

VIEWPOINTS OF FOREIGN INVESTORS
ON THE DEVELOPMENT OF THE INVESTMENT
CLIMATE IN LATVIA: GOVERNANCE EDITION

FICIL SENTIMENT INDEX 2022



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ABOUT THE AUTHOR

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His academic research findings have appeared in journals such as *Strategic Entrepreneurship Journal*, *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, and various industry associations and NGOs. He is co-author of the Shadow Economy Index for the Baltic Countries.

FOREWORD

After a very eventful 2022, we are now looking towards the future. We've seen crisis after crisis over the last few years, and with the Saeima elections behind us, it is important to now follow up with concrete actions to foster economic growth for Latvia.

The recently formed Government of Latvia has outlined economic transformation as one of its priorities. This undeniably includes positively developing the business environment in Latvia and attracting more foreign investors. This can be done through increased competitiveness, improving specific aspects of the investment climate that entrepreneurs have been pointing out for years now – such as the availability of a workforce, reduced bureaucracy, more stability and predictability regarding the legislation process, levels of the shadow economy and cooperation between the public and private sectors.



As an organisation FICIL focuses on several topics - achieving the EU Green Deal goals and energy independence; combatting the shadow economy, the availability and skills of the labour force; public sector efficiency and digital transformation. Over the last few years, FICIL members have increasingly raised issues relating to the efficiency of the public sector. When discussing recommendations for reducing the shadow economy levels or achieving set climate goals, business representatives encountered the same problem – a lack of cooperation or understanding from the public sector on how leaving these problems unresolved affects the economy of the country.

This is one of the reasons that this year's Sentiment Index research focuses on public sector reform and cooperation among businesses and state administration. Because of the complex issues to be solved in the upcoming years, there needs to be a deeper understanding among the public and private sectors. We cannot expect public sector representatives to be experts in everything, however, when creating a policy that will affect businesses in the long run, it is crucial to foster effective communication to avoid negatively affecting the development of the economy in the future. A lack of communication is not the only challenge - clearly, investors pay more attention to the actions of politicians and public sector officials, rather than their words.

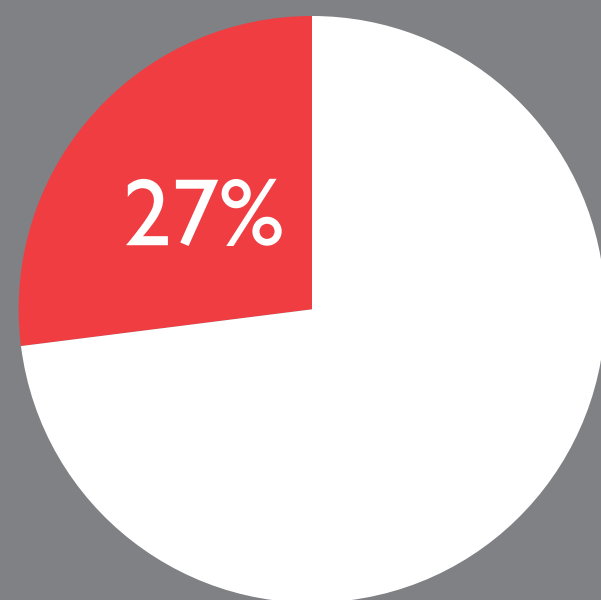
We have heard a lot of discussion in the public sphere regarding the geopolitical situation. While we cannot change the location of Latvia, we can work more effectively to improve the overall investment climate of Latvia and work hand in hand to solve issues that have been apparent for years. What good are all the plans we as a country are writing, if the implementation is lacking or the plan itself doesn't contribute to the overall goal of enhancing economic growth? During these Sentiment Index interviews with investors, FICIL focused on how we can improve cooperation among many different stakeholders to achieve our common goals.

Zlata Elksniņa - Zaščirinska
FICIL Chairperson of the Board

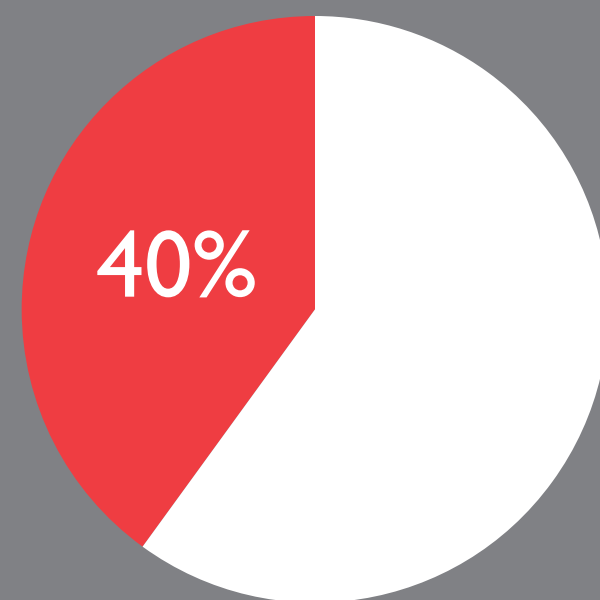
THE NUMBER OF
COMPANIES ABOVE
145K EUR TURNOVER
AND 50% FOREIGN
CAPITAL (MAJORITY)

3068

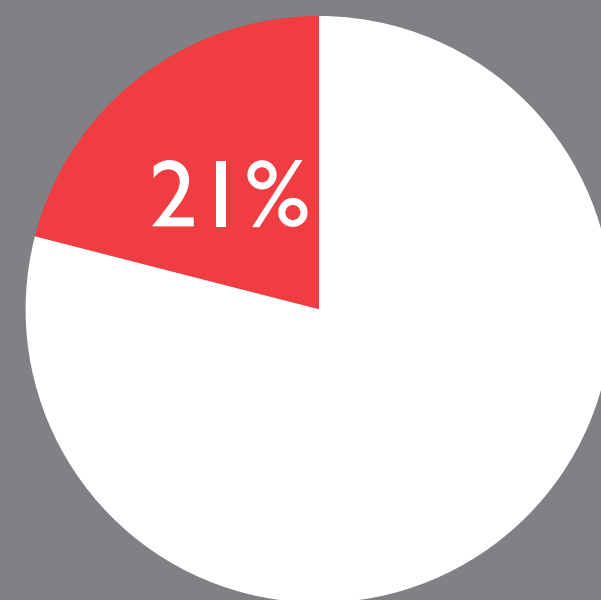
OR 1/8 OF TOTAL NUMBER OF COMPANIES IN LATVIA



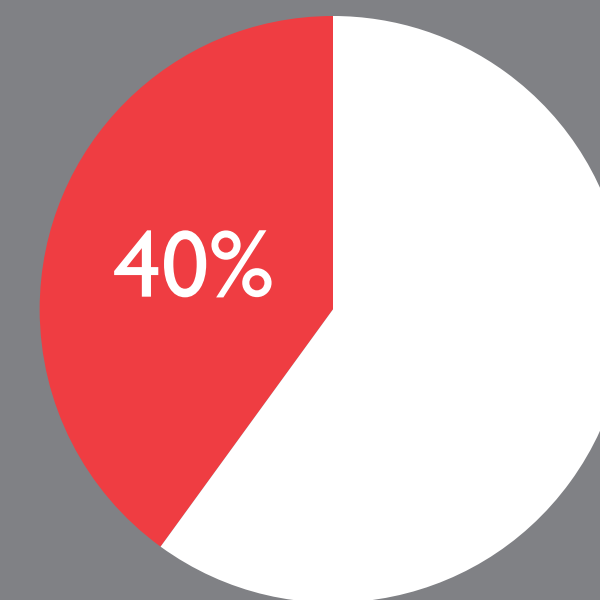
OF TOTAL
SOCIAL TAX



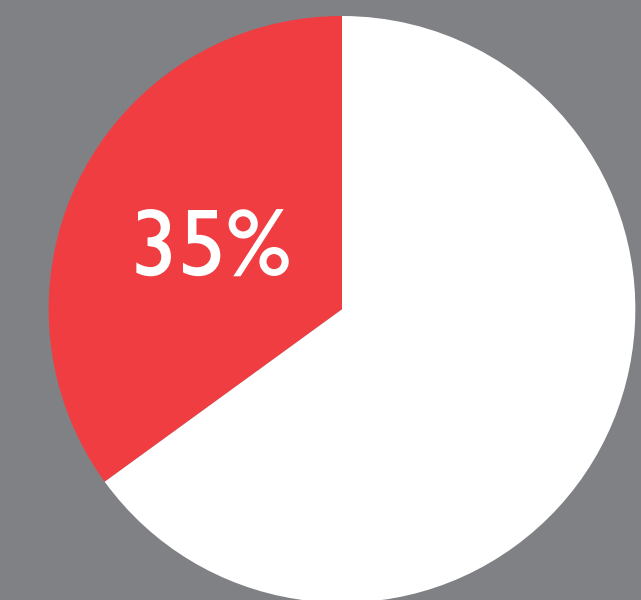
OF TOTAL
TAXES PAID



OF TOTAL
WORKFORCE



OF TOTAL
TURNOVER



OF TOTAL
PROFIT

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).

This is the eighth FICIL Sentiment Index report, following the seven reports written in 2015, 2016, 2017, 2018, 2019, 2020 and 2021. The key aim of the Index is to foster evidence-based policy decisions and promote a favourable investment climate in Latvia, in particular considering the focus on the corporate governance.

As in previous studies, this report draws on a survey: mini case studies of foreign investors in Latvia. From January 2023 to mid February 2023, we interviewed 55 senior executives representing companies that are key investors in Latvia.

Altogether, these companies (including their subsidiaries) contribute to 21% of Latvia's total tax revenue and employ 18% of the total workforce of companies with a turnover above 145 000 EUR and 50% foreign capital (data from Lursoft, 2021).

FOCUS OF THIS YEARS STUDY:



Do investors see progress with regards to policy initiatives to meet the main challenges as identified in previous studies?



How do investors evaluate government's efforts and current policy initiatives aimed at improving the investment climate in Latvia looking at a 12 month perspective?



Public sector efficiency and reform: investors evaluation and priorities?

AREAS HIGHLIGHTED IN THIS STUDY:



Public sector efficiency and cooperation with businesses

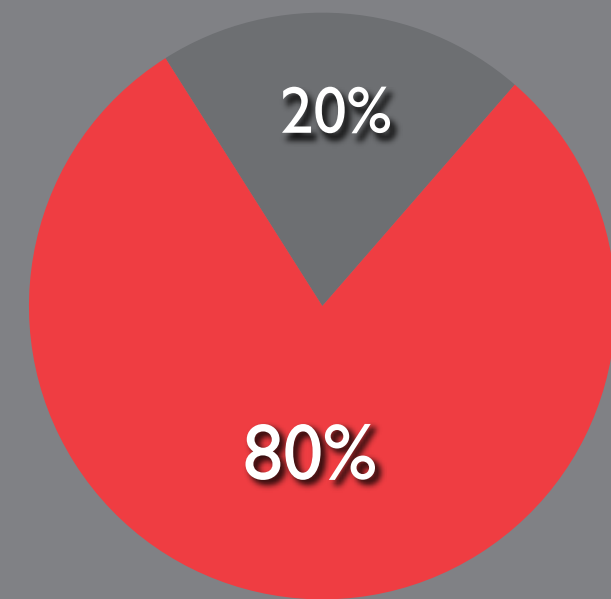


Corporate governance efforts in State and municipality companies: assessment by foreign investors

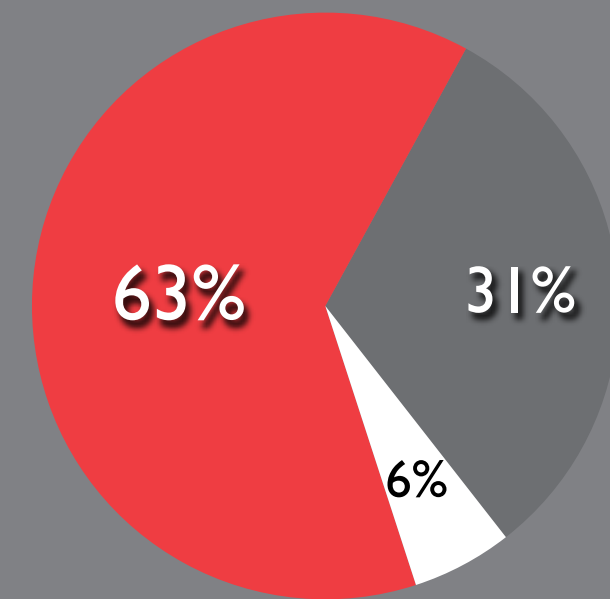


KEY RESULTS

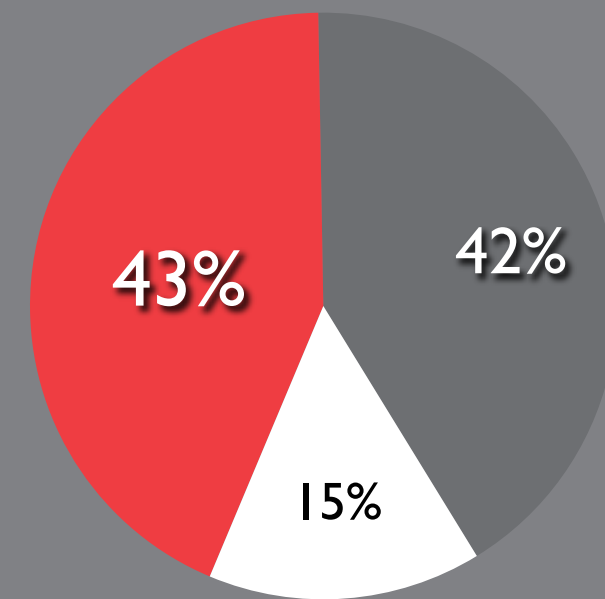
FOREIGN INVESTORS' ASSESSMENT OF THE PROGRESS OVER THE PAST 12 MONTHS WITH REGARD TO THE KEY AREAS OF CONCERN AS IDENTIFIED IN THE PREVIOUS STUDIES: FINDINGS FROM 2022



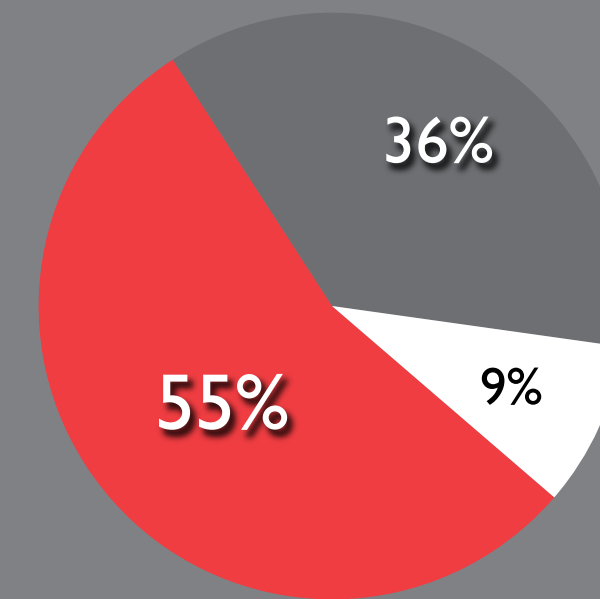
DEMOGRAPHY



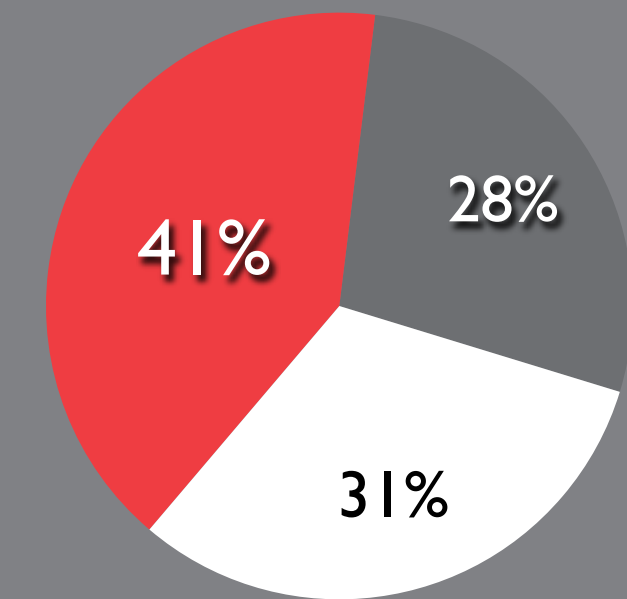
ACCESS TO LABOR



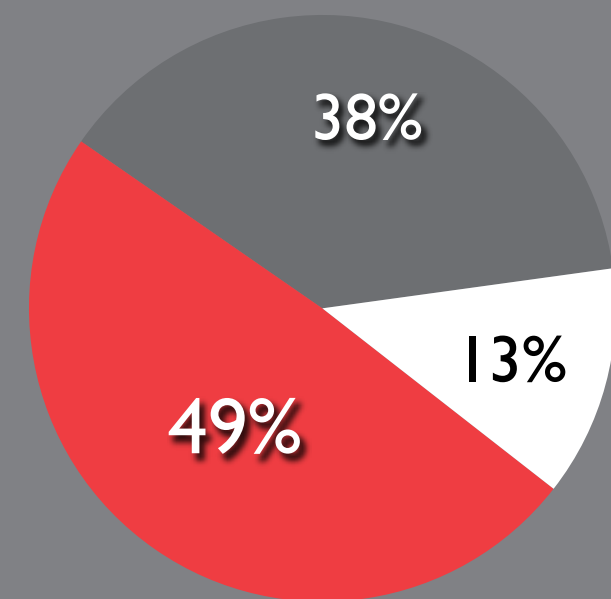
LEVEL OF HIGHER
EDUCATION AND SCIENCE



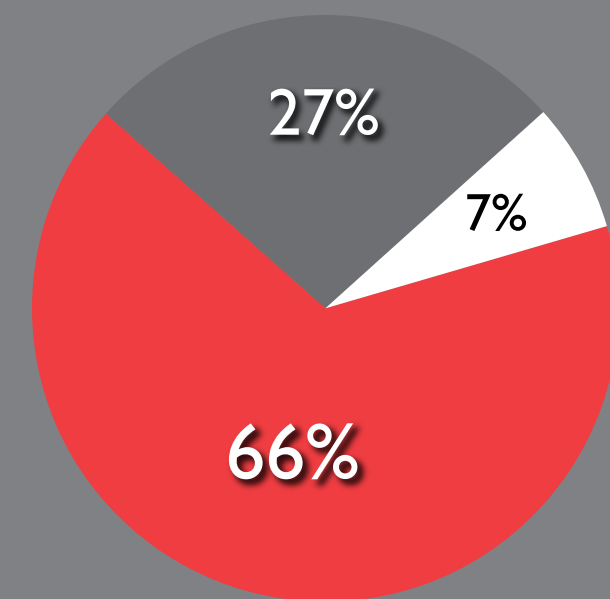
QUALITY OF THE TAX
SYSTEM



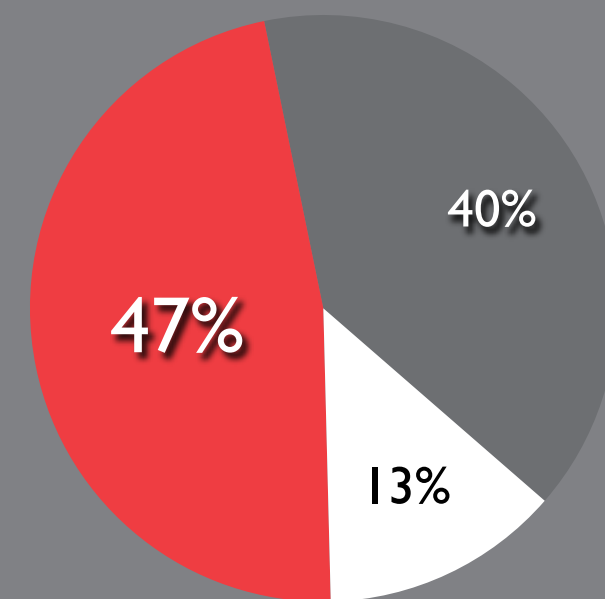
SUPPORT FROM THE GOVERNMENT
AND COMMUNICATION WITH THE
POLICY MAKERS



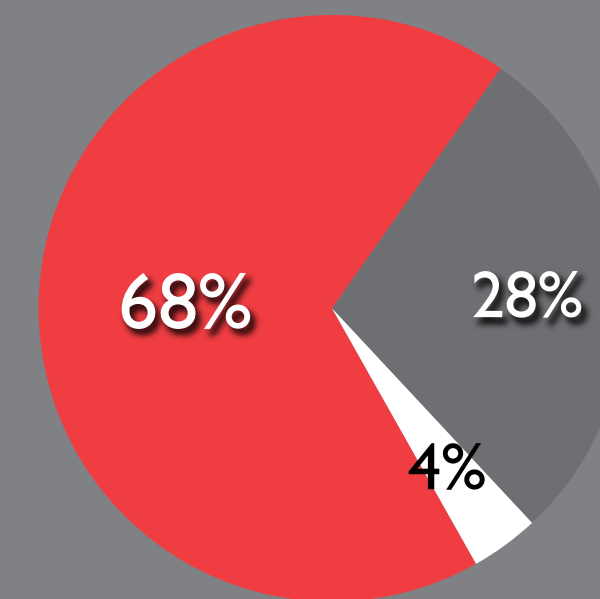
UNETHICAL / ILLEGAL
BEHAVIOUR BY ENTREPRENEURS,
UNFAIR COMPETITION



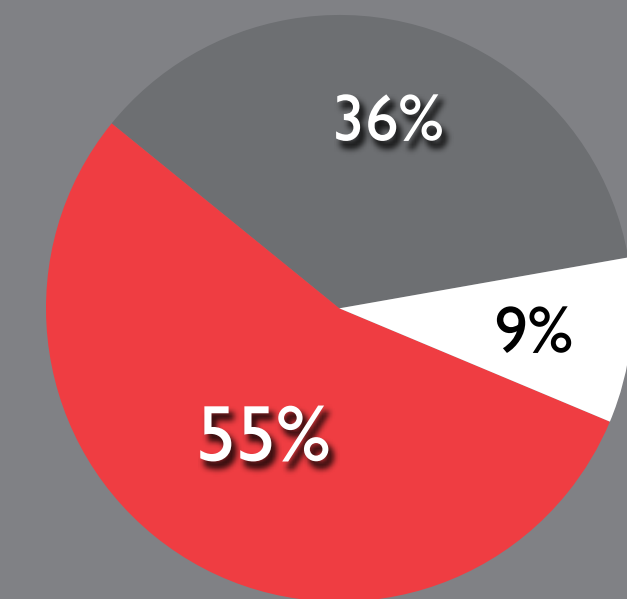
UNCERTAINTY



THE COURT SYSTEM
IN LATVIA



THE HEALTHCARE
SYSTEM IN LATVIA



QUALITY OF BUSINESS
LEGISLATION

GOOD PROGRESS NO PROGRESS SOME PROGRESS



The government and ministries are interested in talking with us maybe because we are a large, global player, but do they then use this information further, mostly it feels like they don't.

SERVICE COMPANY



Much more immigration needed, certain improvements are a coincidence rather than policy.

MANUFACTURING COMPANY



Overall tax burden is fair compared to other countries. However, the implementation and application could be better with prompt public interpretations and guidelines for all taxpayers to prevent the need to ask individually. This would remove the administrative burden from both taxpayers and tax authorities. Furthermore, businesses need predictability at least in the tax area, and major changes with short notice (less than 6 months) are disruptive to business, as they need time to adjust their IT systems and financial estimates accordingly and that takes time.

MANUFACTURING COMPANY



[Demography] An issue we as a business feel the impact of. There was an influx of additional people due to the war in Ukraine, but this is not because of the government policy, whether these people will stay is unsure. Low levels of population growth significantly limit our potential for future growth.

RETAIL TRADE AND SERVICE COMPANY

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



2022



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.



Lithuania seems to be great at getting people to move to Lithuania and use opportunities offered by the crisis. Latvia seems to be lagging, always looking for reasons not to do something. A proactive approach would be better appreciated.

ICT COMPANY



A lot of investors are being put off from investing due to Latvia's poor education, courts' system, workforce availability. Niche investors will most likely continue to invest because they see benefits. Need to improve the qualification of the workforce (create a greater added value workforce), this is the only way because the workforce is not growing.

SERVICE COMPANY



We can see how Latvia has very different results to Lithuania and Estonia. Significant difference in results, the changes coming from the public sector side to improve the climate are very minimal.

PROFESSIONAL ADVISORY AND ASSURANCE
SERVICES COMPANY



Being in Latvia, you know that you are safe, but from the outside it might look different. The problem also was the election year - all of the focus was on getting re-elected. It seems like Lithuania and Estonia have stronger investment agencies, they are more proactive in helping investors, there is a bigger interest in solving problems.

MANUFACTURING COMPANY



In general, new companies have increased which indicates some positive improvement. This somewhat limits our growth because there is limited workforce availability and competition for resources is growing. Latvia's Investment and Development Agency and Ministry of Economics are looking to get investment by attracting IT companies, which is easier for them as such companies do not require much initial large capital investment or requirements to set up (no factories etc.) and they generate high value added. However, they are not fixing the issues with workforce availability which limits their further growth.

ICT COMPANY



Some positive improvements. Important to increase competition and work towards implementing ESG and sustainability topics. Have to be faster and more concrete. I often hear from the public sector that we will wait to hear from the EU or European Commission before implementing new things but in reality we are already Europe and should look to reform and modernise before the EU decides it's mandatory.

PROFESSIONAL ASSURANCE AND ADVISORY SERVICES
COMPANY



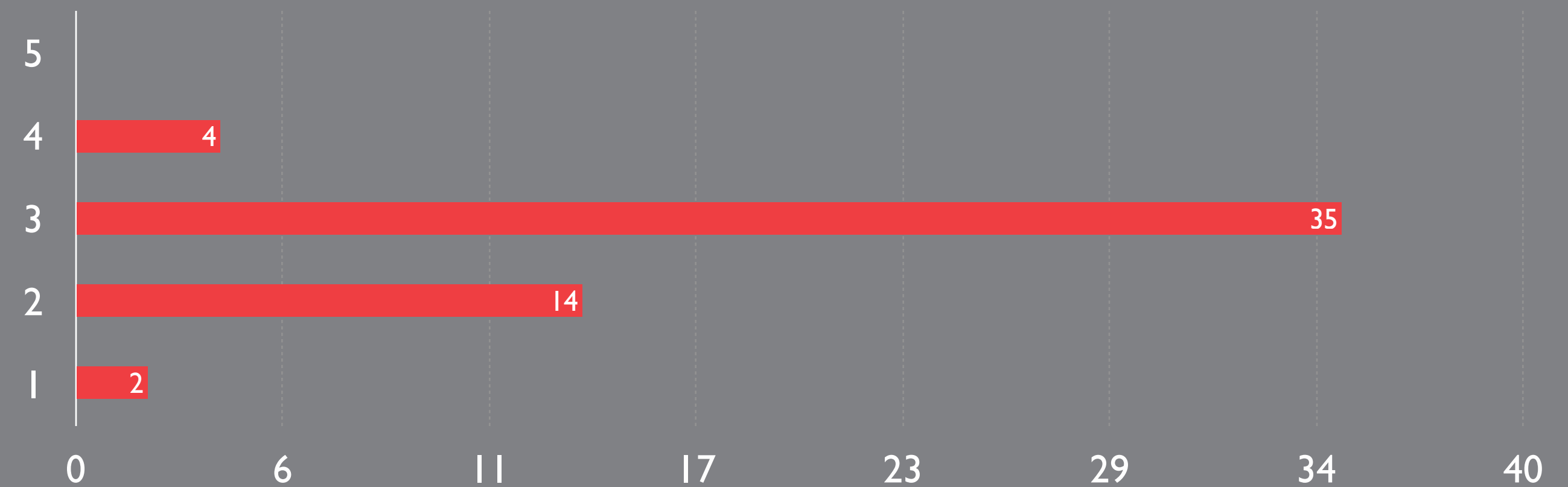
Many small steps that do make a difference,
however we need to tackle big changes.

RETAIL TRADE AND SERVICE COMPANY

FOREIGN INVESTORS' ASSESSMENT OF POLICY MAKERS' EFFORTS TO IMPROVE THE INVESTMENT CLIMATE OVER THE PAST 12 MONTHS



2022



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



A lot of what we see is just words and promises. When it comes to implementation, there are a lot of problems.

REAL ESTATE COMPANY



There are some positive improvements that allow us to expand the business, but it's getting worse to invest.

MANUFACTURING COMPANY



Some things have been done, if you are in the country you will notice things like the head of FIU not being in place, you will notice more details on why not to invest in the future. It seems like officials are doing everything they can to show that Latvia is a safe place for investment.

MANUFACTURING COMPANY



When Mārtiņš Staķis entered Riga City Council, one could see a great effort to improve the situation - cooperation with LIAA. Negative example - VARAM's suspended urban development plan.

RETAIL TRADE AND SERVICE COMPANY



Working only in the sense of slogans, if we look at what has been achieved.

SERVICE COMPANY



The previous Karins government did good work, as a foreigner I saw it as pro-business. However, Latvia consists of two parts, a lot of the Latvian GDP is produced in Riga, Latvia is governed by the government and a large part of the economy is being governed by Riga municipality. Riga public sector officials could be doing more to promote a positive business environment.

FINANCE AND BANKING COMPANY



LIAA is doing something, but not enough, it should be doing more. M. Staķis seems to be doing more than LIAA, but it shouldn't be up to each region.

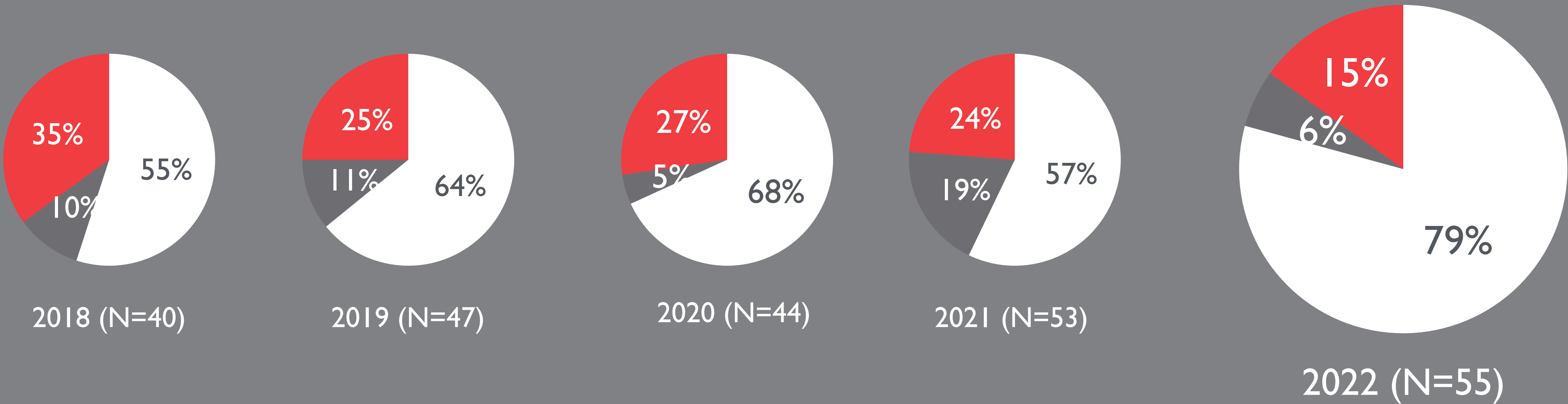
ICT COMPANY



I don't see that the government would like new investments, it is not a priority. There is not really a budget either.

PROFESSIONAL ADVISORY AND ASSURANCE SERVICES COMPANY

FURTHER INVESTMENT PLANS



YES, WE PLAN TO INCREASE INVESTMENT

NO, WE DO NOT PLAN TO INCREASE INVESTMENT

NOT DECIDED, DEPENDS ON CIRCUMSTANCES OR NO NEED



YES, WE PLAN TO INCREASE INVESTMENT



Yes, we will continue. 5 million this year and then 20 million until 2025. By 2030, we plan to invest around 200 million but only if the country has a clear plan for carbon neutrality. We could also make this investment in Lithuania, so we will be evaluating if it will be Latvia or Lithuania.

MANUFACTURING COMPANY



If we have to give a figure, then in the next 5 years the planned investment is around 100 million euros.

REAL ESTATE COMPANY



We are modernising and developing our business in Latvia constantly. We just carried out a 70 million investment and we plan to continue. However, the schemes of different municipalities are a negative aspect. We have cancelled investments in specific municipalities based on corruption and cooperation.

RETAIL TRADE AND SERVICE COMPANY



Yes, we are planning 70 million euros investment in the coming 3 - 4 years. This investment very much depends on the regulations. The amount is already allocated in the business plan.

ICT COMPANY



NO, WE DO NOT PLAN TO INCREASE INVESTMENT



Currently poor access to labour is the reason for no further investment planned.

ICT COMPANY



There are various types of projects in which we invest, but there are no plans to increase investments.

WHOLESALE AND RETAIL COMPANY



There are plans to grow organically, but no concrete plans to invest more. The geopolitical situation increased the uncertainty and plus the ongoing work force issues – it's not smart now to put our eggs in the Latvia basket.

ICT COMPANY



We see no other investments right now, but if some circumstances change, then that could make us more positive about allocating more business in Latvia than we are currently doing. The current government situation puts some restrictions on our ability and willingness to invest.

ICT COMPANY



NOT DECIDED, DEPENDS ON CIRCUMSTANCES OR NO NEED



Inevitably we will increase investment, but the amount depends on the situation and the incentives/support programmes available. Approximately 1 million euros investment is planned each year. If there appear to be some state support programmes or special economic areas, or this is in combination with the EU funds then we would probably have some higher investments in reality. In Riga, the special economic areas are very limited as well – sadly, in Latvia, in general this practice is not being widely used. Lack of special economic areas, in Riga limited only to Freeport area so not applicable to all sectors.

MANUFACTURING COMPANY



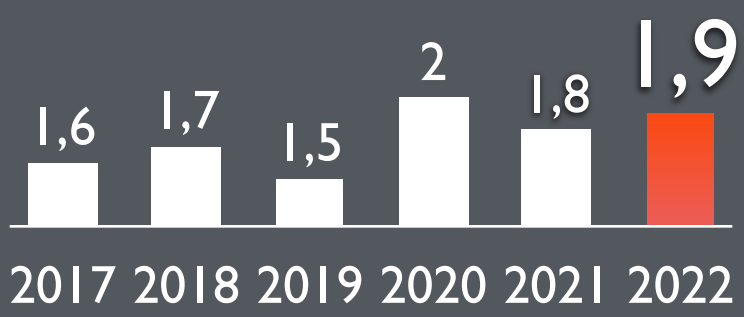
Not planning to right now. Making business plans, if we predict some growth, then we usually plan investment accordingly. Planning to continue with the current existing investment as is. The main limiting factor is the lack of workforce and specialists. No specialists to employ in Latvia but also not very easy to attract resources from abroad, there is a big black hole in this process.

ICT COMPANY

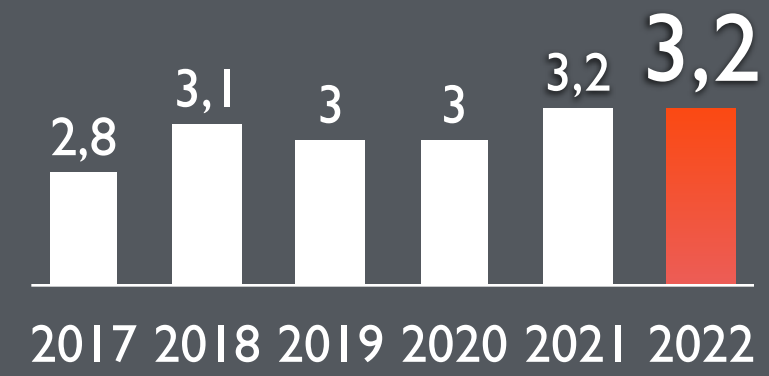
FOREIGN INVESTORS' ASSESSMENT OF THE POTENTIAL DRIVERS OF ECONOMIC COMPETITIVENESS OF LATVIA



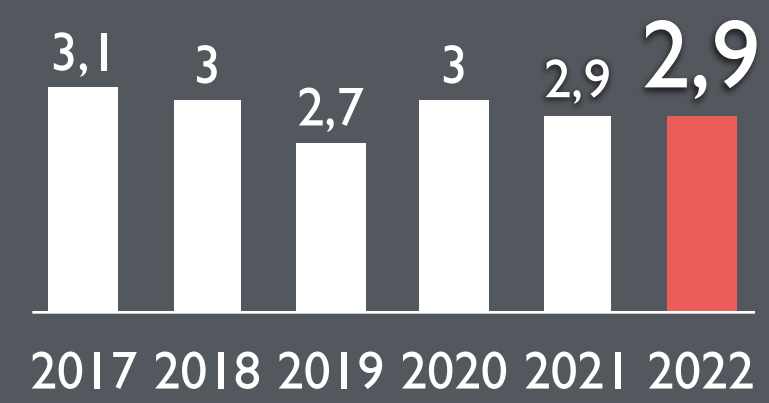
DEMOGRAPHY



TAX SYSTEM



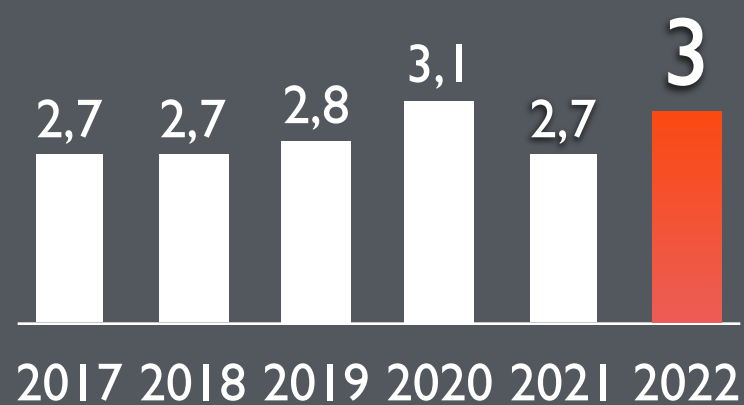
QUALITY OF EDUCATION AND SCIENCE



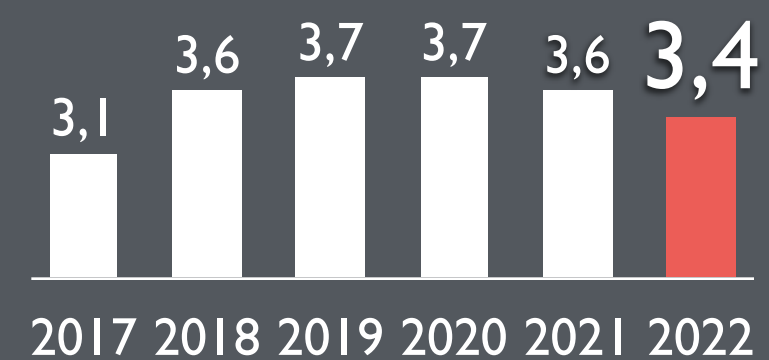
LEGAL SYSTEM



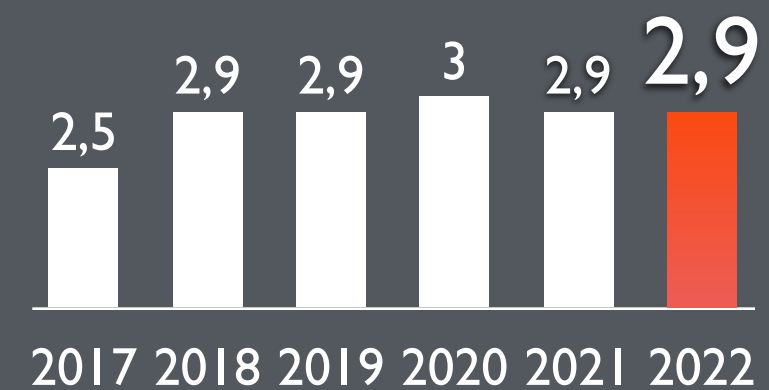
AVAILABILITY OF LABOUR



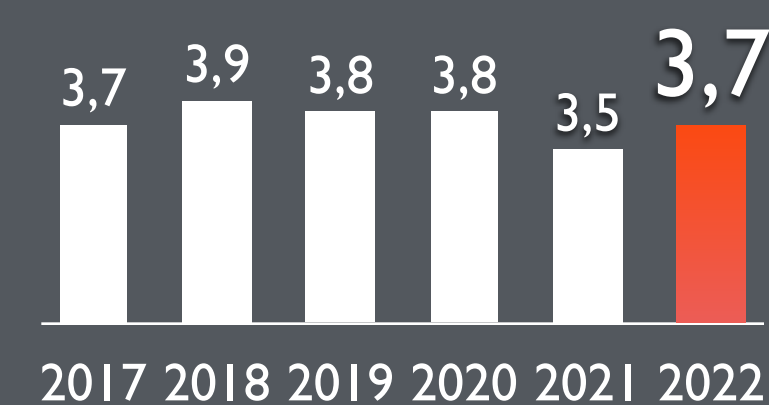
ATTITUDES TOWARDS FOREIGN INVESTORS



QUALITY OF HEALTHCARE SYSTEM

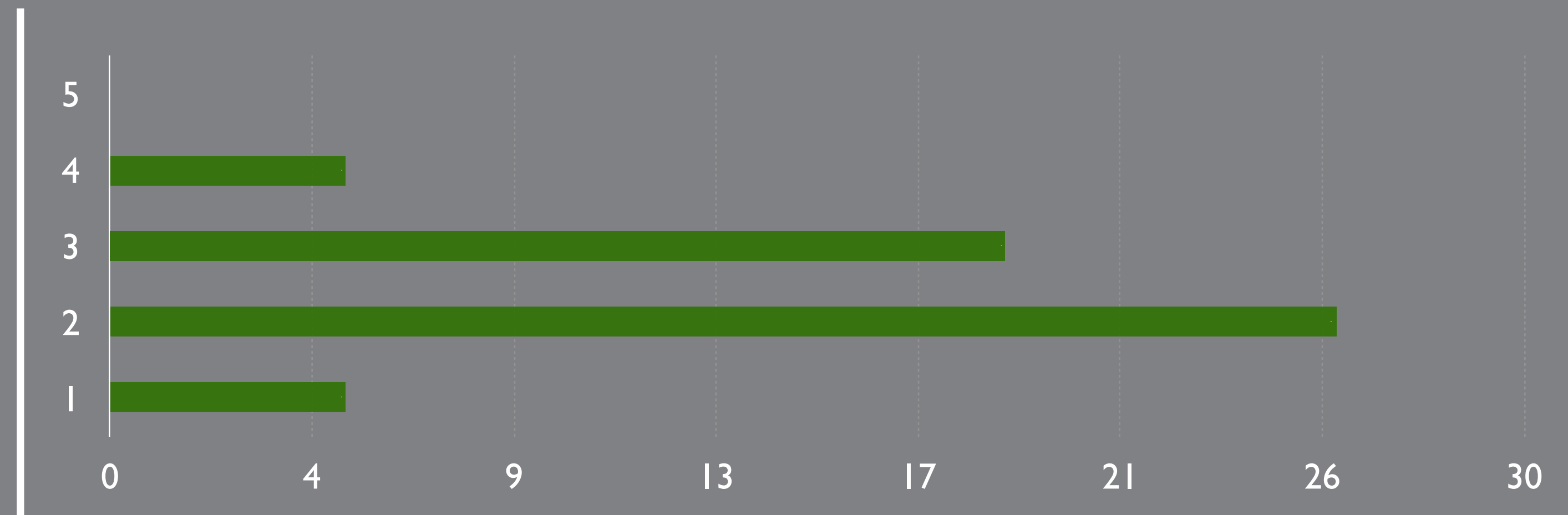


STANDARD OF LIVING IN LATVIA




SCALE 1-5, WHERE '1'- REPRESENTS LOW COMPETITIVENESS AND, '5' - REPRESENTS HIGH COMPETITIVENESS

INVESTORS' ASSESSMENT OF THE EFFECTIVENESS OF THE PUBLIC SECTOR




SCALE 1-5, WHERE '1' - NOT AT ALL EFFECTIVE, '3' - AVERAGE, '5' - VERY EFFECTIVE




Latvia, like a lot of other countries, is dealing with a lot of difficult issues, many of which require cooperation between different ministries, but it seems that there is no progress with these issues and the proactiveness in which the government is tackling them.

ICT company




It looks like the public sector is trying, however we need clear results. There have been cases where we are being sent from one institution to another.

Retail trade and service company




The problem is very urgent but nothing is being done. The cooperation between the ministries is weak and there are no common goals between them. We will continue to grow but it will be very slow.

Manufacturing company




It does not exist, horizontal cooperation does not exist, it's like this is the way to work. Public sector effectiveness is at an all-time low. Decisions are not being made, communication is not effective, it's like they want to show us how much they can't do.

ICT company



Horizontal cooperation between ministries does not actually take place. The green course, which essentially affects everything we operate with, is an issue that cannot be solved cross-ministerially. With the attempts to create some kind of horizontal format in the new government and the coalition's attempt to create a climate and energy policy from the existing departments, it must be said that at the end of the day, it will not be ensured either. It is already clear that in the new government, it will not be possible to achieve. If you look at important issues related to the climate policy, where we are talking about energy, agriculture, and transport, you can see three departments that from the state are responsible- the Ministry of Transport, the Ministry of Agriculture, and the new Ministry of Climate and Energy. Each of the ministries has its own opinion and it can be seen that in practice they will stick to it. If you look at the creation of a tax policy in Latvia, where the Ministry of Finance is the policy-maker, for example, their cooperation with the Ministry of Economics is rather weak and I believe that it will not improve either. In theory, everything should be a very orderly process. However, in practice, everyone works in their own way, which is not motivating for business.

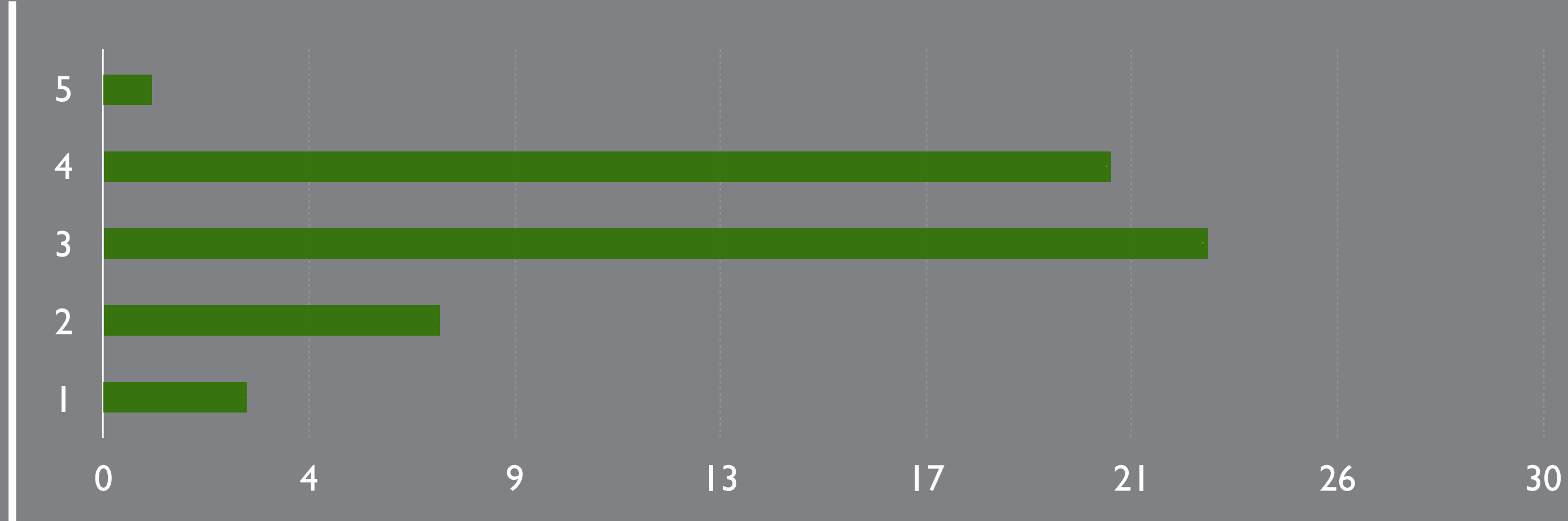
Retail trade and service company




It's being talked about, but it's far from perfect. There is a very big mismatch between municipalities and the state. If there are more transparent decisions on the side of the state, local governments have their own kingdom and for them nothing else matters.”

Professional assurance and advisory services company

INVESTORS' ASSESSMENT OF COOPERATION WITH THE PUBLIC SECTOR




SCALE 1-5, WHERE '1' - POOR, '3' - AVERAGE, '5' - EXCELLENT




Our main communication counterpart in the public sector is very approachable, but sometimes ministries and ministers halt good work. It looks like they are trying, but bureaucracy gets in the way.

Retail trade and service company




Communication-wise we have access to public officials to have discussions and raise issues - the problem arises when it comes to dealing with the issues. They seemingly understand but there are no actions and the delays/lack of decisions are really problematic.

ICT company



In the beginning, cooperation was not so good, but as we worked on it, the communication has improved. At least it feels like you've been heard. There is no feeling of not wanting to talk at all.

Retail trade and service company



From the communication and responsiveness point of view, it's good, but if we are looking at what is achieved after the communication, it's not that good.

Manufacturing company



There are certain institutions that have a harder time communicating. On the positive side, business related public sector institutions (ALTUM, Ministry of Economic, LIAA) - they show good responsiveness, interest and support.

Manufacturing company



Communicating, but not enough. Certain sectors have had many issues because of a lack of involvement of professionals in decision-making. Unfortunate port reform, no one understands what the aim of it was or what has come out of it.

Service company



Mainly because of Riga Municipality who are doing good business and they have implemented the Green Corridor for certain types of projects. This speeds up the approvals etc. Also quite good communication with the government through sector specific associations. Some recommendations are being taken into consideration.

Real estate company



The government in Latvia is quite accessible and public sector officials are also available to discuss various things. In principle they understand, sometimes actions are missing. There is room for improvement, but they are doing a good job. Public sector in Latvia has the opportunity to be more agile.

Manufacturing company



Very different institutions and different approaches. In theory, they have the same rules and same system, but the quality is very different. If we look at the Consumer Rights Protection Centre or the Competition Council then these would be good examples, also the State Revenue Service has improved, even if we ask for some support by phone, the quality is better and more trustworthy, but all institutions that are related to nature protection are still living in the past, their admin work, communication etc. is very poor. This raises many questions in the Green Deal context over their ability to be transparent and fulfil the needed role. Significant lack of transparency. Large EU funds coming to these institutions for projects, but their practices raise the question of how effectively these funds are being used.

Professional assurance and advisory services company



There is communication but does the communication actually reap results? We feel like we are being listened to. Starting to feel like our problems are also being understood more, this has changed in the last 5 years, maybe it changed with the previous government. Previously it felt like talking to a wall, but in the last years this has changed. Can discuss things constructively but the question remains - does it achieve anything?

Service company

INVESTORS' OPINION ON WHAT TOPICS THE NEXT REFORMS SHOULD FOCUS ON



EFFICIENCY OF THE PUBLIC SECTOR



DIGITALISATION AND DATA INTEROPERABILITY

“Create a country data pool, increasing the capacity of public officials to use data in the decision-making process. How are we allocating funds to this, how do we collect data, how do we analyse data? People need to be upskilled. Maybe we have this data already, but we cannot access it and proactively use it. Standardise inner processes and centralise processes that repeat, functions that are visible in all public sector institutions, like public procurement, IT, accounting, human recourse etc. Human capital development, we need smart, educated people to help raise our country higher.”

Professional assurance and advisory services company

“Effective digitalisation - a lot of different projects but we are so far away from connected and effective digital solutions in the public sector, for example, the disaster with e-health and several other issues. Again, you can say different things about Estonia but there the digital solutions work.”

Wholesale and retail company

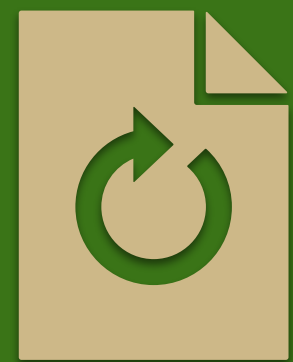
“Accountability and KPIs of the public sector. We do not feel that there is an overarching structure of goals or way to measure them in the public sector.”

Retail trade and service company

“Organisational improvements. The left hand does not know what the right hand is doing, the head is completely somewhere else, it feels like the situation right now is like this.”

Real estate company

INVESTORS' OPINION ON WHAT TOPICS THE NEXT REFORMS SHOULD FOCUS ON



ENERGY SECURITY, SUSTAINABILITY, GREEN GOALS



EDUCATION, HUMAN CAPITAL DEVELOPMENT

“Energy sector – there is a new ministry now and I hope it will work to improve the situation in this area. Energy is also important because of the environmental conditions, we are not using so much green energy and we are still quite behind our neighbours in areas of use of wind, solar and green energy. Must be improved definitely, but some good steps have been taken.”

Real estate company

“Improve coordination of solving labour-related issues. Introduce one body that is responsible for projecting the availability, map out future trends and skillsets.”

Retail trade and service company

“Education; continued focus on educational standards to grow and develop the workforce of the future, attract talents from abroad and push the Latvian research, development and innovation agenda”

Finance and banking company

“Latvia could also focus on climate change - that should be a part of the public sector through and through. We are now competing for the same resources. This will drive the movement in green energy, Latvia should be the leader in green energy. The public sector should also focus on that.”

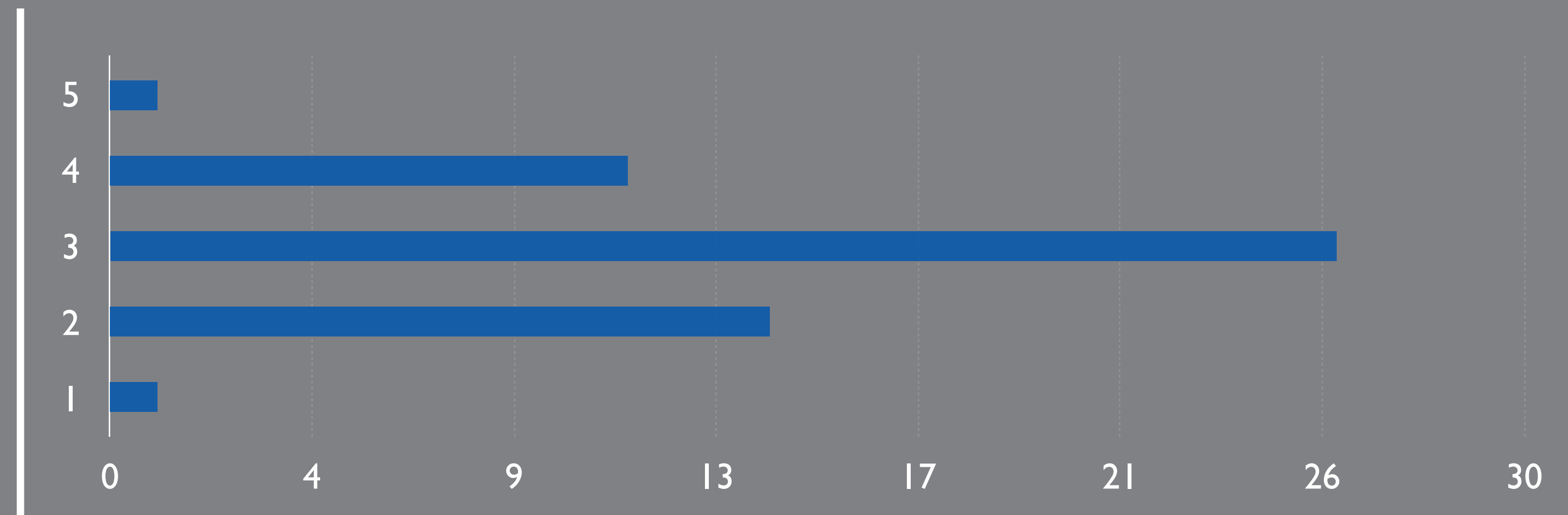
Finance and banking company

“Education system. In general there is a low assessment. The quality is so low that students may wonder what they are paying for at times - there are only two higher level universities.”

ICT company

INVESTORS' ASSESSMENT OF CORPORATE GOVERNANCE EFFORTS IN STATE OWNED COMPANIES

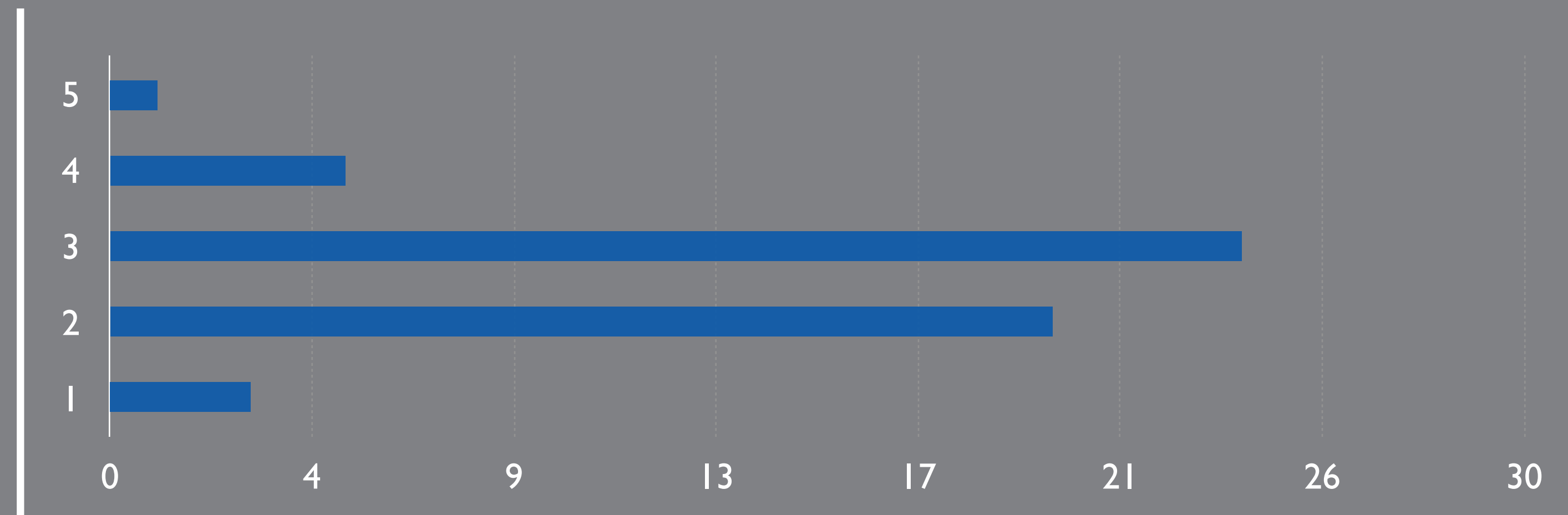
2.9



SCALE 1-5, WHERE '1' - POOR, '3' - AVERAGE, '5' - EXCELLENT

INVESTORS' ASSESSMENT OF CORPORATE GOVERNANCE EFFORTS IN MUNICIPALITY OWNED COMPANIES

2.6



SCALE 1-5, WHERE '1' - POOR, '3' - AVERAGE, '5' - EXCELLENT

Large state-owned corporations have open recruitment processes for their councils and boards, that are generally at a good level. Of course there could be improvements, but at least there are processes and visible efforts in the right direction to make sure that the nomination commissions are balanced and not in the specific interests of one party.

Service company

Why not start to list the state-owned corporations to improve corporate governance and activate capital markets. This would benefit the state, then afterwards will be run more efficiently, be competitive and give huge dividends. It should seriously be considered and is a massive improvement opportunity. Need to get away from the mentality where we cannot list a % of these state-owned corporations.

Real estate company

Potentially we could see more state-owned companies being publicly listed. [...] This should not happen automatically, but if you go public it could provide more transparency, reporting, coverage etc. Transparency of management could help governance. There could be arguments for both sides.

Retail trade and service company

Improvements are slowly coming along. Can see clearly who has worked in the private sector and in the state-owned corporations, it is like two different mindsets. The Covid-19 pandemic gave a push out of stagnation, it activated/sped up the digitalisation processes. The question is, are they user friendly? It seems we want to change for the better but are we doing it in the right direction.

Service company

“ “ From an efficiency and standards view there is need for improvement. Negative:

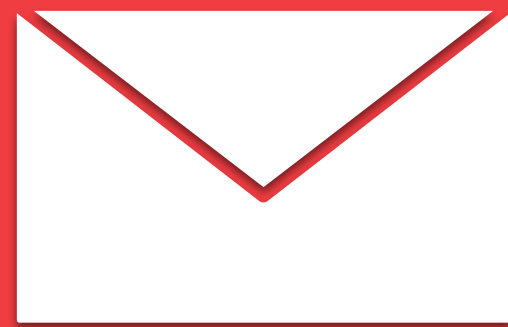
1. Public procurement. Raising questions about fair tender requirements in practice brings more or less only one winner to tenders, sometimes they are even known in advance. The conditions of tenders are not fair, but court cases about such issues take an extremely long time. Often state-owned companies are the chosen participants for public tenders.
2. Strong lobbying during legislation processes. In the process of implementation of certain laws sudden changes happen during the second reading within the interests of only one company.
3. Indirect promotion of one market participant. This puts one market participant above all others unfairly, indirectly creating monopoly conditions – this negatively affects competition.

ICT company

“ “ From state-owned corporations there are improvements to make the boards competent. The previous government has done a lot to increase the competency of the boards and make them more effective. Will see how the council's story develops this year... There needs to be a clear definition of what is expected from the board. Municipality state-owned corporations do not have clear rules and understanding, they perhaps should be regulated. Lack of transparency. [...] But again people got burnt because of the ministry's incompetence, based on how understanding the civil service is. The negative is the low competency of the ministry responsible for the specific state-owned corporations. If it is not possible to have that many experts, then look into a transfer of competency between ministries.

Finance and banking company

BEST ONE-LINERS
FROM INVESTORS'
LETTERS TO THE
**PRIME
MINISTER**



“Mr Prime Minister, I wish you would have extraordinary courage and say no to painful compromises to better our future. We need tough decisions, this is the last moment that we can use this because we are heading in the wrong direction and towards stagnation fast - all through compromises that do nothing at the end of the day. Solving workforce issues is part of this courage, complex decisions need to be made, if we do not solve demography issues - this country will cease to exist.”

ICT company

“The business environment has to provide more comments to the public sector, but they also need to listen and act, so we see results. It's easy to say act faster, but we see the efforts yet we do not see result. That's how you lose trust.”

Retail trade and service company

“Latvia is a great country, huge opportunities and a big will to change. But someone has to do it and probably the government is the one to do it. The government has to be proactive and avoid Soviet-time thinking. Look at the neighbours and young people to learn the best examples and adjust.”

Real estate company

“Economic competitiveness is a key driver for any country to develop as a nation. Please benchmark Latvia's competitiveness to its peers in the region, define measurable KPI's together with FICIL and commit to a long-term activity plan with a target to become the preferred investment destination in the Nordic/ Baltic region.”

Real estate company

BEST ONE-LINERS
FROM INVESTORS'
LETTERS TO THE
**PRIME
MINISTER**



“I hope your whole minister teams actually work as a team. You need to support each other. We see positive movements concerning the planning of the human capital policy. I hope you can move from planning to action. Don't be afraid to ask for help when undertaking new tasks. There is vast knowledge in the private sector and people are willing to share. It's better to do it more slowly and correctly, than quickly and making mistakes. You can't be a solo warrior - you need a good team around you. Another aspect is integration issues in society, this is at the bottom of many different problems, I hope you can tackle this question effectively, so we all live in a unified society that wants the same thing for this country – to move it forward, to see economic and social progress.”

Professional assurance and advisory services company

“Unfortunately, out of all the Baltic investment agencies, Latvia has the weakest one. The Estonian agency is very professional, Lithuania is also professional. You just need to open the website to see the difference, these agencies are professional and sales orientated, in comparison to Latvia where the LIAA feels like it is very much part of a ministry. There was this 'Magnetic Latvia' initiative.. now it is being cancelled but there is nothing in its place. What they do not fully understand right now is their competition among the Baltic States for investment attraction is very serious. What is crucial here is that Latvia is missing a unique selling proposition, for Estonia it is clear - digital; Lithuania - automotive, laser technologies, business services centres, fintech. For Latvia, this is lacking. Latvia really needs to develop a USP and needs to reform LIAA as a sales organisation. Significant reforms are needed in public administration and LIAA.”

Wholesale and retail company

BEST ONE-LINERS
FROM INVESTORS'
LETTERS TO THE
**PRIME
MINISTER**



“Bridge the communication gap close to everyday level. Often the situation is that politicians announce one vision, but the public servant execution in practice is completely different. Every institution should work on increasing their own level of communication, as businesses have seen how important it is to raise their communication both internally and externally. Politicians should also listen to the recommendations proposed by the public servants. Politicians talk more about the general picture questions, but they might now always see the smaller important details.”

Manufacturing company

“I would like for us to judge the government in the same way that businesses are evaluated. If business leaders do not fulfil the set KPIs for a certain time, then they are changed. If there is a mistake, they can fix it, but after several mistakes, they are let go. The current approach for the government, whereby they can make many mistakes and not achieve KPIs but still remain in power, is not very effective. Need to be fair and responsible. Successful country results are very much dependent on how it is governed – the government, the civil servants etc.”

ICT company

“Need to evaluate the professionalism of the civil servants and then politicians need to listen to them. If we look at renewable energy resources, then I would suggest making rules that are fair for all companies, be it foreign capital or local capital and create an even competition both for private and state-owned companies. Only in this way will the society get the most benefit if the approach taken to set the rules is fair and equal.”

Service company

COMPANIES THAT TOOK PART IN THE STUDY



Foreign Investors' Council in Latvia (FICIL) is a non-governmental organisation that brings together the largest foreign companies in Latvia, the foreign chambers of commerce and the Stockholm School of Economics in Riga.

FICIL actively searches for and proposes solutions to improve and develop the business and investment environment in the country in cooperation with the Government of Latvia.

Full FICIL Sentiment Index report available at

www.ficil.lv

