



“Latvian Model”: Dialogue between Public and Private Sectors

Latvian Investment and Development Agency

Policy Objective

Creation of business environment with **as little administrative burden** as socially acceptable, supportive to innovation and development of **knowledge economy**, increasing the competitiveness of Latvia as **investment location**

Problem Statement

- **Business Environment was not consistently monitored until 1998**
- **Complaints from foreign investors and local entrepreneurs**

Evaluation and Research

- **1998/99 Study on Administrative Barriers to Investment in Latvia**
- **2001/2002 Self-Assessment of Administrative Barriers in Latvia**
- **2003/2004 Administrative and Regulatory Costs Survey**

Institutional Partners:

- **Foreign Investors Council in Latvia (FICIL)**
- **Latvian Chamber of Trade and Industry**
- **Foreign Chambers of Commerce**
- **National Economy Council**
- **Industrial Clusters (ICT)**
- **Small and Medium Business Council**
- **Other Industry Business Associations**

Reform Mechanism

Foreign Investors Council
Recommendations

World Bank
Recommendations

National Economy Council
Recommendations



Steering
Group

Action Plan

No.	Problem Statement	Necessary Measures	Responsible Institution/ Member of the Steering Group	Deadline	Current Status of Implementation
TAX POLICY AND TAX ADMINISTRATION					
Tax appeals system					
1	It is necessary to establish an efficient tax appeal procedure to consider tax disputes.	<p>1) Within the scope of the Modernization Project of the State Revenue Service (SRS) for 1999-2002, one of the priorities is to establish a special pre-court tax dispute institution to handle claims on decisions made by the tax administration, customs and tax debt collection officials of the SRS.</p> <p>2) In alignment with the establishment of the SRS regional offices, to finish the establishment of a two-level pre-court appeal structure, independent of the tax administration and the customs department (at the level of the SRS regional offices and Head Office of the SRS).</p>	Ministry of Finance, (hereafter – MoF) and SRS (State Secretary of MoF, Director General of SRS)	The new tax appeal system as well as SRS regional tax dispute settlement institutions will be established by December 31, 2002.	Done. A two-tier tax dispute review body has been established at the level of SRS central governance and regional branches. The last regional division of the tax dispute review body has been established in the Kurazme Regional Division of the SRS on October 21, 2002.

Action Plan as Reform Instrument

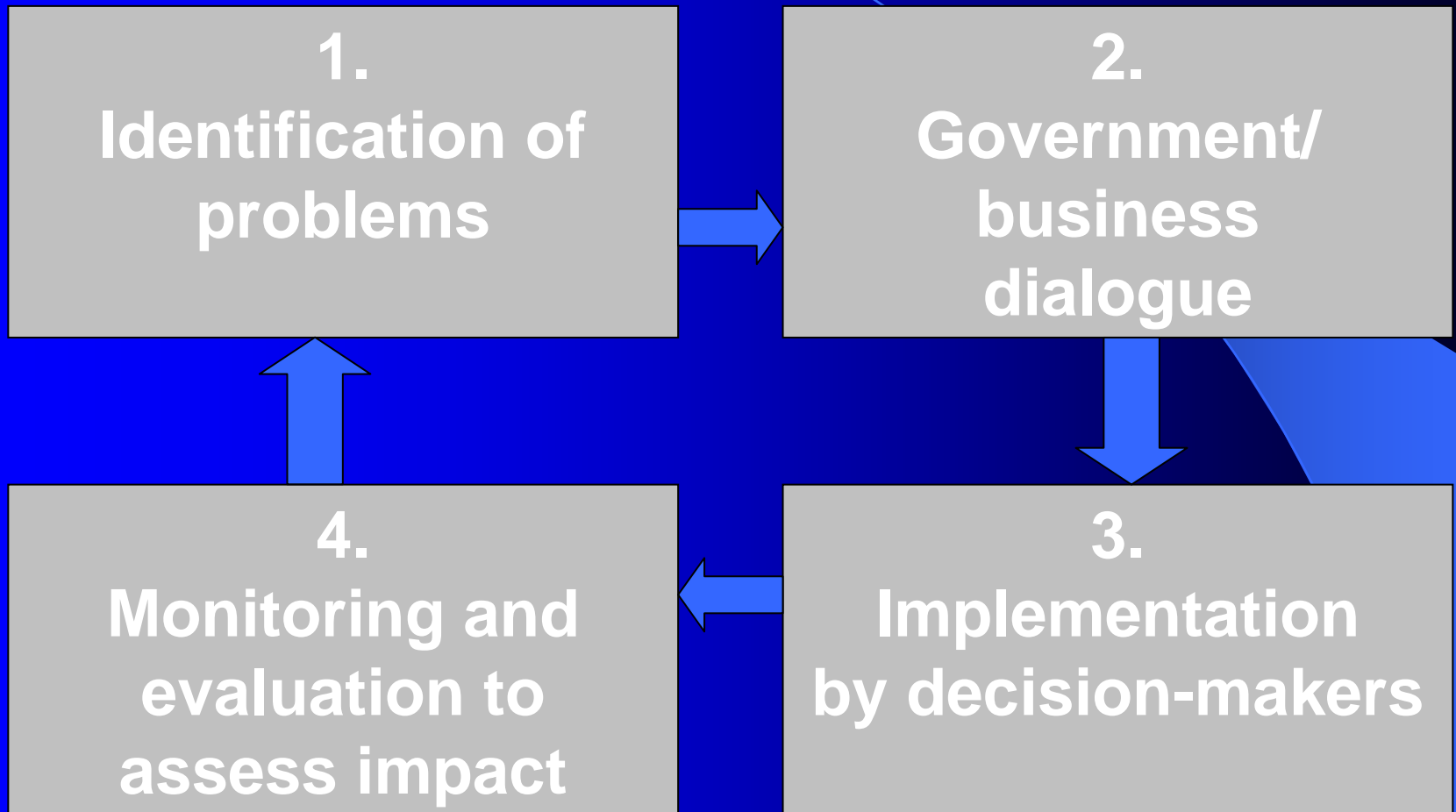
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Contribution of Foreign Investors

In total:

**127 out of 132 recommendations of
Foreign Investors Council in Latvia
implemented between 1999-2004**

Cycle of Reform



Structured Reforms in ...

- **Registration of Enterprises**
- **Tax Policy & Administration**
- **Development of Qualified Labor**
- **Construction and Real Estate**
- **Customs Procedures & Border Crossing**
- **Prevention and Combating of Corruption**
- **State and Municipal Procurement**
- **Improvement of Court System**
- **Corporate Law**

Main Recent Achievements

- **Tax Policy and Administration**
- **Construction and Real Estate Development**
- **Customs Legislation and Procedures**
- **Prevention and Combating of Corruption**
- **State and Municipal Procurement**
- **Improvement of Rule of Law and Court System**
- **Corporate Law**

Main Recent Achievements (2)

- **Two-level tax dispute appeals body established within State Revenue Service**
- **New SRS methodological guidelines issued**
- **Customs guarantee payment calculation clarified**
- **Anti-Corruption Bureau (KNAB) established**
- **“Best practice” guidelines for procurement procedures posted on the web**
- **Order of court case assignment clarified**
- **Accessibility of court decisions improved**

New Priorities

Updated Action Plan to Improve the Business Environment in Latvia includes measures in the following areas:

- **Tax policy and administration**
- **Improvement of Legal Environment**
- **Preparedness of Latvia for operating in EU transit regime**
- **State and municipal procurement procedures**
- **Structural reforms of Latvia's investment environment**

Latvia – Leader in Business Start-Up

“Latvia is ranked **among the top ten** countries worldwide in terms of business start-up time and length of bankruptcy procedures.”

Doing Business in 2004, World Bank

Investment Incentives

- **Low Tax Level for Corporations**
- **Corporate Tax Reductions**
- **Special Economic Zones (SEZ)**
- **Simple Procedures for Work & Residency Permits for Managers**
- **No Currency Controls**
- **No Restricted Sectors (Except National Security and Agriculture)**

Lessons Learned

- **Start at appropriate level of discussion**
- **Involve all stakeholders**
- **Limit government intervention to where absolutely necessary and focus on the creation of enabling business environment**
- **Be focused and target scarce resources appropriately**

Lessons Learned (2)

- **Capacity of business associations increases gradually**
- **Focus on short-/medium-term activities**
- **Ensure wide dissemination of early successes and further results**
- **Employ different methods of monitoring and evaluation**
- **Be patient**

Contact Information

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