



## **Weekly Briefing**

### **Latvia political briefing:**

**The main political challenges: vaccine shortages, extension of pandemic restrictions, and development of Latvia's Recovery and Resilience Facility plan**

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# **The main political challenges: vaccine shortages, extension of pandemic restrictions, and development of Latvia's Recovery and Resilience Facility plan**

## **Introduction**

As Covid-19 crisis is not approaching to its end yet in Latvia, in March the government have been discussing the possibility of tightening the limits on Covid-19 to reduce the spread of the new type of virus.<sup>1</sup> In the beginning of March, the two-week cumulative morbidity rate was about 500 new cases per 100 thousand people, which according to Government's adopted "traffic light principle"<sup>2</sup> is a "very high-risk situation" and requires stronger safety measures. It has also been found that at least 5% of cases have been infected with the new, more contagious, Covid-19 strain.<sup>3</sup> So, the government currently is considering an idea to reinforce the restrictions in relation to the spread of this new type of virus.

In order to prevent the economic and social damage caused by the COVID-19 pandemic, this spring the European Commission (EC) proposed an ambitious European Recovery and Resilience Facility Plan. The purpose of the plan is to support reforms and investment, in particular in the transition to a green and digital economy, and to reduce the social and economic impact of the crisis. Each country currently works on their own plan.

As the final version of the RRF Plan must be submitted to the EC for approval no later than 30 April 2021, March is dedicated for improvement for Latvian RRF plan and public discussions.

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<sup>1</sup> <https://eng.lsm.lv/article/politics/politics/latvian-government-to-discuss-further-restrictions-tuesday.a394947/>

<sup>2</sup> "The traffic light principle" consists of four levels of risk: **dark red light - a very high-risk situation** (more than 200 new cases of Covid-19 per 100,000 population over 14 days in a row); **red light - a high-risk situation** (no more than 200 new cases per 100,000 inhabitants); **yellow light - a medium-risk situation** (no more than 100 new cases per 100,000 inhabitants); **green light - a low-risk situation** (no more than 20 new cases per 100 000 people).

<sup>3</sup> <https://www.mk.gov.lv/lv/jaunums/valdiba-gatavojas-apsteidzosiem-risinajumiem-covid-19-parvaldiba>

## **Vaccine shortages reveals political mistakes**

Errors in the procurement of Covid-19 vaccines have revealed the government's inability to cope with crisis situations, President of Latvia Egils Levits told Latvian Television on March 5.<sup>4</sup> The President expressed the thought that vaccines were currently lacking because there were strategic errors in the procurement of vaccines last year, and we are now paying for these errors. And this, in turn, makes one rethink and analyse where there are systemic errors in public administration, leading to this kind of inability to cope with the crisis.

In the purchase of the BioNTech/Pfizer vaccine last year, Latvia applied for a lower number of doses than was available, as found by a service inspection which concluded that the officials did not violate any powers but that principles of good governance were not respected.

President's advice was to organize vaccination more quickly. "The longer we hesitate, the more severe the consequences for the economy and the people", said the President.

Additionally, Levits said that earlier each member of the government "pulled their own rope" but now the government's work is on the way to unity, and, in the President's opinion, Prime Minister Krišjānis Kariņš is able to lead the team.

## **Further pandemic-related restrictions discussed by Latvian politicians**

In March politicians started to discuss on tightening restrictions to stop pandemic. Latvia is currently experiencing a spread of the new, more contagious type of Covid-19. According to the "traffic lights principle" adopted by the government, the situation warrants more restrictions. However, opinions of Latvian politicians have been different.

Former Minister of Economics Ralfs Nemiro didn't support the idea of further restrictions and stated that Latvia can't support [more restrictions] in such a context that it introduces anything for the sake of being tougher. Nemiro also said it was too late for a lockdown.<sup>5</sup>

President of Latvia Egils Levits also expressed hope that more quarantine would not be needed, but the possibility could not be excluded. In his opinion, the government's decisions on restrictions must have a clear direction – reduce the possibilities of contacts until there is a

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<sup>4</sup> <https://eng.lsm.lv/article/politics/president/levits-latvian-government-has-shown-inability-to-cope-with-crisis.a395471/>

<sup>5</sup> <https://eng.lsm.lv/article/politics/politics/its-too-late-for-lockdown-says-former-economics-minister.a395463/>

sufficiently large number of vaccinated people. But the problem is that currently it is very small number of those who received the vaccine because there are no vaccines available. Also, the current restrictions “lead to a morbidity that is one of the highest in the European Union”<sup>6</sup>, so they might be insufficient for successful recovery of state. Therefore, the government's task is to find the right solution between reducing morbidity and meeting certain needs of people.

On the other hand, Deputy Head of the Saeima Social Affairs Committee Anda Čakša said that if the more contagious virus spreads, then without further restrictions, we will find ourselves in a situation where we cannot help the ill people. Therefore, it is important to have detailed statistic data on the virus so that the authorities can follow the development of the situation.

According to Interior Minister Sandis Ģirģens, the purpose is not in easing restrictions but reviewing them and discarding those which no longer work. He said that communication with the society must be improved by emphasizing the basics: hand hygiene, ventilation, use of face masks. Government needs to achieve a meaningful order of restrictions. If the psycho-emotional state of the society is critical, if people do not have jobs, they will not respect restrictions, said Ģirģens. In addition, there was a proposition for municipalities to have more say in imposing rules on their own territory.

Worth to note, that in February several restrictions were lifted, allowing supermarkets to sell wider range of goods (only first necessity goods were allowed before). Small shops are still closed. Also since March 1 hairdressers and nail masters resumed to accept clients, although with additional safety measures. However, strengthened restrictions bring heavy burden on country's economy as well as public mood is rather critical. As a result, there is no unity in political opinion on restrictions.

Currently, state of emergency in Latvia is extended till April 6.

### **Development of EU Recovery and Resilience plan, important funding for Latvia to overcome the consequences of the crisis and restore the economy, proceeds with public discussions**

In the beginning of March, Ministry of Finance published invitation for stakeholders and social partners to participate in the discussions on the investments planned under the Recovery

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<sup>6</sup> <https://eng.lsm.lv/article/politics/president/levits-latvian-government-has-shown-inability-to-cope-with-crisis.a395471/>

and Resilience Facility (further – RRF). The RRF is a new budget programme under the centralised management of the EC, established in addition to the EU multiannual budget for the programming period of 2021-2027. Over the next seven years, Latvia will receive from the European Union around 2 billion euro in the form of grants or support, which is not required to repay.

On March 8, 10, and 12 themed discussions were organized remotely by the Ministry of Finance (MoF) to discuss with social and cooperation partners the investments planned in the framework of the European Union (EU) funds and the RRF from 2021 until 2027.<sup>7</sup> The work on introduction of the RRF is being organised in six directions: climate change and sustainability (37 % of the RRF funds are planned to be allocated to this direction); digital transformation (20%), reducing inequality (20%), health (11%), transformation of economy and productivity reform (10%), and the rule of law (2% of RRF funds). The same division must be included in Latvian plan as well.

In the field of climate change Latvia plans to replace diesel trains with electric to motivate citizens to use public transport instead of private cars. In the area of social inclusion, recommendations for strengthening sustainability and accessibility of the healthcare system have been taken-into-account, providing healthcare system with additional human and financial resources.

Other Latvian priorities are increasing of energy efficiency of buildings, digital transformation of public administration and implementation of effective e-governance, Park&Ride system introduction. However, there are some significant shortages in the current plan, for example, lack of investments in research and development and in business support. Main complaints of business and society representatives are directed at too big proportion of funds allocated to public sector with very small investments to the private sector. However, Ministry of Finances promises that direct support for entrepreneurs is will comprise 28 %.

RRF funds could be available to Latvia in the second half of this year.

## **Summary**

March in Latvian politics is marked by several occasions. Currently, most political discussions are evolving around vaccination, further pandemic restrictions and EU recovery plan.

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<sup>7</sup> <https://www.esfondi.lv/news/invitation-to-participate-in-the-discussions-on-the-investments-planned-under-the-recovery-and-resilience-facility>

First, President of Latvia evaluated the government's work as insufficient and said there were mistakes in the procurement of Covid-19 vaccines done by political elite which is revealing the government's inability to cope with crisis situations.

Second, the spread of the new type of virus from UK is imposing another challenge for government. It started new wave of discussions on whether to mitigate restrictions or reinforce new ones. From one hand, citizens are quite tired of lockdown situations and many industries are suffering from already imposed restrictions, but on the other hand, virus still pose a serious threat to human health.

Also, in March the public discussions started on the investments planned under the Recovery and Resilience Facility (RRF). Under the RRF, Latvia can receive up to two billion euro of funding for the implementation of structural reforms while introducing the recommendations of the EU Council, as well as for investments in primarily green and digital economy. The guaranteed available funding in form of grants for Latvia comprises EUR 1.65 billion. The plan will be upgraded in cooperation with the social and cooperation partners.