**SSS priorities and explanation/interpretation**

|  |  |
| --- | --- |
| **SSS Growth Priorities** | **The problem, which explains the priority and the proposed solution** |
| ***1st*** ***priority:***  More efficient use of raw materials for the production of goods with greater added value, creation of new materials and diversification of application. Wider use of non-technological innovations, creative industry potential of Latvia, to produce goods and services with greater added value of the national economy sectors. | The current structure of the national economy of Latvia is based on traditional sectors, the competitiveness of which is based on the cheap labour and available natural resources. Although the traditional sectors of the national economy in the medium term will have a great contribution to the overall economic growth and job creation, it should be noted that both cheap labour and resource availability does not create incentives for changing business models and other comparative advantages.  Consequently, in order to facilitate the transformation of the national economy, it is necessary to promote structural changes in favour of the production of goods and services with a greater added value. For example, one of the exponent of added value is innovations, their development and promotion of extensive application play an important role.  An important development opportunity is intelligent and flexible approach to the use of technology and manufacturing, energy, health care, public management, etc.  *This priority corresponds to the areas of specialisation “Knowledge-intensive bio-economics”, “Biomedicine, medical technologies, bio-pharmacy and biotechnologies”, “Smart materials and smart engineering system technologies” and “Information and communication technologies”* |
| ***2nd priority:***  The creation of such innovation system, which provides support for creation of new products and technologies within the framework of existing sectors and cross-sectors, as well as new sectors with high growth potential, based on the growth of defining key sectors that provides an effective identification system for new products/services, and the ability to find and provide support for the creation of new products both in the existing sectoral and cross-sectoral frameworks and creating of new industries with high growth potential. | For sustainable development of the Latvian national economy it is necessary to diversify the manufacturing industry and the exportable service sector, thus achieving a faster medium-high and high-technology industry, as well as the development of the knowledge-based sectors and cross-sectoral cooperation, which focuses on commercialisation of creativity and technological and non-technological innovation. This trend includes, for example, such *emerging* sectors as pharmacy, biotechnologies, electronics and machinery construction.  *Following specialisations corresponds to this priority “Smart materials and smart engineering system technologies” and “Biomedicine, medical technologies, bio-pharmacy and biotechnologies” and “Information and communications technologies.”* |
| ***3rd priority:***  Improvement of energy efficiency, which includes the creation of new materials, production process optimisation, introduction of technological innovations, use of alternative energy resources and other solutions. | Low energy efficiency level results in both energy security and resource sustainability risks, as well as competitiveness risks. Increasing the level of energy efficiency with the help of innovative solutions in the national economy as a whole, is a sustainable and the most cost-effective way to reduce risks, simultaneously creating additional jobs and promoting economic growth.  Latvia has a high level of the national economy energy intensity (the energy intensity: energy consumption relative to GDP, expressed in kg in oil equivalent per thousand euros). In 2011, the energy intensity level was 323.3 kg oil equivalent per thousand euros, or 2.2 times higher than the EU average.  In the Latvian national reform programme "EU2020", the national objective to achieve major energy savings of 0.670 Mtoe in 2020 is defined for implementation of the strategy, while in the Directive 2012/27/EU on energy efficiency, established mandatory liabilities for total annual energy savings of 1.5% correspond to 0,213 Mtoe in 2020.  *The areas of ​​specialisation of “Smart materials and smart engineering system technologies”, “Smart Energetics” and “Information and communications technologies” correspond to this priority.* |
| ***4th priority:***  Development of a modern and contemporary standard-compliant ICT system in the private and public sectors. | New opportunities and solutions of ICT industry shall provide a greater contribution in the development of other sectors, significantly increasing their efficiency. In the Latvian National Reform Programme "EU 2020", the need to increase the development of information and communication solutions (ICT) and implementation of single digital market, was mentioned as one of the sub-measures of reform directions, thus contributing the growth of national economy, which is related to the need to provide the increasing demand for more efficient solutions in business process management and analysis. Furthermore, equal access to the electronic communications throughout the territory of Latvia will increase the contribution of ICT in the growth and innovation of all sectors of the national economy. ICT development is closely related to the use of intelligent and flexible approach to the industry.  Public data and information is a resource that includes unimplemented economic and social potential. The value of data increases by disclosing them, where they can be used for creation of new products and services, as well as in creation of innovation, scientific and research work. An open, secure and interoperable public data infrastructure is one of the main solutions to increase the economic growth of the state.  In the Information Society Development Guidelines for 2014-2020, priorities of ICT area in Latvia have been established, which are developed taking into consideration priorities set by The European Digital Agenda and objectives set by the European Commission for the development of Single Digital Market: Development of ICT education and e-skills, widely available internet access, modern and efficient public administration, development of e-services and digital content, cross-border cooperation for development of the single digital market, as well as the promotion of ICT research and innovation, trust and security.  The contribution of the ICT sector should be promoted by creating resources of digital content and ensuring their availability for creation new products and services, accordingly the base of digital content should be developed and the collaboration of ICT and other sectors should be promoted (development of language technologies, digitisation of cultural and educational content, etc.).  *This priority complies with the area of specialisation “Information and communication technologies”.* |
| ***5th priority:***  A modern and corresponding to the future labour market demands education systems that facilitate the transformation of national economy and development of competences required for the implementation of SSS priorities, enterprising spirit and creativity at all levels of education. | Within medium term and long term, national economies of developed countries will be faced with shortages of professional and highly qualified (mostly with college or higher education level) labour. According to the medium-term and long-term forecasts of Latvia's labour market, restructuring of the national economy is hampered by the shortage of appropriately prepared specialists. The main challenges we will face in the future is an insufficient number of qualified professionals, mainly in the areas of natural and engineering sciences (both secondary and higher education levels), and the lack of highly qualified specialists with the skills required for the future-technical specialisation, which is combined with business and troubleshooting skills.  In order to build absorption capacity of Latvia, it is necessary to develop the ability of identifying and understanding the knowledge and competencies existing in the global knowledge space and using them for economic development. It is necessary to develop network structures that ensure independent connections between the global and the local.  It is necessary to develop such education in institutions of higher education that:   1. Is based on the understanding of modern education and ensures development of modern competencies, including problem solving, processing and use of data, identification and use of possibilities, technical innovation and skills necessary for high-value-added professions; 2. Ensures acquisition and distribution of global knowledge necessary for smart specialization areas, in particular, by developing a sustainable acquisition and distribution system – including the creation of new companies and study specialization that meets the needs of specific companies, as well as creation of cooperation networks at the individual and organization level; 3. Ensures dealing with the social problems related to the development of specialization areas, building the analytical and absorption capacity of the society through permanent supply of proactive knowledge and skills to a variety of public groups and organizations; 4. Develops and strengthens the value of active creativity and innovation. |
| ***6th priority:***  An advanced knowledge base (basic science and scientific infrastructure) and human capital in areas of knowledge, in which Latvia has a comparative advantage and which are important in the process of transformation of the national economy: in areas of knowledge related to the smart specialisation areas (1) knowledge-intensive bio-economy, (2) biomedicine, medical technologies, bio-pharmacy and biotechnologies, (3) smart materials, technologies and engineering systems, (4) smart energetics, and (5) ICT, as well as key technologies identified by the EC (nanotechnologies, micro-and nano-electronics, photonics, advanced materials and manufacturing systems, biotechnologies). | Science and research capacity in the various areas of knowledge is heterogeneous in Latvia. International scientific assessment showed that there are some capacity in all scientific sectors as well as individual excellence.  The international scientific assessment showed that there is some level of capacity in all branches of science in Latvia, as well as some excellences. At the same time, both the knowledge base and the human capital (researchers, engineers and their cooperation networks) are depleted or insufficient for achieving the established development objectives. In some branches of science, such as mathematics, the situation is critical. This is evidenced by the small number of people employed in science (aging of scientists, insufficient number of doctoral students) as well as the absence of connections with the industry and other research institutions. Therefore, it is necessary to invest in the maintenance and development of the knowledge base and the human capital. Research and absorption capacity of Latvian companies, as well as their involvement in knowledge networks relevant to the strategic specialization have to be increased significantly. |
| ***7th priority:***  Studying and specialisation of the existing resources of territories, proposing the prospective economic development opportunities and directions, int. al. leading and prospective business directions in the municipal territories. | Currently, the regional mono-centric development that exist in Latvia creates an unfavourable environment for business in regions, promotes the decrease in population and ineffective use of resources of the region. The continued mono-centric development will decrease the competitiveness of Latvia, as the labour and infrastructure costs will increase in the mono-centre, but other growth possibilities in the regions will not be used. The significantly different economic activity, service availability and accessibility create different standards of quality of life and development possibilities for population of territories, and encourage the outflow of population to the more developed territories, which further reduces growth prospects of less developed areas.  To facilitate balanced development of Latvia, it is essential to promote more rapid development and to increase competitiveness in all areas. It is necessary to look for new ways for regional development, including leveraging network structure organizations and remote collaborations by using the current and developing new networking platforms. It is also important to leverage the collaboration networks that link Latvia with Europe and other countries. |