



12.05.2021.

No. 2-12/3

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European Commission
European Parliament Committee on Budgets
European Parliament Committee on Economic and Monetary Affairs
Members of the European Parliament from Latvia
European Commission Representation in Latvia
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Latvian social partners on Recovery and Resilience Facility (RRF) Plan of Latvia

On 27 April 2021 the Cabinet of Ministers of Republic of Latvia mandated the Ministry of Finance to ensure submission of the Recovery and Resilience Facility (RRF) Plan of Latvia the European Commission by 30 April 2021.

Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility in its Article 18 point 4. (q) stipulates that in order for the recovery and resilience plan to be considered as duly reasoned and substantiated it shall in particular set out the following elements,

(q) for the preparation and, where available, for the implementation of the recovery and resilience plan, a summary of the consultation process, conducted in accordance with the national legal framework, of local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders, and how the input of the stakeholders is reflected in the recovery and resilience plan;

In views of national social partners - the **Free Trade Union Confederation of Latvia (LBAS)** and **Employers' Confederation of Latvia (LDDK)** – the above mentioned requirement of the Regulation is not fully met and therefore the Recovery and Resilience Facility (RRF) Plan of Latvia can't be considered as duly reasoned and substantiated within the meaning of the Regulation since:

- 1) On 27 April 2021 a meeting on the National Tripartite Cooperation Council took place with an item on the agenda devoted to the Recovery and Resilience Facility (RRF) Plan of Latvia. The social partners presented their views on the Plan with number of proposals to be considered for the decision makers. For more information please see: <https://www.mk.gov.lv/lv/nacionalas-trispusejas-sadarbibas-padomes-2021-gada-27-aprila-sedes-darba-kartiba> ;
- 2) Right after the National Tripartite Cooperation Council the meeting of the Cabinet of Ministers took place and approved the Recovery and Resilience Facility (RRF) Plan of Latvia without a reference (such as minutes or audio record of the meeting made available at the website of the Cabinet of Ministers) to the meeting of the National Tripartite Cooperation Council of 27 April 2021, proposals of the social partners, discussions held and outcomes of the meeting as a justification being mentioned not having time for the members of the Cabinet of Ministers to get acquainted with the issues and opinions considered at the meeting of the National Tripartite Cooperation Council of 27 April 2021.

We would like to note that at the time of preparing this letter no minutes or audio record are still available at the website of the Cabinet of Ministers. Therefore national social partners concludes that decision at the meeting of Cabinet of Ministers on 27 April 2021 on the Recovery and Resilience Facility (RRF) Plan of Latvia was taken without the possibility for the government ministers to get acquainted with all the necessary materials.

Please be informed that according to the national regulation the main tasks of the National Tripartite Cooperation Council is to ensure and promote co-operation between the Government, employers 'and workers' organizations (trade unions) at national level with a view to ensuring a coherent solution to socio-economic development issues in the public interest and regulatory enactments on social and economic issues, which would guarantee social stability and increase the level of welfare in the country, and increase the co-responsibility of social partners for the adopted decisions and their implementation. For more information please see: <https://likumi.lv/ta/id/50778-nacionalas-trispusejas-sadarbibas-padomes-nolikums>

- 3) the Recovery and Resilience Facility (RRF) Plan of Latvia adopted on 27 April 2021 by the Cabinet of Ministers of Republic of Latvia and submitted to European Commission on 30 April 2021 doesn't reflect the input of the stakeholders, namely the national social partners, during the preparation of the recovery and resilience plan, the most recent contributions being the opinions prepared for the April 27 meeting of the National Tripartite Cooperation Council.

In the light above for your consideration please find enclosed position documents of the national social partners LBAS and LDDK that were submitted to and reviewed at the National Tripartite Cooperation Council meetings of 27 April 2021. The social partners supported the Recovery and Resilience Facility (RRF) Plan of Latvia in principle, provided that the proposals made for inclusion in the RRF Plan are taken into account or solutions are agreed upon from other financial sources.

Due to not full respect of the provisions laid down in Article 18 point 4. (q) of the Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility, we address the European Commission. We ask you during assessment of the Recovery and Resilience Facility (RRF) Plan of Latvia to consider the position of the national social partners and to inform us about European Commission's opinion on the Plan of Latvia.

Annexes:

1. *LDDK position for a meeting of the National Tripartite Cooperation Council (NTSP) on April 27, 2021 On Latvia's Recovery and Resilience Facility (unofficial translation from Latvian, 3 pages);*
2. *LBAS position for a meeting of the National Tripartite Cooperation Council (NTSP) on April 27, 2021 On Latvia's Recovery and Resilience Facility (unofficial translation from Latvian, 2 pages).*

Yours sincerely,

President of LBAS
Egils Baldzēns

President of LDDK
Vītālijs Gavrilovs

**LDDK position
for the 27 April 2021 meeting of the
National Tripartite Cooperation Council (NTCC)
on Latvia's Recovery and Resilience Plan**

Based on the decision made at a meeting of the Council of the Latvian Employers Confederation (LDDK) on 27 April 2021, the LDDK hereby proposes the following **draft decision of the NTCC on the meeting agenda item No. 1, On the national plan under the Recovery and Resilience Facility (RRF):**

LDDK supports the RRF plan in principle, provided that the following proposals for inclusion in the RRF plan are taken into account or solutions are agreed upon that will involve other financial sources:

1. Climate change and sustainability:

- 1.1. In order to reduce emissions in the transport industry, **support for the transport sector should be increased: by allocating funding to the main cities** (public transport), which would help reduce CO2 emissions and be aimed at society as a whole (supporting a proposal from the Latvian Association of Local and Regional Governments to allocate EUR 10 million for reducing emissions in transport sector);
- 1.2. In the climate adaptation section (climate change mitigation, adaptation to climate change, biodiversity), **support measures for forestry should continue with funding to increase the resilience and value of forest ecosystems** in the amount of at least EUR 22 million or with appropriate financing from the funds earmarked for the Rural Development Programme;
- 1.3. Funding must be provided to **address availability of non-financial data** in the context of ESG (Environmental, Social, and Corporate Governance), namely data collection, improving availability and use, functionality and interoperability of different national economy systems (e.g., transport, agricultural segments) with other systems for assessment of economic activities' impact on the environment.

2. Digital transformation:

- 2.1. Support must be provided for **top-level digital skills development programmes** at companies' request;
- 2.2. **Funding must be increased for and cooperation must be enhanced with the private sector on technology-neutral solutions for the development of digital infrastructure** (5G, broadband availability) to ensure high-performance, high-speed connectivity for all educational institutions, key socio-economic drivers and 87% of households;
- 2.3. Support has to be provided for **procurement of different IT products and services for the development of digital skills needed to help small and medium-sized companies overcome digitization** challenges;

- 2.4. Support for specific programs aimed at raising **small and medium-sized** business owners and managers' awareness of ICT issues.

3. Reducing inequality:

- 3.1. Increasing funding for **housing availability**; linking the **support to the development of industrial parks**;
- 3.2. **Changing the approach to the development of industrial parks for the parks to be developed in public-private partnership**, with municipalities investing in basic infrastructure (e.g., 3-phase electricity connections, additional power supply) and using RRF funding to co-finance construction of industrial facilities, providing that design, construction and maintenance of the facilities is performed by private industrial park developers or international park operators referred to in the plan, and providing them with part of the total financing;
- 3.3. **Introducing work-based learning in higher education as part of the higher education reform** (financial support for higher education institutions updating their programmes in accordance with work-based learning requirements and for companies to ensure work-based learning environment for students).

4. Healthcare:

- 4.1. Planning **investments in human resources** (in addition to healthcare personnel training) to improve the efficiency and availability of healthcare services and to meet the demand for healthcare personnel (Latvia is currently short of 4,000 nurses, 1,000 doctors);
- 4.2. Expanding the research section with **support for public health research** (continuing research into the effects of COVID-19 on different population groups, including children and adolescents, and development of Guidelines for the Treatment of Patients);
- 4.3. Introducing measures for the **development of technological skills on all levels of healthcare education** (link-up with digitization);
- 4.4. Taking into consideration **private healthcare institutions' investments before taking a decision on the allocation of funds** for the procurement of medical technologies for state clinical universities and regional hospitals for the expansion of outpatient services.

5. Horizontal issues:

- 5.1. **Assessment of the projected investments and inter-institutional cooperation** (Agriculture Ministry, Transport Ministry, Economics Ministry, Environmental Protection and Regional Development Ministry) **as part of the European Green Deal for CO2 reduction measures** (especially regarding support for agriculture/fisheries under the oversight of the Ministry of Agriculture), **while the Ministry of Finance must ensure inter-institutional (cross-sectoral) cooperation for the implementation of measures and attaining the objectives laid down in the National Energy and Climate Plan** to ensure the projected contribution to reducing CO2 emissions and meeting climate targets while maintaining support for economic activity;
- 5.2. **Consistent use of the terms “social partners” and “cooperation partners” as expressed in the following paragraphs (according to the wording of the EU Operational Programme for Latvia 2021–2027 (draft)¹):**
 - a) Social partners: Employers Confederation of Latvia (LDDK), Free Trade Union Confederation of Latvia (LBAS), employers and employees' organizations and associations;

¹ https://www.esfondi.lv/upload/leviesana/dp_12.04.2021.docx

- b) Cooperation partners: Latvian Association of Local and Regional Governments, Association of Latvian Cities, Latvian Chamber of Commerce and Industry, associations, foundations, industry associations, planning regions;
- 5.3. **Timely and substantive consultations with the social and cooperation partners regarding practical and effective implementation of the RRF Plan** and positive return on investment: sustainability, growth and employment;
- 5.4. **Harmonization of the RRF Plan with the social partners before the Plan is submitted** to the Cabinet of Ministers and the European Commission for approval;
- 5.5. **Timely involvement of the social and cooperation partners in the development of Cabinet regulations and other regulatory documents** for implementation of the measures provided for in the RRF Plan;

6. Related issues:

- 6.1. Planning further work on securing other sources of financing (EU Operational Programme 2021-2027 and State budget) for **implementation of the National Industrial Policy** (increasing exports and industrial output);
- 6.1.1. The Ministry of Economics has to prepare and submit to the Cabinet of Ministers a proposal that **financing in the amount of EUR 20 million be allocated to producing companies and competence centres to support implementation of the National Industrial Policy** (with the objective to increase Latvia's export capacity to EUR 27 billion euros);
- 6.2. The **draft EU Funds Operational Programme 2021-2027 has to be amended** by integrating into it measures that have not been included in the RRF Plan, but could be supported in principle.



27 April, 2021

National Tripartite Cooperation Council (NTCC)

LBAS position on Latvia's Recovery and Resilience Plan

The Free Trade Union Confederation of Latvia (LBAS) based on discussions between Latvian state institutions, social and cooperation partners, as well as taking into consideration the recommendations of the European Commission, has developed proposals and asked the Latvian government to incorporate them into the Latvian Recovery and Resilience Plan.

LBAS concludes that the plan lacks a clear vision on how to integrate the funding allocated by the RRF into the objectives of the National Development Plan (NDP) as well as synergize the funding with EU structural funds. In our view, the RRF plan does not focus enough on the goals of skills development, research, development and education, which increase competitiveness, job creation and the goals of a bigger green and digital transition, in line with the NDP and country-specific recommendations of the European Commission.

LBAS acknowledges the increased funding of digital skills development, however we recognize that this mechanism will be too narrow in its scope and requires not only wider access of workers as well as access for people out of work and different across the digital skill levels, but also increased skill development programs in general not necessarily related to digital skills. LBAS recognizes that career mobility and increased productivity depends on instruments for skill and competence improvement.

We believe that significant attention needs to be paid to reforms that address the impact of the pandemic and the working conditions introduced by digital change and the challenges and opportunities of industrial relations. The focus of LBAS is that changes in the regulation are needed in Latvia, which regulate the employment relations and spheres of responsibility between the employer and the employee for remote working conditions, which for the future perspectives could become more and more frequently used practices.

This requires a clear and rigorous framework that sets out the nature of the relationship between employees and the employer, the type of industry, the type of work organization structure and the role of different digital platforms in organizing of the work. The opportunities provided by digital platforms allow the labor market to become more flexible, but the workers working on these platforms must not be allowed to be subjected to false self-employment, work organization and equality organization structure in accordance with the principles of employer-employee relations.

Based on the CSRs provided within the framework of the European Semester, Latvia has long and should pay increased attention to reducing income inequality. We believe that the European Commission and the European Parliament should also reach this conclusion in their proposals for support for the promotion of collective bargaining mechanisms and capacity building through the European Commission and Council of Europe Directive on Adequate Minimum Wages in the European Union. In order to facilitate collective bargaining and expand coverage, reforms are needed that allow the social partners to agree autonomously on certain terms and conditions of employment in the sector.

The social partners have also long called for the introduction of personal income tax relief for all through collective agreements in which the employer pays for the training and education of employees, health, transport and other costs that motivate collective bargaining, as well as the ability to successfully address employee mobility, performance and productivity problems.

LBAS points out that the Covid-19 pandemic has clearly revealed the necessity of support for the health care system and increase of remuneration of health care workers. Based on the recommendations of the European Commission, the LBAS asks the RRF to include fiscally neutral additional funding mechanisms without increasing the tax burden. Funding is needed to expand the availability of health care services and increase health care wages.