The 20th FICIL and Latvian government High Council Meeting

This year marks the 20th anniversary of the High Council Meetings between the Foreign Investors’ Council of Investors in Latvia (FICIL) with the Government of Latvia. The two sides have been meeting regularly since 1999, and the 20th Meeting will take place on 27th May. The High Council Meetings are a platform for top-level discussions between senior executives from FICIL member companies on one side and Ministers and high level civil servants on the other. The 20th meeting will be jointly chaired by the Prime Minister of Latvia Māris Kučinskis and Mr Stephen Oldfield, the Honorary Co-Chair of the High Council Meeting, Partner at PWC UK.

The main topics at the meeting will include sustained economical growth, rule of law and law enforcement system, workforce availability and education, as well as countering shadow economy. As this is the 20th meeting, the participants will also take a stock of the progress made over the years on the implementation of FICIL recommendations for priorities. Additionally, FICIL will introduce its research report on shadow economy in Latvia, which offers insights and recommendations from investors.

FICIL is a non-governmental organization that brings together the largest companies from various countries and sectors that have made significant investments in Latvia, as well as chambers of commerce in Latvia, representing 15 countries. The High Council Meetings are organized jointly by FICIL, the State Chancellery, the Prime Minister's office and the Investment and Development Agency of Latvia.

For more information on foreign investment trends and the potential Latvia can offer for successful business operations, please see the infographic below. Additionally, more information on FICIL can be found here [http://www.ficil.lv/].
Over 80% potential LIAA FDI projects come from countries with LIAA representative offices – 21 in total.

In 2015, LIAA expanded its international presence by placing seven new representative offices abroad.

Over 65% LIAA potential FDI projects are in one of the eight POLARIS strategic sectors:

- 21% ICT/GBS
- 17% Metalworking and Mechanical Engineering
- 7% Green Technology
- 7% Woodworking
- 7% Transport and Logistics
- 4% Food processing
- 3% Life sciences
- 2% Healthcare

Positive FDI trends
Cumulative FDI in Latvia (bln, EUR)

<table>
<thead>
<tr>
<th>Year</th>
<th>FDI (bln, EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>8.2</td>
</tr>
<tr>
<td>2011</td>
<td>9.4</td>
</tr>
<tr>
<td>2012</td>
<td>10.3</td>
</tr>
<tr>
<td>2013</td>
<td>11.6</td>
</tr>
<tr>
<td>2014</td>
<td>12.1</td>
</tr>
<tr>
<td>2015</td>
<td>13.4</td>
</tr>
</tbody>
</table>

Growth %

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1</td>
</tr>
<tr>
<td>2011</td>
<td>14</td>
</tr>
<tr>
<td>2012</td>
<td>10</td>
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<td>2013</td>
<td>13</td>
</tr>
<tr>
<td>2014</td>
<td>4</td>
</tr>
<tr>
<td>2015</td>
<td>11</td>
</tr>
</tbody>
</table>
Participants

- 62% have not invested (of those 64% still considering Latvia as a location for business)
- 38% have already invested in Latvia
- 85% of investors who already have invested in Latvia, say they plan to expand their business in Latvia
- 15% say maybe

Represent over 25 countries

72 of potential foreign investors and companies assisted by LIAA in 2015/2016

Most cited favorable factors and obstacles/barriers to do business in Latvia

- Location/accessibility
- Educated workforce
- Business opportunities (infrastructure, local partners, business environment)
- Lack of suitable offices
- Shortage of labor
- Tax system

Survey conducted April/May, 2016

What type of assistance have you received from LIAA?

<table>
<thead>
<tr>
<th>Assistance</th>
<th>Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultation on investment environment</td>
<td>51</td>
<td>71%</td>
</tr>
<tr>
<td>and legislative framework</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consultation on financial and other investment</td>
<td>33</td>
<td>46%</td>
</tr>
<tr>
<td>incentives</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provided contacts with Latvian business partners</td>
<td>32</td>
<td>44%</td>
</tr>
<tr>
<td>Organizing visits to Latvia</td>
<td>30</td>
<td>42%</td>
</tr>
<tr>
<td>Participation at a LIAA event</td>
<td>21</td>
<td>29%</td>
</tr>
<tr>
<td>Advocacy</td>
<td>3</td>
<td>4%</td>
</tr>
</tbody>
</table>
New business incentives

Municipalities are offering attractive business incentives for development of industrial facilities

- Building custom-made production premises
- Rental costs up to 50% discount
- Accommodating with infrastructure

Financial incentives for companies to build or re-construct facilities for industrial purposes

Intensity: 45% from relevant costs covered for SMEs and 35% for large enterprises, if facilities rented to SMEs

For every 41 000 EUR received at least 1 work place must be created

Maximum amount public financing for individual project: 1 166 000 EUR

European Union support program created for investors for employee training

Intensity: 45% of relevant expenses for medium and 35% for large enterprises

Possible public financing amount per individual project ~250 000 EUR

Creation of a 5th special economic zone (SEZ) - Latgales SEZ

Eased tax in the form of different tax rebates up to 35% - 50% of total investments (<50 milion EUR)

Planned availability of the Latgales Special Economic Zone in 2017

Legislation in motion to ease taxes and provide other benefits to start-up companies
Effective February, 2016, in addition to export promotion and the attraction of foreign direct investment, LIAA oversees the implementation of state tourism policy and promotes the development of tourism as a sector of national economy in Latvia.

Upcoming LIAA & partner events

**IV International East Baltic Business Forum**
Daugavpils, 2 June 2016
An opportunity to establish contact with local and international businesses and to promote entrepreneurial opportunities in Daugavpils and the Latgale region.

**POLARIS Forum**
Riga, 8 September 2016
Meeting point for LIAA partner organizations to bring together renowned speakers, government officials, municipality representatives, scientists, entrepreneurs and investors.

**Baltic Connecting Tourism Forum in Jurmala**
Jurmala, 4 October 2016
Tourism professional visit from Asia and other far markets to strengthen cooperation and promote Baltic destination.

**CEEC-China Business Forum**
Riga, 5-6 November 2016
Focus on future cooperation between China and the 16 Central and Eastern European countries.

**Business Forum 2016**
Riga, 8 December 2016
The largest event of the year for Latvian entrepreneurs to discuss hot topics and to get inspired from the world class experts.

**Export and Innovation Awards 2016**
Riga, 8 December 2016
Annual Export and Innovation Awards celebrating leading export and innovative companies.