



EUROPEAN CLUSTER
COLLABORATION PLATFORM

Country factsheet

Latvia

An initiative of the European Union





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01

Introduction and economic policy context



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1. Introduction and economic policy context

This document presents an overview of the cluster policy in Latvia. Given the 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 2023 for Latvia](#).

The European Semester is 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. Chapter 4.2 provides an overview on how Latvia's cluster policy can help to tackle the economic policy challenges identified in the European Semester country recommendations.

The 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 plans](#) have been drafted in each Member State to ensure a recovery that addresses the challenges identified in the European Semester. National Recovery and Resilience Plan of Latvia¹ will create a support tool for the development of innovation clusters that would provide full innovation cycle support to traders in RIS3 areas within one ecosystem. The purpose of the investments is to create a state support tool for the development of innovation clusters, which would develop research and development capacities in companies, support the cooperation of all representatives of the triple helix in the innovation process and increase the share of innovative companies in the national economy.² In addition to the COVID-19 pandemic, the ongoing Russian military aggression against Ukraine has also taken its toll on EU companies and industrial ecosystems, highlighting the significance of policy efforts in supporting SMEs and clusters.

The [EDRF Partnership Agreement 2021-2027 with Latvia](#) mentions clusters as part of its priority investment areas. Latvia's Operational Programme for the EU Cohesion policy in 2021-2027 is focused on promotion economic, social and territorial convergence, through sustainable competitiveness, research and innovation, digital transition, the European Green Deal objectives as well as the promotion of the European pillar of social rights. Clusters are mentioned in the Latvian Operational Programme for 2021-2027, within the Specific objective: Strengthening research and innovation capacity and introduction of advanced technologies for companies, where is cooperation between triple-helix representatives stipulated.

In the following, a succinct overview of the cluster policy in Latvia will be provided. The structure of this factsheet generally encompasses:

- 1) an overview of the industrial ecosystems and cluster landscape in Latvia,
- 2) an overview of the Latvian broad policy which provides policy interventions for the development of clusters in Latvia,
- 3) an assessment of the state of play of the national cluster policy and its capacity to tackle wider economic policy challenges mentioned in the European Semester Reports.

¹ National Recovery Plans: Latvia. Available under: https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility/latvias-recovery-and-resilience-plan_en (last access 12.01.2024).

² Recovery and Resilience Facility. Operational arrangements between the European Commission and Latvia. Available under: https://www.vestnesis.lv/wwwraksti/2022/052/BILDES/AM41-5380-PIEL_1.PDF (last access 27.01.2024).

02

Industrial ecosystems and cluster landscape



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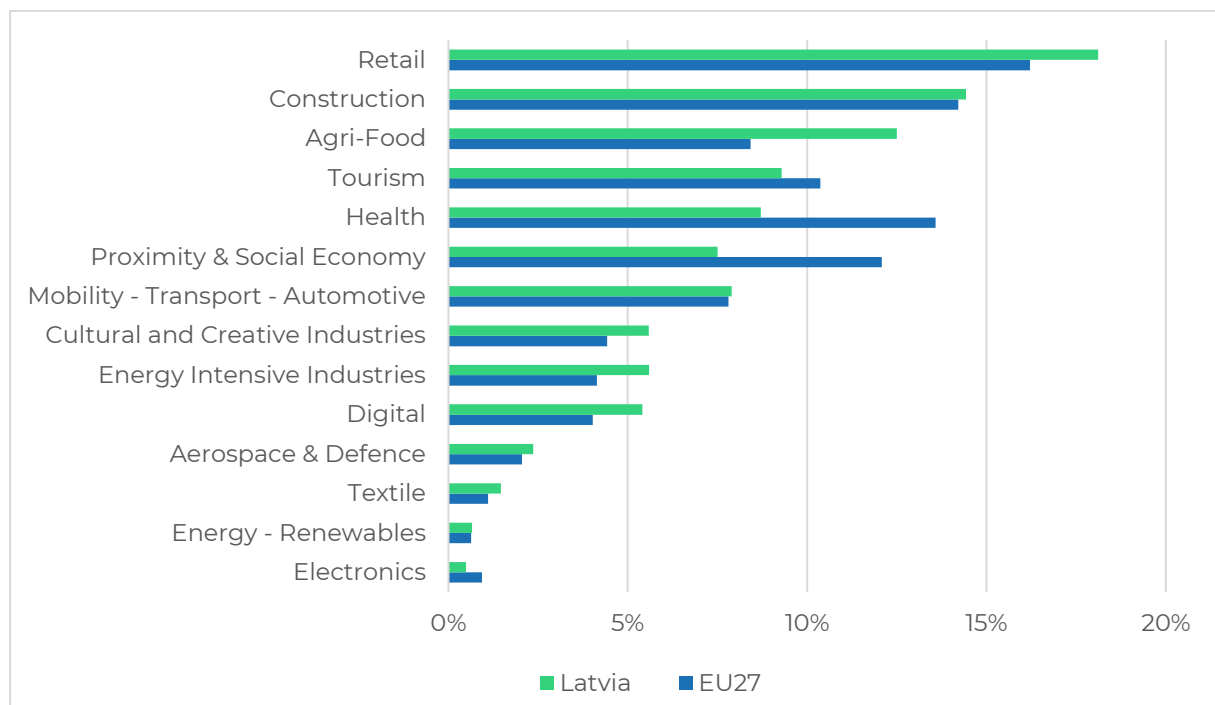
2. Industrial ecosystems and cluster landscape

2.1 Employment in the 14 industrial ecosystems

As part of its Industrial Strategy (March 2020), the European Commission has identified 14 industrial ecosystems that encompass all players operating in a value chain.³ The classification of the 14 industrial ecosystems have been calculated by aggregating NACE 2 -digit activities, following the methodology established in the European Commission.⁴ This means that the data provided below can differ from other publications by the European Commission that do not consider the industrial ecosystem classification.

In Figure 1 employment share of Latvia and the EU27 in each industrial ecosystem is shown relative to the number of employed persons in the 14 industrial ecosystems shows the proportion of the country's employment accounted 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. The three main ecosystems by employment for Latvia are "Retail", "Construction" and "Agri-Food". Latvia has employment shares above the EU27 average in several industrial ecosystems (most notably in "Retail", "Agri-Food", "Cultural and Creative Industries", "Energy Intensive Industries" and "Digital") which underlines the relative strength of the country in those industrial ecosystems.

Figure 1: Employment across the ecosystems



Source: ECCP (2023), own elaboration based on data from Eurostat.

³ see here for more information <https://clustercollaboration.eu/in-focus/industrial-ecosystems> (last access 09.01.2024).

⁴ see European Commission (2022): Annual Single Market Report, SWD(2022).



2.2 Regional agglomerations

Economic activity is not equally distributed across regions in the EU but tends to agglomerate in certain places. In this context, an Agglomeration is defined as the concentration of a certain industry, sector or ecosystem in a certain geographical area. The following section provides an analysis of, first, the sectoral agglomerations and, second, the ecosystem agglomerations in the regions. Agglomerations are operationalised through the employment-based Location Quotients (LQ), measuring the relative specialisation of one region compared to the EU level, as well as the employment size. If the LQ for a given activity-region combination is above 1.5, it is considered an agglomeration, and if the activity accounts for at least 1 % of total employment in the region, it is considered a regionally relevant agglomeration.⁵ The following tables show the total number of regionally relevant specialisation agglomerations in the country and identifies the top five most specialised of these agglomerations. The first table focuses on the 88 NACE 2-digit activities or sectors, totalling 10 in the country in 10 unique sectors. On the other hand, the second table is based on the 14 ecosystems, which total 0 in the country.

Table 1: Number of regionally relevant sectoral agglomerations and Top 5 agglomerations by region (NACE)

Region	Number of agglomerations	Agglomeration 1	Agglomeration 2	Agglomeration 3	Agglomeration 4	Agglomeration 5
LV: Latvia	10	A02 - Forestry & logging	C16 - Manuf. of wood products	J63 - Information services	F42 - Civil engineering	L68 - Real estate activities

Source: ECCP (2023), own elaboration based on data from Eurostat.

As mentioned at the beginning of this Chapter, the NACE 2-digit activities have been aggregated to the 14 EU industrial ecosystems following the methodology established by the European Commission. Table 1 provides an overview of the regional distribution of industrial ecosystem agglomerations. For the country of Latvia, sectors such as forestry & logging (A02), the manufacturing of wood products (C16) and information services (J63) are among the most relevant sectoral agglomerations. However, there are no existing ecosystem agglomerations.

2.3 Cluster organisations & interregional cooperation

Cluster organisations in the country

There are 14 cluster organisations registered on the ECCP in the country. SMEs (86%, EU: 83%) followed by large enterprises (9%, EU: 9%) and research organisations (6%, EU: 8%) constitute the majority of member organisations of Latvian cluster organisations with profiles on the ECCP. From a thematic perspective, these Latvian cluster organisations are operating in the following industrial ecosystems. Since not all cluster organisations on the ECCP provided this information, the number of cluster organisations with an allocated industrial ecosystem is lower than the overall number of cluster organisations in the country. However, there is a discrepancy between the ecosystems most frequently covered by Latvian cluster organisations and those with a high ecosystem share, namely

⁵ for more information on the methodology please see the methodology note: <https://clustercollaboration.eu/in-focus/policy-acceleration/country-factsheets-on-cluster-policies-and-programmes> (last access 09.01.2024).



Retail and Construction. Instead, Latvian cluster organisations are predominantly active in the Digital and Renewable Energy ecosystems.

- Digital (3 cluster organisations)
- Renewable Energy (2 cluster organisations)
- Agri-Food (1 cluster organisation)
- Electronics (1 cluster organisation)
- Health (1 cluster organisation)
- Mobility-Transport-Automotive (1 cluster organisation)

Interregional cooperation

In the 2014-2020 funding period⁶, the European Cluster Partnerships and the INNOSUP-1 initiative have been launched by the European Commission to encourage clusters from Europe to intensify collaboration across regions and sectors. Latvian cluster organisations have been involved in twelve consortia of the European Strategic Cluster Partnerships out of which five partnerships were focusing on internationalisation (ESCP-4i), five partnerships were on cluster management excellence (ESCP-4x) and two partnerships were on smart specialisation (ESCP-S3). Consortia partners came from 14 different states (EE, SE, ES, PT, LT, ET, PL, DE, RO, BE, AL, RS, MK, BG). One Latvian cluster organisation participated in the INNOSUP-1 initiative with partner organisations coming from 6 countries (DE, PL, PT, UK, IS, NO).

In the 2021-2027 funding period, the Single Market Programme supports clusters as part of the Joint Clusters Initiatives (Euroclusters) for Europe's recovery. From Latvia, one cluster organisation is part of two Euroclusters with partner from seven countries (FR, BE, PL, PT, IT, GR, ES), namely GEMSTONE and SUSTAIN. In total, the select Euroclusters cover five industrial ecosystems, such as "Aerospace & Defence", "Agri-food", "Energy Intensive Industries", "Mobility-Transport-Automotive" (GEMSTONE), and "Construction" (SUSTAIN)⁷.

⁶ Many of the programmes of the 2014-2020 funding period have been terminated by December 2023. However, the collaborative projects that were funded may continue to operate.

⁷ Assigned Euroclusters to each of the 14 industrial ecosystems is shown on: [Euroclusters | European Cluster Collaboration Platform](#) (last accessed 09.01.2024).

03

National cluster policy, programmes and initiatives



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3. National cluster policy, programmes and initiatives

In this section, we provide an overview of the existing cluster policies in Latvia on the national level.

The breakdown is presented in the form of a table, with the first column showcasing information on the aspects which constitute the policy (beginning with 'Policy Objectives', following with 'Policy Focus', etc.). The second and third columns represent cases of Latvian broad policies that also focus on cluster development.

Within the table the text presented in bold (black) depicts standardised categories across country factsheets (56 in total for 2023), which are applied for comparative purposes. This is followed by a complementary descriptive text to provide more insights into the cluster policy in Latvia.




Table 2: Overview of Latvian cluster policy

Policy type:	Broad policy	Broad policy
Policy name:	Operational Programme "Growth and Employment"	Cohesion Policy Programme for Latvia for 2021-2027
POLICY OBJECTIVES 	Strengthening cooperation between companies or industry and RTDI actors Increasing competitiveness and boosting scale up of SMEs Supporting internationalisation activities Fostering R&D activities, technology development and implementation Fostering innovation and strengthening innovation ecosystems Promoting entrepreneurship, start-ups and spin-offs Promoting social and sustainable economy and other solidarity-based initiatives Promoting employment and upgrading skills and competences	Strengthening cooperation between companies or industry and RTDI actors Increasing competitiveness and boosting scale up of SMEs Supporting internationalisation activities Fostering R&D activities, technology development and implementation Fostering innovation and strengthening innovation ecosystems Promoting entrepreneurship, start-ups and spin-offs Promoting employment and upgrading skills and competences




Policy type:	Broad policy	Broad policy
Policy name:	Operational Programme "Growth and Employment"	Cohesion Policy Programme for Latvia for 2021-2027
	Enhancing territorial cohesion (through RIS3) Connect to global supply chains	
	<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>Latvian EU Cohesion Policy Programme 2021-2027 is committed to enhance Latvia's economic innovation, environmental sustainability, social inclusion, and connectivity within the European framework. These programmer's overarching priorities are addressed with five key policy objectives:</p> <ol style="list-style-type: none"> 1. A more competitive and smarter Europe, fostering innovative and smart economic change and regional ICT connectivity. 2. A greener and more sustainable low-carbon Europe with a transition to a carbon-free economy in net terms, promoting a just clean energy transition, green and blue investments, circular economy, climate change mitigation and adaptation, risk prevention and management and sustainable mobility in urban environments. 3. A more closely connected Europe, improving mobility. 4. A more social and inclusive Europe by implementing the European Pillar of Social Rights. 5. Bring Europe closer to citizens by promoting the sustainable and integrated development of all types of territories and local initiatives 6. And Just Transition Funds Investments.
	No specific focus	Cross-sectoral policy




Policy type:	Broad policy	Broad policy
Policy name:	Operational Programme "Growth and Employment"	Cohesion Policy Programme for Latvia for 2021-2027
POLICY FOCUS 	<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>	<p>Latvian EU Cohesion Policy Programme for 2021-2027 has a cross-sectoral focus. It addresses a variety of areas, including economic innovation, environmental sustainability, social inclusion, and connectivity. The program's objectives span across different sectors such as economy, environment, social rights, territorial development, etc.</p>
RESPONSIBLE AUTHORITIES 	<p>Both drafting and implementation</p> <p>Oversees the implementation</p> <p>The Central Financial and Contracting Agency of Latvia manages funds co-financed by the European Social Fund, the European Regional Development Fund and the Cohesion Fund. The Ministry of Finance collaborated with the State Office, the Intersectoral Coordination Center and other cooperating partners on the preparation of the OP. The Ministry of Finance is responsible for supervising the implementation of the OP, coordinating it across various ministries.</p>	<p>Both drafting and implementation</p> <p>The governing body responsible for the policy issuing and implementation is Ministry of Economics of the Republic of Latvia.</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>SMEs</p> <p>Research organisations</p> <p>Academic institutions</p> <p>Start-ups</p> <p>Large firms</p> <p>Technology centres</p> <p>General population</p>



Policy type:		Broad policy	Broad policy
Policy name:		Operational Programme "Growth and Employment"	Cohesion Policy Programme for Latvia for 2021-2027
		General population Policy makers	Policy makers
		The OP benefits many stakeholders as it is a broad policy that focuses on the foundational aspects of the Latvian economy.	Main target groups are small and medium-sized economic operators (companies), large economic operators, members of innovation clusters, start-ups, responsible authorities for innovation policy development and implementation, scientific and research institutions, universities, technology transfer institutions, regions and municipalities, residents and general public.
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	Funding collaboration initiatives Support to R&D projects, SMEs becoming cluster members, etc. 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 networking and partnership building (at national and/or international level)





Policy type:		Broad policy	Broad policy
Policy name:		Operational Programme "Growth and Employment"	Cohesion Policy Programme for Latvia for 2021-2027
		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.	In order to promote the transformation of Latvia's economy, investments within the Cohesion policy will be focused on: the development of research human capital, R&D activities and strengthening of international competitiveness in accordance with RIS3 priorities, supporting the development of new products and joint projects with scientists, practice orientated research, the creation of R&I cooperation centers in the fields of RIS3, digital transformation, knowledge and technology transfer system, creation and maintaining of cooperation between the research and business sectors, and the development of creative industries and skills. In addition, the Cohesion policy will provide full innovation cycle support within RIS3 specialisation areas with the aim of promoting cooperation between triple-helix representatives within the innovation process, thereby increasing the volume of private R&D investments and support for innovation and entrepreneurship motivation.
HISTORY 	Period	Limited period	Limited period
	Ending year <i>(for policies with limited period)</i>	2020	2029



Policy type:		Broad policy	Broad policy
Policy name:		Operational Programme "Growth and Employment"	Cohesion Policy Programme for Latvia for 2021-2027
	Starting year	2014	2021
	Explanation	The OP aligns with the Europe 2020 Strategy and follows two Operational Programmes "Entrepreneurship and Innovation" and "Infrastructure and Services" for 2007-2013. Some projects under the Operational Program "Growth and Employment" are still running and are expected to be completed in 2023. 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.	Programming period for which the policy was issued is 2021-2027 and the support is eligible until 2029.
BUDGET 	Overall	EUR 5.2 billion	EUR 5.178 billion
	Annual	Varies from EUR 429 million (2015) to EUR 904 million (2019).	Information on annual budget is available only for the EU funds sources. Contributions from national sources are not included in the distribution by year. Plan is to distribute the EU funds from 2022-2027 and budget for each year varies from 663 mil. to 772 mil EUR.
	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%).	The budget for the EU Cohesion policy for 2021-2027 is comprised from 85% EU funds and national contribution is 15%. The EU funds are a mixture of Cohesion Fund, European Regional Development Fund, European Social Fund Plus and Just Transition Fund.
	Availability	No policy evaluation	No policy evaluation



Policy type:		Broad policy	Broad policy
Policy name:		Operational Programme "Growth and Employment"	Cohesion Policy Programme for Latvia for 2021-2027
POLICY  EVALUATION	Results	<p>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.</p>	No data available
	POLICY ALIGNMENT WITH THE EU PRIORITIES 	Green economy Resilience	Green economy Digitalisation



04

State of cluster policy and its role in broader economic policy challenges





4. State of cluster policy and its role in broader economic policy challenges

4.1 The state of cluster policy

This section presents an overview of the state of play of Latvian cluster policy in the form of a quantitative and qualitative assessment. The data below illustrates how the country ranks in terms of qualitative assessment across four categories of analysis – policy scope, continuity of cluster policies, evidence of performance, and the range of cluster support instruments. Please refer to the **Annex** for the detailed overview of the categories and the scoring system. The table below presents an overview of the **state of play of Latvian cluster policy** for 2023.

Table 3: State of play

Latvia	State of play
POLICY SCOPE	Absence of cluster policy
	Broad policy
	Sectoral policy
	National and/or regional cluster policy
CONTINUITY	No cluster-specific policy available
	Cluster policy established recently
	Cluster policy established between over 2 and 10 years
	Cluster policy established over 10 years ago
EVIDENCE OF PERFORMANCE	No evaluation and / or monitoring available
	Existence of evaluations of past policies
	Existence of monitoring or an ongoing / interim evaluation
	Existence of monitoring and ex-ante or ongoing / interim evaluation
CLUSTER SUPPORT INSTRUMENTS	No instruments for cluster development
	Financial support for cluster development in the broader and / or sectoral policy
	Financial or technical support for cluster development in dedicated cluster policy
	Financial and technical support for cluster development in dedicated cluster policy

Source: ECCP (2023).

The text below provides a **qualitative description** of the state of play of the cluster policy in Latvia.



Policy scope

Latvia does not have a dedicated cluster policy, only broad policies that among other activities foster the development of clusters. The policies that have benefitted or work to spur cluster development are done within broad policies that are focused on economic competitiveness. Until the end of 2023, Operational Programme "Growth and Employment" (broad policy) supported the development of clusters in Latvia. Following this concept, clusters will continue to be supported under Policy Objective 1: "A more competitive and smarter Europe by promoting innovative and smart economic transformation and regional ICT connectivity" of Cohesion Policy Programme 2021-2027 of Latvia, which will support the internationalisation and triple helix model implementation, by bringing together members of the cooperation network who operate in interrelated sectors, economic niches, product service groups, value chains or in the region, specialising in at least one RIS3 area.

Continuity

Since 2000, Latvia has placed increasing emphasis on the role of industrial clusters within its industrial policy as a means to enhance industrial competitiveness. The first successful cluster development initiative in Latvia, funded through the EU Phare program, was the project "Support for the Restructuring of Industrial Clusters." The primary goal of this project was to boost the competitiveness of Latvian industry by promoting the concept of clusters and providing advisory support to potential clusters.

While Latvia has not yet implemented specific national or regional cluster policies, it has adopted broader policies that promote collaboration between businesses, researcher institutions and industry associations, thus fostering cluster development.

The significance of business clusters was acknowledged as a crucial development measure in the Latvian National Innovation Program for 2003-2006. Subsequently, during the 2007-2013 programming period, the Operational Programme "Entrepreneurship and Innovation" underscored the importance of cluster development. This emphasis has continued in the Operational Programme "Growth and Employment," which provides support for cluster development.

Cluster support will also continue in the subsequent programming period of 2021-2027 through the EU Cohesion Policy Programme for Latvia. The program places an emphasis on internationalisation and cooperation through the implementation of the triple helix model. Additionally, the Guidelines on National Industry Policy for the programming period 2021-2027 set as one of its directions "Elaboration of a modern cluster policy". The policy should promote collaboration between businesses and the scientific sector and related industries.

Evidence of performance

Evaluations exist only for the past broad policies. For instance, the "Entrepreneurship and Innovation" 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.

The Latvia Country Report was conducted in 2016 on the Cohesion Policy Programme 2007-2013. 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 Latvia's GDP increased by 5% as a result of the funding.

Cluster support instruments

Clusters are not supported through any specific national cluster policy in Latvia but their development has been fostered through broad policies. For example the Operational Programme "Growth and Employment" support the development of clusters by strengthening the innovation system, financing cooperation initiatives, supporting SMEs to become cluster members, supporting research and development initiatives, etc.





4.2 Cluster policy's potential impact on challenges identified in the European Semester Report

Cluster policy can provide important support to broader economic policy efforts. This section shows how Latvian clusters (can) play a role in addressing the challenges identified in the European Semester Report for the country. To this end, the European Semester 2023 country report for Latvia⁸ has been analysed across policy areas relevant to cluster policy. The results point to a series of issues where cluster policy can play an important role in tackling the country's economic challenges.

The table below also outlines how Latvian cluster organisations are already contributing to the challenges outlined in the European Semester Reports in the absence of a dedicated cluster policy. Developing a dedicated cluster policy could further strengthen and focus the activities of Latvian cluster organisations towards broader economic policy challenges.

Table 4: Contribution of Latvian clusters to the challenges identified in the European Semester Report

Policy area	Challenges	Cluster activity
INNOVATION 	<ul style="list-style-type: none"> Improving Latvia's business environment Developing targeted guarantee schemes for strategically important investments linked to the green transition or regional development in order to make it easier for SMEs to access finance 	<p>The programme for the European Union funds investment emphasises the importance of a strong innovation ecosystem. The programme also encourages cooperation between companies, research organisations and public authorities to strengthen the innovation ecosystem. To this end, the programme provides support to innovation clusters.</p> <p>Clusters can indeed play an important role in facilitating the transfer of technology.⁹ In that regard, the various Latvian cluster organisations are strongly focusing on facilitating R&D projects. For instance, the Latvian Green Tech Cluster aims to support manufacturing SMEs in their transition to greener production with their GEMSTONE project, which is based on research, training, and innovation.¹⁰</p> <p>Moreover, the literature points out that the presence of clusters is positively linked to higher investments for research and development both in the public and especially the private sector.¹¹</p>
SKILLS 	<ul style="list-style-type: none"> Addressing labour shortages and skills mismatches through upskilling and reskilling measures, including for people with a low level of 	<p>Regarding skill development, the programme for the European Union funds investment aims to improve skills and competences, in which clusters have the potential to offer a significant contribution. Research underlines the role of clusters in developing the skills of the workforce and attracting skilled workers to a region.¹² In addition, one can point out the activities of</p>

⁸ https://economy-finance.ec.europa.eu/document/download/2e47d611-0d7a-4cc5-872d-3932b930192a_en?filename=LV_SWD_2023_614_en.pdf (last access 12.01.2024).

⁹ Fioravanti, V.; Stocker, F.; Macau, F. (2023).

¹⁰ see <https://greentechlatvia.eu/lv/gemstone-green-manufacturing-supporting-recovery-and-resilience-of-industrial-sme/> (last access 30.04.2024).

¹¹ ECCP (2022).

¹² Hsu, M.-S et al. (2014).



Policy area	Challenges	Cluster activity
	<p>skills</p> <ul style="list-style-type: none"> Meeting employers' needs and promote the skills needed for the green transition 	<p>the Latvian Wood Construction Cluster, that dedicates resources and activities to promote a close cooperation with educational institutions in order to introduce students to the production facilities and business specifics of the industry.¹³</p> <p>More generally, as cluster organisations act as intermediaries between companies and research and educational institutions, they can also be seen as part of the training and educational infrastructure in the innovation ecosystem.¹⁴</p>
<p>GREEN</p>  <p>TRANSITION</p>	<ul style="list-style-type: none"> Accelerating the deployment of renewables, in particular onshore and offshore wind as well as solar energy Advancing energy efficiency measures Improving the electricity grid 	<p>In order to support the green transition of the country, the programme for the European Union funds investment 2021-2027 aims to support the technology transfer between companies, research centres and universities with a focus on low-carbon resilience of the economy and climate change and adaptation. As facilitators of technology transfer, clusters are assigned an important role in supporting the green transition.</p> <p>Clusters in Latvia are addressing the recommendations mentioned by the European Semester Report. For instance, the CleanTech Latvia Cluster is engaged in the EU project GreenOffshoreTech aiming to support innovation in SMEs regarding the deployment of key enabling technologies such as offshore wind energy.¹⁵</p> <p>Studies also show that clusters can play a vital role in the green transition of the economy¹⁶ and it can be underlined that cluster organisations have a positive influence on the green transition, not least because they facilitate exchange between different actors, disseminate relevant knowledge and practices and deepen environmental awareness among stakeholders.¹⁷</p>

Source: ECCP (2023).

¹³ see <https://woodhouses.lv/en/education> (last access 30.04.2024).

¹⁴ European Expert Group on Clusters (2020).

¹⁵ see <http://cleantechlatvia.com/en/2016/11/28/4465/#toggle-id-5> (last access 30.04.2024)

¹⁶ Lis, A. & Mackiewicz, M. (2023); ECCP (2021).

¹⁷ Hatch et al. (2017).



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Annex

Table 5: Analytical framework for the state of cluster policy

Criterion	Description	Categorical variables
Policy scope	assessment whether the country has a dedicated cluster policy, or cluster creation and/or development is targeted through broader policies, e.g. foreign trade policies, labour and social policies or specific sectoral policies, e.g. industrial policy tourism policies, agriculture policies	absence of cluster policy existence of broader policies existence of specific sectoral policies existence of targeted cluster policies
Continuity of cluster policies	assessment of the duration and experience of the country in carrying out cluster policies. This criterion assesses only existence of targeted cluster policies and not broader policies or sectoral policies	absence of policies supporting cluster development cluster policy established recently (within the last 2 years) cluster policy established between over 2 and 10 years cluster policy established over 10 years ago
Evidence of performance	assessment whether there are evaluations of past and ongoing policies and a monitoring system in place. The existence of monitoring and evaluation mechanisms determines the degree of policy development in the country	no evaluation and / or monitoring available existence of evaluations of past policies, e.g. ex-ante existence of monitoring or an ongoing / interim evaluation existence of monitoring and ex-ante or ongoing / interim evaluation
Cluster Support Instruments	assessment whether the policies provide any instruments to support the policy implementation, being these financial and/or technical support	no instruments for cluster development financial support for cluster development in the broader and / or sectoral policy financial or technical support for cluster development in dedicated cluster policy financial and technical support for cluster development in dedicated cluster policy

Source: ECCP (2023).