

# LATVIA IN THE EU - TEN YEARS LATER. A DIFFERENT LATVIA?

Riga, May, 2014

On May 1, 2004 Latvia officially joined the European Union (EU). Today it seems worthwhile taking a look back at those 10 years and provide an objective assessment.

In this brief report, we - researchers of various Latvian think-tanks and other experts – have not attempted to highlight only those changes that can be explained by the EU membership. We were driven by a different goal. We intend to take a snapshot of the moment when Latvia joined the EU, and compare it with a snapshot of the country taken today, thus providing a basis for discussion about changes that have taken place or that have been achieved – our fulfilled and unfulfilled homework, as well as the overall impact of the EU. In trying to establish if the changes have been for better or for worse, or whether they have taken place at all, we searched for comparisons in 10 different sectors, from foreign affairs to environment and energy. This approach provides a bird's eye view of the broader picture, which is sometimes missed in our daily rush or completely forgotten about.

What are the most important findings in this big picture? It is probably a realisation that in the course of ten years Latvia has become more secure and prosperous. In present-day Latvia the number of serious crimes - murders, robberies and even serious road traffic offences - account for half of what it was in 2004. Air quality has improved, consumption of thermal energy has decreased and a growing number of businesses choose the "green way" of operation. Overall, the people of Latvia have become more productive; they earn significantly more and live a few years longer. There are more people who are self-confident, taking pride in, or perceiving themselves as being part of the common European identity, and who would not attempt to bribe a traffic police officer. Latvia has also become more attractive to foreigners.

Although the number of people who cannot afford healthcare has decreased, this figure is still too high - almost five times above the EU average. We are still a society with a high degree of social stratification and a profound income gap between the well off and the needy. There are also acute discrepancies in the knowledge-based sectors. On the one hand there are considerably more people in Latvia with higher education and the knowledge of English, with fewer young people leaving school early, and exports rising rapidly in the aftermath of the crisis. However, at the same time, innovation based revenue of our businesses is smaller than it used to be 10 years ago. We invest too little in science and fewer adults get involved in lifelong learning, compared to 2004.

The relatively low indicators of public trust in various institutions – from the Parliament and the Government to the European Parliament - have remained constant. In the meantime, unemployment figures have fluctuated considerably over the years, and at the moment are returning to the same level as they were ten years ago.

May this report not only encourage discussion about the influence of the EU on the life in Latvia, but also provide you with an opportunity to have a clearer view of our domestic issues that need solutions in the coming ten years!



LATVIJA ES -  
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KOPĀ AR  
SAVĒJIEM

CENTRE FOR PUBLIC POLICY

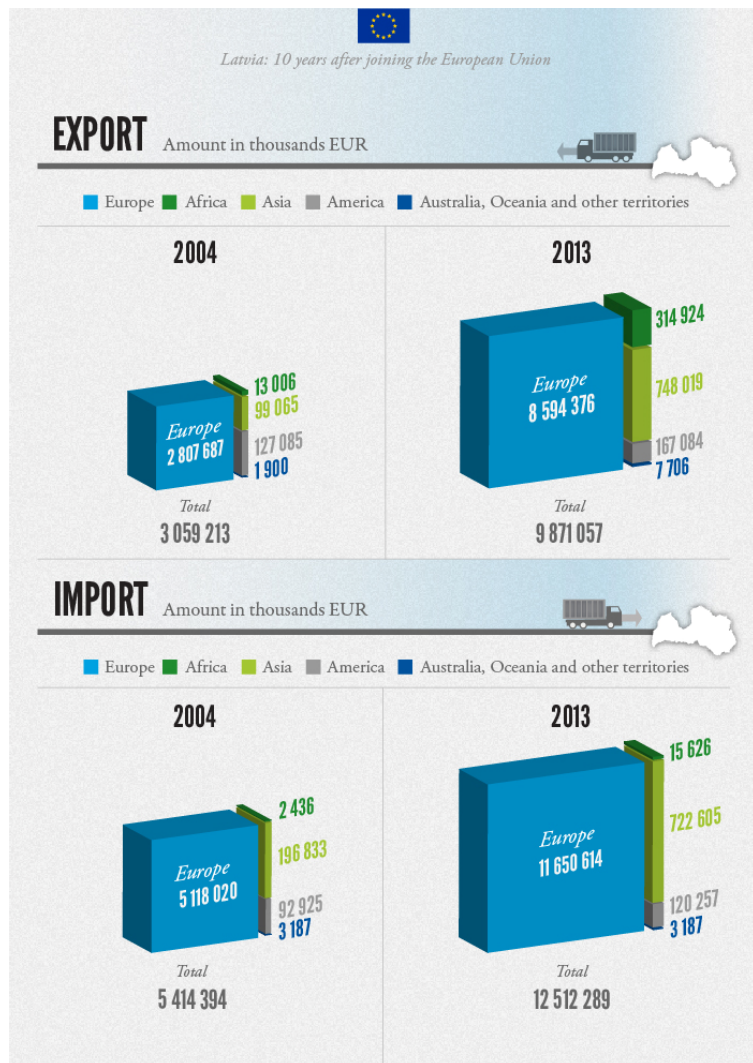


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## Foreign Affairs and Defence

*Dīana Potjomkina and Kārlis Bukovskis, Research Fellows of the Latvian Institute of International Affairs, Māris Cepurītis, Researcher, Centre for East European Policy Studies*

Over the past 10 years Latvia has become more active and recognizable – our diplomacy reaches far beyond its traditional European and North American partners. Diplomatic contacts of Latvia with its Eastern Neighbours (e.g. Ukraine or Azerbaijan) and the emerging markets (e.g. China, India and Brazil) have become more active. Tangible cooperation with several countries has started thanks to the



membership of Latvia in the EU. For instance, today Latvia participates in the EU common dialogue with Africa and Caribbean group of countries. Top EU, NATO and UN officials visit Latvia considerably more often than before. For instance, the President of the European Commission has visited Latvia 3 times since 2004.

As a result of the economic crisis, foreign affairs and defence budgets, funds allocated to humanitarian aid and missions, as well as foreign trade indicators suffered a serious blow.

Although, in absolute figures, both foreign affairs and defence budgets demonstrate an increase, NATO data suggest that during this period the share of defence spending in relation to the gross domestic product (GDP) of Latvia has decreased. Latvia has also undertaken additional responsibilities in maintaining international security. Since 2004 participation of Latvia in international missions has mostly been conducted as part of NATO missions, e.g. by participating in NATO mission in Kosovo, Bosnia and Herzegovina, as well as in the mission in Afghanistan. Latvian troops have also joined the US forces in Iraq.

Latvia has actively provided humanitarian aid to countries like Iran and Haiti, as well as to Georgia and Moldova, totalling its overall contribution at €1 059 285 since 2004.<sup>1</sup> Latvia has increased not only the amount of its bilateral humanitarian aid, but has also joined multilateral development assistance projects, and has actively promoted its expertise in the EU observation, policing and the rule of law missions in Georgia, Afghanistan, Kosovo, and Bosnia and Herzegovina.

Despite the effects of the economic crisis on the economy of Latvia, membership of the EU has provided Latvian businesses with an opportunity to explore not only European, but also world markets, simultaneously integrating Latvia into global trade routes. Both import and export volumes have increased. Export to European countries has increased by more than 3 times, while the volume of imports has doubled. Exports of Latvia to the countries of Africa and Asia have increased by more than ten times.

|  | How it was       | How it is now    |
|--|------------------|------------------|
| Diplomatic and Consular representations of Latvia                                      | 36 (2002)        | 44 (2014)        |
| Visits of the EU top officials, average per year                                       | 0.5 (2000-2003)  | 1 (2004-2014)    |
| Visits of NATO and the UN Secretary Generals, average per year                         | 0.75 (2000-2003) | 1.09 (2004-2014) |
| The proportion of Ministry of Foreign Affairs spending within the overall state budget | 0.6% (2004)      | 1.1% (2014)      |
| The proportion of Ministry of Defence spending within the overall state budget         | 4.4% (2004)      | 3.1% (2014)      |
| Defence spending, % of GDP   | 1.4% (2004)      | 0.9% (2014)      |
| Armed forces (in thousands)  | 6 (2004)         | 5 (2014)         |
| Representatives of National Armed Forces in international missions                     | 529 (2004)       | 197 (2013)       |
| Civilian experts of Latvia in missions, in total                                       | 4 (2004)         | 6 (2013)         |
| Financial contribution of Latvia to development assistance (millions, EUR)             | 6.83 (2004)      | 17.9 (2013)      |
| Proportion of people supporting assistance to the developing countries                 | 73% (2005)       | 80% (2012)       |

Sources: Ministry of Internal Affairs, Ministry of Foreign Affairs, Ministry of Defence, homepage of the National Armed Forces of Latvia, NATO information on defence spending of member states (1990-2013), Laws on State Budget for 2004 and 2014, Central Statistical Bureau of Latvia, *Eurobarometer*.

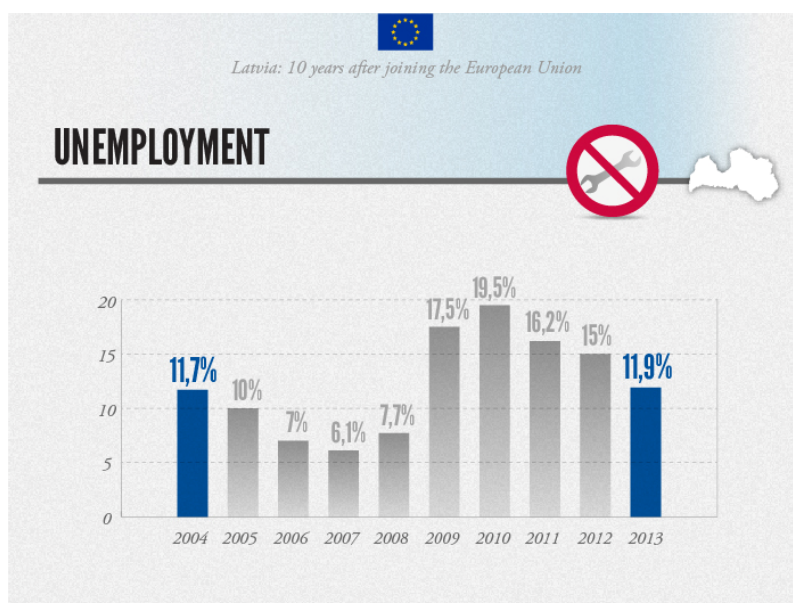
## Labour Market and Entrepreneurship

*Alfs Vanags, Director, Baltic International Centre for Economic Policy Studies*

Since 2004, important structural changes have taken place in terms of population distribution based on its economic activity. The largest part of the population is involved in the service industry, which is also characteristic to other EU member states. Substantial changes have taken place in financial, insurance and real estate operation service sectors, where the number of employees has increased two times since 2004, and in 2012 constituted 11.5% of the total number of the employed population. The number of people employed in the industrial sector, particularly the construction sector, has decreased. During the period of economic growth the number of people employed in the construction sector increased to 125,000, while in 2012, as a result of the economic crisis, it dropped to just 62,000 - less compared to 2004.

Labour productivity has substantially increased. Nevertheless, Latvia still ranks as the third weakest in the EU in this area (after Romania and Bulgaria). The level of employment during the economic boom (particularly in 2007 and 2008) was the highest since regaining independence. However, during the crisis unemployment rose to 19.8% of the total population, which was the second highest figure in the EU (after Spain). The latest statistical data indicates that unemployment decreased in 2013, while still remaining at a high level of almost 12%.

The number of employed people is yet to reach the pre-crisis level. Moreover, youth unemployment has become a serious issue during the economic crisis – it is significantly higher compared to other age groups. While in 2007 the proportion of young people under the age of 25 in the job seeking population stood at only 10.6%, today it is approximately 30%.<sup>2</sup>





The battle with the “shadow economy” and tax evasion is still an ongoing problem. Between 1999 and 2007 the proportion of shadow economy in the overall economy of Latvia reached as high as 41.6%<sup>3</sup>, while the latest estimates point to a decrease to 21-26% in 2012.<sup>4</sup>

While in 2004 exports contributed to only 29% of the GDP, in 2012 its importance rose to 44.7%. The number of trade partners in exports also increased by one third. However, little has been achieved in Latvia in terms of developing innovative entrepreneurship.

|   | How it was   | How it is now       |
|---|--------------|---------------------|
| Employed in the services sector   | 59.3% (2004) | 68% (2012)          |
| Employed in the industrial sector   | 27.2% (2004) | 23.4% (2012)        |
| Labour productivity vs. the EU average                                    | 45.8% (2004) | 64% (2012)          |
| Unemployment  | 11.7% (2004) | 11.9% (2013)        |
| The proportion of exports in foreign trade                                | 36.1% (2004) | 44.5% (2012)        |
| The proportion of exports in the GDP                                      | 29% (2004)   | 44.7% (2012)        |
| To how many countries are Latvian goods exported?                         | 152 (2004)   | 200 (2013)          |
| Percentage of high-tech products in overall exports                       | 4.6% (2004)  | 6.3% (2012)         |
|   |              | EU average - 15.6%  |
| Innovation-based business revenue (% of turnover)                         | 5.1% (2004)  | 3.1% (2010)         |
|   |              | EU average - 13.4%  |
| Spending on research and development as a percentage of the GDP           | 0.42% (2004) | 0.66% (2012)        |
|   |              | EU average - 2.06%  |
| Applications for European high-tech patents (per one million inhabitants) | 0.32 (2003)  | 0.11 (2009)         |
|   |              | EU average - 19 319 |

Sources: Author's personal calculations, Central Statistical Bureau, Eurostat

## Internal Security

Ilona Kronberga, Researcher, Centre for Public Policy PROVIDUS



Since 2004, the overall number of registered offences in Latvia has decreased. However, drug related crimes have become more frequent. The number of road transport accidents has also decreased, including a 400% decrease in fatalities related to them.

The number of convicted persons is considerably lower in Latvia – among minors this number has even decreased by 300%. The number of acquitted persons has also declined.

Establishment of the State Probation Service has provided increased opportunities for applying individualised sanctions. Therefore, over the past 10 years it has been possible to achieve a considerable decrease in the number of imprisoned persons for crimes not detrimental to other persons' health or life.

The number of instances when imprisonment is applied as a sentence to minors in particular has decreased.

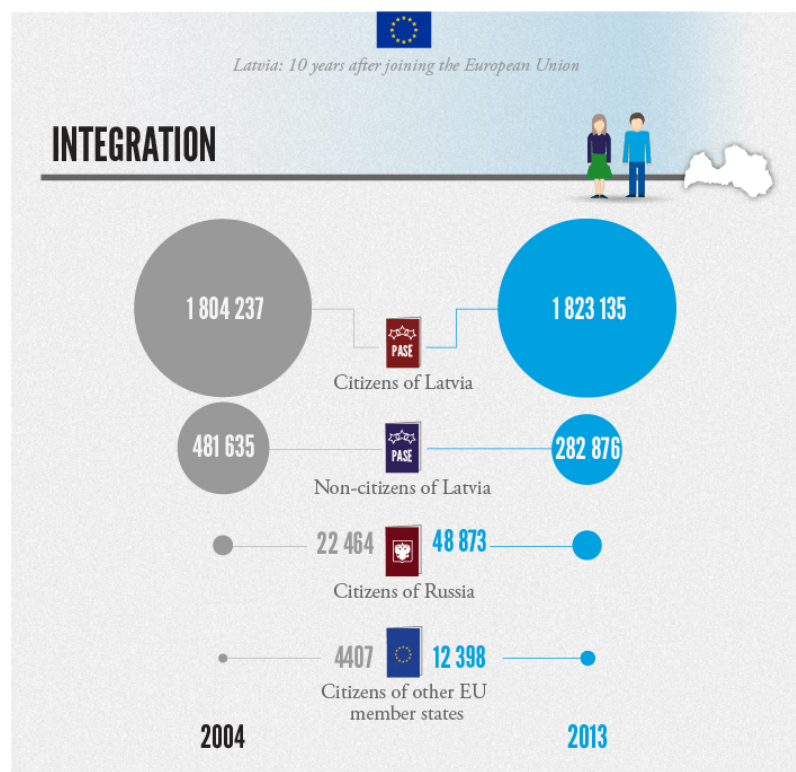
|   | How it was    | How it is now |
|---|---------------|---------------|
| Total number of criminal offences                           | 62,173 (2004) | 47,561 (2013) |
| Premeditated murders  | 199 (2004)    | 75 (2013)     |
| Rapes   | 319 (2004)    | 73 (2013)     |
| Robberies   | 2,467 (2004)  | 917 (2013)    |
| Road traffic offences with severe consequences              | 1,613 (2004)  | 665 (2013)    |
| Production, keeping and sale of drugs                       | 1,148 (2004)  | 1,637 (2013)  |
| Total number of road transport accidents                    | 48,912 (2004) | 36,818 (2013) |
| Road transport accidents resulting in death or injury       | 5,081 (2004)  | 3,489 (2013)  |
| Number of fatalities in road transport accidents            | 516 (2004)    | 179 (2013)    |
| Number of injured in road transport accidents               | 6,416 (2004)  | 4,338 (2013)  |
| Number of convicted persons                                 | 11,338 (2004) | 8,050 (2013)  |
| Number of convicted minors                                  | 1,420 (2004)  | 595 (2013)    |
| Number of acquitted persons                                 | 408 (2004)    | 200 (2013)    |
| Total number of imprisoned persons (arrested and convicted) | 8,231 (2004)  | 5,120 (2013)  |
| Imprisoned minors (arrested and convicted)                  | 158 (2004)    | 41 (2013)     |
| Forced labour (total number of sentenced persons)           | 1,097         | 6,171         |

Sources: Central Statistical Bureau, Road Traffic Safety Directorate, Court Information System

## Integration and Migration

*Dace Akule, Director, Centre for Public Policy PROVIDUS*

Since the day Latvia became an EU member 10 years ago, the composition of its population has undergone several significant changes. First of all, largely due to the relatively low birth rate and the high death rate, as well as due to emigration, the total population has decreased. Secondly, the number of citizens of other EU countries residing in Latvia has tripled since 2004. This means that one of the basic freedoms of the EU – free movement of people – has manifested itself as migration in both directions. Thirdly, the number of non-citizens in Latvia has fallen to a third of what it was. This can be attributed to the fact that many people have obtained Latvian citizenship, thus increasing the proportion of citizens, while another part of the population has adopted Russian citizenship, thus doubling the number of Russian citizens as permanent residents in Latvia. This fact partially explains the causes of the dramatic slowdown in the speed of naturalisation over the past 10 years. Furthermore, the number of non-citizens motivated to obtain Latvian citizenship, and thereby enjoy opportunities available to EU citizens, is decreasing. Those interested in these opportunities had already obtained citizenship during the first few years following Latvia's accession to the EU.



Latvia has become increasingly attractive to citizens of other EU countries and of non-EU countries who choose to travel here or reside in Latvia temporarily or permanently. If 10 years ago only approximately 2,000 people asked for a residence permit of up to 5 years, in 2013 this number was almost three times higher, representing almost all groups of immigrants. Compared to the situation 10 years ago, there are three times more people who choose to study in Latvia as well as those wanting to obtain asylum. But the most significant change is related to the fact that in 2013 most of the non-EU citizens obtained residence permits after a real estate purchase. Most of the immigrants are citizens of the Commonwealth of Independent States (CIS) who are also the ones who choose Latvia as a place for recreation three times more often than they did 10 years ago.

Marriages where both spouses are citizens of Latvia, are on the increase, which is in line with the overall increase in the proportion of citizens of Latvia in its population. Compared to 2004, instances of Latvian citizens marrying citizens of other countries or non-citizens of Latvia have become rarer, while the number of non-citizen marriages or foreign citizen marriages in Latvia in 2012 fell to a half of what it was. There have been no significant changes in the number of mixed marriages, if one judges by the ethnic self-identification of the spouses.

Language proficiency of the population of Latvia has not changed, with the exception of a more widespread knowledge of English. But more people of Latvia take pride in or affiliate themselves with the European identity, while simultaneously increasing their affiliation with their national identity.

|  | How it was            | How it is now         |
|--|-----------------------|-----------------------|
| Proportion of citizens of Latvia in the overall population   | 77.8% (2004)          | 83.6% (2014)          |
| Proportion of non-citizens in the overall population of Latvia   | 20.8% (2004)          | 12.9 (2014)           |
| Proportion of citizens of Russia in the overall population   | 1% (2004)             | 2.3% (2014)           |
| Proportion of citizens of other EU member states in the overall population   | 0.2% (2004)           | 0.6% (2014)           |
| Number of persons naturalized in the course of one year  | 160,64 (2004)         | 1,732 (2013)          |
| Number of foreigners residing in Latvia on the basis of a temporary residence permit   | 7,547 (2004)          | 18,716 (2013)         |
| Number of foreigners residing in Latvia on the basis of a permanent residence permit   | 25,466 (2004)         | 47,391 (2013)         |
| Number of temporary residence permits issued for the first time  | 2,061 (2004)          | 6,609 (2013)          |
| Number of permanent residence permits issued for the first time  | 1,914 (2004)          | 3,085 (2013)          |
| Number of residence permits issued for the first time due to study reasons   | 303 (2004)            | 900 (2013)            |
| Number of persons who have been granted a refugee or alternative status.   | 10 (2006)             | 35 (2013)             |
| Number of foreign tourists (who have crossed the border)   | 3,774,422 (2005)      | 5,821,779 (2013)      |
| Number of tourists from the EU countries   | 3,358,985 (2005)      | 4,601,302 (2013)      |
| Number of tourists from the CIS countries  | 309,660 (2005)        | 933,294 (2013)        |
| Number of marriages among citizens of Latvia (both spouses are citizens of Latvia)   | 7,065 or 68.1% (2004) | 8,629 or 68.1% (2012) |
| Number of marriages when one of the spouses identifies with one ethnic group, while the other spouse with a different ethnic group | 3,610 or 34.8% (2004) | 4126 or 36.6% (2012)  |
| Native language - Latvian  | 73% (2005)            | 71% (2012)            |
| Native language - Russian  | 27% (2005)            | 27% (2012)            |
| Knowledge of Russian language in addition to the native language   | 70% (2005)            | 67% (2012)            |
| Knowledge of English language in addition to the native language   | 39% (2005)            | 46% (2012)            |
| Take pride in, and are affiliated with the European identity   | 51% (2005)            | 62% (2009)            |
| Take pride and are affiliated with the national identity   | 83% (2005)            | 86% (2009)            |

Sources: The Office of Citizenship and Migration Affairs, Central Statistical Bureau, *Eurobarometer*.

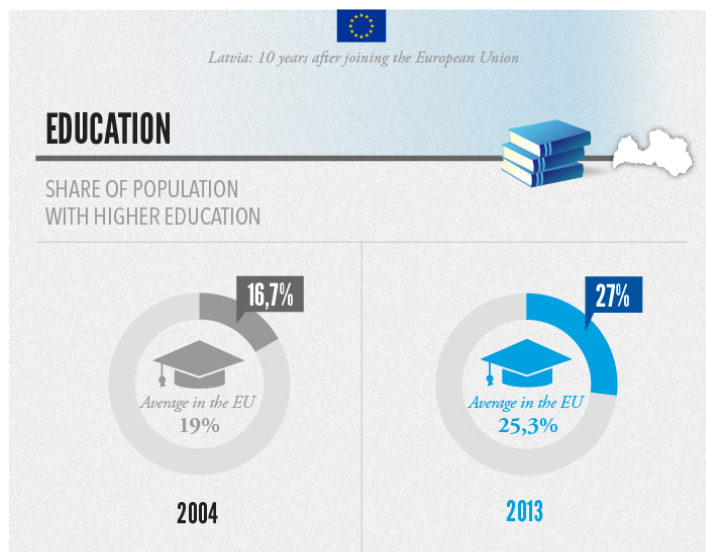


## Education

Liesma Ose, education expert

Since joining the EU, education has become more mobile. Studies abroad have increasingly become the norm. Equally, the presence of international students in Latvia represents nothing unusual any more. From 2009 to 2013: 5,450 students and lecturers have made use of ERASMUS – the EU programme for mobility and cooperation in higher education<sup>5</sup>. In 2013: 1,745 Latvian exchange students studied at higher education establishments in 42 countries.

The international study on the quality of education in the area of secondary education assessed the achievements of Latvian pupils in mathematics, natural sciences and reading as being on a par with the EU average indicators<sup>6</sup>. After the introduction of education reform for minority schools, it is important to take



into account the 2012 data stating that performance of secondary school graduates in the centralised Latvian language exam has been similar for both ethnic minority and Latvian pupils.<sup>7</sup>

Due to the "demographic depression" – a lower birth rate, the total number of students in Latvia has been decreasing. In addition, the number of schools and pupils is also diminishing and it has affected both the Latvian language as well as ethnic minority or bilingual schools. Nevertheless, the number of early school leavers has declined and indicators of Latvia today are better compared to the EU average.

It is still a fact that few people above the age of 25 get involved in educational programmes and their number has declined since 2004. At the same time the proportion of people with higher education has substantially increased, slightly exceeding the average EU indicators.

|   | How it was     | How it is now      |
|---|----------------|--------------------|
| Number of students  | 127,656 (2004) | 89,671 (2013)      |
| Number of Latvian students studying abroad  | 308 (2004)     | 1,745 (2013)       |
| Proportion of foreign students in Latvia  | 1.8% (2004)    | 5.25% (2013)       |
| Number of comprehensive schools   | 1,044 (2004)   | 807 (2013)         |
| Number of pupils  | 327,358 (2004) | 212,433 (2013)     |
| Pupil to teacher ratio  | 11.1 (2004)    | 9:1 (2013)         |
| Share of education in the state budget (percentage of GDP)  | 5.08% (2004)   | 4.93% (2011)       |
| Proportion of Latvian pupils capable of solving mathematics tasks of the highest degree of difficulty | 8% (2003)      | 8% (2012)          |
| Proportion of Latvian pupils without the basic competences in mathematics                             | 24% (2003)     | 20% (2012)         |
| Proportion of young people who have left studies prematurely  | 14.7% (2004)   | 9.8% (2013)        |
| Number of pupils in Latvian language schools  | 181,097 (2005) | 129,788 (2013)     |
| Number of pupils at schools, implementing minority education programmes                               | 76,229 (2005)  | 54,241 (2013)      |
| Percentage of minority population with a knowledge of Latvian   | 53% (2000)     | 92% (2011)         |
| Proportion of population involved in lifelong learning, age group 25 to 64                            | 8.4% (2004)    | 6.5% (2013)        |
|   |                | EU average - 10.4% |
| Proportion of population with higher education  | 16.7%          | 27.0%              |

Sources: Erasmus programme statistics, OECD *Programme for International Student Assessment*, data of the National Centre for Education, Central Statistical Bureau, Eurostat, study of Latvian Language Agency "Language Situation in Latvia 2004 - 2010" and examination of the State Language Proficiency in Latvia: results and their Analysis".

## Welfare

*Alfs Vanags, Director, Baltic International Centre for Economic Policy Studies*

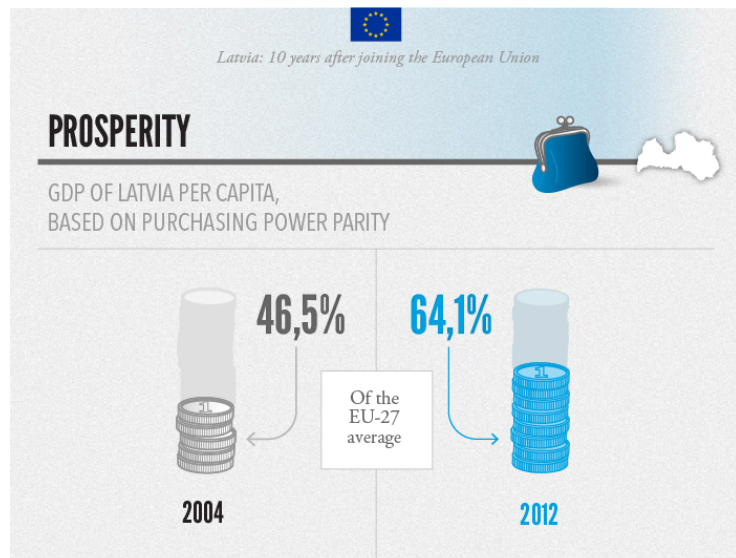
Between 2004 and 2012 the GDP of Latvia grew by 30.9%<sup>8</sup>. However, it was not a steady process of economic growth, since this period in Latvia has been affected by profound economic crisis. The 2008 inflation – 15.4%<sup>9</sup>, as well as the overall fall in the GDP (per capita) – 17.5%<sup>10</sup>, which was the highest among the EU countries, provide an accurate picture of the situation. Also, despite the fact that the GDP per capita in Latvia has come closer to the EU average indicators, it is still the third lowest in the EU.

The increase of the GDP per capita is reflected in salaries. Between 2004 and 2012 the average monthly net salary increased by more than 200%. The real salary increase (according to the purchasing power of the currency) has been slower, but has still been significant: 45%.

Public consumption confirms the average increase in the welfare level and the quality of life. From 2004 to 2013 the number of households with access to a personal computer increased by almost 300%, while access to the Internet, by almost 5 times. Moreover, according to an international assessment in 2012 the average speed of Internet connection in Latvia was the fifth fastest in the world (8.8Mbps)<sup>11</sup>, and free wireless Internet access is currently available almost in all public places. There have been no proportionate changes in the number of registered cars in relation to the total population: as a result of the crisis it has stayed at almost precisely the same level<sup>12</sup>.

Rapid development of infrastructure has taken place during the past ten years, e.g. Riga International Airport has become the largest international aviation enterprise in the Baltics and the main air transport hub of this region. In 2004, Riga had only 30 direct air connections with other cities, while today it is possible to reach 70 destinations from the city airport. The number of flights has increased 2.5 times<sup>13</sup> and the number of passengers serviced – 4.5 times<sup>14</sup>.

However, income distribution of the population does not testify to the overall increase in public welfare. Since joining the EU, these indicators in Latvia have not significantly changed. According to provisional data of the Central Statistical Bureau<sup>15</sup>, in 2012 the income of the richest 20% of the people surpassed the income of the poorest 20% by 6.4 times, and this indicator is close to the 2004 level (when it was 6.7). In 2007 and 2008 the income gap between the rich and the poor in Latvia was the biggest among all EU member states.



|  | How it was                 | How it is now                        |
|--|----------------------------|--------------------------------------|
| GDP per capita, taking into account the purchasing power of the population                                     | 46.5% of EU average (2004) | 64.1% of EU average (2012)           |
| Average net salary   | €214 (2004)                | €488 (2012)                          |
| Number of households with access to a personal computer  | 25.9% (2004)               | 71.7% (2013)                         |
| Number of households with Internet access  | 14.7% (2004)               | 71.6% (2013)                         |
| Population at risk of poverty and social exclusion (percentage of total) <sup>16</sup>                         | 46.3% (2005)               | 36.2% (2012)<br>(EU average - 24.8%) |
| Proportion of the poorest part of population (e.g. those who cannot afford to consume meat or pay their bills) | 39.3% (2005)               | 25.6% (2012)<br>EU average - 9.9%    |

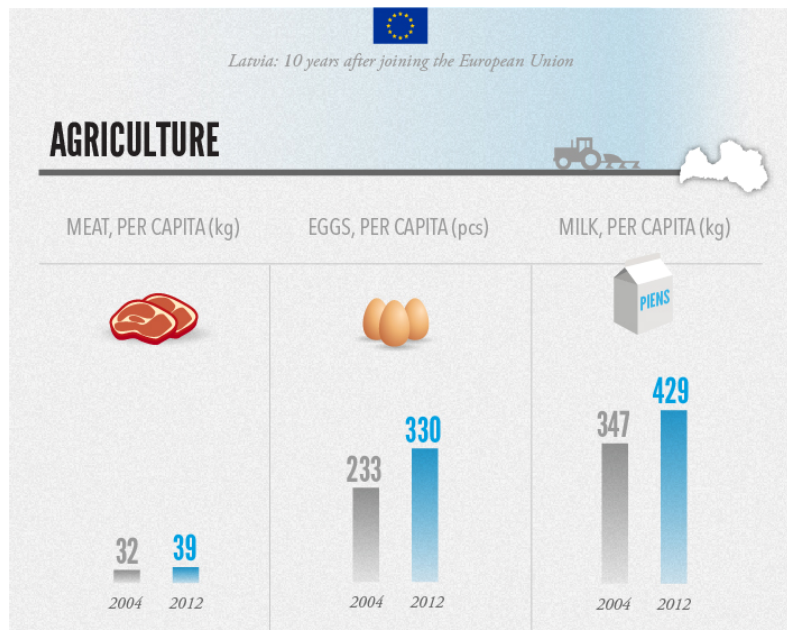
Sources: Central Statistical Bureau, Latvian Investment and Development Agency, Riga International Airport, Eurostat



## Agriculture

Līva Liepniece, expert, Union “Farmers Parliament”

Membership of Latvia in the EU has significantly increased the support available to Latvian farmers. While in 2003 this support consisted of approximately 11 million LVL, in 2013 it constituted 173 million LVL<sup>17</sup>. In the course of the ten years €3.6 billion have been invested in agriculture<sup>18</sup> and financed by the EU (both area payments and project financing).



The largest agricultural sector of Latvia – grain cultivation, has experienced the most rapid development, testified by a two-fold increase in its productivity. In 2012 areas have increased by 9%, gross harvest by 50% and crop yield by 38%. The particular success story of Latvian agricultural sector is the fact that we have the fifth largest proportion of biologically-certified land in the EU.

Due to cooperation among farmers, it has been ensured that products have a stable export market. Export indicators of 2013 are an important achievement – farmers and fishermen contributed to 20% of the total exports<sup>19</sup>.

Although dairy farming has experienced its ups and downs after EU accession, today Latvia produces more milk, meat and eggs per capita than it did in 2004.

|  | How it was   | How it is now |
|--|--------------|---------------|
| Percentage of employed who are involved in agriculture, forestry and fisheries | 8.0% (2008)  | 8.0% (2013)   |
| Percentage of employed, skilled in agriculture, forestry and fisheries         | 7.5% (2004)  | 3.5% (2013)   |
| Proportion of biologically-certified land out of the total agricultural land   | 1.6% (2004)  | 10.6% (2012)  |
| Crop production area, in thousands of hectares                                 | 437 (2004)   | 575 (2013)    |
| Gross harvest (in thousands of tons)   | 1,096 (2004) | 2,125 (2013)  |
| Production of meat per capita, kg  | 32 (2004)    | 39 (2012)     |
| Production of eggs per capita, units   | 233 (2004)   | 330 (2012)    |
| Production of milk per capita, kg  | 347 (2004)   | 429 (2012)    |

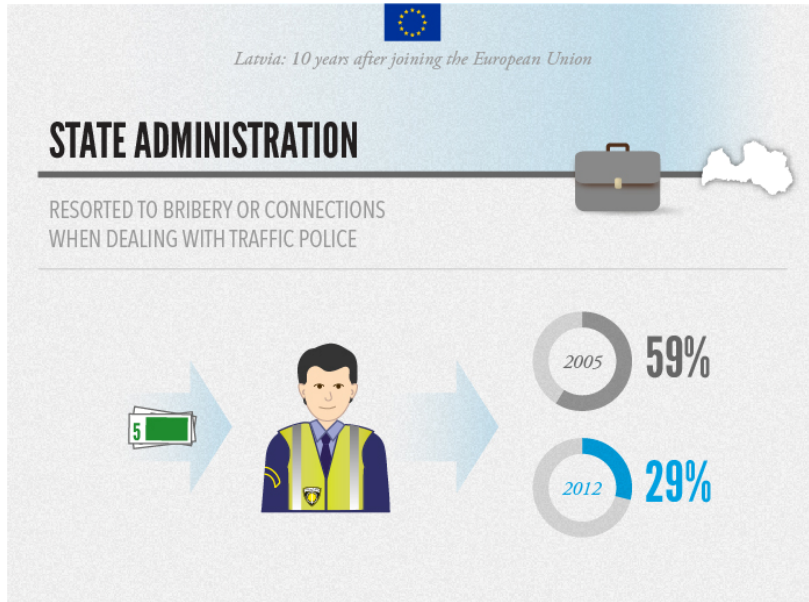
Sources of: Eurostat, Central Statistical Bureau, Ministry of Agriculture

## Good Governance

Iveta Kažoka, Researcher, Centre for Public Policy PROVIDUS

When evaluating the quality of democracy in Latvia and the EU 10 years after the membership of Latvia, one can argue that the population of Latvia differs slightly from the "average statistical European". Overall, we are equally optimistic, or one can say, equally pessimistic compared to the inhabitants of other EU member states. Since the moment of accession these indicators have only partially improved. As a nation we, compared to other Europeans, are slightly more pessimistic when we assess our political parties or the Parliament, and we are equally sceptical when asked about our trust in the Government (The Cabinet of Ministers). At the same time, we are relatively big optimists when assessing the European Union.

The citizens of Latvia are more inert at attending elections. At the same time our self-assessment on the ability to influence decisions made in Latvia has improved. The probable reason for this is the fact that since joining the EU, 5 referenda, several elections, including an extraordinary general election after dismissing the Saeima in 2011, have taken place. Several signature collection campaigns initiating referenda, as well as collective appeals to the Saeima on the manabalss.lv website have been conducted in Latvia. Nevertheless, we are still lagging far behind the "average European" in our belief that our vote counts. One of the most visible public battles of the past 10 years has been the fight against corruption and for reducing the influence of money in politics. Today it seems that this battle has been successful in some areas. However, the overall tendency is still debatable.



So what has happened to the efficiency, speed and quality of public administration? The number of large public institutions has been reduced due to the economic crisis, resulting in their consolidation. Administrative and territorial reform was the most important reform in public administration during this period. It reduced the number of local authorities several times and is still provoking mixed feelings. The feverish legislative process characteristic to the Saeima during the EU accession period has slowly calmed down. Therefore, the Saeima will need to increasingly shift its focus on the quality of each separate legislative act. The most important technological innovation easing the daily workload for people and enterprises has been the introduction of Internet services as part of the public service system.

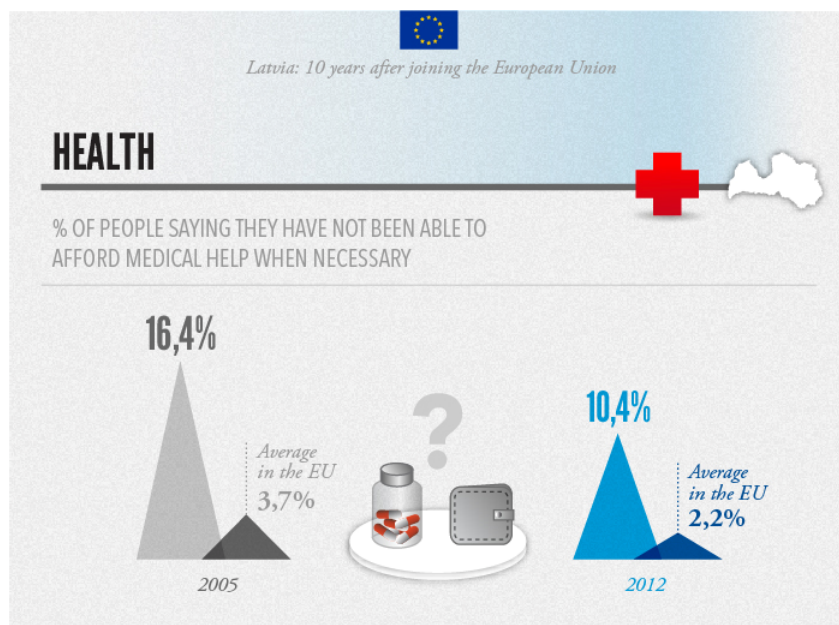
|  | How it was     | How it is now    |
|--|----------------|------------------|
| Satisfied with the quality of democracy in Latvia  | 35% (2004)     | 41% (2013)       |
| Satisfied with the quality of democracy in the European Union  | 40% (2004)     | 59% (2013)       |
| Trust in political parties   | 9% (2004)      | 9% (2013)        |
| Trust in the Government  | 28% (2004)     | 20% (2013)       |
| Trust in the Parliament  | 20% (2004)     | 15% (2013)       |
| Trust in the European Union  | 39% (2004)     | 36% (2013)       |
| Belief in own power to influence decisions in Latvia   | 17% (2008)     | 27% (2013)       |
| Belief in own power to influence decisions in the European Union   | 13% (2004)     | 17% (2013)       |
| Participate in Saeima elections  | 71.51% (2002)  | 59.45% (2013)    |
| Participate in municipal elections   | 52.85% (2005)  | 45.99% (2013)    |
| When facing traffic police, people who have offered bribes or used their connections                                   | 59% (2005)     | 29% (2012)       |
| The average amount of donations received by a political party in Latvia in the year of municipal elections             | €1,004 (2005)  | €767 (2013)      |
| Officials sentenced for misconduct in public office  | 63 (2004)      | 34 (2012)        |
| Number of days required for registering a new business   | 16 days (2004) | 12.5 days (2014) |
| Number of persons who have used the Internet to communicate with the public authorities in the course of past 3 months | 13% (2004)     | 31% (2010)       |
| Number of local municipalities   | 522 (2004)     | 119 (2014)       |
| Draft legislative acts submitted in the Saeima   | 424 (2007)     | 335 (2012)       |

Sources: Eurobarometer, Central Election Commission

# Healthcare

Dace Likanse, expert, Patients' Ombud Office

Compared to the average EU indicators, one can note that healthcare in Latvia has been lagging behind. The low health indicators are directly linked with the social and economic situation in the country, the high level of unemployment, inequality and the large number of people facing social risks. At the same time, when we look at the dynamics of life expectancy between 2004 and 2012, we can note that the projected life expectancy (at birth) in 2012 has increased for both men and women. Indicators of infant mortality have also demonstrated a decrease.



Analysing the self-assessment data of the population's health, one must conclude that in 2012 people had assessed their health more positively compared to 2005. However, the sickness rate related to malignant tumours has substantially risen – this is the second most frequent cause of death immediately after cardiovascular diseases. There are positive tendencies related to active tuberculosis morbidity, and alcoholism and traumatism are also on a decline.

The rise of morbidity has been affected by the poor capacity of patients to pay for medical services,

which is one of the factors why patients (particularly, the elderly) cannot receive timely treatment. Compared to other EU countries, the amount of co-payment is disproportionately high in Latvia, resulting in the fact that one out of 10 persons cannot afford medical aid, when it is needed. Although there are noticeable differences compared to the situation in 2004, the overall situation is bleak – the average number for this category of people across the EU is just 2.2%.

Assessing hospital care indicators, one should point to the decreasing number of hospital beds. Nevertheless, it is still above the EU average.

|  | How it was   | How it is now                    |
|--|--------------|----------------------------------|
| Projected female life expectancy (at birth)  | 76.0 (2004)  | 78.9 (2012)<br>EU average - 83.1 |
| Projected male life expectancy (at birth)  | 65.6 (2013)  | 68.9 (2012)<br>EU average - 77.5 |
| Projected female life expectancy after reaching the age of 65                                      | 17.1 (2007)  | 18.5 (2012)<br>EU average - 21.1 |
| Projected male life expectancy after reaching the age of 65  | 12.6 (2007)  | 13.6 (2012)<br>EU average - 8.4  |
| Infant mortality (per 1000 new-borns)  | 7.7 (2005)   | 6.3 (2012)                       |
| Self-assessment of health as good or very good among people at the age of 16 and older             | 35.1% (2005) | 45.3% (2012)                     |
| Self-assessment of health as poor or very poor among people at the age of 16 and older             | 21.6% (2005) | 16.7% (2012)                     |
| Chronic disease, protracted sickness or physical handicaps among people at the age of 16 and older | 36.4% (2005) | 39.5% (2013)                     |



|  |               |                                    |
|--|---------------|------------------------------------|
| Malignant tumour morbidity rate (per 100,000 people, first time diagnosis)                 | 443.46 (2004) | 564.12 (2012)                      |
| Morbidity rate for active tuberculosis (per 100,000 people, number of first time patients) | 61 (2004)     | 43 (2012)                          |
| Morbidity rate for mental illnesses (per 100,000 people)                                   | 258 (2004)    | 318 (2004)                         |
| Alcoholism - first time diagnosis (per 100,000 people)                                     | 117 (2004)    | 82 (2012)                          |
| Addiction to psychotropic substances - first time diagnosis (per 100,000 people)           | 8 (2004)      | 10 (2012)                          |
| Number of HIV infection cases (registered)   | 3,034 (2004)  | 5,527 (2012)                       |
| Number of persons recognised as disabled (first time)                                      | 9 849 (2004)  | 15 017 (2012)                      |
| Percentage of people claiming that they could not afford medical care at the time of need  | 16.4% (2004)  | 10.4% (2012)<br>EU average - 2.2%  |
| Number of doctors per 100,000 persons  | 285.5 (2004)  | 313.7 (2011)                       |
| Number of hospital beds per 100,000 persons  | 773.6 (2004)  | 588.4 (2011)<br>EU average - 538.7 |
| Number of psychiatric hospital beds per 100,000 persons                                    | 157 (2004)    | 129.1 (2011)<br>EU average - 72.8  |
| Total number of emergency medical care calls per 100,000 people                            | 225 (2004)    | 226 (2012)                         |
| Average time of patient treatment  | 10.4 (2004)   | 8.3 (2012)                         |

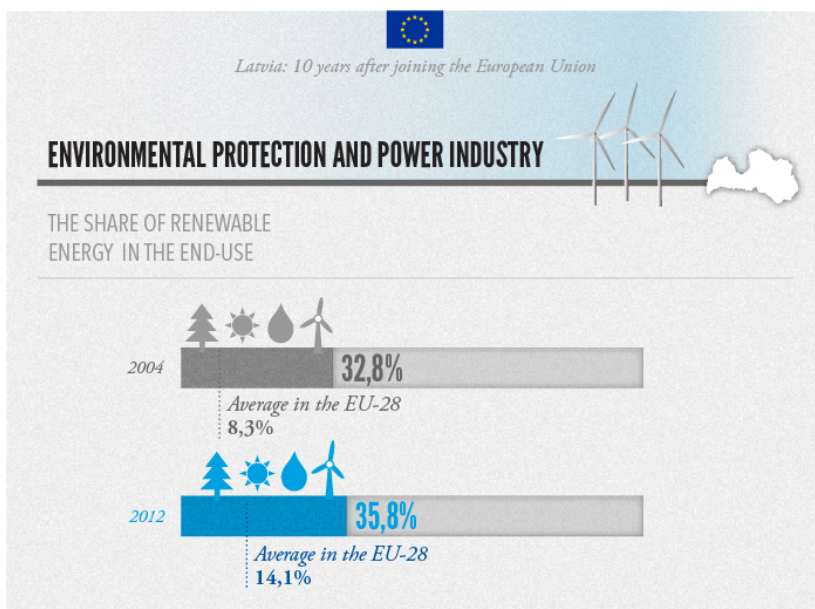
Sources: Eurostat, Central Statistical Bureau

## Environment and Energy

Jānis Brizga, Head of Environmental NGO "Zaļā brīvība"(Green Liberty)

Reinis Abolītiņš, Researcher, Centre for Public Policy PROVIDUS

Over the past ten years Latvia has invested EU structural fund resources in improving the quality of drinking water and upgrading effluent water plants, in the development of protected natural areas, as well as in closing or transforming waste burial grounds into modern regional waste disposal facilities. Since 2004, by only using EU funds, over €156m have been invested. The impact of the consumer society has increased the amount of produced and buried waste, while air pollution has declined.



Influenced by the EU, Latvia has raised prices for fossil energy products by increasing excise tax on fuel, natural gas and electrical energy. In addition, Latvia has been involved in the trading of greenhouse gases emission quota, as the environmental damage caused by Latvia has not increased since 2004. Latvia has invested the funds obtained by these trades (over €200m) in heat insulation of buildings, development of various new climate technologies, as well as by promoting the use of renewable resources in supplying heat to individual houses. As a result, energy effectiveness has slightly improved, illustrated by the decreasing

consumption of thermal energy by households. However, Latvia is still lagging behind the EU average in this area<sup>20</sup>.

In comparison to 2004, in line with the economic development, end-user consumption of energy and electrical energy has also increased moderately. This increase reflects itself in both – businesses and

households. Also, Latvia, compared to other EU member states, has produced good results in utilising renewable energy resources in the overall energy consumption. Latvia gradually moves towards fulfilling the goals of 2020 when 40% of energy consumption will be expected to come from renewable resources.

|  | How it was                               | How it is now    |
|--|--|------------------|
| Index of meadow bird population (taking indicators of 2000 as the basis) | 87.1 (2005)                              | 100.2 (2012)     |
| Resources allocated to environmental protection (percentage of the GDP)  | 0.75 (2005)                              | 0.78 (2010)      |
| The waste produced (in thousands of tons)                                | 543.49 (2004)                            | 694.013 (2010)   |
| Annual amount of buried waste per capita                                 | 288 kg (2004)                            | 300 kg (2010)    |
| Annual greenhouse gas emissions (in millions of tons)                    | 11.00 (2004)                             | 11.49 (2011)     |
| Emissions of particulates (PM10) in the air (in millions of tons)        | 39.72 (2004)                             | 31.86 (2011)     |
| Energy produced by renewable resources                                   |  |                  |
| Latvia   | 46% (2004)                               | 44.9% (2012)     |
| EU-28  | 14.3% (2004)                             | 23.5% (2012)     |
| Share of renewable energy resources in the end-user consumption          |  |                  |
| Latvia   | 32.8% (2004)                             | 35.8% (2012)     |
| The EU   | 8.3% (2004)                              | 14.1% (2012)     |
| Consumption of thermal energy by households                              | 432.8 toe (ton of oil equivalent) (2004) | 384.9 toe (2012) |
| End-user consumption of energy per capita                                |  |                  |
| Latvia   | 1.79 toe (2005)                          | 1.98 toe (2012)  |
| The EU   | 2.4 toe (2005)                           | 2.18 toe (2012)  |
| End-user consumption of electrical energy                                | 5.4 TWh (2004)                           | 6.85 TWh (2012)  |
| Consumption of electrical energy by households                           | 1.47 TWh (2004)                          | 1.75 TWh (2012)  |
| Consumption of gas (billions of cubic meters)                            | 1.59 bcm (2004)                          | 1.44 bcm (2012)  |
| Dependency on energy imports   | 69.4% (2004)                             | 56.4% (2014)     |

Source: Eurostat.

<sup>1</sup> Data of the Ministry of Foreign Affairs of Latvia.

<sup>2</sup> Eurostat data on unemployment across gender and various age groups (average annual indicators, %).

<sup>3</sup> Schneider F.; Buehn A., Montenegro C.E., *Shadow Economies All Over the World: New Estimates for 162 Countries from 1999 to 2007* (June 2010). World Bank Policy Research Working Paper Series, Vol., pp. -, 2010.

<sup>4</sup> Putniņš T.J., Sauka A. "Ēnu ekonomikas indekss Baltijas valstīs 2009. -2012." SSE Riga Centre for Sustainable Business. SSE Riga, May 2013; Schneider F. Size and Development of the Shadow Economy of 31 European and 5 other OECD Countries from 2003 to 2012: Some New Facts.

<sup>5</sup> Erasmus Programme statistics, National Education Development Agency [homepage](#).

<sup>6</sup> Data on OECD assessment "Programme for International Student Assessment" (PISA) no Geske, A., Grīnfelds, A., Kangro, A., Kiseļova, R. [Latvija OECD Starptautiskajā skolēnu novērtēšanas programmā 2012 – pirmie secinājumi](#).

<sup>7</sup> National Centre for Education, centralised exams for 2012/2013: [results](#).

<sup>8</sup> Central Statistical Bureau, 2010 data on the GDP per capita in comparable prices.

<sup>9</sup> Central Statistical Bureau, data on consumer price index and changes in groups and subgroups in comparison with the previous year.

<sup>10</sup> Central Statistical Bureau, 2010 data on the GDP per capita in comparable prices.

<sup>11</sup> "Investment and Development Agency of Latvia": [Business Infrastructure](#).

<sup>12</sup> Central Statistical Bureau, data on the number of cars per 1000 people at the end of the year.

<sup>13</sup> Riga International Airport [statistics](#).

<sup>14</sup> Riga International Airport [statistics](#).

<sup>15</sup> Central Statistical Bureau, data on the index of income quintum proportion in Latvian regions.

<sup>16</sup> Eurostat data on people subjected to the risks of poverty or social exclusion by gender and various age groups.

<sup>17</sup> A rapidly developing export sector, [Balticexport.com](#).

<sup>18</sup> "Zemnieku Saeima" magazine, Spring 2014 issue, interview with Anna Vītola Helviga, Director of Rural Support Service

<sup>19</sup> "Zemnieku Saeima" magazine, Winter 2013 issue, interview with Laimdota Straujuma, former Minister of Agriculture.

<sup>20</sup> [EUROPE 2020 targets](#) in the field of climate change and energy