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THE LATVIAN RECOVERY AND RESILIENCE PLAN AND PRODUCTIVITY

Productivity dialogue 2021

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Recovery and Resilience Facility

€312.5 billion in grants + €360 billion in loans

€672.5 billion



a minimum of **37%** of expenditure for **CLIMATE** investments and reforms



a minimum of **20%** of expenditure to foster the **DIGITAL** transition



Green Transition



Digital Transformation



Social and Territorial Cohesion



Smart, Sustainable and Inclusive Growth



Health, Economic, Social and Institutional Resilience



Policies for the next Generation

Key elements of the Recovery and Resilience Facility

No measure in the plan can damage the environment (***Do No Significant Harm principle***)

The national RRP need to address all or a significant subset of relevant **Country Specific Recommendations**

Specific **targets** for investments contributing to **climate change** objectives (37%) and **digital** (20%)

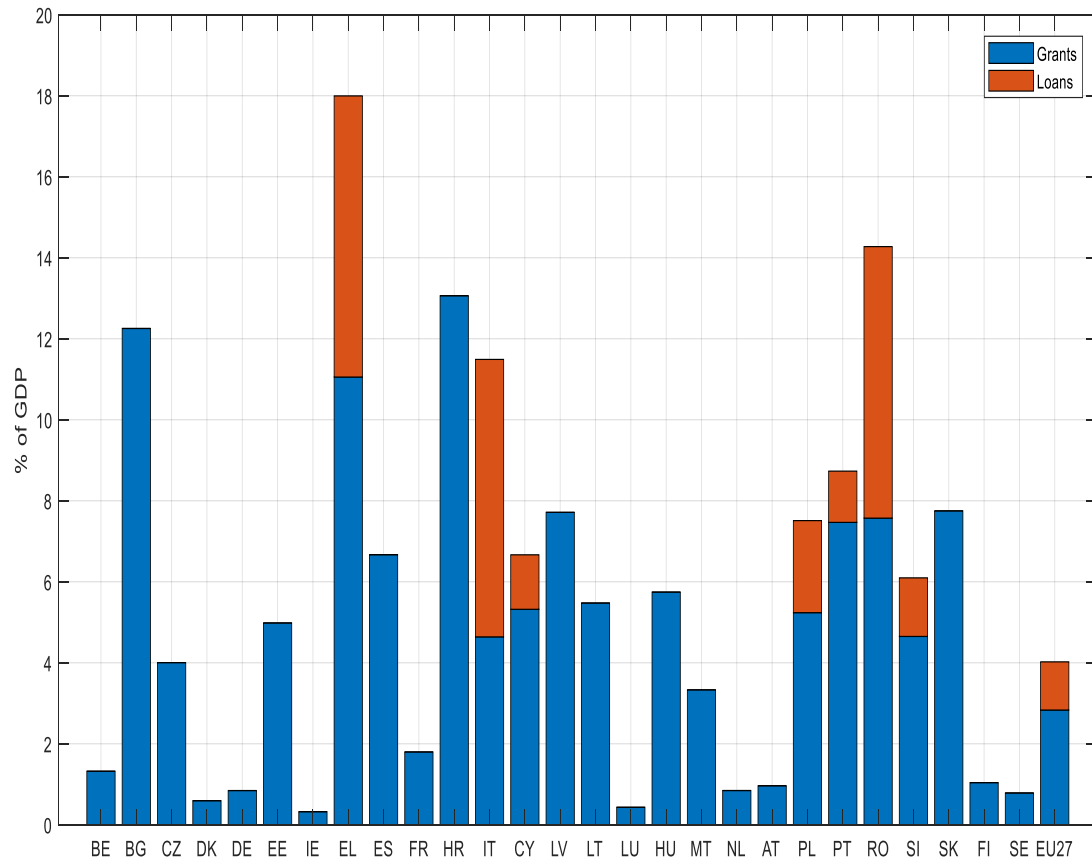


Member States submit **national Recovery and Resilience Plans** (RRP), to be assessed by the Commission according to 11 criteria

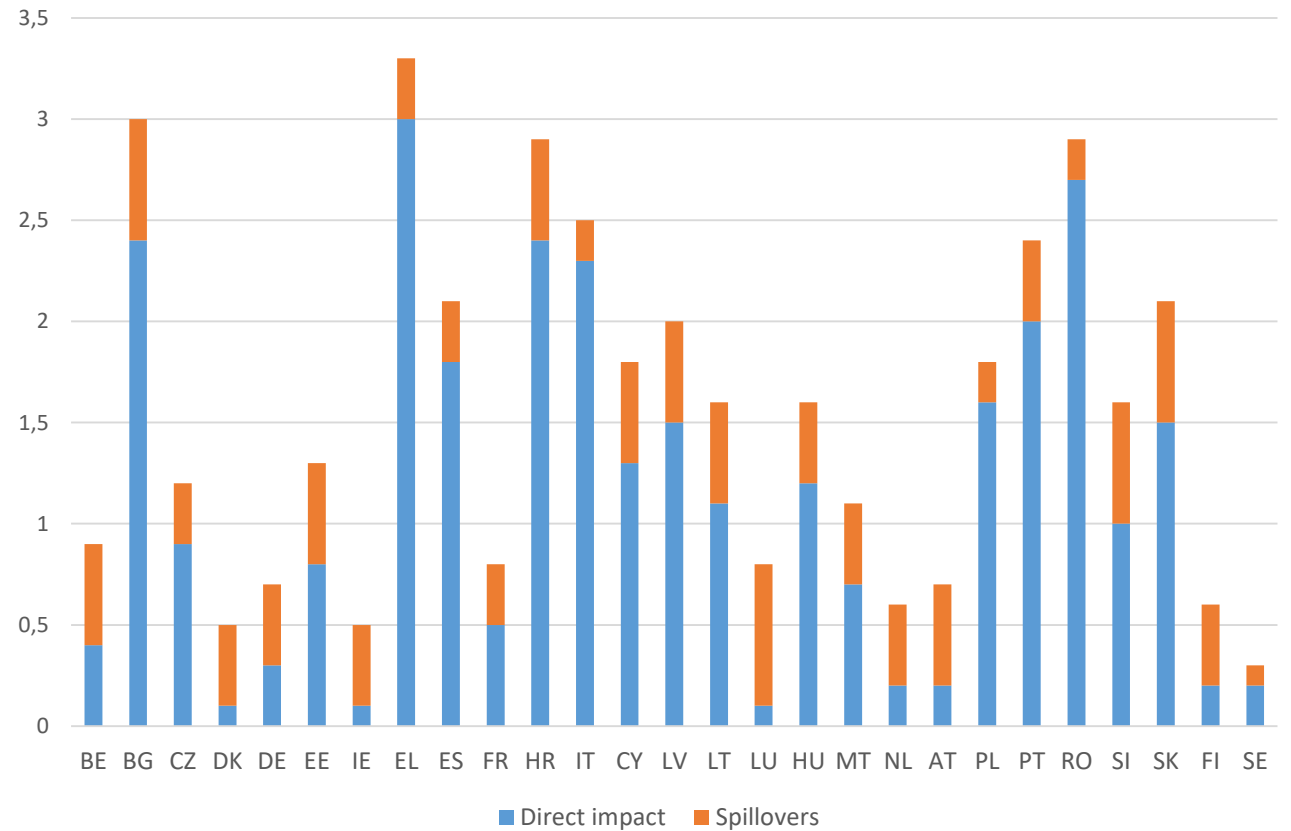
RRPs need to include both **reforms and investments**, grouped by sectoral components

A **performance-based** instrument
Payments based on fulfilment of targets and milestones

RRP allocations and corresponding GDP impact

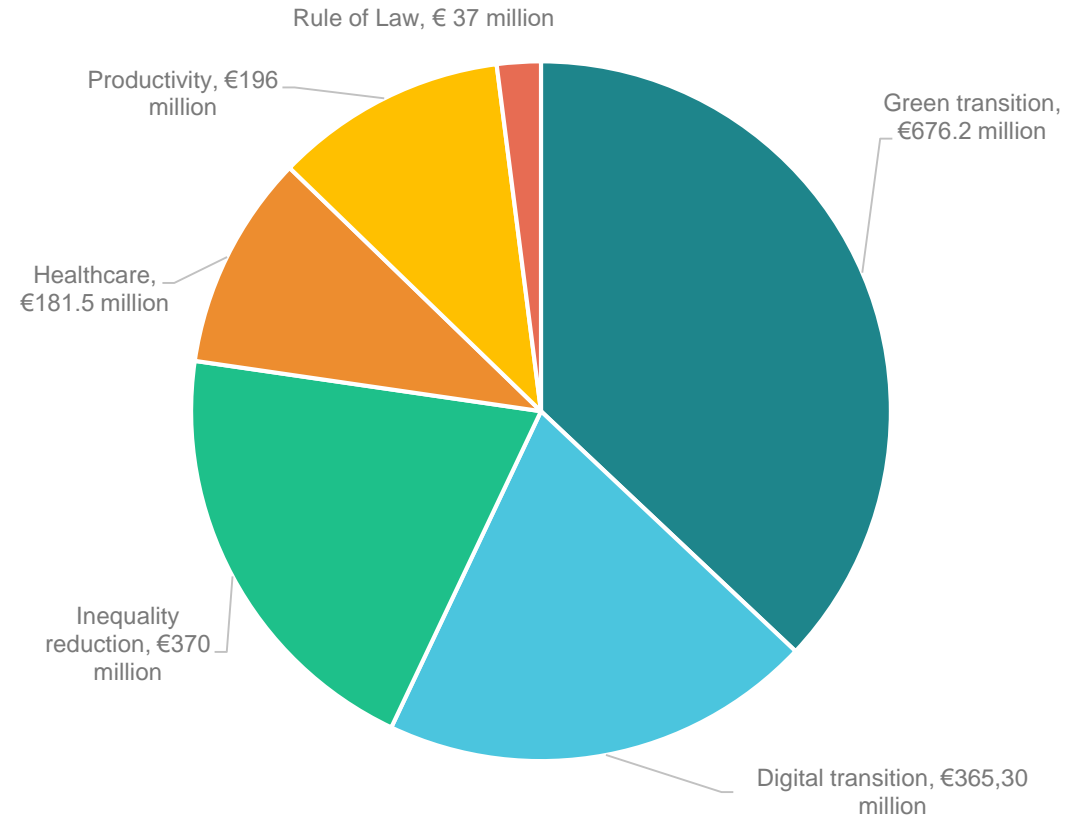


Grant and loan allocations in % of 2019 GDP
 *Not all Member States required the loans



*Not including impact of structural reforms

Latvia's recovery and resilience plan



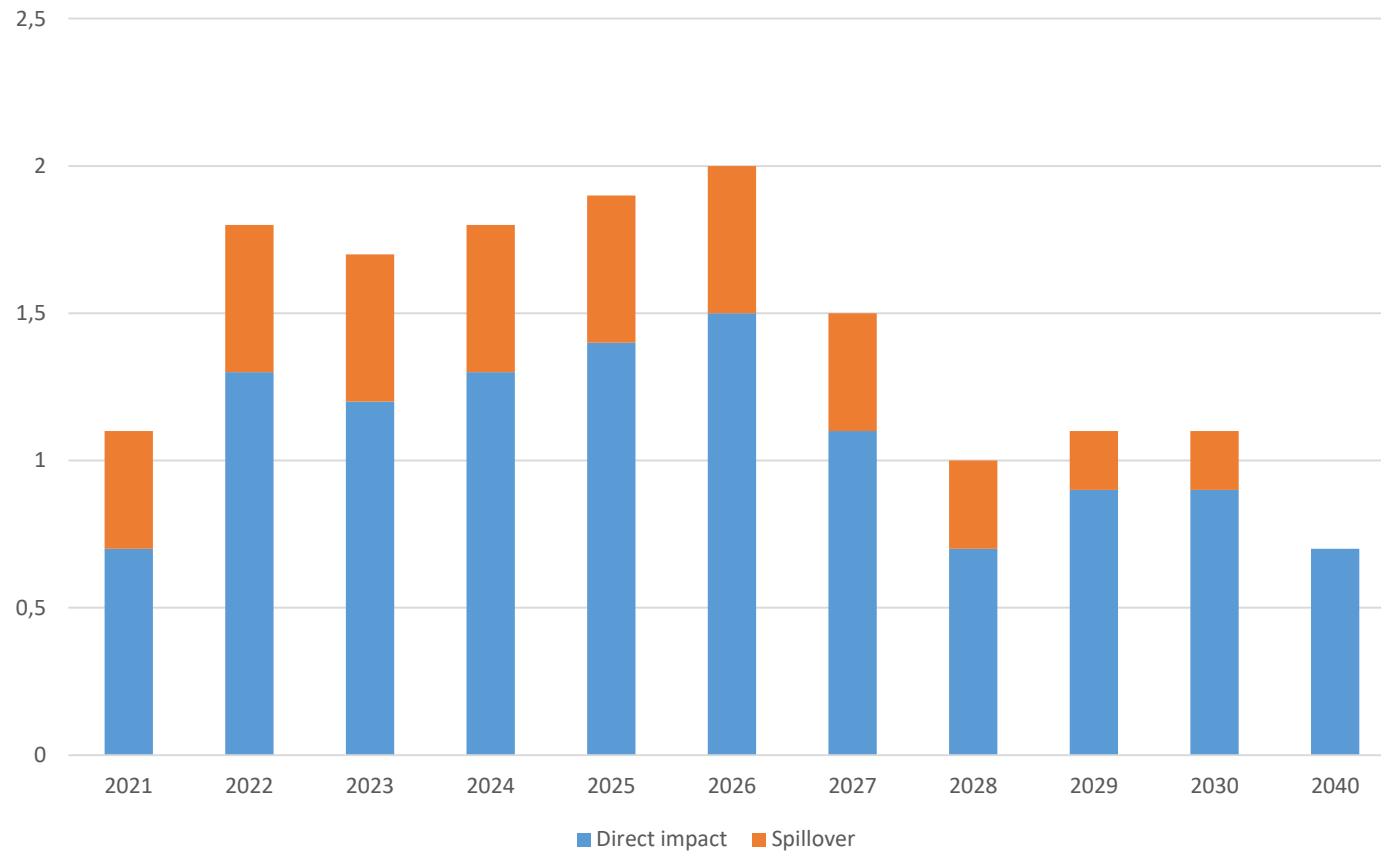
Key reforms

- Minimum income reform
- Consolidation of higher education institutions
- Healthcare remuneration reform
- Promotion of private investments in wind energy
- Reform of innovation

Key investments

- Greening of Riga transport system
- Regional development, incl. housing, roads, industrial parks
- Hospitals and primary care institutions
- Support to businesses for green, digital and innovative investments

RRF estimated impact on Latvia's economy



- The impact on GDP peaks in 2026 at 1,3%-2%, driven primarily by the demand effects
- The supply side effects (the return on RRF investments) are initially small, but compound over time therefore the impact on GDP increases by 2040 compared to 2028
- Sizeable spillover effects

Latvia's productivity challenges

- Low overall skill level among older adults, shortage of digital and STEM skills

- Low investment in research, development and innovation

- Infrastructure needs: in particular transport, energy, water supply and public IT systems, housing in peripheral regions

- Weaknesses in the business environment: shadow economy and tax compliance; corruption perception and uncompetitive public procurement

Productivity channels through the green transition

38% of plan allocated to **climate** objectives

38%



Key investments that help productivity

- Overhaul of the Riga Metropolitan area transport (€ 295 mil.)
- Energy efficiency in private and public buildings (€ 248 mil.)
- Modern and green electricity networks (€ 80 mil.)
- Climate adaptation measures against fires and floods (€ 70 mil.)

Key reforms that help productivity

- Simplification of legal framework to foster onshore wind energy
- Supporting the improvement of energy efficiency in transport
- Mobilising private investments to contribute to the decarbonisation process

DNSH: *No measure in the plan harms environmental objectives*

Productivity channels through the digital transition

- **21%** of plan allocated to **digital** objectives

21%

Key reforms that help productivity

- Reskilling and upskilling, including basic and advanced digital skills (€ 95 mil.)
- Reform of digital governance for a more efficient and open public digital space



Key investments that help productivity

- Upgrading public IT platforms and infrastructure (€ 129 mil.)
- Digitalisation of businesses (€ 125 mil.)
- 5G deployment (€ 12.5 mil.)
- Increasing digital connectivity of peripheral regions

Cross-border projects

- Contributing to various cross-border projects on 5G, Cloud, microprocessors and semiconductors

Productivity channels through knowledge and institutions

Labour market and social

- Minimum income reform
- Upskilling of workforce and unemployed (€ 28 mil.)
- Investments in affordable housing to foster labour supply in peripheral regions (€ 43 mil.)
- Investing in hospitals and healthcare services (€158 mil)



Administration and rule of law

- Reform of tax and customs administration
- Improved capacity to fight tax evasion and corruption
- Improved effectiveness of public administration



Regional development

- Reforms to improve the economic potential in peripheral regions
- Improving regional infrastructure - industrial parks (€ 80 mil.), roads (€ 95 mil.), school network (€ 30 mil.) and other support



Research, innovation, education

- Reform of the innovation policy and innovation governance
- Promotion of innovation and private investment in R&D (€ 114 mil.)
- Higher education reforms (€ 82.5 mil.)



Thank you

More information: [Commission webpage on the RRF](#)

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