



SPRING 2018 REFORM BAROMETER – LATVIA

European Semester - Overall assessment of 2017 cycle

| | To what extent do you agree with these statements: | | Detailed comments |
|----|---|-------------------|-------------------|
| 1. | The National Reform Programme submitted by your Government (April 2017) is appropriate. | To a large extent | |
| 2. | The Commission's country specific recommendations for your country are appropriate. | To a large extent | |
| 3. | The Commission assessment of reform implementation the year before is appropriate. | To a large extent | |
| 4. | The Commission assessment of excessive imbalances (in-depth review) is appropriate. | To a large extent | |

Assessment of Country Specific recommendations 2017 in detail

| | | Q1: The recommendation is: | Q2: implementation on effort is: | Detailed comments |
|-------|--|----------------------------|--|--|
| CSR 1 | Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails achieving its medium-term budgetary objective in 2018, taking into account the allowances linked to the implementation of the systemic pension reform and of the structural reforms for which a temporary deviation is granted. Reduce taxation for low-income earners by shifting it to other sources that are less detrimental to growth and by improving tax compliance. | Important | Excellent / No further progress needed | Tax reform includes tax progressivity and is aimed at reducing the labour tax burden for lower wage recipients, enters into force. Taxation is shifting to consumption (fuel, alcohol and other excise goods). Increasing attention is being paid to combating the shadow economy, in particular in the construction industry, where the rule on electronic working time accounting enters into force. |



| | | Q1: The recommendation is: | Q2: implementation on effort is: | Detailed comments |
|-------|--|----------------------------|----------------------------------|--|
| CSR 2 | <p>Improve the adequacy of the social safety net and upskill the labour force by speeding up the curricula reform in vocational education. Increase the cost-effectiveness of and access to healthcare, including by reducing out-of-pocket payments and long waiting times.</p> | Important | Satisfactory | <p>Social partners are involved in the reform of vocational education - in the development of curricula, occupational standards, and introduction of work-based learning. LDDK is coordinating 12 sectoral skills' councils. In LDDK opinion, we have to carry on with recommendation about reforms in VET and involvement of social partners. Also, LDDK was involved in implementation of recommendation on cost-effectiveness of and access to healthcare. The new Law on financing of healthcare system was prepared. Further progress needed.</p> |
| CSR 3 | <p>Increase efficiency and accountability in the public sector, in particular by simplifying administrative procedures and strengthening the conflict-of-interest prevention regime, including for insolvency administrators.</p> | Important | Satisfactory | <p>In November of 2017, the Government approved reform plan of public administration. This plan is limited to the central administration, while significant efficiency gains may also be realised at municipal level.</p> |



Reform Progress in your Member State in 2017

How would you assess reform progress in 2017, for the following broad areas:

| | |
|--|--------------|
| Taxation and Public Finances | Excellent |
| Business environment (regulation/access to markets) | Satisfactory |
| Labour market | Satisfactory |
| Innovation and skills | Mixed |
| Access to finance and Financial stability | Satisfactory |

Is there any example of an economic reform, specific to your country that BusinessEurope could highlight in its 2018 Reform Barometer?

Tax reform, in particular - lower personal income tax for low wage earners and 0% corporate income tax rate for reinvested earnings.



Reform priorities for 2018

| | I. Policy Area | II. Concrete Recommendations | III. Are the proposed recommendations already in the agenda of your Government? |
|-------------------|--|---|---|
| Priority 1 | Sector specific regulation (telecom, energy) | Increase availability of electricity for industrial users (internationally competitive prices, connection time&costs) | yes |
| Priority 2 | Pension and health care reforms | Improve the quality and accessibility of health care services by reducing out-of-pocket payments and waiting times | yes |
| Priority 3 | R&D and Innovation | Increase R&D investments, raise innovation level | no |
| Priority 4 | Public sector efficiency | Administrative reform, increase of efficiency in municipalities | no |
| Priority 5 | Labour market mismatch and labour mobility | Retraining, promotion of mobility, optimizing the number of people employed in the public sector, re-emigration etc. | yes |