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Strengthening the European economy through collaboration

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An initiative of the European Union

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[Image of European flag]
Introduction

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 for Latvia.

The European Semester was 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.

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 Latvia 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, thereby supporting the volume of private investments in research and development and return on public investment.

The Latvian’s authorities developed “Latvia’s Strategy to mitigate the Negative Impact of the COVID-19 Crisis”, published on 26 May 2020. The Strategy did not focus solely on overcoming the short-term effects of what would prove to be a downturn of unknown duration and severity. It went further and described the medium-term measures that would align with the government’s goals. There were to be five “action lines”: human capital, innovation, business environment for export capacity, access to finance and infrastructure. 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.

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.

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01
Industrial ecosystems and cluster landscape
1. Industrial ecosystems and cluster landscape

Employment in the 14 ecosystems in the country

As part of its Industrial Strategy (March 2020), the European Commission has selected 14 industrial ecosystems that are particularly relevant in Europe and encompass all players operating in a value chain. The classification of the 14 industrial ecosystems have been calculated by aggregating NACE 2-digit activities, following the methodology established in the European Commission.

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 for 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. Here, 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 (“Retail”, “Construction”, “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 in the ecosystems

Source: ECCP (2022), own elaboration based on data from Eurostat.

4 see here for more information https://clustercollaboration.eu/in-focus/industrial-ecosystems (last access 09.01.2023).

Regionally relevant nodes (agglomerations)

Economic activity, and therefore employment, is not equally distributed in all regions. Specialisation can be measured through Location Quotients (LQ) that reflect the relative specialisation of an activity in a region compared to the EU average. If the LQ for a given activity-region combination is above 1.5, it is considered a specialisation node, and if the activity accounts for at least 1% of total employment in the region, it is considered regionally relevant. The following tables show the total number of regionally relevant specialisation nodes (agglomerations) in each region in the country and identifies the top five most specialised of these nodes. The first table focuses on the 88 NACE 2-digit activities or sectors, totalling 10 in the country, while the second table is based on the 14 ecosystems, which no ecosystem nodes in the country.

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

<table>
<thead>
<tr>
<th>Region</th>
<th># of nodes</th>
<th>Node 1</th>
<th>Node 2</th>
<th>Node 3</th>
<th>Node 4</th>
<th>Node 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>LV: Latvia</td>
<td>10</td>
<td>A02 - Forestry &amp; logging</td>
<td>C16 - Manuf. of wood products</td>
<td>J63 - Information services</td>
<td>F42 - Civil engineering</td>
<td>L68 - Real estate activities</td>
</tr>
</tbody>
</table>

Source: ECCP (2022), own elaboration based on data from Eurostat.

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 nodes (J58). Overall, the sectoral nodes can be classified into construction (Construction of buildings (F41) and Civil engineering (F42), transport and other service activities (e.g. Information service activities (J63) and real estate activities (L68)). Overall, there are no existing ecosystem nodes. This more concentrated can at least partially be linked to the methodology of measurement of the 14 industrial ecosystems.

**Table 2: Regionally relevant ecosystem nodes**

<table>
<thead>
<tr>
<th>Region</th>
<th># of ecosystem nodes</th>
<th>Node 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>LV: Latvia</td>
<td>0</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: ECCP (2022), own elaboration based on data from Eurostat.

Cluster organisations in the country

As of October 2022, there are 12 cluster organisations registered on the ECCP in the country. SMEs (85%, EU: 84%) followed by research organisations (9%, EU: 7%) and large enterprises (6%, EU: 9%) constitute the majority of member organisations of Latvian cluster organisations with profiles on the ECCP. The Latvian cluster organisations are operating in the industrial ecosystems “Digital” (2 cluster organisations), “Health” (1 cluster organisation), “Mobility-Transport-Automotive” (1 cluster organisation), “Agri-food” (1 cluster organisation), “Renewable Energy” (1 cluster organisation) and “Electronics” (1 cluster organisation). 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.

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6 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](https://clustercollaboration.eu/in-focus/policy-acceleration/country-factsheets-on-cluster-policies-and-programmes) (last access 09.01.2023).
02

National cluster policy, programmes and initiatives
2. 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 column represents the case of a Latvian broad policy that focuses also on cluster development.

Within the table the text presented in bold (black) depicts standardised categories across country factsheets (56 in total for 2022), 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>
<thead>
<tr>
<th>Policy type:</th>
<th>Broad policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy name:</td>
<td>Operational Programme &quot;Growth and Employment&quot;</td>
</tr>
</tbody>
</table>

**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
- Enhancing territorial cohesion (through RIS3)
- Connect to global supply chains

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...
<table>
<thead>
<tr>
<th>Policy type:</th>
<th>Broad policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy name:</td>
<td>Operational Programme “Growth and Employment”</td>
</tr>
</tbody>
</table>

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.

**POLICY FOCUS**

No specific focus

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.

**RESPONSIBLE AUTHORITIES**

Both drafting and implementation

Oversees the implementation

The Central Finance and Contracting Agency of Latvia administers the funds co-financed by the European Social Fund, European Regional Development Fund, and Cohesion Fund. The Ministry of Finance worked with the State Chancellery, the Cross-Sectoral Coordination Centre and other collaboration partners to draft the OP. The Ministry of Finance will oversee the implementation of the OP, coordinating across different ministries to do so.

**BENEFICIARIES**

- SMEs
- Research organisations
- Academic institutions
- Start-ups
- Business associations
- Large firms
- NGOs
- General population
- Policy makers
## Policy type:
**Broad policy**

## Policy name:
**Operational Programme “Growth and Employment”**

The OP benefits many stakeholders as it is a broad policy that focuses on the foundational aspects of the Latvian economy.

### INSTRUMENTS

<table>
<thead>
<tr>
<th>Financial</th>
<th>Technical assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Funding collaboration initiatives</strong></td>
<td><strong>Infrastructure: coworking spaces, offices, incubation and accelerator spaces, research centres, technology parks etc.</strong></td>
</tr>
<tr>
<td><strong>Support to R&amp;D projects, SMEs becoming cluster members, etc.</strong></td>
<td><strong>Support for hard skill development: knowledge transfer, intellectual property, entrepreneurship, export advice, market intelligence</strong></td>
</tr>
<tr>
<td><strong>Application to labelling schemes and similar initiatives</strong></td>
<td><strong>Support for soft skills development: coaching, management training, upskilling/reskilling</strong></td>
</tr>
<tr>
<td><strong>Subsidies to hire personnel</strong></td>
<td><strong>Support for networking and partnership building (at national and/or international level)</strong></td>
</tr>
<tr>
<td><strong>Supporting market entry (e.g. testing, proof-of concept, prototyping, demonstration projects)</strong></td>
<td><strong>Other: Broadband internet access</strong></td>
</tr>
<tr>
<td><strong>Financing start-ups</strong></td>
<td><strong>Explanation</strong></td>
</tr>
<tr>
<td><strong>Innovation: voucher, support to hire PhDs, cooperation with R&amp;I actors</strong></td>
<td>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&amp;D.</td>
</tr>
</tbody>
</table>

### HISTORY

<table>
<thead>
<tr>
<th>Period</th>
<th><strong>Limited period</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ending year <strong>(for policies with limited period)</strong></td>
<td>2020</td>
</tr>
</tbody>
</table>
### Operational Programme "Growth and Employment"

**Starting year:** 2014

**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.

### Budget

<table>
<thead>
<tr>
<th>Overall</th>
<th>EUR 5.2 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source of funding</td>
<td>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%).</td>
</tr>
</tbody>
</table>

### Policy Evaluation

**Availability:** No policy evaluation

**Results:** 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.

### Policy Alignment with the EU Priorities

- **Green economy**
- **Resilience**
03

State of play of cluster policy

Strengthening the European economy through collaboration
3. State of play 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 maturity of cluster policy at the national level. The maturity assessment is based on a combination of factors presented in Chapter 2, which receive a score based on the existence or absence of a given element in the cluster policy.

Note: the maturity assessment does not reflect the performance of a country, but only the degree of development of their national cluster policy at the moment of data collection (Q3 2022). The assessment illustrates how the country scores for each of the four criteria (policy scope, continuity of cluster policies, evidence of performance, cluster support instruments) compared to the maximum score that they can reach. Please refer to the Annex for the detailed overview of the categories and the scoring system.

The table below presents an overview of the maturity assessment for Latvia for 2022. The total score of Latvia is 1 point out of 8.

<table>
<thead>
<tr>
<th>Latvia</th>
<th>MATURITY ASSESSMENT</th>
<th>Max score</th>
<th>Actual score</th>
</tr>
</thead>
<tbody>
<tr>
<td>POLICY SCOPE</td>
<td>Absence of cluster policy</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Broad policy</td>
<td>0,5</td>
<td>0,5</td>
</tr>
<tr>
<td></td>
<td>Sectoral policy</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>National and/or regional cluster policy</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>CONTINUITY</td>
<td>No cluster-specific policy available</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Cluster policy established recently</td>
<td>0,5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cluster policy established between over 2 and 10 years</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cluster policy established over 10 years ago</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>EVIDENCE OF PERFORMANCE</td>
<td>No evaluation and / or monitoring available</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Existence of evaluations of past policies</td>
<td>0,5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Existence of monitoring or an ongoing / interim evaluation</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Existence of monitoring and ex-ante or ongoing / interim evaluation</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>CLUSTER SUPPORT INSTRUMENTS</td>
<td>No instruments for cluster development</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Financial support for cluster development in the broader and / or sectoral policy</td>
<td>0,5</td>
<td>0,5</td>
</tr>
<tr>
<td></td>
<td>Financial or technical support for cluster development in dedicated cluster policy</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Financial and technical support for cluster development in dedicated cluster policy</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>TOTAL (8)</td>
<td></td>
<td></td>
<td>1</td>
</tr>
</tbody>
</table>
Drawing from the table above that showcases the scored points in Latvia’s cluster policy, the Figure below portrays the degree of maturity across four categories related to the national level cluster policy.

**Figure 2: Maturity of cluster policy - Latvia**

The text below provides a qualitative description of the state of play of the cluster policy in Latvia, which is complementary to the maturity assessment presented above.

**Policy scope**

Latvia does not have a dedicated cluster policy but only broad policies fostering the development of clusters. Policies that have benefitted or worked to spur cluster development are done within larger broad policies that are focused on economic competitiveness. The most recent broad policy in place supporting the development of clusters in Latvia is Operational Programme "Growth and Employment".

**Continuity**

While Latvia does not have specific national or regional cluster policies, they have adopted broad policies that improve the cluster ecosystem (e.g., improving innovation, education, business competitiveness). These broad policies have been jointly funded by the European Union.

At present, the Operational Program "Growth and Employment" is a broad policy in place to support the development of clusters in Latvia.
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.

Cross-regional / international cooperation

In the 2014-2020 funding period, 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 organizations have been involved in twelve consortia of the European Strategic Cluster Partnerships out of which five partnerships were focusing on internationalization (ESCP-4i), five partnerships were on cluster management excellence (ESCP-4x) and two partnerships were on smart specialization (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 organization participated in the INNOSUP-1 initiative with partner organizations 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, CR, 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).  

Assigned Euroclusters to each of the 14 industrial ecosystems is shown on: Euroclusters | European Cluster Collaboration Platform (last accessed 30.03.2023).
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## Annex

<table>
<thead>
<tr>
<th>Criterion of maturity assessment</th>
<th>Description</th>
<th>Scoring (points between 0 and 2)</th>
</tr>
</thead>
</table>
| **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 = 0  
existence of broader policies = 0,5  
existence of specific sectoral policies = 1  
existence of targeted cluster policies = 2 |
| **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 = 0  
cluster policy established recently (within the last 2 years) = 0,5  
cluster policy established between over 2 and 10 years = 1  
cluster policy established over 10 years ago = 2 |
| **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 = 0  
existence of evaluations of past policies, e.g. ex-ante = 0,5  
existence of monitoring or an ongoing / interim evaluation =1  
existence of monitoring and ex-ante or ongoing / interim evaluation =2 |
| **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 =0  
financial support for cluster development in the broader and / or sectoral policy = 0,5  
financial or technical support for cluster development in dedicated cluster policy = 1  
financial and technical support for cluster development in dedicated cluster policy = 2 |

Source: ECCP (2022).