



Ministry of Economics
Republic of Latvia

ECONOMIC RECOVERY PLAN FOR LATVIA

Raimonds Aleksejenko, Deputy State Secretary

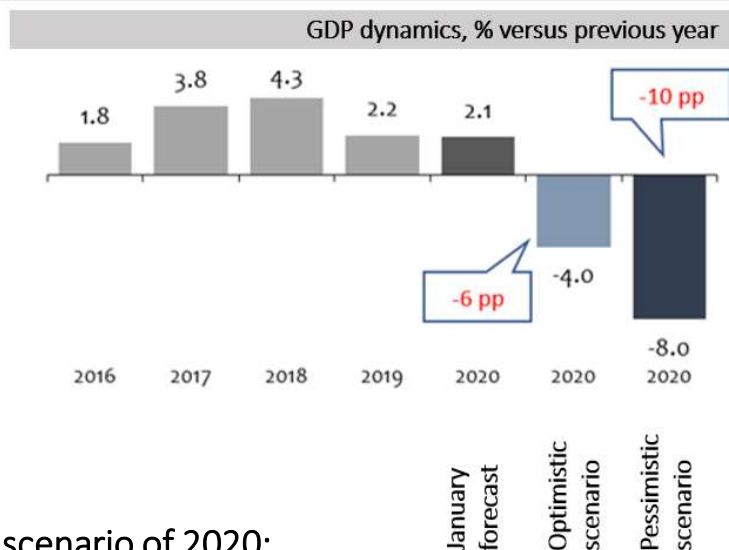
December 11, 2020, Riga





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COVID-19 IMPACT ON THE ECONOMY



-8% scenario of 2020:

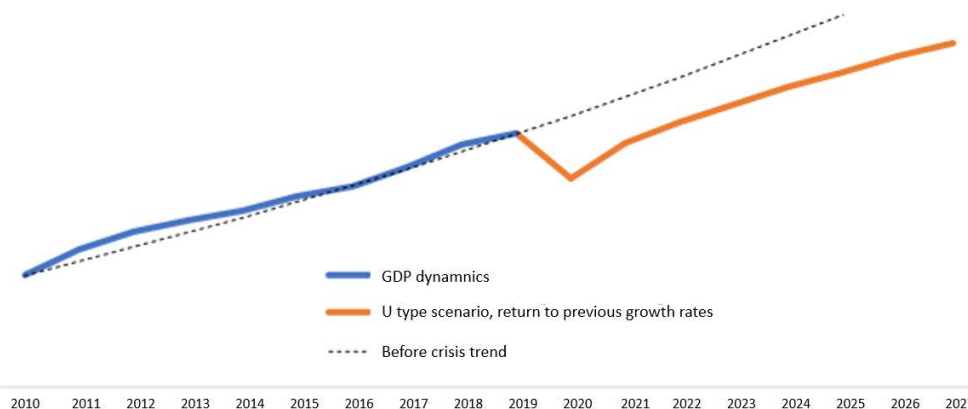
- Household expenditure: -1 billion EUR (against 2019)
- Investment: -1.6 billion EUR (against 2019)
- Export: -2.4 billion EUR (against 2019)
- Employment rate: -68 thousand (910 thousand in 2019)
- Unemployment rate: 12% (6% in 2019)



The most likely «U type» scenario. We can return to positive growth by the end of the year.
Growth rate 6-7% in 2021.



The U-scenario means that **without an active policy and economic transformation, we are returning to the current growth rates of ~3%**, but due to the crisis we will be lagging behind even the last years trends.





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LABOUR MARKET TRENDS

EKONOMIC GROWTH

-8,9%

II quarter of 2020

No OF EMPLOYED

-1,5%

II quarter of 2020

REGISTERED UNEMPLOYMENT RATE

8,3%

End of August 2020

No OF REGISTERED VACANCIES

19 K

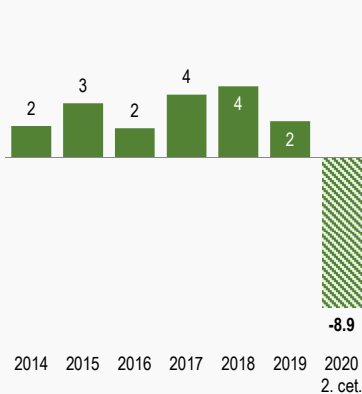
End of August 2020.

SALARY

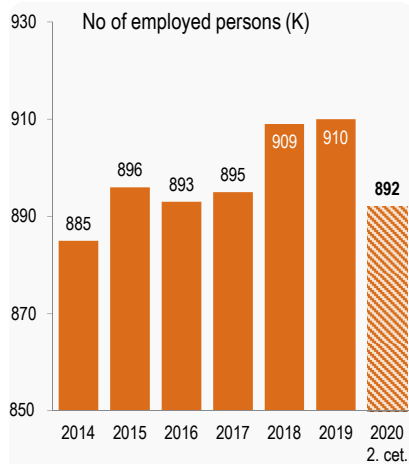
+5,6%

June 2020

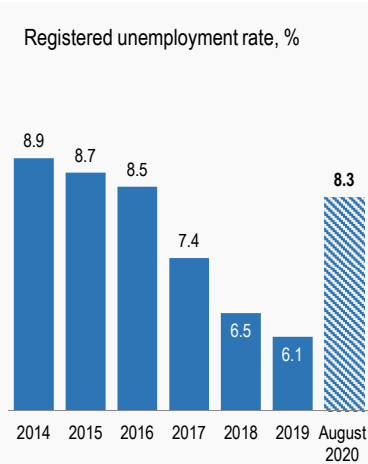
GDP (%)



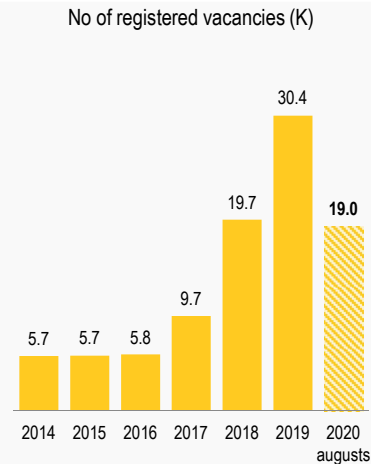
No of employed persons (K)



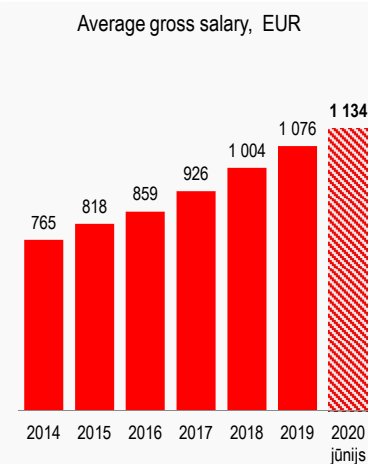
Registered unemployment rate, %



No of registered vacancies (K)



Average gross salary, EUR

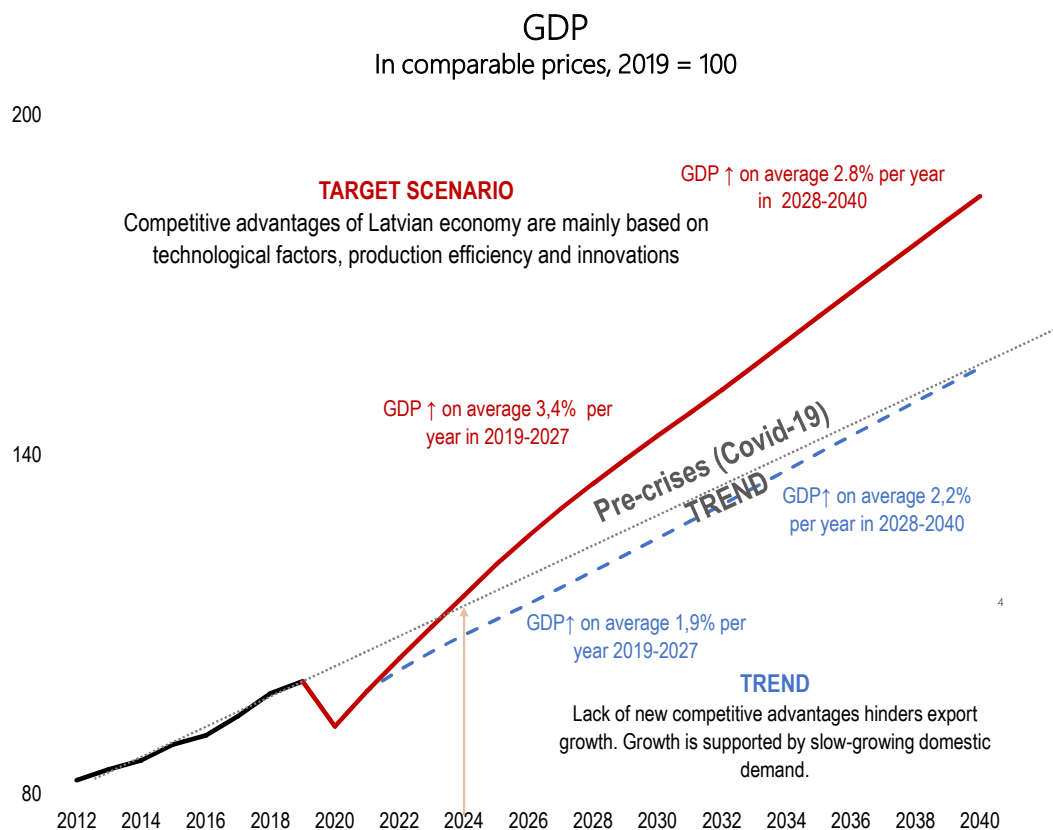


Source: Central Statistical Bureau, State Employment Agency



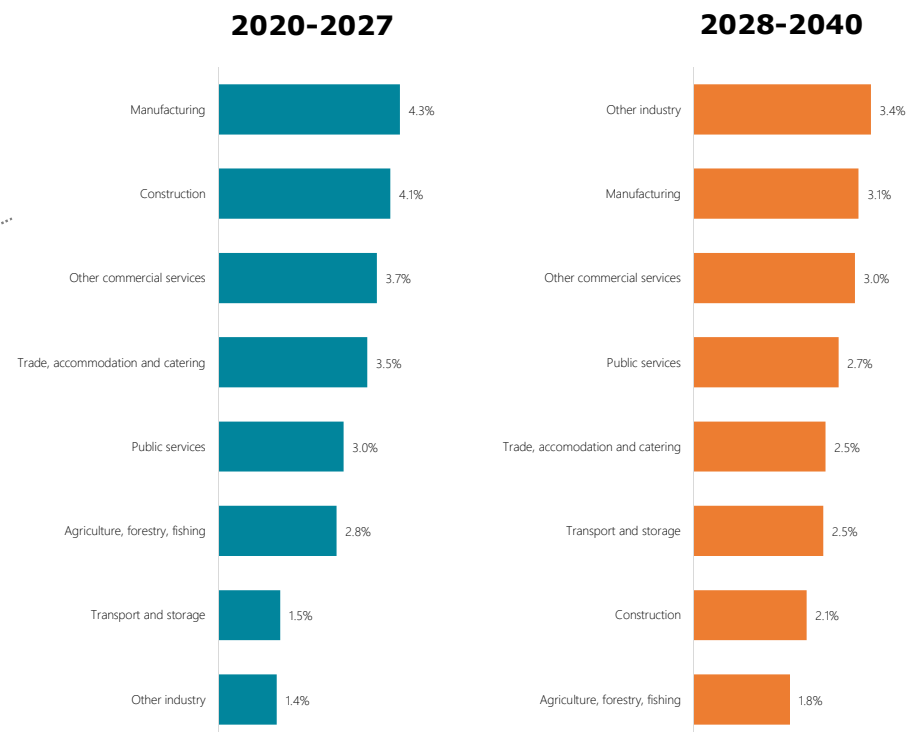
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OBJECTIVE: FASTER ECONOMIC GROWTH



Source: Central Statistical Bureau, State Employment Agency

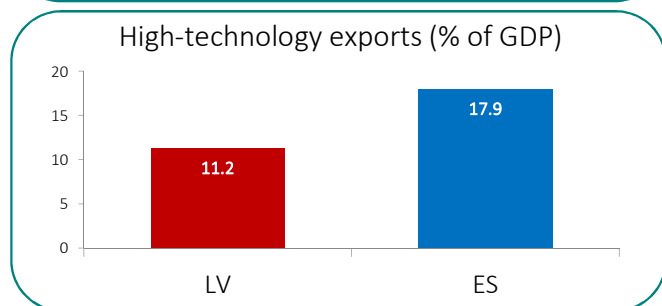
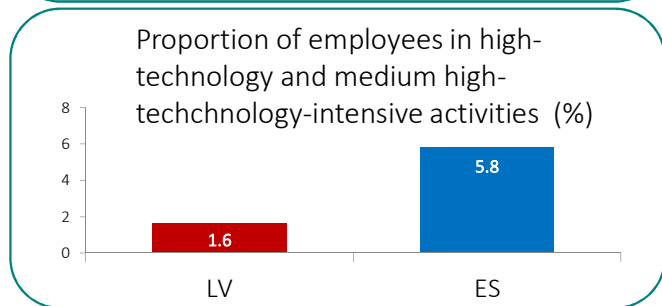
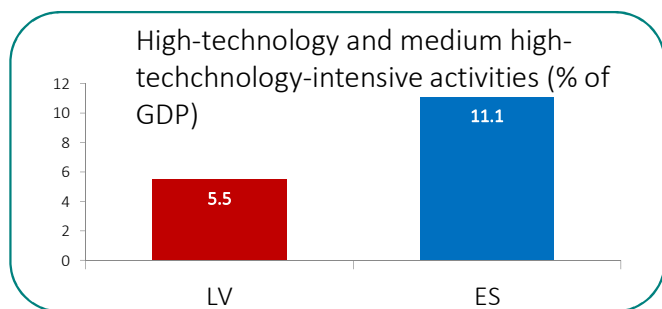
Sectoral growth average annual growth (%)





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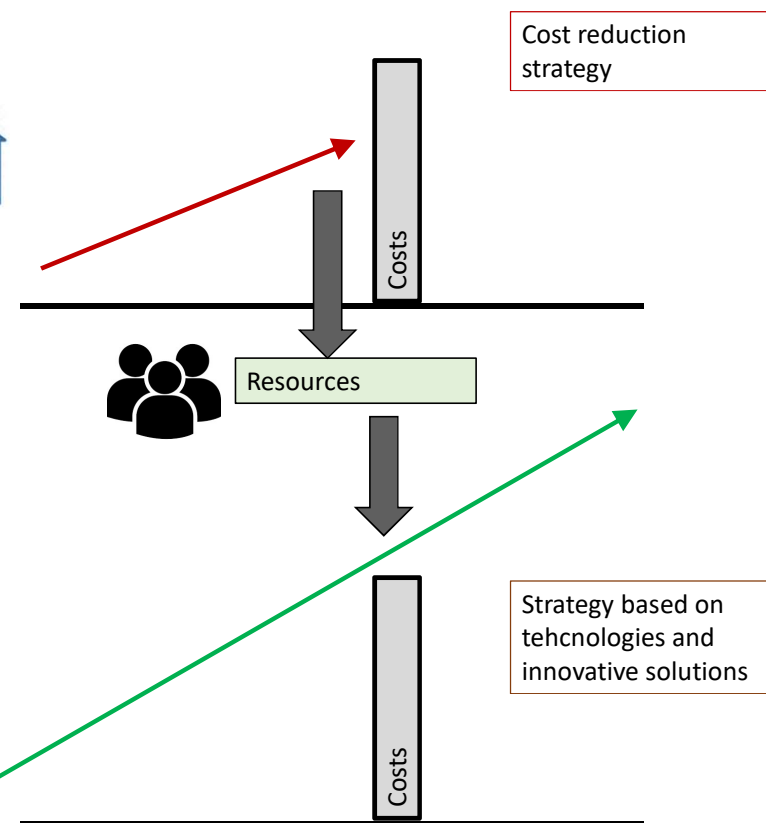
MEDIUM-TERM CHALLENGES ARE NOT CHANGED BY COVID-19



Enterprise «A»



Enterprise «B»



CHANGES CAUSED BY COVID-19



DIGITALIZATION AND
DIGITAL ECONOMY



NEW FORMS OF
EMPLOYMENT AND
REMOTE WORK

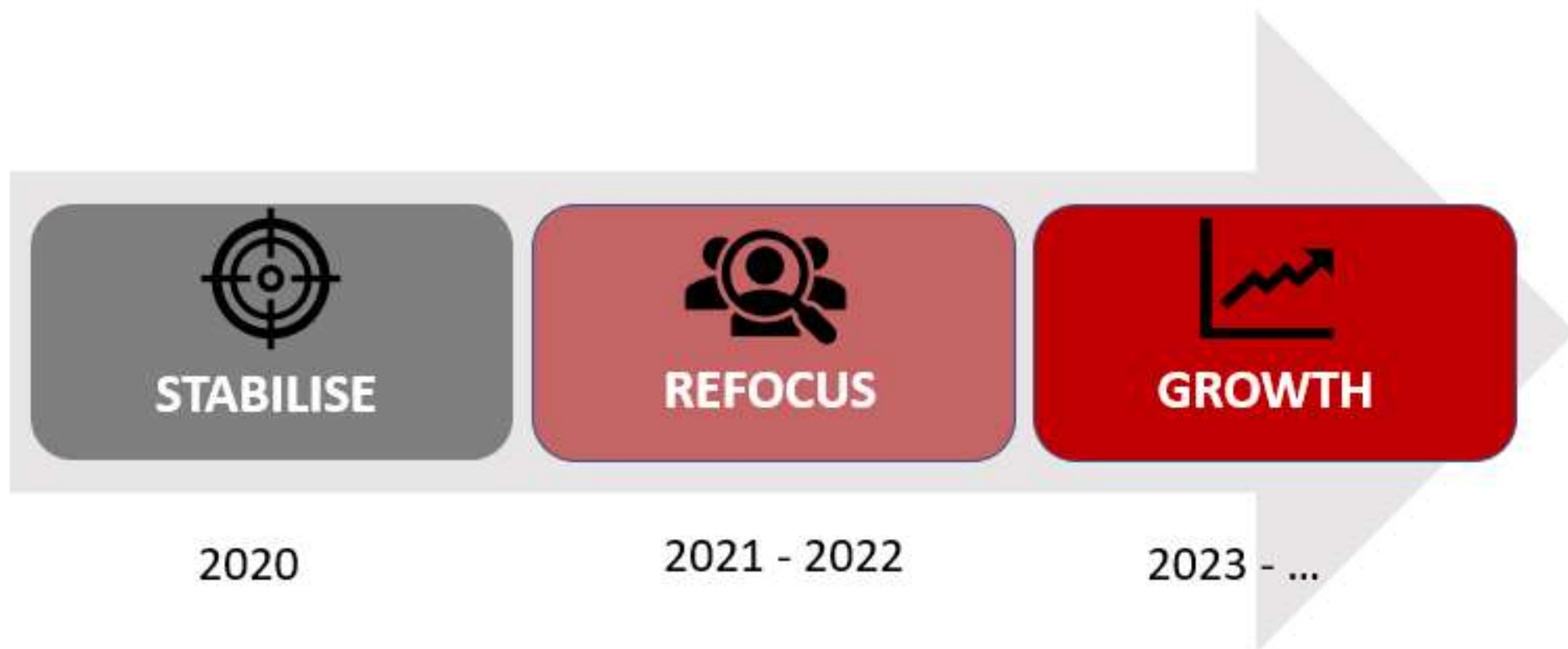


CONSUMER BEHAVIOUR
CHANGES AND
ECONOMICS OF FEAR



LOKALIZATION –
SHORTER SUPPLY
CHAINS

STRATEGY FOR LATVIA TO MITIGATE THE CONSEQUENCES OF THE COVID-19 CRISIS





SHORT-TERM	MAINTAINING AS MANY JOBS AS POSSIBLE, REDUCING UNEMPLOYMENT CAUSED BY COVID-19, IMPROVING DIGITAL SKILLS OF SOCIETY
MID-TERM	ESTABLISHMENT OF A FUNCTIONAL ADULT EDUCATION SYSTEM TO REDUCE SHARE OF LOW QUALIFIED WORKERS AND FOR CONTINUOUS DEVELOPMENT OF SKILLS AND COMPETENCIES



UNEMPLOYED

- Profiling of the unemployed and creation of an individual “training portfolio, upskilling and reskilling of the unemployed.
- Subsidized employment to support employers and temporary employment opportunities for the unemployed.

50 000



EMPLOYED

- Support for companies affected by the crisis (in case of partial downtime).
- Broadened employee training
- Supporting entrepreneurs with employee training (industry associations & LIAA).
- Development and improvement of entrepreneurial ability by expanding the offer of business incubators.

100 000



BUSINESSES

- New support tool for promoting company-commissioned training (High value-added industries, digital transformation).
- Program for development / expansion of existing and working companies (less teaching, more doing approach).
- High level training program (incl. Mini-MBA program).

2 000



SYSTEMIC IMPROVEMENTS

- Public information campaign for promotion of lifelong learning.
- To implement and to promote use of the world's leading, free access distance learning courses in Latvian.
- Digitization of general education content
- Monitoring of higher education and vocational education graduates.
- Preparation of Latvian digitization teachers (50) at the world top level.



INNOVATION
NEW PRODUCTS
DIGITALIZATION

SHORT-TERM

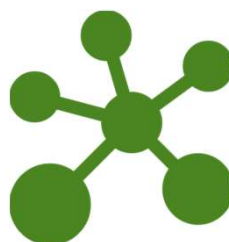
WIDER USE OF DIGITAL SOLUTIONS, DEVELOPMENT OF NEW EXPORTABLE PRODUCTS AND SERVICES IN THE FRAMEWORK OF CRISIS SUPPORT MEASURES

MID-TERM

INCREASE PRIVATE SECTOR EXPENDITURE ON RESEARCH AND DEVELOPMENT AND STRENGTHEN COOPERATION BETWEEN PRIVATE, PUBLIC AND ACADEMIC SECTORS



- Introduction of digitization voucher
- Introduction of design voucher
- New product certification support
- Talent attraction - to facilitate the conditions for attracting a highly qualified workforce
- Municipal investment in tangible and intangible assets



- Application of digital technologies to improve digital capabilities of the economy
- Involvement of local governments in the implementation of innovative solutions
- Clustering of leading state capital companies and incubation of start-up created solutions into new export directions



- Procurement of innovations in municipal construction tenders by procuring innovative wooden buildings and using innovative building materials
- Development of mechanism for identification of strategic projects
- To promote Latvia as a pilot platform for technological innovations
- Tool for transfer of SME development and technologies



**BUSINESS ENVIRONMENT
FOR EXPORT**
MARKETS | ENVIRONMENT

SHORT-TERM

MAINTAIN OPERATION OF EXPORTING COMPANIES DURING THE COVID-19 CRISIS AS MUCH AS POSSIBLE

MID-TERM

STRUCTURAL CHANGE OF EXPORTS IN FAVOUR OF PRODUCTION OF HIGH VALUE - ADDED GOODS AND SERVICES. BUSINESS ENVIRONMENT IN LATVIA IS COMPETITIVE AND ATTRACTIVE FOR SUCH COMPANIES



- Support for companies' export managers
- Market research and business analysis services
- LIAA support for products entering export market
- Export promotion activities (export vouchers, etc.)



- Services that will allow development of products in the early stages of product / service development
- Review of the LIAA representation office network, integration into international consortia
- Promoting entry of business services' companies and IT companies with help of clear LIAA strategy



- Reducing energy costs
- Wage subsidy for exporting companies
- Wage subsidies for tourism enterprises



FUNDING AVAILABILITY
PUBLIC & PRIVATE

SHORT-TERM

AVAILABILITY OF FUNDING TO MAINTAIN BUSINESSES

MID-TERM

DEVELOPMENT OF FINANCIAL INSTRUMENTS, EXPANSION OF CREDITING



- COVID19 guarantees and working capital loans
- Micro, start-up, growth loans and guarantees for SMEs
- Guarantees and loans to export-oriented companies with long repayment period, the so-called "long money"
- Establishment of export credit insurance services, reducing business risks
- New investment fund for equity investments in SMEs and large companies



INFRASTRUCTURE
HEATING OF ECONOMY

SHORT-TERM

STIMULATION OF DOMESTIC DEMAND AND HEATING OF THE ECONOMY
(IMPLEMENTATION OF SUSTAINABLE PUBLIC INFRASTRUCTURE PROJECTS)

MID-TERM

INCREASE IN PUBLIC AND PRIVATE INVESTMENT IN INFRASTRUCTURE OBJECTS



- One of the sources of public funding is the existing EU funding programs, initiated and planned municipal investment projects, as well as projects of state capital companies.



- Development of industrial parks in the regions to attract manufacturing companies
- Possible financing by MFF/RFF.



- Opportunities to borrow additional funds from commercial banks. In such a model attraction of additional private bank financing could be up to 3 times higher (multiplier effect)



- European Commission initiatives for economic recovery and offered additional financial instruments

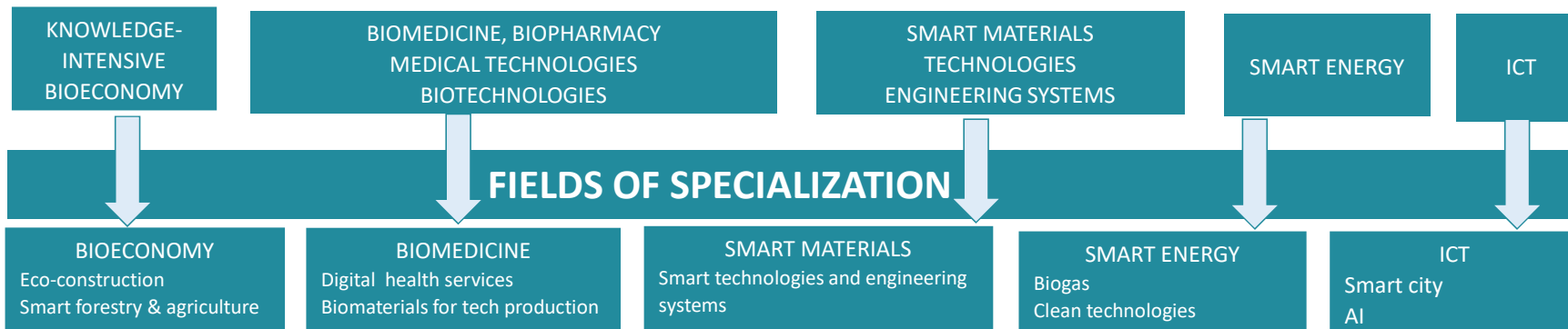
STRATEGY FOR LATVIA TO MITIGATE THE CONSEQUENCES OF THE COVID-19 CRISIS=> NIP2021+

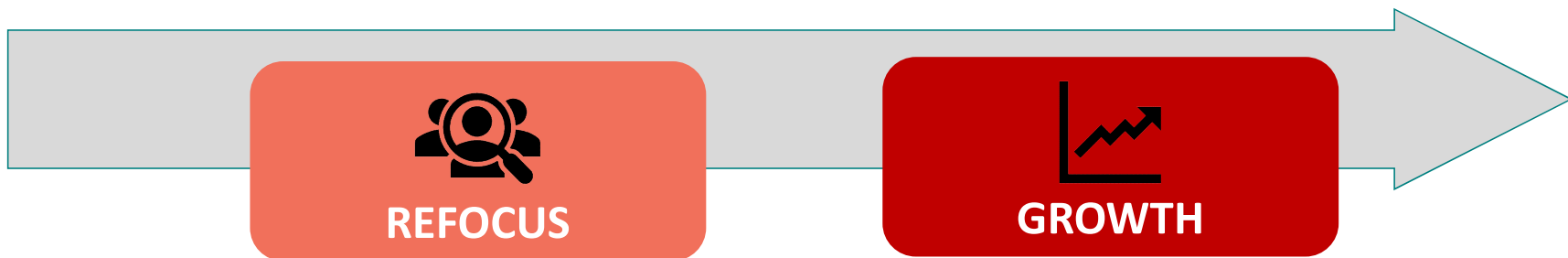
TARGET	TASK	RESULT
TO ACHIEVE PRODUCTIVITY-BASED STRUCTURAL CHANGES IN ECONOMY THAT PROMOTE EXPORT OF KNOWLEDGE-INTENSIVE GOODS AND SERVICES	RE-DIVISION OF RESOURCES IN FAVOUR OF PRODUCTIVE/ GROWING SECTORS	27 <small>Bil EUR</small> EXPORT IN 2027

MACRO-LEVEL CHALLENGES OF THE ECONOMY



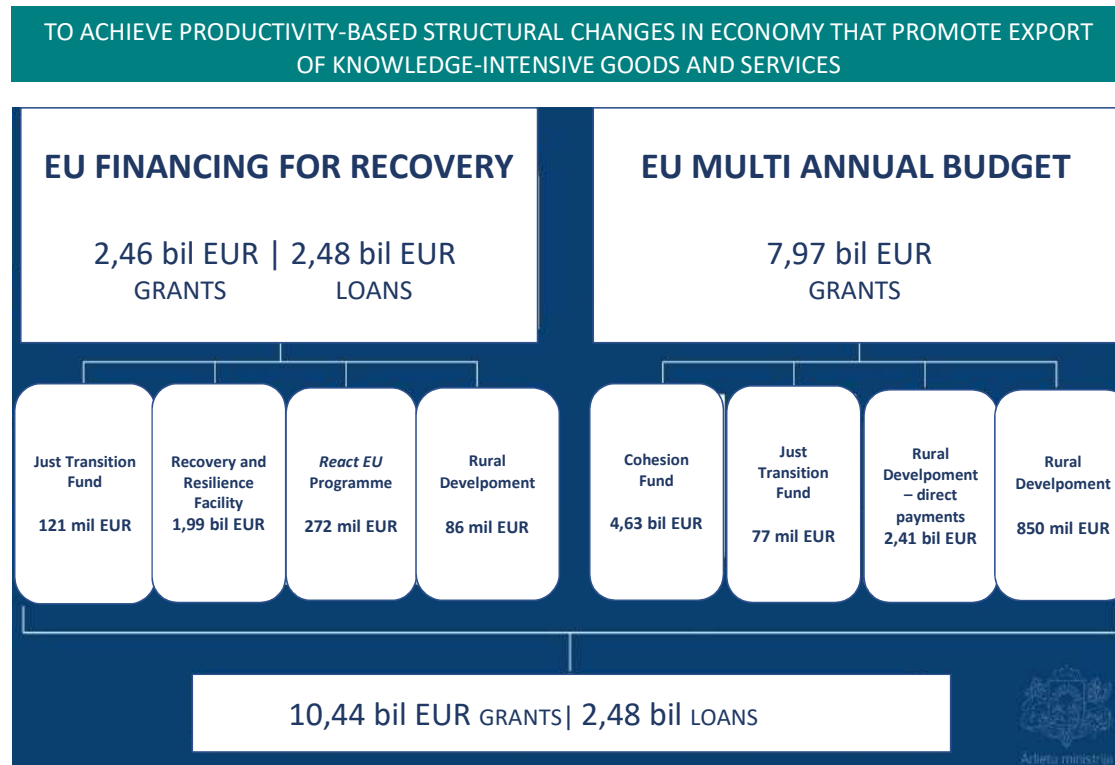
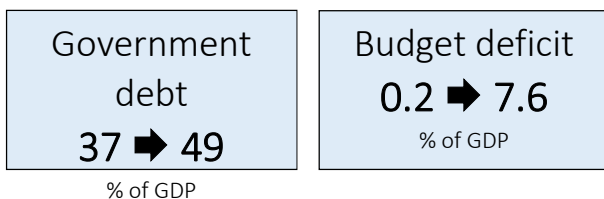
RIS3 STRATEGY





RESOURCES DURING ECONOMIC RECOVERY PHASE

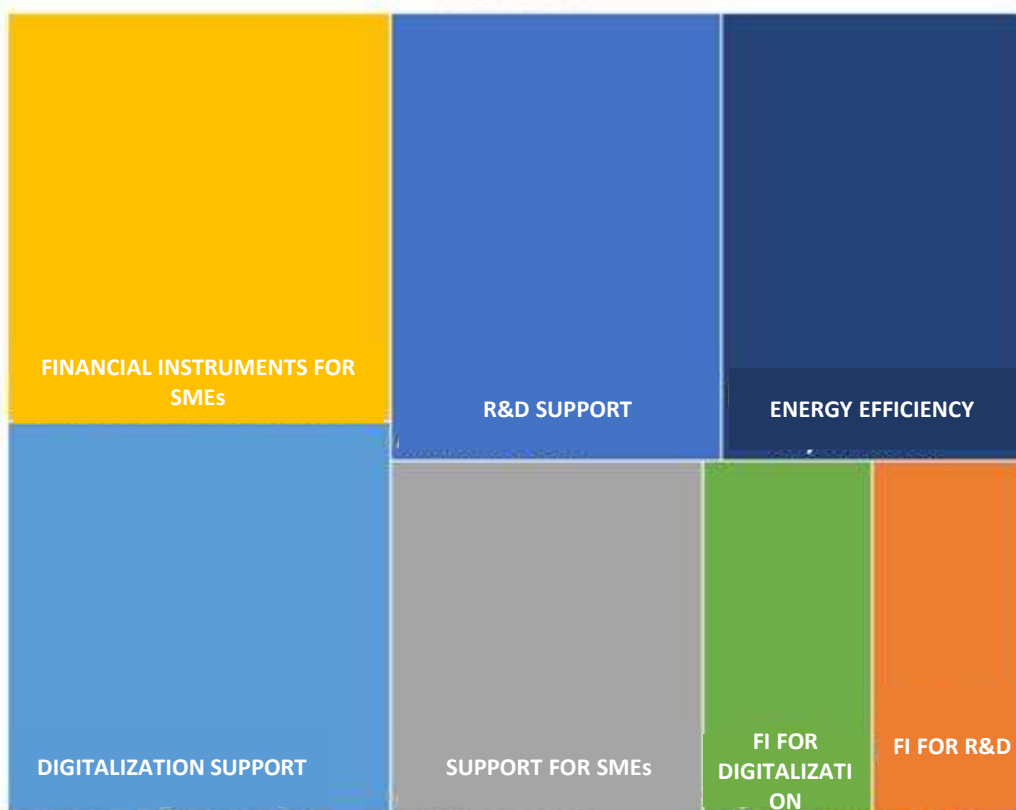
The state of public finances has deteriorated
due to Covid-19 crisis





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MFF+RFF



	MFF	RFF	Total
R&D Support	51.7	82.5	134.2
Financial instruments for R&D	50	0	50
SME Support	100.5	0	100.5
Financial instruments for SME	141.44	0	141.44
Digitalization support	39.15	96.7	135.85
Financial instruments for digitalization	20	33.8	53.8
Energy efficiency	43.5	80.5	124



Ekonomikas

RECOVERY AND RESILIENCE FACILITY FUNDING (RRF)

	OFFERED BY MINISTRY OF FINANCE	EM RRF	EM MMF
Climate change and sustainability 37% (740 mil EUR)	<ul style="list-style-type: none">• Transport emission reduction (444 mil)• Energy efficiency (170 mil)• AER / energy (74 mil)• Rescue services (52 mil)	<ul style="list-style-type: none">• Business energy efficiency 80.5 mil• DME 36.6 mil• Electric charging 36 mil	<ul style="list-style-type: none">• Business energy efficiency 43.5 mil• DME 163 mil• State buildings 104 mil
Digital transformation 20% (400 mil EUR)	<ul style="list-style-type: none">• State platforms (220 mil)• Digitalization and innovation of businesses (100 mil)• Digital skills (56 mil)• Infrastructure (24 mil)	<ul style="list-style-type: none">• FI for digitalization 33.8 mil• Digitalization support 96.7 mil	<ul style="list-style-type: none">• Digital centers 5 mil• Training 13 mil• Digitalization loans 15 mil• Guarantees 5 mil• Digital excellence 21 mil
Reducing inequalities 20% (400 mil EUR)	<ul style="list-style-type: none">• ATR, roads and regional inequality (320 mil)• Housing in regions (52 mil)• Social challenges, long-term care (28 mil)	<ul style="list-style-type: none">• Housing availability 42.9 mil	<ul style="list-style-type: none">• Renovation of social houses 60.8 mil• Accessibility (elevators) 21.75 mil• Tourism development 6.5 mil
Health 11% (220 mil EUR)	<ul style="list-style-type: none">• Availability of high quality services and resins for epidemiological crisis (52 mil)		
Transformation of economy and productivity reform 10% (200 mil EUR)	<ul style="list-style-type: none">• Promoting innovation and private investments in R&D (100 mil)• Reform of higher education management, human resources (100 mil)	<ul style="list-style-type: none">• R&D support 82.5 mil	<ul style="list-style-type: none">• Financial instruments 190 mil• Competence centers 51 mil
Strengthening the rule of law 2% (40 mil EUR)	<ul style="list-style-type: none">• Business environment, shadow economy (24 mil)• Rule of law and investigation of economic crimes (8 mil)• Improvement of state and municipal government (8 mil)		

PROGRAMME	TARGET GROUP	IMPLEMENTATION PERIOD	WHERE TO TURN?
Downtime allowance	Employees receiving idle-time benefit, self-employed and patent payers	09.11.2020 – 31.12.2020	SRS
Allowance for part-time employee salary subsidies	Part-time working staff of businesses hit by Covid-19 crisis	09.11.2020 – 31.12.2020	SRS
Working capital subsidies	Businesses hit by Covid-19 crises	01.11.2020 – 31.12.2020	SRS
Working capital loan	Businesses affected by Covid-19 crises	25.03.2020 – 31.12.2020	ALTUM
Loan Holidays guarantee	Businesses affected by Covid-19 crises	25.03.2020 – 31.12.2020	ALTUM
Export credit guarantee	Exporting companies regardless of company size and exporting country	15.04.2020 – 31.12.2020	ALTUM
Guarantees to large companies	Large exporters affected by the Covid-19 crisis	24.08.2020 - 31.12.2020	ALTUM
Investment fund	Large companies affected by the Covid-19 crisis	31.07.2020 - 30.06.2021	ALTUM
Loans for large and medium-sized businesses	Loan together with a loan of a credit institution, leasing company or other financial institution to merchants registered in Latvia	Until 31.12.2021.	ALTUM
Support to cover operating costs	Tourism companies	Expected to start in December 2020	LIAA
Promotion of international competitiveness in business and tourism	All businesses	Not later than July 31st, 2023.gada 31	LIAA
Extension of the deadline for the payment of taxes or division of the taxes into several payment periods for a period of up to 3 years	Businesses affected by Covid-19 crises	Final decision to be made by Parliament	SRS
Other tax support measures	All businesses	Final decision to be made by Parliament	SRS
Support for business rent payments	Businesses affected by Covid-19 crises	Final decision to be made by Parliament	Municipalities
Extension of the deadline for the payment of real estate taxes	All real estate owners	2020 and 2021 Decision to be made by Parliament	Municipalities
Extension of the term for performance of duties set in the Energy Efficiency Law	Large companies and large electricity consumers	Decision to be made by Parliament	State Construction Control Bureau