

Government headed by E. Siliņa has accomplished the promised urgent tasks during its first 100 days of office and confirms its priorities

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Published: 21.12.2023.



December 23 marks the first 100 days since the government headed by Evika Siliņa assumed office. The Government Declaration emphasizes that the people of Latvia are the government's main asset. The decisions of the government to date, including in the budget drafting process, confirm that the most important priorities include national security, human well-being and sustainable development. Almost all the urgent tasks agreed by the partners forming the government have already been accomplished.

🗨️ “I am very gratified that the Cabinet of Ministers has accomplished through targeted teamwork the urgent tasks defined by the new government during its first 100 days of office. The state budget for 2024 has also been developed and adopted with three clear priorities –education, health, internal and external security. We will agree on the main tasks to be achieved also next year – this way the society will be much better able to follow whether the government is working successfully and whether we deliver on our promises. One of the major challenges we have started to address is to reduce bureaucracy and administrative burden for our entrepreneurs in order to promote Latvia's competitiveness. The drafting of the government action plan has also entered the final phase – my intention was to set out much clearer objectives to be achieved than in previous plans. We have had a very successful first work period, but it's just the beginning – I and the team of ministers pursue work to fulfil our promises of promoting Latvia's prosperity, security and unified society,” says Evika Siliņa about the work of the government.

Urgent tasks

When the new Cabinet of Ministers was approved on 15 September this year, the partners forming the government agreed on six

urgent tasks by signing a separate memorandum. These tasks have been largely fulfilled during the first 100 days of office. The urgent tasks to be completed by 31 December of this year were to:

- introduce the support mechanisms to compensate for part of the electricity distribution tariff;
- simplify the mortgage re-crediting process;
- introduce a tax on bank profits;
- ratify the Istanbul Convention;
- strengthen the couples' cohabitation regulation;
- develop a sustainable education funding model.

At the first sitting of the Cabinet of Ministers, the new government decided to support the solutions developed by the Ministry of Climate and Energy in order to reduce the increase in electricity tariff costs. Pursuant to amendments to the law, the fixed fee for the distribution tariff for all households has been reduced by 60 % from October to December this year.

From 1 January 2024, households with single or three phase 16A, 20A or 25A connections will receive State aid for a period of two years, ensuring a gradual rather than rapid increase in the fixed part of tariffs. The government has allocated EUR 50 million for this objective and it will apply to 95% of households. In preparation for unforeseen circumstances, when energy prices become exceptionally high, next year the Cabinet of Ministers will have the opportunity to decide on providing targeted support to specific household groups with low income and lower-middle income. Around 40-50% of households could be eligible this support.

In order to facilitate re-crediting of mortgage loans for customers, as well as to boost competition among banks, the government approved amendments to four laws on 12 December. This package of amendments will significantly reduce the cost of re-crediting for the consumer. It is planned that the re-crediting will take up to two months. It will become cheaper and easier to manage for the consumer, as well as it will be possible to implement the whole process remotely. These amendments to the laws have to be approved by the Saeima.

In 2023, due to unplanned significant profits of credit institutions as the result of high credit interest rates, it was necessary to ensure a fairer distribution of high returns between the public and the financial sector. A solution was found and amendments to the Corporate Income Tax Law were developed, obliging credit institutions and providers of consumer credit services to pay an annual corporate income tax (CIT) supplement of 20% from 2024.

The government headed by Evika Siliņa managed to resolve the issue that had not been properly addressed for several years: on 31 October this year, the government supported the Council of Europe Convention on the Prevention and Suppression of Violence against Women and Domestic Violence, or the so-called Istanbul Convention. It was also ratified by the Saeima on November 30. This Convention is an important document aimed at protecting women, children and families from all forms of violence, punishing abusers and promoting actual equality between women and men. Alongside the establishment of coordinated cooperation, a range of measures will be put in place in the country to provide victims of violence with comprehensive assistance and protection.

It is also important that during the first 100 days of work of the government, after more than 20 years of efforts, the Saeima supported the draft laws developed by the Ministry of Justice, which provide for the introduction of a registered partnership in Latvia. They provide that from 1 July 2024 two adults, both of different genders and of the same sex, will be able to register their relationship with a sworn notary in a simple and convenient manner. This legal framework will ensure legal, economic and social protection of personal relationships of two people.

A complex work is also underway towards the development of a new sustainable education funding model. The Ministry of Education and Science has conceptually prepared a new model for financing teachers' pay – 'School Programme', and the process of co-ordination with social and co-operation partners is currently underway.

State budget

One of the first tasks of the government headed by Evika Siliņa was to prepare and approve the state budget for 2024 and the budget framework for 2024, 2025 and 2026. On 9 December this year, the Saeima approved the budget. Its main priorities focus on sustainability and investment in security, health and education. It is expected that in 2024, the defence sector will have the largest budget of EUR 1.12 billion in the history. In addition, EUR 275 million has been allocated to improve health services and quality. Of the total of EUR 119.5 million allocated to the field of education, the most significant funding – EUR 91.3 million is intended for remuneration of teachers.

External and internal national security

In order to strengthen external defence capabilities of the country, the government has allocated substantial resources to enhance its anti-aircraft warfare and combat capabilities. The Ministry of Defence has signed contracts to purchase anti-aircraft warfare and combat capabilities. It is also planned to sign a contract on the acquisition of anti-aircraft missile systems and anti-ship missiles by the end of the year. The introduction of the State Defence Service continues and the public enterprise 'National Defence Corporation' has been established in order to strengthen defence capabilities and the Latvian military industry in the long term.

Additional funding has been granted to increase the salaries for employees of institutions of the Ministry of the Interior and the Ministry of Justice (the State Police, the State Border Guard, the State Fire and Rescue Service, the Internal Security Bureau, etc.), including the Probation Service in the amount of EUR 23 million. The government is also committed to increase remuneration for services ensuring internal security in Latvia in the coming years.

Canada and soldiers of other NATO allies are important partners in strengthening Latvia's security. Canada delivered 15 'Leopard 2' tanks with supporting personnel to Latvia on November 10 this year, and will deploy helicopters and anti-tank missile systems next year. NATO's expanded presence battlegroup is being actively expanded from a battalion to a brigade level, implying a significant increase in the number of allied troops. Denmark is expected to send one battalion of Danish Royal Armed Forces soldiers to Latvia from mid-2024, thus demonstrating Denmark's determination to continue contributing to the defence of NATO's eastern flank.

In addition to ensuring the security of the European Union's external border, in November the government supported the declaration of an enhanced border protection regime in the larger border area to promote the fight against illegal immigration. In September, the government also supported the suspension of operation of the Silene border crossing point. The construction of the fence on the Latvia-Belarus border will be fully completed by the end of the year.

In order to strengthen national security in circumstances of hybrid threats, the Saeima adopted amendments to the Criminal Law in the third reading, which will increase criminal liability for mergers in an organised group with the aim of carrying out activities against the state of Latvia, assistance to a foreign state in such activities, as well as espionage. From now on, such a criminal offence is punishable by a sentence of imprisonment of up to eight years instead of current five years.

The media environment is also strengthened. The social media budget has been increased by EUR 5.5 million in 2024, including to step up the fight against the retransmission of illegal content. More funding has also been directed to cooperation projects of national and regional media, paying particular attention to the Latgale media space and diaspora.

Latvia continues to maintain the Euro Atlantic course and support Ukraine on the international scene. Since the onset of Russia's aggression, Latvia has provided support to Ukraine in the amount of EUR 587 million (~ 1% of GDP). As regards foreign policy, closer cooperation between the Baltic States and Nordic countries (NB8) has been facilitated in shaping a common opinion. Work continues on further international isolation of Russia. Latvia has provided support for the establishment of a register in order to record the losses caused to Ukraine by Russia's aggression. The Ministry of Justice has drafted amendments to the Road Traffic Law, preventing participation of vehicles registered in the Russian Federation in road traffic in Latvia. The European Union, Ukraine and Latvia witnessed a historical moment on 14 December, when the EU leaders agreed to start the accession negotiations with Ukraine and Moldova.

Education

The transition to a Unified School has started in the education system of Latvia, which by its very nature implies the educational process only in the official language. In this context, more than EUR 4.9 million have been allocated to local governments.

In November, the government conceptually approved a proposal of complex solutions to ensure efficient and high-quality education for each child in Latvia. The solutions include a wide range of improvements, such as raising educators' remuneration and balancing work load, introducing an approach of an optimal class and developing a new school financing model. It is proposed to create a separate financial programme to support local governments in border area, which have been granted a special status for reasons of national security, as well as to set up an investment programme for the development of the school infrastructure.

On December 19, the government approved amendments to Cabinet Regulation, which will increase the minimum wage rate for teachers by 12 % from 1 January, while for pre-school teachers it will increase by 23 %.

Support for higher education and science will amount to EUR 17.4 million next year. More focus is placed on strengthening STEM (Science, Technology, Engineering and Mathematics) education.

Healthcare

Additional funding of EUR 75.3 million is provided in the state budget to increase remuneration of employees in the health care sector and for the education of medical professionals. This will allow to raise the average pay of doctors by an average of EUR 221 for doctors, by EUR 85 for healthcare staff and by EUR 60 for the support staff, as well as by EUR 40 for other employees of medical treatment institutions.

In addition, EUR 48.1 million have been channelled to ensure the availability and quality of health services, thus reducing queues to doctors and examinations. A significant increase in funding (EUR 12 million) was achieved in the Mother and Child Health Programme. Proposals have been prepared and discussed several times in discussions in the sector, which will provide an opportunity to reduce the prices of prescription medicines for Latvian residents by about 15-20 %. In addition, EUR 21 million have been allocated to expand the range of reimbursed medicines. Substantial funding will be devoted to improve services in the field of oncology (EUR 9.6 million).

Mental health will be given a higher priority in the new budget – EUR 1.1 million. From January 2024, additional services will be available, such as a psychiatrist's support line, an early intervention programme for adults with mental disorders in Riga and Daugavpils, as well as a pilot project – value-based health care to treat depression.

Support for entrepreneurship

As the prices of goods and services are on the increase, the turnover of businesses and the threshold from which a company must register for VAT is also increasing. However, in order to limit the effects of inflation, the government decided to amend the VAT law by raising the VAT registration threshold to EUR 50000. In addition to these amendments, the law also aims to reduce the administrative burden and promote the improvement of the business environment. In order to promote entrepreneurship and create new jobs in the regions, the State budget includes additional funding of EUR 70 million for loans to companies for the implementation of large investment projects.

The support for agricultural entrepreneurs will increase by 43 % as of next year, providing EUR 24 million for repayment of interest rates – partial cancellation of loan interest for investment projects, loans for the purchase of agricultural land, loans for the purchase of livestock and short-term loans. And 80 % more support will be provided to farmers for insuring harvest, animals, crops and plantings, compared to the last year.

Culture and youth

The cultural sector has been granted great support to ensure access to culture for children and young people. The support for the program 'Latvian School Bag', which introduces students to cultural events and processes, has been increased by EUR 1.4

million (by about 40 % for each young person), within the framework of the budget. The remuneration of employees of cultural institutions will also be increased – an additional EUR 3.81 million will be provided to raise wages in the sector.

A reform has been initiated in the field of protection of children's rights to improve the system for protection of children's rights. The Child Protection Centre (instead of the State Inspectorate for the Protection of Children's Rights) will be established as of January. The Centre's priority will be to provide support to children, families and specialists.

Green Deal and digitisation

The updated draft National Energy and Climate Plan (NECP) has been submitted to the European Commission during the term of office of this government. The NECP provides a roadmap for achieving climate and energy targets by 2030 in all sectors of the economy. The draft NECP includes a series of measures to ensure the strengthening of energy security, increased production of renewable energy, as well as improving energy efficiency and reducing emissions. Latvia will submit the final version of the NECP by the end of June next year.

The transition to environmentally friendly transport continues. Company *Škoda Vagonka* has obtained the necessary authorisation to operate electric trains on the market and has started transportation of passengers on four electrified routes: Aizkraukle, Tukums, Skulte and Jelgava.

In order to make the electronic communication of citizens and businesses with the state and local authorities even more convenient, in addition to the 'eSignature mobile' solution, it is now possible to access e-address and other institutional services also by Smart-ID, which has proven itself to be a secure and widely used solution.

Welfare

As regards the improvement of social services, the government has decided to expand support and facilitate access to services for different social groups. Thus, for example, as of 1 November, a new social service – support for decision-making – is available, which allows the supported person to make decisions that are important for him or her.

As of next year, supplement payments will be made to old age and disability pensions to people who retired after 2012. The supplement for insurance period cumulated before 31 December 1995 will be gradually renewed and will be paid to all beneficiaries of old-age and invalidity pensions from 2029 onwards.

The government's proposal to increase the benefit for 'eternal children' by EUR 100 has also been supported. Support for children with autistic spectrum disorders will also be improved from next year – the pilot project will provide maintenance therapy – multi-professional teamwork and classes of ABA therapy, ergo-therapy, speech therapist, special educator.

In order to facilitate access to housing, the government approved the Housing Policy Guidelines for 2023-2027 developed by the Ministry of Economics. It is planned that in the future, the construction of at least 10000 new apartments per year will be the absolute minimum in Latvia in contrast to the previous 3000.

The increase in financial support has also been provided to ensure fare relief for several groups of the population. Additional funding of EUR 1 million has also been allocated to orphaned children for public transport in state cities.

As regards life balance and equal opportunities for all families, the Cabinet of Ministers approved the draft regulations developed by the Ministry of Environmental Protection and Regional Development on providing support to local governments for the purchase of private pre-school education service and child care (or nannies) service, easing the financial burden on families. As a result, local governments can apply for support for the babysitting service, for which a total of EUR 16.27 million of EU funding has been received.

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