

FICIL HIGH COUNCIL 2021

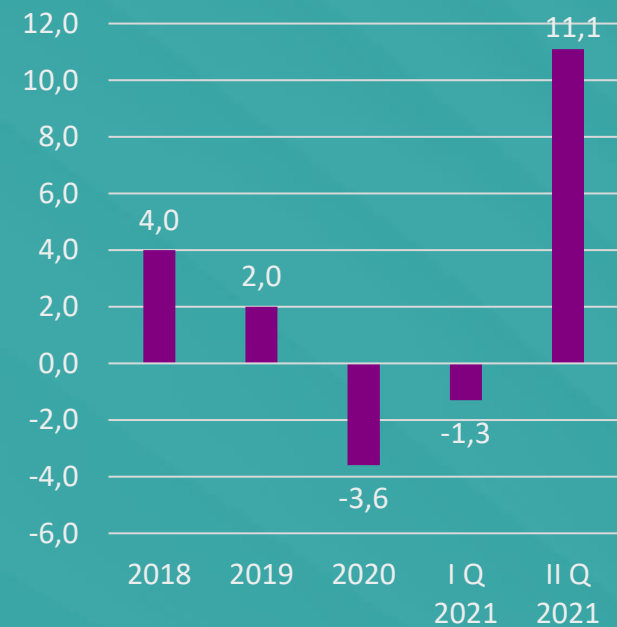


Kaspars Rožkalns
Director of LIAA

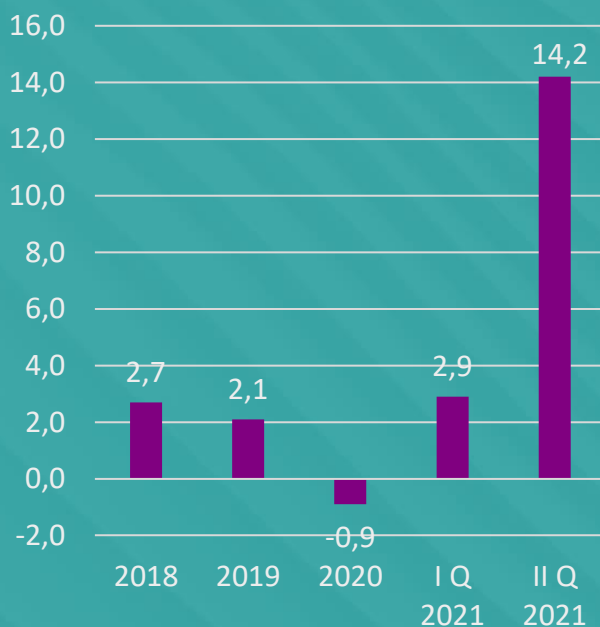
ECONOMIC status QUO and outlook

Conservative forecast for GDP growth 3.8% in 2021, 6.0% in 2022

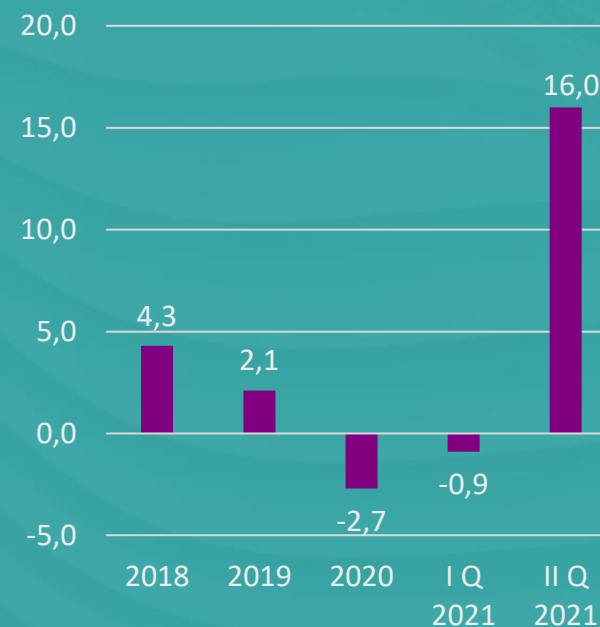
GDP



Manufacturing



Exports

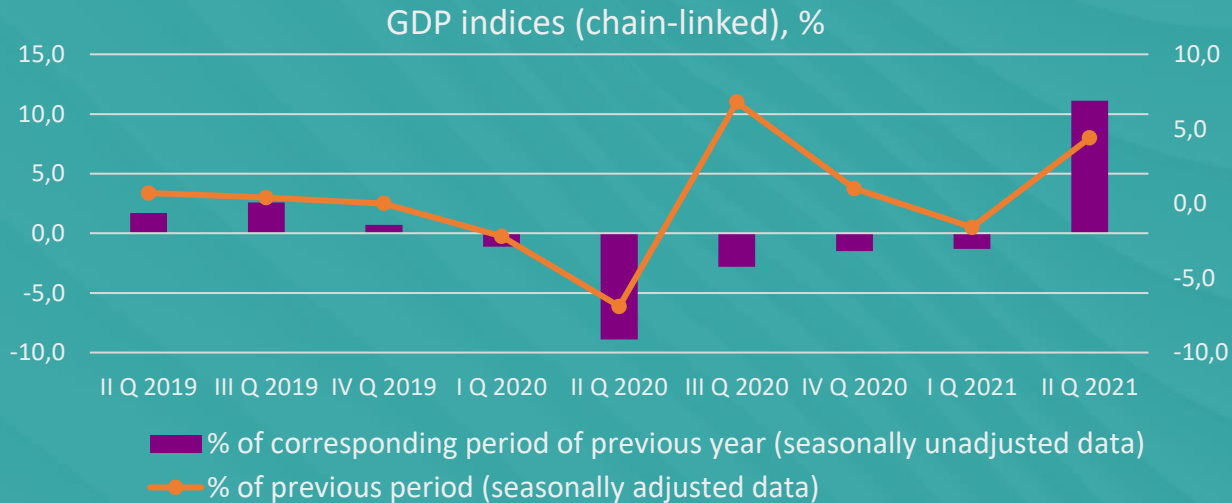


Private consumption

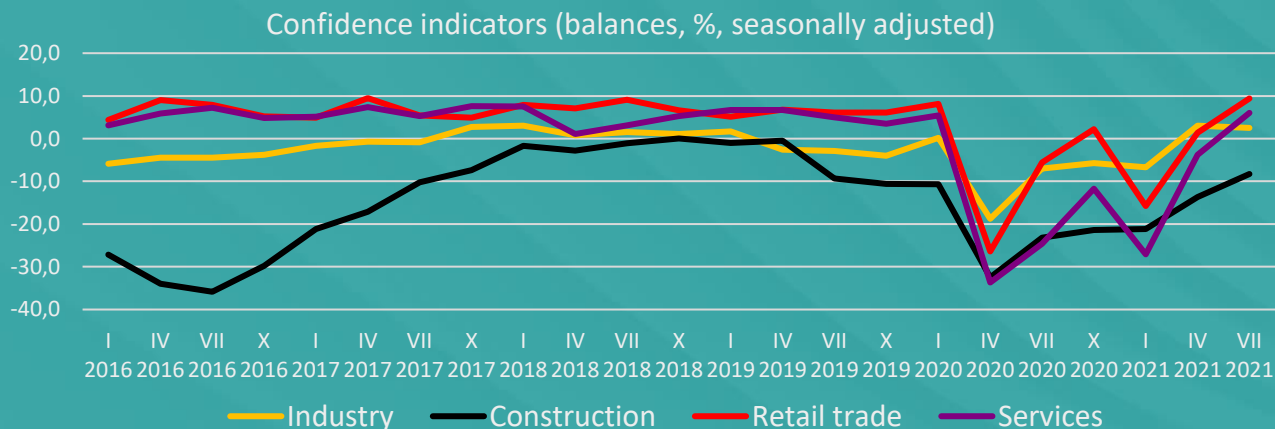


Covid-19 challenges

Conservative forecast for GDP growth for 2021 +3.8%



Recovery



Positive FDI +751M

FDI Trends Billions

Origin	IV Q 2020	I Q 2021	II Q 2021
EU27	12.753	13.092	13.381
Non-EU	3.975	3.895	4.098

Skilled workforce available

Actual and registered unemployment rate by month (as per cent, seasonally non-adjusted)



Common goals

Strategic objective

Short term
**Reduce impact
to business**

**GDP -3.6% in
2020**

**Conservative
forecast for
GDP growth
3.8% in 2021**

Stabilise
2021, 2nd half

Mid term
**Structural
changes
Productivity
development of
knowledge-intensive
exports**

**+15% export of
goods and services
in first half of 2021**

Refocus
2021-2023

Result
**27 billion EUR
export volume
in 2027**

**Forecast 2021:
20.33 billion
EUR**

Growth
2023...



Strategic targets for action

HR	Innovation	Business environment	Accessibility of finance	Infrastructure
Skills – retraining	New product development Digitalization	Market and environment	Public and private	Boost for economy
At least 16 000 newcomers in ICT (GBS) and RIS3 sector	6 self-propelled ecosystems in RIS3 UP+5 in DESI INDEX	Top 17 in Doing Business in 2027	Business case based investment 1:15	10 billion in Nextgen



Infrastructure

Examples of next steps

- High-value industrial park attraction programme – **80 MEUR**
- Aid for high value-added niche export products – **58 MEUR**
- Enforcing economic and social resilience - **158 MEUR**
- Green deal – **295 MEUR**

Short term
Stimulating domestic demand and boosting the economy (implementing sustainable public infrastructure projects)

Mid term
Increase in public and private investment in infrastructure facilities

Result
Private and public investment amounting to 2.2 billion EUR per year



Human capital targets

Examples of next steps

- Technological interest development
- Training, education and business development activities
- Promoting innovation, marketing and advertising

Short term

Ensuring job retention

Reducing unemployment caused by Covid-19

Improving digital skills in society

Mid term

Setting up a functional adult education system to improve skills and competences

Changing the socio-economic paradigm to introduce the Concept of Future Education

Supporting employers in promoting employees' skills development

Result

Increased number of participants in adult education from 7,4% in 2019 to 8.7% in 2020 to 10% in 2021 (1st quarter) And to 15% in 2027



Government input

Support measures approved by the government to mitigate the effects of the Covid-19 crisis on the economy

Total approved support for 2021 3.2 billion EUR

**0.11 billion
EUR**

Support to
the field of
taxation

**0.54 billion
EUR**

Aid in the
field of
benefits

**0.67 billion
EUR**

Aid in the
field of loans
and
guarantees

**1.79 billion
EUR**

Sectoral
support

**0.09 billion
EUR**

Support
related to
EU funds

*Informative report "on the forecasts of macroeconomic indicators, revenues and general government budget balances in 2022-2024", approved on 24th august 2021



SF Indicative funding of the European Union for the priorities of the Ministry of Economics

DIGITAL TRANSITION 44 M €

- 21.15 M € | Support for development of new digital products&services
- 10 M € | Support for development of digital skills for entrepreneurs
- 8 M € | EDIH and digital maturing tests
- 5 M € | Financial instruments for digitalization

SOCIAL & TERRITORIAL COHESION 83 M €

- 60.9 M € | Availability of social housing
- 21.75 M € | Improving access to the environment

PRODUCTIVITY 363 M €

- 97 M € | Support for SME's development
- 160.9 M € | Financial instruments for SME's development
- 51.7 M € | Support for R&D&I activities to develop new products
- 50 M € | Financial instruments for R&D&I activities

GREEN TRANSITION 457 M €

- 163.1 M € | Energy efficiency of multi-apartment buildings
- 104.4 M € | Energy efficiency of public sector buildings
- 56.5 M € | Heating/cooling
- 43.5 M € | RES in business sector
- 23.49 M € | Promotion the use of RES in production
- 21.75 M € | Promotion of biomethane production
- 44.06 M € | "Green" activities for business development



RRF Indicative funding of the European Union for priorities of the Ministry of Economics

DIGITAL TRANSITION 139.4 M €

- 45.1 M € | Loan for digitalization
- 40 M € | Grant for process digitalization
- 24.3 M € | Grant for new digital products and services
- 20 M € | Support for development of digital skills for entrepreneurs
- 10 M € | EDIH and development of regional contact points

SOCIAL & TERRITORIAL COHESION 122.9 M €

- 80 M € | Development of industrial parks**
- 42.9 M € | Affordable housing

*** In cooperation with Ministry of Environmental Protection and Regional Development*

PRODUCTIVITY 113.5 M €

- 102.7 M € | Support for innovation clusters
- 4.6 M € | Innovation system governance reform
- 5.2 M € | Promotion of internationalization and cooperation
- 1 M € | Strengthening of scientifically technical expertise

GREEN TRANSITION 281.81 M €

- 120.6 M € | Energy efficiency measures for business
- 80 M € | Modernisation of electricity transmission and distribution networks
- 57.3 M € | Energy efficiency of multi-apartment buildings
- 23.9 M € | Energy efficiency of public sector buildings



Government input

**The shadow economy
objective – 18,3 % of GDP in 2021
17,1 % of GDP in 2022**

The Ministry of Finance is working to prepare Action plan for the next period to reduce shadow economy with the following principles:

- Risk assessment of factors contributing to the shadow economy
- Targeted measures to reduce the effects of certain factors

Prevention of Money Laundering and Terrorism and Proliferation Financing

- First Member State under Moneyval's evaluation to successfully implement all 40 FATF Recommendations (7 compliant; 33 largely compliant)
- Government adopted a plan of measures to prevent money laundering, terrorist financing and proliferation financing from 2020 – 2022
- Improvements in legal framework and supervision practice



Government input

Rule of Law

Justice – basis of economic growth and social inclusion

- Establishment of Economic Court
- Adoption of Strategic Action plan of Crime Prevention Council 2021-2026
- Low-income persons will be able to be released from small debts
- New regulation on Personnel Options

Examples of next steps

- Establishment of Justice Training Centre from RFF
- Investments in justice infrastructure and digitalization (new prison, implementation of e-case, e-Services of Enterprise Register in English)



Government input

Regional development

- Investments in public business infrastructure for the development of industrial parks and territories in the regions: 251 MEUR (RRF: 80 MEUR, PO5: 112 MEUR, JTF:59 MEUR)
- Administrative-territorial reform - strengthening the administrative capacity of local governments
- Road investment program - in total 1 067km of roads are for reconstruction
 - in 2021 implementation of road projects with a length of 596 km – 91.9 MEUR (state budget)
 - plan for 2022-2024: reconstruction of 210 km of regional and local roads – 92.3 MEUR (RRF) and reconstruction of 260 km of regional and local roads – 115,79 MEUR (state budget)
- Next - Housing Fund – state aid to local governments to provide high-quality and affordable rental housing



Government input

Digital transformation

Digital Transformation strategy 2021-27, priorities

- Digital Skills
- Business Digital Transformation and innovation capacity
- Public service modernization and government ICT consolidation
- Whole of government approach to Digital transformation policy coordination

Total budget for DTG 2021-27 **951.19 MEUR**

Public sector digital transformation

- Development of data economy (High value data sets, data sharing ecosystem, Data governance reform)
- Efficient and proactive public services (Service delivery and governance reform)
- Government ICT resources and competences consolidation and governance (Architecture, Coordination process; National federated cloud)

Persons with at least basic digital skills

43%

2027 – 70%

Companies with high levels of digital technology use

14%

2027 – 35%

Businesses who have used gov platforms to develop digital services

0

2027 – 70

Coverage of the Unified Customer Service Centre network

75%

2027 – 90%



Government input

Green transportation

The National Energy and Climate Plan
Transport Development Guidelines for 2021-2027

EU funds*:

- Public transport vehicles – 95.5 MEUR
- Public transport infrastructure – 92.8 MEUR
- Railways (train speed increase projects & electrification) – 380 MEUR
- Cycling infrastructure – 51.7 MEUR
- Smart technologies (cities with new or modernised digital city transport systems) – 3.7 MEUR
- Multimodal public transport network, “Park&ride” infrastructure – 57.6 MEUR
- State main and regional roads (reconstruction, modernisation, development) – 326.1 MEUR
- Riga city as TEN-T urban node – 73.9 MEUR
- City infrastructure linkage to TEN-T – 72.17 MEUR
- Ports (environmental and safety measures) – 14.79 MEUR

* Cohesion Fund, European Regional Development Fund, Recovery and Resilience Facility financing (without national co-financing)
CF, ERDF financing includes flexibility amount



Latvia – where investors meet opportunities

Investment results speak louder than words / LIAA input

#4

by number of projects in the EU
(EY, 2021)

#5

by jobs created per 1 million
population in Europe
(EY, 2021)

+751M

increase in FDI in first half
of 2021 (Bank of Latvia)

17

new investment projects
in first half of 2021
(LIAA, 2021)

313 M

EUR worth of investment
in first half of 2021 (LIAA,
2021)

2.6 B

EUR worth projects in pipeline for
fast-track «Green Corridor»



The Ecosystem Approach

Launching the ecosystem approach — a dynamic process of identifying prospective, knowledge-intensive value chains and mapping out the ecosystems. 3 ecosystems so far, more to come.

Identifying prospective, knowledge-intensive value chains & mapping out the ecosystems

Bringing together ecosystem`s expertise, defining common goals & challenges

Benchmarking ecosystem results, improving the approach, finetuning processes (process development with the OECD)

Proactively facilitate reach of these goals with the available support incentives.



The Ecosystem Approach

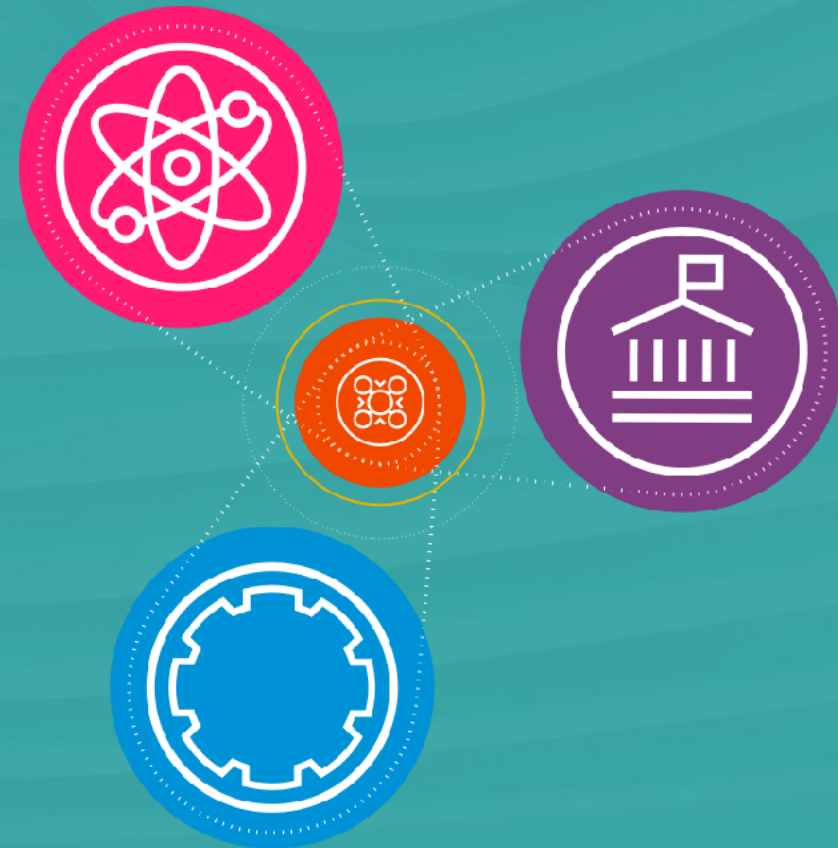
Development of industries and ecosystems with high added-value

Diverse ecosystems and strong collaboration:
INDUSTRY + ACADEMIA + POLICY MAKERS

Since 2014 Smart Specialization Strategy (RIS3) for Latvia is being developed – a strategy of economic transformation towards higher added value and more efficient use of resources.

5 strategic RIS3 areas have been set and ICT is one of them, playing an important horizontal value:

1. knowledge intensive bioeconomy;
2. biomedicine, medical technologies, biopharmacy and biotechnologies;
3. smart materials, technologies and engineering systems;
4. smart energy;
5. information and communication technologies.



Green corridor to enable new investment

Benefits: twice shorter administrative procedures including territorial planning, construction permits, foreign workforce relocation.

8 priority projects approved (first half of 2021)

CRITERIA: 3 OUT OF 4 FOR A POSITIVE EVALUATION

1.

5 M €
investment
in 3 years

2.

50-75
jobs

3.

Exports worth
over 3 M €
in 3 years

4.

Over 250 000 €
R&D or
employee
development





ACTION OF LATVIA: MISSION SEA 2030

Global scale rapid innovation

Creative approach for green growth

Investment ecosystem





Welcome to join
a discussion

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