



Design of information sources to identify and resolve financial distress in Latvia

Final report

24.02.2023



Ministry of Justice
Republic of Latvia



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Language disclaimer

As this document was originally drafted in English, in case of doubt, the English text shall prevail.

Abbreviations and explanations

Abbreviation	Explanation
Consumers	A natural person between the ages of 18 and 74 who wishes to acquire, purchases or might purchase or use a product or service for purposes not related to their business or professional activity (Section 1(3) of the Consumer Rights Protection Law)
Detailed Project Description	Section “2. Description and Implementation of the Project” under consultancy services contract No. 2021.003577/15278/105676, signed on 13 September 2021 between European Bank for Reconstruction and Development and PricewaterhouseCoopers SIA for the provision of “Design of Information Source to Identify and Resolve Financial Distress in Latvia” supported by DG REFORM of the European Commission.
DG REFORM	Directorate-General for Structural Reform Support
EBRD	European Bank for Reconstruction and Development
EC	European Commission
Entrepreneurs	Individual merchants, economic operators, individual (family) enterprises, farmers/fisheries, and rural artisan enterprises/farms
EU	European Union
Financial distress	For consumers: such circumstances in which a person is in arrears or has difficulty making certain payments (e.g., mortgage or rent payments, utilities, or credit card bills, etc.) and is unable to meet those obligations from existing income or savings. For SMEs and entrepreneurs: such circumstances in which a business, an entrepreneur or self-employed person has difficulty making certain payments related to their business activity (e.g., payments on loans, leases, lines of credit, etc.) and is unable to meet those obligations with existing income or savings from business activity.
Information sources	Information materials and tools to help SMEs, entrepreneurs, and consumers identify and solve situations of financial distress
MoJ	Ministry of Justice or “ The Main Beneficiary ”
Project	Project “Design of information sources to identify and resolve financial distress in Latvia”
PwC	PricewaterhouseCoopers SIA or the “ Consultants ”
SMEs	Small and medium-sized enterprises – a limited liability company, joint-stock company, general partnership, or limited partnership that meets the definition of an SME, where the number of employees is less than 250, the turnover is below EUR 50 million or total assets are below EUR 43 million
SteerCo	Advisory body, part of the Project governance
Target group	Applies to SMEs, entrepreneurs, or consumers for whom the scope of the Project includes the design of information sources related to financial distress or, if plural, all these groups

Working Group	The working group established by the MoJ as part of the Project, consisting of: Ministry of Finance, Ministry of Welfare, Ministry of Economics, Insolvency Control Service, Financial and Capital Markets Commission, Court Administration, Consumer Rights Protection Centre, State Revenue Service, State Employment Agency, Bank of Latvia, Latvian Chamber of Commerce and Industry, Employers' Confederation of Latvia, Finance Latvia Association, Latvian Association of Local and Regional Governments, Latvian Borrowers' Association, and Association of Latvian Insolvency Process Administrators.
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Executive summary

Scope of the Project

The scope of the work was defined and agreed with the EBRD, the EC and the MoJ, and is focused on mapping and gap analysis of available insolvency sources relating to financial difficulties of consumers, SMEs, and entrepreneurs.

The Project has been organised in seven stages:

- Output 1: Inception report
- Output 2: Assessment Report (“As Is Report”)
- Output 3: Recommendations Report (“To Be Report”)
- Output 4: Action plan
- Output 5: Content • Output 6: Outreach Events
- Output 7: Final report.

Purpose of the Final Report

This report aims to compile and summarise all activities carried out throughout the Project, summarise the lessons learned and present a high-level overview of the Project. **Structure of the Final Report**

This report has been prepared within the scope of the Project carried out by PricewaterhouseCoopers SIA and commissioned by the EBRD in cooperation with the European Commission and financed by the European Union under Agreement No. 2021.003577/15278/105676, signed on 13 September 2021. This report and the tasks performed are in accordance with the section “2. Description and Implementation of the Project” of the agreement (hereinafter - Detailed Project Description) agreed upon between the EBRD and the DG REFORM.

This document constitutes the final report pursuant to clause 3.8 of Annex II (Common provisions applicable for PA Grant and Delegation Agreements) of the agreement between the European Commission as contracting authority and the EBRD as organisation dated 30 April 2021. This report summarises all the activities and results achieved over the lifetime of the Project from 13 September 2021, up to and including 27 January 2023, the date of a final outreach event. The Project activities were implemented by the EBRD with the support of DG REFORM and the Consultants. **Project context**

Financial distress solutions available to individuals and businesses have improved significantly in Latvia in recent years, and they continue to improve. Nevertheless, the information provided is often written in complicated language and is produced by different institutions and organisations that publish it in a variety of sources and formats. As a result, the information is fragmented and challenging for the general public to understand, and therefore the goal of helping the public to identify and resolve financial distress is not achieved.

The goal of the Project

Design a centralised reference for information sources that will help natural persons and businesses identify and resolve situations of financial distress.

Activities carried out

- 16 interviews conducted with the institutions and organisations involved in communication on financial distress.
- three focus group discussions with businesses and natural persons.
- 10 stakeholder workshops.

-
- A sociological study with the participation of 1000 natural persons and 750 businesses. **Materials developed as part of the Project**
 - **Assessment Report:** this covered the main trends in communication on issues of financial distress, habits of individuals and businesses of obtaining information, examples of best foreign practices.
 - **Specific Recommendation Report:** this covered the communication objectives, recommendations for the improvement of communication in relation to the cooperation mechanism, sources and channels used in communication, and the content of communication.
 - **Action Plan:** this addressed the activities to be carried out for the implementation of the Project recommendations, the required resources, benefit and quality indicators and a risk assessment.
 - **Content:** this involved the design of a prototype of the proposed communication materials (website and printable materials), encompassing visual design, textual content, and the algorithm of the questionnaire embedded in the materials.
 - **Preliminary and final reports** on the implementation of the Project.

Challenges identified

The main challenges identified by the Project team were as follows:

- Joint strategic coordination is lacking in communication on financial distress issues in Latvia
- The overall information content available to target groups is sufficient yet fragmented
- One-way (asymmetric) communication with the public is mainly used.

Key recommendations

- **Strengthen the governance mechanism for organising communication with target groups** by appointing a coordinating ministry and establishing an inter-institutional council.
- **Establish a website that will serve as a single reference point for financial distress-related information** including an interactive roadmap to assess one's circumstances and find the most relevant information.
- **Create printable information material with key content from the website.**
- **Implement an integrated, informative, and educational communication campaign** to promote the brand and content of the website.
- **Conduct pilot counselling projects to facilitate the use of the website and printed materials and refer them to the relevant institutions and organizations that can provide personalised and expert support (as needed).** Pilot projects are planned in subordinate institutions of the MoJ (branches of the State Probation Service and prisons administered by the Prison Administration) and in the Unified Customer Service Centres of the State and local governments.
- **Conduct regular public opinion surveys** to determine the target groups' needs for new types or content of information.

Next steps

Following the work of the Project, a range of concepts and content for potential communication materials were developed. The ultimate form that these take, such as website implementation and pilot testing, will be determined post-project.

Sustainability of the Project

The Project has supported the MoJ to devise a communications strategy for businesses and consumers in Latvia to help these stakeholders to identify and manage financial distress. These stakeholders have been actively involved in the design of the strategy by the Project team.

The concepts and content developed during the Project will support the future implementation of a communication strategy on the management of financial distress by the Latvian authorities to the relevant stakeholders. The Project communication strategy focuses around the development and promotion of a central website for communications with these stakeholders.

The Project supports European and international best practice in the area of debt restructuring and second chance opportunities for businesses, as well as consumers. The Project furthers the objectives of the European Commission's 2019 Directive on 'preventive restructuring frameworks, second chance and measures to increase the efficiency of restructuring, insolvency and discharge procedures' for entrepreneurs and legal persons.

Future implementation of the Project communication strategy will result in greater public awareness concerning the relevant options and support available for the management of financial distress, and the role of different authorities and civil society partners in this area.

Technical Support Recipients

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Website: www.tm.gov.lv

Beneficiary(ies) of the project

The main beneficiary of the technical support was the MoJ. Other stakeholders, which will also benefit from the project, include the following: Ministry of Economy of the Republic of Latvia, Ministry of Finance, Ministry of Welfare, Bank of Latvia, Insolvency Control Service, Consumer Rights Protection Centre, National Employment Agency, Finance Association Latvia, Latvian Employers Confederation, Latvian Chamber of Commerce and Industry, Latvian Association of Local and Regional Governments and others.

1. Overview of the Project context, objectives and activities carried out

1.1. Context

Currently Latvia is undergoing large-scale, substantial reforms in the area of debt restructuring, relief of consumers from indebtedness, digitalisation of public services and an open dialogue policy between the state and the private sector:



Reforms affecting SMEs and entrepreneurs: Insolvency legal framework is undergoing transformation in the context of the transposition of the Directive (EU) 2019/1023 of the European Parliament and of the Council of 20 June 2019 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending Directive (EU) 2017/1132 (hereinafter - Directive (EU) 2019/1023), which was planned to be transposed into the local legislation until 17 July 2021 (extended until 17 July 2022), however the transposition is still not finalised.



Reform affecting consumers: On 15 June 2021 the Parliament of Latvia passed a new Law on debt release of natural persons¹. The aim of the new regulation is to promote the restoration of solvency and strengthening of financial literacy of natural persons who have or have had the status of needy or low-income household by setting out principles and procedures for relieving debts arising from consumer credits. The Law on the release of natural persons from debt – came into force on 1 January 2022.



Digitalisation initiatives aimed at reducing the administrative burden on the private sector and attracting investment in research development and innovation – (1) innovation policy; (2) zero paper economy Initiative; (3) Information technology (IT) school and digital skills training program; (4) plans to digitize public services.²

Reforms and initiatives are in line with European and international best practices that promote opportunities for a “second chance” for honest debtors.

Insolvency and debt restructuring issues are one of the MoJ’s main policy priorities. In 2020, the MoJ together with the EBRD, the European Commission and PwC carried out the Project 19LV13 “Support for debt restructuring in Latvia”³ and as a result the capacity of judges, insolvency practitioners and persons supervising legal protection cases in debt restructuring and cross-border insolvency proceedings was strengthened by extensive and insightful training. In addition, organisation, and delivery of four online outreach events for local stakeholders, including representatives from the public and private sectors, contributed to raising of public awareness as 5,552 viewers were reached. One of the key outputs of the aforementioned project were guidelines for SMEs and entrepreneurs in Latvia that are facing or are likely to face financial distress to proactively address these difficulties in a timely manner.⁴

¹ [Law on debt relief of natural persons](#). [Accessed 30 January 2023]

² Initiatives of the Ministry of Economics. [Ministry of Economics, Digitalisation](#). [Accessed 10 February 2023]

³ [Ministry of Justice, Project “Support for debt restructuring in Latvia”](#). [Accessed 10 February 2023]

⁴ [Ministry of Justice, Guidelines: How to successfully solve business debt problems](#). [Accessed 30 January 2023]

To facilitate further structural reform in area of debt restructuring, a distinct need exists to implement focused activities to raise awareness of the target groups (SMEs, entrepreneurs, and consumers) on new mechanisms and state support focused on saving business and financial activity. It is especially important in light of the new **comprehensive reforms to the Latvian legal framework for insolvency** (following the transposition of the Directive (EU) 2019/1023) affecting companies, entrepreneurs, and consumers.

1.2. Objectives

The **purpose of the Project** is to support the MoJ in developing a centralised approach to information sources (informative material and tools) that will help SMEs, entrepreneurs, and consumers (target groups) to identify and resolve financial distress situations.

The targeted **outcomes of the Project** are:

- Identification of the critical trends and the relevant target segments within the SME, entrepreneur, and consumer target groups
- Identification of efficient communication channels to reach as wide an audience of SMEs, entrepreneurs, and consumers as possible
- Identification of the type of financial and other information missing in the Latvian market and production of relevant content and information sources to assist SMEs, entrepreneurs, and consumers in identifying and resolving financial distress.

1.3. Scope of analysis

The outcomes cover all three target groups. The target group segmentation is based on the Detailed Project Description. The descriptions are based on definitions listed in the local regulatory acts and adjusted, when necessary, per needs of the Project (see Figure 1).

Figure 1. Target groups analysed and their descriptions.

Target groups analysed in the Project and their descriptions			
Consumers	A natural person between the ages of 18 and 74 who wishes to acquire, purchases or might purchase or use a product or service for purposes not related to their business or professional activity		
SMEs	A limited liability company, joint stock company, general partnership, limited partnership that meets the definition of an SME:		
	Number of employees	Turnover	Balance
	Micro	< 10 and	≤ 2 million EUR or
			≤ 2 million EUR
	Small	< 50 and	≤ 10 million EUR or
			≤ 10 million EUR
	Average	< 250 and	≤ 50 million EUR or
			≤ 43 million EUR
Entrepreneurs	Individual merchants, economic operators, individual (family) enterprises, farmers / fisheries, and rural artisan enterprises/farms		

In the Project, two definitions of financial difficulties are used, in context of consumers or SMEs and entrepreneurs.

- **For consumers:** such circumstances in which a person is in arrears or has difficulty making certain payments (e.g., mortgage or rent payments, utilities, or credit card bills, etc.) and is unable to meet those obligations from existing income or savings.
- **For SMEs and entrepreneurs:** such circumstances in which a business, an entrepreneur or selfemployed person has difficulty making certain payments related to their business activity (e.g., payments on loans, leases, lines of credit, etc.) and is unable to meet those obligations with existing income or savings from business activity.

1.4. Project timeline

The Project began on 13 September 2021 and completed on 13 February 2023. Seven consecutive deliverables were developed over a period of 17 months. In addition, regular touch points with EBRD, DG REFORM and MoJ were established through kick-off, steering committee, and status update meetings. Upon final approval of all deliverables, a closing online meeting was held on 23 February 2023 with representatives from the EBRD, DG REFORM, the MoJ and PwC in order to discuss the progress, outcomes and potential next steps of the Project.

Figure 2. Project timeline.

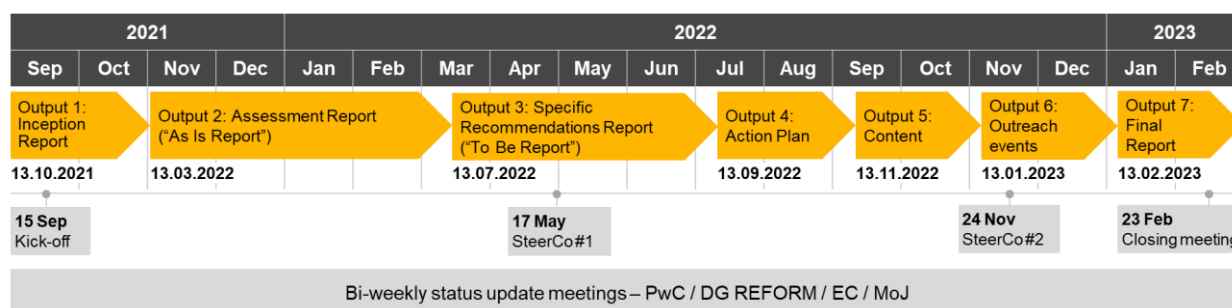


Table 1. Information of Project activities.

No.	Activity listed on the Detailed Project Description	Deadline according to the contract	Date of finalisation	Date of approval
1	Inception Report	13.10.2021	13.10.2021	15.11.2021
1.1	Kick-off meeting	-	15.09.2021	15.09.2021
1.2	Preparation of Inception Report	-	01.10.2021	25.11.2021
2	Assessment Report ("As Is Report")	13.03.2022	09.03.2022	16.06.2022
2.1	In-depth analysis	-	09.03.2022	28.04.2022
2.2	Preparation of the Assessment Report	-	09.03.2022	28.04.2022
3	Specific Recommendations Report ("To Be Report")	13.07.2022	27.07.2022⁵	24.11.2022
3.1	Workshops	-	01.07.2022	01.07.2022
3.2	Preparation of the Report	-	27.07.2022	24.11.2022
4	Action Plan	13.09.2022	19.09.2022⁶	10.01.2023

⁵ Extension of deadline has been agreed with the MoJ, EBRD and DG REFORM.

⁶ Same

4.1	Workshops	-	02.09.2022	02.09.2022
4.2	Preparation of Action Plan	-	19.09.2022	10.01.2023
5	Content	13.11.2022	11.11.2022	22.02.2023
5.1	Preparation of Content	-	11.11.2022	22.02.2023
6	Outreach events	13.01.2023	13.01.2023	17.02.2023
6.1	Preparation of the events	-	27.01.2023	27.01.2023
6.2	Event report	-	13.01.2023	17.02.2023
7	Final Report	13.02.2023	31.01.2023	24.02.2023

2. Overview of the Project outputs



PwC prepared all Project deliverables in accordance with the terms of reference set out in Schedule A to the contract, as signed on the 13 September 2021, and requests of the MoJ. All documents (the work, findings or reports as set out in Schedule A) were sent by e-mail or by file sharing platform “huddle” to Catherine Bridge Zoller (the “Operation Leader”) of the GC/General Counsel/Legal Transition Team of the EBRD and to Christina Dede/Jaime Ruiz Rocamora (Policy Officers) of the DG REFORM. The EBRD and DG REFORM reviewed all Deliverables carefully, contributing with comments and suggestions throughout the entire process. All reports or documents produced for the Project were delivered in Microsoft PowerPoint, Microsoft Word, Microsoft Excel formats, or Portable Document Format (PDF).

2.1. Output 1: Inception Report

Requirements set out in Detailed Project Description:

The Inception Report covers all agreed operational aspects of the Project, including the PwC’s interpretation of the Project scope, methodology, suggested timeline, and roles. The report also covers decisions relating to the detailed project scope, the timeline and information needs, as well as the sources of information planned to be used.

Table 2. Inception Report overview.

	Set the basis for all operational aspects of the Project and ensure that there is a common understanding among the parties involved about execution of the project
 Contents of the report	<ol style="list-style-type: none">1. Project background & primary objectives2. Detailed work plan and agreed timeline of key deliverables3. Project stakeholders and their expected roles and involvement4. Detailed methodology for each output5. Sources of information to be accessed6. Project risks, progress, and impact indicators7. Overview of working arrangements and modality of communication8. Common agreements after the kick-off meeting

2.2. Output 2: Assessment Report (“As Is Report”)

Requirements set out in Detailed Project Description:

The Assessment Report covers the following aspects regarding current situation of identification and resolution of financial distress in Latvia:

- The SME, entrepreneur, and consumer group profiles and usual channels used for obtaining financial information, such as financial distress-related information and business-related rights and responsibilities in Latvia
- The existing sources of information regarding identification and management of financial distress
- Those areas where the target audience lacks skills/expertise in the context of financial literacy and distress.

Key activities carried out:

- **16 interviews** with State institutions and non-governmental organisations (incl. the MoJ's Working Group)
- **Three focus group discussions** – one interview with each target group
- **Sociological study** of 1 000 consumers, 400 SMEs, and 350 entrepreneurs

Assessment Report (“As Is Report”) overview:

Objective: Assess the current situation regarding the availability of information for SMEs, entrepreneurs, and consumers regarding legal, administrative, and financial support and solutions available to address financial distress.

Summary of the output and main takeaways:

Communication on identification and management of financial distress:

- There is a lack of joint strategic communication within the country on financial difficulties
- There is a lack of horizontal coordination in the dissemination of information
- The overall informational content available to the target groups is sufficient but fragmented
- Mainly, one-way (asymmetric) communication is used.

Obtaining information from the perspective of the target groups:

- The life cycle and points of contact of the target groups – from the point of view of communication, institutions with which communication is mandatory have the greatest potential to reach the largest number of target group representatives.
- The results of a sociological research show, approximately 1/3 of SMEs and 1/4 of entrepreneurs and consumers have had experience in searching for information on support for managing financial distress
- The results of a sociological research show, among respondents who had sought information about support options for managing financial distress, the information sources used are mainly digital
- The results of a sociological research show, the respondents who have not sought information on support options for managing a financial distress, say that they would prefer to reach out to their personal networks
- The results of a sociological research show, both on-site⁷ and offsite⁸ channels have been identified as the most convenient channels for receiving information in all the target groups
- The results of a sociological research show, the attitude across all target groups towards the creation of a unified website is generally positive, particularly for consumers.

Skills, knowledge, and attitude of the target groups towards financial literacy and managing financial distress:

- The results of a sociological research show, all the target groups rate their knowledge of financial management/corporate budgeting as better than their knowledge about managing financial distress
- The results of a sociological research show, all three target groups are interested in receiving further information on various issues related to the identification and resolution of financial literacy and financial difficulties

⁷ On-site information channels - on-site consultation, on-site information events (e.g., seminars), printed handouts available on-site, etc.

⁸ Off-site information channels - consultations by phone or e-mail, website, information sent to the phone by text message, e-mail or post, information events remotely (e.g., webinars), etc.).

-
- Best practice examples show, strategically managed communication with the target group through both on-site and offsite channels is essential
 - Best practice examples show, poor understanding of financial management is considered one of the causes of financial distress
 - Elements of foreign experience can be useful for Latvian policymakers in several ways: 1) creating a strategically managed process and selection of the most appropriate cooperation model; 2) ensuring full use of on-site and off-site channels; 3) creating content that is appropriate for the target group.

2.3. Output 3: Specific Recommendations Report (“To Be Report”)

Requirements set out in Detailed Project Description:

The Specific Recommendations Report, based on the findings of the Assessment Report, covers the steps required to establish an appropriate centralised source(s) of information to disseminate financial or other information missing in the Latvian market. The recommendations address gaps, as well as the issue of potential passivity by SMEs, entrepreneurs, and consumers and what type of promotion and information channels are needed to reach the maximum number of SMEs, entrepreneurs, and consumers. The report also includes recommendations on how to reach natural persons and/or businesses that do not have digital skills or access to digital information.

Key activities carried out:

- **Six co-creation workshops** with State institutions and non-governmental organisations (including the MoJ’s Working Group) involved in communication of information regarding financial distress and together with target groups
- **Three workshops for defining the pain points** of the target groups and ideation on ways to improve the experience of the target groups when in financial distress – one workshop with each target group
- **Three workshops for prototyping solutions** for the identification and resolution of financial distress for the target groups – one workshop with each target group.

Table 4. Specific Recommendations Report (“To Be Report”) overview.



Objective

Develop recommendations for communicating with SMEs, entrepreneurs, and consumers on how to identify and resolve financial distress



Contents of the report

1. Introduction
 - 1.1. Project scope
 - 1.2. Methodology
 - 1.3. Limitations
2. Problems to be solved and communication goals
 - 2.1. Problems to be solved in communication about identifying and resolving financial distress
 - 2.2. Purpose, tasks, and general principles of communication
3. Recommendations
 - 3.1. Summary of recommendations and implementation priorities
 - 3.2. Communication organisation and management mechanism
 - 3.3. Information sources and channels
 - 3.4. Content of the communication
 - 3.4.1. Recommendations for SMEs
 - 3.4.2. Recommendations for entrepreneurs
 - 3.4.3. Recommendations for consumers
4. List of information used
5. Annex 1. Criteria used for prioritising recommendations
6. Annex 2. Summary of workshops



Summary of the output and main takeaways

- **Organisation of communication and management mechanism:** It is recommended that the management mechanism for organising communication with target groups is strengthened by designating a central coordinating unit so that communication on the identification and resolution of financial distress is systematic and sustainable.
- **Content of the communication:** It is recommended that the content of the communication be prepared in a user-friendly format (“an interactive roadmap”) to make it easier to navigate the amount of information already available and to more easily obtain the information that is relevant to the case at hand. This can be achieved by covering all aspects related to identifying and addressing financial distress for each of the target groups, leveraging existing sources of information from the public, private, and non-governmental sectors, and ensuring that they are renewed on a regular basis.
- **Communication solutions and channels:** The research conducted as part of the Project shows that there are no significant differences in the way information is obtained in the communication channels used by the main target groups, so a combination of several communication channels ought to be used for all target groups.
 - Recommended short-term solutions:
 - A website (with the primary functionality – an interactive roadmap), which will serve as a general communication channel guiding the information seeker to the information sources of institutions and organisations responsible for aspects related to the identification and resolution of financial distress
 - Printed materials, as they are aligned with the content of the website and provide an opportunity for representatives of target groups with lower levels of digital literacy to obtain information and are initially distributed in locations where the consultation pilot projects are planned. Printed materials can be used when advising individuals with low digital literacy or in situations where digital tools are unavailable
 - Consultation pilot projects, as they require a developed website and available printed materials. Carrying out two pilot projects consecutively is recommended (the first - in cooperation with the State Probation Service and Latvian Prison Administration; the second – with the State and Municipal Unified Customer Services Centre)
 - Communication campaign, as its purpose is to increase the visibility of the website as a communication channel. Communication campaign activities can take place in parallel with the development of printed materials since they do not affect each other.
 - After the implementation of the short-term solutions, the results must be analysed to determine the improvements needed and the viability of the solutions and to consider implementing long-term solutions with broader functionality.

2.4. Output 4: Action Plan

Requirements set out in Detailed Project Description:



The Action Plan covers the ways on how to disseminate the information (based on the Assessment Report (Output 3) and the Specific Recommendation Report (Output 4), including a recommended strategy on how to present the Content (see “Output 5: Content”), information channels (digital, physical), and a communication plan analysing strategies and communication styles for reaching SMEs, entrepreneurs, and consumers.

The Action Plan also explores the design of interactive user-friendly step-by-step online tool (an interactive roadmap) to take users through an assessment process of their financial situation and helping the users to reach a solution to their problem. The Action Plan proposes indicators or targets for successful project outcomes, such as numbers of information channels and target population accessing information.

Key activities carried out:

- **Three co-creation workshops** with State institutions and non-governmental organisations (inc. the MoJ’s Working Group) involved in communication of information regarding financial distress
- **Two workshops for developing an interactive roadmap** that helps target groups identify and resolve of financial distress – one workshop for consumers and one workshop for SMEs and entrepreneurs
- **One workshops to test the interactive roadmap** in client consultations.

Table 5. Action Plan overview.

 Objective	Develop an Action Plan to implement recommendations on how public administration authorities can communicate with SME, entrepreneur, and consumer target groups in order to identify and resolve financial distress.
 Contents of the report	<ol style="list-style-type: none"> 1. Introduction <ol style="list-style-type: none"> 1.1. Project scope 1.2. Methodology 1.3. Limitations 2. Action Plan for implementing the activities <ol style="list-style-type: none"> 2.1. General objectives of the Action Plan 2.2. Activities to be carried out <ol style="list-style-type: none"> 2.2.1. General activities 2.2.2. Activities to implement the communication organisation and management mechanism 2.2.3. Activities for implementing information sources and channels 2.3. Estimated level of human resources and funding required <ol style="list-style-type: none"> 2.3.1. Estimated level of human resources required 2.3.2. Estimated level of funding required 2.4. Benefit and quality indicators to be achieved <ol style="list-style-type: none"> 2.4.1. Benefit indicators 2.4.2. Quality indicators 2.5. Potential economic benefit 2.6. Risks of implementing the Action Plan 3. Implementation timeline 4. List of information used 5. Annex 1. Alternatives to website development 6. Annex 2. Workshop summary



Summary of the output and main takeaways

- The Action Plan is divided into two phases (the first, Preparatory phase, and the second, the Implementation phase - the execution of the pilot project and full-scale activities), according to the time frame for their implementation.
- The MoJ is primarily responsible for the implementation of activities, as it is the initiator of the Project and the promoter of the initiative, but also includes activities for which other institutions are responsible. The participation of other parties⁹ is required as necessary in the implementation of various activities.
- **Preparatory phase includes:**
 - Providing the human and financial resources for the implementation of the recommendations
 - Strengthening the communication organisation and management mechanism with target audiences by designating a central coordinating unit to ensure that financial distress is identified and addressed in a systematic and sustainable manner.
- **Implementation phase includes:**
 - Execution of the pilot project and evaluation of the results, such as:
 - Developing a website for providing important information on financial distress – the core functionality (an interactive roadmap)¹⁰
 - Developing printable information materials with the most important content of the website (i.e., an interactive roadmap in printed format)
 - Piloting¹¹ the provision of first-level¹² support (see Activities 4 and 5 for the implementation of the 1.2.3 activity information sources and channels) in the MoJ subordinate institutions (State Probation Service and Latvian Prison Administration)
 - Piloting the provision of first-level support in municipalities through the State and Municipal Unified Customer Services Centre network
 - Developing and executing an awareness-raising communication campaign to promote the brand and website content

⁹ Including Ministry of Economics, Ministry of Finance, Ministry of Welfare, Ministry of Environmental Protection and Regional Development, Ministry of Education and Science, State Probation Service, Latvian Prisons Administration, Bank of Latvia, nongovernmental organisations (Employers' Confederation of Latvia, Latvian Chamber of Commerce and Industry) and Latvian Association of Local and Regional Governments.

¹⁰ The core functionality includes an interactive roadmap, which provides an opportunity for representatives of target groups, subject to answering questions assessing their situation, to receive general information and recommendations on the most appropriate solutions to the situation of financial distress.

¹¹ A pilot for provision of first-level consultations to test viability of the concept (on a smaller scale and with fewer resources) as a stand-alone solution. Afterwards, the implementation of the consultations on a larger scale (possibly nationwide) is considered according to the piloting results.

¹² First-level support would include at least the following activities: (1) informing about the available sources of information on the identification and resolution of financial distress – the website (for more information see "Output 4: Action Plan") and printable information materials (for more information see "Output 4: Action Plan"); (2) providing information on the main topics related to the

- Evaluating the pilot project and deciding on measures after the completion of the pilot project.
- Execution of full-scale activities, such as:
- Complementing the website for providing key information on financial distress - secondary functionality¹³
- Expanding the dissemination area of printed information materials
- Launching first-level support at the national level by expanding the range of cooperation partners
- Continuing the implementation of the awareness-raising communication campaign to promote the brand and website content
- Regularly conducting public opinion surveys to identify the needs of target groups for new types of information or content.
- **Estimated level of human resources** for the MoJ as the institution responsible for implementation during the preparation and execution phases is ~0.5 full-time equivalent project manager and IT specialist and communication specialist engagement on *Ad-hoc* basis.
- **Estimated funding required to implement recommendations during:**
- Execution of the pilot project and evaluation of the results: EUR 129,007 + contingency expenses¹⁴ and inflation¹⁵ (total costs in 2025: EUR 163,437)
- Execution of full-scale activities: EUR 117,346 + contingency expenses and inflation (total costs in 2026: EUR 151,637).
- The implementation of the recommendations will reduce the fragmentation of information sources related to the identification and resolution of financial distress and enable target groups to receive information through both digital and non-digital channels. It is expected that the implementation of the recommendations will have a direct impact on the number of representatives of the target groups who will be able to find relevant information without much difficulty (the results of a sociological survey conducted within the framework of the project show that in 2022 only a quarter of the representatives of each target group were able to do this). Potential economic benefits, in terms of time savings is estimated to be 39,604 hours/year and in its monetary value – EUR 183,305/year.

identification and resolution of financial distress; (3) referral to the relevant authorities and organisations for personalised and competent support (as appropriate).

¹³ Secondary functionality includes personalised tools for assessing the financial situation, a tutorial on how to navigate the site and its digital solutions, the ability to subscribe to news and a forum or place for voluntary support and exchange of experiences.

¹⁴ Contingency expenses account for 10% of the funding for the implementation of activities in 2022.

¹⁵ Macroeconomic forecasts of the Bank of Latvia - inflation is forecasted at 9.2% in 2023 and 3.4% in 2024. Inflation for 2025 and 2026 is assumed to be 2% according to standard practice.

2.5. Output 5: Content

Requirements set out in Detailed Project Description:

The Content covers preparation of user-friendly content, including tools (an interactive roadmap), prototype of the website professionally designed in an appropriate format (Microsoft Word, Portable Document Format (PDF), or Microsoft Excel) for the specific part of the content.




The interactive roadmap helps the users (target groups), in a simple and clear way through navigation on specific questions, to identify their financial situation and whether the user has financial difficulties (as described in “1.3. Scope of analysis”) as well as describe the possible courses of action in case of financial difficulties. In case of financial difficulties, the interactive roadmap includes both formal and informal options and outcomes based on the local law.

The content was drafted with the assistance of the content designer, communications, and policy experts to ensure language, tone, grammar, cohesion, and coherence of the Content is aligned with MoJ communications strategies, and to ensure higher impact within target groups.

Key activities carried out:¹⁶

- **Presentation of the design of the website and the interactive roadmap** during the first outreach event for the attending representatives of State institutions and non-governmental organisations and slight modifications were made to the aforementioned content as per the feedback received.
- **Testing of the interactive roadmap’s textual content** (supplementary out-of-scope activity (for more information, see “Output 6: Outreach Events”)) and amendments to the textual content of the interactive roadmap were implemented as per the survey’s results.

Table 6. Content Report overview.

 Objective	Provide support to the MoJ to develop information sources that will help target groups to identify and resolve situations of financial difficulties.
 Contents of the report	<ol style="list-style-type: none">1. Introduction2. Components of content
 Summary of the output	<ul style="list-style-type: none">• Developed website’s concept, an interactive roadmap, and design of its visual elements.• Developed prototype of an interactive roadmap for identification and resolution of financial distress of target groups (digital and print version), including the algorithm, descriptions of potential results and outcomes when in financial difficulties.• Developed recommendations for target groups when in negotiations with creditors.

¹⁶ These activities were carried out as part of the Outreach events (Output 6) and to ensure the quality of the content.

2.6. Output 6: Outreach Events

Requirements set out in Detailed Project Description:

The Outreach Events covers organisation of outreach events to introduce the findings of the in-depth analysis (Output 2) and results of the Project (Outputs 3, 4 and 5) to the public, including SMEs, entrepreneurs, consumer organisations and other relevant stakeholders.

Table 7. Outreach Event Report overview.

Prepare online or in-person outreach events to introduce the findings of the in-depth analysis and results of the Project to the public, including SMEs, entrepreneurs, consumer organisations and other relevant stakeholders.

1. Introduction
2. Survey of target groups on the comprehensibility of the road map
 - 2.1. Context and purpose of questionnaire development
 - 2.2. Channels used in distributing the questionnaire
 - 2.3. Results of the questionnaire
3. Workshop for those involved in the implementation of the Action Plan
 - 3.1. Context, purpose, and agenda of the workshop
 - 3.2. Organizational aspects
 - 3.3. Participants
 - 3.4. Materials
 - 3.5. Feedback
 - 3.6. Results of the workshop
 - 3.7. Photos from the workshop
4. Discussion "People and companies in financial difficulties - how to navigate the solutions?"
 - 4.1. Context, purpose, and agenda of the discussion
 - 4.2. Organizational aspects
 - 4.3. Communication about the discussion and its broadcast
 - 4.4. Participants
 - 4.5. Materials
 - 4.6. Feedback
 - 4.7. Key takeaways from the discussion
 - 4.8. Photos from the discussion

Summary of the output, main takeaways, and key activities carried out:

- **Survey of target groups on the comprehensibility of the road map.**
The purpose of the survey was to gather data on the opinions prevailing within the target groups regarding the content of the developed tool i.e., questions, answers, and explanation of the terminology. User feedback helped making the tool as unambiguous and convenient as possible. The survey was organised from December 22, 2022, until January 20, 2023.
- The Project did not require testing the results of Stage 5 ("Content"), the PwC team found it useful to gauge the target groups' response to the user experience. Survey was carried out as an exercise of value creation to guarantee that the Project results align with the needs of the target groups

(supplementary activity from PwC that complements Detailed Project Description).

- The survey for natural persons¹⁷ contained 19 questions about the content elements included in the tool, whereas the entrepreneur¹⁸ survey contained 16 questions. Survey was filled in by 121 respondents (natural persons – 111, entrepreneurs 10). Share of respondents who answered that they fully understand the relevant question, answer options and explanations of terms was ~85% for natural persons and ~90% for entrepreneurs.
- Amendments to the interactive roadmap's textual content was made as per respondents' feedback. In case of similar projects, it would be suggested to include testing with target audiences after initial version of the content is developed.
- **Workshop for State institutions and non-governmental organisations involved in the implementation of the Action Plan.** The purpose of the workshop was to present the results of the Project and to discuss the next steps regarding the implementation of recommendations. The workshop was organised on January 10, 2023.
 - Agenda of the workshop included discussion on the implementation of the recommendations, roles of the supporting institutions and organisations, presentation of the developed content (i.e., the visual components of the interactive roadmap (print material) and the website (for more information see "Output 5: Content")).
 - The workshop was attended by twenty-three (23) representatives from more than fifteen (15) institutions and organizations. Invitations to the workshop were sent to representatives of the state institutions and organizations, which have a role in the implementation of the Action Plan.
 - The involved institutions expressed general support to the MoJ in the implementation of the recommendations. The Action Plan was validated, and their input as suggestions or comments is addressed in section "3. Recommendations to the MoJ for implementation of the Project results based on Outreach Events". Slight modifications were made to the aforementioned content as per the feedback received.
- **Public discussion "People and companies in financial difficulties - how to navigate the solutions?".** The purpose of the public discussion was to introduce the Project findings and results to the public (target groups) and other interested parties, to raise awareness regarding the topic of financial difficulties to the public and inform about possible solutions for resolving them. The public discussion was organised on January 27, 2023.
- Agenda of the public discussion included topics such as: Project results (situation in Latvia, solutions), the impact of macroeconomic processes on the financial distress, practicality of the Project results and other potential solutions, data obtained as a result of the Project research on the behaviour of natural persons/businesses when faced with financial distress from the perspective of the industry, currently available resources and solutions for improving financial literacy, and measures to educate the general public on the topic of financial literacy.

¹⁷ Referred to as "consumers" during the Project.

¹⁸ Referred to as "SMEs" and "entrepreneurs" during the Project.

- The discussion was held by five panel speakers consisting of Mihails Papsujevičs (State Secretary of the MoJ), Zlata Elksniņa – Zaščirinska (PwC Latvia Leading partner in Latvia), Ieva Broka (board member of the Association of Latvian Insolvency Process Administrators), Aija Brikše (Head of the Financial Literacy Department of the Bank of Latvia), Baiba Vītoliņa (Director of the Consumer Rights Protection Centre). Panel speakers represented institutions and professionals involved in aspects of solving financial distress.
- The discussion was viewed more than 650 times via online platforms as of 30 January 2023, as well received other publicity e.g., news articles, segment on the evening news on TV, and referred to on a Radio show.

3. Recommendations to the MoJ for implementation of the Project results based on Outreach Events

Context: As a result of the Project sources of financial information that will help SMEs, entrepreneurs, and consumers to identify and resolve financial distressed situations have been designed.

The Project results help solving at least the following pain points:¹⁹ lack of joint strategic communication within the country on financial difficulties, lack of horizontal coordination in the dissemination of information, fragmentation of the informational content available to the target groups, one-way (asymmetric) communication that is mainly used by the State institutions.

Proposed solutions include development of both digital and non-digital information sources for all three target groups ensuring that the solutions can be used by large segments of the target groups.²⁰

Project implementation consists of preparatory phase, execution of the pilot projects and evaluation of the results, and execution of full-scale activities. Timeline for the Project implementation (execution of the pilot projects and evaluation of the results) is two years, after which adjustments are made and execution of fullscale activities take place. In preparatory phase, the necessary funding and human resources for the Project implementation is obtained. The estimated funding to implement recommendations during execution of the pilot project and evaluation of the results is EUR 129,007 and during execution of full-scale activities – EUR 117,346 (not including VAT). Estimated human resources necessary for the MoJ as the institution responsible for implementation during the preparation and execution phases is ~0.5 full-time equivalent project manager and IT specialist and communication specialist engagement on Ad-hoc basis.²¹

As a part of the Outreach event activities (Output 6), a workshop with potentially involved institutions was organised to present the Project results, including Action Plan for the implementation of recommendations. It included presentation of planned activities²² and stakeholder role in supporting the MoJ in the implementation. Following activities were discussed:

- Strengthening the communication organisation and management mechanism with target audiences by designating a central coordinating unit to ensure that financial distress is identified and addressed in a systematic and sustainable manner – *no addressable comments from the workshop participants*
- Developing a website for providing key information related to financial distress - core functionality (an interactive roadmap) – *no addressable comments from the workshop participants*
- Developing printable information materials with the main website content (i.e., the interactive roadmap in printed format) – *no addressable comments from the workshop participants*

¹⁹ For more information see “Output 2: Assessment Report”.

²⁰ For more information see “Output 3: Specific Recommendations Report”.

²¹ For more information (including calculations with contingency expenses and inflation included) see “Output 4: Action Plan”.

²² For more information see “Output 4: Action Plan”.

- Piloting²³ the provision of first-level support^{24,25} in the MoJ's subordinate institutions (State Probation Service and Latvian Prison Administration) – **please see discussion points and PwC recommendation below**
- Piloting the provision of first-level support in municipalities through the State and Municipal Unified Customer Services Centre network – **please see discussion points and PwC recommendation below**
- Developing and executing an awareness-raising communication campaign to promote the brand and website content – **please see discussion points and PwC recommendation below**
- Evaluating the results of the pilot project – *no addressable comments from the workshop participants*
- Regularly conducting public opinion surveys to identify the needs of target groups for new types of information or content – *no addressable comments from the workshop participants*.

Purpose of this section: to elaborate on the key points discussed with stakeholders and provide recommendations to the MoJ regarding the implementation of the recommendations after end of the Project.

Table 8. PwC recommendations regarding the stakeholder comments on implementation of the activities listed in the Action Plan.

Discussion points	PwC recommendation
Piloting the provision of first-level support in the MoJ institutions (State Probation Service and Latvian Prison Administration) and in municipalities through the State and Municipal Unified Customer Services Centre network	
Anonymity of consultations should be considered. This could be relevant especially in smaller rural regions where everyone knows each other.	<p>The anonymity of consultations should be ensured to the possible extent to maintain trust of the target groups this delicate matter. We recommend considering the following solutions that would raise confidence in the anonymity of the consultations:</p> <ul style="list-style-type: none"> • The consultations should take place in a space, where other persons are not present except for the consultant and the client. This could mean assigning a room, where all such consultations take place, or adopting measures for vacating the room of third persons, when such consultations take place. • The mechanism for registering consultation clients should preferably include only records <i>post factum</i> that consultations regarding resolution of financial distress took place,²⁶ whereas collection of client personal data should be avoided (if possible) and instead opt for data on type of client (consumer, SME, or entrepreneur), location of the consultations, and whether financial distress situation was/was not identified, etc.
Consultants' knowledge should be broader, so as not to be limited only to filling out the road map in place of the client. As well as the necessary training topics might differ depending on the consultant's daily work – training only on financial topics and/or customer service (especially if the	<p>consultant already has experience working with clients on other comparably sensitive topics).</p> <p>Initially, consultants should be chosen based on the fact that their daily work involves customer service and providing consultations.</p> <p>The trainings for first-level consultants should include at least general training that grants beginner understanding of the legal/financial solutions/outcomes included in the interactive roadmap. Consultants should be knowledgeable about the content available on the website, descriptions of each legal/financial</p>

²³ A pilot for provision of first-level consultations to test viability of the concept (on a smaller scale and with fewer resources) as a stand-alone solution. Afterwards, the implementation of the consultations on a larger scale (possibly nationwide) is considered according to the piloting results.

²⁴ First-level support would include at least the following activities: (1) informing about the available sources of information on the identification and resolution of financial distress – the website (for more information see “Output 4: Action Plan”) and printable information materials (for more information see “Output 4: Action Plan”); (2) providing information on the main topics related to the identification and resolution of financial distress; (3) referral to the relevant authorities and organisations for personalised and competent support (as appropriate).

²⁵ For statistics purposes as well as if financing is required in case the agreement with the Ministry of Environmental Protection and Regional Development provides for the need to finance the piloting activities in State and Municipal Unified Customer Services Centre. For more information, see Action Plan (Output 4).

solution/outcome and applicability of the solutions to the client situation, and where to find professional help. Within the possibilities, **more in-depth training** (e.g., deeper knowledge of a particular solution/outcome) could be organised for selected first-level consultants.

- Consultations in State and Municipal Unified Customer Services Centres ²⁷:
- Consultants providing consultations via phone can be specifically trained

on the topic. In practice this means that calls regarding financial distress solutions would be directed to these consultants (attention to be paid to the data protection framework e.g., inform the client in case of recording).

- Consultants providing face-to-face consultations should receive at least a general training (see above). Given the high number of consultants and range of topics they should be knowledgeable about, opportunities to specialise have not been identified during the outreach event discussion.
- Consultations in State Probation Service and Latvian Prison Administration: possibility to provide more in-depth training should be considered in case there is a possibility for selected group of consultants be involved in providing pilot consultations. If this is not possible, the same as approach as in face-to-face consultants in State and Municipal Unified Customer Services Centres is recommended to be applied.

Evaluation of whether, after consultations, the client has been able to solve some aspect of client's financial difficulties in the next steps should be considered. Sociological study might not be able to provide a complete answer and without delay.

Evaluation after client consultations could be a valuable indication of effectiveness of consultations.

As part of the consultation process, it is recommended for the consultant to send a digital feedback form via email to the client (if client consents of further communication and provides their contact information (attention to be paid to the data protection framework)) including single and multiple-choice questions of the consultant's recommended solutions and the degree of which it solved client's problems as well as text input box for any other comments.

This approach will ensure that the data can be easily collected and analysed as well as coincide with the previous recommendation of providing anonymous consultations for clients if the option of no-contact is chosen.

Developing and executing an aware content

mess-raising communication campaign to promote the brand and website

Placing materials in branches of Latvijas Pasts ought to be considered as a communication activity.

Latvijas Pasts branches could be considered as an additional point of information dissemination to consumers in more rural parts of Latvia.

As part of the communication activities, which are delineated in the Action Plan (Output 4), it is recommended that posters advertising the website and consultations would be placed on the messaging boards (or alternative place) in Latvijas Pasts branches. We estimate that this activity is a low-cost activity and could be included in the second or third-level communication campaign²⁸ without increasing campaign's overall costs especially considering the contingencies added to the budget.

To successfully carry out the activity, we recommend sending materials in printable format. Latvijas Pasts could then print materials and place them accordingly.

²⁷ Recommendation prepared based on information provided by Ministry of Environmental Protection and Regional Development during the outreach event.

²⁸ For more information, see Action Plan (Output 4).

Lessons learned from completion of the Project



Detailed Project Description was very well structured and ensured a logical development of Project outputs. The sequence of outputs (Assessment > Recommendations > Action plan > Content)²⁶ helped to ensure step-by-step approach and build upon work already completed (and approved). In addition, the requirements set out in the Detailed Project Description were formulated rather broadly in most of the cases, thus giving enough flexibility to adjust approach and contents for each of the outputs to better serve needs of the MoJ.



Detailed Project Description required to structure Outputs 2, 3 and 4 into three distinctive sections for SMEs, entrepreneurs, and consumers, which was not the most optimal approach. During the Project execution, PwC team came to conclusion that these three target groups do not naturally fit the Latvian legal framework and therefore are not self-evident to the public. For this reason, it would be suggested to include requirement to cover all necessary target groups, however, allow freedom for the consultant to propose an approach on how to structure analysis in the report.



Detailed Project Description did not include requirement to carry out testing of the Output 5 with target audiences to validate user friendliness. PwC identified that co-creation activities with the stakeholders and target groups do not suffice for the development of the Output 5. Therefore, PwC team proposed to carry out supplementary activity for testing and validating specific elements included in the Output 5 (namely, questions, answers and explanations included in survey that is substantial part of the content).²⁷ In case of similar projects, it would be suggested to include testing with target audiences after initial version of the content is developed.



Extensive stakeholder engagement helped to validate findings and ideas for potential solutions and their future development. PwC appreciates that the MoJ established a Working Group of key stakeholders and ensured that they are involved in the Project activities through interviews, workshops, etc.²⁸ During the implementation of the Project, additional stakeholders who have role in implementation have been identified and engaged in the relevant activities. Altogether stakeholder engagement activities have not only helped to develop and validate Project outputs, but also increased stakeholder willingness to contribute towards the actual implementation (after end of the Project). This is shown by the comments received during the stakeholder engagement activities, which includes support to the MoJ and willingness to be involved in the implementation.²⁹



To ensure efficient review process, it is important to align on the optimal review approach. For all deliverables, draft review was organised in several iterations, which led to many versions of deliverables (up to eight).³⁰ The approach turned out to be time-consuming, resulted in a significant number of miniscule changes, and made that the deliverables were still reviewed well into subsequent stages of the Project. To organise review process more effectively and expedite approval process, it would be recommended to provide all comments in the first iteration and in subsequent iterations review only the changes made.

²⁶ Output 2 throughout Output 5.

²⁷ For more information see "Output 6: Outreach Events".

²⁸ For more information see "Output 2: Assessment Report", "Output 3: Specific Recommendations Report", "Output 4: Action Plan" and "Output 6: Outreach Events".

²⁹ For more information see "Output 6: Outreach Events".

³⁰ Assessment Report – 6 iterations, Specific Recommendations Report – 8 iterations, Action Plan – 6 iterations, Content – 7 iterations.



Regular status update calls with the MoJ, EBRD and DG REFORM helped to discuss Project status and align on the next steps. PwC team appreciates involvement of all parties in meaningful discussions on different aspects related to the Project execution and content of outputs (e.g., conclusions, recommendations and action items included in the outputs). Strong cooperation facilitated successfully moving forward with the Project and generating added value.



In scope of Project, the MoJ have devoted significant time to contribute towards development of the Project outputs and engagement with the stakeholders. This experience as well as the Project results provide clear indication that extensive work is in front of the MoJ, and necessity to allocate additional resources. Some of the activities that need to be carried out include:

- Creating a website to provide key information related to financial distress and adjusting print materials (if needed after completion of the Project)³¹
- Carrying out pilot projects in the State Probation Service, Latvian Prison Administration and municipality single points of contact (State and Municipal Unified Customer Services Centre)³²
- Developing and implementing integrated communication campaign to promote the developed content and increase brand recognition.³³

³¹ For more information see “Output 4: Action Plan” and “Output 5: Content”.

³² For more information see “Output 4: Action Plan”.

³³ For more information see “Output 5: Content”.

