

FICIL SENTIMENT INDEX 2017

DEVELOPMENT OF THE INVESTMENT
CLIMATE IN LATVIA: THE VIEWPOINTS
OF FOREIGN INVESTORS



FOREIGN INVESTORS
COUNCIL IN LATVIA



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ABOUT THE AUTHOR

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His academic research findings have appeared in journals such as *Journal of Business Ethics*, *International Small Business Journal*, *Journal of Comparative Economics* as well as books published by *Springer*, *Routledge*, *Edward Elgar*, *IGI Global*, *Blackwell* and *Peter Lang*. Arnis is extensively involved in applied research, including studies contracted by the OECD, Eurofound and various banks, industry associations and NGOs.



He is co-author of the Shadow Economy Index for the Baltic Countries.

FOREWORD

The “FICIL Sentiment Index 2017” has been compiled at a time when economic growth rates in Latvia are strong, and have surpassed expectations set a year ago. In the 3rd quarter of 2017 the gross domestic product of Latvia grew by 6.2% over the year and we can be relatively sure that this growth will extend into Latvia’s centenary year.

There are several reasons behind this growth. First, there are positive developments in the external environment – Latvia’s main export markets are showing solid development with the Eurozone area set to grow at the fastest pace in a decade this year. Second, growing investment levels reflect the impact of the influx of long-awaited EU structural funds, which finally began in 2017. Third, as a result of wage growth stronger consumption has been observed – average household income is gradually increasing allowing to spend a little more than a year ago.

Periods of strong and stable economic growth are often considered to be an opportunity for developing further growth potential. This means thinking about the future – embracing the new possibilities presented by the development of new technology, artificial intelligence, innovation and digitalization – making sure that they contribute to efficiency gains and provide opportunities for businesses, the public sector and all of society.

The key topic for the High Council 2017, which brought together the government and foreign investors, was “Do!” – highlighting the importance of mutual trust as a crucial part of good governance, and a prerequisite for implementing further reforms and building a future legacy for the country. As part of the High Council dialogue, there was an agreement to position Latvia in 2025 as a ‘smart nation’, and as the most attractive place for business and investment in the Baltic sea region. It’s an ambitious vision, which requires bold actions. We need to be smart, courageous and efficient in order to achieve these goals.

FICIL’s work in 2018 will concentrate on the availability and quality of the labor force, the fight against economic crimes and the promotion of digitalization. We are committed to working in close partnership with the government to achieve real progress, along with an improvement in the business environment and investment climate in Latvia.

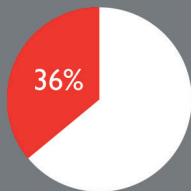


Zlata Elksniņa-Zaščirinska
Foreign Investor’s Council in Latvia
Chairperson of the Board

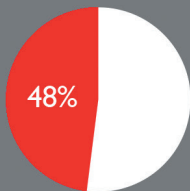
THE NUMBER OF
COMPANIES ABOVE
145K EUR TURNOVER
AND 50% FOREIGN
CAPITAL (MAJORITY)

4423

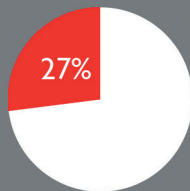
OR **1/5** OF TOTAL NUMBER OF COMPANIES IN LATVIA



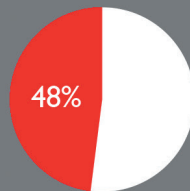
OF TOTAL SOCIAL TAX



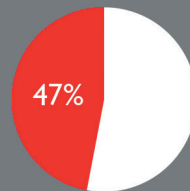
OF TOTAL TAXES PAID



OF TOTAL WORKFORCE

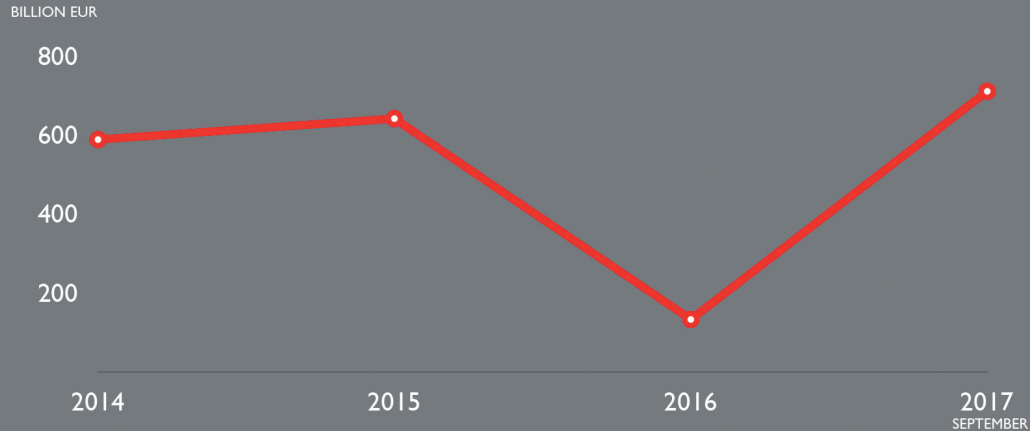


OF TOTAL TURNOVER



OF TOTAL PROFIT

INFLOW OF FOREIGN DIRECT INVESTMENT IN LATVIA



INTRODUCTION

The FICIL Sentiment Index was established in 2015 by the Foreign Investors' Council in Latvia (FICIL) in cooperation with the Stockholm School of Economics in Riga (SSE Riga), to foster more evidence-based policy decisions in promoting a favourable investment climate in Latvia.

This is the third FICIL Sentiment Index report, following the two reports written in 2015 and 2016.

The key aim of the current report is:

- to explore whether, according to foreign investors in Latvia, there has been any progress in the development of the investment climate in Latvia over the past 12 months,
- to find out how investors evaluate the government's efforts and current policy initiatives aimed towards improving the investment climate in Latvia,
- to discover how investors react to key challenges brought about by the external environment in Latvia.

Empirically, the FICIL Sentiment Index study draws on mini case studies: in-depth interviews with the CEOs of key foreign investors in Latvia. 42 CEOs were interviewed during September-early November, 2017, including representatives of those 32 and 28 companies that also participated in the 2016 and 2015 studies, respectively.

Altogether, these companies (including their subsidiaries) contribute to 11% of Latvia's total tax revenue, 17% of total profit and employ 5% of total workforce of companies above 145 000 EUR turnover and 50% foreign capital (data from Firms.lv).

FICIL SENTIMENT INDEX

FOREIGN INVESTORS' IN LATVIA ASSESSMENT OF THE POTENTIAL
DRIVERS OF ECONOMIC COMPETITIVENESS OF LATVIA.



AVAILABILITY
OF LABOUR



EFFICIENCY OF
LABOUR



DEMAND FOR
PRODUCTS AND
SERVICES



ATTITUDE TOWARDS
FOREIGN INVESTORS



QUALITY OF
BUSINESS
LEGISLATION



QUALITY OF
EDUCATION
AND SCIENCE



QUALITY OF
HEALTH AND
SOCIAL SECURITY



HARD
INFRASTRUCTURE



SOFT
INFRASTRUCTURE



DEMOGRAPHY



STANDARD OF
LIVING IN LATVIA



FIRST ESTABLISHED IN 2015 TO
FOSTER MORE EVIDENCE-BASED
POLICY DECISIONS IN PROMOTING
A FAVOURABLE INVESTMENT
CLIMATE IN LATVIA

FOCUS OF 2017 STUDY:



DO INVESTORS SEE PROGRESS WITH REGARDS TO
POLICY INITIATIVES TO MEET THE MAIN CHALLENGES
AS IDENTIFIED IN 2015 AND 2016 STUDIES?



HOW INVESTORS EVALUATE GOVERNMENT'S
EFFORTS AND CURRENT POLICY INITIATIVES AIMED
TO IMPROVE INVESTMENT CLIMATE IN LATVIA?



HOW INVESTORS REACT TO KEY CHALLENGES AS
BROUGHT BY THE EXTERNAL ENVIRONMENT IN LATVIA?



FOREIGN INVESTORS
COUNCIL IN LATVIA



A close-up photograph of a hand holding a blue ballpoint pen, pointing at a business report. The report features a bar chart with teal, red, and orange segments, and a line graph with green and red lines. The text 'KEY RESULTS' is overlaid in large white letters. The background is a wooden desk.

KEY RESULTS



UNCERTAINTY AND STRANGE
DECISIONS OF THE GOVERNMENT
REMAIN. THE SAME PROBLEMS REMAIN
WITH THE LABOUR MARKET.

- MANUFACTURING COMPANY



NO - BECAUSE OF DEMOGRAPHY AND
AVAILABILITY (OR UNAVAILABILITY) OF LABOUR.

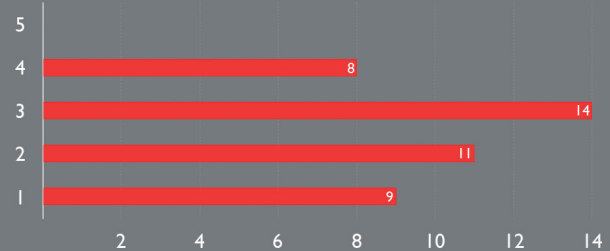
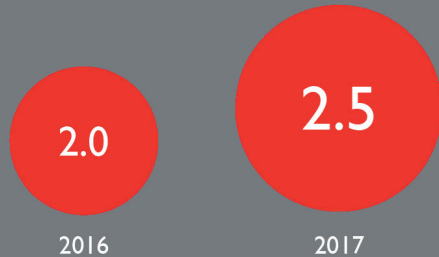
- PROFESSIONAL ASSURANCE AND ADVISORY SERVICES COMPANY



THE ECONOMY IS GROWING, BANKS ARE GIVING
OUT LOANS, AND INVESTMENT ATTRACTIVENESS
IS INCREASING. I DON'T HAVE VERY RELIABLE
DATA, BUT MY FEELING IS THAT IT'S MUCH
BETTER THAN 10 YEARS AGO.

- REAL ESTATE COMPANY

HAS THE INVESTMENT ATTRACTIVENESS OF LATVIA IMPROVED DURING THE PAST 12 MONTHS?



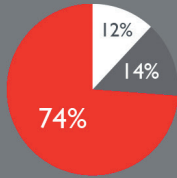
SCALE 1-5 WHERE: '1' - INVESTMENT ATTRACTIVENESS HAS NOT IMPROVED AT ALL, '3' THERE HAVE BEEN SOME POSITIVE IMPROVEMENTS, '5' INVESTMENT ATTRACTIVENESS HAS IMPROVED SIGNIFICANTLY.

FOREIGN INVESTORS' ASSESSMENT OF POLICY MAKERS' EFFORTS TO IMPROVE THE INVESTMENT CLIMATE OVER THE PAST YEAR: 2016 AND 2017 STUDIES

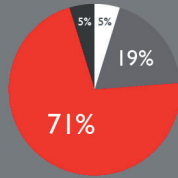


SCALE 1 TO 5, WHERE '1' - FAIL, '3' - AVERAGE AND '5' - EXCELLENT

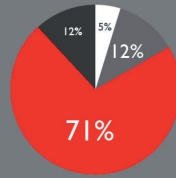
FOREIGN INVESTORS' ASSESSMENT OF THE PROGRESS OVER THE PAST 12 MONTHS WITH REGARDS TO THE KEY AREAS OF CONCERN AS IDENTIFIED IN THE 2015 AND 2016 STUDIES: FINDINGS FROM 2017



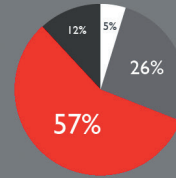
DEMOGRAPHY



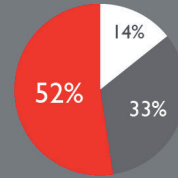
ACCESS TO LABOUR



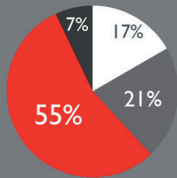
THE HEALTHCARE
SYSTEM IN LATVIA



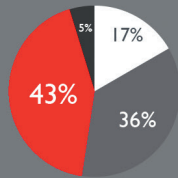
COURT SYSTEM IN LATVIA



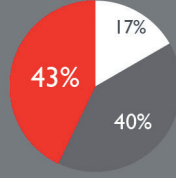
UNCERTAINTY



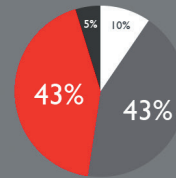
QUALITY OF THE
BUSINESS LEGISLATION



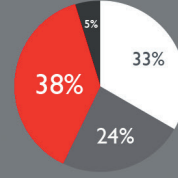
UNETHICAL / ILLEGAL
BEHAVIOUR BY ENTREPRENEURS,
UNFAIR COMPETITION



QUALITY OF THE
TAX SYSTEM



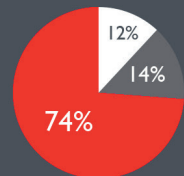
LEVEL OF EDUCATION
AND SCIENCE



SUPPORT FROM THE GOVERNMENT
AND COMMUNICATION WITH THE
POLICY MAKERS

YES
 NO
 PARTLY
 N/A

DEMOGRAPHY



■ YES ■ NO ■ PARTLY ■ N/A

THIS IS A MOST CHALLENGING TOPIC, NOT ONLY FOR PEOPLE WHO DO BUSINESS IN LATVIA, BUT ALSO FOR THE WHOLE OF LATVIA. IT'S OBVIOUS THAT THERE IS A NEGATIVE TREND IN DEMOGRAPHY.

- WHOLESALE AND RETAIL COMPANY

WE DON'T SEE ANY DEVELOPMENTS. EVEN REGRESS. WE NEED TO HAVE A SMART MIGRATION POLICY, BUT THERE ISN'T CURRENTLY ONE. WE HAD A CASE WHERE LITHUANIAN/ESTONIAN STAFF WERE REQUIRED TO HAVE LATVIAN LANGUAGE SKILLS EVEN THOUGH THEY ONLY CAME HERE FOR 2-MONTHS' SEASONAL WORK.

- SERVICE COMPANY

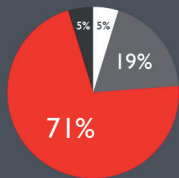
I DON'T SEE BIG PROGRESS; EVEN THOUGH THE GOVERNMENT IS ATTEMPTING TO DO SOMETHING TO IMPROVE THE SITUATION, IT DOESN'T LEAD TO REAL RESULTS.

- WHOLESALE AND RETAIL COMPANY

THERE ARE SOME ACTIONS TAKEN. THE HOUSING PROGRAMME WITH ALTUM IS A GOOD EXAMPLE. ONE CAN SEE THAT THE YOUNG PEOPLE DO WANT FAMILIES AND CHILDREN BUT YOU NEED TO COME UP WITH SMART SOLUTIONS FROM THE GOVERNMENT SIDE. GIVING 100 EUR PER CHILD IS NOT GOOD ENOUGH.

- REAL ESTATE COMPANY

ACCESS TO LABOUR



YES
 NO
 PARTLY
 N/A

IT IS GETTING WORSE. WE ARE CURRENTLY PLANNING TO START LOOKING FOR PEOPLE OUTSIDE LATVIA. WE INVEST A LOT IN TRAINING. WE ARE FORCED TO TAKE PEOPLE WITH NO EDUCATION AND NO SKILLS AND THEN TRAIN THEM. TRUCK DRIVERS, FOR EXAMPLE, THESE DAYS ARE VERY DIFFICULT TO GET.

- SERVICE COMPANY

THE GOVERNMENT COULD DO MORE TO ATTRACT LABOUR FORCE FROM FOREIGN COUNTRIES.

- CONSULTANCY AND IT COMPANY

THE PRIME MINISTER OF LATVIA HAS SAID THAT WE NEED A LABOUR FORCE AND THERE ARE SOME POLITICAL MOVEMENTS IN THAT DIRECTION. CONSTRUCTION IS ONE OF THE MOST SIGNIFICANT SECTORS WHERE WE NEED A LABOUR FORCE.

- CONSULTANCY AND IT COMPANY

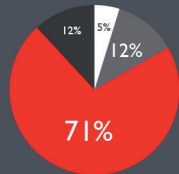
WE HAVE HAD VACANCIES DURING THE PAST 12 MONTHS AND WE DID FIND PEOPLE. FOR MANUAL WORK AND NIGHT SHIFTS IT IS MORE DIFFICULT. BUT I KNOW COMPANIES IN CATERING ARE REALLY STRUGGLING.

- RETAIL TRADE AND SERVICE COMPANY

SITUATION IS BECOMING MORE DIFFICULT OVER TIME. NOT SO AFFECTED YET, DUE TO STRONG BRAND, WORKING ENVIRONMENT AND COMPENSATION LEVEL.

- RETAIL TRADE AND SERVICE COMPANY

THE HEALTHCARE SYSTEM IN LATVIA



YES
 NO
 PARTLY
 N/A

INSURANCE, SICK LEAVE ETC.; THERE IS NOT ENOUGH CONTROL FROM THE STATE, ALSO THE HEALTH INSPECTORATE IS NOT DOING EVERYTHING IT SHOULD. THE STATE IS TOLERATING INACTION AND ILLEGAL ACTIONS IN THE HEALTH SECTOR AND THAT CREATES PROBLEMS.

- RETAIL TRADE AND SERVICE COMPANY

THERE IS SOME PROGRESS BECAUSE THERE IS SOME LEVEL OF DISCUSSION ABOUT THE RIGHT ISSUES, SUCH AS HOW TO CENTRALISE PROCUREMENT, HOW TO MAKE HOSPITALS MORE TRANSPARENT ETC. BUT THERE IS HUGE INERTIA FROM THE SECTOR AND DOCTORS. THAT IS THE BIGGEST PROBLEM.

- PROFESSIONAL ASSURANCE AND ADVISORY SERVICES COMPANY

A DOWN-GOING TREND. MEDICAL SERVICES ARE NOT AVAILABLE TO EVERYBODY. WE HAVE HEALTH INSURANCE AS A COMPENSATION BENEFIT.

- RETAIL TRADE AND SERVICE COMPANY

NO POSITIVE CHANGES, ONLY SOME DISCUSSIONS.

- MANUFACTURING COMPANY

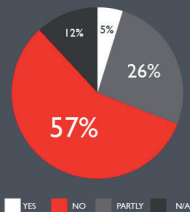
THE GOVERNMENT HAS PROMISED PROGRESS AS OF NEXT YEAR.

- MANUFACTURING COMPANY

I CAN SEE BIG IDEAS ON THE TABLE BUT WE DON'T HAVE ANY REAL ACTIONS TO FIX THE SYSTEM.

- WHOLESALE AND RETAIL COMPANY

COURT SYSTEM IN LATVIA



COURT CASE PROCEDURES ARE LONG, HEAVY AND PAINFUL. SOMETIMES THEY PARALYSE THE EVERYDAY OPERATION OF A COMPANY. THE COURT SYSTEM LACKS HUMAN RESOURCES, TOO.

- CONSULTANCY AND IT COMPANY

WE HAVE SEVERAL COURT CASES, AND FROM OUR EXPERIENCE IT IS GETTING BETTER.

- WHOLESALE AND RETAIL COMPANY

VERY SLOW AND INEFFICIENT.

- MANUFACTURING COMPANY

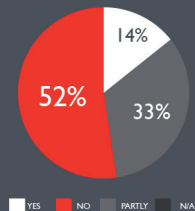
NON-EFFICIENT. THEY ARE NOT ABLE TO TAKE ANY DECISIONS. I HAVE HAD AN OPEN CASE FOR 7 YEARS. IT IS NOT NORMAL.

- CONSULTANCY AND IT COMPANY

THERE ARE SOME CITIZENS IN JAIL, SOME PARLIAMENTARY INQUIRY COMMITTEES, SO THERE MUST BE SOME IMPROVEMENT.

- PROFESSIONAL ASSURANCE AND ADVISORY SERVICES COMPANY

UNCERTAINTY



THIS IS A HUGE PROBLEM IN THE CONTEXT OF TAX POLICY AND LEGISLATION. WE THINK THERE IS NO UNCERTAINTY IN POLICY MAKING REGARDING THE BUSINESS ENVIRONMENT.

- CONSULTANCY AND IT COMPANY

IT IS GETTING WORSE AND WORSE, AND IN PARTICULAR REGARDING THE TAX SYSTEM.

- SERVICE COMPANY

BECAUSE OF THE TAX REFORM, THE UNCERTAINTY HAS GROWN.

- REAL ESTATE COMPANY

I AM STILL MISSING CONFIDENCE IN A STRONG LONG-TERM PLAN. THE GOVERNMENT WAS FORCED TO DO SOMETHING AND IT DID, BUT I AM STILL NOT CONFIDENT ABOUT WHAT THEY DID.

- RETAIL TRADE AND SERVICE COMPANY

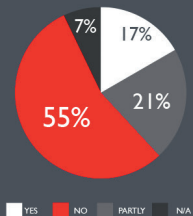
WHEN IT COMES TO LEGISLATION – SOMETHING NEW APPEARS ALL THE TIME. NOT EVEN FOR A SINGLE YEAR CAN WE LIVE IN PEACE WITHOUT ANY CHANGES TO THE LEGISLATION.

- CONSULTANCY AND IT COMPANY

THE SITUATION IS SLIGHTLY IMPROVING – ECONOMY IS DEVELOPING AND HOPEFULLY WILL CONTINUE TO GROW; FROM THAT PERSPECTIVE THERE IS LESS UNCERTAINTY THAN A YEAR AGO.

- PROFESSIONAL ASSURANCE AND ADVISORY SERVICES COMPANY

QUALITY OF BUSINESS LEGISLATION



CATASTROPHE! AT THIS TIME THEY SHOULD BE WORKING TOWARDS PREDICTABILITY, MAKING BUSINESSES FEEL SAFE AND SECURE, BUT INSTEAD THE BUSINESS ENVIRONMENT WAS MADE WORSE WITH A TOTALLY DEMOTIVATING TAX SYSTEM. SO, THEY MADE EVERYTHING TWO TIMES WORSE.

- MANUFACTURING COMPANY

THERE ARE SOME CONSTRUCTION LAWS THAT ARE TOO COMPLICATED. BUT IT'S NOT ABOUT LACKING AMBITION TO IMPROVE THINGS. IT IS MORE ABOUT LEGISLATION OFTEN BEING INTRODUCED BEFORE IT HAS BEEN SUFFICIENTLY DISCUSSED AND CLARIFIED WITH THE STAKEHOLDERS THAT WILL BE MOST AFFECTED BY THE NEW LEGISLATION. NEW INITIATIVES ARE INTRODUCED TOO FAST AND WITHOUT THINKING ABOUT THE CONSEQUENCES.

- MANUFACTURING COMPANY

THE SYSTEM REGARDING THE CASH REGISTERS WAS CHANGED AND IT WAS A BIG CHANGE REQUIRING AN IMPORTANT INVESTMENT FROM THE COMPANY IN A RELATIVELY SHORT PERIOD OF TIME.

- RETAIL TRADE AND SERVICE COMPANY

THERE IS NO CONSISTENCY IN THE WORK OF CIVIL SERVANTS, ALTHOUGH THE LAW IS THE SAME. THERE ARE DIFFERENT AND NON-CONSISTENT INTERPRETATIONS OF LEGAL ACTS. THIS CAN BE SEEN IN THE WORK OF THE STATE REVENUE SERVICE WHEN YOU DO YOUR ACCOUNTING AND REPORTS.

- CONSULTANCY AND IT COMPANY

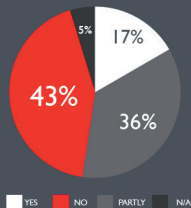
SO FAR I HAVEN'T HEARD BAD THINGS ABOUT BUSINESS LEGISLATION. I DON'T SEE ANY RESTRICTIONS ON BUSINESS.

- CONSULTANCY AND IT COMPANY

CHANGES IN LEGISLATION ARE OFTEN NOT DONE IN A SYSTEMATIC WAY. YOU REALISE THERE IS A PROBLEM, YOU QUICKLY CHANGE THE LAW AND THINK THAT THIS IS IT. OFTEN THE INDUSTRY IS NOT CONSULTED AND THERE IS NO IMPACT ANALYSIS.

- CONSULTANCY AND IT COMPANY

UNETHICAL / ILLEGAL
BEHAVIOUR BY
ENTREPRENEURS,
UNFAIR COMPETITION



THE SHADOW ECONOMY IS ENORMOUS IN LATVIA. YOU DON'T NEED TO BE A GENIUS IN MATHEMATICS TO CALCULATE THAT WE ARE LOSING AT LEAST EUR 400 MILLION IN EXPENSIVE CARS, PARTIES, "BUSINESS TRIPS" ETC.

- FINANCE AND
BANKING COMPANY

WE COULD DO MORE TO SECURE OUR MARKET FROM RUSSIA, BELARUS, CHINA. FOR OUR PRODUCTS, WE HAVE CREATED A CE LABEL. BUT IT TAKES 15 MINUTES TO FAKE THIS AND THE FAKE CERTIFICATE WORKS IN THE MARKET AS A VALID LABEL, UNLESS YOU PROVE IT IS OTHERWISE.

- MANUFACTURING COMPANY

THE TOLERANCE REGARDING UNFAIR COMPETITION AND ILLEGAL ACTION IS VERY HIGH. IF WE TALK ABOUT USING ILLEGAL PRODUCTS, IT IS A HUGE PROBLEM IN LATVIA.

- CONSULTANCY AND IT COMPANY

THE CONSTRUCTION INDUSTRY DOESN'T WORK IN THE WAY IT SHOULD, AND IT IS EXPOSED IN TERMS OF THE SHADOW ECONOMY. BUT I DON'T THINK THAT IT IS GETTING WORSE. THE GOVERNMENT IS REALLY TRYING TO FIGHT AGAINST THE SHADOW ECONOMY. THE PROGRESS IS THERE, BUT IT IS SLOW.

- FINANCE AND
BANKING COMPANY

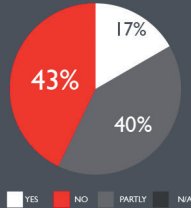
THERE ARE POSITIVE SIGNS FROM THE TAX AUTHORITY. THERE ARE IMPROVEMENTS. PEOPLE SEEM TO BE LESS TOLERANT ABOUT ENVELOPE WAGES.

- PROFESSIONAL ASSURANCE
AND ADVISORY SERVICES
COMPANY

THIS HAS GONE IN A GOOD DIRECTION IN OUR SECTOR: THERE ARE FEWER ILLEGAL PRODUCTS ON THE MARKET, THERE IS SOME CONSOLIDATION IN THE SECTOR AS A RESULT AND SOME UNFAIR PLAYERS ARE LEAVING.

- RETAIL TRADE AND SERVICE COMPANY

QUALITY OF THE TAX SYSTEM



100% CATASTROPHE.
WHAT IS COMING IS
A DEAD END.

- SERVICE COMPANY

NO IMPROVEMENT.WE
HAVE A NEW TAX SYSTEM
AND NO IDEA ABOUT ITS
IMPLEMENTATION THREE
MONTHS BEFORE IT
TAKES EFFECT.

- PROFESSIONAL ASSURANCE
AND ADVISORY SERVICES
COMPANY

THE TAX SYSTEM IS NOT
PREDICTABLE AND WE
CANNOT MAKE BUSINESS
FORECASTING PROPERLY.
SINCE 2006,THERE HAVE
BEEN REGULAR CHANGES
IN TAXES.THE STATE IMPOSES
TAXES AND CHANGES TAXES
AS THEY WISH.

- CONSULTANCY AND IT COMPANY

TAX REFORM IS SOMETHING
THAT THE GOVERNMENT
WANTED TO DO AND THEY
DID,SO - CHECK! IT IS DONE
AND FROM THAT
PERSPECTIVE IT IS GOOD.IT
COULD HAVE BEEN DONE
BETTER, NO DOUBT, BUT AT
LEAST THEY DID IT.

- CONSULTANCY AND IT COMPANY

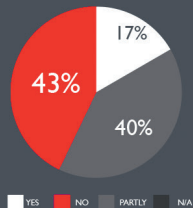
THE TAX SYSTEM IS THE BEST RECENT
EXAMPLE OF HOW NOT TO DO THINGS.
THERE WERE SEVERAL PROPOSALS AND
OVERALL THE BEGINNING WAS PROMISING
– IT FELT LIKE WE WERE MOVING TOWARDS
A SIMPLER, BETTER STRUCTURED TAX
SYSTEM. BUT THEN,VERY QUICKLY,WE GOT
SOMETHING VERY DIFFERENT. NOW WE
HAVE AN ILLUSION OF PROGRESSIVITY.THE
BIGGEST WINNER IS THE ELECTORATE.

- CONSULTANCY AND IT COMPANY

MOSTLY MOVING IN THE RIGHT DIRECTION.WE
HAVE TO BE REALISTIC REGARDING WHAT IT
COULD ACCOMPLISH.TAX HAS BEEN VASTLY
EXAGGERATED BY THE BUSINESS COMMUNITY.
LATVIA HAS FOR MANY YEARS HAD AN EXTERNAL
LOCUS OF CONTROL. SIMILARLY,THERE HAS BEEN A
DRIVE THAT TAXES ARE BAD AND SHOULD BE
BLAMED FOR THE FAILURE OF SOME OF THE
BUSINESS CASES. PARLIAMENT IMPROVED THE
ORIGINAL PROPOSAL,IT IS MORE DIRECTED
TOWARDS EQUALITY NOW,AND THAT IS GOOD.

- CONSULTANCY AND IT COMPANY

LEVEL OF EDUCATION AND SCIENCE



PEOPLE OFTEN DO NOT HAVE SOFT SKILLS IN LATVIA.

- RETAIL TRADE AND SERVICE COMPANY

AS FAR AS I AM AWARE, LATVIA HAS A GOOD LEVEL OF EDUCATION SYSTEM AND GOOD UNIVERSITIES.

- CONSULTANCY AND IT COMPANY

THE GOOD THING IS THAT THERE IS A VAST IMPROVEMENT IN SECONDARY VOCATIONAL EDUCATION.

- FINANCE AND BANKING COMPANY

WHAT WE SEE NOW IS SEGMENTATION, PROFESSORS THAT RUN AROUND 10 UNIVERSITIES AND HEIS. BUT HEIS HAVE TO BE AN EFFICIENT CENTRE FOR SCIENCE. THE QUESTION IS ALSO ABOUT THE METHODS OF TEACHING.

- CONSULTANCY AND IT COMPANY

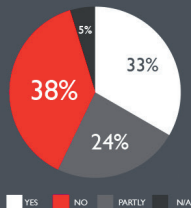
VARIOUS MINISTERS HAVE BEEN WORKING ON THIS AND FIGHTING FOR IT, BUT THERE ARE NO RESULTS, NO ACHIEVEMENTS. THERE ARE SOME VESTED INTERESTS AS WELL, AND MANY GOOD INITIATIVES HAVE BEEN TORPEDOED. A FEW UNIVERSITIES WANT TO CHANGE BUT THE OTHERS DON'T.

- REAL ESTATE COMPANY

THE SYSTEM ITSELF IS GOOD FROM A THEORETICAL PERSPECTIVE, BUT THERE IS NO LINKAGE WITH THE LABOUR MARKET. WE ARE EVEN READY TO INVEST AND PAY FOR STUDIES, BUT IT'S SOMEHOW HARD TO AGREE ON SOMETHING WITH THE HIGHER EDUCATION INSTITUTIONS.

- SERVICE COMPANY

SUPPORT FROM THE GOVERNMENT AND COMMUNICATION WITH THE POLICY MAKERS



WE HAVE GOOD COMMUNICATION. I CAN'T COMPLAIN. ANY TIME I NEED TO MEET THE MINISTER, I HAVE MET HIM. WE CAN OPENLY DISCUSS ISSUES AND SOLVE PROBLEMS. SO, NO PROBLEM IN THIS RESPECT.

- SERVICE COMPANY

IT HAS IMPROVED. WE HAVE BEEN HEARD AND WE WERE ABLE TO MAKE SOME CHANGES. WE HAVE VERY GOOD DIALOGUE WITH THE MINISTRY OF ECONOMICS WHICH IS GOOD.

- MANUFACTURING COMPANY

CENTRAL GOVERNMENT IS VERY GOOD. AT THE MUNICIPALITY LEVEL IT IS TERRIBLE.

- REAL ESTATE COMPANY

THE GOVERNMENT PRETENDS TO LISTEN. IT TRIES TO EXPLAIN SOMETHING TO THE PERSON ON THE STREET AND THAT IS GOOD. THEY HAVE SOME GOOD INFOGRAPHICS.

- CONSULTANCY AND IT COMPANY

LATVIANS HAVE THE MENTALITY THAT IF YOU CAME UP WITH A GOOD IDEA IT WILL BE DIFFICULT TO INCENTIVISE THE DECISION MAKERS TO ACT. IN ORDER TO STAY IN POWER, POLITICIANS ARE NOT READY TO TAKE RISKS AND MAKE MISTAKES. IT IS REALLY HARD TO MAKE PROGRESS IF YOU REALLY CANNOT CHALLENGE THE SYSTEM A LITTLE. I THINK IT IS A CULTURAL THING THAT IS NOT IMPROVING MUCH. COMMUNICATION LINES ARE OPEN BUT THE DECISION MAKERS ARE NOT PROGRESSIVE.

- CONSULTANCY AND IT COMPANY

IT WASN'T VERY BAD BEFORE BUT NOTHING MUCH HAS CHANGED.

- FINANCE AND BANKING COMPANY



FOREIGN INVESTORS
COUNCIL IN LATVIA





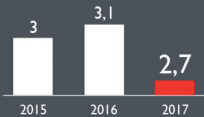
FICIL SENTIMENT INDEX

FOREIGN INVESTORS' IN LATVIA ASSESSMENT OF THE POTENTIAL DRIVERS OF
ECONOMIC COMPETITIVENESS OF LATVIA.

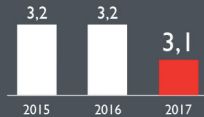
SCALE 1-5, WHERE 1 REPRESENTS ATTITUDE ABOUT LOW COMPETITIVENESS
AND 5 REPRESENTS ATTITUDE OF VERY HIGH COMPETITIVENESS.



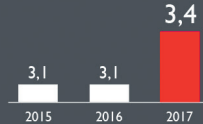
AVAILABILITY OF LABOUR



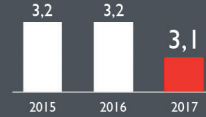
EFFICIENCY OF LABOUR



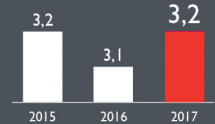
DEMAND FOR PRODUCTS AND SERVICES



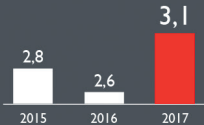
ATTITUDE TOWARDS FOREIGN INVESTORS



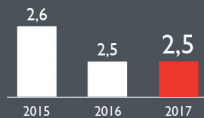
QUALITY OF BUSINESS LEGISLATION



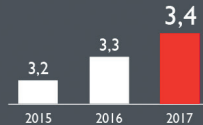
QUALITY OF EDUCATION AND SCIENCE



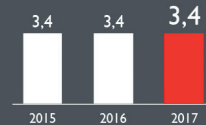
QUALITY OF HEALTH AND SOCIAL SECURITY



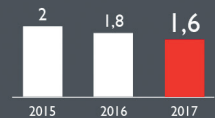
HARD INFRASTRUCTURE

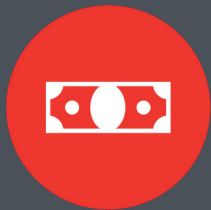


SOFT INFRASTRUCTURE

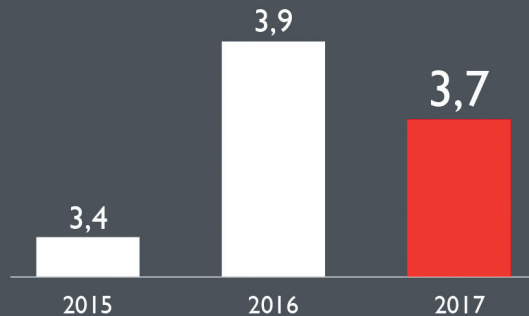


DEMOGRAPHY

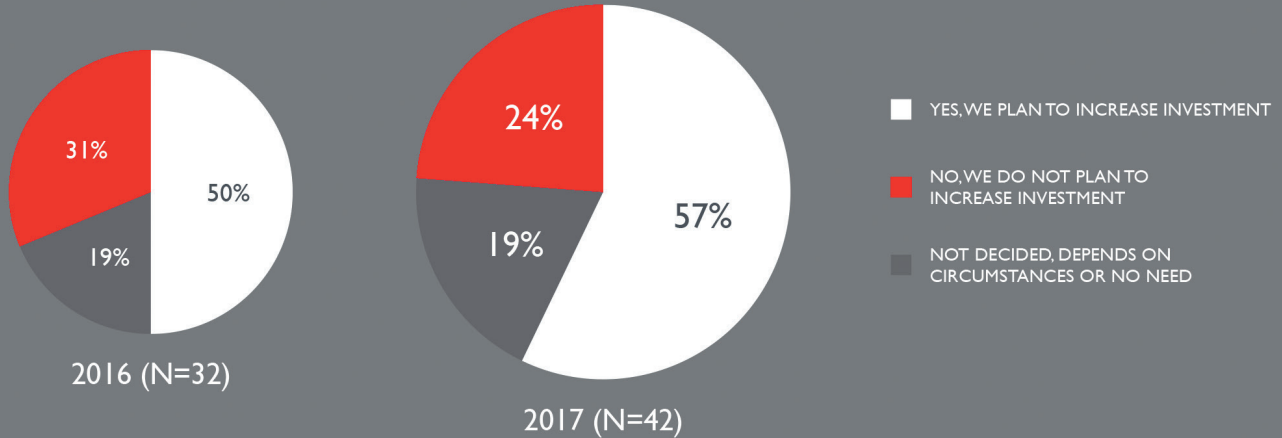




STANDARD OF
LIVING IN LATVIA



FURTHER INVESTMENT PLANS





YES, WE PLAN TO INCREASE INVESTMENT



YES, 75 MILLION OVER 3 YEARS.

- RETAIL TRADE AND SERVICE COMPANY

WE HAVE A PROJECT UNDERWAY AND WE WILL CONTINUE WITH IT. THAT MEANS THAT NEXT YEAR WE WILL INVEST AN ADDITIONAL 10 MILLION. WE ARE LOOKING INTO NEW PROJECTS AS WELL, BUT EVERYTHING DEPENDS ON THE NEW TAX SYSTEM, HOW IT WORKS, AND IF THE GENERAL UNPREDICTABILITY IN LATVIA DECREASES.



- REAL ESTATE COMPANY



YES, AS A COMPANY, WE ARE MANAGING INVESTMENTS. SO IN THE NEXT 2 AND A HALF YEARS, WE WILL INVEST 120 MILLION EUR.

- REAL ESTATE COMPANY

YES, WE ARE INCREASING. WE HAVE ALLOCATED 100 MILLION FOR THE NEXT 10 YEARS. WE ARE HERE TO STAY.



- REAL ESTATE COMPANY



YES, WE PLAN TO INCREASE INVESTMENT, APPROX. 7 MILLION EUR.

- SERVICE COMPANY



YES, WE WILL OPEN A NEW MANUFACTURING LINE WORTH MORE THAN ONE MILLION.

- MANUFACTURING COMPANY



NO, WE DO NOT PLAN TO INCREASE INVESTMENT



NO, WE DO NOT. UNFORTUNATELY, IN OUR CASE RIGA LOST IN COMPETITION WITH VILNIUS FOR HOSTING THE SHARED SERVICE CENTRE, SO THE INVESTMENT WILL GO TO LITHUANIA.

- FINANCE AND BANKING COMPANY



NO. TOO MUCH TAX UNCERTAINTY AND NOT ENOUGH FOCUS ON THE GREY ECONOMY.

- MANUFACTURING COMPANY

NO PLANS FOR US TO INCREASE THE INVESTMENT OR INCREASE THE NUMBER OF STAFF. CURRENTLY WE HAVE 200 STAFF MEMBERS AND WE WILL KEEP IT THAT WAY, SINCE WE ARE QUITE NEW IN LATVIA. BUT, IF THE FRONT OFFICE GROWS AND OUR COMPANY CHANGES ITS STRATEGY THERE MIGHT BE CHANGES IN THE BACK OFFICE IN RIGA.



- CONSULTANCY COMPANY



NOT DECIDED, DEPENDS ON CIRCUMSTANCES



WE WILL ONLY INVEST IF THE POLITICAL CLIMATE IS GOING TO IMPROVE. IF WE HAVE FULL ACCESS TO THE RUSSIAN MARKET.

- RETAIL AND TRADE SERVICE COMPANY

WE WOULD LIKE TO CONTINUE TO INVEST IN LATVIA, BUT IT DEPENDS ON THE CHANGES IN THE TAX SYSTEM- THOSE THAT WILL COME INTO FORCE ON 1ST JANUARY. IF THE TAX AMENDMENTS ARE ADOPTED, WE WILL CHANGE OUR DECISION ON FUTURE INVESTMENT PLANS. WE ARE ALREADY ACTIVELY LOOKING INTO OFFERS FROM OTHER EU COUNTRIES.



- CONSULTANCY & IT COMPANY



WE ARE CONSIDERING IT. WE THINK ABOUT CREATING INTERNATIONAL SYNERGIES BUT THIS IS CONDITIONAL AND IT IS NOT CLEAR YET. CONDITIONS: AVAILABILITY OF QUALIFIED WORKFORCE, COMMAND OF ENGLISH (QUITE GOOD BUT INCONSISTENT), PRODUCTIVITY.

- WHOLESALE AND RETAIL COMPANY



THE ANALYSIS IS ONGOING. THE CRITICAL FACTOR IS LABOUR AVAILABILITY AND COST; ANYTHING THAT MAKES US MORE COMPETITIVE VIS-À-VIS OTHERS.

- CONSULTANCY AND IT COMPANY

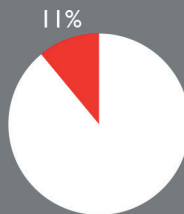
COMPANIES THAT TOOK PART IN THE STUDY:



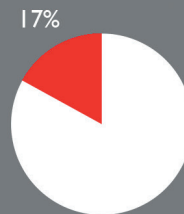
ALTOGETHER, THESE



COMPANIES (INCLUDING
THEIR SUBSIDIARIES)
CONTRIBUTE TO



OF TOTAL TAX
REVENUE



OF TOTAL
PROFIT



OF TOTAL
WORKFORCE*

ABOUT FICIL SENTIMENT INDEX

The FICIL Sentiment Index is commissioned by the Foreign Investors' Council in Latvia and prepared by Dr. Arnis Sauka, Director of the Centre for Sustainable Business at SSE Riga.

Latvian economic competitiveness is examined from a foreign investors' perception about the quality of labour, education and science, health and social security, business legislation, as well as demand for products and services, attitude towards foreign investors, hard infrastructure, soft infrastructure, demography and efficiency of labour. Additionally, the research also look into the standard of living in Latvia, as a supportive measure to evaluate the attraction and retention of talented workforce.

The production of the FICIL Sentiment Index 2017 is generously supported by the British Embassy Riga and U.S. Embassy in Riga.



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