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Cohesion policy – the main priorities and structural challenges for Latvia

Productivity/ Innovation	<ul style="list-style-type: none"> • Productivity up 14%; still only 65 % of EU average 	
Sustainable and competitive transport system	<ul style="list-style-type: none"> • 3rd worst road quality in EU • 48 % of regional roads in bad condition 	
Sustainable use of resources (energy efficiency)	<ul style="list-style-type: none"> • Residential energy consumption 2nd highest in EU • Energy - one of RIS3 priorities 	
Social convergence, healthy and competitive labour force	<ul style="list-style-type: none"> • Highest patient (out of pocket) payments for healthcare in EU • 28.5 % of people live at risk of poverty and social exclusion 	
Qualitative and effective education system	<ul style="list-style-type: none"> • 40% on students in vocational education (behind 50% target) • Involvement in live-long learning only 7% 	
Depopulation and balanced territorial development	<ul style="list-style-type: none"> • Low GDP convergence outside the capital region (32%-49% of EU average) • Population loss in external border regions reduced by 23 % (14% overall) 	

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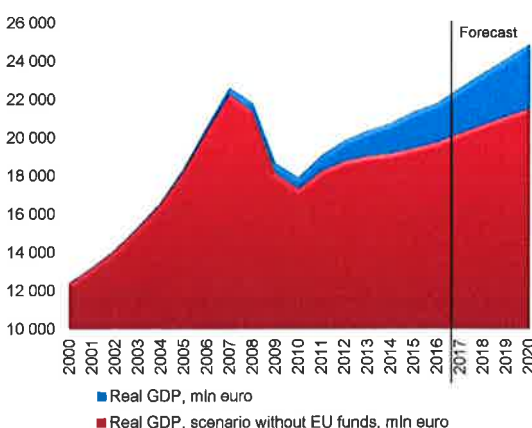
Cohesion policy has significant impact on convergence



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- LV has closed the gap in GDP per head by 17 % to EU average
- Despite overall convergence disparities remain at national level (Riga 107 %, Latgale 32 %)
- Since 2004 Cohesion policy contributed additional 7,3 % to Latvia's GDP
- Overall impact on employment - around 20 thousand people (2,9 %) in 2017


The EU funds investments cumulative impact on Latvian GDP



Year	Real GDP, mln euro	Real GDP, scenario without EU funds, mln euro
2000	12000	12000
2001	13500	13500
2002	14500	14500
2003	15500	15500
2004	16500	16500
2005	17500	17500
2006	18500	18500
2007	20000	19500
2008	21000	20500
2009	19000	18500
2010	18000	17500
2011	19000	18500
2012	19500	19000
2013	20000	19500
2014	20500	20000
2015	21000	20500
2016	21500	21000
2017	22000	21500
2018	22500	22000
2019	23000	22500
2020	24000	23500

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Depopulation - a long-term obstacle for growth

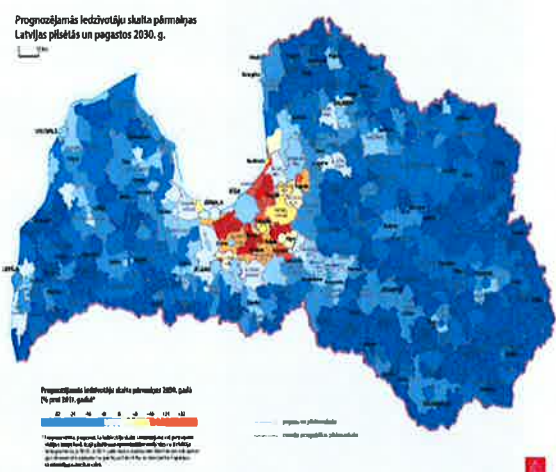


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Factsheet


- Latvia has lost 14% of population since accession to EU
- EU external border region Latgale has lost 23 % of population
- 2/3 of population loss due to emigration
- Only 1 of 10 emigrants older than 54
- Estimated annual loss to GDP around 1,5 - 2,5 %

Prognozējamās iedzīvotāju skaita pārmaiņas Latvijas pašvaldību un pagastos 2030. g.



Prognozējamās iedzīvotāju skaita pārmaiņas 2030. gadā (% pret 2015. gadu)

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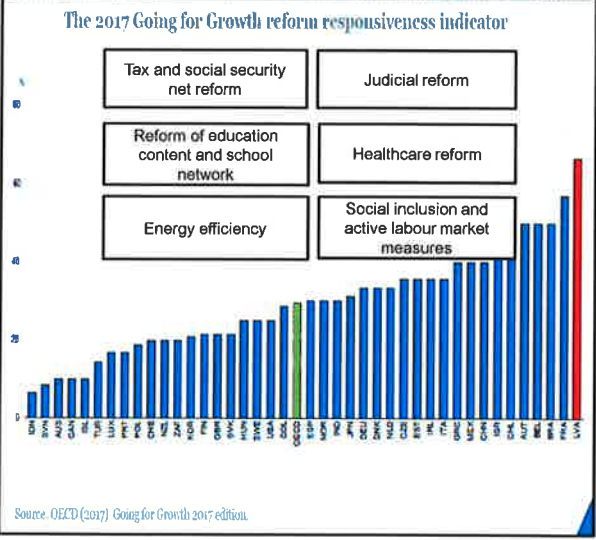
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ESIF has served as catalyst for reform process. Spill-over effects on governance

- Latvia has linked ESIF investments with structural reforms since 2009
- ESIF investments are crucial for massive reforms undertaken in education and healthcare
- World bank surveys show significant improvement in governance compared to EU average


The 2017 Going for Growth reform responsiveness indicator

Tax and social security net reform	Judicial reform
Reform of education content and school network	Healthcare reform
Energy efficiency	Social inclusion and active labour market measures



Source: OECD (2017) Going for Growth 2017 edition.

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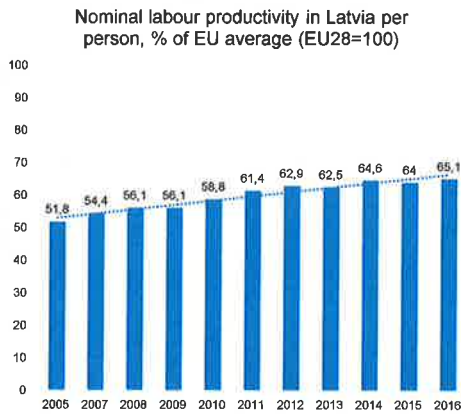


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Productivity increases despite global economic shocks

- Despite economic crisis **productivity gap to EU average has reduced by 14% since 2005** - 65 % of EU average
- Economic crisis severely has affected investments in R&D – 0,62 % of GDP (2016)
- Solid RIS3 strategy - Latvia has improved from modest to moderate innovator (innovation scoreboard).
- More efforts to up-skill labor force needed: salary growth – one of the highest in EU; only 7% involved in life-long learning


Nominal labour productivity in Latvia per person, % of EU average (EU28=100)



Year	Productivity (% of EU average)
2005	51,8
2007	54,4
2008	56,1
2009	56,1
2010	58,8
2011	61,4
2012	62,9
2013	62,5
2014	64,6
2015	64
2016	65,1

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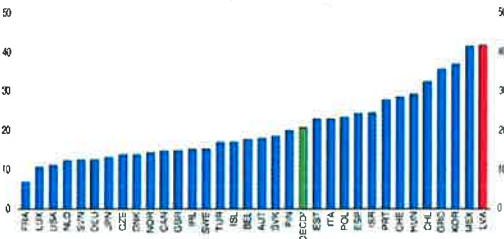
Social inclusion - access to basic social services remains low



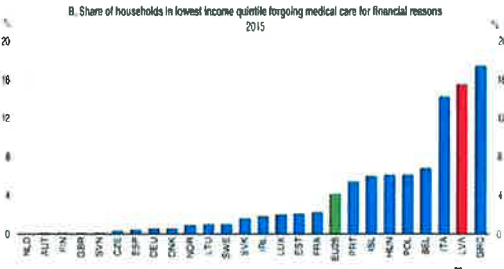
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- Despite economic recovery around **28.5 % of people in Latvia lives at risk of poverty and social exclusion** (Eurostat, 2016)
- **High out of pocket expenses for healthcare**
- **Around 15 % of poor households forgoing medical care for financial reasons**

A. The share of household out-of-pocket expenditure in health care
% of total current expenditure on health care, 2015




B. Share of households in lowest income quintile forgoing medical care for financial reasons
2015



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Infrastructure quality is still very far from overinvestment

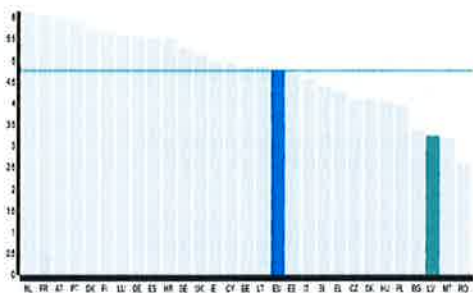


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- **LV still has 3rd worst road quality in EU**
- **48 % of regional roads are in bad condition** (connections to TEN-T network)
- **Competitive and diversified transit sector important for employment** – around 8% of workforce
- **Road quality among the reasons for high fatalities on roads** - 2nd highest in EU

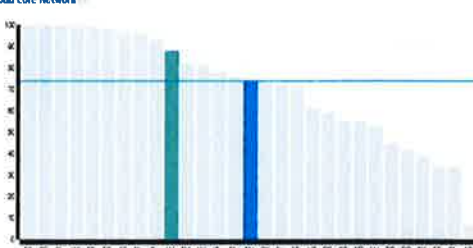
Quality of roads

Road
Score 2015-2016: 3.24
EU rank: 25 / 28



Completion of TEN-T Road Core Network

Road
Score 2014: 89%
EU rank: 7 / 26



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The role of Cohesion Policy (CP) in the EU after 2020- position in Latvia

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In order to make CP more effective, it must be considerably simplified. Rules should not be more complex than for other EU instruments

CP should remain as the leading EU investment instrument

Criticisms regarding CP are generally unfair and cannot be generalized to all Member States. CP performs well in Latvia!

CP is the only EU-level policy able to handle region and territory specific development challenges

CP is the most effective instrument in supporting structural reforms. Most advanced in terms of result orientation

Value added of the policy is undisputable. Without significant convergence of living standards across Europe, it is not possible to make substantial progress towards meeting other common political objectives (pillar of social rights, migration, etc.)

Process of European Semester needs to be reformed

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