INFORMATIVE REPORT

**“STRATEGY FOR LATVIA FOR THE REDUCTION OF THE CONSEQUENCES CAUSED BY THE COVID-19 CRISIS”**

**Summary**

In the situation where merchants face a substantial impact of COVID-19 – decline in turnover, decrease in revenues, deferred payments, disruptions in deliveries, substantial decrease in export, etc. – it is necessary to find solutions which are target-oriented and directed towards stabilisation of economy, reorientation of the national economy, and growth.

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| **OBJECTIVE OF THE STRATEGY** | | |
| **IN SHORT TERM** | **IN MEDIUM TERM** | **OUTCOME** |
| TO ACHIEVE AS MINIMAL NEGATIVE IMPACT ON ECONOMY AND OPERATION OF ENTERPRISES AS POSSIBLE | TO ACHIEVE STRUCTURAL CHANGES IN THE ECONOMY BASED ON PRODUCTIVITY INCREASE IN FAVOUR OF THE DEVELOPMENT OF KNOWLEDGE-INTENSIVE EXPORT OF GOODS AND SERVICES | 22  billion EUR  AMOUNT OF EXPORT IN 2023 |

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| **ACTION DIRECTIONS OF THE STRATEGY** | | | | |
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| HUMAN CAPITAL | INNOVATION | BUSINESS ENVIRONMENT FOR EXPORT CAPACITY | FINANCIAL AVAILABILITY | INFRASTRUCTURE |
| SKILLS  RETRAINING | NEW PRODUCTS  DIGITISATION | MARKETS  ENVIRONMENT | PUBLIC  PRIVATE | BOOSTING OF ECONOMY |

**RESULTS TO BE ACHIEVED BY 2023**

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| --- | --- | --- | --- | --- |
| **165** | **300** | **30** | **1.3** | **2.2** |
| thousand | million EUR | % per year | billion EUR | billion EUR per year |
| NUMBER OF PERSONS INVOLVED IN ADULT EDUCATION | EXPENDITURES OF PRIVATE SECTOR ENTERPRISES FOR R&D | INCREASE IN THE EXPORT AMOUNT BY THE ENTERPRISES RECEIVING EXPORT AID | MARKET FAILURES IN THE FIELD OF CREDITING AND GUARANTEES HAVE BEEN ELIMINATED AND THE PRIVATE SECTOR LEVERAGE HAS BEEN TRIPPLED | PUBLIC AND PRIVATE INVESTMENTS IN INFRASTRUCTURE |

**Introduction**

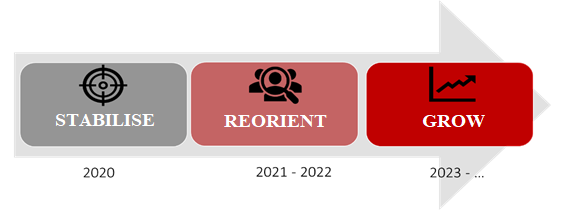
The informative report “Strategy for Latvia for the Reduction of the Consequences Caused by the COVID-19 Crisis” (hereinafter – the Informative Report) has been developed by the Economic Development Group (established by the Order No. 2020/1.2.1.-64 of the Prime Minister of 16 April 2020), referring to Cabinet Order No. 103 of 12 March 2020, Regarding Declaration of the Emergency Situation (*Latvijas Vēstnesis*, 2020, 51A, 52A, 52B, 54A, 56A, 60A, 62B, 62D, 64B, 66B, 69B, 71C, 75A, 78A, 79B, 82A).

Times of crisis provide a great opportunity for rapid development if there is a clear strategy and action plan. This COVID-19 crisis has caused major uncertainty throughout the world. Latvia has successfully made the first steps in overcoming the health crisis of the virus. There are some ideas and first decisions as to the surviving the economic crisis. Now a clear strategy for overcoming the virus and economic crisis is necessary.

Upon implementation of a clear strategy, Latvia will undergo rapid development. There are three steps for overcoming the crisis. The first step is to survive. The second step – to decide on the strategy after the crisis, the third step – to implement the rapid growth strategy.

The objective of the Informative Report is to create a strategic framework with a set of complex measures which would allow to overcome the economic crisis caused by the measures for the containment of COVID-19 and its impact, focusing not only on the stabilisation of the national economy but also on the use of growth opportunities created by the crisis.

**Therefore, the strategy offered includes three consecutive steps – stabilisation of the national economy, reorientation and growth phase**:



**1) Stabilise**

A set of temporary measures in the emergency situation which is primarily directed towards the stabilisation of the financial situation for inhabitants and entrepreneurs in the circumstances of the COVID-19 crisis and towards the containment of the spread of the virus in Latvia.

**2) Reorient**

Taking into account the changes caused by the COVID-19 crisis in the global economy, and also using the advantages of and challenges for the national economy of Latvia, new opportunities for entrepreneurs, inhabitants must be created, placing an emphasis on innovation, digital transformation, lifelong education, orienting towards structural changes in economy, adjusting the State aid mechanisms in a purposeful manner.

**3) Grow**

A set of medium-term aid measures for the transformation of the national economy – based on the dynamic development of export of goods and services, ensuring the growth of national economy via increase in productivity, automation, digital transformation, aid to growth of enterprises and rapidly growing sectors and ecosystems.

Under the current challenges, it is primarily necessary to stabilise the national economy of Latvia, concurrently retaining the strategic course in order to accelerate productivity-based structural reorientation of economy. This can be implemented by adjusting the national economy to global trends in a timely manner and by creating new comparative advantages.

The **stabilisation phase** of the national economy includes a range of **short-term measures which can be divided into three steps according to their content – 1) suppression of the spread of the virus; 2) stabilisation of the national economy; 3) ensuring of industrial harmony.** At the same time, the stabilisation phase of the national economy includes actions directed towards the promotion of export capacity and increasing of productivity, and also carrying out of improvements in entrepreneurial environment.

**Suppression of the spread of the virus**

Measures for the control of the spread of the virus include proactive operation of the medical system which is ensured with the help of the latest ICT achievements in the field of determination of social contacts, control and diagnostics of the virus. In addition, the lack of availability of infrastructure in order to support the self-isolation attempts of potentially sick individuals and ensuring of a special care system for the risk groups, thus reducing the risk of falling ill, should be solved in a complex manner. The abovementioned activities should be supplemented by investments in science and research (including studying of COVID-19 virus) and also by investing additional resources into the medical and social care system (primarily in medical and social care personnel).

**Stabilisation of the national economy**

Upon subsiding of the current state of the emergency situation, a range of changes both in the regional distribution of the marketing outlet of Latvian goods and services and in terms of export structure which will be stimulated by “fear economy”, global challenges caused by environmental and resource availability, and also digitisation are foreseeable. Stabilisation of the national economy includes a range of activities for the promotion of availability of current assets of entrepreneurs, including with the help of tax payment and credit holidays, and also ensuring access to ALTUM loans. Additional activities are intended for the activation of the internal market which can be achieved concurrently with the implementation of the measures containing the spread of the virus by promoting the restructuring of the resources from the EU funds and accelerating the implementation of measures. A separate set of activities is related to cost-cutting of enterprises under the circumstances where the local currency has devalued in part of the export markets of Latvia. Tactical actions include cost-cutting of energy resources, reduction of labour costs, concurrently implementing strategic measures, already at the present moment, in relation to the improvement of skills and qualification of the labour force/reorientation to professions which are and will be in demand in the changing labour market.

Therefore, in order to reduce the decline in export capacity of Latvia in long term, and also to return not only to the level of the pre-crisis period but also to exceed it as soon as possible, a timely strategy forestalling the rivals of the export market should be implemented. This strategy includes measures directed towards aid to the exportable industries and industries/niches identified as having the signs of future growth potential, reorientation in the offer of adult education (quality requirements and monitoring system), ensuring of availability of the funding to research and development and for commercialisation and promotion of their outcomes – products – on the market. At the same time, in order to reduce the decline in economic activity and employment related to the epidemiological situation, domestic demand aid instruments should also be applied. Upon making choices regarding particular measures and their financial capacity, it is important that these solutions would provide structural strengthening of sustainability of the national economy of Latvia. The State/local government procurement instruments should be used in the field of the promotion of domestic economic activity.

In addition, specific measures in the form of financial instruments – loan and capital instruments – should be developed. At the same time, for the attraction of capital, preconditions for quotation of shares of commercial companies of the private and public sector in stock exchange where State capital companies are of significant influence should be created. Reduction of bureaucracy and digital transformation of processes, particularly in the field of construction and education, are of crucial importance.

**Ensuring of industrial harmony**

Successful implementation of stabilisation of the national economy is possible only in case where there is no social tension in the society. It can be prevented by implementing precise communication between the representatives of the public sector (State and local governments) and of the private sector, establishing a comprehensive social dialogue between inhabitants and employers in the sectors affected by the virus. In addition, measures in relation to the improvement of the social “cushion” for furloughed inhabitants or inhabitants who have lost employment should be implemented.

**Extent of public intervention**

The Bank of Latvia has pointed out that although currently the economic circumstances require a significant incentive of fiscal policy for aid to the national economy and its participants – entrepreneurs and households –, measures should, at the same time, be weighed against the State budget possibilities of the present time and also more distant future, without exhausting the fiscal space available to the State for solving subsequent crises. I.e. it is necessary to spend in a sustainable manner. Upon the end of the crisis, the government debt of Latvia should not exceed 50–55 % of GDP which is a substantial increase in comparison with the situation as at the end of 2019 when the government debt was 36.9 % of GDP. Such increase in debt ensures a sizeable fiscal space for aid to economy, however, it still preserves fiscal sustainability. Upon resumption of growth, fiscal policy should be able to ensure that, within 6–8 years (i.e. within a credible growth period of a business cycle), the government debt would approach 40 % of GDP and Latvia would be well prepared for the next economic recession. Conformity with such principle – restriction of the debt at a level which provides the State with a possibility to enter the next crises with a fiscal capacity that has not been weakened – should be used as a practical standard for the determination of the upper limit of the extent of aid under the current crisis. Upon exceeding this limit, not only the possibilities of the State to respond to the next economic recession are being reduced but also the probability of application of additional, more strict fiscal conditions of the EU which are applied to countries with the debt level above 60 % of GDP is increased.

**1. Future Challenges of the National Economy of Latvia and Global Trends**

Although restrictions caused by COVID-19 have a negative impact on economy today, the challenges for the development of the national economy in medium term which have already been specified in policy planning documents, for example, the necessity to increase export and productivity of goods and services of Latvia do not change. Similarly, such initiatives previously commenced by the European Commission as the European Green Deal and digitisation also remain.

**New forms of employment/relationship and remote working.** As a result of COVID-19, some enterprises throughout the world have started to provide their employees with the possibilities of remote working. It is foreseeable that part of enterprises will perform an increasingly large amount of work in remote mode. Remote work will promote the decrease in demand (and price) for offices, transport services, etc. Concurrently the exchanging of the current infrastructure for smart solutions of manufacturing ecosystems will cause the emergence of new, indirectly related working places, the emergence of such working places which will ensure the operation and maintenance of such installations. As a result of such changes from direct to indirect working places, the role of industry will transform from the central point of employment to employees who will become the essence of a larger network employing people with specific knowledge who in turn ensure different services to an extensive range of industries for the performance of different operations, including in a remote manner. The new form of employment will promote a comprehensive digital transformation of the public and private sector, processing and use of big data for the satisfaction of the needs of the society and involvement thereof in the creation of new social and economic values.

**Digitisation and online economy.** COVID-19 will accelerate the digital process of transformation in the world. Such professions as data analysts, data scientists, machine learning specialists, and also programmers and digital transformation specialists will be at the top of the most requested professions (World Economic Forum) in the coming years. Due to the high demand, such professions should be considered as professions of high added value in the future, therefore, the necessary steps should be taken for there to be more representatives of such professions in Latvia. Taking into account that representatives of these professions are fully operating in the digital environment, inhabitants of Latvia will be able to create an exportable service to any part of the world, thus using the competitive advantages of Latvia in relation to the high quality of the digital infrastructure. This creates excellent opportunities in Latvia for the development of export services of our strong IT solutions, integrated business services. COVID-19 will result in the expansion of the part of online trade, habits of consumers will naturally change, demand for distance transactions and services will increase, creating a significant potential for the development of online commercial activity on local and international scale. The ability of State administration and local governments to promote the dynamics of cooperation of the public and private sector in digital form (including creation of testing environment for the development of new products and other solutions) is of significance. This represents new opportunities for Latvia for inclusion in these new delivery chains. Digital transformation in industrial and service enterprises will allow to increase the productivity of Latvian enterprises, achieving reduction of the cost price, improving efficiency of processes.

**“Fear” economy – changes in consumer behaviour.** The decrease in demand in the global economy and the resulting crisis are caused not by the virus itself but by the restrictions on economic movement and movement of people introduced and the resulting changes in habits of people. As a result, robustness and ability to overcome difficulties will replace efficiency as the main criterion when establishing a delivery chain. As a result of the existing insecurity, the aggregate demand and offer in global economy changes, demand for individual services decreases (people stop visiting trade centres, cinemas, etc.), trade in luxurious goods is affected. However, at the same time the demand for online services has increased rapidly. It is essential to take into account that during this process of change the **development strategies of industries are subject to changes**.Industrial policy strategies undergo a renaissance in many countries of the world, marking a significant role for a targeted and coordinated amount of public sector intervention. Therefore, the objective of strengthening the development and competitiveness of industries of Latvia cannot be achieved by relying on the market forces only.

**Localisation – shorter chains.** Shortening of manufacturing chains improves the safety of the manufacturing cycle and potentially reduces the delivery time, however, it concurrently reduces the division of labour among countries and restricts globalisation. Localisation may promote the increase of investments into local market. Even before the COVID-19 crisis an increasing number of enterprises were introducing automation-based localisation for the purpose of shortening the global value chains. Upon development of technologies and integrated solutions thereof (including IoT), the so called additive manufacturing with the use of 3D solutions and the increasing necessity for smart and flexible automation will spread. This will ensure a transition from traditional models of manufacturing to adaptive solutions (smaller scale; higher price or development of solutions appropriate specifically for the client).

Crises are an excellent time for rapid development. Instinctive response of many countries and enterprises in a crisis is to succumb to panic and to do all at once or also to wait and do nothing. With strategic understanding of the opportunities provided by the crisis and the strengths of Latvia, it is possible to create a developmental breakthrough and to forestall the irrationally-responding rivals.

**2. Action Directions of the Strategy**

**HUMAN CAPITAL**

**CHALLENGES**

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| RISING UNEMPLOYMENT. RISK OF STRUCTURAL UNEMPLOYMENT, INDIVIDUAL SECTORS WILL NOT REACH THE PRE-CRISIS LEVEL FOR A LONG PERIOD OF TIME | LACK OF KNOWLEDGE AND SKILLS LIMITS THE ABILITY OF ENTREPRENEURS TO RESPOND TO THE CHANGING CIRCUMSTANCES OF THE MARKET | ENTERPRISES OF LATVIA ARE SIGNIFICANTLY LAGGING BEHIND IN THE APPLICATION OF DIGITAL TECHNOLOGIES, INHABITANTS HAVE POOR OVERALL DIGITAL SKILLS |
| LABOUR FORCE IS FOCUSING IN LOW PRODUCTIVITY SECTORS, SLOW TRANSITION TO HIGHER PRODUCTIVITY SECTORS | PARADIGM OF EDUCATION IS UNDERGOING GLOBAL CHANGES. PROFESSIONS AND SKILLS ACQUIRED AT SCHOOL AND HIGHER EDUCATION INSTITUTION ARE NOT SUFFICIENT FOR COMPETITION IN THE RAPIDLY CHANGING WORLD | PUBLIC AWARENESS OF THE ROLE OF ADULT EDUCATION, ENSURING OF QUALITY OFFER ON THE EDUCATION MARKET |

It is of the essence to ensure the growing sectors with the necessary human resources by implementation of pre-emptive action – surveying and analysis of trends, rapid and flexible response.

**OBJECTIVES**:

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| IN SHORT TERM | PRESERVATION OF WORKING PLACES TO THE MAXIMUM EXTENT POSSIBLE, REDUCTION OF UNEMPLOYMENT CAUSED BY COVID-19, IMPROVEMENT OF DIGITAL SKILLS FOR THE SOCIETY |
| IN MEDIUM TERM | ESTABLISHMENT OF A FUNCTIONAL ADULT EDUCATION SYSTEM FOR THE REDUCTION OF THE PROPORTION OF SEMI-SKILLED EMPLOYEES, CONTINUOUS DEVELOPMENT OF SKILLS, ABILITIES, AND COMPETENCES, AND CHANGES IN SOCIO-ECONOMIC PARADIGM – INTRODUCTION OF THE FUTURE EDUCATION CONCEPT |
| OUTCOME | THE NUMBER OF PERSONS INVOLVED IN ADULT EDUCATION INCREASED UP TO 165 THOUS. IN 2023 (78 THOUS. IN 2019) |

**OFFERED MEASURES**:

The measures to be primarily achieved in the **stabilisation** phase of the direction “HUMAN CAPITAL” of the Strategy are aid to persons left without employment, and also a new approach is offered to entrepreneurs for the promotion of competitiveness and productivity for training of employees. For the improvement of strategic growth and future potential of enterprises, it is offered to implement a complex training programme for high-level employees and managers.

**STABILISE**

Creation of a unified training platform of higher education institutions has been included amongst the primary measures in the reorientation phase. A unified adult education management system will be developed with the objective of strengthening the education attempts of inhabitants. Strict quality criteria for non-formal education programmes have been introduced for the implementation thereof, higher education institutions and also vocational education competence centres have been supported for active involvement thereof on the market of non-formal education, and also an efficient monitoring system has been introduced.

**REORIENT**

A unified long-term strategy of Latvia for attraction of talents should be implemented in the growth phase in cooperation with entrepreneurs. Financial instruments for crediting of studies will be introduced for the purpose of promoting accessibility of high-quality education. For the purpose of internationalisation of higher education and research institutions, a set of aid measures will be implemented for the achievement of critical mass with the purpose of further transferring the knowledge and skills absorbed to exportable products of Latvian entrepreneurs.

**GROW**

**INNOVATION**

**CHALLENGES**

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| LOW LEVEL OF PRIVATE SECTOR R&D EXPENDITURES | LOW PROPORTION OF R&D INTENSIVE SECTORS IN THE STRUCTURE OF THE NATIONAL ECONOMY | INSUFFICIENT COOPERATION BETWEEN SCIENTIFIC INSTITUTIONS AND THE INDUSTRY |
| FRAGMENTED MANAGEMENT OF THE FIELD OF SCIENCE AND INNOVATIONS | LOW LEVEL OF MOTIVATION FOR THE CREATION OF INNOVATIONS | INSUFFICIENT INTERNATIONAL COOPERATION |

**OBJECTIVES:**

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| IN SHORT TERM | MORE EXTENSIVE USE OF DIGITAL SOLUTIONS, DEVELOPMENT OF NEW EXPORTABLE PRODUCTS AND SERVICES WITHIN THE SCOPE OF CRISIS AID MEASURES |
| IN MEDIUM TERM | TO INCREASE EXPENDITURES OF THE PRIVATE SECTOR FOR R&D AND TO STRENGTHEN THE COOPERATION AMONG THE PRIVATE, PUBLIC, AND ACADEMIC SECTOR |
| OUTCOME | EXPENDITURES OF ENTERPRISES OF THE PRIVATE SECTOR FOR R&D INCREASE BY EUR 300+ MIL. EVERY YEAR. |

**OFFERED MEASURES**:

In the **stabilisation** phase of the direction “INNOVATION” of the Strategy it is of the essence to implement the existing instruments of public aid – aid measures for the implementation of applied/practical studies, and also incentives for investments of merchants into research and development.

**STABILISE**

Measures in relation to the expansion of the application of digital technologies should be primarily implemented in the reorientation phase. Health systems and the sustainability of their solutions, involvement of inhabitants in the education/lifelong education system, and also the level of digital maturity of the public sector and enterprises are the most significant principal elements of sustainable development of the State and cities. Therefore, an extensive programme for aid to research within the scope of competence centres will be implemented for the purpose of the creation of innovations. Measures for clustering of the leading State capital companies and for piloting and further commercialisation of solutions of start-ups which will work as a catalyst stimulating innovations will be created with the objective of supporting new directions of sustainable export products and services.

**REORIENT**

Measures in the growth phase will include measures oriented towards commercialisation activities of products. The establishment of an instrument for the development of small and medium-sized merchants and for the transfer of technologies should be evaluated. The measure for the promotion of domestic economic activity with high export potential – placing of orders of the military industry to local industries – has been hitherto implemented in a comparatively limited manner in Latvia. The openness of the society of Latvia to new technologies, quality compatibility of the international transport infrastructure, and the foreign language skills of inhabitants result in high potential for positioning Latvia as the platform for testing technological innovations to be offered to international corporations as the environment for the testing of digital technologies and cooperation.

**GROW**

**BUSINESS ENVIRONMENT FOR EXPORT CAPACITY**

**CHALLENGES**

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| DECLINE IN DEMAND IN EXPORT MARKETS OF LATVIA | HIGH LEVEL OF BUREAUCRATIC OBSTACLES IN DIFFERENT SECTORS | SIGNIFICANTLY IMPROVE THE POSITIONS IN INTERNATIONAL RATINGS OF THE BUSINESS ENVIRONMENT |
| SECTORS OF LOW AND MEDIUM-LOW TECHNOLOGIES ARE DOMINATING IN EXPORT | UNCOMPETITIVENESS OF COSTS SLOWS DOWN EXPORTERS AND ATTRACTION OF INVESTMENTS | LOW GDP PROPORTION OF MANUFACTURING INDUSTRY |

**OBJECTIVES:**

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| IN SHORT TERM | TO PRESERVE THE OPERATION OF EXPORTING ENTERPRISES OF LATVIA DURING THE COVID-19 CRISIS AS MUCH AS POSSIBLE |
| IN MEDIUM TERM | CHANGING OF THE EXPORT STRUCTURE IN FAVOUR OF MANUFACTURING OF GOODS AND SERVICES OF HIGH ADDED VALUE. THE BUSINESS ENVIRONMENT IS COMPETITIVE AND ATTRACTIVE FOR SUCH ENTERPRISES IN LATVIA |
| OUTCOME | INCREASE IN THE EXPORT AMOUNT BY THE ENTERPRISES RECEIVING EXPORT AID BY 30 % A YEAR |

**OFFERED MEASURES**:

In the **stabilisation** phase of the direction “BUSINESS ENVIRONMENT FOR EXPORT CAPACITY” of the Strategy it is of the essence to provide aid not only to enterprises already exporting but also to create opportunities for new exporters by supporting enterprises of internationally competitive industry and advancement of their products in export markets. The “green corridor” for the reduction of bureaucracy and administrative processes will be created for efficient attraction of local and foreign investors, at the same time measures for the reduction of costs of entrepreneurship will be developed in cooperation with entrepreneurs for preserving of export capacity.

**STABILISE**

Measures for the establishment of the Export Credit Agency should be advanced in the reorientation phase among the measures to be implemented primarily, their operation would be supplemented by aid measures for clusters and aid mechanisms for product entry into the export market.

**REORIENT**

Measures in the growth phase would include solutions stimulating growth opportunities of products/services during early development stage thereof. Diversification and intensification of aid measures of the representation office of the Ministry of Foreign Affairs and the Investment and Development Agency of Latvia (IDAL) for the acquisition of export markets, and also expansion of the services of the Export Credit Agency will be engaged for export aid of Latvia in a proactive manner.

**GROW**

**FINANCIAL AVAILABILITY**

**CHALLENGES**

|  |  |  |
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| LIQUIDITY AND INSUFFICIENCY OF CURRENT ASSETS | COMPETITIVE BANK INTEREST RATES AND TERMS IN EUROPE | INSUFFICIENT FUNDING FOR THE IMPLEMENTATION OF INNOVATION AND DIGITISATION PROJECTS |
| INSUFFICIENT FUNDING FOR THE FINANCING OF INNOVATIVE BUSINESS MODELS | POORLY DEVELOPED RISK CAPITAL AND CAPITAL MARKET | INCREASING RISKS OF INTERNATIONAL TRADE |

**OBJECTIVES**:

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| IN SHORT TERM | FINANCIAL AVAILABILITY FOR THE PRESERVATION OF THE OPERATION OF ENTERPRISES |
| IN MEDIUM TERM | DEVELOPMENT OF FINANCIAL INSTRUMENTS, EXPANSION OF CREDITING |
| OUTCOME | THE AMOUNT OF MARKET FAILURES HAS BEEN ELIMINATED IN THE AMOUNT OF AT LEAST EUR 1.3 BILLION IN THE FIELD OF CREDITING AND GUARANTEES, AND AT LEAST EUR 700 MILL. IN THE FIELD OF CAPITAL INVESTMENTS ENSURING THRICE AS BIG “SHOULDER” OF THE PRIVATE SECTOR |

**OFFERED MEASURES**:

The measures included in the **stabilisation** phase of the direction “FINANCIAL AVAILABILITY” of the Strategy as the measures to be primarily achieved are aid measures for large merchants in the form of financial instruments (guarantees and loans).

**STABILISE**

A three-level financing system must be primarily developed in the reorientation phase: savings and loan associations for micro-enterprises, bank credits for the medium level, and bonds and stock exchange for large enterprises. The measures include the creation of an investment fund of own funds (equity capital and quasi-capital injections) and the implementation of the loan of the financial instrument ALTUM for medium-sized and large enterprises with a long repayment term.

**REORIENT**

Risk capital funds for investments into capital will be activated in the growth phase, a financial instrument with the element of a grant for improvement and expansion of manufacturing processes, including digitisation, will be introduced, a loan and guarantee programme for the increasing of productivity and development of enterprises will be created, and also a programme – aid to digital transformation of enterprises – will be implemented.

**GROW**

**INFRASTRUCTURE**

**CHALLENGES**

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| SUSTAINABLE INTERNAL MARKET STIMULATION MEASURES FOR THE REDUCTION OF THE NEGATIVE CONSEQUENCES OF THE CRISIS (INFRASTRUCTURE PROJECTS STRENGTHEN EXPORT CAPACITY) | PRESERVATION OF EMPLOYMENT AT THE HIGHEST LEVEL POSSIBLE | HIGH DEFICIT OF INVESTMENTS IN ROAD AND BRIDGE INFRASTRUCTURE |

**OBJECTIVES**:

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| --- | --- |
| IN SHORT TERM | STIMULATION OF DOMESTIC DEMAND AND BOOSTING OF ECONOMY (IMPLEMENTATION OF SUSTAINABLE PUBLIC INFRASTRUCTURE PROJECTS) |
| IN MEDIUM TERM | INCREASE IN THE AMOUNT OF PUBLIC AND PRIVATE INVESTMENTS IN INFRASTRUCTURE OBJECTS |
| OUTCOME | AMOUNT OF INVESTMENTS OF THE PRIVATE AND PUBLIC SECTOR EUR 2.2 BILLION PER YEAR |

**OFFERED MEASURES**:

In the **stabilisation** phase of the direction “INFRASTRUCTURE” of the Strategy it is of the essence to provide aid by applying domestic demand aid instruments, concurrently using the opportunity to carry out structural strengthening of the national economy of Latvia. State/local government procurement instruments should be used for the promotion of domestic economic activity, implementing them according to the following basic principles:

**STABILISE**

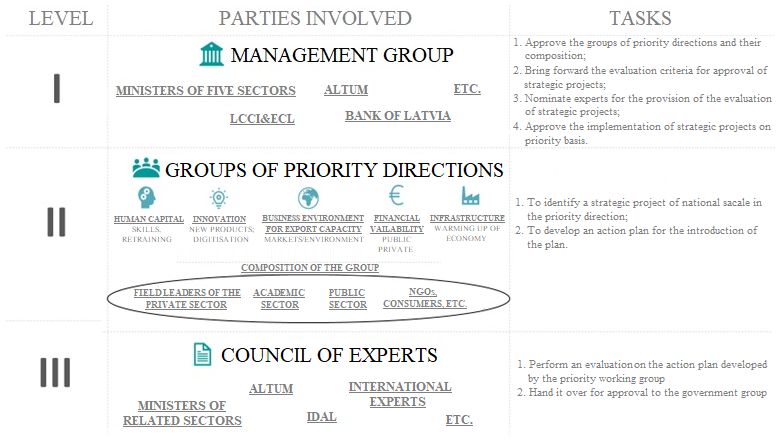
• Firstly, it is preferable to implement measures in sectors with a relatively low component of import. Thus, it would be ensured that each euro spent by the State provides as great influence on the domestic demand as possible. Construction (particularly construction of infrastructure objects), information and communication technologies, and also sectors of education and health care are sectors with a relatively low component of import.

• Secondly, public contract should be implemented in the form of State investments and not State consumption, thus ensuring a more long-term positive influence of the performed incentive on the national economy.

• Thirdly, public contract should be centred around individual important areas of State policy, starting with the defining of priorities and objectives to be achieved and only afterwards following with the creation of a list of specific State procurements. Including, in the context of administrative-territorial reform, for the strengthening of economic capacity of regional centres (industrial territories/parks, etc.), aid to the strengthening of the regional infrastructure (including in solutions of labour force mobility), for ensuring availability of the housing fund in territories where lack thereof hinders the development of economic activity (primarily in 21 regional centres), and also, if necessary, for the adjustment of the network of education and health care for the current needs of the administrative and functional territories to be newly established. Such steps would ensure purposeful, coordinated, and complementary utilisation of resources and, therefore, stronger impact on the growth of the national economy in future.

**3. Management Model of the Strategy**

The document is not completed and it is being supplemented, on its time axis, with new measures, tasks, actions, monitoring of execution, and corrections. This management process is ensured by the Strategy Council in cooperation with the Ministry of Economics and extensive involvement of the society (entrepreneurs, representatives of science, foreign expertise, etc.). Such process which is being managed in real time is of importance in the implementation phase of this document because it is not possible to foresee the further development of the pandemic, meaning that one must be ready to respond proactively and strategically for an extended period of time.



**4. Unified Economic Image of the State**

The unified economic image of the State is being developed to facilitate the recognition of Latvia in foreign countries, to promote an increase in the offer of the goods and services created in Latvia in foreign markets, to proactively attract foreign investments and to use the opportunities of innovation and technology transfer, and also to introduce Latvia as a tourist destination which is attractive for recreation and business transactions.

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| PRIMARILY | HENCEFORTH |
| * Video series of stories | * Direct marketing campaigns |
| * PR communication and distribution via digital channels | * Campaigns in the printed media and online platforms of the defined sectors |
| * Online platform of the success stories and challenges of Latvia for different target groups | * Political stage * Monitoring of the world media |

For a successful implementation of short-term and long-term activities (particularly for the distribution of success stories) it will be necessary to join as much communication channels of State and non-governmental organisations, sectoral associations, and business organisations (including but not limited to the LI, the Office of the Prime Minister, ministries, the LCCI, the ECL, Startin.lv, TheRedJackets, ambassadors, honorary consuls, the World Federation of Free Latvians, etc.) as possible, involving and making them the ambassadors of the campaign.

Submitter:

**Minister for Economics J. Vitenbergs**

Endorsement:

**Acting State Secretary E. Valantis**