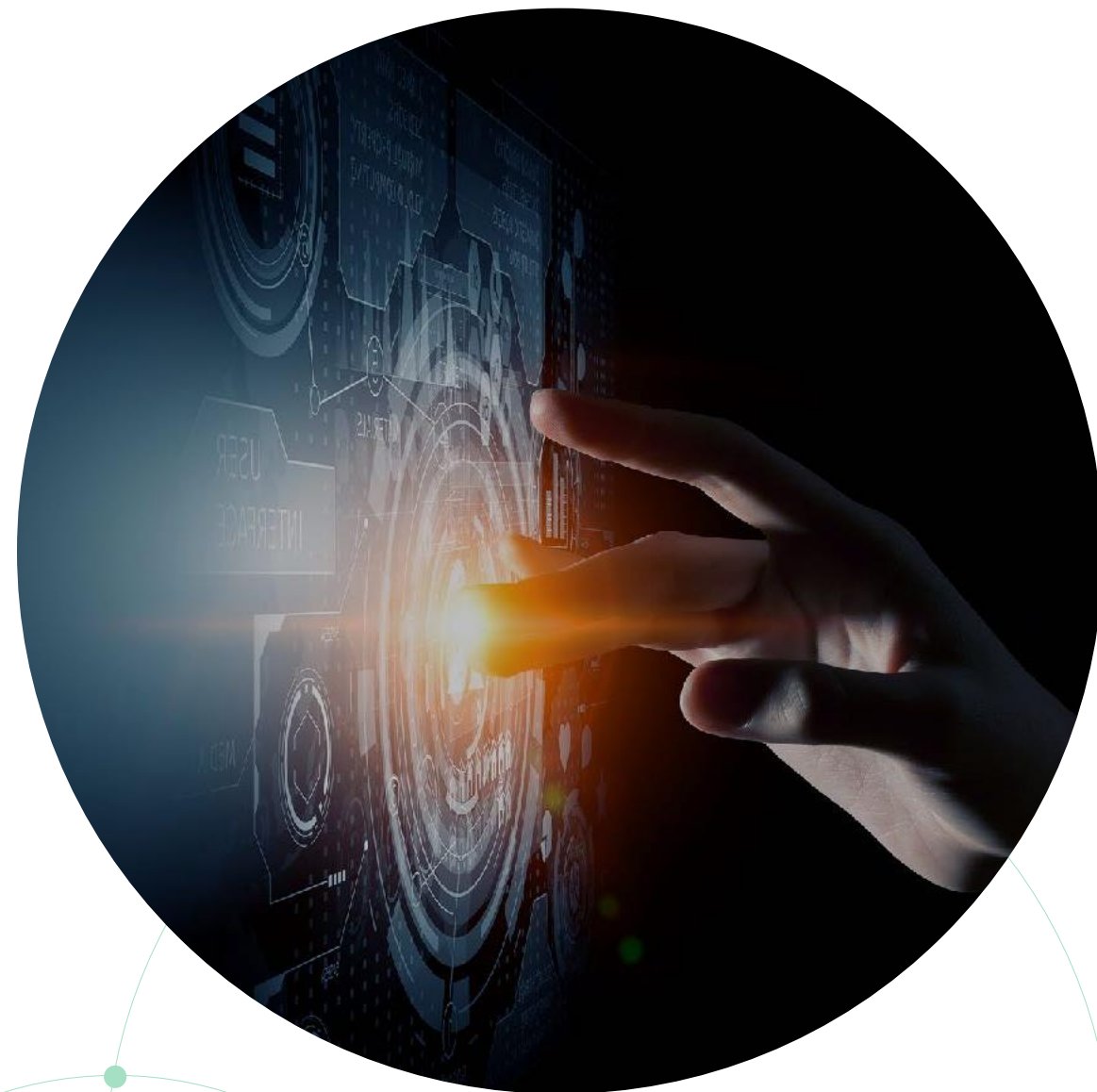
Future challenges

Strategic procurement

- requirements and targets of EU regulations
- incorporating sustainability and social considerations
- promoting innovation

Continuing digital transformation and process review

- evaluation of possibilities to use artificial intelligence
- developing a unified e-procurement environment
- simplification of processes
- one-time data entry principle



Investment in Green Infrastructure

Author: Ministry of Climate and Energy



MoCE | ENERGY SECTOR INVESTMENTS IN DEVELOPMENT

- **Up to 2 GW** of new installed wind capacity until end of 2030
- **Up to 1.5 GW** of new installed solar capacity until end of 2030
- Considerable investments and public funding in **biomethane production** and infrastructure
- **Green fuel production** development

**Regional
price
leader**

Latvia 2050

**High self-
sufficiency**

**Sustainable &
efficient use of
infrastructure**

MoCE | Energy policy roadmap



MoCE | Improvements of regulatory efficiency 2024



Permitting and
grid connection
regulation

**Completed & in
progress**



Review of
Environment impact
assessment

In progress



Automated and
targeted state IT
system

Completed



Ex-post/ ad-hoc
monitoring of active
users, improved access to
direct lines

**Completed & in
progress**

Single contact point
for energy
investment

**In
progress**

Energy and
Environment State
Agency

Healthcare Sector Priorities

Author: Ministry of Health



Long-term priorities

ACCESSIBILITY

- Access to pharmaceuticals
- Healthcare professionals
 - Strengthening GPs
 - Improving EMS
 - Profiling of hospitals

QUALITY

- Primary care
- Secondary care – Methodological governance
- Health prevention
- Mental health

EFFICIENCY

- Oversight of public hospitals
- Remuneration model for healthcare professionals

Digital Enablement

EU FUNDS ***overview***

Author: Ministry of Finance



Cohesion policy EU funds and Recovery and Resilience plan

- In previous years Latvia has managed to keep high levels of public investments.
- Looking forward – we will focus on growth friendly expenditure, promoting further structural reforms in line with changing circumstances.



Thank You!

