



EUROPEAN CLUSTER
COLLABORATION PLATFORM

Country factsheet

Latvia

An initiative of the European Union





Contents

Contents	2
Introduction.....	3
1. Industrial ecosystems and cluster landscape	5
Employment in the 14 ecosystems in the country	5
Regionally relevant nodes	6
Cluster organisations in the country	6
2. National cluster policy, programmes and initiatives.....	8
3. State of play of cluster policy	13
Bibliography.....	16



Introduction



This document presents an overview of the cluster policy in Latvia. Given its importance to contextualise the cluster policies (and related) analysed in the factsheets, a comprehensive outlook of the country in socioeconomic terms can be consulted in the [European Semester Country Report for Latvia](#).



The European Semester was an instrument introduced to coordinate the EU Member States economic policies and address the economic challenges faced by the EU. Its goals are “to ensure sound public finances, to prevent excessive macroeconomic imbalances in the EU, to support structural reforms to create more jobs and growth, and to boost investment”. Thus, it focuses on the following areas: business environment; financial and fiscal stability; green economy; public administration; labour market and skills; and, social protection and cohesion.

COVID-19 pandemic has caused an unprecedented economic shock to the European and global economy. In response, policymakers at EU and national level have acted decisively and at short notice to make available very significant financial resources, notably through the Recovery and Resilience Facility, to tackle the threat of a prolonged downturn. National recovery and resilience plans¹ have been drafted in each Member State to ensure a recovery that addresses the challenges identified in the European Semester. Clusters are not directly mentioned in the National recovery and resilience plan.

¹ National Recovery Plans: Latvia https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility/recovery-and-resilience-plan-latvia_en

01

Industrial ecosystems and cluster landscape



EUROPEAN CLUSTER
COLLABORATION PLATFORM

Strengthening the European economy through collaboration

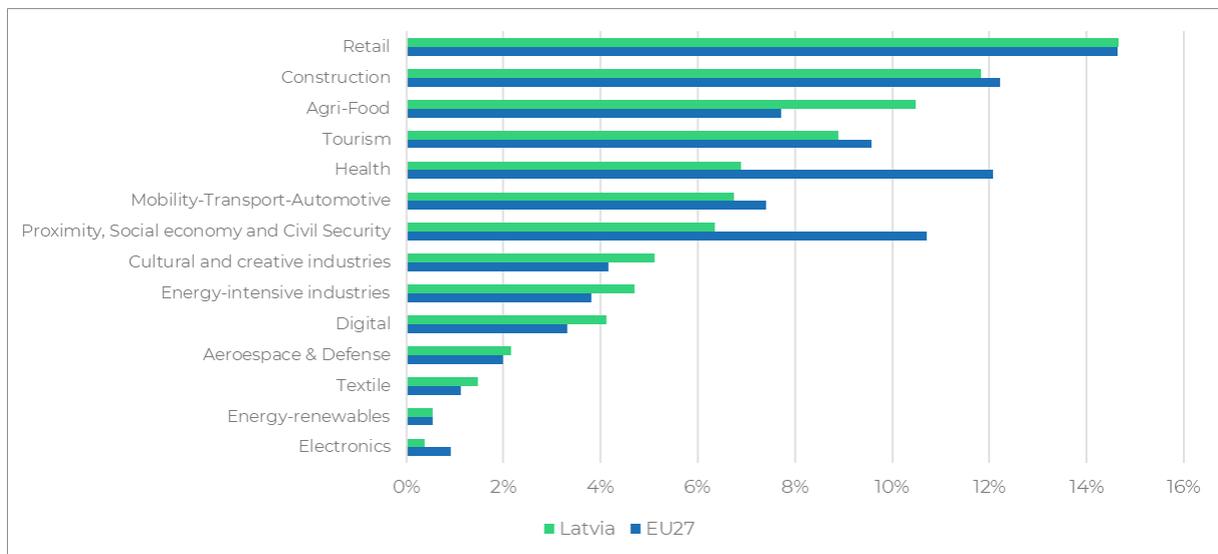


1. Industrial ecosystems and cluster landscape

Employment in the 14 ecosystems in the country

As part of its Industrial Strategy (March 2020), the European Commission has selected 14 industrial ecosystems that are particularly relevant in Europe and encompass all players operating in a value chain. The following graph shows the proportion of the country's employment accounted for by each ecosystem, as well as the equivalent figure for the EU27 on average. The ecosystems are ordered, from top to bottom, according to the amount of employment in the country. When the bar for the country is higher than that of the EU27, it indicates that the country is more specialised in that ecosystem.

Graph 1: Employment in the ecosystems



Source: Own elaboration from Eurostat and National Statistical Offices



Regionally relevant nodes

Economic activity, and therefore employment, is not equally distributed in all regions. Specialisation can be measured through Location Quotients (LQ) that reflect the relative specialisation of an activity in a region compared to the EU average. If the LQ for a given activity-region combination is above 1.5, it is considered a specialisation node, and if the activity accounts for at least 1 % of total employment in the region, it is considered regionally relevant. The following tables shows the total number of regionally relevant specialisation nodes in each region in the country and identifies the top five most specialised of these nodes. The first table focuses on the 88 NACE 2-digit activities or sectors, totalling 9 in the country, while the second table is based on the 14 ecosystems, which total 0 in the country.

Table 1: Regionally relevant sectoral nodes

Region	Number of nodes	Node 1	Node 2	Node 3	Node 4	Node 5
LV: Latvia	9	C16 - Manuf. of wood products	A02 - Forestry & logging	J63 - Information services	L68 - Real estate	H52-Warehousing & support for transportation

Source: Own elaboration from Eurostat and National Statistical Offices

Table 2: Regionally relevant ecosystem nodes

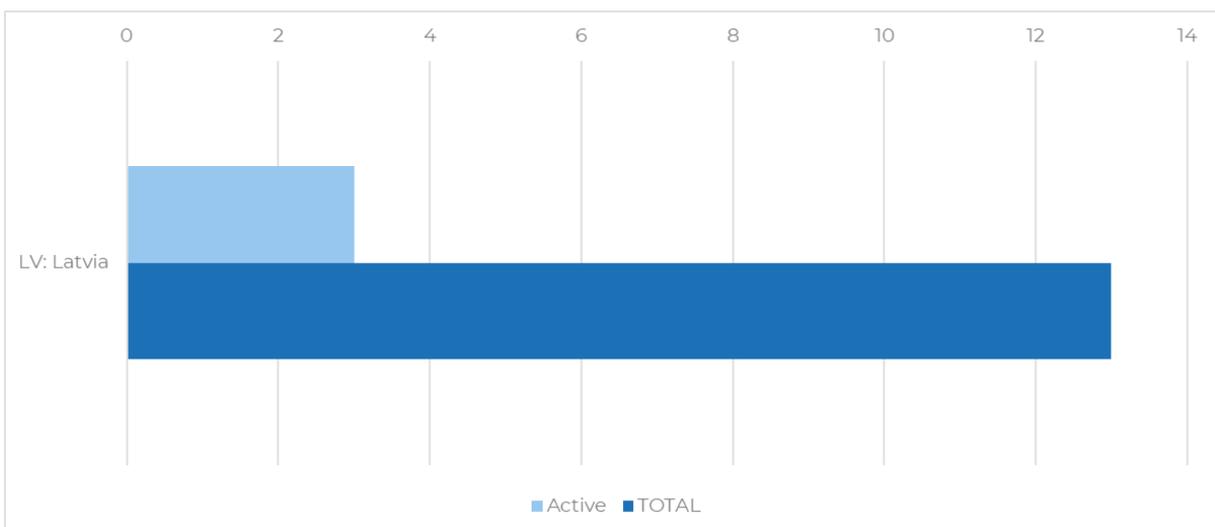
Region	Number of nodes	Node 1
LV: Latvia	0	-

Source: Own elaboration from Eurostat and National Statistical Offices

Cluster organisations in the country

There are 13 cluster organisations registered on the ECCP in the country, 3 of which can be considered active on the ECCP, having updated their profiles during the first half of 2021. The following graph shows the presence of cluster organisations in the different country.

Graph 2: Cluster organisations profiled and active on the ECCP



Source: Own elaboration from Eurostat and National Statistical Offices

02

National cluster policy, programmes and initiatives



EUROPEAN CLUSTER
COLLABORATION PLATFORM

Strengthening the European economy through collaboration



2. National cluster policy, programmes and initiatives

Policy type:	Broad policy
Policy name:	Operational Programme "Growth and Employment" Regional development policy and structural change
<p>POLICY OBJECTIVES</p> 	<p>Strengthening cooperation between companies or industry and RTDI actors</p> <p>Increasing competitiveness and boosting scale up of SMEs</p> <p>Supporting internationalisation activities</p> <p>Fostering R&D activities, technology development and implementation</p> <p>Fostering innovation and strengthening innovation ecosystems</p> <p>Promoting entrepreneurship, start-ups and spin-offs</p> <p>Promoting social and sustainable economy and other solidarity-based initiatives</p> <p>Promoting employment and upgrading skills and competences</p> <p>Enhancing territorial cohesion (through RIS3)</p> <p>Connect to global supply chains</p> <p>The Operational Programme (OP) has 6 development priorities: (1) Increasing economic productivity, innovation and R&D; (2) sustainable transportation; (3) sustainable use of natural and cultural resources; (4) high employment rate in an inclusive society; (5) high quality education; (6) balanced and sustainable regional development. The first priority focuses on cluster development to address the weak innovation system in the country. The OP is very broad and covers many aspects of the Latvian economy with the ultimate goals of driving innovation and increasing exports to boost economic competitiveness.</p>
<p>POLICY FOCUS</p> 	<p>No specific focus</p> <p>The OP does not focus on specific sectors but instead on the underlying foundations and structures that should be improved to drive economic growth and competitiveness.</p>



Policy type:	Broad policy
Policy name:	Operational Programme "Growth and Employment" Regional development policy and structural change
RESPONSIBLE AUTHORITIES 	<p>Both drafting and implementation</p> <p>Oversees the implementation</p> <p>The Central Finance and Contracting Agency of Latvia administers the funds co-financed by the European Social Fund, European Regional Development Fund, and Cohesion Fund. The Ministry of Finance worked with the State Chancellery, the Cross-Sectoral Coordination Centre and other collaboration partners to draft the OP. The Ministry of Finance will oversee the implementation of the OP, coordinating across different ministries to do so.</p>
BENEFICIARIES 	<p>SMEs</p> <p>Research organisations</p> <p>Academic institutions</p> <p>Start-ups</p> <p>Business associations</p> <p>Large firms</p> <p>NGOs</p> <p>General population</p> <p>Policy makers</p> <p>The OP benefits many stakeholders as it is a broad policy that focuses on the foundational aspects of the Latvian economy.</p>



Policy type:		Broad policy
Policy name:		Operational Programme "Growth and Employment" Regional development policy and structural change
INSTRUMENTS 	Financial	Funding collaboration initiatives Support to R&D projects, SMEs becoming cluster members, etc. Application to labelling schemes and similar initiatives Subsidies to hire personnel Supporting market entry (e.g. testing, proof-of concept, prototyping, demonstration projects) Financing start-ups Innovation: voucher, support to hire PhDs, cooperation with R&I actors
	Technical assistance	Infrastructure: coworking spaces, offices, incubation and accelerator spaces, research centres, technology parks etc. Support for hard skill development: knowledge transfer, intellectual property, entrepreneurship, export advice, market intelligence Support for soft skills development: coaching, management training, upskilling/reskilling Support for networking and partnership building (at national and/or international level) Other: Broadband internet access
	Explanation	The OP funds many aspects of the Latvian economy from improving the educational system, to helping start-ups and young people find jobs, to strengthening innovation activities and R&D.
HISTORY 	Period	Limited period
	Ending year (for policies with limited period)	2020
	Starting year	2014



Policy type:		Broad policy
Policy name:		Operational Programme "Growth and Employment" Regional development policy and structural change
	Explanation	The OP aligns with the Europe 2020 Strategy and follows two Operational Programmes "Entrepreneurship and Innovation" and "Infrastructure and Services" for 2007-2013. The former OP's budget was EUR 1.08 billion while the latter was EUR 3.8 billion. The Operational Program of the EU funds for the 2021–2027 programming period has not yet been implemented.
BUDGET 	Overall	EUR 5.2 billion
	Annual	Varies from EUR 429 million (2015) to EUR 904 million (2019).
	Source of funding	The EU funds 85% of the OP while Latvia funds the remaining 15%. The EU funds are a mixture of Cohesion Fund (30.5%), Regional Development Fund (54.4%), and the European Social Fund (13.6%).
POLICY EVALUATION	Availability	No policy evaluation
	Results	The European Commission publishes data on the progress of the use of the funds and priorities on its ESI Funds Open Data portal. The European Commission also released a study in 2016 on the expected results of the OP, which is the latest evaluation available. The cumulative multiplier of the OP on GDP was 2.27 or rates of return on funds at 133% between 2014-2030 (average 7.9% a year). The average annual impact of the OP on Gross Domestic Expenditure on R&D (GERD) is 0.8% of GDP.
POLICY ALIGNMENT WITH THE EU PRIORITIES		Green economy Social inclusion

03

State of play of cluster policy





3. State of play of cluster policy

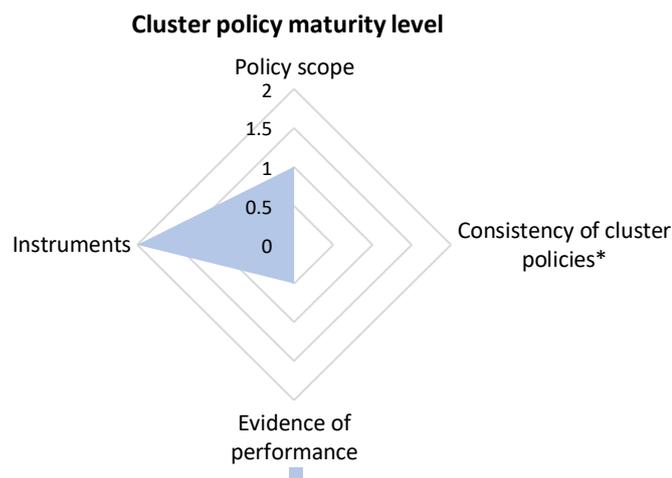
The data below illustrates how the country ranks in terms of maturity of cluster policy. The maturity index is based on a combination of factors presented in Chapter 2 and which are scored based on their existence:

- **Policy scope:** whether the country has a dedicated cluster policy, or cluster creation and/or development is targeted through broader policies (existence of broader policies = 1 point; existence of targeted cluster policies = 2 points)
- **Consistency of cluster policies:** assessment of the duration and experience of the country in doing cluster policies. This dimension assesses only existing cluster policies and not broader policies (no cluster policies available = 0 points; < 10 years of experience or > 10 years (but interrupted) = 1 point; > 10 years (but with clear continuity = 2 points)
- **Evidence of performance:** the existence of monitoring and evaluation mechanisms determines the degree of policy development in the country (no evaluations = 0 points; existence of evaluations of past policies or in-itinere = 0.5 points; existence of ex-ante and/or ex-post evaluations = 0.5 points)
- **Instruments:** whether the policies provide any instruments to support the policy implementation, being these financial and/or technical assistance (1 point for each type of instrument available)

It is important to note that the maturity does not reflect the performance of a country, but only the degree of development of their cluster policy at the moment when the data was collected (2020 and 2021). The maturity index illustrates how the country scores for each of these four dimensions (policy scope, consistency of cluster policies, evidence of performance and instruments) compared to the maximum score that they can reach.

	Latvia	Maximum score
Policy scope	1	2
Consistency of cluster policies*	0	2
Evidence of performance	0,5	1
Instruments	2	2

* This dimension is scored solely if the country has a dedicated cluster policy and it assesses only cluster policies



State of play of cluster policy in the country

Policy evaluation (for terminated policies)

No policy evaluation

Latvia does not have a dedicated cluster policy but only broad policies fostering the development of clusters. If evaluations exist, these are for the past broad policies. For instance, the "Entrepreneurship and Innovation"



	<p>Operational Programme under the Convergence objective was co-financed by the European Regional Development Fund from 2007-2013. Two evaluations were produced in 2013 and 10 were produced between 2010-2013, which was considered relatively high given the size of the funding.</p> <p>The Latvia Country Report conducted in 2016 on the Cohesion Policy Programme 2007-2013. Of the €3.9 billion available funding, was implemented in a reasonable manner according to the European Commission, leading to the creation of 3,300 jobs, and estimated that that Latvia's GDP increased by 5% as a result of the funding.</p>
Policy approach in the country	<p>Specific policies to support cooperation projects</p> <p>Broad-based framework policies to support cooperation effectiveness</p>
Continuity	<p>While Latvia does not have specific national or regional cluster policies, they have adopted broad policies that improve the cluster ecosystem (e.g., improving innovation, education, business competitiveness). These broad policies have been jointly funded by the European Union.</p>
Consistency	<p>No cluster policy available</p> <p>Policies that have benefitted or work to spur cluster development are done within larger broad policies that are focused on economic competitiveness.</p>

Bibliography



EUROPEAN CLUSTER
COLLABORATION PLATFORM

Strengthening the European economy through collaboration



Bibliography

- European Cluster Collaboration Platform. “Latvian Cluster Network.” Accessed July 13, 2020. www.clustercollaboration.eu/cluster-networks/latvian-cluster-network.
- European Cluster Collaboration Platform. “Latvia is reboosting its cluster development.” Accessed July 13, 2020. www.clustercollaboration.eu/news/latvia-reboosting-its-cluster-development.
- European Commission. European Structural and Investment Funds. “Programme: Growth and Employment - LV - ERDF/ESF/CF/YEI.” Updated July 15, 2020. Accessed July 15, 2020. <https://cohesiondata.ec.europa.eu/programmes/2014LV16MAOP001>.
- European Commission. “Expert Evaluation Network on the Performance of Cohesion Policy 2007-2013: Synthesis of National Reports 2013.” 2014. https://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/eval2007/2013_ee_n_task2_synthesis_final.pdf.
- European Commission. “Latvia Country Report – Ex Post Evaluation of Cohesion Policy Programmes 2007-2013.” 2016. https://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp1_lv_report_en.pdf.
- European Commission. “Study on the Expected Results of Cohesion Policy in Estonia, Lithuania and Latvia within the Programming Period 2014-2020.” 2016. https://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/baltic_result_2014_20_en.pdf.
- Latvia Ministry of Economics. “Latvian Clusters.” Updated December 18, 2018. Accessed July 13, 2020. www.em.gov.lv/en/sectoral_policy/industrial_policy/clusters/clusters_in_latvia/.
- Ministry of Finance of the Republic of Latvia. “Operational Programme: ‘Growth and Employment’.” 2014. www.esfondi.lv/upload/Planosana/FMProg_270115_OP_ENG_2.pdf.
- National Recovery Plan of Latvia. Accessed July 29, 2021 https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility/recovery-and-resilience-plan-latvia_en EU funds 2021 – 2027, Latvia. Accessed August 23, 2021. <https://www.esfondi.lv/es-fondi-2021---2027>