

Summary of Latvia's OECD Post-Accession Progress



Please cite this publication as:

OECD (2018), *Summary of Latvia's OECD Post-Accession Progress*

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On 11 May 2016, Council decided to invite Latvia to accede to the OECD Convention and an Accession Agreement, consisting of the Final Statement of Latvia accepting the obligations of OECD membership and the Council Decision to invite Latvia, was signed on 2 June 2016. Latvia deposited its instrument of ratification to the OECD Convention and thus became an OECD Member on 1 July 2016.

The Council Decision to invite Latvia to become an OECD Member provided that, after accession, Latvia should report as follows:

- a) *Corporate Governance Committee: A progress report to the Committee and its Working Party in Spring 2017 and thereafter as required;*
- b) *Health Committee: A progress report within two years after its accession to the Organisation.*

In the area of corporate governance, Latvia committed in its Final Statement and Accession Agreement to "the establishment of professional boards of directors by the end of 2016 in all large commercial SOEs, based on the application of clear selection and nomination procedures for SOE board members".

In addition to the post-accession reporting on corporate governance and health, Latvia requested a timeframe for the implementation of one OECD legal instrument in the field of public governance, namely the Recommendation of the Council on Public Procurement [[C\(2015\)2](#)] and this was subject to follow-up by the Public Governance Committee.

The post-accession progress reporting of Latvia started in 2017 and, on 11 December 2018, the Council welcomed the rapid progress made by Latvia in the implementation of its accession commitments as well as its high level of co-operation and engagement in the post-accession reporting process and agreed that the post-accession reporting process for Latvia is concluded.

Latvia's post-accession progress in each area is set out below:

A. Corporate Governance

1. OECD Post-Accession Recommendations

In the course of its review of Latvia for purposes of accession to the OECD, the Corporate Governance Committee and its Working Party on State Ownership and Privatisation Practices identified four priority recommendations on which Latvia was requested to report back after accession:

- To ensure effective separation of the regulatory and ownership functions for state-owned enterprises and to further implement the *Recommendation of the Council on Guidelines on Corporate Governance of State-Owned Enterprises*, Latvia should:
 - Follow through on its pledge to establish professional boards of directors in all large commercial SOEs, based on the application of clear selection and nomination procedures for SOE board members.
 - Build on progress made in 2015 to strengthen the performance of its ownership function by, before the end of 2016, taking clear steps to ensure the effective implementation of the Public Persons Capital Shares and Companies Law and its implementing regulations and guidelines. This should encompass the development, review and monitoring by line ministries, in cooperation with the Coordination Institution of SOEs' medium-term operations strategies, including the clarification therein of SOEs' commercial and non-commercial objectives; and the development of future annual aggregate reports.

- Ensure that the 13 of Latvia’s largest SOEs which have committed to apply International Financial Reporting Standards (IFRS) to their individual and consolidated (where applicable) annual accounts beginning with the 2016 annual reporting period, follow through on this commitment. As required for listed companies on Latvia’s main listing segment, all large commercial SOEs should choose to apply IFRS to their financial accounts based on the new 2015 Annual Accounts and Consolidated Annual Accounts Law.
- To ensure the enforcement of shareholder rights and their equitable treatment, Latvia should address weaknesses identified in the framework for treatment and disclosure of related party transactions by enacting necessary legislation to strengthen this framework by the end of 2016.¹

2. Latvia’s Progress

When considering Latvia’s progress in March 2017, the Corporate Governance Committee:

- highlighted that Latvia had taken clear steps to implement the Working Party’s priority recommendations, notably by establishing boards of directors in all its large, commercially oriented state-owned enterprises in accordance with the commitment made by Latvia in its Accession Agreement;
- noted that 33 of the 39 supervisory board members had been appointed in line with the government’s criteria for independence, a majority of them coming from outside of the government with relevant sectoral expertise or business-related experience in line with recognised OECD good policies and practices;
- recognised the steps taken by the Coordination Institution to strengthen the ownership function, including by issuing all regulations and guidelines necessary for the implementation of SOE governance reforms, as well as the adoption of commercial strategies by most of Latvia’s largest, commercially-oriented and most strategically important SOEs;
- recognised progress made by Latvia on the implementation of IFRS within Latvia’s largest SOEs, which were largely on track for 2016 financial reports at the time of the Working Party’s review of Latvia’s progress; and
- noted Latvia’s legal reforms to enhance the framework for the review and disclosure of related party transactions, which passed the first reading of the Seimas in December 2016.

In light of the progress made, the Corporate Governance Committee concluded Latvia’s post-accession reporting process in the area of corporate governance in March 2017.

¹ See OECD (2017), Corporate Governance in Latvia, OECD Publishing, Paris, at pages 124-125. Available on the OECD website at [<http://www.oecd.org/latvia/corporate-governance-in-latvia-9789264268180-en.htm>].

B. Health

1. OECD Post-Accession Recommendations

In the course of its review of Latvia for purposes of accession to the OECD, the Health Committee identified key actions that Latvia should prioritise after accession:

- creating a data-driven health care system, by developing key performance indicators on access, quality, efficiency and sustainability; and by moving to open publication and benchmarking of provider-level performance measures;
- improving access to care, in particular by reducing out-of-pocket health care spending and considering the re-introduction of cost-sharing exemptions for vulnerable and low-income groups;
- improving the quality of care, through better use of national patient registers, wider collection of quality and outcomes data, and implementation of a national system to learn from adverse events;
- delivering preventive care more effectively, through wider inter-sectoral work, better use of nurses in GP practices, and better use of pharmacists for preventive care; and
- increasing health spending per capita to a level closer to the OECD average through a targeted, incremental increase in spending.²

2. Latvia's Progress

When considering Latvia's progress in June 2018, the Health Committee:

- recognised the steps taken by Latvia to set up a health data infrastructure, including by introducing eHealth and ePrescription schemes and developing a Health System Performance Assessment tool, but however encouraged Latvia to make fuller use of the data that it already has to drive policy making, improve quality and assure safety;
- underlined Latvia's efforts to increase access to care via targeted injections of funding aimed at reducing waiting lists and at increasing quotas for key services, while also starting to address staffing shortages;
- highlighted that improving quality of care was a clear strategic priority in Latvia and noted the concrete steps taken thus far, which include the development and use of hospital quality indicators and efforts to improve the skills and competencies of health professionals, and encouraged Latvia to continue its efforts towards addressing patient safety and hospital performance;
- congratulated Latvia on the adoption of several preventive care measures, such as health promotion activities targeting substance abuse reduction, healthy diet, adequate physical activity, sexual and reproductive health and mental health promotion, as well as enhancing the role of nurses and pharmacists, all the while recognising the heavy strains on Latvia's primary health system ; and
- commended Latvia's clear commitment to increase resources in the health system, with a budget increase of more than 20% in 2018, and an overall health financing reform aimed at sustaining the increase in spending over the long term.

In light of the progress made, the Health Committee decided to conclude the post-accession reporting process in the area of health in June 2018.

² For the full report, see OECD (2016), OECD Reviews of Health Systems: Latvia 2016, OECD Publishing, Paris, box 0.2 at pages 29-31. Available on the OECD website at [\[http://www.oecd.org/els/oecd-reviews-of-health-systems-latvia-2016-9789264262782-en.htm\]](http://www.oecd.org/els/oecd-reviews-of-health-systems-latvia-2016-9789264262782-en.htm).

C. Public Governance Committee

1. Timeframe for the Implementation of the Recommendation of the Council on Public Procurement [C(2015)2]

At the time of accession, Latvia had requested a timeframe until the end of 2018 for the implementation of the Recommendation of the Council on Public Procurement [C(2015)2] in order to allow for the implementation of laws, regulations and administrative provisions related to e-procurement in line with the relevant parts of European Union Directive 2014/24/EU for which the date of transposition was 18 October 2018.

2. Latvia's Progress

On 13 November 2018, Latvia reported to the Public Governance Committee that it had adopted a new Law on Public Procurement which had entered into force on 1 March 2017 and that the relevant e-procurement elements had been introduced in its domestic framework. As such, the Public Governance Committee was satisfied that Latvia had made sufficient progress in the implementation of the Recommendation and decided to conclude Latvia's post-accession reporting on this Recommendation.