

Summary of the assessment of the Latvian recovery and resilience plan

Grants: EUR 1 826 000 000

85 measures: 24 reforms and 61 investments divided into 6 components

Number of milestones and targets: 214

Climate target: 37.6%

Digital target: 21%

1. Summary of the Commission's assessment of the recovery and resilience plan

Criterion	Commission assessment	Rating A-C
2.1	<p>The plan includes a balanced set of reforms and investments aimed at addressing the country's key challenges, stimulating the recovery from the COVID-19 crisis and laying the foundation for its long-term growth. Overall, the plan is balanced and focuses on Latvia's main challenges: the twin transitions, social inclusion, including healthcare, social safety net and regional disparities, skills, including digital skills, adult learning, and higher education, productivity, including research and innovation and support for business investments, and administrative capacity, including tax administration, public procurement and the judicial system.</p> <p>The plan adequately covers the 'first pillar' with one main component 'green transition' focusing on sustainable mobility, energy efficiency improvement and climate change adaptation. The plan adequately covers the 'second pillar' on digital transition, with the digital transition component (component 2) and some measures under the component 6 (rule of law) and component 3 (inequality). The plan's components related to green and digital transition, and productivity (i.e. components 1, 2 and 5) also contribute most to the 'third pillar' devoted to smart, sustainable and inclusive growth.</p> <p>The plan adequately covers the 'fourth pillar' on social and territorial cohesion, with components 3 and 4 which include measures that aim at improving social inclusion and addressing regional disparities. Health and economic, social and institutional resilience (the fifth pillar) is expected to improve as a result of the measures proposed in the component on health (component 4) and the reforms and investments included in the component on rule of law (component 6). Lastly, the plan also extensively covers policies for the next generation, the 'sixth pillar' thanks to policies aiming at ensuring access to quality of education across schools and regions (component 3), measures on higher education under the productivity component (component 5), measures to equip people with the skills required for the labour market (components 2 and 3).</p>	A
2.2	<p>The six components of Latvia's plan cover a broad range of Latvia's key challenges. Latvia's plan includes measures addressing to varying extent all six broad challenges stemming from 2019 and 2020 CSRs: fiscal, human capital, public administration, productivity and the twin transitions. The plan includes an extensive set of mutually reinforcing reforms and investments that contribute to effectively addressing a significant subset of the economic and social challenges outlined in the country-specific recommendations addressed to Latvia. These measures are expected to boost the growth potential of the economy in a sustainable manner.</p>	A
2.3	<p>The plan aims to accelerate Latvia's economic recovery by increasing demand through investments and reforms. Model simulations conducted</p>	A

	<p>by the Commission show that the economic impact of the NGEU in Latvia could lead to an increase of GDP of between 1.3% and 2.0% by 20261. After 20 years, GDP could be 0.7% higher. Investments in human capital, digital capacities, innovative capacity and public transport are expected to have the largest impact on the economy's long-term potential.</p> <p>The plan is also aimed at contributing to the implementation of the European Pillar of Social Rights, including through investments and reforms in social inclusion and healthcare, the promotion of policies for children and youth, and at mitigating the economic and social impact of the COVID-19 crisis. This should enhance the economic, social and territorial cohesion and convergence within the Union. The territorial administrative reform coupled with investments in affordable housing, industrial infrastructure, schools and regional roads will also support Latvia's efforts to help its lagging regions develop.</p>	
2.4	<p>Latvia has conducted an assessment for each measure indicating that the principle of “do no significant harm” is followed. Based on the information provided by the Latvian authorities, no measure included in the plan is expected to do significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852. Special attention has been paid to measures with a potential impact on biodiversity and the good status of water bodies.</p>	A
2.5	<p>The green pillar of the plan contributes significantly to supporting the transition to climate neutrality. Measures contributing to the green transition include improvements of energy efficiency of public and private buildings, support to businesses to improve their energy efficiency, increase of the production and use of renewable energies, greening of the transport system of the Riga Metropolitan area (including developing multimodal connections to Rail Baltica and cycling infrastructure), support to increase the production of electricity from renewable sources and the modernisation of electricity transmission and distribution networks (smart grids). Together, the measures supporting the climate change objectives account for 37.6% of the Latvian plan's total allocation.</p>	A
2.6	<p>The digital transition is supported through measures aiming at developing the necessary digital infrastructure, capacities and skills, improving efficiency, digital processes and data management in public administration, providing support to the digital transformation of businesses and improving connectivity. The main investment measures contributing to reaching the digital target are upgrading public IT platforms and infrastructure, digitization of businesses, reskilling and upskilling, including basic and advanced digital skills. The plan includes considerable support for digital skills which will have a significant long-term impact on digital transformation, and measures aimed at fostering connectivity, will also contribute to this digital transition. Outside of the digital component, measures on the participation in the labour market of the unemployed, rule of law enforcement as well as the measures in favour of digitalisation which are part of the procurement and tax reforms will also contribute to the digital transformation. Together, the measures supporting the digital transition objectives account for 21% of the Latvian plan's total allocation.</p>	A
2.7	<p>The implementation of the plan is expected to bring about a lasting significant impact to Latvia and the implementation of envisaged reforms and investments is expected to bring structural changes in the economy. If successfully implemented, the measures will improve Latvia's growth potential, and economic and social resilience in the medium term, and facilitate the green and</p>	A

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	digital transitions. In particular, the RRP is intended to improve labour supply, with such measures as upskilling and reskilling, and help private firms to become greener, digital and more innovative, through energy efficiency, digital audit and new R&D support measures. Structural changes of administration and relevant institutions, as well as in policies, can also be expected thanks to the reform of the governance and the financing of the higher education institutions and reforms on the digital transition, territorial cohesion and rule of law.	
2.8	The national institutions involved in the implementation of the plan, monitoring progress and reporting have clearly assigned responsibilities and an adequate structure. The milestones and targets of the Latvian plan constitute broadly an appropriate system for monitoring the plan's implementation. The milestones and targets are sufficiently clear, ambitious and realistic. Their indicators are relevant, acceptable and robust. The plan includes a total of 214 milestones and targets.	A
2.9	Latvia has provided individual estimated costs for all investments in the recovery and resilience plan. The cost breakdown is generally detailed and well-substantiated. For almost all cost estimates, the assumptions used are well described. While for the most part the calculations were clearly spelt out and it is possible to clearly identify the methodology used, for a limited number of sub-investments the information provided proved less clear. The assessment of the cost estimates and inherent supporting documents shows that most of the costs are to a medium extent well justified, reasonable and plausible.	B
2.10	The arrangements proposed by Latvia in the recovery and resilience plan to prevent, detect and correct corruption, fraud and conflicts of interest when using the funds provided under the Facility, including the arrangements aimed to avoid double funding from the Facility and other Union programmes, are assessed to be adequate .	A
2.11	The plan achieves a high degree of coherence and complementarity among its components. This is facilitated by the structure of the plan around six main pillars, which include mutually reinforcing measures.	A

2. Horizontal principles and additionality

Horizontal principle	Commission assessment
Complementarity with EU programmes 2021-2027	The measures in the plan are consistent with and complementary to other EU programmes in the period 2021-2027.
Principle of additionality	The measures in the plan respect the principles of additionality. The plan ensures the additionality of the support provided under the Recovery and Resilience Facility to the support provided under other Union funds and programmes and also ensures that they do not cover the same cost.
Recurring costs	Some of the investment projects are expected to create recurrent cost, due to the nature of the investment, but these cases are limited in number and duly justified and well explained.

3. Reply to the European Parliament's questions

Contribution to equality and gender equality: Latvia's plan contains some measures that are expected to contribute to addressing the country's challenges in the area of gender equality and equal opportunities for all. The plan foresees an investment to address specific needs of persons with disabilities, such as ensuring accessibility of public and private buildings. In addition, all new

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transport vehicles will be equipped with easy access for older persons and persons with reduced mobility. The situation of socially vulnerable groups is addressed in several parts of the plan, such as in those dealing with health. The plan also includes measures to improve educational opportunities for school children.

As regards gender equality, the plan includes measures aiming specifically at women's engagement in ICT career opportunities, with a view to increase the gender balance among ICT specialists. The labour market situation for female jobseekers is expected to be improved by targeted measures aiming at the promotion of reconciliation of work and family life through the creation of remote and part-time work opportunities for parents with children. The plan foresees that the management and implementation of selected projects ensure equal pay for work of equal value for women and men and diversity in management. In addition, the selection of projects will be subject to the principle of non-exclusion and the obligation to combat any discrimination.

Contribution to high-quality employment creation: The plan includes a wide set of measures that contribute to economic growth and increasing employment. Model simulations conducted by the Commission show that the economic impact of the NGEU in Latvia could lead to an increase of GDP of between 1.3% and 2.0% by 2026. After 20 years, GDP could be 0.7% higher. The main contributions to employment are expected to come from investments in the green and digital transitions as well as investments in social inequalities and territorial cohesion. In the long term, these three areas are projected to generate nearly three quarters of the overall contribution to the higher growth and employment potential. The focus on quality of employment creation will be ensured by measures focused on upskilling (notably in the digital field) or support to R&I.

Contribution to the implementation of the European Pillar of Social Rights: Measures under the fourth pillar of the plan "Social and territorial cohesion" contribute to the European Pillar of Social Rights by improving several labour market and social indicators. Investments and reforms in social assistance and healthcare are expected to strengthen social cohesion and social protection. The introduction of the indexation of minimum income benefits will ensure that they will be annually adjusted to the wage growth and thus their adequacy levels maintained. Furthermore, investments in health infrastructure combined with a reform aimed to attract more human resources to the sector are expected to improve accessibility of healthcare, the lack of which has predominantly affected the low-income earners and people living in peripheral areas.

Addressing regional disparities: Latvia's plan builds on the recently adopted administrative territorial reform, which will merge municipalities, reducing their number from 119 to 42, thus making them stronger and more able to ensure provision of quality public services and to make the investments necessary to create more employment opportunities. Building on this reform, Latvia's plan includes measures to improve public services and their accessibility, through investments in social infrastructure, schools, hospitals and roads. Furthermore, it includes investments in affordable housing and industrial infrastructure. Investments in affordable housing should help foster labour supply for businesses in peripheral regions which has been hampered by lack of housing opportunities in the places with the best employment opportunities. Investments in industrial parks are aimed at attracting private sector investors to these regions. Taken together, these measures make up a significant effort to create better growth opportunities in peripheral regions and therefore reduce regional disparities.

Contribution to upward economic and social convergence: Latvia's Recovery and Resilience Plan aims to support the recovery from the Covid-19 pandemic, promote sustainable growth and job-creation based on increased productivity and exports, and stimulate Latvia's economic convergence. A broad set of growth-enhancing measures such as support for the digitalization for businesses, support for reskilling and upskilling, including basic and advanced digital skills, promoting innovation and private investment in R&D and the reform of the higher education system are expected

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to deliver growth, thereby reducing economic disparities. Model simulations conducted by the Commission show that the economic impact of the NGEU in general could lead to an increase of GDP of between 1.4% and 2.1% by 2026 in Latvia.

Contribution to CSRs on taxation and anti-money laundering: Component 6 on rule of law responds to long-standing challenges in dealing with economic crime (including tax evasion), effectiveness of public administration and anti-money laundering. The component includes reforms including improving analytics and data management in tax and customs administration, the development of remote imaging, the modernisation of money-laundering and other economic crime investigation and judicial procedures as well as more training of public officials. The component also contains various investment projects, including procurement of customs technical equipment, a Judicial Training Academy and training of more than 16.000 officials in ethics, integrity, anti-corruption and more than 20.000 officials in leadership, change management, strategic planning and related competences.

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Annex

Table 1: Illustration of the plan's contribution to the six policy pillars

	Green transition	Digital transition	Smart, sustainable & inclusive growth	Social and territorial cohesion	Health, and economic, social and institutional resilience	Policies for the next generation
1. Green transition	●		●			
2. Digital transition		●	●			●
3. Inequality		○		●		●
4. Health				●	●	
5. Productivity			●			●
6. Rule of law		○			●	

Key: “●” investments and reforms of the component significantly contribute to the pillar; “○” the component partially contributes to the pillar

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Table 2: Mapping of country challenges identified in 2019-20 country-specific recommendations and the Latvian RRP components¹

Key: “●” investments and reforms of the component significantly address the challenge; “○” the component partially addresses the challenge

¹ The recommendations related to the immediate fiscal policy response to the pandemic can be considered as falling outside the scope of Latvia's RRP, notwithstanding the fact that Member State has generally responded adequately and sufficiently to the immediate need to support the economy through fiscal means in 2020 and 2021, in line with the provisions of the General Escape Clause.

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Country challenges (as identified in Section 2)	Associated CSR (2019-2020) and European Semester recommendations	Component 1- Green transition	Component 2: Digital transition	Component 3: Reduction of inequality	Component 4: Healthcare	Component 5: Productivity	Component 6: Rule of law
Fiscal sustainability							
Improve tax compliance	2019.1.2, 2020.1.1						○
Financial sector							
Strengthen anti-money laundering framework	2020.4.1 and 2019.1.3						●
Healthcare							
Resilience, accessibility, quality and cost-effectiveness of the healthcare system	2020.1.2 and 2019.2.3				●		
Additional human and financial resources to healthcare sector	2020.1.2				○		
Education							
Quality and efficiency of the education system	2019.2.2			●		●	
Training of low-skilled and adult learning	2020.2.4 and 2019.2.2		○				
Skills, including digital skills	2020.2.4 and 2019.2.4		●	○			
Social inclusion							
Strengthen the social safety by increasing minimum social benefits	2020.2.1 and 2019.2.1			○			
Active labour market policies	2020.2.4 and 2019.2.3			●			
Research and innovation							
Low innovation performance	2020.3.4. and 2019.3.1.					●	
Investment							
Digital transformation and infrastructure	2020.3.7., 2019.3.5.		●	○	○	○	○
Sustainability, resource efficiency and energy efficiency of transport	2020.3.6, 2019.3.3.	●		○			
Clean and efficient production and use of energy	2020.3.5, 2019.3.4.	●					
Affordable housing	2019.3.2.			●			
Public administration and business climate							
Accountability and efficiency of public administration	2019.4.1.						●
Regional disparities	2019.4.1.			●	○		