



Ministry of Economics of the Republic of Latvia

REGIONAL SURVEY OF TOURISM DEVELOPMENT IN LATVIA

June, 2017

Ministry of Economics of the Republic of Latvia



1. Socioeconomic situation



Inhabitants

Provisional estimates show that, at the beginning of **2017 Latvia's population** accounted for **1,95 million to 1,97 million** at the beginning of 2016. The indicator is still declining - by 14.6 thousand citizens in 2015 (*decrease rate comprising 0.6% has fallen slightly, as compared to 0.8% in 2014*). Since 1991, the natural increase in Latvia has been negative, and the number of deaths still exceeds the number of births. Population number decreases due to both negative natural increase and long-term migration (with the number of emigrants exceeding the number of immigrants). Women are 54,07 % of total population.

At the beginning of 2015, **67.9 %** of Latvia's population lived in urban areas, more than a third or 32% of which resided in Riga, where population density accounted for 2 116 persons per km² (*31 pers./km² on average in Latvia*).

Average population density rate in Latvia is 30 residents per km². It varies among the regions, lowest population is in Vidzeme region (13 population per km²), while in Riga region 36 residents per km² (or 97 res. /km² if Riga is included).

Ethnic composition

In 2016 there were 61,8 % Latvians, 25,6% - Russians; 3,4% - Belarusians; 2,3% Ukrainians; 2.1% Poles; 1.2% Lithuanians; 0,3% Jews; 0,3% Roma; 0,1% Germans, 0,1% Estonians; 2,8% other nationalities.

Language, average knowledge of foreign languages is among the highest in EU. More than a half of population fluently manages a foreign language. In Latvia well known foreign language is Russian, but it varies between the generations. Youngest generation has better English knowledge.

Economic indicators

Since the end of economic depression (2008 - 2010) the economic growth has resumed. Although the growth of Latvia's economy has been one of the fastest in European Union (reaching max 4% per year in 2011 - 2013), in the last years it has slowed down to 2 - 3%. Nevertheless, GDP is still lower by more than 5% than it was before the economic crisis in 2008. GDP per capita in 2016 was 12 762 EUR (EU28 – 26 500 EUR). GDP growth rate: 2,7% (EU28 – 2,2%), 2015.

The unemployment rate tends to fall, in 2016 it was 9,6%, in the same time rate of wage growth was 4,7%, inflation rate – 0.1%.

GDP per inhabitant in PPS (*Purchasing Power Standards*) was 64% (EU 28- 100%), 2015¹;

Tourism is considered to be one of Latvia's main drivers of economic development, an important source of export venue and key contributor to GDP.

In 2016, tourism directly contributed 4,1% of Latvia's total GDP of EUR 1 billion. Tourism exports composed 18% or EUR 783 million in 2016, representing 6,8% of total exports.

The tourism sector with induced industries provided almost 79 000 jobs and accounted for 8.9% to total employment in Latvia in 2016.

Territory

Territory of Latvia is divided in **five regions**, consisting of the counties and cities. After 2009, the country completed the administrative and territorial reform of Latvian regions as follows: Riga, Kurzeme, Vidzeme, Zemgale and Latgale; 110 counties including 67 towns and 9 cities of national importance.

¹ LIAA <http://www.liaa.gov.lv/en/about/latvia-facts>



Figure 1 Regions in Latvia²

Total border line of **Latvia** comprises 1.8 thousand km, of which sea border constitutes of 500 km. Latvia has land boundary with Estonia (343 km), Russia (292 km), Belarus (171 km), and Lithuania (576 km), as well as maritime boundary with Sweden, Lithuania and Estonia.

Total territory of Latvia **comprises 64.6 thousand km²** - 62.2 thousand km² are occupied by land (30.4 thousand km² of forests and 23.5 thousand km² of agricultural area), while 2.5 thousand km² are taken by inland waters.

Latvia is located in western part of the East European Plain; melting of glaciers has resulted in a relief rich in monticules and valleys facilitating water accumulation in lowlands. In Latvia there are more than 12 thousand rivers with total length of 38 thousand km. Latvia is typical lowland country. The highest point of the country territory is located in Vidzeme Upland - 311.6 m above the sea level.

At the end of 2016, there were 607 accommodation establishments of different types in the country, with 15 862 rooms and 37 453 beds, monitored by national statistics with double larger capacity in small-size private sector establishments, although in *airBnB* network etc.

2. Tourism system

2.1. List of actors involved in tourism system development

Public - Governmental sector:

National governmental institutions:

Ministry of Economics is the leading governmental institution and is responsible for tourism policy planning and implementation in Latvia.

Investment and Development Agency of Latvia (LIDA) is under the supervision of Ministry of Economics and implements national tourism policy.

Ministry of Foreign affairs implements the unified foreign policy, including consular, representative functions abroad.

Ministry of Culture is responsible for cultural heritage conservation; architecture, folk art, theatre, music, museum, visual art, literature and other cultural sectors policy implementation.

Ministry of Environmental Protection and Regional Development – environmental protection and coordination of

² <http://www.lvportals.lv/print.php?id=217625>

regional development, municipalities' development; land governance and territory planning issues;

Ministry of Health – health tourism promotion in terms of health sector;

Ministry of Agriculture - agriculture, forestry and fisheries, predicts and promote the development and coordination of farm entrepreneurship, including activities for rural development, as example *LEADER* programme.

Ministry of Education and Sciences - is responsible for education, research and sport. Sport infrastructure is under supervision of the ministry. Sport tourism. Tourism and Hospitality, event management education, qualifications etc.

Regional governmental institutions:

Vidzeme Planning Region; Kurzeme Planning Region; Zemgale Planning Region; Latgale Planning Region; Riga Planning Region;

Local governmental institutions:

110 municipalities (counties) with local government and 9 cities with independent government;

From the political point of view all the documents are implemented in national context (excluding regional public transportation partly related to tourism system of access & connectivity).

Non-governmental sector – associations and societies

National scale: Latvian Association of Local and Regional Governments; Latvian association of big cities; Latvian association of Resort cities.

Regional tourism associations: Zemgale tourism association; Kurzeme tourism association, Vidzeme tourism association; Latgale tourism association “Ezerzeme”;

Latvian tourism agent and operator association; Latvian association of tourism guides; Latvian association of castles and manors; Latvian association of rural tourism “Lauku celotajs”; Riga tourism Development Bureau “LIVERIGA”; Latvian association of Tourism information organizations; Youth Hostel association; Tourism society of Gauja national park, Latvian Camping Association, Chef club, Association of Event Management.

Science & Education – Vidzeme University of Applied Sciences; Business University “Turība”; University of Latvia. Vocational education for tourism and hospitality in several vocational schools.

Business sector:

Division between SME's and large entrepreneurships here. The number of tourism operators tend to decrease. In 2016 there were 121 tourism operators while in 2012 – 241. Trends for restaurants. More diverse forms of overnight stay are increasing. International chains of hotels: Radisson, Maritim, Park Inn, Reval Hotels, etc., local chains. Dominance of certain companies in 4-5* hotel segment.

2.2. Governance

The procedures by which governmental institutions, municipalities and businesses operating in the tourism sector, are determined in "Tourism Law".

The **Ministry of Economics** is the leading governance institution and is responsible for the development of tourism policy in Latvia.

Its main responsibilities are:

- To develop national tourism policy and organize and co-ordinate its implementation;
- To develop draft legislation and regulations;
- To represent the States interest in the tourism industry;
- To plan state aid to the tourism industry;
- To prepare and implement international agreements regarding co-operation in the field of tourism, as well as to co-ordinate the development of international projects.

The Ministry of Economics supervises the **Investment and Development Agency of Latvia (LIDA)**, which is responsible for the implementation of tourism policy and the promotion of Latvia as an attractive tourist destination at both the national and international level.

LIDA implements national tourism development policy under the supervision of the Minister of Economics.

The Agency's functions include:

- Ensuring implementation of Latvian tourism development policy;
- Promoting Latvia as an attractive tourist destination to both national and international markets;
- Introducing tourism products developed by a partnership of the public and private sectors;
- Attracting financial resources for tourism development;
- Introducing quality management into the tourism sector, including assessing compliance by Latvian tourism operators and related service and retail providers.
- Helping implement international co-operation agreements in the tourism sector.

The Ministry of Economics (along with LIDA) cooperates actively with the regions of Latvia via 4 regional tourism associations. Cooperation with local municipalities and tourism information centres is also possible, if more detailed issues are to be resolved.

In case of nationally important issues regarding tourism, a **Tourism Committee of the Council of Latvian Economy** is brought together which is represented by the tourism associations, regional associations and, where appropriate, tourism related associations.

In questions related to specific tourism areas like travel agencies or accommodation, the Ministry of Economics cooperates with the specific sector associations.

Tourism advisory Council of the Latvian Investment and Development Agency consists of the representatives involved in tourism policy implementation from ministries, municipalities, entrepreneurs, as well as representatives of associations and foundations. The main aim of Advisory Council is to promote the development of tourism and protect the interest of traders who provide travel services in national policy planning process.

Responsibility of **municipalities** involves the integration of tourism development (including the prospects of resort development resort areas) into the local policy planning documents. According to the local policy planning documents, municipality provides the measures for development of tourism (including resorts), provides the information on tourism opportunities, natural healing resources and resort services on its territory as well as the measures for the conservation and exploitation of tourism objects. Municipality participates in the establishment of tourism information centres, boards, points, provides funding for that. TIC's are mainly as structures of the municipalities or agency bodies of self-governments, much less based on privat-public partnership / NGO basis. They are weakly integrated in organizational chart of governmental structure.

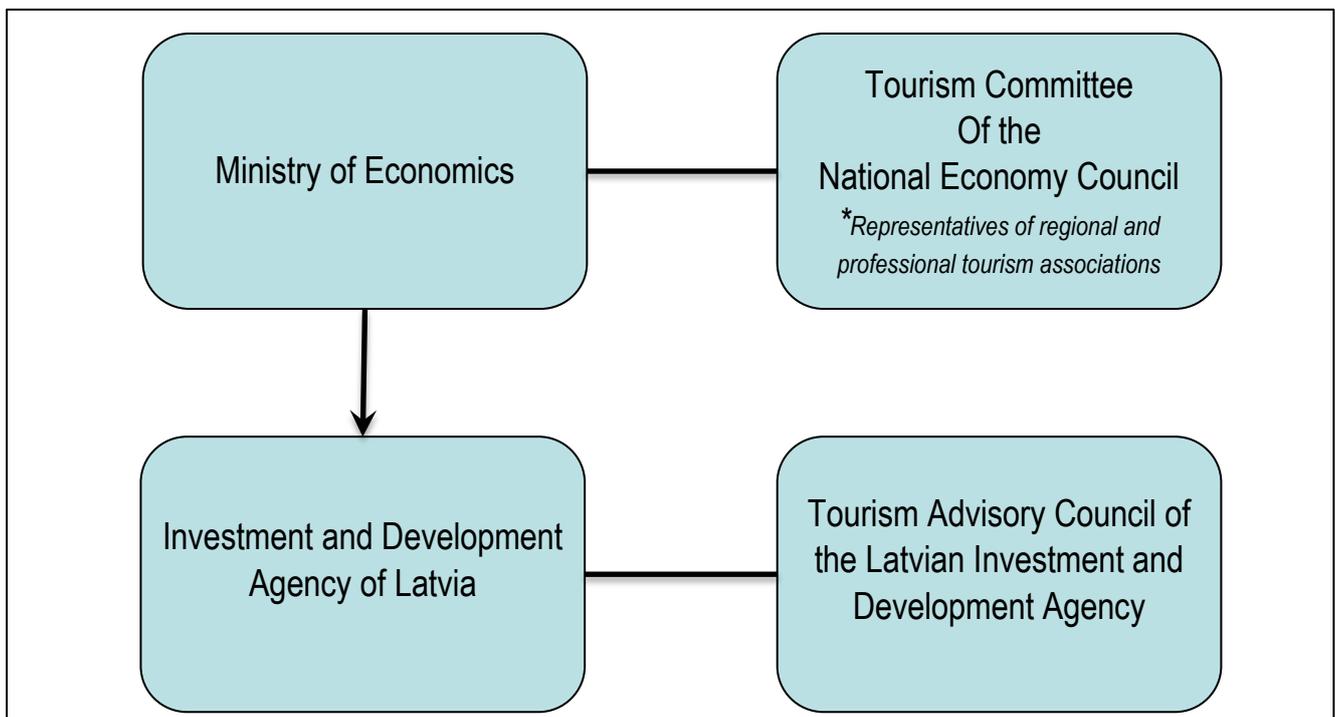


Figure 2 Organizational chart of tourism bodies

Many local-scale municipalities have organised tourism / entrepreneurship consultancy boards with regular meetings. There are several cluster type networks with mixed steering committees, advisory boards of private-public destination management models. Annual tourism forum has established as public-private dialogue of tourism industry.

- **Tourism policy planning documents**

Latvian tourism policy is based on several laws and regulations. In addition to the Tourism Law, these include: regulations governing the status of resorts, the completion and storage of visitor entry forms and the rights and duties of tour operators and travel agents; information rights of customers; guarantees regarding financial deposits made by travellers; and by-laws relating to the Latvian Tourism Development Agency.

The main policy planning document is Latvian Tourism Development Guidelines for period 2014 – 2020, prepared by Ministry of Economics (approved on 1 July 2014).

The overall goal of the Latvian tourism policy (2014-2020) is to **ensure sustainable growth of the Latvian tourism sector by facilitating competitiveness of Latvian tourism services in export markets.**

Latvian tourism policy aims to increase the competitiveness of Latvian tourism supply that:

- meets the criteria of sustainable tourism product development;
- encourages international competitiveness;
- reduces seasonal imbalance in tourism flows;
- Extends the average length of stay.

4 main challenges have been identified for the Latvian tourism industry:

- Improving education and skills in tourism. Specialists in the beauty/spa and tourism sectors are redesigning undergraduate qualifications to improve the efficiency of higher education in these sectors;
- Combating seasonality. Meeting, Incentives, Conference and Exhibitions (MICE) and wellness are priority development areas with year round opportunities to minimize the negative effect of seasonality;
- Economic crisis and recovery. Latvia has set a lower rate of Value Added Tax for accommodation business in order to help the sector recover from crisis;
- Improving the quality of tourism offer. A quality certificate, Q-Latvia, has been introduced for tourism products and services. Quality certified products must be sustainable, offer innovative solutions, be export oriented with high quality and high level of tourist involvement, and have high added value. Only quality tourism products can access available supports.

The main strategic sectors of tourism in Latvia that are the most competitive are **MICE, health tourism, nature tourism, and cultural tourism and creative industries.**

| | Indicator | 2005 | Base value 2012 | 2017 | 2020 |
|--|---|------|-----------------|-----------------------|-----------------------|
| 1. Increase of number of foreign overnight travellers | The number of overnight visitors, thous. | 1089 | 1 435 | 1 650 (+15% ag. 2012) | 1 722 (+20% ag. 2012) |
| 2. Increase of average occupancy in accommodation establishments outside the busiest summer season | Bed occupancy rate outside the busiest summer season (except June – august) % | 35 | 30 | 34 | 37 |

| | | | | | |
|---|--|------|---------------------------------------|-------|--|
| 3. Increase of one overnight foreign traveller expenditure per day | One overnight foreign traveller expenditure per day, EUR | 41,3 | 75,4 | 87,5 | 95,5 (Annual increase 3%) |
| 4. Increase of foreign overnight visitors' total expenditure per year | Total expenditure of foreign visitors (annually), millions EUR | 356 | 438 (average length of travel 4 days) | 577,5 | 657,8 (average length of travel 4 days) |

Figure 3 Resultative indicators of Latvia's tourism policy

Latvian Tourism Marketing Strategy 2010-2015 was elaborated in 2010. The document introduces with the concept of tourism development, proposing main tourism market targets and the new communication platform, with the slogan "Latvia. Best enjoyed slowly".



In the development of brand "**Best enjoyed slowly**", the new tendencies in the consumer lifestyle and value system have been taken into account, assuming the changes in life quality standards. Latvia is being promoted as the place to slow down the lifestyle pace and enjoy calm, nuanced relaxation for the new experiences, harmony and discover truth values. Developing the brand of Latvia's tourism the fact that Latvia is not and possibly never will be mass tourism destination, has been taken into account, therefore Latvian tourism products have to be based on quality, sustainability, individualization, high added value, involvement of tourists and gaining experience.



The new Marketing strategy for period of 2016-2020 will be elaborated according to the aims of the Latvian Tourism Development Guidelines for 2014-2020. It is currently in its last stages for approval. The brand of Latvia is also being revised. In the following years it is planned to propose Latvia as a business destination, therefore the slogan "**Magnetic Latvia**" is being adapted for external communication. "Magnetic Latvia" is LIDA's project aimed for capacity building for export entrepreneurs.

LIDA is responsible for the implementation of marketing strategy, thus the implementation is monitored by the Ministry of Economics by quarterly reports that LIDA hands in every 4 months.

In order to promote achievement of economic targets, the following marketing aims have been proposed for the period until 2020 – visibility, quality, product development, seasonality, and collaboration.

In the *Travel & Tourism Competitiveness Report 2017* Latvia is ranked in place 54th of the TOP of world's most attractive tourism destinations. In comparison with the previous year Latvia has fallen down by 1 place. The TOP is being made by comparison of 136 world countries by 14 criteria in 3 thematic groups: ranking tourism regulatory framework; business environment and infrastructure; the available human, cultural and natural resources.

2.3. Facilities

Nature tourism

Latvia can be proud of nature tourism resources, for almost 4 % of Latvia's territory is covered by inland waters, 5.9 % of total territory is coastal territories³, and the borderline is 498km long. According to the Environmental Performance Indicator Latvia was ranked as 22nd in the TOP of the greenest countries in the world (2016).

Social surveys show that reasons why tourists are coming to Baltic States, are highly affected by authentic cultural heritage, untouched nature and unpolluted, clean environment. There is less mass tourism and it is relatively safe - these factors are also becoming more important.

Resources that may promote nature tourism:

- Low density – not overpopulated living space;

³ Definition of coastal territories according to the Long-term national thematic plan for the development of the Baltic Sea coastal public infrastructure

- favourable climate, temperate climate;
- Coast of Baltic Sea and Riga bay with connected habitats and territories;
- Inland waters – lakes and rivers and the coast;
- forests, marshes, meadows, wetlands, landscapes, bedrock outcrops, cliff and sea Abrasives, steep cliffs, various glacier-made terrain micro – mega forms;
- natural monuments and separate natural objects;
- Biodiversity and individual species and systematic groups of animals. Latvian biodiversity in the context of tourism has unused potential. Kaive and Rīgzemju oaks are among the greatest in Europe, this group also include the boulders, waterfalls, springs, the specific shape of trees, dendrological plantations etc.;
- Specially protected nature and NATURA 2000 territories. There are 681 specially protected nature territories and NATURA 2000 territories, covering – 17% of land areas and 15% of sea territory (Latvia owned).
- Latvian national parks, most of the natural parks, protected landscape areas, and also part of the nature reserves are already popular tourist sites. In many of these territories nature infrastructure, such as nature trails (e.g. Gauja NP with largest nature trail network in Baltics exceeding 1000km), nature information centres, observation centres and information stands are formed;
- Animal gardens and their collections, botanical gardens, open-air exposure, life in the wild custom livestock etc.

MICE and events tourism

MICE and events tourism has been proposed as one of the potentially most perspective sectors.

Located in the middle of Baltic States, Riga is in geographically more advantageous situation for business meetings, conferences, also the connections are better in Riga, etc.

There are 3 hotels with high capacity Conference centers– *Radisson Blue Hotel Daugava* with 13 halls, *Radisson Blue Hotel Latvia (11 halls)* and *Maritime Park Hotel* with 9 halls. Beside the hotels, National Library, Congress house, House of Blackheads, Large and Small Guild Houses and many others can be used as the smaller of larger Conference venues. The number of hotels and other tourist accommodations tend to increase and in 2016 there were 607, two years ago there were (2014) – 544.

In 2016 there were 15 862 rooms, in 2014 – 14 873 rooms. Also the number of beds tend to increase as well, in 2016 there were 37 453 beds, while in 2014 – 33 459 beds. Nevertheless, the role of sharing economy and the growing popularity for Airbnb services is a fact – many travellers use these services.

Tendency is stable, 68% of all accommodated guests in hotels are foreign people.

Increasing importance of corporative incentive tourism. Sigulda Campanile and Bobble Rope holds many international championships during the winter season.

Culture and creative industries

Rich tangible cultural heritage consists of more than 9000 cultural monuments of national or local importance. Important cultural resources are architecture (wooden architecture; Art Nouveau, castles and manors, historical centres of the cities (especially old city of Riga, included in UNESCO list); sacred buildings),

Latvian cultural canon of the values of gastronomy, military heritage (special interest on Soviet period), intangible cultural heritage (crafts, rituals, customs), design, creative blocks and contemporary cultural centres, museums, thematic parks, creative urban and cultural spaces, that locals and tourists admit as specific and special life style values, traditions, events and entertainment offer.

In terms of cultural events, Latvia is famous with classical music events, such as Sigulda Opera festival, and others. Latvian National Theatre and Opera has raised many globally well-known artists, for example bandmaster Nelson A., singer K. Opolais, E. Garanca.

National song and dance festival is a traditional culture event in Latvia, which happens every 4 years and is included in the Representative UNESCO Intangible Cultural Heritage List.

Health and Recreation tourism

Existing resources for health and recreation tourism consist of unique natural healing resources and the use of these resource properties into biotherapy, rehabilitation and recreation services. Knowledge and experience of personnel into recreation, resort rehabilitation, deep medical rehabilitation traditions (beginnings of Tourism development based on sulphur in the region's oldest resorts from 18. century).

Health tourism as one of the tourism directions that provides the sustainable use of Latvia's balneological and peloid economical resources. Significant concentration of resources, facilities and entrepreneurship in that sector are concentrated in Jūrmala Resort town managed by export focused cluster network.

2.4. Connections

Regarding the connectivity, 48% of all overnight travellers have travelled to Latvia by air transport, therefore the good connection by air is strategic advantage for Riga and Latvia.

In the last 5 years (2011 – 2016) the number of passengers in Riga airport has increased by 12%, although the number of flights has slightly decreased by 1%.

From Riga airport there were 70 destinations in summer season and 60 destinations in winter season in 2016.

TOP destinations from Riga airport are London, Moscow, Oslo, Frankfurt, and Helsinki.

In 2016 airport has collaborated with 20 airline companies.

Among the Baltic States (Estonia, Lithuania, Latvia), 44, 4% of total passengers are serviced in Riga airport.⁴

According to statistical data, 48% of total overnight travellers have used the air transport to travel to Latvia, 43,4 % have used the road transport.

Liepaja local airport has just opened and connects Riga with Liepaja, it is planned that airport connections will develop and have more flights.

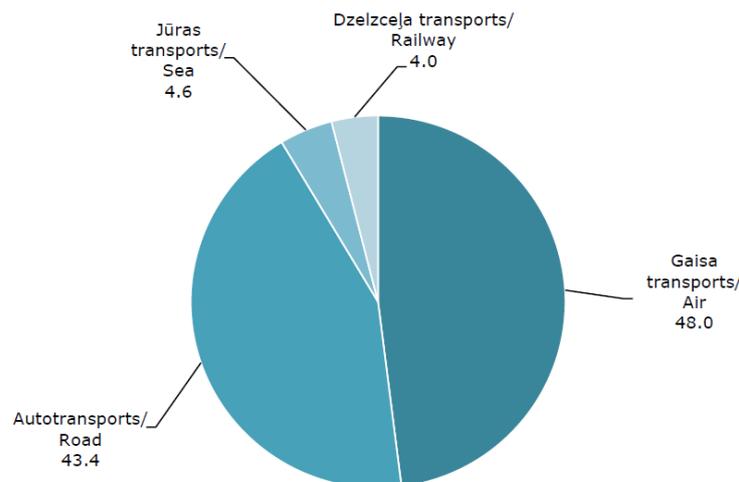


Figure 4 Overnight travellers by mode of transport used (2015)⁵

There is a different railway gauge in Latvia than in other Europe countries, therefore the air transport is in fact the only transport alternative for massive passenger travels between Latvia and the rest of Western Europe. Russia and other CIS countries can still be reached by railway traffic. For mass transportation Rail Baltica (Trans – European Transport Network TEN – T) railway project is being implemented. It will connect Tallinn – Riga – Kauna with Warsaw. The building works are planned to start at 2020 and end at 2024.

In 2016 Riga Port had more than 700 thousand passengers, including 68.5 thousand cruise passengers. The number of passengers' travel by sea transport tends to decrease. Passenger harbor in Riga is mainly used for ferry transport between Riga and Stockholm.

Regular international passenger coach lines connect Riga with neighbour capitals – Tallin, Vilnius, Minsk, Moscow, St. Petersburg etc. Also, Germany, Hungary, Czech Republic and other countries can be reached by bus.

Regional public transport traffic is mainly based of public coaches connecting major towns and settlements. Less important, however frequently used in tourism is railway network.

Organized tourism buses are ensuring international mobility between major tourist attractions and service hubs Baltic region wide.

Major car rental companies are serving individual customers mainly operating from air-port and main cities.

Taxi services are covering daily short-distance mobility in all touristic cities and towns.

3. Tourism market

3.1. Composition (who comes to visit)

⁴ http://www.riga-airport.com/uploads/files/RIX%20Gadagramata_LV.pdf

⁵ CSB Tourism in Latvia (2016)

The largest part of visitors in Latvia come from neighbour countries – Lithuania, Russia, and Estonia. Also among the Nordic people, there is relatively greater interest of the possibilities for travelling to Latvia. It is promoted by wider traffic possibilities (Airlines, ferries) as well as closer economic contacts. Germany historically has been connected with Baltic region, this is the major reason why Germans are better informed about the Baltics and Latvia than other Western countries. According to CSB traveller survey results, the number of foreign visitors who crossed the Latvian border from 2010 to 2015 has increased by 35.7%. While most of Latvian visitors are still staying less than one day, this trend is decreasing. 29, 7% (2015) of all travellers stayed in Latvia more than 1 day. On average overnight travellers stayed 4 nights and this indicator has not changed significantly throughout the period.

According to 2016 data, largest tourism markets for Latvia are neighbour countries - Lithuania (14%), Estonia (13 %) and Russia (19%), that together with Germany (17%) constitute 45% of foreign tourists.

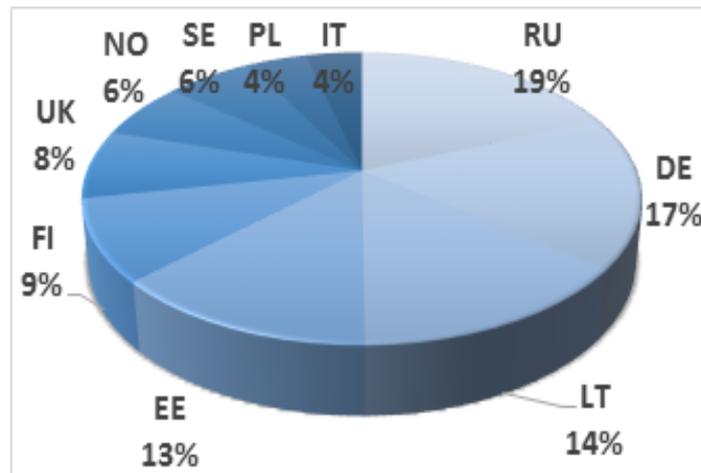


Figure 5 Tourism export⁶

3.2. Targets

The main target groups that are travelling to Latvia are travellers at the age group 25 – 44. The number of travellers in this age group tend to increase in the last years. In the same time according to social surveys, the main auditory that **are willing to travel** to Latvia are seniors, at the age under 60.

Nevertheless, as the target audience for the following years millennials and middle-age generation have been nominated. In communication with different target groups, the argument choice is important.

⁶ CSB 2016 data

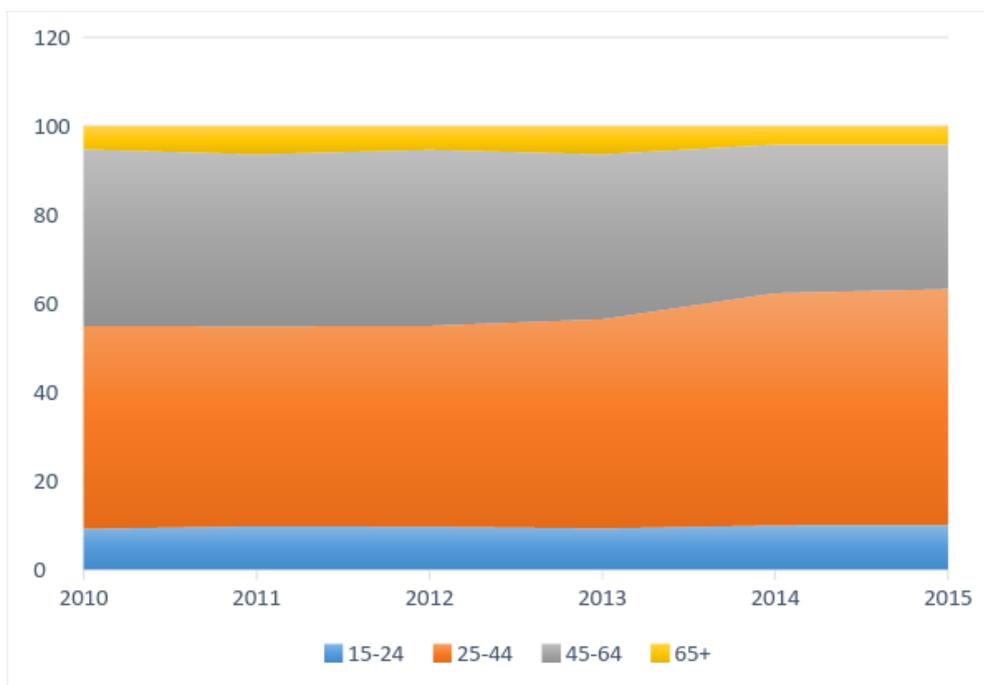


Figure 6 Foreign travellers by the age groups

The priority markets are the countries from which the main part of foreign travellers come from. Strategically important countries are all the neighbour countries and nearest Northern Europe and Western Europe countries.

| Categories of Target market* | Countries | Planned marketing activities |
|------------------------------|---|---|
| Priority markets | Germany, Great Britain, Norway, Sweden, Finland, Lithuania, Estonia, Russia | Depth of each country's tourist market analysis, with the aim to develop a communications strategy for each market, which includes the target audience segmentation and segment-appropriate marketing activities in the market. |
| Secondary market | Denmark, Netherlands, Italy, Belarus, Poland, France, Austria | Selective marketing activities based on detailed evaluation criteria and depending on the availability of financial resources. |
| Tertiary markets | Other Europe and Commonwealth of Independent States | Selective marketing activities depending on the availability of financial resources in collaboration with the tourism industry |
| Far markets | USA Japan China South Korea | Selective marketing activities based on detailed evaluation of criteria, and depending on the availability of financial resources. |

Figure 7 Foreign target markets⁷

3.3. Trends

Trends are connected with the changes in demography, lifestyles and value system, as well as changes of technologies and the growing importance of environmental protection, climate change issues. Global political, and economic factors play important role.

Sharing economy and new marketing trends (storytelling, blogging, etc.) as well as travel motivation and individualization, growing importance of small scale internet based business (*Ueber, airBnB* tec.) are the challenges the tourism development faces nowadays.

3.4. Competitors (which regions / world areas are your competitors)

⁷ Marketing strategy 2016 – 2020 (draft)

Baltic States are often perceived as one destination- large part of tourists travel to all 3 Baltic States at once. Tourism agencies in Western Europe and Scandinavia have priority offers of travel package for 3 Baltic States. Also individual travellers, especially those who are travelling by car, usually combine all the 3 Baltic States. In both cases nearest cross-border cities could be added to usual itineraries (e.g. Warsaw, St. Petersburg, Kaliningrad, and Helsinki).

For average perception of western – European resident, Latvia is one of 3 Baltic States. In their view all the Baltic States are very similar.

Potential tourists know, where Latvia is situated, although the knowledge is limited to orientate in the specifics of each country, often even mixing Baltic States and their capitals. There is a common image of Baltic States in Western Europe – post soviet country, with similar history, culture and life quality. In Northern Europe better visibility is for Estonia.

Riga's positions in comparison with Tallinn and Vilnius is strongly secured and well positioned. In Norway, Great Britain, Germany and Netherlands, Riga is mentioned as the centre of Baltic States - the most popular and frequently recommended tourism destination in Baltics. Riga is able to compete successfully with other Central – European cities – Prague, Budapest, Warsaw, Krakow, Gdansk.

The perception of potential tourists not always connects Riga and Latvia. Often tourists after a trip to Riga are not even aware that have visited Latvia, e.g. a part of tourists not associate Riga as the capital of Latvia.

Nevertheless lately the interest of Latvia's regions is growing, many tourists are willing to have trips in Latvia without Riga.

Competitors in the Latvia's target market may be considered the Baltic States (Lithuania and Estonia) as well as the Eastern European countries.

Hotel prices for 4-star hotel varies between 50 – 110 EUR, for 5-star hotel 100 – 200 EUR per night. VAT tax is reduced for hotel accommodation services – 12%, nevertheless the tax percentage is one of the highest in EU.

3.5. Destinations and attractions (describe your main assets and destinations)

Research has shown that internationally Riga is more recognizable than Latvia. Capital is the main tourist attraction element in Latvia.

TOP 7 destinations for the foreign travellers, that are selected on their export market shares by the foreign number of overnight stays.

- Riga;
- Jurmala and Gulf of Riga Kurzeme coastline;
- Gauja national park (with highlight of Turaida castle);
- Ventpils and vicinity, Kolka;
- Liepaja city, especially coastline to the north and south;
- Daugavpils, *UNESCO* National list Nature park "Daugavas loki";
- Vidzeme coast;
- Rundale palace;
- Tervete Nature tourism,

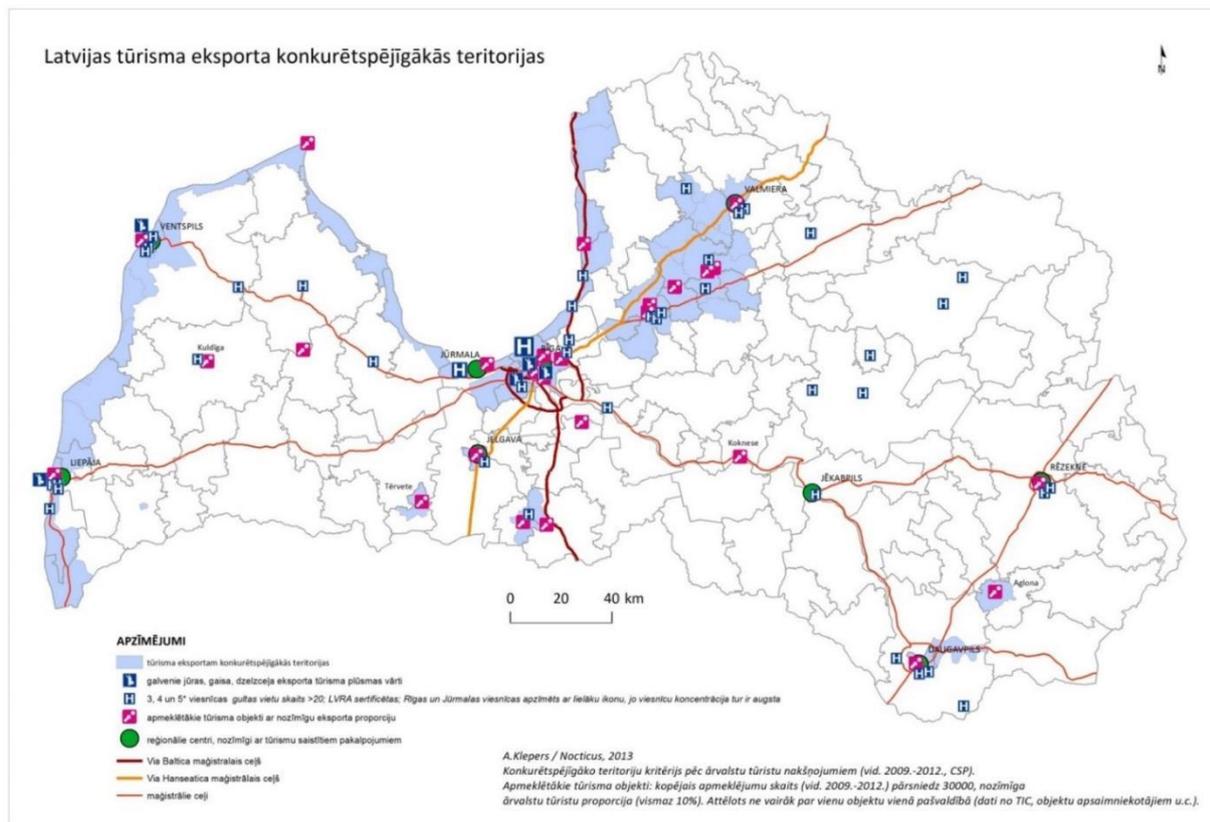


Figure 8 Competitive tourism export territories of Latvia

Tourism attractions, both – either objects or events, are demanded differently depending from product specifics, location, marketing strengths and other factors. Growing importance is for international events – festivals, sport events, large cultural events and others.

However, in order to promote tourist residence expectancy, it is necessary to carry out activities that encourages travelers to go outside Riga.

One of the prerequisites for the development of tourism in the regions are the development of tourism clusters.

One of good examples is Gauja national park cluster – *EnterGauja* which amalgamates approximately 60 different stakeholders.

Since 2011 the Latvian Health tourism cluster has been established, it unites rehabilitation centers, private clinics, resort hotels, tourism companies, and municipalities that are interested in the promotion of health tourism in Latvia.

4. Tourism support actions in Latvia

4.1. Regions promotion, innovation and diversification strategies, policies and actions in the framework of Operational Program (OP) “Growth and Employment” Investment priority 3.2.: “supporting the capacity of SMEs to engage in regional, national and international markets and innovation process”.

The OP “Growth and Employment” contributes to the RIS3 objectives to foster the growth of industries, their export capacity and the integration into global value chains. Although the tourism promotion is not one of the target sector in RIS3, strategy supports Latvia’s participation in global niches by increasing the capacity of tourism export and strengthening Latvia’s competitiveness in external markets.

One of the prerequisites for the tourism development in the regions are clusters. Tourism cluster is the group of tourism service providers, support organisations, research and development institutions that collaborates effectively and

coordinates in one specific geographical territory, developing complex tourism supply.

In the result of collaboration, the competitiveness of group members are improved, promoted quality and productivity as well as innovations.

Cluster program (3.2.1.1.)

The aim of the cluster program is to encourage businesses, research, education and knowledge transfer organizations and other institutions for cooperation at local and international levels, thus contributing to the competitiveness of economic operators, by increasing export volumes and the share of high value added products and services in export, as well as innovation and new product development.

Financed by EU European Regional Development Fund, the total budget for Planning period 2014 – 2020 is 6,2mill. EUR, which provides support for cluster development, ensuring the promotion of international cooperation, coordination of activities, recognition, and marketing activities, the services and cooperation of cluster members with education institutions and research organizations.

1st call of application has resulted with 14 cluster project of which 2 are dedicated to the tourism promotion.

Gauja National Park tourism cluster “EnterGauja” has received funding for cluster activities for phase II in amount of 415 thousand EUR for 4 years period. In previous Planning period (2007-2013) Sigulda Regional tourism society has attracted investments of 340 thousands EUR for cluster activities in Gauja National Park.

Latvian health tourism cluster, coordinated by Association of Resort cities has received 415 thousand EUR in Second planning period (2016-2020).

Small-scale local and regional clustering & networking outside the export focused clusters is an overall trend of destination management structures.

International competitiveness (3.2.1.2.)

Program provides support for the international competitiveness of the tourism sector promotion, including the provision of advices and support to the economic operators for the activities in external market - attraction of foreign investments, the organization of international exhibitions in the national assembly, as well as marketing activities.

For the Planning period 2014 – 2020, the finances are divided between 3 activities:

- Organizing national stand in international tourism fairs and exhibitions abroad – 370 SME’s will receive state aid in planned activities – 6 million EUR;
- Marketing and promotional activities – 282 SME’s will receive financial support in the form of grants – 14 million EUR;
 - Tourism marketing activities and advertising campaigns;
 - Exploratory visits (journalists, bloggers, tourism operators, travel agents, other specialists);
 - Workshops and seminars for tourism professionals;
 - Tourist information and marketing materials;
 - Public relations and co-operation with the media, tourism portal of Latvia, Internet media
 - Market analysis and monitoring;
 - Financial support for tourism promotion in regions;
 - MICE tourism facilitation activities,
- Financial support to SME’s for individual stands and participation in tourism related conferences and seminars abroad – 250 SME’s will receive financial support in the amount of 19 million EUR.

ERDF funding for 5.5.1 “**Conservation, protection and development of important culture and nature heritage as well as service development**” with available finances with more than 39 mill EUR for the support:

- of the restoration, conservation, rebuilding or restoration of architectural, archaeological, historical, as well as urban construction monuments of national significance;
- the creation of new services by expanding the supply of cultural and natural heritage content;
- Infrastructure construction, rebuilding etc.

(Under supervision of Ministry of Environmental Protection and Regional Development)

ERDF for 5.4.1. “**Development of natural objects protection and inspection infrastructure, habitat restoration**” for the infrastructure works in NATURE 2000 territories.

Funding for the Latvia’s hundred years celebration

Available funding for culture event program of Latvia’s 100 years celebration in 2018. Under the supervision of Ministry

of Culture. For SME's activities supporting the celebrations in regions, Riga, funding for cultural heritage exaltation, national historical movies, national song and dance festival, emphasizing landscaping treasures, natural values etc.

5. SWOT analysis

5.1. SWOT analysis of tourism development in Latvia⁸

| Internal factors | |
|---|---|
| STRENGTHS | WEAKNESSES |
| <ul style="list-style-type: none"> ● Varied and rich cultural (tangible and intangible) heritage, national cuisine, contemporary cultural expressions; ● Attractive natural resources – the landscape, geodiversity and biodiversity of sea coast with a sandy beach, untouched nature; ● Rural and ecotourism resources; ● Developed international airport, extensive flight network ● High human and professional educational potential, English speaking staff; ● High potential to develop tourism products with high added value and innovative tourism products ● Wide network of SME's operating in tourism sector ● Strong NGO sector in certain tourism areas ● Recognized success of “Best enjoyed slowly” tourism branding platform ● Latvia as a safe tourist destination image; ● Suitable environment with natural resources for the specialized natural resources, supplementing the supply of Riga tourism; ● Jurmala image as the largest Baltic resort; ● Landscape quality of countryside | <ul style="list-style-type: none"> ● Low number of population, population density ● Low visibility of Latvia country in general, therefore Latvia is unknown as tourism destination; ● Misconception in associations for Latvia as a post-soviet country with low service level and life quality; ● Incomplete use of tourism resources potential (heritage of cultural history, wilderness, human); ● Insufficient information on tourism offer in Latvia for foreigners; ● Not enough original and innovative products and tourism offer; ● Insufficient quality of tourism offer and infrastructures in certain regions, including areas with tourism resource concentration; ● Low level of entrepreneurship, low labour productivity, employment are not enough professionally educated; ● Language barrier, especially in regions; ● Not enough internationally well-known tourism brands (for example hotel chains); ● Poorly developed local tourism |
| External factors | |
| OPPORTUNITIES | THREATS |
| <ul style="list-style-type: none"> ● Favourable geographical position, including the location in the middle of Baltic States; ● Temperate climate; ● Changes of global demography and changes of motivation for travel make opportunities for new niches of tourism market; ● Increase of Asian outbound tourism market. ● Join in international networks and societies to develop tourism products; promote Latvia as tourism destination ● High potential for the development of health and SPA tourism products with natural therapeutic resources. ● Increasing importance of ICT and technological drivers in tourism sector ● Optimization of tourism destination | <ul style="list-style-type: none"> ● Low competitiveness of Latvia as tourism destination in EU and global level; ● Strong tourism seasonality that emerge the fluctuations of business turnover; ● Low development rate in comparison with other EU member states; ● Slow regional and global economic growth; therefore the risk of economy and tourism demand recession is actual; terrorism and disease threat; ● Unpredictability of global events ● Population ageing in Latvia (employment problem) |

⁸ Tourism guidelines 2014 - 2020

| | |
|---|--|
| management system in local-regional level | |
|---|--|

5.2. Region's policy strengths and development priorities in relations to the six BRANDTour policy themes.

| Policy theme | Strengths | Development priorities | Priority level |
|--|---|---|----------------|
| 1) the promotion of tourism products to enhance the visibility, image and market uptake of destinations | Latvian Tourism Marketing Strategy ERDF funds allocated to promotional activities of the destination | Wellness and MICE as tourism development priorities | 4. |
| 2) the valorisation of attractions through marketing, territorial branding and quality schemes | Latvian tourism product quality label – Q-Latvia currently under re-evaluation and improvement process; Marketing strategy re- evaluate the tourism brand. | Sustainable tourism product with high added value | 2. |
| 3) the innovation of the tourism offer through the clustering of SMEs and tourism products | ERDF funds allocated to development of clusters 3 clusters: Gauja national park “EnterGauja”, Latvian Health tourism cluster, sustainable tourism cluster of Latvia. | In small regions, the SMEs are advised to form clusters around a larger tourism product to attract more tourists and prolong the tourist's stay in the region | 1. |
| 4) the innovation of the tourism offer through synergies between private and public stakeholders | Interregional collaboration projects, for example, Interreg Estonia – Latvia program for walking routes, industrial heritage conservation, etc. Planning Regions & local service providers | Development of sustainable tourism products, based on best experience analysis | 3. |
| 5) the diversification of tourism products and services to provide more customised packages | Packages are mainly developed for niche tourism markets, so they are diverse | Niche tourism products | 6. |
| 6) the development of experiential tourism in relation to local value chains and excellence | Rural support programs, contributing to the promotion of rural tourism and entrepreneurship development; Tourism guidelines that involves the specific targets. Experience of leading EU Cultural capital (2014), Riga-Gauja EU gastronomic region (2017) | Culture tourism and creative industries | 5. |

