Latvia Report

Sustainable Governance Indicators 2024

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Executive Summary

Since the COVID-19 pandemic, Latvia has experienced significant developments across various sectors, positioning itself as a competitive player on the global stage while addressing substantial internal challenges.

Latvia has achieved significant recognition for its economic competitiveness, ranking second in the International Tax Competitiveness Index 2023. However, in innovation, it is labeled an "emerging innovator," according to the European Innovation Scoreboard 2023. The OECD's assessment of Latvia's innovation framework highlighted weaknesses, particularly in R&D investment compared to GDP, signaling a need for more robust innovation strategies to drive further development.

The post-COVID era has seen a widespread adoption of remote work, highlighting the importance of employee time management skills and organizational policies in maintaining work-life balance. The government has prioritized adaptability in the labor market and higher productivity, supported by a comprehensive training network that addresses current and future labor market needs, particularly in digital and ICT skills.

In response to geopolitical conditions and information security concerns, Latvia has banned most TV channels broadcasting from Russia due to alleged violations of Latvian laws. However, there is a recognized need for enhanced capacity in investigative journalism, particularly in business and economic issues, to ensure media integrity.

Significant reforms have been announced and are underway, including plans to unify public media under a new financing model to bolster media independence. Educational reforms, such as a new curriculum to enhance Latvian language proficiency and ongoing competency-based approaches, reflect a commitment to improving education. Institutional changes – including the integration of the financial and capital market supervisory authority into the Bank of Latvia and the establishment of the Ministry on Climate and Energy – demonstrate proactive responses to emerging challenges.

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Latvia's environmental performance has been commendable, ranking 15th in the world according to the Environmental Performance Index 2023. However, there is a need for increased investment in green energy and more targeted climate change mitigation efforts. Regarding civil rights, Latvia's legal and constitutional framework robustly upholds civil liberties, with restrictions on freedom of assembly during COVID-19 fully lifted since 2022.

In summary, Latvia showcases a commitment to economic competitiveness, innovation, and environmental sustainability while also addressing challenges in media integrity, education, and governance. The government's proactive reforms and institutional changes reflect a readiness to tackle emerging issues, although trust in government remains a long-term concern. As Latvia navigates these developments, maintaining a balance between progress and public trust will be essential for its continued growth and stability

After the COVID-19 pandemic, Latvia ranked 2nd in the International Tax Competitiveness Index 2023. However, the European Innovation Scoreboard 2023 labeled Latvia as an "emerging innovator." In 2023, the OECD assessed Latvia's innovation framework as weak, noting minimal government and business investments in R&D relative to GDP. Despite Latvia's strong performance and adaptability to global conditions, further innovations are needed for continued development.

The post-COVID era has accelerated widespread remote work. Maintaining a work-life balance now largely depends on employees' time management skills and organizational policies. At the governmental level, the focus has been on labor market adaptability and higher productivity. The comprehensive training network has responded to both current and future training needs, such as digital and ICT skills.

In response to geopolitical conditions and the need to secure the information space, most TV channels broadcasting from Russia, along with Russian propaganda, have been banned for violating Latvian laws. Meanwhile, the media needs more capacity for investigative journalism, especially in business and economic issues. Several reforms announced in 2022 and 2023 are currently being implemented. The government plans to merge public TV and radio into a unified public broadcasting company with a new financing model to strengthen media independence.

A new Latvian training curriculum has been introduced to enhance language proficiency, particularly in primary and secondary education. Ongoing education reforms include the closure of schools and the implementation of a competency-based curriculum. Education and healthcare are government

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priorities, with additional budget allocations planned for 2024. While a core set of education and healthcare services is available to the entire population, satisfaction with their quality and availability could be much higher.

On January 1, 2023, the financial and capital market supervisory authority was integrated into the Bank of Latvia, strengthening the central bank's role in these markets. The new Ministry of Climate and Energy was established in 2023, and the Cross-Sectoral Coordination Centre was integrated into the State Chancellery in March. These institutional changes reflect political aspirations to address upcoming challenges, with the strategic and policy-planning capacity remaining solid.

In the Environmental Performance Index (EPI) 2023, Latvia ranks 15th globally, showing progress in achieving environmental goals. However, Latvia needs to increase investment in green energy and design more sector-driven climate change mitigation activities. Latvia's legal and constitutional framework robustly upholds civil rights, with the executive and judiciary committed to democratic principles. All restrictions on freedom of assembly imposed during COVID-19 have been fully lifted since 2022.

Overall, Latvia demonstrates a commitment to legal and political integrity mechanisms, providing some disincentives for public officials to abuse their positions. However, the effectiveness of these mechanisms in practice can vary. Trust in government remains low in the long term, regardless of which political parties are in power or what reforms the government implements.

Key Challenges

Latvia's economic growth has been stable over the long term. Thanks to sustained efforts, Latvia has implemented a sustainable budgetary policy and maintained the lowest public debt in the EU. However, the IMF, OECD, and EU recommend that Latvia address the high inflation rate and its negative consequences and increase investments in productivity.

Public trust in the government has been low for at least the last two decades, slowing some reforms. To maintain economic growth, the government must take decisive steps to reduce social inequality, poverty risk, and the shadow economy. Latvia's tax and benefit income distribution system is inadequate, so inequality and poverty will remain challenges for the upcoming decade.

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Reforms in healthcare and education are crucial for addressing the aging population and creating an inclusive labor market. Although these areas, along with security, are politically recognized priorities, the costs of these reforms must be balanced with policy outcomes and fiscal capability.

Failure to properly address education, healthcare, and the tax burden for small businesses and low-wage earners may accelerate emigration and depopulation, especially in rural areas. The administrative burden on small businesses is a significant challenge that needs addressing to foster a better business environment, moving toward more simplified reporting and accounting.

Although Latvia has developed a solid policy-planning system, the administrative burden and level of normativism have increased. Current public administration reforms aim at digitalization, innovation, and human resources development. However, the modernization plan (2023–2027) has a limited scope and neglects a whole-of-governance approach, risking further diminishing public trust in bureaucracy.

Policy coordination within bureaucracies generally functions smoothly within formal boundaries on well-known issues. However, challenges remain for public administration to effectively address complex problems. Strengthening Latvia's resilience requires better intergovernmental policy coordination and enhanced communication with local authorities. Evidence-based policymaking also presents challenges, as external evidence producers like academia and NGO experts remain underfinanced.

After the administrative-territorial reform in 2021, local authorities continue to face challenges aligning the volume of tasks with available financial resources. More extensive dialogue between the government and local authorities is essential to improving policy implementation.

Latvia has extensive tools for public participation in decision-making; however, actual participation rates are low, limited by the capacity of individuals and NGOs. Some NGOs have accumulated experience, human resources, and financial capability, but smaller NGOs lack resources and operate within project-governed schemes, hindering their sustainability.

Latvia is committed to contributing to global environmental protection and climate change mitigation. However, decisive steps are needed to increase green energy use, energy independence, and sustainable business practices. Most habitats and species compete with extensive agriculture and the timber industry, where industrial interests prevail. Therefore, education and awareness of conservation farming and timber methods are essential in Latvia.

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Democratic Government

I. Vertical Accountability

Elections

Free and Fair Political Competition Score: 9 All electoral registration procedures provide equal opportunities for each candidate in elections for the European Parliament, the national parliament, and local bodies. These procedures adhere to standards of transparency and fairness.

Only political parties are authorized to submit candidate lists for EU, parliamentary, and local elections. A political party with at least 500 members or an alliance of political parties can submit a list. An alliance must have been established at least a year before the elections and have a minimum of 500 members.

Any Latvian citizen over the age of 21 is eligible to be a candidate in national elections. However, there are restrictions related to historical justice and the Soviet occupation period. Individuals who served in the Soviet Secret Services are ineligible to be candidates, a restriction that must be substantiated with a certificate from the court.

To ensure compliance with the Saeima Election Law and its candidacy restrictions, registered candidate lists are reviewed by the Directorate of Citizenship and Migration Affairs, the Information Center of the Ministry of the Interior, and the Center for Documenting the Consequences of Totalitarianism. Decisions by the Central Election Commission (CVK) to register or reject a candidate list, or to remove a nominated candidate from a registered list, can be appealed in court within three working days. Once registered, candidate lists cannot be withdrawn. The Central Election Commission can only amend lists to delete candidates who do not meet the Saeima Election Law requirements, based on opinions or court judgments, or to make technical corrections.

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The Central Election Commission also oversees and establishes procedures for local elections. Local election commissions handle the submission of candidate lists for these elections.

Latvia's media landscape is pluralistic, with election campaigns covered by TV, radio, online news platforms, social media, and print media, ensuring equal access for all candidates and political parties. There are increasing numbers of public debates between political party leaders, especially for parties polling around and above the 5% threshold.

In 2022, several amendments were made to the Law on Electronic Mass Media, allowing the National Electronic Mass Media Council (NEPLP) to suspend access to websites that post disinformation or threats to national security. This measure aims to prevent the use of disinformation, inaccurate information, or media manipulation during pre-election campaigns.

The Corruption Prevention and Combating Bureau (KNAB) independently monitors the funding and expenses of political parties transparently and imposes sanctions in cases of violations.

Free and Fair Elections Score: 9 All adult Latvian citizens over 18 have voting rights in national elections. EU citizens residing in Latvia can vote in local and European elections. All citizens have access to an effective, impartial, and non-discriminatory voting procedure. Voting procedures ensure that incarcerated persons can also make their electoral choices.

Upon a proposal from the Ministry of Foreign Affairs, the Central Election Commission establishes polling stations in foreign countries in diplomatic or consular missions. Thus, Latvian citizens – including residents of other countries – also have access to voting, as polling stations are created in Latvian diplomatic entities. Voters can vote by mail using the postal voting procedure (Nulle, 2022).

Latvia has a population of non-citizens (approx. 10% or 187,404 persons of the total population in 2023) who do not have the right to vote or stand in elections but are registered and residing in Latvia (Office of Citizenship and Migration Affairs, 2021). These residents have access to all legal procedures, and the government provides incentives to become full citizens of Latvia.

There are minor obstacles to voting for citizens residing outside Latvia, as diplomatic and consular missions have limited capacity and representation. Thus, Latvian citizens abroad must often travel long distances to reach Latvian

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diplomatic missions to vote. Mobile EU citizens can also vote in local and European Parliament elections; however, there is limited information available on voting procedures in other EU languages (Valtenbergs et al., 2021).

Election observers of the 2022 parliamentary elections noted that the elections were competitive and pluralistic, with political contestants able to communicate their messages to voters freely (OSCE, 2023). The legal framework for parliamentary elections ensures the organization of democratic elections.

The local elections are also democratic, impartial and non-discriminatory. Voters can participate in local government elections based on their residence or property ownership. The procedure to switch to a more convenient polling station is straightforward. Polling stations open for early voting at least a week before election day.

A voter register updates and stores information on Latvian citizens who have reached 18 years of age on the day of the election to the European Parliament, the local government council, or the Saeima. No irregularities have been observed in the voter registry, as it contains detailed information on the voters that completely excludes double voting.

Quality of Parties and Candidates

Socially Rooted Party System Score: 6 Latvia has a multiparty system. Although there are many ethnic groups in Latvia – such as Russians, Belarusians, Ukrainians, Poles, and Lithuanians – the legal framework does not give advantages to any particular group. All citizens and non-citizens can be members of political parties, but only citizens can vote and be elected. Legally, all relevant social interests are represented through political party programs and later in the election process. The legal framework provides a sufficient base for democratic elections.

Political parties in Latvia are often perceived as representing either Latvian or Russian speakers. This ethnic and linguistic divide also aligns with a left-right political spectrum, where parties representing Russians generally lean left (e.g., Stabilitatei). Another cleavage is observed along social values, such as perceptions of the traditional family and political positions on the Istanbul Convention. Overall, political parties elected to parliament or local councils can achieve communication for agreement, though it may occasionally necessitate compromise.

The governing coalition in parliament and the government is dominated by right-wing parties with a liberal approach to the economy and support for the SGI 2024 | 9 Latvia Report

EU. The current government, in power since September 2023, consists of the Jauna Vienotība (a liberal and right-wing party), ZZS – Union of Farmers and Green (a centrist party), and Progresivie (Progressives) (social democrats). Programs and political manifestos are publicly available.

However, the membership size is small for all political parties. At the beginning of 2023, the most significant political parties had membership numbers above 1,000. For example, the Union of Farmers had 1,351 members, Saskaṇa (Harmony) had 1,347 members, and Vienotība (Unity) had 2,166 members (Uzṇēmumu reģistrs, 2024). The average membership size for regional parties participating in local elections ranges from 200 to 500 (Uzṇēmumu reģistrs, 2024). This small membership size hinders political parties from effectively representing societal interests between elections. Consequently, they tend to focus on broad "umbrella type" issues to attract the electorate's attention during pre-election campaigns.

The major political parties have local branches in the regions of Latvia. However, no distinct local interests shape the parties' political manifestos. As Latvia is a small, unitary country with a proportional election system, coalitions form the government.

Effective Cross-Party Cooperation Score: 7

Political parties elected to parliament or local councils typically reach a consensus during the coalition formation process.

There is a noticeable tendency for political parties to strive for inclusion in the ruling coalition. To achieve this, some parties engage with ideologically different partners, leading to a rapid shift in their ideological positions. This strategy often confuses the electorate (Ikstens, 2023).

A strong division exists between the coalition and the opposition, particularly evident in budgetary processes where the coalition routinely rejects opposition proposals. This pattern was observed during the extended period when the political party Harmony was in opposition and continues with current opposition parties like For Stability! (elected to parliament in 2022) (LSM, 2023).

While cross-party polarization generally does not hinder policy implementation, ideological polarization has occasionally delayed certain policies, such as the use of the Latvian language in education and the ratification of the Istanbul Convention.

Latvian governing coalitions represent liberal, pro-European, and democratic values, enabling them to neutralize anti-democratic trends and influences.

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Access to Official Information

Transparent Government Score: 9 The constitution (Satversme) provides individuals with the right to receive information. According to the constitution, any individual can address the government and local authorities.

The Freedom of Information Act, approved in 1998, aimed to establish the right to request information. Institutions are generally required to provide information within 15 days if no additional data processing or collection is needed. If the agency needs to gather information, a 30-day limit is set for responses. Additionally, individuals generally do not need to justify their need for the information.

All draft laws and draft regulations are available online for free, either on the TAP portal (tapportals.lv) or the parliament database. This enables citizens to follow all stages of the legislative process and provide comments and suggestions.

The numerous tools for public consultation on new legislation set out in government regulation are usually followed in practice. The new government regulation for public participation is expected to be issued in 2024, replacing the current government regulation (No. 970) on public participation and access to information. The new regulations broaden public participation, regardless of whether a person acts as an individual citizen or as an NGO member.

The parliamentary, government, and local council meetings and agendas are publicly available, including online broadcasting.

In addition, numerous regulations target the accountability of public officials and political parties. These regulations govern political-party donations, require public officials to declare their annual income, and mandate transparency in public spending and public procurements.

The Open Data Portal, where institutions can publish relevant data, is based on a proactive information delivery approach.

A new whistleblowing law was introduced in February 2022 to address violations against public interest. Additionally, the Law on Transparency of Interest Representation was approved in January 2023. This law aims to increase transparency in lobbying, including establishing a special lobby register at the State Enterprise Register (Trauksmes celšanas likums, 2023).

Appeal procedures are in place and effective. Residents can appeal government decisions in administrative court.

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II. Diagonal Accountability

Media Freedom and Pluralism

Free Media Score: 8 In Latvia, the media operate with independence and freedom, allowing journalists to investigate cases without restriction. Analytical journalism is highly developed, enabling the media to hold politicians accountable.

The Public Electronic Media Council (Sabiedrisko Elektronisko plašsaziņas līdzekļu padome, SEPLP) was established under the Law on Public Electronic Mass Media. The council is an independent, autonomous public body representing public interests in the electronic media sector.

The Media Ombudsman was elected in 2021 and has been effective since March 2022. The Media Ombudsman monitors public electronic media and the services delivered by public electronic mass media. The monitoring covers the code of ethics and editorial guidelines of public electronic mass media. In addition, the Media Ombudsman – either upon its initiative or based on the submissions of individuals – provides an opinion on the conformity of public electronic mass media programs and services.

The legal framework ensures freedom of the press, confidentiality of journalistic sources, and access to public information. There is no censorship in any form – digital, print, or broadcast media.

Media licensing in Latvia is politically neutral and adheres to legal procedures. Many TV channels broadcasting from Russia, accused of spreading propaganda and violating Latvian laws, have been banned. According to the law, TV programs registered in a country (such as Russia) that threaten the territorial integrity and independence of another country are prohibited from operating in Latvia.

The legal framework distinguishes among political influences, differences, and media oversight. In addition, the oversight function of public media and the regulatory function within the industry have been separated.

Journalists work in a safe environment. However, they may be subject to verbal attacks online. At the end of 2022, the Riga Regional Court upheld a

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lower court's decision, sentencing an individual to two months' imprisonment for harassing a "re:Baltica" investigative journalist. This case marked the first time someone was imprisoned for harassing a journalist.

The government plans to merge the public television and radio entities into a unified public broadcasting company. Additionally, there is a plan to introduce a new public media financing model to enhance media independence.

While overt acts of media censorship or direct harassment of journalists are challenging to address, self-censorship presents significant obstacles within the media landscape, extending to both state and regional outlets (Ramāns 2020). Various factors contribute to self-censorship. While the lack of stable media financing stands out as a primary concern, an overdependence on state funding through Media Support Programs has also resulted in the promotion of pro-government narratives. Additionally, the consolidation of public media into a unified broadcasting entity has drawn criticism from media experts who argue that it undermines media independence by intensifying government influence.

Pluralism of Opinions Score: 8 In response to the digitalization trend, the number of newspapers and magazines has decreased, with many media outlets shifting to online content. Privately owned print media have transitioned more quickly to online formats, although they face financial challenges. Online news portals, such as the public media outlet LSM and the privately owned Delfi, have successfully replaced newspapers as the primary sources of information. Regional media have experienced a similar transition. In contrast, printed media are now limited in scope and data. The role of digital media and social media in news consumption among residents is growing.

The licensing of electronic media in Latvia is politically neutral and follows the procedures outlined in the Law on Electronic Communication. The Media Ombudsman, elected in 2021 and in office since March 2022, oversees public electronic media and their services, ensuring compliance with the code of ethics and editorial guidelines.

The Media Pluralism Report 2023 indicated that Latvian media fall within the medium-risk zone regarding pluralism (65%). The primary risks in this domain stem from the low level of media market pluralism and the influence of advertisers and owners on editorial independence. Latvia lacks specific regulations for digital media companies to publish data on beneficiaries and owners. Since 2020, data on media owners has been available for free in the Enterprise Register database.

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Latvian media regulation and self-regulation do not include mechanisms to protect journalists in the event of a change in media ownership or editorial direction, resulting in a high risk to editorial independence from commercial and owner influences (78%). Political autonomy is assessed at 37% due to potential influence from politicians and media owners.

The 2023 Media Pluralism Report showed improvement in the indicator for minority representation in the media (low risk -22%), development in media literacy (53%), and better protection against disinformation and hate speech (66%) (Rožukalne, 2023).

The media in Latvia enjoy freedom, with no restrictions on criticizing government actions and policies. While the government has faced significant criticism in certain areas, the media's capacity for investigative journalism, particularly regarding the economy, is limited, resulting in milder criticism (Rožukalne, 2023).

Public administration is implementing strategic measures to combat disinformation. However, the only organization conducting sustainable fact-checking is the REBaltica initiative RE: Check of the Center for Investigative Journalism.

Civil Society

Free Civil Society Score: 9 Fundamental rights are effectively protected. Latvia ranks 22nd among 142 countries in the World Justice Project Assessment. There are no legal, political, or de facto restrictions for citizens to enjoy freedom of association and assembly. According to Freedom in the World, Latvia scored 88 out of 100, categorizing it as free.

The law protects the freedom of assembly, and the practice is well-established and respected. Some restrictions were applied during COVID-19, but since 2022, all rules have been lifted. However, there was a case when authorities attempted to ban protests. Ogre municipality tried to deny a protest supporting the Ogre Museum in the conflict between the mayor and the museum in 2023. The protest was allowed after a second application to the city and a recommendation from the ombudsman.

Political and civic groups can operate freely. All permit requests to assemble are evaluated according to the criteria set in the law, with an opportunity to appeal to the administrative court afterward.

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Effective Civil Society Organizations (Capital and Labor) Score: 9 Within the framework of the tripartite social dialogue in Latvia, social partners – the Free Trade Union Confederation of Latvia (LBAS), the Latvian Chambers of Commerce (LTRK), the Employers Confederation of Latvia (LDDK), and the Latvian Association of Local Government (LPS) – are recognized as the social partners for the government and engage in dialogue regularly. Thus, employers and business associations possess the organizational resources to be present at all stages of policymaking. Their influence on policymaking issues varies, although they can unite smaller CSOs under their umbrella. However, the trade union density is 11.6% (data of 2018 in OECD/AIAS ICTWSS database).

The government has ensured that all opportunities for social partners to participate in policymaking, via online tools, access to governmental information, and participation in government meetings, are available.

The Foreign Investors' Council in Latvia (FICIL) is an NGO established by foreign investors in Latvia. It can identify policy problems and advocate for policy proposals. FICIL's priorities for the coming years include combating the shadow economy and addressing labor force availability and skills.

Effective Civil Society Organizations (Social Welfare) Score: 7 The major CSOs can form alliances to represent interests, as they have sufficient organizational capacities. However, smaller CSOs struggle with corporate resources. According to the Monitoring Report 2023, 83% of all CSOs (about 25,600 in 2023) do not have any employed staff. The same report identified that about half of all registered CSOs are active and operational (Civic Aliance Latvia, 2023). In terms of membership, the law requires a minimum of two members for a CSO to operate.

Regarding finances, in 2022, all CSOs received donations totaling €7.7 million. However, donations constitute only around 16% of CSOs' income (Civic Alliance Latvia, 2023). The other income sources are project-type funding and allocations from public institutions.

The 2021 Civil Society Organization Sustainability Index for Central and Eastern Europe and Eurasia indicates that Latvia's CSOs have seen an improvement in their overall sustainability score. However, population support and involvement in CSOs need to be higher. The Civic Alliance reports that only 2% (in 2018) of the population are NGO members. The report also shows that the number of CSOs has decreased since 2018 (Civic Alliance Latvia (2023)). Overall, CSOs – except for large labor CSOs – have limited capacity to conduct research on their specialized issues.

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The Civic Alliance is the umbrella organization for all civil society organizations (CSOs) in Latvia, regardless of their sector or capacity. The public benefit organization stipulates that any such organization has the right to receive tax relief if it registers as a public benefit organization. Additionally, any business that donates to public benefit organizations receives a tax deduction.

The 2023 Monitoring Report of the Latvian Civic Alliance reflects that while the number of CSOs accepting donations from businesses is increasing, it benefits fewer CSOs – primarily those with a certain level of organizational strength. Moreover, financial donations from public agencies have grown in recent years.

The social welfare CSOs with the highest number of employees are the Latvian Red Cross and the Latvian Union of Samarians. However, these CSOs differ significantly in their capacity to generate policy proposals and participate in policy implementation. Some CSOs delivering social services have accumulated capacity and can influence policy. In contrast, others, such as groups representing seniors or patients, still need to develop and have limited impact on the policy process or outcomes.

Effective Civil Society Organizations (Environment) Score: 6 Environmental CSOs face the same financial, staff, and organizational challenges as all CSOs in Latvia. Some strong environmental CSOs can provide policy analysis for the wider public and the responsible ministry.

The trends indicate an increasing openness among the population to engage in environmental protection. Civic Alliance reports that only 26% of the population participated in ecological clean-up efforts in 2018 (Civic Alliance Latvia, 2022). Therefore, the capacity of CSOs to mobilize the population largely depends on the public image of environmental CSOs and the general perception of the issue.

III. Horizontal Accountability

Independent Supervisory Bodies

Effective Public Auditing Score: 9 The State Audit Office is an independent and collegial supreme audit institution. It operates independently of parliament and the government (State Audit Office Law).

The auditor general is appointed to office by the Saeima for four years. The

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current auditor general was approved in December 2023.

The State Audit Office conducts financial, compliance, and performance audits of executive and local authorities. Both the parliament and the government have full access to the audit findings and conclusions. The State Audit Office also has complete access to the information and evidence required for its audits.

In 2022, it had a 93.1% implementation rate for its recommendations. The highest number of recommendations was for the Ministry of Education and Science and the Ministry of Welfare – both responsible for sectors with major reforms expected (Valsts kontrole, 2024).

The 2022 – 2025 Strategy of the State Audit Office focuses on strengthening the effectiveness of public expenditure, building trust in the public sector, enhancing the impact of the Supreme Audit Office for the public good, and increasing the capacity and professionalism of auditors (Valsts kontrole, 2023).

The audits are extensively reported in the media. The State Audit Office's Public Council also supports these publicity efforts. Several audits have attracted significant press and public interest – huge financial problems at Rezekne city municipality, public procurement for the military, and the malfunctioning healthcare system in the sphere of oncology.

Effective Data Protection Score: 8

The Data State Inspectorate was established in 2001 and now operates under the Personal Data Processing Law (2018). Its independent status is provided for in Article 52 of the Data Regulation. The inspectorate aims to protect fundamental human rights and freedoms in data protection. Therefore, its legal status ensures its operational independence.

The inspectorate is supervised by the Ministry of Justice and financed from the state budget.

The Cabinet of Ministers appoints the director of the inspectorate for a fiveyear term upon the recommendation of a selection committee. The director of the inspectorate can serve up to two consecutive terms.

Once a year, the inspectorate submits its operational report to the Saeima, the government, the Supreme Court of Latvia, the European Commission, and the European Data Protection Board and makes it available on its website.

Since 2022, the inspectorate has had the right to provide an opinion on draft legislation directly, without additional confirmation from the Ministry of Justice (Data State Inspectorate, 2023).

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Rule of Law

Effective Judicial Oversight Score: 9 Latvia's judicial system is autonomous and structured into three levels. According to the constitution, legal authority is allocated among district and city courts, regional courts, the Supreme Court, and the Constitutional Court. In 2020, 31% of the population had complete or partial confidence in the judicial system. Meanwhile, 53% of entrepreneurs rated the independence of courts and judges as very high or somewhat high.

The judiciary's ability to function independently hinges on factors such as the legal education system, which should be inclusive and accessible to all segments of society. Additionally, the jurisprudence of the judiciary reflects its commitment to independent judicial review, upheld by ethics rules and standards. The Latvian judiciary demonstrates a capacity for independent judicial review. This is evidenced by the consistent application of legal principles and the court's ability to make decisions free from external influences.

There is an ethical code for judges and the appointment process of justices. The appointment process of justices in Latvia, particularly for the Supreme or Constitutional Court, is designed to ensure independence. A study on the freedom of the judiciary conducted in 2021 surveyed 61% of judges and reflected a relatively high self-assessment of the judiciary's independence. Both the breakdown of responses and the assessment of autonomy at the judicial system level, a particular court, and the individual judge show that Latvian judges rate their personal independence higher than the collective one. The higher the court level, the higher the self-assessment of independence on all issues.

The Judicial Council has approved the following guidelines: the Judicial Communication Guidelines (2023) and the Judicial Communication Strategy (2023). It has also approved guidelines for writing judgments in administrative and civil cases for courts of first instance and appeal. These guidelines aim to improve the quality of judgments and ensure a uniform approach to judgment writing in all courts.

In Latvia, challenging government action through the judiciary is relatively accessible, reflecting the courts' operational independence. The judiciary's rulings in significant cases are generally perceived as independent, suggesting a robust judicial system. The frequency with which the government complies with important court decisions, even in cases of disagreement, is a crucial indicator of judicial effectiveness. While the government compliance rate is high in Latvia, instances of noncompliance do occur.

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The Saeima declined to confirm Sanita Osipova, former president of the Constitutional Court, as a judge of the Supreme Court. The decision was influenced by debates over her liberal views and past rulings on same-sex couples' rights. This rejection – amidst concerns about judicial independence and political interference – marks the third recent instance of a Supreme Court candidate not being confirmed. Legal experts and officials, including the president of Latvia, have expressed concerns over this trend, indicating a potential shift in Latvia's democratic governance and values.

The Constitutional Court ruled that the norms establishing vaccination against COVID-19 as a precondition for participating in parliamentary work did not comply with the first part of Article 101 of the Constitution. The court emphasized that every Member of the Saeima plays a vital role in Latvia as a parliamentary democracy. Even an opinion expressed by just one or a few members of the Saeima is relevant to its work. A Member of the Saeima can represent the people, including the expression of their will, only if they are allowed to exercise the rights crucial to their role.

Overall, Latvia's judiciary operates with a considerable degree of independence, ensuring that the government and legislature act according to the law, even if there are areas for improvement.

Universal Civil Rights Score: 8 Latvia's national legal and constitutional framework guarantees civil rights. These include safeguarding personal liberty against both state and non-state actors, ensuring the right to life and security, prohibiting torture and inhumane treatment, protecting privacy, and ensuring equality before the law. The judiciary is independent, and the government generally respects judicial independence.

Latvia generally upholds civil rights, with no reports of government-committed arbitrary or unlawful killings or disappearances. The legal system prohibits torture and other inhumane treatments and emphasizes equal access to justice and due process under the rule of law. This encompasses protection against arbitrary imprisonment and ensures fair legal proceedings for all citizens.

Some concerns include complaints about prison conditions, particularly regarding ventilation and access to healthcare. There have been reports of ill-treatment of migrants by security forces. There were challenges in handling asylum requests during the emergency near the Belarus border.

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The executive branch actively identifies, prosecutes, and punishes civil rights violations, although challenges remain in fully realizing these goals. Freedom of peaceful assembly and association is constitutionally guaranteed and generally respected. However, authorities may deny public demonstration permits for public safety and national security reasons.

The principle of legal equality and the prohibition of discrimination as fundamental rights are enshrined in Article 91 of the constitution and international legal instruments. According to the World Bank Group's publication "Women, Business and the Law 2022," women in the country have legal standing equal to men (U.S. Department of State, 2022). In 2022, the ombudsman received 73 complaints on various aspects of discrimination, similar to the previous reporting period, when 68 complaints were received. Compared to 2020, when there were 49 such applications, citizens are more aware of their rights, the possibilities for their protection, and the need for it.

Citizens have requested the ombudsman's assistance with allegations of discrimination or unjustified differential treatment related to mobbing, COVID-19 restrictions, gender, age, disability, and health status. However, the ombudsman did not find unequal treatment or discrimination in all cases. Latvia implements policies to prevent discrimination based on various factors, including sex, gender identity, and ethnicity. The effectiveness of these measures, including positive discrimination and special representation rights, varies, but there is a concentrated effort to protect the rights of disadvantaged and minority groups.

The right to a fair trial is a cornerstone of the functioning of a democratic state under the rule of law. The protection of other human rights and fundamental freedoms largely depends on the proper guarantee of this right. Article 92 of the constitution ensures these fundamental rights for everyone, and their broad scope must be interpreted in conjunction with Article 6 of the European Convention for the Protection of Human Rights and Fundamental Freedoms, as well as the case law of the European Court of Human Rights.

In 2022, the Ombudsman's Office received 172 applications related to the aspects of ensuring a fair trial, fewer than the 245 received in the previous reporting period. Most of the issues identified in these applications have already been brought to the ombudsman's attention. An analysis of the statistics for 2022 and earlier years shows a declining trend in mentions of access to justice, the conduct of legal aid providers, the enforcement of rulings, and the grounds for rulings in submissions. For instance, in 2020, the reasons for a decision were raised in 34 submissions; in 2021, this issue was mentioned in 13 submissions; while in the reporting period, it was raised in

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only four submissions.

In contrast, the number of submissions expressing dissatisfaction with the alleged unfairness of the proceedings has increased, with 34 submissions in 2021 but 42 in the reporting period. These statistics provide only a glimpse of the issues addressed to the ombudsman and do not substantiate whether the situation in Latvia has improved or deteriorated in this respect, as each case requires an individual assessment for an objective judgment. All individuals in Latvia are entitled to equal access to justice and due process under the rule of law. The judicial system strives to maintain this standard, although there are areas where improvements can be made to ensure more equitable access for all.

Effective Corruption Prevention Score: 8 Several mechanisms are in place to prevent public officials from abusing their positions for private interests. Latvia has established public accounting standards to detect corruption. The State Treasury is responsible for developing public sector accounting standards legislation. According to the Latvian Association of Certified Auditors and the Association of Accountants, Latvian public sector accounting standards are based on accrual-based principles (IFAC, CIPFA 2020). The financial statements for central and local governments and government-related entities are broadly International Public Sector Accounting Standards (IPSAS) compliant, except for accounting for tax revenue, which will continue to be on a cash basis with the ultimate goal of transitioning to an accrual basis for tax accounting.

Regulations concerning party financing aim to prevent corruption and include bans and limits on private income, direct public funding, spending regulations, reporting, oversight, and sanctions. To ensure transparency, legality, and compliance, the Law on Financing of Political Organizations (Political Parties) requires parties to submit key data to the Corruption Prevention and Combating Bureau. This information is then published online and includes details on donations, membership fees, election revenue and expenditure declarations, and annual reports.

Officials are subject to rules such as asset declarations, conflict of interest regulations, and codes of conduct; these include income and asset reporting, incompatibilities, sanctions, and oversight. Rules have been established to enhance the transparency of public procurement procedures, covering scope, information availability, and open competition. The National Audit Office has also assessed procurement conducted during COVID-19.

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Legislature

Sufficient Legislative Resources Score: 6 There is an Analytical Service and a library accessible to the legislature. Established in 2017, the Analytical Service's functions include research, analysis, and providing sectoral information. It reports to the Saeima Presidium and is also responsible for the parliamentary library, which offers up-to-date periodicals and books.

Research topics may be proposed to the Analytical Service by the Saeima Presidium, the Fraction Council, a Saeima committee, or the leadership of at least two fractions, provided the proposal is signed by at least 20 Members of the Saeima. Research and reports are publicly available and cover many themes. In 2023, there are eight thematic reports (usually 12 pages long) and one synthesis. There were seven researchers at the beginning of 2024.

Overall, the legislature can access the library and request reports from the Analytical Service. However, the effectiveness of these mechanisms in practice can vary. Under current statutes, the Analytical Service can only accept a limited number of requests.

The allocation of staff for parliamentary factions is predetermined and based on the number of members in each group, as governed by a decision from the Saeima Presidium. Every group is entitled to one technical secretary. Additionally, the group size determines the availability of further staff positions: A group with five MPs can appoint one consultant. In comparison, a group with six to ten MPs can appoint both a consultant and a senior consultant. An additional staff position is allocated for every increment of five members in a group.

Despite these regulations, the composition of staff typically remains constant and is not influenced by changes in party representation within parliamentary factions. Staff members are often party affiliates and remain the same even when the party is re-elected. In parliamentary committees, the staff generally stays consistent across multiple terms. They are familiar with experts in relevant fields, as well as non-governmental organizations and public authorities, and their roles stay consistent with changes in political party representation in parliament.

Effective Legislative Oversight Score: 7 The Saeima holds certain powers and resources to exercise oversight of government activities. The assessment of these capabilities can be divided into de jure (legal) and de facto (practical) aspects.

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Legally, the Saeima has the right to request and receive information and documents from the government. This is a fundamental aspect of parliamentary oversight and is typically enshrined in the national constitution or in the Rules of Order of the Saeima.

Parliamentary committees have the legal authority to summon ministers to committee meetings. This allows them to hold ministers accountable and ask pertinent questions regarding their departments and actions. Deputies can submit a request to the minister or prime minister to answer questions raised by members. The Rules of Order of Saeima regulate the procedure.

In practice, the effectiveness of the provision process can vary. There might be instances where documents are provided in full and on time, but there can also be delays or instances where the information is incomplete or redacted. The extent to which ministers comply with invitations and provide satisfactory answers can vary. While some ministers may fully engage with the process, others offer limited or evasive responses.

In 2022, the 13th Saeima submitted 11 requests to the prime minister and ministers. No requests were submitted by members of the 14th Saeima in 2022.

Members of the Saeima may also submit questions to the prime minister, their deputy, a minister, and the president of the Bank of Latvia on matters within the competence of these officials. The concerned official shall give the answer in writing or orally at a sitting scheduled to answer members' questions. In 2022, 91 members' questions were submitted. The 13th Saeima had 77 questions, and the 14th Saeima had 14 questions. The parliament's website, www.saeima.lv, provides access to members' questions and the answers provided by the Cabinet of Ministers.

The parliament is somewhat hesitant to use instruments for government oversight.

Effective Legislative Investigations Score: 7 The Saeima can establish a parliamentary committee of inquiry if requested by at least one-third of members of parliament. Parliamentary committees of inquiry have the power to request information, invite public officials to their meetings, and order audits.

According to the Law on Parliamentary Committees of Inquiry, these committees will cease to function on the eighth day after the final report has been examined at a meeting of the Saeima unless the Saeima decides otherwise. After the final report is published, the Parliamentary Inquiry Committee sends the proposals for eliminating the identified shortcomings mentioned in the final report to the committees of the Saeima, the Cabinet of

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Ministers, ministries or the institution of a public person responsible for implementing the relevant proposals.

The authorities mentioned in the final report must review its findings and determine the necessary measures to rectify the identified deficiencies. However, no subsequent report is required to assess whether these recommendations have been implemented, nor is an explanation required if the suggestions are not adopted within a specific timeframe. Consequently, it is not always possible to observe the actual impact of parliamentary investigation on policymaking.

There is a trend that parliamentary committees are established on controversial and politically sensitive issues. On April 8, 2022, a parliamentary committee of inquiry was set up, following an application from 36 members of parliament, to investigate possible government misconduct during the Covid-19 pandemic. The committee consisted of eight members and held 25 sittings. A parliamentary committee of inquiry was also established in 2023. It examined the adverse effects of a restructuring of the financial sector, linked to efforts to strengthen state supervision, on the country's financial and capital market system. Additionally, the committee investigated the possible insolvency of PNB Bank, the circumstances of the forced self-liquidation of ABLV Bank, and the suspension of Baltic International Bank.

Legislative Capacity for Guiding Policy Score: 8 Committees play a crucial role in the work of parliament. Parliamentary commissions specialize in specific areas of legislation, preparing bills for consideration by the Saeima and exercising parliamentary control over the government's activities. Some parliamentary committees also undertake additional tasks, such as evaluating the justification of public spending, investigating ethical breaches, or assessing Latvia's national position on European Union (EU) issues. According to the Saeima's Rules of Procedure, the Saeima has 16 standing committees.

Committee representatives are elected at the start of each parliamentary term but can be changed later during the parliament's work. Each committee comprises members from different political groups, with proportional representation of the political forces elected to the Saeima. The exceptions are the Committee on Mandates, Ethics and Submissions, composed of two members elected from each parliamentary faction, and the National Security Committee, composed of one member from each faction. Article 150 of the Rules of Procedure of the Saeima provides that the Saeima may establish special committees to carry out specific legislative tasks.

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Subcommittees may be established in addition to the Saeima committees. Their creation and election do not require a vote of the Saeima. Subcommittees may also include members who are not part of the relevant committee. The subcommittee submits its decisions and proposals to the committee. The subcommittee's work is conducted by a chairman and a secretary elected from among the subcommittee members. A member may serve on up to two standing committees and three subcommittees at any time. A member may hold the office of chairperson of only one standing committee.

In 2022, members of the 13th Saeima served on 18 subcommittees; members of the 14th Saeima served on nine. In the 13th Saeima, a range of standing and subcommittees (commissions) oversee various national governance and policy aspects. Each committee focuses on specific areas, with subcommittees diving deeper into specialized topics.

As a rule, a committee can be chaired by a coalition or opposition member of parliament. Members of opposition parties chair several committees: the Foreign Affairs Committee, the Defense, Home Affairs and Anti-Corruption Committee, and the Sustainable Development Committee. However, the leadership of the committees can change if the political parties forming the coalition change.

The Saeima's committees play a significant role in the legislative process. Out of 476 proposed laws, 359 were reviewed by committees, demonstrating their active involvement in evaluating legislation. Moreover, the high number of proposals (4,446) assessed in the second and third readings highlights the committees' detailed scrutiny of legislative content. The acceptance of 207 laws, including 34 new ones, further underlines the practical impact of these committees in shaping legislation. This suggests that committees in the Saeima are actively engaged and influential in the legislative process.

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Governing with Foresight

I. Coordination

Quality of Horizontal Coordination

Effective Coordination Mechanisms of the GO/PMO Score: 8 The State Chancellery plays a crucial role in coordinating policy proposals from various line ministries. This includes the substantive, legal, and technical preparation of cabinet meetings, as well as the review and legal analysis of policy-planning documents, legislative drafts, and reports submitted to the cabinet. Additionally, the Chancellery provides recommendations on the future direction of these projects (Valsts Kanceleja, 2023).

In 2022, the State Chancellery's primary role was to support the prime minister and the Cabinet of Ministers substantively and organizationally. There were 67 cabinet meetings, typically held weekly on Tuesdays in a hybrid format. Members of the cabinet were present in person, while state secretaries and experts joined remotely. Additionally, the prime minister convened extraordinary meetings to address urgent matters, conducted in person or through polls (Valsts Kanceleja, 2023).

Key measures introduced in 2022 to improve interministerial coordination and policy development include an Innovation Laboratory, training in innovation, and integrating the Cross-Sectoral Coordination Centre into the State Chancellery. Efforts also focus on digital transformation, such as the TAP portal for efficient government operations, and reforms in the remuneration system, including new job classifications and salary scales. Furthermore, communication and digital skills in public administration are being enhanced, exemplified by the introduction of Zinta – the virtual assistant for public services (Valsts kanceleja, 2023).

In 2022, the State Chancellery of Latvia managed 46 regular and 21 extraordinary cabinet meetings, with 12 organized through polls. A total of 3,084 issues were discussed, with 1,745 as main agenda items and 1,339 as

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additional. There were 255 document evaluations from courts and other institutions requiring cabinet opinions. The prime minister received 106 recommendations on legislative direction, and 21 opinions were prepared on ministry-submitted legislative drafts. The State Chancellery also legally and editorially processed 2,401 legislative drafts. Additionally, 5,924 documents were reviewed, with 1,081 tasks assigned to the cabinet (Valsts kanceleja, 2023).

As mandated by the Cabinet of Ministers regulations, interministerial coordination groups must report their progress regularly. This includes submitting signed minutes from coordination group meetings to the involved ministries and directly to the Prime Minister's Office. This process ensures a formal and documented line of communication and accountability.

The prime minister may, by decree, establish a thematic committee of the Cabinet of Ministers to ensure systematic and planned work in a specific area and to coordinate and address various cross-cutting issues. These include the Thematic Committee on Digital Modernization, the Thematic Committee on European Union Funds, the Thematic Committee on Strategy Management, and the Thematic Committee on Energy, Environment, and Climate.

State secretary meetings are convened to address specific types of projects and issues. These include projects that lack agreement in the coordination process (excluding those needing political resolution or conceptual decisions), projects not refined as per earlier State secretary meeting decisions, national position project proposals, or related issues directed by the Senior Officials Meeting on EU Affairs, and official viewpoints of the Republic of Latvia for advocacy in international organizations, especially when there is a lack of consensus on ministry or institutional responsibilities. These weekly meetings, typically held on Thursdays and led by the director of the State Chancellery, also discuss other pertinent matters for state administration. The director of the State Chancellery and the state secretaries participate with voting rights.

However, there is no clear information about whether there are regular meetings between the GO/PMO, during which they receive briefings from line ministries on new developments that may impact policy proposal preparations, despite the official meeting of the Cabinet of Ministers, the cooperation meeting of parties forming the government, and state secretary meetings.

The number of meetings held and documents produced demonstrates an active and systematic approach to coordinating issues on the agenda. Additionally, the regularity of standard and poll-based meetings indicates effective ongoing communication and coordination between the GO/PMO and line ministries, which is essential for aligning policy proposals with governmental priorities.

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Effective Coordination Mechanisms within the Ministerial Bureaucracy Score: 7 In March 2023 the State Chancellery absorbed the Cross-Sectoral Coordination Center, unifying essential functions like long-term policy development, modernization of public administration, and inter-sectoral coordination under a single team. The reorganization aims to reinforce the State Chancellery's role as a pivotal government hub, bolstering its analytical power to aid the prime minister and the government in policy formulation, design and implementation.

Modifications to Cabinet Regulation No 606 laid the groundwork for thematic cabinet committees. Established by a prime minister's decree, the committees will focus on specific areas and predefined action plans, necessitating collaborative efforts from various line ministries. The prime minister or an appointed minister will lead these committees, comprising other ministers or officials. The committees, set to convene on Wednesdays, will deliberate on both agreed and non-agreed draft legislation, potentially proposing new drafts based on their decisions.

Presently, three thematic committees are dedicated to Digital Modernization, Strategic Management, and Energy, Environment, and Climate.

A webpage, the TAP portal, was launched in autumn 2021 and implemented across the government starting Sept. 9, 2021. It has digitalized the cabinet's operations, including task assignments, legislative drafting, approval, and electronic signatures. Ministers can remotely participate in cabinet meetings, submit drafts, vote, and sign documents from any location with internet access. The portal serves as a comprehensive platform to track the progress of projects, from public engagement to cabinet adoption, and facilitates public participation in policymaking. It has significantly automated processes, reducing manual tasks in the line ministries. Over 800 projects have been directed to public involvement through the portal (Valsts Kanceleja, 2023).

In 2022, the "Development of a Single Service Center for Public Administration in Latvia" project was launched to provide a digitalized, standardized, and more efficiently managed system for public administration accounting and human resource management. The Single Service Center will be the new agency operating on standardized processes, with the necessary infrastructure and information system solutions to provide accounting and human resources management services for public administration.

The TAP portal offers both public users and bureaucrats access to view the tasks assigned to various ministries. It serves as a platform where they can prepare and review opinions from other ministries on draft laws or other

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documents that necessitate agreement from multiple ministries. This feature enhances transparency and collaboration across different governmental departments.

The timeframe given to ministries for providing opinions on draft laws or other significant documents is often too short, making it challenging for them to comply within the set deadlines. This time constraint can negatively impact the thoroughness and quality of the feedback or opinions provided by the ministries.

Latvia's policy-planning system is well established, limiting individual ministries' ability to push through initiatives without debate with other ministries. All new policy initiatives are discussed within the government, even if these debates are brief.

In governmental operations, various interministerial collaborations have been established to address critical areas such as enhancing human capital for the labor market and coordinating climate policies. These collaborative efforts are crucial for cohesive and effective policy development and implementation. Additionally, there is provision for online participation in thematic committees of the Cabinet of Ministers, allowing for broader and more flexible involvement and facilitating easier access and contribution to governmental discussions and decision-making processes.

There are different formats for cooperation, and the legislative framework is designed to promote collaboration and joint problem-solving. However, policy coordination within bureaucracies is typically performed within formal boundaries and is effective for well-known issues. Coordination challenges persist, particularly in preparing bureaucracies to handle complex and "wicked" problems. Additionally, there are no incentives such as job rotations or job-sharing across ministries to encourage active information exchange.

Complementary Informal Coordination Score: 9 In Latvia, the effectiveness of informal coordination mechanisms in complementing formal interministerial coordination depends on the frequency and regularity of informal meetings, as well as their impact on formal coordination efforts.

The political parties forming the government meet in cooperation meetings (previously known as Coalition Council). Cooperation meetings are not regulated by law but are based on a mutual agreement between the political parties. The Coalition Cooperation Agreement, a political agreement, articulates and defines the basic principles of cooperation. Currently, cooperation meetings are held weekly on Mondays. Between the beginning of

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2022 and the end of 2023, approximately 130 cooperation meetings have been held (Ministru kabinets, 2023).

The government led by Evika Siliņa has a cooperation agreement emphasizing the need to enhance the functionality and professionalism of the Cabinet of Ministers. This agreement includes the formation of cabinet committees and requires the involvement of ministers or parliamentary secretaries from pertinent ministries in thematic committees organized by the prime minister (14. Saeimas frakciju sadarbības līgums, 2023). This structure ensures practical interministerial cooperation and streamlined decision-making throughout the 14th Saeima. Thus, this applies to the coordination between the GO/PMO and the line ministries, as well as within the ministerial bureaucracy.

In addition, Latvia has a standard practice of organizing formal and informal working groups to discuss issues among ministries.

Quality of Vertical Coordination

Nationwide minimum standards for all critical areas are established through national laws and service standards, with guidelines for measuring client satisfaction with public services developed in 2019.

The Public Utilities Regulatory Commission, an independent state body, monitors the activities of public service providers and market development in Latvia. It ensures that citizens receive uninterrupted, reliable, high-quality public services at economically reasonable prices. The commission oversees eight sectors: natural gas, electricity, heat, water, electronic communications, postal services, packaging deposits, and municipal waste disposal.

In 2020, the Cabinet of Ministers accepted a new medium-term plan, the "Service Environment Improvement Plan 2020 – 2023." This plan aims to modernize public services and public administration, focusing on user-oriented, proactive, and efficient service delivery. It aligns with government priorities for structural reforms and modern governance. The plan envisions accessible, supportive, and personalized public services utilizing modern technologies and innovative solutions. Its goals include providing innovative and efficiently organized public services, shifting from reactive to proactive service, focusing on citizens' and businesses' needs, integrating services at regional and European levels, and moving toward primarily digital service delivery. However, an ex post assessment of the plan's impacts has not yet been conducted.

Effectively Setting and Monitoring National (Minimum) Standards Score: 7 SGI 2024 | 30 Latvia Report

The State Audit Office, which audits local authorities, prepared a handbook in 2023 summarizing its recommendations and key findings regarding public service delivery, including advice on how local governments can ensure minimum standards in public service provision.

The central government, through various ministries, oversees compliance with minimum standards. For example, in 2021, the Ministry of Welfare reported on efforts to develop a unified approach for social services in municipalities, aiming to ensure minimum standards across Latvia. Typically, each ministry oversees standards within its specific area, while local authorities have broad responsibilities, allowing them to set and implement varying quality and minimum service standards with some flexibility. This decentralized approach indicates that while there are efforts for uniformity at the national level, local implementation varies. Nevertheless, there are many cooperative intergovernmental bodies.

There are no financial sanctions for noncompliance, but there is financial accountability. The central government may dismiss those responsible for not ensuring compliance with minimum standards. For example, the municipality of Rēzekne city is facing a severe financial crisis, with a shortfall of several million euros for 2023 expenses. In response, the municipality prepared a long-term financial improvement plan. However, upon evaluation, the Ministry of Finance remained unconvinced that the municipality could meet its obligations to creditors. Consequently, the minister for environmental protection and regional development dismissed the mayor.

Subnational governments in Latvia use key performance indicators (KPIs) to varying extents to implement reforms and comply with minimum standards. Studies and proposals have highlighted the importance of collecting and compiling data in public administration. Although current data collection practices have evolved, they have not always been a priority during reforms, resulting in fragmented or inconsistent practices. There is an awareness of the need for effective data use and KPIs in subnational governance, but practical implementation and consistency across various regions still need improvement.

Effective Multilevel Cooperation Score: 7

Long-standing cooperation exists between the Cabinet of Ministers and the Latvian Association of Local Government (LPS). The LPS, an organization that voluntarily unites local governments in Latvia, was established in December 1991. Representing over half of all local municipalities, the LPS is authorized to negotiate with the Cabinet of Ministers on behalf of these local governments. The Cabinet of Ministers and the LPS agree annually on a share of budgetary transfers to local authorities, as all taxes are centrally collected.

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Representatives from the LPS participate in Cabinet of Ministers meetings and discussions. Since the LPS is considered a social partner for the government, it provides opinions on draft laws, draft regulations, and white papers.

There are five planning regions. The Councils of Planning Regions are intended to serve as crucial coordinators at the regional level. However, these planning regions lack genuine functions and were originally created to coordinate the work of municipalities prior to the administrative-territorial reforms of 2021. Despite the municipal mergers, the status and functions of the planning regions remain unchanged, and their current role in the multilevel governance system is unclear.

The Latvian Association of Municipalities (LPS) and the Latvian Association of Cities (LLPA) are key organizations ensuring multilevel coordination. Meanwhile, municipalities around Riga and the capital city formed an NGO, "Riga Metropolitan Society" – representing the interests of municipalities that comprise almost half of the Latvian population. Thus, each association brings municipal intergovernmental coordination into various arrangements, combining formal and informal approaches.

There has been formal and informal intergovernmental interaction. For example, the prime minister participated in the Latvian Association of Local and Regional Governments meeting. On October 31, Prime Minister Evika Siliņa and Gints Kaminskis, head of the Latvian Association of Local and Regional Governments, signed an agreement and protocol on differences regarding the 2024 budget and the fiscal framework for the next three years. This step signifies the government and local authorities' commitment to promoting municipalities' development and financial stability in the coming years (Užule 2023).

The Latvian Association of Local and Regional Governments also meets with ministers to discuss policy changes affecting local authorities, their tasks, and the people who live there. Since the end of November, the Latvian Association of Local and Regional Governments has met with the Minister for Climate Action and Energy, the Minister for Agriculture, the Minister for Health, and the Minister for Transport (Latvijas Pašvaldību Savienība, 2024).

Civil servants in local government do not express dissatisfaction with being given token opportunities to participate in decision-making processes at the central government level.

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II. Consensus-Building

Recourse to Scientific Knowledge

Harnessing Scientific Knowledge Effectively Score: 6 National Research Programs (NRPs) in Latvia are initiated by ministries based on their specific needs and funding. These top-down, multi- and interdisciplinary studies focus on various scientific fields and groups. NRPs support science by guiding Latvia in identifying and investigating critical issues for sustainable development and shaping the focus of Latvian scientific institutions' work.

Ministries and other public institutions, such as local governments, also commission studies individually. Once a survey is finished, it is published in a public database maintained by the State Chancellery. As a center of government, the State Chancellery conducts various studies to develop evidence-based public administration. However, Latvia needs more capacity and funding to systematically generate significant evidence that supports policy identification and implementation.

Non-governmental experts are usually invited to participate in task force units or specially designed working groups. However, there is limited information on whether the expertise provided by these experts has been utilized effectively and has positively affected policy outcomes.

The process of obtaining scientific knowledge for policymaking is constrained by procurement and grant procedures with strict, administratively demanding, and relatively short time limits that discourage scientists from delivering scientific evidence.

Latvian policy coordination and implementation rely on numerous policy documents (i.e., white papers) and cross-ministerial working groups. However, this interministerial approach does not depend on scientific evidence.

The ombudsman has criticized the government's decisions during the COVID-19 crisis, explicitly pointing out its failure to heed scientific advice. This criticism highlights concerns about the government's approach to managing the pandemic, indicating a perceived need for sufficient engagement with scientific expertise in decision-making processes (Meļņiks, 2021).

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The non-governmental expert does not frequently criticize superficial or token participation. In 2021, however, amendments to the Cabinet of Ministers' Rules of Procedure were criticized. These amendments were supposed to narrow social and civil dialogue in meetings of the Secretaries of State, the Cabinet of Ministers, and cabinet committees. Still, these amendments were not adopted, possibly following objections from the non-governmental sector.

Involvement of Civil Society in Policy Development

Effective Involvement of Civil Society Organizations (Capital and Labor) Score: 7 The involvement of civil society organizations (CSOs) is facilitated through a structured approach in the policy development process within sectoral ministries in Latvia. This includes early CSO engagement in discussions, ensuring that various societal interests are represented in decision-making, and fostering open and responsible planning. The process is designed to ensure genuine collaboration between ministries and CSOs, constructive dialogue, and the inclusion of diverse groups in budget planning and oversight. However, the approach acknowledges the limited financial and human resources of CSOs and the non-remunerative nature of their participation. Thus, there is a need for further capacity-building of CSO organizations to ensure effective communication in the policymaking process.

The government has created opportunities for civil society organizations (CSOs) to participate in policymaking through online tools where policy proposals are accessible to the public and CSOs (e.g., the TAP portal). Additionally, 526 CSOs signed the Memorandum between the government and CSOs in November 2023. Regular meetings of the Council of the Memorandum oversee the implementation of the cooperation memorandum. In 2023, the Memorandum Council discussed upcoming legislation on public participation in decision-making and local referenda.

The Free Trade Union Confederation of Latvia (LBAS), the Latvian Chambers of Commerce (LTRK), and the Employers Confederation of Latvia (LDDK) are the most significant CSOs representing labor and capital and capable of influencing policymaking processes as well as policy outcomes.

LDDK represents the interests of employers, usually advocating for business-friendly policies and engaging in social dialogue with government and labor unions. It often plays a crucial role in shaping Latvia's labor market policies and economic strategies. LDDK focuses on updates relevant to Latvian business environments and strategic priorities, including geopolitical, economic, social, and digital transformation challenges. It mentions the involvement of experts in more than 1,000 policy-planning activities and the

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integration of 64 directives into national employment regulations in 2022 (LDDK Gada Pārskats, 2023).

LTRK addresses the needs of small businesses by facilitating meetings with ministries and conducting education campaigns to amplify their voices. The Latvian Free Trade Union Confederation (LBAS) focuses on occupational safety, labor law, gender equality issues, the European Semester, education, youth employment, sectoral expert councils, social issues, international action, and the economy.

LTRK, LDDK, and LBAS are known as the big three and are usually present in working groups and at Cabinet of Ministers meetings. Several smaller CSOs exist, but they channel their opinions through the most prominent players in the field.

The National Tripartite Cooperation Council (NTSP) is a platform that brings together employers' associations, business associations, and trade unions. The council serves as a policy decision-making and implementation tool, particularly on labor markets, legislation, and social security issues. Over the years, it has proved to be an effective platform for uniting various interests.

Civil society organizations (CSOs) do not often express dissatisfaction with token participation in policymaking because they are usually included in important meetings. However, recent criticism has been directed at the government concerning the development of a government action plan. Critics note that not all ministries have sufficiently involved social partners in formulating growth-oriented government deliverables. Additionally, there has been criticism of the contents of the government declaration.

Effective Involvement of Civil Society Organizations (Social Welfare) Score: 6 Social welfare CSOs are primarily involved in social service delivery, but their ability to participate in policy development varies. The Society Integration Foundation (SIF, a public agency) was established in 2001 to foster CSO involvement in social development policy. SIF aims to support and advance societal integration, managing and allocating resources for projects that foster the integration and development of the public and NGO sectors.

Throughout 2022 SIF consistently provided essential sustenance and material aid across Latvia, advancing social inclusion with diverse initiatives. With support packages totaling more than €769,000 distributed, CSOs also conducted events to educate on discrimination and promote equality, culminating in the multi-year "Openness is a value" campaign (Sabiedrības Integrācijas Fonds, 2023). The projects financed by the foundation thus strengthen the capacity of CSOs in both policy design and service delivery.

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However, CSOs often face sustainability challenges after implementing these projects.

Many CSOs participate in the advisory councils under the Ministry of Welfare, bringing sector-related expertise to the ministry. However, the cooperation process is poorly organized, with infrequent meetings and limited information exchange.

Major CSOs generally participate in the policymaking process without much dissatisfaction regarding their involvement. They are often invited and heard in parliamentary committee meetings, with no reported cases of denial if they are interested in participating. During the COVID-19 crisis, leading CSOs were involved in cabinet meetings and allowed to express their views. However, CSOs most commonly express dissatisfaction when their opinions, especially on contentious issues, are not considered in final decisions, even though they have had the opportunity to present their views.

CSOs active in social welfare often voice dissatisfaction with policy outcomes in their sector. In 2020, this discontent was evident when 15 leading NGOs in the social services sector signed a letter criticizing the Ministry of Welfare. They expressed frustration with the ministry's failure, over the past 10-15 years, to effectively support the welfare sector's interests. This criticism encompassed issues related to social service provision, social insurance, child rights protection, and the deinstitutionalization process.

Effective Involvement of Civil Society Organizations (Environment) Score: 6 The Ministry of Environmental Protection and Regional Development is attempting to build a comprehensive approach for incorporating CSO insights into environmental matters. CSOs are invited to participate in task forces and advisory councils, outlining the mechanisms for their involvement in regional development and environmental protection. The ministry's webpage provides a list of lobbying CSOs and serves as a resource for understanding the current landscape of environmental civil society organizations and their active engagement in governmental processes.

The State Audit Office conducted an audit on the involvement of CSOs in the agriculture sector in 2019. The audit revealed that an unorganized lobbying framework hinders access to information on critical decisions for various interest groups. The Law on Transparency of Interest Representation, which entered into force in January 2023, is expected to improve interest transparency.

Environmental civil society organizations (CSOs) often voice their dissatisfaction with policy outcomes in their sector. For example,

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environmental organizations in Latvia have expressed concerns about the government's policies drifting away from sustainable development principles. These key environmental CSOs frequently express dissatisfaction with their level of involvement in policymaking. They feel their participation is often superficial and does not significantly influence policy decisions, particularly in environmental protection and sustainability.

Environmental CSOs expressed strong opposition to the appointment of the current Minister of Climate, Energy, and Environmental Protection before his appointment in 2023. Their concerns focus on the potential negative impact this appointment could have on the country's environmental policies and sustainability efforts. This opposition underscores the critical role of ministerial appointments in shaping national environmental strategies and public trust in environmental governance. Despite these concerns from environmental organizations, the minister's appointment was confirmed.

Openness of Government

Open
Government
Score: 7

In 2022, the Cabinet of Ministers adopted Latvia's Fifth National Open Government Action Plan for 2022 – 2025. The plan acknowledges that public authorities need to be more open, which has led to low data sharing and cooperation in tackling social issues. Latvian public administration still invests little effort in using data from other institutions. Thus, much remains to be done for public administration to become a unified data source rather than an independent data operator.

The open data portal data.gov.lv is intended to be a single access point for data. However, state institutions publish data on their own initiative, and the volume of data varies. A wide range of data is also available through the Electronic Procurement System (EIS), the Latvian State Land Service publication VZD and e-services portal kadastrs.lv, the Register of Enterprises website, Latvija.lv, and the TAP portal. While the data platforms are regularly updated, they are not synchronized.

During an audit of public administration reform in 2022, the State Audit Office concluded that the unavailability of quality data has been a critical issue for at least ten years and needs to be sufficiently addressed (Valsts kontrole, 2022).

The Ministry of Environmental Protection and Regional Development (MoEPRD) has served as the Single Information Point in Latvia since September 2023. The ministry mediates between those seeking to reuse data

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and the relevant authorities. Upon receiving a request for data reuse or information, the Single Information Point directs it to the appropriate authority. In turn, these authorities are responsible for aiding re-users by providing necessary information and outlining conditions for the secure reuse of data (Vides aizsardzības un reģionālās attīstības ministrija, 2023).

The evaluation of public sector data sets in Latvia shows varied results. Data sets published on the open data portal performed best, while those not published or only partially published showed poorer results. This evaluation indicates a need for more consistent and comprehensive data publication across government entities to better meet citizen demands for information diversity, comparability, and detail.

Data is generally provided in a timely manner; however, some data lags by months or even a year. While there has been good progress in the transparency of public sector information, some agencies and bodies still rely partly on revenues from data sales. For example, public access to high-value commercial data about enterprises is a fee-based service. The practice of charging for access to data creates a financial barrier that can significantly impact demand. This issue highlights the ongoing tension between the objectives of open data access and the economic models of certain public authorities.

III. Sensemaking

Preparedness

Capacity for Strategic Foresight and Anticipatory Innovation Score: 5 In late 2018, the State Chancellery of Latvia initiated a project to bolster the innovation culture in public administration, aligning with the Public Administration Reform Plan 2020. Initially, three interdisciplinary labs were established, focusing on reducing administrative burdens, strategic human resource management, and enhancing the public administration's reputation. By the end of 2019, these labs merged into a single innovation lab. This lab continues to foster innovative problem-solving in public administration; however, it needs more capacity to provide strategic foresight and anticipatory innovations as it focuses on policy issues.

Innovations in Latvia's public sector include various projects. The Ministry of Health has improved written communication through initiatives like "Friday Advice." The "Una" virtual assistant, powered by AI, enhances customer

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service quality for the Enterprise Register. The e-kvits system streamlines data submission for healthcare service expenses, facilitating tax filing. The Central Finance and Contracting Agency employs user experience (UX) design thinking to enhance the Cohesion Project Information System, automating specific project-related checks. Additionally, Latvia hosted its first policy-maker hackathon – fostering collaboration between policy creators and entrepreneurs to enhance 5G technology implementation in the Baltic region and the EU. So far, Latvia has a project-based approach to strategic foresight with limited impact on the policymaking system (Valsts Kanceleja, 2023).

To support public institutions, the Ministry of Environmental Protection and Regional Development (MoEPRD) in Latvia has developed a simplified evaluation methodology for website and mobile app accessibility, available on their website. The methodology includes guidelines for assessing compliance impact and developing accessibility notices. The MoEPRD also offers two training courses focusing on user-oriented content and managing online information, aimed at improving skills in public administration information provision and accessibility. These initiatives have seen significant participation from public administration staff and have included several webinars and conferences to further promote digital accessibility.

There is a growing demand for evidence-based knowledge in policymaking, but this demand varies between line ministries and specific factors of the policies. The evidence-based approach has a limited impact on strategic policymaking processes and is poorly reflected in strategic documents. Even the white papers, which serve as medium-term documents, reflect alternative policies. Usually, the policy to be accepted is justified, while other alternatives are rejected. As critical policy designers, the ministries strongly rely on their "in-house" knowledge, where alternatives are subject to non-review.

The Innovation Laboratory's current sprint process, which seeks solutions to submitted problems and concludes with a prototype, takes approximately 1.5 to 3 months. Given the laboratory's recent inception and the novelty of its participation methods, assessing its real impact is challenging. Funding for expanding innovation practices and environmental development from 2021 to 2029 amounts to €1.3 million, with 85% from the European Regional Development Fund and 15% from the national budget (Labs of Latvia, 2023; Valsts Kanceleja, 2023).

The strategic plans currently lack a diverse range of future scenarios and possibilities, indicating a more linear approach to planning. Multiple potential outcomes and varied scenarios are not extensively explored or considered.

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Analytical Competence

Effective Regulatory Impact Assessment Score: 6 All draft legislation must undergo an assessment, documented in an annotated report (ex ante) accompanying the draft to the Cabinet of Ministers and the parliament. The initial impact assessment report (annotation or ex ante assessment) informs decision-makers and stakeholders about the consequences and impact of proposed legislation. It includes assessment results and details of public participation. Annotations are developed, coordinated, and advanced through the Unified Legal Acts Development and Coordination Portal (TAP portal) and are publicly available using its embedded template.

The State Chancellery is responsible for evaluating the overall annotation, focusing on the impacts on public administration, human resources, public participation, administrative procedures, and compliance costs. The Ministry of Foreign Affairs assesses the implications for the diaspora, while the Ministry of Economy analyzes the economic impact. The Ministry of Finance and the Ministry of Justice evaluate areas within their respective competencies. Other ministries or state agencies contribute based on their expertise. The State Chancellery also updates guidelines for initial impact assessments and annotation preparation in the TAP portal (Ministru kabinets, 2021).

The quality of annotations has varied, ranging from detailed analyses to simple summaries, without enforced standards. Additionally, with the establishment of the TAP portal and new regulations, the assessment process has been refined. It now includes a broader assessment range and more precise definitions.

The majority of draft laws (with annotations) are prepared by line ministries. However, once the draft law is submitted to parliament and goes through readings, annotations are rarely updated. Thus, the initial assessment does not reflect the final impact once the law is approved.

Practical limitations affect the full application of assessments, as they are sometimes more formal than reflective of the actual situation. For example, before significant policy changes, the ministry compiles data and analysis in an information report, which serves as the basis for legislative changes. Modern analysis methods – including those derived from behavioral research – need to be improved in assessments. Stakeholder involvement in the assessment process exists, but the extent and depth can differ across legislative changes. The communication of assessment results to the public and their availability could be more consistent; sometimes this even depends on the media, as society usually does not examine the Cabinet of Ministers' agenda.

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Effective Sustainability Checks Score: 5 A cabinet regulation outlines how to assess the impact of new laws and regulations and evaluate their effect on the economy, society, environment, and governance. Although impact assessment does not cover the sustainable development goals (SDGs), sustainability is considered via environmental sustainability, climate neutrality, and potentially its impact on social situations.

The State Audit Office's 2023 audit of the implementation of sustainable development goals found that Latvia requires better management of the entire process toward these goals. There is no specific implementation plan, and stakeholders lack clear awareness of their tasks and roles. The implementation process of the SDGs in Latvia needs to be better organized, managed, and overseen (Valsts Kontrole, 2023). Consequently, Latvia lacks a regular, systematic, and inclusive approach to sustainable development goals. This deficiency negatively affects public perception of the SDGs and the subsequent implementation steps expected in both the public and private sectors.

Integrating sustainability assessments into Regulatory Impact Assessments is still evolving. These limitations may include a lack of comprehensive and diverse impact indicators and constraints in expertise and resources. The extent to which these assessments provide analyses for different periods – short-term, medium-term, and long-term – must be more consistent across all policy-planning documents.

The integration of sustainable development goals (SDGs) into Latvia's highest-level national long-term and mid-term planning documents has not yet been fully realized. This incomplete integration presents challenges in ensuring the consistent application of these goals across different levels of planning. Not all SDGs relevant to Latvia have been effectively incorporated into its policy-planning documents, indicating room for improvement in aligning national planning with sustainable development objectives.

Effective Ex Post Evaluation Score: 4 Policy-planning documents, also known as white papers, undergo postimplementation (ex post) evaluations in Latvia. The government has improved these evaluations by introducing the TAP portal and a new standardized annotation form. Institutions are now required to determine and approve whether draft legislation will be subject to ex post evaluation. If they decide in favor, agencies must clearly define the results and indicators to measure the achievement of objectives. SGI 2024 | 41 Latvia Report

In 2023, the Saeima Analytical Service approved its annual working plan with detailed priorities, including research on weak ex post applications (Saeimas Prezidijs un Frakciju padome, 2023).

The Public Administration Modernization Plan 2023 – 2027 also includes aspirations for developing ex ante and ex post impact assessments, requiring ex post evaluation of high-impact legislation from 2025 (Ministru Kabinets, 2023).

Generally, ex post evaluations, if conducted at all, are either carried out by the ministries themselves or outsourced, with researchers competing against consultancy firms. Typically, the lower bid prevails. However, the application of scientific methods is directly related to the terms of reference prepared by public agencies. The engagement of stakeholders with empirical information depends on the capacity and understanding of the relevant line ministry.

All analytical reports, ex ante and ex post reviews are published in the unified database under the State Chancellery – https://ppdb.mk.gov.lv/. The database was created to ensure access to all commissioned evaluations and research that might affect policies.

No independent organizational body in Latvia conducts periodic quality evaluations of the policy evaluation process and results. The extent to which ex post evaluations are applied to existing public policies in Latvia varies. Ex post evaluations are included in the information report prepared by the ministry before policy changes. Modern analysis methods, including those derived from behavioral research, are limited in these assessments. Stakeholder involvement in the assessment process is evident, but the extent and depth can differ across policy sectors.

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Sustainable Policymaking

I. Economic Sustainability

Circular Economy

Circular Economy Policy Efforts and Commitment Score: 8 According to Eurostat, Latvia's material footprint, or raw material consumption, is increasing, reaching 20.03 metric tons per capita, above the EU27 average. Meanwhile, the circular material use rate was about 5.4% in 2022 and has been relatively stable over the last three years. The recycling rate of all waste is reported to be around 70% in 2020 and has substantially increased since 2018.

Latvia adopted the Action Plan for Transition Towards Circular Economy 2020 - 2027 in 2020. The Action Plan has clearly defined goals and serves as a medium-term planning document for Latvia. The Action Plan is structured around seven measures: (1) transition to resource management; (2) resource productivity; (3) reuse of goods; (4) transition to services instead of goods; (5) improved management of materials and processes; (6) strengthened municipalities; and (7) an informed and engaged population.

The intermediate results on implementation progress have yet to be reported. Even though the Action Plan is comprehensive and linked with planning documents in other sectors (e.g., waste management, industrial policy), it requires the involvement of numerous public agencies, which could pose a risk for incomplete implementation or poor coordination. To ensure local-level implementation, the government has allocated grants for municipalities. The Action Plan includes specific indicators for measuring progress in 2027 – resource productivity, material use rate and public engagement reported and measured by Eurostat.

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In addition to the Action Plan, several other initiatives support circular economy policy efforts, such as a tax on natural resources designed to minimize their use. In green public procurement and producer accountability schemes, participants are exempted from this tax.

Viable Critical Infrastructure

Policy Efforts and Commitment to a Resilient Critical Infrastructure Score: 7 There is a 2021 government regulation on viable critical infrastructure to ensure future business continuity. It serves as a roadmap for updating and protecting critical infrastructure. Based on this regulation, all viable critical infrastructure is divided into three groups, considering several factors: impact on the economy, number of hazards, and general impact on the public. These factors are also crucial for designing business continuity plans.

The Ministry of Internal Affairs is the lead unit in monitoring implementation progress. The ministry reports to the government and European Commission at least once a year. At the municipal level, all municipalities have designed and approved plans for civil protection in case of crises and disasters, according to the Law on Civil Protection and Disaster Management adopted in 2016. The law established the comprehensive civil protection and disaster management framework, including protecting viable critical infrastructure.

Largely due to demographic shifts in Latvia, the use of trains and buses for inland passenger transport is decreasing significantly, from 19.3% in 2015 to 11.3% in 2021, as reflected in Eurostat data. This data also shows that Latvia is improving its high-speed internet coverage, reaching 90.7% in 2021. In the Global Cybersecurity Index (2020), Latvia is ranked 15th with a score of 97.28.

The Rail Baltica connection from Tallinn to Berlin is significant for ensuring quick connections to Western Europe and for increasing the resilience of critical infrastructure. However, due to different track gauges, the rest of the Latvian railway system still needs to be integrated into the Western railway system.

Decarbonized Energy System

Policy Efforts and Commitment to Achieving a Decarbonized Energy System by 2050 Latvia designated and adopted a "Strategy for a Decarbonized Economy by 2050" in 2018. Several medium-term white papers and government regulations support the strategy. Overall, the legal framework and strategic vision are clearly elaborated. The strategy is divided into sector-specific plans for the medium term, with government regulations for the transport sector,

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Score: 8

construction, forestry, and the energy sector, including electricity, heating, and renewables.

High energy costs in the winter of 2022 – 2023 pushed the government to make several strategic decisions – to provide financial support for residents as a short-term solution and to support renewable energy in the long term. According to Eurostat, in 2021, the share of energy from renewable sources was 42.10%. The trend shows that the share of renewable energy is increasing while the share of fossil fuels is decreasing. About 48.4% of Latvia's territory is covered by forests, a significant natural resource. Thus, timber is widely used for heat.

The Ministry of Climate and Energy was established in January 2023 to prioritize climate change, decarbonize the economy, and promote renewable energy. Because Latvia has a well-established policy-planning system, implementation progress is monitored annually through various tools, including public and government progress reports.

Adaptive Labor Markets

Policies Targeting an Adaptive Labor Market Score: 6 In 2022, 61.8% of the population was of working age. The unemployment rate was 6.9% and has been steadily decreasing since 2015, when it was 9.9%. At the same time, the labor force is continuously aging and concentrating in urban areas. Sixty-eight percent of the population lives in urban areas where economic activity is concentrated and access to public services is better. Of the 1.3 million residents in the labor market, 55.4% are employees; the rest hold other labor statuses, such as employers, self-employed individuals, and part-time workers.

The government has prioritized the adaptability of the labor market and increased productivity. The "Growth and Employment" primary planning documents for the investment of EU funds include issues related to labor market adaptability. Latvia has developed a vast network of training courses for re-qualifying labor staff, supported by EU funding of €45 million. Between 2017 and 2023, it was expected to provide training for about 68,000 people over the age of 17 with no upper age limit, ensuring their integration into the labor market. This intensive and comprehensive training program complements the State Unemployment Agency's regular training for unemployed individuals. The extensive training network addresses both current labor market needs and future demands, such as digital skills and ICT skills. However, no ex post evaluation has been conducted yet to assess the effectiveness of the training.

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Policies Targeting an Inclusive Labor Market Score: 7 Using a structured policy development approach, Latvia has created white papers for medium-term planning purposes. "The White Paper of Social Protection and Labor Market 2021–2027" addresses social protection for all employees, regardless of their labor status. Since 2021, the government has implemented changes to tax laws, including the introduction of a minimum amount of social contributions for employees, applicable regardless of their wages or the number of hours worked. This change negatively affected part-time employees, such as students, mothers with small children, retirees seeking additional earnings, and skilled employees in part-time employment.

Additionally, the tax burden on micro-enterprises has been substantially increased, the patent payment regime for self-employed persons has been abolished, and the tax regime for creative industries (royalty fees) has been revised to include increased social tax contributions. These tax-related amendments limit the inclusive potential of the labor market.

Social enterprises continue to develop and spread across various industries, including health, education, food processing, and technology, reaching 215 enterprises by early 2023. According to the Social Enterprise Law, established social enterprises play a crucial role in integrating labor markets.

The prevalence of remote work has accelerated following the COVID-19 pandemic. Maintaining a work-life balance largely depends on employees' time management skills and company-level policies, as no national policies govern this area. According to national statistics, 10.5% of employees still work remotely in 2023, with remote work remaining popular in the IT, financial services, and research industries.

Policies Targeting Labor Market Risks Score: 6 According to OECD (2023) data, Latvia has higher-than-average financial disincentives to return to work, providing 82.5% of earnings when a formerly unemployed person returns to employment.

Unemployment benefits in Latvia are tied to social contributions and the duration of time spent in the labor market. The higher the social tax paid, the higher the unemployment benefit received. This link between social contributions and benefit amounts is crucial for addressing labor market risks, particularly given the low unionization rate.

However, the law caps unemployment benefits at eight months, with a regressive element where benefits decrease every two months. Additionally, there is no benefit for the ninth month of unemployment, encouraging a prompt return to the labor market. Once registered as unemployed, individuals

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must attend training courses and requalification opportunities provided by the State Unemployment Agency. However, under-reported wages in the labor market negatively affect long-term pensions, training opportunities, and social protection.

Social insurance, including unemployment and pensions, is funded through social tax contributions. Residents can also contribute to private pension schemes, such as third-level schemes operated by banks. These private schemes depend on stock market fluctuations, while contributions to state pension schemes directly rely on social tax payments.

The State Unemployment Agency employs a platform and analytical tools for forecasting labor market changes. Short-term forecasts help plan and deliver training for unemployed individuals, while mid-term forecasts assist in policy design.

Sustainable Taxation

Latvia ranks second in the International Tax Competitiveness Index 2023 and has some of the lowest tax rates in the EU. Its corporate tax rank (first in 2023) and individual tax rank (third) demonstrate a practical approach to taxation management.

Latvia's corporate tax system ranks 16th out of 64 countries measured in 2022 with an indicator of 0.33. This demonstrates that Latvia's corporate tax is simple and competitive, as it allows loss carryovers.

Meanwhile, the tax-to-GDP ratio was 30.2% in 2022, compared to 29.0% in 2000 (OECD, 2023). In addition, Latvia ranks 38th in the tax-to-GDP ratio among the 38 OECD countries (OECD, 2023). With a relatively low tax-to-GDP rate and a high shadow economy, Latvia has room for improvement in tax collection, which could positively affect the business environment by minimizing the shadow economy.

The shadow economy in Latvia remains significant, with a substantial proportion of non-reported wages, or "envelope wages" – 46.7% of the shadow economy in 2022 – while undeclared income represented about 29%. The prevalence of envelope wages and undeclared income demonstrates the restricted administrative capacity to collect taxes and combat the shadow economy.

Each year, during the state budget development process, the government changes the tax laws – mostly in personal income tax and value-added tax laws – to ensure budgetary income. However, industries have criticized the

Policies
Targeting
Adequate Tax
Revenue
Score: 5

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government for amending the personal income tax too often and have requested that the government simplify income tax calculations for individuals. The law on personal income tax was adopted in 1993 and has been amended yearly since.

In 2023, the government approved "The Road Map for Designing the National Tax Policy White Paper 2024 – 2027" to outline new national policy guidelines by early 2024. The government foresees actions to minimize the shadow economy and relieve the tax burden for low-wage earners. The Latvian tax system currently includes 14 taxes, and the government plans to change some tax rates but not introduce comprehensive reforms in taxation.

Policies Targeting Tax Equity Score: 5 The tax burden is unequal, with low-wage earners paying a higher proportion of taxes than medium- and high-income earners, despite progressive income taxation. Additionally, adverse demographic trends will impact further development and exacerbate the already unequal distribution of incomes. The European Commission has recognized that Latvia's tax and benefit income distribution system is ineffective; thus, inequality and poverty will remain challenges in the coming decade.

Each year, the government has been increasing the minimum wage (€00 in 2022, €620 in 2023, €700 in 2024), while the non-taxable minimum income has remained unchanged at €00 for both 2023 and 2024. Thus, the government is expected to invest efforts to reduce poverty among the elderly and low-wage earners.

A micro-enterprise tax was created in 2010 as a simplified tax for small businesses and startups. Since then, the tax has undergone many changes, primarily aimed at limiting its applicability and encouraging all businesses to transition to a unified corporate tax regime. Starting in 2024, the government will implement a flat rate of 25% on turnover for the micro-enterprise tax.

Meanwhile, reacting to the high profits of banks in 2023, the government introduced a special corporate tax regime for banks and non-bank creditors, determining 20% of the previous year's profit.

Policies Aimed at Minimizing Compliance Costs Score: 7 Latvia has a sizable shadow economy, and its tax revenues as a share of GDP are below the EU average. The European Commission has noted that Latvia collects less tax from capital and property compared to the EU average. Therefore, there is significant room to improve tax compliance.

All laws, including tax laws, are available online for free. However, due to frequent amendments, taxpayers need to stay updated, especially on regulations related to COVID-19 restrictions and relief.

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The tax administration has an electronic system (EDS) for tax calculations and payments to simplify communication between the tax administration and taxpayers.

Since July 1, 2023, the government has introduced a licensing system for accountants who deliver their services as outsourced. The decision aims to increase the quality of accountancy but has created additional compliance costs, especially for small businesses.

Policies Aimed at Internalizing Negative and Positive Externalities Score: 6 Latvia imposes several taxes on environmentally harmful activities, including a natural resources tax and an excise tax on fossil fuel, both with varying rates. The transport tax also varies based on CO2 emissions. Since 2022, Latvia has introduced subsidies to encourage the use of electric cars − €4,500 per new car and €2,250 per secondhand car. However, electric cars have not been widely adopted due to inadequate charging infrastructure.

The parliament passed a law in December 2023 to provide additional support for mortgage holders facing difficulties with increased mortgage payments. The financial sector opposed the legislation, arguing that it would have detrimental effects on the banking industry and signaling the government's intent to interfere in the market. The ECB also warned of potential negative impacts on future investments in Latvia.

Sustainable Budgeting

Sustainable Budgeting Policies Score: 7 As a result of long-term efforts, Latvia has achieved a sustainable budgetary policy, maintaining public debt at 40.8% of GDP in 2022, which translates to €8,500 per capita (Eurostat 2023). Latvia also has a balanced budget surplus of -4.4% of GDP in 2022, according to Eurostat data, enabling it to maintain the lowest public debt in the EU. However, the IMF, OECD, and EU recommend that Latvia address its high inflation rate and its negative consequences by investing more in increasing productivity.

Latvia's fiscal policy framework includes a Stability Programme approved by the EU and a national law on a three-year medium-term budgetary framework. The Stability Programme contains forecasts of macroeconomic indicators, fiscal projections, and general government budget balance objectives, and it is a critical element of the annual budgetary cycle. The state budget law is a significant instrument for maintaining fiscal discipline, and the Fiscal Discipline Law sets budgetary policy principles and conditions to ensure a balanced state budget over the economic cycle.

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The independent Fiscal Discipline Council provides regular monitoring. In its most recent report, the Council noted that the government demonstrates realism and prudence in its budgetary and fiscal policy but only partially reflects its ambitions for economic transformation.

National priorities are widely discussed publicly during the annual budgetary process and are regulated by the state budget law and the Fiscal Discipline Law. The priorities for 2024 are healthcare, education, and internal and external security, with 62% of the budget allocated to these areas.

The Stability Programme 2023–2026 and the state budget prioritize medium-term public investment. At the same time, the principles outlined in the Fiscal Discipline Law allow the government to accumulate financial reserves for crises, such as providing public support for high energy prices in the winter of 2022–2023, or to prepare for a green transition.

Sustainability-oriented Research and Innovation

Research and Innovation Policy Score: 5 In the European Innovation Scoreboard 2023, Latvia is ranked as an "emerging innovator" with a relative performance level of 52.5 compared to the EU. This performance reflects the average investment in R&D, as Latvia allocated 0.24% of GDP in 2022, or €49.6 per inhabitant. Among EU countries, Latvia is one of those that allocated the smallest portion of its income to R&D, indicating that innovation is a low priority for national development. This lack of prioritization is evident in public debates, budgetary processes, and even strategic discussions about the country's future. R&D investments in the Latvian business sector also remain low.

In 2023, the OECD assessed the innovation framework in Latvia as weak due to minimal government and business investments in R&D relative to GDP. Additionally, the OECD highlighted that low-quality higher education needs to produce more PhD holders to boost innovation. Overall, the government needs to enhance financial incentives for business R&D.

Meanwhile, the State Chancellery has launched the "Innovation Lab" initiative, selecting 15 projects for 2023 - 2025. The aim is to improve the working practices of public administration by introducing an innovation ecosystem and a culture of experimentation.

In the 2022 Eco-Innovation Scoreboard, Latvia is among a group of average performers. This indicates that while Latvia excels in eco-innovation academic publications, it remains weak in eco-innovation-related patents and R&D.

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Meanwhile, venture capital funding is a new phenomenon in Latvia, with government agencies and other institutional investors currently providing the venture capital. Although the Global Startup Ecosystem Index 2023 ranks Latvia 39th in the world, there is potential for startups to become an economic driver.

The government has approved the National Strategy for Science, Technology Development, and Innovation 2021 – 2027 (approved in 2021). The National Strategy outlines specific goals and actions designed to boost innovation and activate R&D. However, maintaining the same GDP allocation as in 2022 risks implementation failures for the strategy.

The innovation policy is a shared responsibility involving several Latvian ministries, including the Ministry of Education and Science, the Ministry of Economy, and the State Chancellery. However, interministerial policy coordination is hindered by the formal boundaries within the scope of each ministry, which substantially slows down the process.

Stable Global Financial System

Global Financial Policies Score: 8 According to World Bank data, Latvia's nonperforming loans to total gross loans ratio stands at 1.76%. This relatively low percentage indicates a healthy banking sector with a manageable level of credit risk. The balance of deposits attracted from foreign customers continues to decline. In March 2023, their share of total deposits shrank to 12.2%.

Data on cross-border payments and foreign trade for customers of Latvian credit institutions, along with reports of increased suspicious transactions and sanctions violations, indicate a rising risk of these institutions being implicated in sanctions breaches or money laundering. In 2022, Latvian credit institutions halted payments to and from Russian and Belarusian credit institutions. This action and the enforcement of sanctions led to a marked reduction in customer payment volumes in these countries. There was also a corresponding decrease in imports from Russia and Belarus. However, there was a significant surge in the volume of cross-border payments from customers of Latvian credit institutions to those in certain CIS countries – namely Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, and Moldova – and others like Georgia, the United Arab Emirates, Serbia, and Turkey. Trade volumes with Armenia, Kazakhstan, and Kyrgyzstan also substantially increased.

Starting January 1, 2023, the Financial and Capital Markets Commission was integrated into the Bank of Latvia. The functions of the Bank of Latvia now

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include supervision, resolution, and other tasks of financial and capital market participants that were previously the responsibility of the Financial and Capital Markets Commission. This integration also encompasses the responsibility for setting macro-prudential instruments.

Latvia intends to apply to host the headquarters of the European Authority for Combating Money Laundering and the Financing of Terrorism (AMLA), competing against other EU member states such as France, Italy, and Germany. The move aims to strengthen Latvia's position as a hub for a sustainable economy and secure investments, leveraging its expertise in combating financial crimes.

The measures targeting borrowers in Latvia have remained unchanged. With the rise in interest rates and inflation, these measures – particularly the Debt Service-to-Income ratio – have significantly mitigated risks and are increasingly restrictive regarding available credit volume. There are plans to evaluate the need for adjustments in the regulations of these borrower-focused measures. For example, clarifying the requirements' scope could avoid overlapping with similar requirements in foreign countries when Latvian credit institutions issue loans abroad. Additionally, there is an intention to increase flexibility in issuing credit to acquire real estate for rent (buy-to-let) or other income-generating real estate activities. Another consideration is incorporating motivating aspects to encourage a structural shift toward a more energy-efficient housing stock.

II. Social Sustainability

Sustainable Education System

Policies Targeting Quality Education Score: 7 Latvia's 15-year-olds perform above the OECD average in math and science and are close to average in reading. Comparing Latvia's progress from 2018 to 2022, results improved in science but declined in math and reading.

The education system exhibits diverse enrollment patterns. Among 15- to 19-year-olds, 35% attend general upper secondary education, and 24% pursue vocational upper secondary education. Additionally, 24% are in lower secondary programs, with 7% in tertiary programs. Furthermore, among OECD and partner countries, Latvia boasts one of the highest shares of women graduates from tertiary programs. In 2021, 65.7% of graduates were women, ranking Latvia first out of 34 countries. These figures differ from the OECD

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average. Regarding vocational education and training (VET) qualifications among 25- to 34-year-olds, 29% in Latvia hold VET qualifications. Notably, 11% have not attained an upper secondary qualification, which is lower than the OECD average.

Earnings in Latvia are influenced by educational attainment. Workers aged 25 – 34 with vocational or post-secondary qualifications earn 16% more than those without upper secondary attainment. Conversely, those with general upper secondary or higher education enjoy even greater earning advantages.

In 2023, significant developments have taken place in Latvia's education system. A new curriculum in Latvian has been introduced for educators in collaboration with the Latvian Language Teachers Association. The primary goal is to enhance Latvian language proficiency, especially in primary and secondary education. Moreover, revisions have been implemented in the design and technology curriculum, incorporating teaching content from Oxford University and focusing on providing educators with the necessary support.

The sports and health education curriculum is expanding and places considerable emphasis on motivating students to engage in physical activities and adopt a healthy lifestyle. Collaboration with various organizations and partners is pivotal in achieving this goal. Ensuring the availability of teaching materials is a top priority, encompassing guidelines for teachers, accessible resources, and thorough evaluation of teaching materials, particularly in the subjects of Latvian language and mathematics.

Looking ahead to the 2024 – 2025 school year, a new assessment approach will be introduced, addressing issues identified during the 2022 – 2023 examination session. Effective collaboration among school directors, educators, and municipal education specialists is essential for successful implementation. Furthermore, plans are underway to introduce a new monitoring test in natural sciences for 11th graders, with the potential for expansion to other subjects shortly. These initiatives reflect Latvia's commitment to improving its education system.

For the 2023-2024 school year, the percentage threshold for passing the national examinations at primary and general education levels has been increased. To be certified as passing the test, a pupil must achieve at least 15% of the maximum mark in the 2023-2024 school year and 20% in the 2024-2025 school year.

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Beginning January 1, 2024, the minimum monthly salary for teachers will increase by 12.2%, rising from €1,224 to €1,374 for a 36-hour workweek. Additionally, preschool teachers will see a 23.1% increase in their minimum monthly salary, from €1,240 to €1,526 for a 40-hour workweek.

Education is a key priority in the 2024 budget. An additional €119.5 million will be allocated for education measures, including a significant salary increase for the lowest-paid teachers. Extra funds are also designated for higher education, science, and the transition to teaching in the national language.

Policies
Targeting
Equitable Access
to Education
Score: 7

In 2024 the Ministry of Education continued developing a school network plan with a focus on setting criteria for accessibility. For students in grades 1-6, the principle of "Education Closer to Home" is proposed, where the travel time to and from school should not exceed 40 minutes using municipal transportation. In contrast, for students in grades 7-12, the distance between schools should not exceed 25 kilometers.

Additionally, the ministry's comprehensive solutions include introducing specific criteria to determine the establishment of good schools and optimal class groups, considering student density in municipalities. The requirements are recommended for grades 1-6, but combined classes are not allowed at this education level.

Conversely, for grades 7 - 12, the criteria are mandatory for all municipalities. The Ministry of Education's plan stipulates that in capital cities and administrative centers, there should be a minimum of 120 students in all four class groups. In municipalities outside administrative centers, there should be a minimum of 30 students in grades 1 - 3 and 4 - 6, and 60 in grades 7 - 9 and 10 - 12. In border and sparsely populated municipalities, there should be a minimum of 30 students in three class groups up to the 9th grade and 60 students in high school. It is worth noting that representatives from the education sector have expressed a desire for significantly lower criteria.

Sustainable Institutions Supporting Basic Human Needs

Policies Targeting Equal Access to Essential Services and Basic Income Support Score: 5 In recent years, there has been a gradual reduction in both material and social deprivation levels, reaching the lowest point in 2021. However, in 2022, deprivation levels resurged. Since 2021, the proportion of the population experiencing material and social deprivation increased by three percentage points, reaching 14.1% in 2022. Additionally, the proportion of the population facing deep material and social deprivation rose by 2.5 points to 7.8% in 2022.

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Material and social deprivation predominantly affected those in the lowest income brackets. Individuals under the age of 49 faced considerably lower risks of material and social deprivation compared to their older counterparts. In 2022, 18.1% of individuals aged 50–64 experienced material and social deprivation, marking a 2.3 percentage point increase from 2021. Additionally, 9.9% of this age group faced severe material and social deprivation, up by 1.8 percentage points from the previous year.

As of July 1, 2023, the guaranteed minimum income threshold is set at 20% of the median income, which amounts to €125 for the first or only person in a household and €87.50 for each additional person. However, the ombudsman points out that increasing the minimum income threshold from €109 to €125 in 2023 is insufficient to ensure a life compatible with human dignity.

The government plans to implement support measures to assist residents with the rising costs of energy resources. These measures will target low- and medium-income households, as well as all families, to limit the tariff increase of "Sadales tīkls."

Policies
Targeting Quality
of Essential
Services and
Basic Income
Support
Score: 6

The Social Services Improvement and Development Plan 2022 – 2024 has been designed to facilitate the effective development of social services that cater to the needs of individuals.

The Public Utilities Commission ensures that the service quality of regulated companies adheres to specific standards. For instance, in Latvia, electricity consumers who experience poor voltage quality are eligible for a reduced system service tariff. Last year, this concession was extended to 129 users. Additionally, the Public Utilities Commission oversees the service quality of internet, voice, SMS, and television program distribution. The commission updated its methodology to enhance the accuracy and clarity of service quality assessments, which was implemented in October.

Beginning in January 2024, Latvia will raise the thresholds for guaranteed minimum income (GMI) and other social assistance to align them with the median income. For 2024, the GMI threshold for the first or sole person in a household will be €137 (up from €125), with additional household members at €96 (previously €87.50). The thresholds for poor and less well-off households will also increase, with the maximum income threshold set at €549 for the first or sole person and €384 for additional members.

In Latvia, municipal social assistance comprises two primary benefits based on household income: the Guaranteed Minimum Income (GMI) and housing

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benefit. The GMI benefit fills the gap between household income and the GMI threshold. Housing benefit calculations apply different household coefficients based on their composition, such as pensioners living alone or households with disabled members. These coefficients vary from 2.5 for a pensioner or disabled person living alone, two for households of only retirement age or disabled persons, two for households with pension-age or disabled persons and children, and 1.5 for other households.

Income thresholds for poor and low-income households vary, with each municipality setting its low-income threshold at a maximum of 80% of the median income. Changes in 2024 include an increase in these income thresholds, exemplified by amendments in Riga that raise the low-income threshold, potentially benefiting more residents. In the second half of 2023, the low-income threshold in Riga was 70% of the median income − €439 for the first or only person, and €307 for each additional person. In 2024, the income threshold for a low-income household in Riga will be €349 for the first or only person, €8 more than the current threshold, and €384 for each additional person in the household. Citizens can verify their eligibility for social assistance with their local municipality.

Sustainable Health System

Policies Targeting Health System Resilience Score: 5 Healthcare services are financed through various means – the state budget, private insurance, or out-of-pocket payments by patients. Patients make a copayment for state-funded services, which is a small portion of the total cost, while the state covers the majority based on national service tariffs. For those with health insurance, the coverage for specific services depends on the terms of their policy.

In 2023, the Latvian government approved a budget law that allocates €1.6 billion to the health sector. Of this amount, €1.35 billion is designated for outpatient and inpatient healthcare services, including general practice, laboratory tests, specialist consultations, emergency services, and medication. Specialized healthcare will receive €124 million, covering emergency medical services, blood services, forensic examinations, and anti-doping policies. Higher medical education is allocated €59 million, while healthcare finance administration and the Medical Risk Fund will receive €15 million. For disease prevention, health promotion, and healthcare service supervision, €1.3 million is planned. Additionally, €32.3 million is allocated for European Structural Fund projects and €5.6 million for sector management. An additional €5.8 million has been allocated for 2023 to address specific healthcare challenges (Veselības ministrija, 2023).

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While a core set of healthcare services covers the entire population, satisfaction with the quality and availability of healthcare is relatively low. Only 57% of the population is satisfied, compared to the OECD average of 67%. This discrepancy suggests potential gaps in healthcare quality or accessibility. One in ten people did not visit a doctor in 2022. Additionally, 27% reported not visiting due to long wait times, while 25% cited affordability issues.

Financially, Latvia's healthcare system relies less on mandatory prepayment (69%) compared to the OECD average of 76%, reflecting a higher dependence on out-of-pocket spending. This is further demonstrated by 4% of Latvians reporting unmet healthcare needs, surpassing the OECD average of 2.3%. Analyzing life expectancy and health outcomes, Latvia faces significant challenges. The average life expectancy is 73.1 years, which is 7.2 years lower than the OECD average. The country also experiences higher rates of preventable and treatable mortality, indicating potential inefficiencies in healthcare provision or public health measures. The perceived health status is concerning as well, with 13.1% of the population rating their health as bad or very bad, notably higher than the OECD average of 7.9%.

Expenditure of \$3,445 per capita on health is below the OECD average of \$4,986, equating to 8.8% of GDP compared to the OECD average of 9.2%. This lower investment is evident in the healthcare workforce, as Latvia has fewer practicing doctors and nurses per 1,000 population than the OECD average. However, it compensates somewhat with a higher number of hospital beds. This imbalance in healthcare resources and expenditure could contribute to the country's overall health challenges.

Latvia has adapted its healthcare system in response to the COVID-19 pandemic and other recent crises. This adaptation includes policies aimed at mitigating impacts on healthcare service delivery and investing in system recovery and resilience. The pandemic led to significant changes in hospital occupancy and service provision, trends that mirror those across the EU. Latvia's COVID-19 booster vaccination rates, especially among older adults, have been notably lower than the EU average.

Despite having one of the lowest healthcare spending levels in the EU, Latvia has seen an increase in public health expenditure in recent years, aided by higher social security contributions and targeted funding. Substantial investments in healthcare infrastructure, digitalization, and workforce development are planned and funded through the Recovery and Resilience Facility and EU Cohesion Policy funds. The country is undergoing a primary

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healthcare reform to enhance service provision, accessibility, and workforce capabilities.

Additionally, Latvia focuses on combating antimicrobial resistance, with one of the lowest antibiotic consumption rates in the EU and national strategies for responsible antibiotic use.

As of January 1, 2024, mobile palliative care team services have been available at the patient's residence (henceforth referred to as the service). This service includes healthcare services, such as treatment and alleviation of symptoms caused by illness, social care, and psychosocial rehabilitation services. These encompass hospice care, psychological support, social support, spiritual support, and assistance for the patient's relatives and others during the grieving period following the loss of a loved one.

Accessing the Ehealth portal now involves changes to the authentication process to enhance system security. The shift to qualified identification tools is designed to secure access to personal health data, thereby strengthening the overall security of the Ehealth system and protecting personal data.

Regarding differences in medication prices in the Baltic States, the ombudsman addressed the issue of significant price variations. A study published by the Ministry of Health (Conceptual Report on the Financial Accessibility of Medicines, July 27, 2022) outlined the reasons for high medication prices in Latvia and proposed solutions. The ombudsman continues to monitor the issue and raises it at the government level when necessary.

Policies Targeting High-Quality Healthcare Score: 6 The ombudsman, previously in 2021, again approached the Ministry of Health regarding patients who require 24-hour care and support in stationary healthcare institutions. A solution is needed to ensure adequate care for these patients, prevent health deterioration, and respect human dignity in healthcare. As of November 2022, the National Health Service's service name "Accompanying Person's Presence with the Patient in Round-the-Clock Rehabilitation Institution or with a Child in a 24-hour Stationery" was changed to "Accompanying Person's Presence with the Patient in a 24-hour Stationery," making it possible for an accompanying person to be present when necessary for the patient's continuous care.

Policies Targeting Equitable Access To Healthcare Score: 5 Latvia has shown a commitment to enhancing its healthcare system, as evidenced by the increasing allocation of its GDP to health expenditure. This upward trend is clear, with incremental rises observed annually. The allocation climbed to 6.2% in 2016, dipped slightly to 6.0% in 2017, rebounded to 6.2%

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in 2018, and escalated to 6.6% in 2019 and 7.2% in 2020. Notably, in 2021, health expenditure surged to 9.0% of GDP. However, in 2022, there was a marginal reduction, bringing it down to 8.8%.

Concurrently, the healthcare workforce saw growth in 2022, with the number of medical professionals per 1,000 inhabitants increasing to 28.1 from 26.98 in 2021. This reflects a recent improvement in the country's healthcare resources.

A 2020 survey by the National Health Service of Latvia gauged patient satisfaction with its services. The findings revealed varying levels of satisfaction across different healthcare offerings. Higher satisfaction rates were reported for services such as exemption from co-payments and the provision of patient information. In contrast, there was greater dissatisfaction with areas like medication compensation and consultations regarding healthcare service payments.

Latvia has a significant gender disparity in its aging population. Although boys outnumber girls at birth, women constitute a larger portion of the population over 40, with the highest female population proportion in the EU at 54%. According to 2022 data, 56% of men and 45.7% of women rated their health as good or very good. The lower self-assessment among women is attributed to the greater proportion of older women. Among those aged 65 and older, women are 3.8 percentage points less likely to rate their health positively compared to men.

In 2022, 70.3% of men and 83.0% of women visited a family doctor at least once. However, 8.0% of men and 10.9% of women reported not undergoing necessary medical check-ups or treatments for various reasons, including 23.7% of men and 25.5% of women who couldn't afford them. Latvia scores 78.9 points on the EU Gender Equality Index in the health domain, which is lower than the EU average of 88.5. This score is impacted by women's lower health self-assessment and a smaller proportion of women engaging in physical activities.

Addressing inequality and fostering social inclusion are pivotal objectives outlined in the Public Health Guidelines for 2021–2027. These guidelines highlight that access to healthcare is compromised by insufficient public financial contributions and significant direct payments by patients. These factors are substantial hindrances to accessing timely and patient-centric healthcare.

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The ombudsman's 2022 report highlights recurring issues with the accessibility of medical services. During visits to the branches of four state social care centers for children, the ombudsman noted concerns about respect for children's rights, the provision of social and medical rehabilitation, and access to healthcare. One of the main findings was that existing institutional care cannot provide children with developmentally appropriate services and support needed for full societal integration.

Regarding the assurance of healthcare service availability, while local government law mandates the involvement of municipalities, the definitions of their roles need more precise descriptions. Although municipalities are assigned the autonomous function of ensuring healthcare service availability, interpretations vary. Consequently, the degree of involvement by each local authority in providing accessible healthcare varies greatly, heavily dependent on the financial resources available to the municipality.

In 2023, the Centers for Disease Control and Prevention developed guidelines for municipalities to promote health. These guidelines include information on key concepts, principles, and process descriptions for municipalities to encourage better health.

This situation calls for a unified approach and precise definitions of local governments' responsibilities to ensure disparities in healthcare service availability across municipalities are addressed, contributing to a more equitable healthcare system throughout Latvia.

Gender Equality

Policy Efforts and Commitment to Achieving Gender Equality Score: 8 As of early 2023, Latvia's population stood at 1.883 million, with women constituting 53.7% of the total. Men outnumber women until age 43; however, among those older than 65, the number of women doubles that of men. In the reproductive age group (15-49 years), the gender ratio is nearly balanced.

The European Institute for Gender Equality (EIGE) rated Latvia's gender equality at 61.5 in 2023, lower than the EU average (70.2) and Lithuania's (64.1) but higher than Estonia's (60.2). Since 2010, Latvia's score has improved by 6.3 points, mainly due to advancements in power and finance.

In 2022, 40.6% of women and 25.4% of men aged 15-74 in Latvia had higher education, while more men had vocational training (33.7% of men vs. 26.6% of women). Despite EU and Latvian laws ensuring equal rights for men and women, gender disparities in the labor market persist. Men's employment

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rate was 5.4 percentage points higher than women's in 2022 (66.8% vs. 61.4%), with the most significant gap in the 35-44 age group. Post-retirement, women remain more active in the labor market.

Women are often employed in lower-paid sectors and public sector jobs. While they frequently hold leadership positions compared to the EU average, they are underrepresented on the boards of major companies, holding just 23.3% of these positions. Men dominate in industrial and transport sectors, while women are more prevalent in trade and education. In 2022, women's average gross hourly earnings were 17.1% lower than men's, with the smallest wage gap among youth (up to 25 years) and seniors (over 65).

Latvia has adopted an integrated approach to gender equality, incorporating it as a horizontal principle across all state-defined sectoral policies. This strategy ensures that every member of society benefits from the state's economic growth and that decisions and priorities in various domains respect the principle of equal rights and opportunities for women and men.

The Concept for Implementing Gender Equality, approved in 2001, serves as the foundation for this approach, aiming to foster effective and coordinated solutions to gender equality issues in Latvia. The Concept identifies vital areas needing improvement, including macroeconomic policy, equal participation and representation, social life equality (especially in education, welfare, health, and addressing violence and sexual harassment), participation in civic society, changing gender roles and stereotypes, and improving the information base for gender equality analysis (Ministru Kabinets, 2021).

Despite policy developments, challenges remain, such as persistent gender pay gaps and stereotypes about gender roles. Efforts to harmonize work and private life, particularly in promoting fatherhood roles, have been significant. However, a comprehensive understanding of gender equality principles across various policy areas is still developing due to limited financial and human resources.

In 2022, the ombudsman noted that sexism in advertising persists and that the current legal framework does not explicitly categorize sexism as discrimination, therefore failing to prohibit it effectively (Tiesībsargs 2023). Latvia has recognized the need to promote discussions about banning sexism in advertising, especially since self-regulation does not always function.

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Strong Families

Family Policies Score: 8 Over the past decade, family policy has emerged as a significant political priority, reflecting an increased recognition of its importance in societal and governmental agendas. This area, specifically "children and family policy," was first included in the ministerial cabinet's regulations in 2002 under employment and social policy. The focus on this area has led to the development and implementation of various policies and programs aimed at supporting families.

For non-insured individuals in Latvia (those neither employed nor self-employed), benefits include a one-time childbirth benefit of €421.17 and child care benefits starting at €171 monthly (up to 1 year), reducing to €42.69 monthly (1.5 to 2 years). Family state benefits escalate with the number of children: €25 for one child, €100 for two, €225 for three, and €100 per child for four or more children. These benefits extend until the child reaches 20 years if they continue in general or vocational education and are unmarried. There are also specific provisions for children with disabilities.

In 2022, the family state benefit in Latvia was distributed to 353,000 children. Due to changes in allocation conditions, the benefit amount per child increased from €28.68 per month in 2021 to €49.13 per month in 2022. Additionally, the care benefit for children with disabilities was raised from €13.43 per month in 2018 to €313.43 per month starting July 1, 2019. The number of children receiving this benefit increased from 2,072 in 2018 to 3,023 in 2022.

For socially insured individuals, there are additional benefits. These include a maternity benefit of 80% of the average insured salary for 56 or 70 days before and after childbirth and a choice of parental benefits for 19 or 13 months at varying percentages of the average insured salary. The child care benefit for insured persons is €171 monthly, with additional parental benefits possible. The family state benefit structure is similar to that for non-insured individuals. Additionally, fathers are eligible for a paternity benefit, calculated at 80% of the average insured salary, based on 10 days of paternity leave granted within the child's first six months.

Over the past decade, the percentage of people in Latvia leaving work to care for others has steadily declined from 2.1% in 2013 to 1.1% in 2022. The rates were at their lowest in 2018 and 2022, reaching 1.1%, despite a slight increase to 1.7% in 2021, which shows a brief rise before continuing to fall.

There are financial support mechanisms for families with children, including increases in state benefits and other assistance. In 2022, a one-time support

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payment of €00 per child was provided to all families with children, regardless of criteria such as income loss or the number of children, to ensure families in need were not excluded from receiving support due to COVID-19 restrictions.

The duration of the parental benefit has been extended to 19 months, an increase from the previous maximum of 18 months. Alternatively, it can be taken for 13 months, up from the previous 12 months. This change is in response to the European Directive, which mandates a two-month non-transferable portion of the benefit for the other parent, now incorporated into Latvian law. Consequently, the total parental allowance period now includes both the fundamental and non-transferable portions designated for each parent.

For a parental allowance period spanning 19 months, the payment will equate to 43.75% of the average salary contributions of the beneficiary. Within this timeframe, 15 months constitute the primary segment and must be utilized before the child turns one and a half years old. This segment encompasses the maternity benefit duration as well. In scenarios where the parental allowance spans 13 months, the payment will correspond to 60% of the average salary contributions. The core segment for this option is nine months, which should be used by the time the child is one year old. This, too, includes the duration of the maternity benefit.

Both parents can avail their non-transferable two-month share of the allowance any time until the child reaches eight years of age. The new policy reflects an expansion of the total parental leave by one month compared to the provisions available up to 2023.

To ensure universal access to affordable, accessible, and high-quality childcare for children below school age, data indicate that Latvia is taking steps to improve the family state benefit system, which may include support for childcare services. According to the Education Law, if a local government cannot offer a spot in a public kindergarten for a child aged one and a half or older who is registered within the municipality's jurisdiction, and the child is enrolled in a preschool education program at a private kindergarten, the city is responsible for covering the private kindergarten expenses. This coverage is subject to the regulations prescribed by the Cabinet of Ministers. In 2023, there has been municipal support for children attending private kindergartens.

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Sustainable Pension System

Policies Aimed at Old-Age Poverty Prevention Score: 6 The average pension payment increased consistently each year from 2018 to 2022. Starting at 313.75 euros in 2018, it rose steadily to 449.88 euros by 2022. Pensioners accounted for the most significant portion of social protection spending at 41%, with 88.3% allocated to old-age pensions, amounting to €2.46 billion. In 2022, total social protection outlays for "old age" rose by 10.5% compared to 2021, primarily due to pension indexation (Centrālā Statistikas Pārvalde, 2023).

Among residents aged 65 and older, 19.1% were susceptible to material and social deprivation, an increase of 5.8 percentage points since 2021, and 10.5% were subject to severe material and social deprivation, rising by 4.8 percentage points. In 2022, men in Latvia were expected to live an average of 14 years after retirement, and women 19 years (Centrālā Statistikas Pārvalde, 2023b).

Equal pay for work ensures the potential for equal pensions upon retirement. However, due to gender pay disparities, pension amounts differ for women and men. In 2022, men's average old-age pension payments were 11.3% higher than women's; men received €481.96, while women received €433.22.

Pension supplements will be restored. This decision was made in conjunction with the 2024 budget. To boost income and enhance state financial support for one of the more vulnerable groups – older people – an additional payment for insurance periods accrued until December 31, 1995, will be progressively restored to age and disability pensions granted from 2012 to 2028, starting from 2024 to 2029. Beginning in 2029, this supplement will be paid to all recipients of age and disability pensions. This change will impact 38,000 people in 2024, 87,000 in 2025, and 144,000 by 2026 (LV Portāls, 2023).

Policies Targeting Intergenerational Equity Score: 6

As of June 17, 2023, individuals residing in third countries are eligible for oldage pensions in Latvia. The retirement age in Latvia is gradually increasing and is set to reach 65 years by January 1, 2025. To qualify for a pension, one must have an insurance period of 15 years, which will increase to 20 years starting January 1, 2025. Early retirement is available two years before the legal retirement age for those with a minimum insurance period of 30 years. Early retirees receive the same pension amount throughout their lives, but the conditions for its disbursement change upon reaching the official retirement age.

Additional early retirement rights are granted to parents or guardians with a minimum of 25 years of insurance who have cared for five or more children or

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a disabled child for at least eight years until the child turns 18. Other categories eligible for early retirement include those working in harmful and heavy work conditions, Chernobyl disaster liquidators, dwarfs, blind individuals, and politically repressed persons with specific insurance periods (Valsts Sociālās Apdrošināšanas aģentūra, 2022).

Currently, around 37% of pension recipients continue working at 65, while about one in four, or 25%, are still employed at 68. Starting January 1, 2023, when an old-age pension is granted, if a participant of the second pension level purchases a life insurance (annuity) policy with their accumulated capital in the second level pension, the amount of the lifetime annuity will reduce the corresponding minimum pension amount, preserved disability or service pension amount, or the state social security benefit due to the person.

Working recipients of old-age pensions are entitled to recalculate their retirement once a year based on their accumulated pension capital after the pension has been granted or recalculated. This calculation can be requested by the pension recipient at any time, either upon ending employment or during any other period. However, the subsequent recalculation can only be requested precisely 12 months after the last recalibration, regardless of the number of months worked since then (Valsts Sociālās Apdrošināšanas aģentūra, 2024).

Sustainable Inclusion of Migrants

Integration Policy Score: 7

In 2022, the number of immigrants entering Latvia tripled compared to the previous year, reaching 38,700, a significant increase from 12,700 in 2021 and marking a 43.5% rise from 2020. The number of emigrants from Latvia also rose, from nearly 12,000 in 2020 to around 13,000 in 2021 and further to 16,700 in 2022, a 28.6% increase from the previous year.

A notable proportion of these immigrants, about 64.2% or 24,900, came from European Union candidate countries, with 24,600 from Ukraine. The number of immigrants from the Commonwealth of Independent States (CIS) also increased to 4,100, representing 10.7% of all immigrants, a 36.4% increase from 2021, including 2,200 from Russia. Additionally, 2,800, or 7.2%, of immigrants came from the United Kingdom in 2022.

Among those who entered Latvia in 2022, 9,300 or 24% were returning nationals – Latvian citizens, non-citizens, and individuals born in Latvia but holding different citizenship. This figure was higher compared to 7,000 or 54.8% in 2021. The remaining part of the immigrants had no previous legal ties to Latvia.

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In the same year, 16,700 residents left Latvia, with 11,600 migrating to European Union countries, a 39.6% increase from the previous year. Migration to Germany rose by 16.3%, totaling 2,900, while 2,600 moved to the United Kingdom, almost the same number as in 2021. Emigration to CIS countries declined by 15.3% to just 300. A majority, 71.1%, of those who emigrated were Latvian nationals, slightly down from 71.3% in 2021 (Centrālā Statistikas Pārvalde, 2023).

The number of third-country nationals (TCNs) and EU citizens living in Latvia as of January 1, 2021, is 245,962 TCNs and 6,343 EU citizens. However, data from the Latvian Office of Citizenship and Migration Affairs, Central Statistics Bureau, and Ministry of Culture record only 98,366 TCNs, predominantly from Russia, Ukraine, and Belarus. Notably, Latvian national statistics include a "non-citizens" category, making up about 10% of the population, mostly from former Soviet states (Centrālā Statistikas Pārvalde, 2023).

Latvia's integration strategy for migrants is outlined in the 2021 - 2027 Guidelines for the Development of a Cohesive and Civically Active Society and the 2022 - 2023 Plan. These documents emphasize systemic integration through language learning, cultural orientation, and democratic values.

Latvia's Immigration Law, Asylum Law, and Citizenship Law govern foreigners' entry, stay, and citizenship. Recent amendments to these laws have focused on asylum procedures and dual citizenship. However, Latvia does not have a specific anti-discrimination law, instead addressing the issue through its constitution and other laws.

State-funded healthcare services in Latvia are available to Latvian citizens and non-citizens, citizens of EU countries, Iceland, Liechtenstein, Norway, and Switzerland who work or are self-employed in Latvia (including their family members), foreigners with permanent residency in Latvia, refugees, and persons with alternative status. Children of these residents, up to the age of 18, are also eligible. Spouses of Latvian citizens and non-citizens with temporary residency permits in Latvia can receive state-funded maternity care and childbirth assistance. Other residents can access medical services at a cost according to the price list of the respective healthcare institution.

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Effective Capacity-Building for Global Poverty Reduction

Management of Development Cooperation by Partner Country Score: 7 In 2022, Latvia's official development assistance increased significantly compared to 2021, reaching 25% of its gross national income (OECD, 2023). Latvia approved the 2021 Development Cooperation Policy Guidelines for the period 2021 – 2027 as its medium-term policy roadmap. These guidelines focus on sustainable development goals (SDGs), specifically SDGs 4 (education), 5 (gender equality), 8 (decent work and economic growth), 13 (climate action), 16 (peace and justice), and 17 (partnership for the goals).

Geographically, Latvian development assistance primarily targets countries in the Eastern Partnership, especially Ukraine, Moldova and Georgia, as well as Central Asia. Overall, Latvia aims to provide official development assistance to support sustainable social and economic development tailored to the needs of recipient countries.

The annual development cooperation plan, formulated according to these guidelines, serves as a crucial monitoring tool for policy outcomes, particularly regarding the volume of financial support. Reflecting its thematic and geographical priorities, Latvia has concentrated its development assistance on improving education, enhancing access to scientific knowledge, promoting human rights, and supporting good governance.

III. Environmental Sustainability

Effective Climate Action

Policy Efforts and Commitment to Achieving Climate Neutrality by 2050 Score: 7 In 2019, Latvia approved its plans for climate action by 2030, outlining approximately 80 activities across all main spheres of climate change. The plan is structured around five strategic goals: protection of health and well-being from the effects of climate change, adaptability of the economy, climate-resilient infrastructure and buildings, protection of cultural and historical values from the impact of climate change, and evidence-based monitoring and forecasting of climate change. The specific actions in the plan are risk-based, and no clear road map to climate neutrality is identified. However, the plan does not foresee additional budget allocation or a lack of monitoring indicators.

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In the Environmental Performance Index (EPI) 2023, Latvia ranks 15th in the world, indicating that the country is performing well in achieving its environmental goals. With almost half of its territory covered by forests, Latvia excels in ecosystem vitality and biodiversity. However, in climate policy, the Environmental Performance Index 2023 places Latvia only at the 25th position. According to EPI 2023, Latvia has increased its greenhouse gas emissions per capita over the last ten years, resulting in a ranking of 124th. Overall, in the past decade, Latvia has increased its adjusted emissions growth rate for methane (78th) while successfully decreasing its adjusted emissions growth rate for carbon dioxide (19th) (EPI, 2023).

The Climate Change Performance Index (CCPI) 2024 ranks Latvia 25th in 2023 and 33rd in 2024, indicating that Latvia still needs to increase its investment in green energy and design more sector-driven climate change mitigation activities.

Latvia has a centralized governance system for environmental protection. EU acquis plays a vital role, with two important agencies at the heart – the Ministry of Regional Development and Environmental Protection and the Nature Conservation Agency. Public procurement procedures have adopted green procurement as part of the action to fight climate change.

Effective Environmental Health Protection

Policy Efforts and Commitment to Minimizing Environmental Health Risks Score: 7 Latvia is ranked 39th in the Environmental Performance Index 2022 for environmental health protection. The country is making improvements in all "Environmental Health" indicators, such as PM2.5 exposure, ozone exposure, unsafe drinking water, and sanitation, demonstrating a serious commitment to environmental sustainability.

The goals for environmental health protection are outlined in the national policy paper "The White Paper on Environmental Policy" and the national plan "Action Plan for Air Pollution Reduction 2020–2030." The White Paper on Environmental Policy is a comprehensive, cross-sectoral document that addresses key areas related to environmental health protections, including air pollution, water quality, and sanitation.

Policy papers in Latvia are binding for public administration, and agencies regularly monitor their implementation. According to the Environmental Protection Law (2006), environmental monitoring is conducted through programs such as the Air and Climate Change Monitoring Program, the Water

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Monitoring Program, and the Land Monitoring Program, covering all critical areas for environmental health protection.

Effective Ecosystem and Biodiversity Preservation

Policy Efforts and Commitment to Preserving Ecosystems and Protecting Biodiversity Score: 7 Latvia boasts a diverse ecosystem, including forests, grasslands, coastal areas, and peatlands. In the Environmental Performance Index 2022, Latvia is ranked first for terrestrial and marine protected areas. However, for the species protection index, Latvia is ranked 33rd, and for the biodiversity habitat index, it is ranked 69th (EPI, 2022).

Regarding tree cover loss, wetland cover loss, and grassland loss, Latvia is expected to improve its performance. The country is ranked 148th for tree cover loss, 114th for grassland loss, and 56th for wetland loss, largely due to the significance of the agriculture and timber industries in Latvia. Extensive agriculture and timber industry interests often compete with most habitats and species. Therefore, education and awareness of conservation farming and timber methods are essential in Latvia.

Additionally, pesticide use in agriculture is decreasing. Latvia is ranked 21st in the Environmental Performance Index 2022. The national policy paper, "The White Paper of Environmental Policy 2021 – 2027," also sets goals for biodiversity protection.

Governance of territories with special protection status, such as Natura 2000 sites, nature parks, nature reserves, biosphere reserves, protected landscape areas, natural monuments, and protected marine areas, is entrusted to the Nature Protection Agency. To preserve these areas, medium-term conservation plans – typically spanning 7 to 15 years – aim to balance economic interests and sustainability. As a rule, the Minister of Environmental Protection and Regional Development approves these conservation plans. Once approved, the plans are binding at both central and local levels of governance. However, implementing these conservation plans requires more financial and human resources.

At the same time, to help preserve biodiversity, the country has imposed a few restrictions, often limiting the rights of property owners. Therefore, the government offers monetary compensation for these restrictions. However, the compensation amount does not cover the economic losses property owners incur due to environmental regulations, leading to a lack of motivation to preserve nature. In 2022 and 2023, Latvia continued its efforts in ecosystem mapping to identify the status of ecosystems based on data.

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Effective Contributions to Global Environmental Protection

Policy Efforts and Commitment to a Global Environmental Policy Score: 7 Latvia is committed to contributing to global environmental protection and climate change mitigation, as it ranks 25th for climate policy measures in the Environmental Performance Index 2022.

Latvia has a centralized environmental governance system that enables the design of national nature conservation plans and comprehensive, cross-sectoral policy tools. Thematic priorities for bilateral and multilateral development cooperation focus on climate action (SDG 13). Latvia is committed to strengthening human and institutional capacity for climate action, with a key performance indicator that 30% of financed development cooperation will be targeted to climate action by 2027.

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