

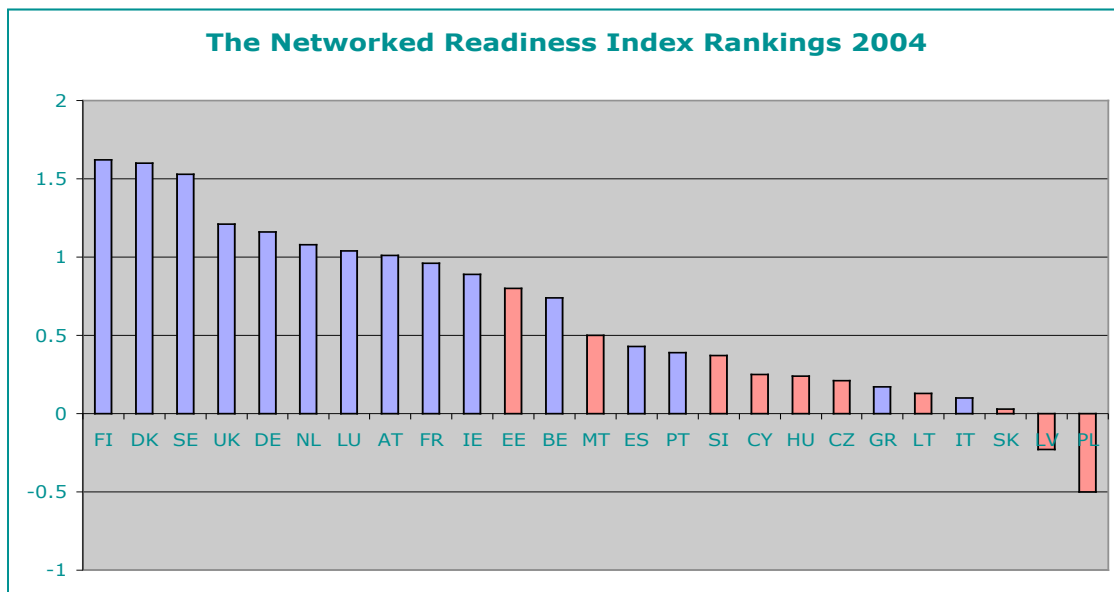
POLICY BRIEF: LATVIA



[ICT performance](#)
[Development of clusters](#)
[Progress regarding e-Government](#)

ICT performance

Latvia has witnessed a rapid growth in the ICT sector since 1996 and particularly in 2001-2002, however this has largely been due to liberalisation of telecommunications market rather than production (ICT manufacturing accounting for only 1% of total turnover of the private sector with employment concentrated in a few larger firms) or advanced ICT services (however a number of Latvian IT companies are active in providing software development services to international clients (notably DATI Exigen Group). More generally, Latvia is ranked 56th out of 104 countries, in the 2004-2005 Networked Readiness Index (NRI). The index is designed to measure the degree of preparation of a nation or community to participate in and benefit from ICT developments¹.



Source: <http://www.weforum.org/>

For the purposes of comparison, the key information society statistics for Latvia, EU-15 and

¹ The NRI is composed of three component indexes which assess: the environment for ICT offered by a given country or community; the readiness of the community's key stakeholders - individuals, business and governments; and the usage of ICT among these stakeholders.

EU-25 Member States are presented below.²

Indicator	Latvia	EU-15	EU-25
Percentage of households having access to the Internet at home	15%	47%	43%
Percentage of households with broadband access	5%	18%	15%
Percentage of individuals regularly using the Internet	27%	41%	38%
Percentage of individuals having ordered/bought goods or services for private use over the Internet in the last three months	2%	21%	17%
Percentage of enterprises having access to the Internet	74%	90%	89%
Percentage of enterprises with broadband access	45%	55%	52%
Percentage of persons employed using computers connected to the Internet in their normal work routine	17%	26%	26%
Percentage of enterprises having received orders on-line over the last calendar year	1%	15%	13%
Percentage of enterprises having purchased on-line over the last calendar year	1%	29%	27%

Source: Eurostat (2005).

These figures tend to suggest that Latvia is lagging in a number of key indicators notably in terms of access to broadband but also in terms of e-commerce and e-business development, with low relative rates of internet usage at home and even in workplaces. Observers point to problems related to higher relative prices, low connectivity outside urban areas as well as need for training related to new internet and information technologies. ICT related innovation is largely confined to software applications and systems, with ICT manufacturing confined to assembly.

Key challenges for developing ICT

- Low internet usage in enterprises can be considered as a proxy for rate of diffusion of ICT in business sector and suggests a need for public support for integration of new technologies, including training;
- Potential in information systems and software could be consolidated notably by broader Baltic-Nordic co-operation; and
- Significant need to improve connectivity and infrastructure through extension of broadband coverage and increased availability of public internet access points.

² Data is available for 2004.

Development of clusters

Since 2000 Latvian industrial policy has been focusing on industrial clusters as an instrument to enhance industrial competitiveness, to deliver focused state support and organise a dialogue between State and industry. Promotion of inter-firm co-operation was initially facilitated through the Industrial Cluster Restructuring project launched in 2000 under the supervision of the Ministry of Economy aimed to promote competitiveness of Latvian industry by popularising the company cluster concept and by providing consultative support to certain potential clusters (information systems, wood industry, composite materials, engineering).³

The Latvian Information Systems (IS) cluster (www.is.lv) involves some 20 leading IS enterprises as well as the University of Latvia, Riga Technical University and organisations is among the most successful and is characterised by rapid increase in the profits of companies involved. Individual company revenues and exports have increased, and productivity/utilisation has increased from 50-60 percent to 75 percent. The Latvian IS Cluster has recently created a cross-border Baltic IS cluster with partners from Lithuania and Belarus, which by combining the potential of some 296 companies aims to compete with the U.S. and India. The cluster brings together export-orientated IT companies, as well as enterprises that can offer global services.

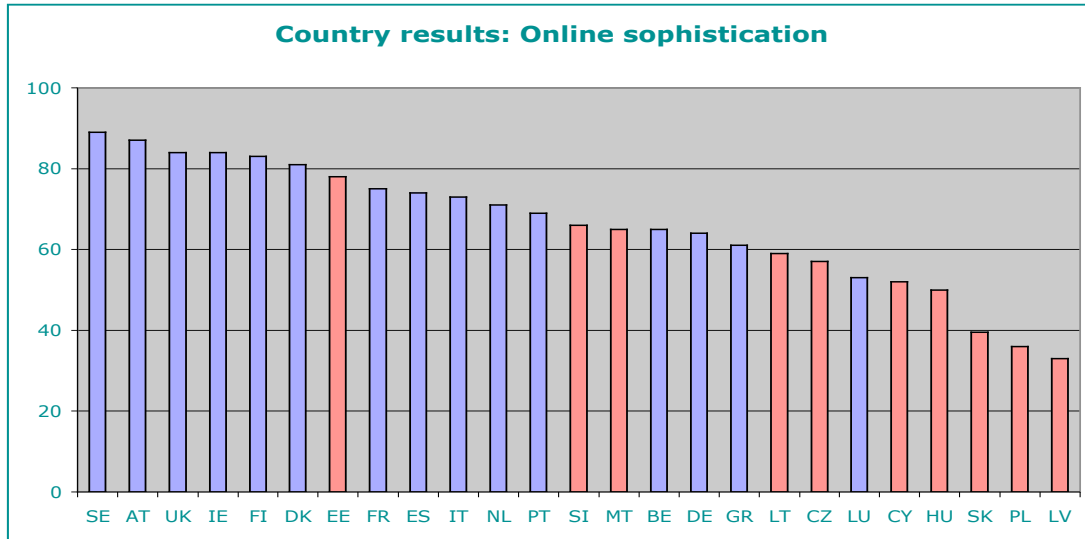
Key challenges for developing clusters

- Export orientated clusters provide a potential source of increased employment. Supporting joint product and market development activities should be a priority; and
- Evaluate and learn from the experience existing cluster activities, such as the IS cluster, with a view to developing measures within the 2007-13 programming period.

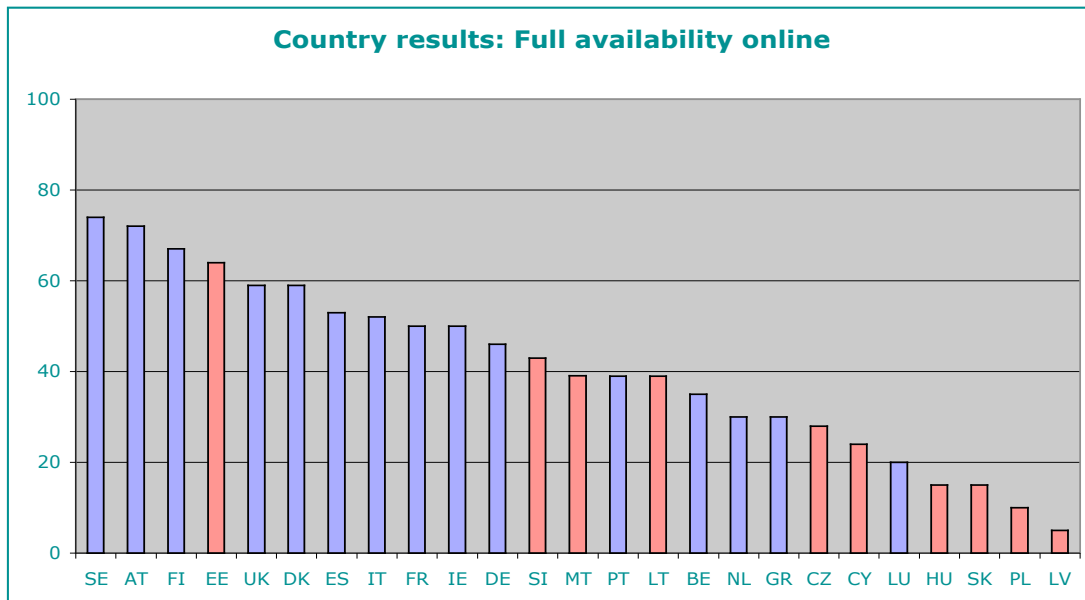
³ Source: European TrendChart on Innovation (2005). <http://www.trendchart.org/>

Progress regarding e-Government

According to the 2004 study completed by Economist Intelligence Unit on E-government in Central Europe: Rethinking public administration, Latvia is ranked in 8th position and is behind Estonia, the Czech Republic, Slovenia, Poland, Hungary, Turkey and Lithuania. In terms of online sophistication of public services and percentage of services that offer a complete electronic case handling, Latvia's score is the lowest in the EU-25 Member States.⁴



Source: Capgemini (2004) "Online availability of public services: How is Europe progressing?"



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For the purposes of comparison, the main e-Government indicators for Latvia, EU-15 and EU-25 Member States are presented below. These confirm that the use by citizens of e-Government services is very low which is to be expected given problems related to connectivity and access to internet. The situation in terms of enterprises is somewhat better but could be significantly improved.

⁴ Capgemini (2004) "Online availability of public services: How is Europe progressing?" Available at: http://europa.eu.int/information_society/europe/2005/all_about/egovernment/index_en.htm.

Internet usage by individuals for interaction with public authorities	Latvia	EU-15	EU-25
Percentage of individuals who used Internet, in the last 3 months, for obtaining information from public authorities web sites	12.1%	24.1%	21.2%
Percentage of individuals who used Internet, in the last 3 months, for downloading official forms	4.2%	11.1%	9.8%
Percentage of individuals who used Internet, in the last 3 months, for sending filled forms	3.6%	6.3%	5.6%

Internet usage by enterprises for interaction with public authorities	Latvia	EU-15	EU-25
Percentage of enterprises using Internet for interaction with public authorities - for full electronic case handling	3%	15%	16%
Percentage of enterprises using Internet for interaction with public authorities - for obtaining information	38%	43%	45%
Percentage of enterprises using Internet for interaction with public authorities - for obtaining forms	33%	40%	41%
Percentage of enterprises using Internet for interaction with public authorities - for returning filled in forms	15%	26%	29%

Source: Eurostat (2005).

Latvia's national e-government strategy was set out in the document "Latvia's e-Government Conception" adopted by the Cabinet of Ministers on 20 August 2002. In February 2005, the draft Information Society programme "e-Latvia 2005–2008" was presented. The aim of the programme is to ensure the dynamic development and competitiveness of the country in the knowledge-based economy. Priority areas include e-Government, e-Learning, e-Business and welfare, e-Health, broadband and access to services, and security.⁵ The 2004-2006 Structural Funds are currently supporting a programme aimed at the Development and Improvement of e-Government infrastructure at both State and municipal levels which also aims at providing the basis for e-government systems in rural areas.

Key challenges for promoting e-Government services

- The key obstacle and hence challenge for Latvia to expand use of e-Government services is related to improved access for citizens to internet. On-going investment in public internet access points is one obvious solution.
- Given Latvia's lag in e-Government, there is a need to roll out during 2007-13 period a more extensive range of services which would include an e-Government services portal as well as similar portals at municipal level. Additional regulatory change is required to facilitate e-identification, e-procurement, etc.

⁵ European Commission (2005) "eGovernment in the Member States of the European Union". Available at: <http://europa.eu.int/idabc/en/document/4370/254>.