



FICIL Sentiment Index 2015 – 2023

THE ADMINISTRATIVE BURDEN EDITION

Arnis Sauka



**FOREIGN INVESTORS
COUNCIL IN LATVIA**

About the author



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Foreword

In recent years, the foreign investors have faced numerous challenges that significantly affected businesses in Latvia. Russia's war on Ukraine has reshaped the geopolitical landscape in our region. Businesses have experienced rising energy prices, interest rates, leading to inflation, disruptions across the supply chains and altogether higher business costs.

This time marks a sequence of priorities with shared understanding that without fostering real economic development that stems from greater innovation, productivity and development of high added-value products and services, Latvia's long-term goals cannot be met. We are glad to see the Prime Minister's recognition of the pivotal role investors play in achieving sustainable economic growth and look forward to witnessing visible steps to further this goal.

Investors continue to highlight the vital steps required to achieve economic transformation. This includes reduction of the shadow economy, enhancing the skills of the labour force, achieving energy independence and moving towards EU Green Deal goals, improving public sector efficiency, and advancing digital transformation as critical for Latvia. Realising these goals is impossible without strong political commitment, consensus on priority areas, adequate funding, and the implementation of good governance practices in the public sector.

The foreign investors consistently point to the high administrative burden in Latvia, as a barrier to further investment. The Prime Minister is committed to reduce the administrative burden, exemplified by recent efforts to streamline bureaucracy in the real estate development. Nevertheless, the reduction of the administrative burdens must be a broader initiative, encompassing the following business areas - employment and labour market, judicial system, tax administration, receiving state aid, and the public procurement procedures.

In view of the current economic situation in Latvia, the potential austerity measures should not compromise on investments that are foundational for the future economic growth, such as workforce skills development, bureaucracy reduction, innovation, and advancement of the data-driven economy. It is also an excellent moment to reassess priorities and strategize effectively. Thus, the foreign investors are calling the government to find a balance in terms of austerity and investment measures.

In an era characterised by uncertainty and geopolitical tensions, we must focus on actions that will address the most persistent challenges and contribute to the future. I hope that this year's Foreign Investors' Council in Latvia Sentiment Index will support the government in this important mission!

Zlata Elksniņa Zaščirinska
FICIL Chairperson of the Board

Executive Summary

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). The key aim of the Index is to foster evidence-based policymaking and promote a favourable investment climate in Latvia. We aim to achieve this by summarising the key concerns and suggestions of the main foreign investors in Latvia – representatives of companies that have made the decision to invest in the country and have been operating here for a considerable period of time. This is the ninth consecutive FICIL Sentiment Index report, with a focus on the efficiency of the public administration procedures and the scope of the administrative burden in Latvia.

The FICIL Sentiment Index draws on a survey and interviews with the foreign investors in Latvia. Between February 2024 and March 2024, 66 senior executives representing companies that are key investors in Latvia were interviewed. Altogether, these companies (including their subsidiaries) contribute to 24% of the total tax revenue and employ 26% of the workforce of companies with a turnover above 145 000 EUR and 50% foreign capital (data from Lursoft, 2022). The guidelines for the mini case studies were developed by Professor Arnis Sauka (SSE Riga) and the FICIL board. The interviews were conducted by the FICIL board members.

This report is structured in three parts. In all three parts, whenever possible, investors were asked to provide more detailed opinions and examples that are included in the report in the form of quotes.

The first part, '*Foreign investment climate in Latvia*', provides an assessment of the country's investment climate by the foreign investors in Latvia. In this part, the same questions used in most of the previous reports have been included, thereby presenting the most recent data and revealing trends throughout the years, since the launch of the FICIL Sentiment Index.

One of the key aims of the FICIL Sentiment Index is to measure the progress of the investment climate development in Latvia. To do so, investors in the 2023 survey, as in previous survey rounds, were asked whether the investment attractiveness of Latvia has improved over the past 12 months. Investors evaluated the investment attractiveness of Latvia using a 5-point scale, where '1' means that the investment attractiveness has not improved at all, while '5' means that the investment attractiveness has improved significantly. Our findings suggest that, on average, the investment attractiveness of Latvia over the past 12 months was evaluated by the foreign investors as '1.9'. In contrast, in 2022 the foreign investors evaluated it as '2.3', and, overall, the assessment of 2023 reveals the lowest score since 2016.

The geopolitical situation stands out as the key factor that has negatively affected the investment attractiveness of Latvia during the past 12 months. Other factors, emphasised by the foreign investors, include a small domestic market, a shortage of skilled labour, increased costs, and an unfavourable legal/regulatory environment. In contrast, the ability to export, tax rates and quality of infrastructure are key factors that have positively affected the investment attractiveness of Latvia.

The foreign investors in Latvia have been asked to assess the work of the Latvian public sector officials (i.e., what has been done to improve the investment climate in Latvia during the previous 12 months?). Their contribution was evaluated on a scale of 1 to 5, (where '1' means "poor" and '5' - "excellent"). On average, the foreign investors assessed it as '2.4', which is lower than a year ago, namely '2.7'. Thus, the efforts of the public sector officials in improving

the investment climate in Latvia are considered to be relatively poor. The overriding feeling is that there is a lack of action and a lack of visible progress. Investors point to a lack of a long-term vision/strategy for the country, a lack of motivation among the public sector officials to do their job well, and to a gap between the politicians/policy-makers and institutions that implement policies/regulations. While commenting on the work of the public sector officials, the foreign investors highlighted that they greatly appreciate communication with the policy-makers - clarity, frequency, consistency, as well as the overall willingness to help and actual support from the policy-makers. While reflecting on the work of the current cabinet of ministers, the foreign investors expressed their hope, given a relatively good start to their work, but evidence of results and impact is needed to sustain positive sentiments.

In 2023, during the FICIL Sentiment Index study, the foreign investors were asked about the public sector institutions with which they have had the most successful and least successful collaboration. Out of 66 foreign investors that took part in the FICIL Sentiment Index 2023 study, 11 mentioned the Ministry of Economics as the one with which the foreign investors have had the most successful cooperation. Others mentioned were the State Revenue Service (9) and the Investment and Development Agency of Latvia (7). While commenting on successful collaboration with the public sector institutions, the following factors were mentioned - frequent contact, openness towards entrepreneurs/investors and receptiveness to feedback, willingness to listen and understand business needs, efforts to be effective and efficient, opportunities to consult/engage, good service and system quality, taking action and making progress. The State Revenue Service and Riga municipality (and associated institutions), however, were mentioned most frequently (namely, 10 times each) as institutions with which the foreign investors have had the least successful cooperation. The discussions with the foreign investors revealed that poor cooperation is characterised by poor communication, an unwillingness to support/engage/listen, slow or no actions, a high level of bureaucracy and rigid processes, unpredictable/inconsistent decisions, a strong lobby of state-owned companies and incompetent staff.

Traditionally, during the FICIL Sentiment Index study the foreign investors are asked to assess progress with regard to the key challenges identified in the previous FICIL Sentiment Index reports. In 2023, the assessment of progress has been linked to the FICIL working groups (i.e., FICIL working group on data and digital transformation, economy combatting, investment protection, energy and green economy, labour force and requalification, and the public sector reform). Findings suggest that the most progress has been observed in the following areas: improving digitalisation of the public sector, improving the work and transparency of the State Revenue Service, governance to combat the shadow economy, quality of legislation for investment protection and efficiency of courts. In contrast, the least progress has been observed in the following areas: all areas of human capital development, modernisation of the public sector (e.g., performance-based budgeting), ensuring transparent and predictable development of the energy market and the contribution to sectoral development by the state-owned enterprises.

One of the key questions of the Sentiment Index report is about the assessment of the economic competitiveness of Latvia. In the study of 2023, the question has been slightly rephrased, asking the foreign investors to evaluate the current status of the various drivers of Latvia's economic competitiveness, in comparison to the other Baltic States. We also added some new indicators of competitiveness, such as productivity; innovation ecosystem – cooperation between the government, business and universities. Furthermore, the indicator on quality of education and science (in previous surveys) has been split into two other indicators - the quality of science, technology and innovation, and the quality of education and requalification.

The results of the 2023 FICIL Sentiment Index report suggest that, compared to the other Baltic States, Latvia has a much weaker innovation ecosystem, infrastructure, availability of labour, quality of education and healthcare system, and has fewer investment incentives. In contrast, based on the views of the foreign investors, Latvia appears to have more managers and provide a relatively good standard of living. When the foreign investors were asked “Does your company plan to increase investment in Latvia?”, 67% indicated that they plan to continue investing in Latvia.

The second part of the report is devoted to the focus topic of the 2023 FICIL Sentiment Index study: *efficiency of the public administration procedures and the scope of the administrative burden in Latvia*. First, the foreign investors were asked to select up to five areas of business where their company has experienced challenging public administration procedures in Latvia. Then, using a 5-point scale (where ‘1’ means ‘low significance’, but ‘5’ means ‘high significance’), the foreign investors had to indicate the significance of these challenges for their business. Our findings suggest that the business areas where the foreign investors experience the most challenging public administration procedures (with the highest negative impact) include - construction and site development, employment and labour market, judicial system/resolution of disputes, tax administration, receiving state aid, and public procurement procedures.

As the next question, the foreign investors were asked about the key obstacles that, in their view, create inefficient administrative procedures in Latvia. According to the views of foreign investors, the most frequently mentioned obstacle is the high level of bureaucracy. Among other factors selected were, a lack of coordination of administrative procedures between the public sector organisations, KPIs which had not been set or were unclear for the public sector employees, complex regulations and procedures that can be misinterpreted, and a lack of centralised data governance systems.

The investors were then asked about the impact of the inefficient public administration procedures in Latvia on their businesses. According to the survey results, the two main impacts are the significantly increased workload of staff and increased business costs. Other frequently mentioned impacts include no encouragement for future investment in Latvia and prevention of innovation and business development.

Overall, the foreign investors argue that the administrative burden adds to other challenges that investors experience in Latvia, and this affects their current and future investment plans. Complex/unclear legislation creates confusion even at public sector institutions and leads to unpredictable decisions, many reporting requirements and duplication of efforts. The court procedures are relatively long, and this poses a high risk of sanctions for delays. The public procurement procedures are very bureaucratic, while the state-owned companies get preferential/unfair treatment. Several interviewees pointed out that administrative procedures for foreigners (e.g., related to banks, purchase of real estate) are more complex.

One of the questions in the FICIL Sentiment Index study of 2023 was, “How does the administrative burden in Latvia compare to other countries (please name a country) where you operate? Could you please share any concrete examples where a decision was reached faster due to lower administrative barriers?”. The results show that the administrative burden in Latvia seems higher overall than in the other Baltic States, although some procedures are faster and more efficient. The foreign investors also pointed to Latvia’s distinctive administrative features – a tendency to impose fines/penalties, a higher level of bureaucracy, lengthy procedures, requirements for translation into Latvian, a lack of digitalisation and transparency, and

favouritism towards the state-owned companies. In addition, the foreign investors also highlighted that for business operations outside the EU, Latvia has many additional administration procedures.

In this context, the suggested solutions to reduce the administrative burden in Latvia include:

- Reducing the bureaucratic apparatus to increase efficiency;
- Fostering centralisation of administrative procedures to ensure effective coordination of administrative processes;
- Improving communication/engagement between the policy-makers and investors/entrepreneurs. This would improve the quality of policies, administrative processes and a business climate, due to greater transparency, better communication between the stakeholders;
- Fostering digitalisation and a better exchange of data between the public sector institutions;
- Formulating a clear strategy for the country and for institutions to ensure alignment between priorities/policies and a better use of resources;
- Developing result-oriented KPIs for the public sector institutions to improve accountability.

Finally, *the third part* of the report contains the short messages from the foreign investors to the Prime Minister of Latvia. As in previous years, they were asked to write one or two paragraphs on what should be done for Latvia's economy to accelerate. To summarise, the key messages to the prime minister are as follows:

- Investors encourage the prime minister to be brave, ambitious, strong and bold. They call for radical decisions, where needed.
- High level of concern about the demographic situation - requests for pension, migration and education reform. In short, no people – no economy.
- The private sector is willing to collaborate and support good reforms. In particular, investors are willing to facilitate upskilling of the labour force.
- A call for a long-term strategy with clear priorities, consistent policymaking and a business-oriented approach.
- The focus should be on determining Latvia's competitive advantage, increasing productivity (through investments in education and health), boosting export capability (through investments in innovation and technology), improving the infrastructure (some respondents highlight the importance of Rail Baltica), building partnerships and ensuring predictability of the environment to encourage more investment.
- Investors should feel secure and enjoy a favourable climate for business/investment. Thus, they would appreciate more openness for communication and more support for investors/entrepreneurs. The neighbouring countries are much better at attracting and supporting businesses (both small and large).
- More fairness, transparency and eradication of favouritism of the state-owned companies are needed.
- Reduction of bureaucracy is critical, therefore digitisation should be promoted, and better coordination between the public sector institutions is needed. Some municipalities create many additional barriers for business.

We hope that, similarly to the previous reports, this report will provide policy-makers with better grounds for taking informed policy decisions in a way that the overall competitiveness of the entrepreneurship climate in Latvia will be improved. We also hope that it will continue to foster constructive communication between the foreign investors and the government of Latvia.

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Introduction and methodology

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). The key aim of the Index is to foster evidence-based policy decisions and promote a favourable investment climate in Latvia. We aim to achieve this by summarising the key concerns and suggestions of the main foreign investors in Latvia – representatives of companies that have made the decision to invest in the country and have been operating here for a considerable period of time. This is the ninth consecutive FICIL Sentiment Index report, with the focus on the efficiency of the public administration procedures and, in particular, the administrative burden.

The FICIL Sentiment Index draws on a survey: mini case studies of foreign investors in Latvia. From February 2024 to March 2024, we interviewed 66 senior executives representing companies that are key investors in Latvia. Altogether, these companies (including their subsidiaries) contribute to 24% of the total tax revenue and employ 26% of the workforce of companies with a turnover above 145 000 EUR and 50% foreign capital (data from Lursoft, 2022). A short introduction to the companies that were involved in the study is presented in Appendix 1. All responses have been anonymised, and in the results sections of this report the companies' names have been replaced with the industry they represent.

The guidelines for the mini case studies were developed by Professor Arnis Sauka (SSE Riga) and the FICIL board. The interviews were conducted by the FICIL board members. The guidelines for the interviews are presented in Appendix 2, consisting of 3 main parts:

In the first part, which we label in the report as 'Foreign investment climate in Latvia' we include the same questions as in most of the previous reports. This part of the report concentrates on providing the assessment by the foreign investors in Latvia with regard to the positive and negative aspects of the investment climate in Latvia in 2023, as well as the dynamics since the launch of the FICIL Sentiment Index. Namely, investors in the 2023 survey were asked for their perspective on whether the investment attractiveness of Latvia has improved over the past 12 months. In addition, in the 2023 study we asked the foreign investors: "What are the key factors that have positively and negatively affected the investment attractiveness of Latvia over this period?"

Furthermore, in a similar manner to the previous studies, in the 2023 survey we also asked foreign investors in Latvia to assess the work of the Latvian public sector officials: what has been done to improve the investment climate in Latvia during the previous 12 months? In the 2023 FICIL Sentiment Index report we also asked the foreign investors in Latvia "With which public sector institution(s) have you had the most successful cooperation and why (i.e., municipalities, ministries etc.)?", and "With which public sector institution(s) have you had the least successful cooperation and why (i.e., municipalities, ministries etc.)?"

In this section, we also included an assessment of whether there has been progress or regress with regard to various key challenges identified in the previous FICIL Sentiment Index studies. In the 2023 FICIL Sentiment Index report we focused on asking foreign investors to assess the progress in the policy areas, classified by the FICIL working groups, i.e. FICIL working group on combatting the shadow economy, working group on investment protection, working group on fostering green economy, working group on human capital development, and working group on the public sector effectiveness.

Furthermore, this section also presents an assessment of the economic competitiveness of Latvia or, more specifically, an evaluation of the investment climate in Latvia by foreign investors operating in the country - drivers of Latvia's economic competitiveness, in comparison to the other Baltic States. Finally, as in previous years, we asked foreign investors whether, and under what conditions, they plan to increase their investments in Latvia.

The second part of the report, however, is devoted to the focus topic of the 2023 *FICIL Sentiment Index study*: efficiency of the public administration procedures and the scope of the administrative burden in Latvia. In particular, we asked foreign investors:

- To select up to 5 areas of business where their company has experienced challenging public administration procedures in Latvia. Also, to indicate the significance of these challenges for their business.
- What are the key obstacles that create inefficient administrative procedures in Latvia?
- What impact have the inefficient public administration procedures in Latvia had on their businesses?
- "How does the administrative burden in Latvia compare to other countries (please name a country) where they operate? We asked investors to share any concrete examples where a decision was reached faster due to lower administrative barriers.
- To provide up to 3 potential solutions to reduce the administrative burden in Latvia.

Finally, *in the third part*, similarly to the previous studies, we asked foreign investors in Latvia to write a short message to the Prime Minister of Latvia: one or two paragraphs on what should be done to improve the business climate in Latvia from the viewpoint of a foreign investor. We promised to deliver this message along with the report.

The report has been structured accordingly and, whenever possible, investors were asked to provide more detailed opinions and examples. We hope that similarly to the previous reports, this report will provide policy-makers with better grounds for making informed policy decisions to improve the overall competitiveness of the investment climate in Latvia.

SECTION 1: FOREIGN INVESTMENT CLIMATE IN LATVIA

1.1. Changes in the investment attractiveness of Latvia over the past 12 months

One of the key aims of the FICIL Sentiment Index is to measure the progress of the investment climate development in Latvia. To do so, investors in the 2023 survey were asked for their perspective on whether the investment attractiveness of Latvia has improved over the past 12 months. Investors evaluated this using a 5-point scale, where ‘1’ means that the investment attractiveness has not improved at all, ‘2’ - only minor improvements, ‘3’ implies that there have been some positive improvements, ‘4’ means yes, investment attractiveness has improved, and ‘5’ points to significant improvements.

In addition, in the 2023 study we asked: “What are the key factors that have positively and negatively affected the investment attractiveness of Latvia over this period?” To assess both positive and negative influences, the investors were provided with a list of factors¹, including: geopolitics and security; quality of policies; legal and regulatory environment; governance of municipalities; tax rates; macroeconomic situation; access to finance; domestic market size; ability to export; availability of local skilled labour; ability to attract a foreign workforce; quality of infrastructure; labour and other costs; other (please specify). Furthermore, investors were asked to provide further comments on the investment attractiveness of Latvia.

Our findings suggest that on average, the investment attractiveness of Latvia over the past 12 months was evaluated by foreign investors as ‘1.9’. This is the lowest score since 2016 (see Table 1). For comparison, investors evaluated the attractiveness of the investment climate in Latvia for the past 12 months as ‘2.3’ in 2022, investment attractiveness of Latvia over the past 4 years as ‘2.9’. Attractiveness of the investment climate in Latvia for the past 12 months was evaluated below ‘2.1’ only in 2016. As exemplified by Figure 1, the majority of investors evaluated the investment attractiveness of Latvia over the past 12 months as ‘1’ (investment attractiveness has not improved at all), and ‘2’ (there have only been minor improvements), and none of the investors in the 2023 study responded with ‘5’ (yes, investment attractiveness has improved significantly).

Table 1: Investment attractiveness of Latvia: development over the past 12 months: 2016-2022.

Scale 1-5 where ‘1’: investment attractiveness has not improved at all; ‘5’: investment attractiveness has improved significantly.

2016: n = 32; 2017: n = 42; 2018: n = 40; 2019: n = 47; 2020: n=44; previous 4 years (2018-2021): n=54; 2022: n=55; 2023: n=66.

Year	Rank
2023	1.9
2022	2.3
2018-2021	2.9
2020	2.7
2019	2.6

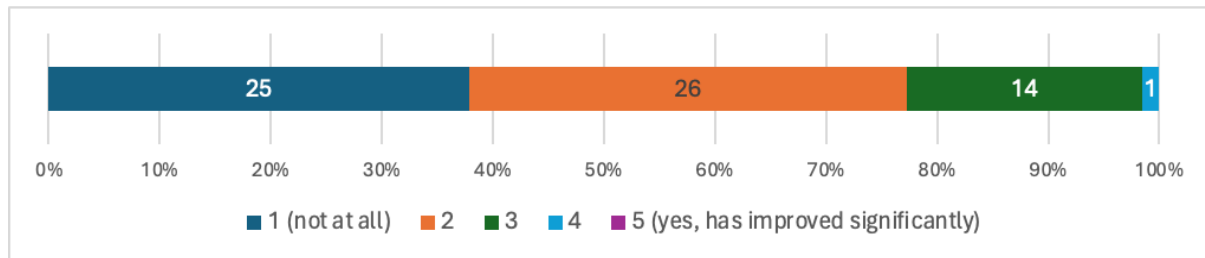
¹ Adapted, based on GIC: <https://openknowledge.worldbank.org/entities/publication/58e3709a-29e0-5c3e-931d-6afad17d20f1>

2018	2.5
2017	2.5
2016	2.0

Source: FICIL Sentiment Index 2015- 2023

Figure 1: Has the investment attractiveness of Latvia improved during the past 12 months? Distribution of responses, 2023.

Scale 1-5 where '1': investment attractiveness has not improved at all; '5': investment attractiveness has improved significantly. N=66



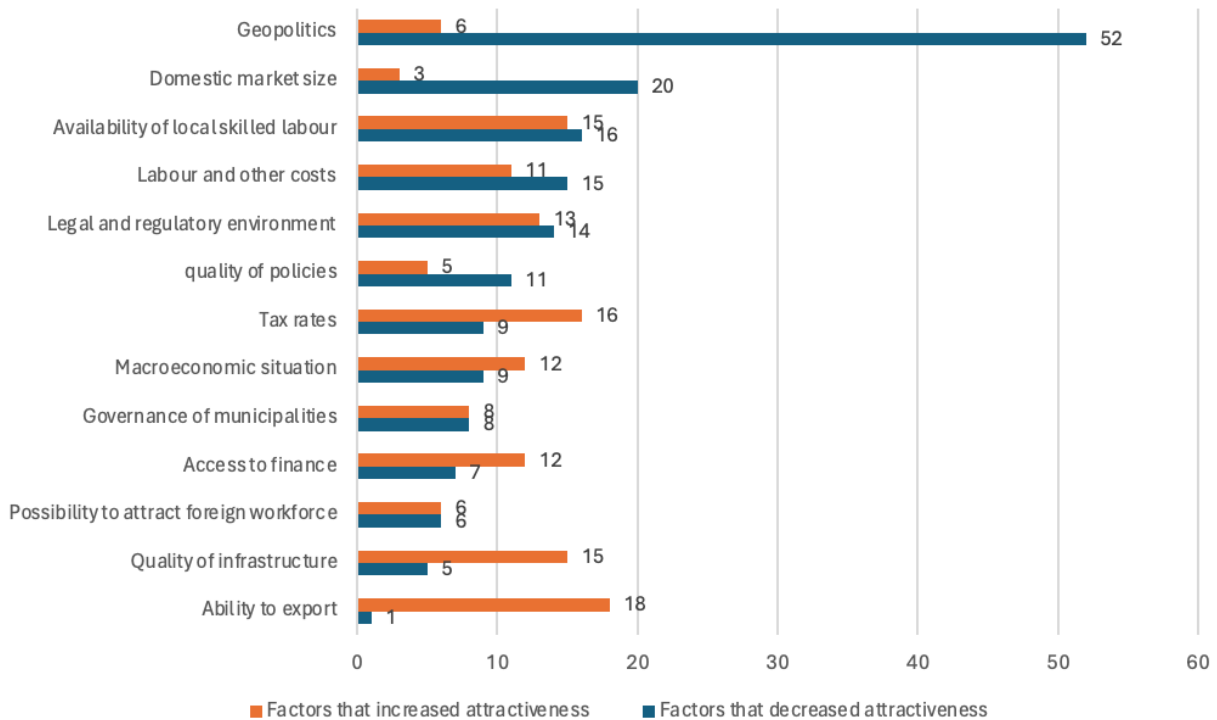
Mean	1,9
Median	2,0

Source: FICIL Sentiment Index 2015- 2023

The geopolitical situation stands out as *the key factor that has negatively affected the investment attractiveness of Latvia* during the past 12 months, in the 2023 study. Other factors emphasised by the investors in this regard include, a small domestic market, a shortage of skilled labour, increased costs, and an unfavourable legal/regulatory environment. *Ability to export, tax rates, quality of infrastructure and availability of local skilled labour*, however, are key factors, in the viewpoint of the foreign investors, that have *positively affected the investment attractiveness of Latvia* (see Figure 2).

Figure 2: What are the key factors (max. 3) that have positively and negatively affected the investment attractiveness of Latvia over this period? 2023.

Scale 1-5 where '1': investment attractiveness has not improved at all; '5': investment attractiveness has improved significantly. N=66



Source: FICIL Sentiment Index 2015- 2023

We also asked investors to justify their assessment and received a number of relatively positive comments, as summarised in the quotes below (showing the sector the specific company represents).

Accommodation and food service activities - "Taxes are quite stable. Compared to other changes in Estonia, there are minor changes. Being stable from a tax point of view is good."

Professional, scientific and technical activities - "Political will has improved!"

Manufacturing - "More stability than a year ago."

Professional, scientific and technical activities - "Overall, the foreign investment climate in Latvia is good. Main negative factor is the current geopolitical environment, which for some investors (especially from the US) is still the reason to proceed cautiously".

Professional, scientific and technical activities - "Improvements in Riga City Council governance are notable."

Professional, scientific and technical activities - "Rail Baltica has been a very positive change/implementation."

Electricity, gas, steam and air conditioning supply - “Geographical location, together with the production capacity is a positive factor. We can produce for lower costs and we have the capacity to export.”

Other service activities - “Availability of skilled employees has improved, but this is not because of the government. It is most likely due to the changes in the market, which in this case was favourable to us. We believe due to the war in Ukraine there were companies (engineering) that already had cooperation with Russia and Belarus. We have a better engineering workforce.”

Financial and insurance activities - “Overall good tax regime, however there are specific issues that should be resolved.”

Wholesale and retail trade; repair of motor vehicles and motorcycles - “Overall, the most positive aspects are better economic growth compared to Estonia and similar to Lithuania. Less changes in taxation vs. Estonia and Lithuania. There is still a good pipeline of skilled resources – more issues with positions requiring lower level skills (e.g. store associates) Concerns whether Latvia has clear strategic targets and we are working towards them by allocating clear resources both financially and with government employees.”

A number of negative comments were also received, however, showing the reasons for the low assessment of Latvia’s investment climate:

Financial and insurance activities- “The quality of the labour force is very good, especially compared to costs. On the other hand, we miss sustainable and transparent governmental strategies.”

Agriculture, forestry and fishing- “Local governments and the optimisation of school networks are negative factors as it reduces long-term population in rural areas, impacts the labour force of the forestry sector.”

Wholesale and retail trade; repair of motor vehicles and motorcycles - “Main concern is market size, and construction works in the city centre.”

Wholesale and retail trade; repair of motor vehicles and motorcycles- “In my opinion, the 3 reasons for the decrease of attractiveness are common entities for all entities. FICIL, AmCham and other organisations are trying to solve these issues in discussion with the government.”

Real estate activities- “Main concern is demography and policies in that regard. Expansion of NATO and focus on regional security is positive (in spite of the unresolved

Real estate activities - “Municipalities decrease attractiveness. Geopolitics – investors are scared to invest due to proximity to Russia.”

Human health and social work activities - “The overly-regulated sector from the government does not allow us to invest more.”

Other service activities - “Legal and regulatory environment, including banking services should be more welcoming for foreign investors.”

Real estate activities - “Need to support the newly founded companies (including in their growth phase) and activate the local savings funds that contain several billions – increase their circulation, because investment is not coming to Latvia. This is critical in our opinion.”

Professional, scientific and technical activities - “Big investment funds have thrown in the towel and will not invest in the Baltics anymore which is a very clear fact. Large investors who are looking to expand their groups across the Baltics are considering selling their assets, trying to create a story to really sell their assets. Actively looking for buyers.”

conflict.”

*Accommodation and food service activities-
“There is no vision for the country.”*

*Professional, scientific and technical activities-
“Non-EU labour: need to digitalise the process
more. If the company knows someone who
works in OCMA (PMLP) then the process is
faster/easier to understand.”*

*Electricity, gas, steam and air conditioning
supply - “Work of the Ministry of Climate and
Energy has been poor. The lack of competition
safeguards provided by the local Competition
Council has damaged our investment
calculations. The positive side is the attitude of
the new government and their approach of
trying to deal with state and municipality
companies, although the activities of
Latvenergo have been a sore point for several
industries.”*

*Manufacturing - “The country is not providing
our company with any new attractive
possibilities to invest more.”*

*Construction- “Due to the change in
government no improvements in legislation for
the real estate industry.”*

*Construction - “Latvian government is not
supporting green transformation (see climate
and energy plan.)”*

*Real estate activities - “Press should not
continue to foster the narrative that Russia will
attack Latvia and instead focus on what we are
doing to prevent this, and what we can do to
prepare for it, and what is needed from business
and other stakeholders to prepare even further.
Scaremongering is not productive.”*

*Wholesale and retail trade; repair of motor
vehicles and motorcycles - “Workforce costs are
really high when taking into account overtime,
sick pay, night shifts etc. Some finance
availability has improved but at the cost of
going after the finance institutions.”*

*Financial and insurance activities - “I think
there were no significant improvements”.*

*Construction - “Natural resource tax decreases
competitiveness.”*

*Transportation and storage - “Too much of a
small, segregated market on the edge of
NATO.”*

*Information and communication - “Geopolitics
impact on possibilities to attract foreign
investment capital. This impacts the overall
macroeconomic situation. Labour costs are
growing further, which limits the capacity to
expand business, due to rising business costs.”*

*Manufacturing- “Geopolitics negatively
influenced by the war in Ukraine and Russian
aggression. However, from a Swedish
perspective, not of high significance.”*

*Financial and insurance activities - “Populist
decisions of the government and parliament
seriously undermine the investment climate,
which is a big problem, coupled with increasing
geopolitical uncertainty.”*

*Manufacturing - “Labour costs and availability,
skilled labour- a very important topic, we are
dealing with this on a daily basis”.*

*Manufacturing - “There are no significant
changes/aspects in the last 12 months that
would improve investment attractiveness.”*

*Human health and social work activities -
“There have been no improvements over this
time.”*

*Transportation and storage - “The conditions of
the free/special economic zones are getting
worse, which disincentivises future investment
and development. Laws and regulations are
constantly changing, which reduces trust from
companies and negatively affects long-term
planning of companies. New institutions of
justice that have been recently created should
indicate their progress to show that they are
working effectively. Among positive
developments – it is a little bit easier to get
foreign labour into the country, which is
essential for the economy.”*

*Professional, scientific and technical activities -
“Can see many scandals involving*

Transportation and storage - “We want to see real changes in the government, not just words and plans.”

municipalities – corruption, not using funds effectively etc. This negatively affects investment attraction.”

Professional, scientific and technical activities - “The number of M&A transactions has decreased considerably during 2023.”

Professional, scientific and technical activities- “The most important thing is to provide a sense of security for foreign investments.”

Other service activities - “ Despite poor economic performance, media was still the field where the last 12 months were better vs most other countries in the world (advertisement market activities). At the same time, the general geopolitics situation had a negative impact.”

Transportation and storage- “Access to finance for small and medium companies is very difficult. We have not yet decided ourselves what we want to do as a country – do we want to be a place for cheap workers and provide cheap labour, or become a place where we have a highly skilled and well-paid workforce that creates higher value added to the economy.”

Professional, scientific and technical activities - “Geopolitics – from the perspective of tensions created with China, a factor which the company feels, the company’s revenues are not affected, but communication is affected with local stakeholders.”

Transportation and storage - “Generally, losing advantages versus Lithuania and Estonia dramatically.”

Wholesale and retail trade; repair of motor vehicles and motorcycles - “Geopolitical: treatment from Russia; macro trends: GDP, inflation, migration; tax changes e.g. excise (but not only the change itself, but also a complicated approach to paying taxes for items in stock), environmental tax ... expected VAT increase”

1.2. Assessment of work of the Latvian public sector officials: what has been done to improve the investment climate in Latvia during the previous 12 months?

As during the previous studies, we asked the foreign investors in Latvia to assess the work of the Latvian public sector officials in terms of improving the investment climate during the previous 12 months. Their contribution was evaluated on a 5-point scale (where ‘1’ is fail, ‘3’ is average and ‘5’ is excellent).

On average, the foreign investors evaluated the efforts of the public sector officials’ with 2.4, which is a considerable decrease compared to a year ago, when the assessment was ‘2.7’. Data for the previous years (2016-2023) is summarised in Table 2, while the distribution of responses with regard to findings of the 2023 study is provided in Figure 3.

Table 2: Foreign investors' assessment of policy-makers' efforts to improve the investment climate over the past year: 2016- 2021 studies

Scale 1 to 5, where '1'- fail, '3'- average' and '5'- excellent

2016: n = 30; 2017: n = 42; 2018: n = 40; 2019: n = 47; 2020: n=44; previous 4 years (2018-2021): n=54; 2022: n=55

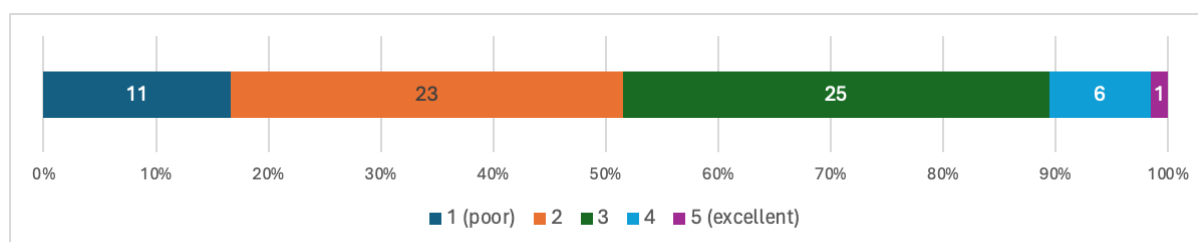
Year	Rank
2023	2.4
2022	2.7
2018-2021	2.9
2020	3.1
2019	3.1
2018	2.9
2017	2.9
2016	2.3

Source: FICIL Sentiment Index 2015- 2023

Figure 4: Foreign investors' assessment of public sector officials' to improve the investment climate over the past 12 months. Distribution of responses.

Scale 1 to 5, where '1'- fail, '3'- average' and '5'- excellent

Previous 12 months: n=66



Mean	2,4
Median	2,0

Source: FICIL Sentiment Index 2015- 2023

As highlighted by the foreign investors, the dominant feeling is that there was a lack of action and a lack of visible progress for improving the investment climate over the previous year. Investors point to a lack of a long-term vision/strategy for the country, a lack of motivation among the public sector officials to do their job well, and to a gap between the politicians/policy-makers and institutions that implement policies/regulations. Furthermore, according to the viewpoints of the investors, more efforts to attract and support investors are needed from the policy-makers, and the institutions and policies/incentives that target the above are stronger in the other Baltic States. Some investors have also observed a very formal attitude of the public sector officials towards their job – a lack of motivation to do their job well. Hence, the institutions are focused on processes rather on results.

On the other hand, foreign investors appreciate communication with the policy-makers - its clarity, frequency, consistency, and an overall willingness to help, actual support from the policy-makers. Investors also highlight that the new cabinet of ministers has made a relatively good start, but evidence of results/impact is needed to sustain appreciation.

1.3. Public sector institutions with which foreign investors in Latvia have had the most successful and the least successful cooperation: viewpoints of the foreign investors

In 2023, the FICIL Sentiment Index study included the following question - **“With which public sector institution(s) have you had the most successful and the least successful cooperation and why (i.e. municipalities, ministries etc.)?”**. Out of 66 foreign investors, 11 mentioned the Ministry of Economics as the one with which they have had the most successful cooperation, followed by the State Revenue Service (9) and Investment and Development Agency of Latvia (7). Factors such as frequent contact, openness towards entrepreneurs/investors and receptiveness to feedback, a willingness to listen and understand business needs, efforts to be effective and efficient, opportunities to consult/engage, good service and system quality, taking action and making progress, characterised successful collaboration (see Table 3).

The State Revenue Service and Riga municipality (and associated institutions) were, however, mentioned most frequently as institutions with which the foreign investors have had the least successful cooperation. While interviewees elaborated on institutions with the least successful collaboration, they referred to a lack of cooperation, poor communication, an unwillingness to support/engage/listen, slow or no actions, a high level of bureaucracy and rigid processes, unpredictable/inconsistent decisions, a strong lobby of state-owned companies, incompetent staff (see Table 3).

Table 3. Public sector institutions with whom foreign investors in Latvia have had the most successful and the least successful cooperation. 2023., Frequency, n=66.

Most successful		Least successful	
Ministry of Economics	11	State Revenue Service	10
State Revenue Service	9	Riga municipality (and associated institutions)	10
Investment and Development Agency of Latvia	7	Ministry of Climate and Energy	5
Riga municipality (and associated institutions)	6	Ministry of Economics	6
Bank of Latvia	5	Office of Citizenship and Migration Affairs	3
Competition Council	4	Ministry of Finance	3
Ministry of Finance	4	Ministry of Transport	3

Source: FICIL Sentiment Index 2015- 2023

The views of the foreign investors are illustrated as quotes below (see Table 4).

Table 4. Public sector institutions with whom foreign investors in Latvia have had the most successful and the least successful cooperation. 2023., Detailed comments in the form of quotes.

Company	MOST successful cooperation with public sector institution(s)	LEAST successful cooperation with public sector institution(s)
Financial and insurance activities	<i>“Bank of Latvia is our main contact of public institutions as it is our supervisory authority”.</i>	
Wholesale and retail trade; repair of motor vehicles and motorcycles	<i>“Municipalities; State Revenue Service – quick responses”.</i>	<i>“Ministry of Transport – no vision on transformation (decarbonisation) of commercial vehicles”.</i>
Agriculture, forestry and fishing	<i>“The State Forest Service – a desire to become more efficient, digitising, linking digital tools together with enterprise management tools even with limited resources.”</i>	<i>“Nature Conservation Agency – there are good experiences sometimes but overall frustrations with cooperation, negatively interpret the EU Green deal”.</i>
Financial and insurance activities	<i>“The Ministry of Economy and their efforts to putting order into state tenders in construction”.</i>	<i>“Riga City municipality with its lack of focus for foreign (or any) business investments”.</i>
Manufacturing	<i>“Ādaži municipality which is interested in economic development and is looking for mutually beneficial cooperation”.</i>	<i>“Babīte municipality – not interested in growth and support of investors, Altum – extremely risk averse, imposing restrictions that are stricter than those of the EU, State Revenue Service”.</i>
Wholesale and retail trade; repair of motor vehicles and motorcycles	<i>“Riga Airport (RIX) – they have good intentions to support activities. Mutually beneficial cooperation & organic collaboration”.</i>	<i>“SRS – not as bad, but actions have been slow. Progress has stopped due to a lack of leadership. Longer waiting times. Cooperation good but the speed of processing time slow”.</i>
Professional, scientific and technical activities	<i>“Ministry of Economy. Bank of Latvia”.</i>	<i>“SRS, Riga Municipality. Office of Citizenship and Migration Affairs”.</i>
Real estate activities	<i>“Tax authorities on company classification. Green corridor for construction activities”.</i>	
Professional, scientific and technical activities	<i>“Register of Enterprises, Ministry of Economics. These institutions which are, on average, much closer to the private sector in their daily activities, tend to be more open and understanding of business needs”.</i>	<i>“Register of Enterprises. Though, even with a positive experience, the Register tends to provide negative experiences as well, often with its unpredictability in its decisions (on which, in turn, many private transactions depend)”.</i>
Professional, scientific and technical activities	<i>“Riga Investment and Tourism Agency and other Riga City Council entities in open communication on reforms and investment attractiveness”.</i>	<i>“Ministry of Economics not being interested in securing quality advice”.</i>
Transportation and storage	<i>“State Construction Control Bureau – the cooperation has become better compared to 2022.”</i>	<i>“SRS – the cooperation has been average – not good, not bad. Ministry of Economics – in some</i>

	<i>Not an institution, but the electronic signature system (e-paraksts) is good. We can sign documents in two minutes, in other countries it takes a month”.</i>	<i>cases, the officials are scared to make mistakes and the fear prolongs the change implementation process”.</i>
Wholesale and retail trade; repair of motor vehicles and motorcycles	<i>“Competition Council”.</i>	
Professional, scientific and technical activities	<i>“Investment and Tourism Agency of Riga – did everything to allow the business to expand in Latvia”.</i>	
Accommodation and food service activities	<i>“ALTUM – the type of support is helpful, a good way of collaboration with the business partner; Rīgas meži (dealing with parks) – we had very productive collaboration”.</i>	<i>“Construction department in the municipalities – but we are also not very active with the public sector.”.</i>
Real estate activities	<i>“Riga City development department – solution-oriented. Mārupe Municipality Council”.</i>	<i>“Riga City Council – no real, meaningful action. Riga has a problem with real estate, and housing and nothing is being done. Riga City mobility and transport department”.</i>
Administrative and support service activities	<i>“Riga Investment and Tourism Agency – we are exchanging ideas, we showed what we do, reviewing the analysis on different developments. They have a good approach towards entrepreneurs”.</i>	<i>“State Unemployment Agency – finances have not been business, even though it has been agreed”.</i>
Human health and social work activities	<i>“State Agency of Medicine, Health Inspectorate, State Revenue Service.”</i>	<i>“Riga City Council.”</i>
Human health and social work activities	<i>“Ministry of Economics, Cooperation with state-owned hospitals.”.</i>	<i>“Ministry of Health; National Health Service (NVD); State Agency of Medicine; Health Inspectorate”.</i>
Financial and insurance activities	<i>“We have limited opportunities to cooperate and therefore no real success stories”.</i>	<i>“Ministry of Finance and the Competition Council who appear to have been lobbied or influenced without taking a broader, industry-level view of a particular issue”.</i>
Other service activities	<i>“According to my experience, ministries and the Bank of Latvia are keen on collaboration”.</i>	
Real estate activities	<i>“Riga Municipality – concerning real estate development projects”.</i>	
Information and communication	<i>“Due to the nature of the business, serving most of the governmental entities, we have been working in particular with all of them. With regard to cooperation business-wise in the context of policies, we have been working with the Ministries of Health, Economics, Finance and Defence. MoF – becoming better actually, at least that is what has been heard”.</i>	<i>“Still quite difficult to work with Riga City Council and some other municipalities mostly due to rigid processes and insufficient competence of the employees. Depends a lot on the ministry that you are working with. MoD – sometimes you get very good experts but at other times it feels that simple things have to be explained in great</i>

		<i>detail and proven, and thinking is cautious towards even starting a process/change. Ministry of Economics – lack of accountability. State Chancellery – very problematic. Very mediocre institution that pulls all the public sector into mediocracy”.</i>
Professional, scientific and technical activities	<i>“SRS – have improved a lot in terms of communication, have seen improvements. Ašeradens (Minister of Finance) has been very available to meet, expressing open and honest communication”.</i>	<i>“SRS – Not very happy with what they’re communicating. Tax changes that have been made – the changes themselves not very incentive driven”.</i>
Electricity, gas, steam and air conditioning supply	<i>“AS Augstsprieguma tikls, Nature Conservation Agency, municipalities – Saldus, Tukums, Ministry of Climate and Energy – 50/50 (sometimes the cooperation with KEM is good)”.</i>	<i>“Ministry of Climate and Energy – recently the cooperation has not been successful”.</i>
Construction	<i>“Municipalities- cooperation goes both ways, (Ropaži & Salaspils) Ministry of Economics”.</i>	<i>“Rail Baltica, Ministry of Transport. Handling this project has been very bad”.</i>
Wholesale and retail trade; repair of motor vehicles and motorcycles	<i>“SRS, fast answers to our requests”.</i>	<i>“Riga municipality, high level of bureaucracy and slow moving processes”.</i>
Transportation and storage	<i>“The Cabinet of Ministers – no consistent contact, difficult to collaborate”.</i>	<i>“Riga municipality”.</i>
Information and communication	<i>“Consumer Protection Agency, Competition Council, on some issues with the regulator (Public Utilities Commission)”.</i>	<i>“Data Protection Agency (quite a closed organisation), Riga municipality”.</i>
Manufacturing	<i>“From our side, the Latvian Embassy in Sweden and the Investment and Development Agency of Latvia”.</i>	
Financial and insurance activities	<i>“Register of Enterprises is very good in terms of the service quality and the system quality. Easy to collaborate with them – open, clear, collaborative”.</i>	<i>“The concern for the banking sector is the legislator/government in general. The initiative to impose additional taxation on bank profits will not be beneficial for the economy”.</i>
Financial and insurance activities	<i>“Ministry of Finance Bank of Latvia. These institutions have a professional approach”.</i>	<i>“None”.</i>
Financial and insurance activities	<i>“Finance Intelligence Unit of Latvia”.</i>	<i>“Bank of Latvia. Populistic strategy and quite detached from reality.”.</i>
Manufacturing		<i>“SRS – we have to be very upfront, we have to prove that we pay taxes and we are not doing something wrong. But I would not say the cooperation is bad”.</i>

		<p><i>“Municipalities – we do not feel like we get support. We have to seek out everything, they are not coming to us, even if they need us”.</i></p> <p><i>“SRS – could exchange information with other public sector institutions so we do not have to give the same information to everyone. During the pandemic, we stopped tax payments, we agreed to a new deadline, as per agreement with the SRS. But the State Social Insurance Agency did not get the information and our employees could not get their pensions calculated”.</i></p>
Manufacturing	<i>“Good cooperation with local municipality, with LIAA and the Ministry of Economics”.</i>	<i>“Altum. There are too many requirements/conditions for participating in different support/incentive programmes. This is absolutely unrealistic for large multinational companies”.</i>
Human health and social work activities	<i>“Consumer Rights Protection Centre – communication has improved through the use of Latvija.lv - everything happens very quickly and easily. We can communicate very quickly. There are institutions that do not communicate through Latvija.lv that limits the information exchange”.</i>	<i>“Construction boards – which have been quite poor. SRS – have now improved their services a lot over the years, certainly EDS itself has developed a lot. Much more automatic and faster. Nevertheless, there are things that are still manual”.</i>
Transportation and storage	<i>“Public administration at national level is working quite well – we can solve some problems by phone. Easy to approach. However, at regional/municipal level it is much more difficult to collaborate”.</i>	<i>“The Ministry of Transport and the Cabinet of Ministers are not working well. The Cabinet of Ministers has some committees/working groups that are not functional – they should produce some concrete results, but so far this has not been visible and not sure if they work at all. The Ministry of Transport organises meetings, but the results are quite weak. The municipalities complicate life for businessmen by introducing new regulations, procedures”.</i>
Financial and insurance activities	<i>“SRS, Consumer Rights Protection Centre”.</i>	
Financial and insurance activities		<i>“Latvijas Banka, State Revenue Service, municipalities. Bank of Latvia – an amoeba, an invertebrate type of animal. Different responses are received even in identical cases – no consistency, but also situations where they are just not making decisions. In Lithuania there is a</i>

clear list of what can be done, but in Latvia no clear response or list. Bank of Latvia cannot give a yes or no answer, in business “grey answers” are often insufficient, because then we don’t know if our actions are allowed. Business response speed and no business orientation, low-quality and unclear responses. There is no clarity from a business point of view”.

“SRS – spending taxpayers’ money (by going through courts) to prove their honesty by going to cassation, appealing the decision in several instances, which in the end SRS does not win. We often see that there is disproportionate/incompetent use of resources regardless of the nature of the case”.

“Municipalities – there are municipalities that are very open, but some are not. Have had a hard time but not always. It is not so easy to choose where to go. Each municipality has its own approach, the burden could be the attitude of the municipality, but in other situations it’s evident that things can be done really quickly without a burden if there is a willingness”.

Electricity, gas, steam and air conditioning supply

“Jelgava and Gulbene municipalities have been great from a communication standpoint, not only when dealing with local issues, but also finding good arguments that we can bring to the policy-makers in the ministries. We have had some success with the Competition Council, although there are some areas where we lack the necessary help”.

“The Ministry of Climate and Energy has been surprisingly slow and unwilling to listen to investors. Throughout 2023 we have been forced to work against competition-damaging legislation initiatives, a lack of competence, and a slow work pace. Although ministry officials have tried to have a conversation about different topics, we have seen behind-the-scenes work with the local state-owned companies’ interests in mind rather than necessary public consultations. For example, several legislative initiatives have been drafted without clear initial discussion with the market participants that would be impacted. Then, when it is too late or there is too little time to amend anything, short and formal public consultations are initiated,

		<i>seemingly without the goal of getting any substance in return”.</i>
Manufacturing	<i>“Municipality”.</i>	<i>“Police investigation into an existing case shows up a very poor attitude and low level of qualification”.</i>
Construction	<i>“Riga City Construction Board- implementation of the green corridor for significant real estate investments. Good cooperation with the Ministry of Economics to improve construction regulation, special Thanks to Olga Feldmane”.</i>	<i>“Ministry of Finance- Excel thinking!!! Ministry of Justice- against everything!”.</i>
Wholesale and retail trade; repair of motor vehicles and motorcycles	<i>“Mainly with municipalities during new construction development projects outside Riga”.</i>	<i>“Ministry of Climate and Energy, slow process of climate regulation discussions. Incomprehensible process of advancing and discussing laws and regulations”.</i>
Electricity, gas, steam and air conditioning supply	<i>“Ministry of Climate and Energy – compared to the previously responsible body, Ministry of Economics, now the new ministry tries to listen to the industry and NGOs, tries to go to dialogue”.</i>	<i>“Several municipalities – local interpretation of laws, regulations and rules, even the Ministry of Environmental Protection and Regional Development cannot steer or guide them properly, small kingdoms in their own regions.”.</i>
Construction	<i>“Saldus municipality – very positive, good governance”.</i>	<i>“Riga is very slow with building permits and formalities. The Ministry of Climate and Energy is understaffed, no push for important topics, poor execution of the national climate and energy plan”.</i>
Real estate activities	<i>“Construction Board – very good actually with the new director they are trying to really address issues and help, as well as communicate. Of course they sometimes forget, but overall there is a big improvement. Some restructuring is taking place. At least the picture is clear who to speak with, which questions to raise, how it can be addressed and why etc. State Revenue Service – attitude has improved and reaction time. Consequential replies, fast and precise, positive changes. Have also become more transparent”.</i>	<i>“Riga Municipality Mobility Department – not replying, no idea when the answer will be. Really slow reply. JSC “Sadales tīkls” – will have more issues and lately have been problematic. Actually acting illegally in some instances, ie giving power supplies to other companies”.</i>
Wholesale and retail trade; repair of motor vehicles and motorcycles	<i>“Bank of Latvia – regular meetings, listen to opinions. Constructive partner. Ministry of Economics – also similar, although better dialogue than the Bank of Latvia.”.</i>	<i>“Ministry of Finance – very difficult, discussion on bigger issues. Systemic problems. Cash register system issues. Ogre municipality -in many projects there have been issues, a lot of uncertainty. Mārupe municipality”.</i>

Financial and insurance activities	<p>“Can’t specify.”</p> <p>“Recently we had a meeting with the State Land Service). It was very good, warm with the management of the organisation. We were positively surprised, they were proactive. Not sure how it will look in actions, but it was a good meeting”.</p>	
Electricity, gas, steam and air conditioning supply	“Tukums municipality”.	“The Ministry of Climate and Energy – not interested in solutions”.
Manufacturing	<p>“Ministry of Environmental and Regional Development – we were able to convince the public sector officials about the changes, inform them what is happening in society.”.</p> <p>“Ministry of Climate and Energy– a productive discussion is going forward, related to society, the environment, understanding of the conditions”.</p>	“Ministry of Economics – we are losing confidence in investment attractiveness. The legislative/regulatory changes are changing our decisions. To be precise, in the last 3-4 years there were 11 changes. This makes us wonder if we should invest in Latvia or Estonia”.
Transportation and storage	“Ministry of Transport – Aviation Department”.	“All the ministries – if we don’t know the exact person, it is not possible to address the question”.
Transportation and storage	“Ministry of Foreign Affairs”.	“Office of Citizenship and Migration Affairs of the Republic of Latvia”.
Other service activities	“Gaming commission, we cooperate with them to get the licence. So far no problems with them, the rules are clear and unchanging”.	<p>“State Police – Ministry of the Interior . There is a complexity of bureaucracy. We had one case initiated two years ago. I saw the environment when I visited the State Police and how they work, the environment can be quite chaotic (I can’t believe that they have the motivation to protect us).</p> <p>Cooperation with the State Police – we feel a reluctance to understand, the motivation to move forward, when we visit them we feel the attitude:–you are a good company, what else do you need? The call for justice, a call to punish wrong-doers, there are different rules.”.</p>
Professional, scientific and technical activities	<p>“Ministries – more focused to reach the goal and listen and analyse various opinions;</p> <p>Courts – because of the training provided and ongoing efforts to improve court efficiency”.</p>	“State institutions (for example, Nature Conservation Agency, State Bureau of State Supervision and state-owned companies – unprofessional employees, procurement procedures (last minute invitations, one participant, requirements too specific to exclude competition)”.

Other service activities	<i>“Unfortunately, it is hard to outline institutions interested in successful cooperation. However, work with regulators National Electronic Mass Media Council and Competition Council has been rational, logical and a dialogue took place, arguments were heard”.</i>	<i>“Probably the Ministry of Culture, due to the low priority of commercial media among their other priorities. However, at the end of 2023 there were some new, more positive signs with changing civil servants”.</i>
Financial and insurance activities	<i>“Ministry of Justice, Ministry of Finance, Bank of Latvia”.</i>	<i>“Ministry of Economics, Central Finance and Contracting Agency”.</i>
Wholesale and retail trade; repair of motor vehicles and motorcycles	<i>“Ministry of Economics – willing to understand the issue and be pragmatic about the consequences (e.g. issue related to banning alcohol sales at gas stations); Jelgava municipality – willingness to collaborate on construction permits and requirements”.</i>	<i>“State Revenue Service – needed to recertify POS (Point of Sales) fiscal solution which took a lot of effort and discussions on interpretations of legal requirements. This impacted the speed of implementing new solutions, like self-service”.</i>
Professional, scientific and technical activities	<i>“LIAA, Migration office (PMLP), SRS – positive experience. Ministry of Economics.”</i>	<i>“Migration office – mixed experience, but not all bad. Cannot recall any institutions with a bad experience. Largely depends on the person who communicates with the institutions. Local Latvian employees increase the smoother experience”.</i>
Wholesale and retail trade; repair of motor vehicles and motorcycles	<i>“SRS – fast response”.</i>	<i>“SRS – 100% sticking to past points of view = 1 size fits all, not considering different state of the art IT systems and processes e.g. for retail chains (need to run processes for SRS as though it is a single store)”.</i>
Professional, scientific and technical activities	<i>“Riga Investment and Tourism Agency is at a good level. Also Ventspils municipality organises some seminars for businesses and to attract potential investment etc. the direction is right”.</i>	<i>“The Investment and Development Agency of Latvia (LIAA), still no leadership, need to revamp the whole organisation’s goals and address the structural issues to become effective”.</i>
Professional, scientific and technical activities	<i>“Ministries – Ministry of Finance and Riga Municipality”.</i>	<i>“Ministry of Regional Development and the Agency, Ministry of Economics – due to insufficient capacity and very busy agenda”.</i>

Transportation and storage

“Riga Municipality – Transport Department cooperation is successful so far, talking about the low emissions zones, etc. There is a dialogue with some results. Listen to problems before having serious discussions. Public Utilities Commission (SPRK) – invite to discussions, listen to problematic. Gather sector specific statistics. Positive relations in general”.

“Riga municipality building authority – difficult to agree on specifics related to projects, no dialogue, they tell us what will be. BIS and EIS not good systems. Focus on fines, not sanctions. Leadership changes also mean silence. This makes the investment climate negative”.

Source: FICIL Sentiment Index 2015- 2023

1.4. Key challenges faced by the foreign investors in Latvia during the previous 12 months: progress or regress?

Traditionally, in the FICIL Sentiment Index study the foreign investors are asked to assess whether there has been progress or regress with regard to various key challenges identified in the previous FICIL Sentiment Index studies. In our study of 2023, however, we asked for an assessment of progress in the policy areas of the FICIL working groups, i.e. FICIL working group on combatting the shadow economy, on investment protection, on fostering the green economy, on human capital development, and on public sector effectiveness. The areas of focus within each group are presented below:

Progress in combatting the shadow economy²

- Governance to combat shadow economy and tools to enforce policies
- Instruments (carrots) to motivate “honest taxpayers”
- Improving the work of and transparency of the SRS

Progress in investment protection³

- Public procurement process
- Contribution to the sectoral development by the state-owned companies
- Quality of the legislation, including consistency of public policies
- Efficiency of courts

Progress in fostering green economy⁴

- Improving climate and energy policy
- Enabling private sector as a “green” driver
- Ensuring transparent and predictable development of the energy market⁵

² Creation of Shadow economy reduction until 2027 plan. Shadow economy levels remain high with 26%.

³ Latvia's mortgage relief law plan.

⁴ Any change in taxes and subsidies – EVs. Changes in policy to foster circular economy?

⁵ JSC “Sadales tīkls” proposed tariff increase; project ELWIND development; “Latvenergo” and “Latvijas meži” joint company to develop wind farm projects; indecisiveness on the LNG terminal.

Progress in human capital development⁶

- Coherent human capital development policy and governance
- Improving the availability of workforce
- Boosting upskilling and requalification of the labour force

Progress in public sector effectiveness:⁷

- Improving digitalisation of the public sector
- Modernising the public sector, i.e. increasing accountability and performance-based budgeting

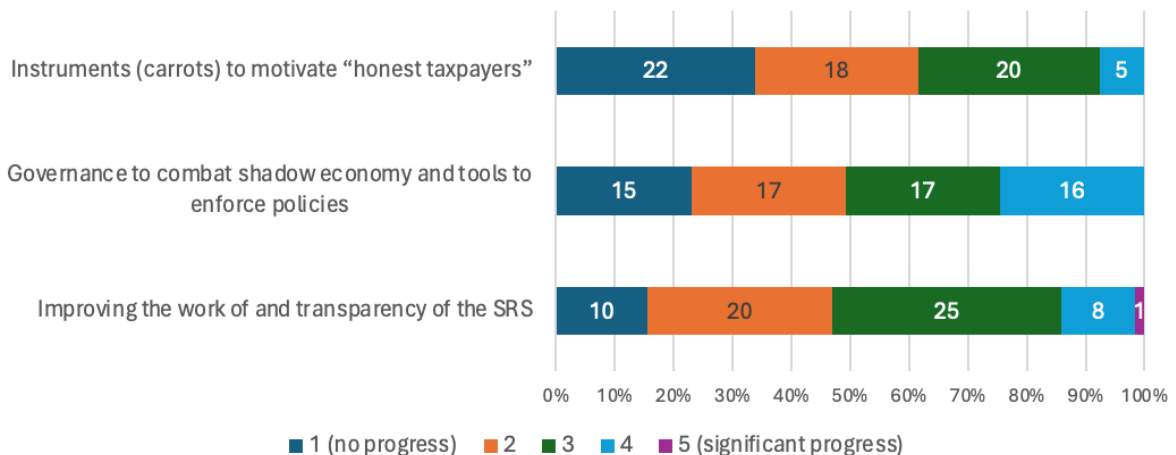
Findings are displayed in Figures 5-9. To summarise, **most progress** is observed in the following areas:

- Improving digitalisation of the public sector
- Improving the work and transparency of the State Revenue Service
- Governance to combat shadow economy
- Quality of legislation for investment protection and efficiency of courts.

In contrast, the **least progress** is observed in the following areas:

- All areas of the human capital development,
- Modernisation of the public sector (e.g., performance-based budgeting),
- Ensuring transparent and predictable development of the energy market,
- Contribution to the sectoral development by the state-owned enterprises.

Figure 5. On a scale from 1 (no progress) to 5 (significant progress), please assess progress in the following policy area: Combatting shadow economy. Frequency, n=66.

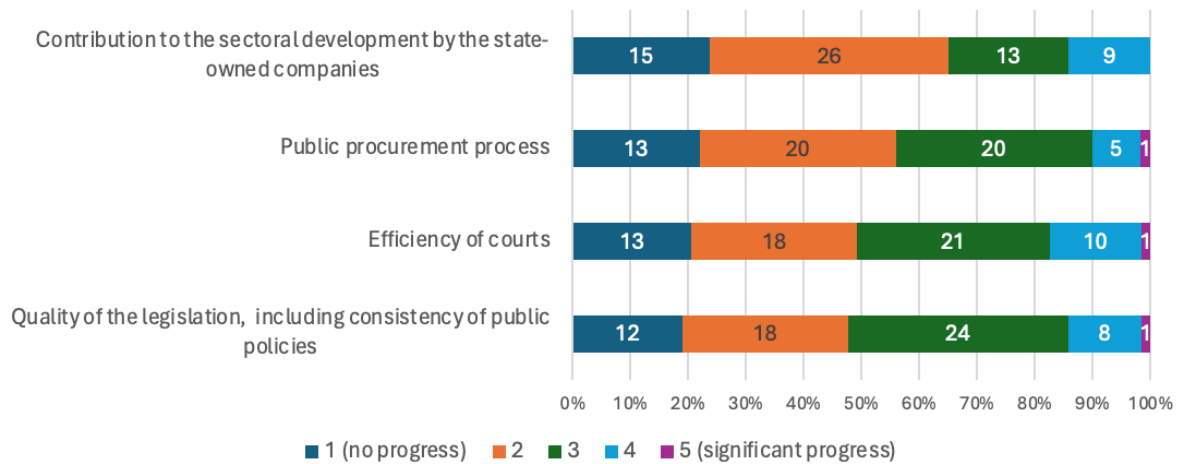


Source: FICIL Sentiment Index 2015- 2023

⁶ Launch of education accelerator; some legislative changes to allow foreign workforce; new Human capital development council and ongoing work on strategy for Human Capital Development of Latvia.

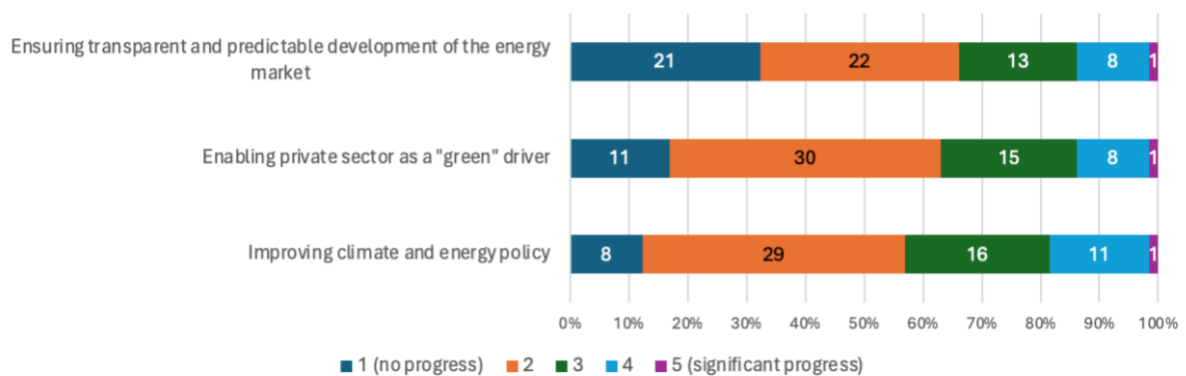
⁷ Accepted Public Sector Modernisation plan until 2027.

Figure 6. On a scale from 1 (no progress) to 5 (significant progress), please assess progress in the following policy area: Investment protection. Frequency, n=66.



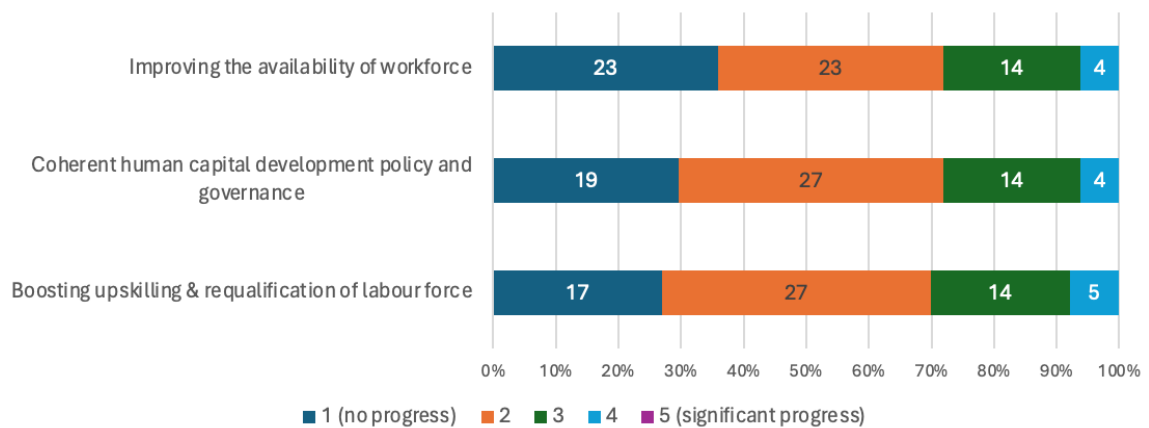
Source: FICIL Sentiment Index 2015- 2023

Figure 7. On a scale from 1 (no progress) to 5 (significant progress), please assess progress in the following policy area: Fostering green economy. Frequency, n=66.



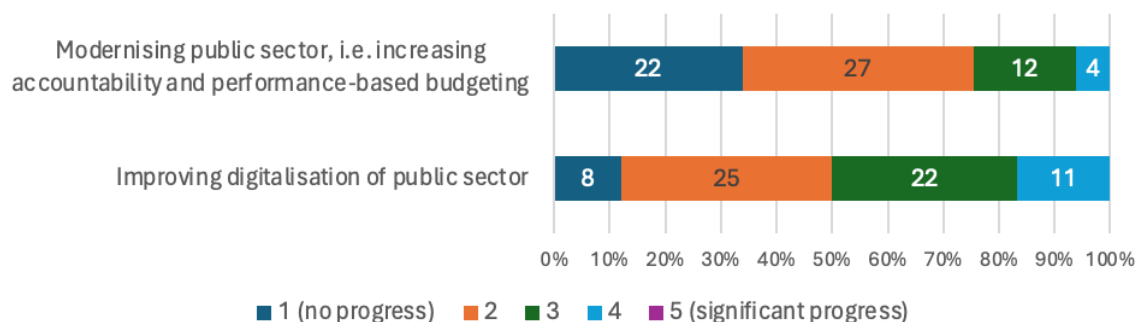
Source: FICIL Sentiment Index 2015- 2023

Figure 8. On a scale from 1 (no progress) to 5 (significant progress), please assess progress in the following policy area: Human capital development. Frequency, n=66.



Source: FICIL Sentiment Index 2015- 2023

Figure 9. On a scale from 1 (no progress) to 5 (significant progress), please assess progress in the following policy area: Public sector effectiveness. Frequency, n=66.



Source: FICIL Sentiment Index 2015- 2023

1.5. Assessment of the economic competitiveness of Latvia by the foreign investors

This section presents the foreign investors’ assessment of Latvia’s economic competitiveness. This year, the question has been slightly rephrased, asking the foreign investors to assess the current status of the various **drivers of Latvia’s economic competitiveness, in comparison to the other Baltic States** (not in general, as in the previous questionnaires). As in other questions, respondents used a 5-point scale (‘1’ – uncompetitive, ‘5’ – very competitive).

Initially, the list of factors that could influence the competitiveness of Latvia was derived from relevant academic literature and from in-depth discussions within the FICIL Sustainable Economic Development Work Group, in 2015. In the 2023 study, we added new indicators, such as productivity; innovation ecosystem – cooperation between the government, business and universities. Furthermore, instead of asking to assess the quality of education and science (as in previous surveys), investors were asked to evaluate the quality of science, technology and innovation, as well as the quality of education and requalification.

To summarise, the results of the 2023 FICIL Sentiment Index study suggest that, compared to the other Baltic States, Latvia has a much weaker innovation ecosystem, infrastructure, availability of labour, quality of education and healthcare system and fewer investment incentives. In contrast, Latvia seems to have more managers and provide a relatively good standard of living.

More specifically, results show that investors evaluate ‘productivity’ in Latvia at ‘2.8’, “science, technology and innovation” at ‘2.8’, but the “quality of education and requalification” at ‘2.7’. The average score of the “innovation ecosystem – cooperation between government, business and universities” was only ‘2.5’.

A number of competitiveness indicators in Latvia were evaluated as ‘3.0’ or above in the 2023 study. Those include “legal system” (‘3.1’ in 2023, as compared to ‘3.2’ in 2022), “tax system”

(‘3.0’ in 2023, as compared to ‘3.1’ in 2022), “attitudes towards foreign investors” (‘3.0’ in 2023, as compared to ‘3.4’ in 2022), “availability of labour” (3.0 both in 2023 and 2022). The indicator “defence” has dropped from ‘3.6’ in 2022 to ‘3.0’ in 2023, whereas the assessment of the “energy resources” increased from ‘2.8’ to ‘3.0’. Finally, the average score of the “social security” has decreased from ‘3.1’ in 2022 to ‘3.0’ in 2023.

In contrast, the average score of several indicators has increased. Among them are listed - “low production costs” (‘2.5’ in 2022 to ‘2.9’ in 2023), “availability of ‘hands’” (‘2.5’ in 2022 to ‘2.7’ in 2023). The indicator “standard of living” in Latvia, as compared to the other Baltic States, is considered to be relatively high by the foreign investors, i.e. ‘3.3’ out of ‘5’ in 2023. However, some decrease is observed, as compared to the 2022 survey results (‘3.7’). The distribution of answers is further provided in Figure 10.

Table 5: Drivers of Latvia’s economic competitiveness. In 2023: in comparison to the other Baltic States. 2015- 2023.

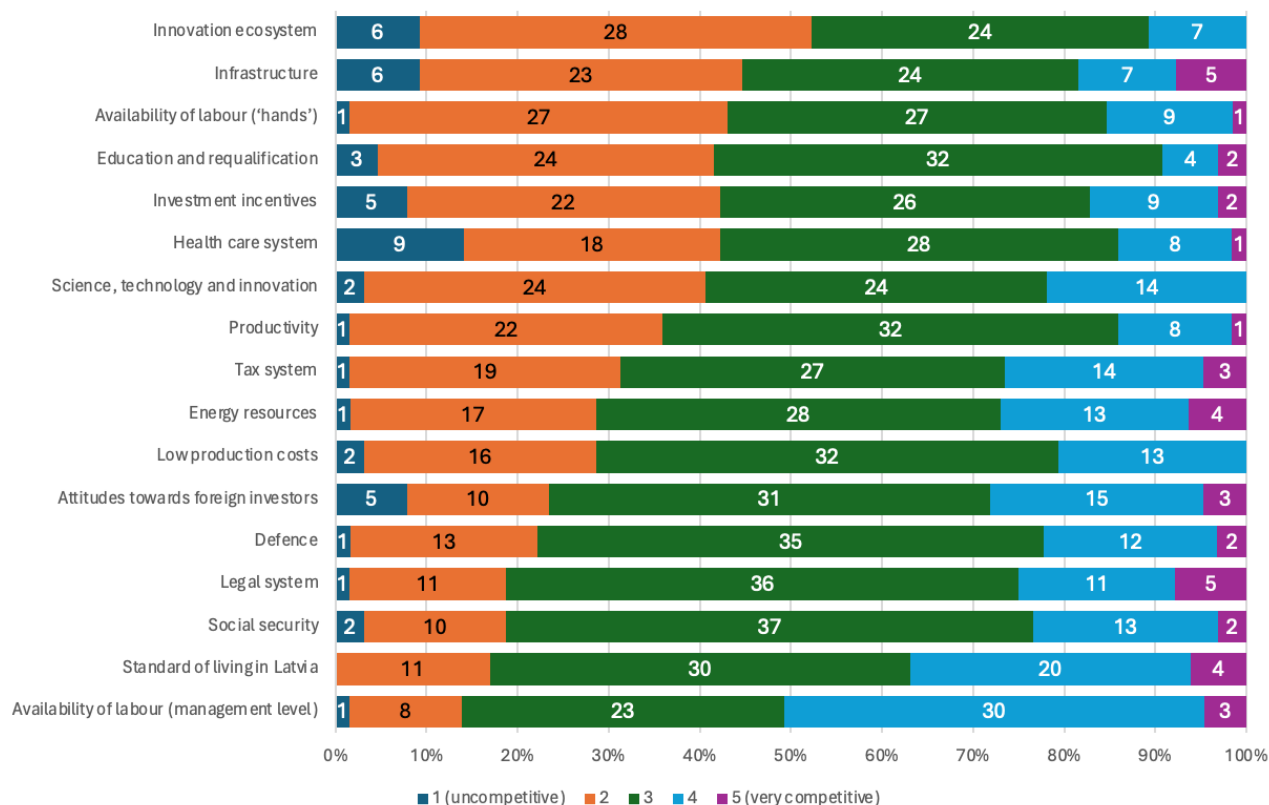
Evaluation scale from 1-5, where ‘1’ means that the indicator is not competitive and ‘5’ means that the indicator is very competitive. Average.

2015: n = 28; 2016: n = 32; 2017: n = 42; 2018: n = 40; 2019: n = 47; 2020: n=44; 2021: n= 54; 2022: n=55; 2023: N=66.

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Productivity	-	-	-	-	-	-	-	-	2,8
Innovation ecosystem – cooperation between government, business and universities	-	-	-	-	-	-	-	-	2,5
Quality of education and science	2,8	2,6	3,1	3,0	2,7	3,0	2,9	2,9	-
Science, technology and innovation	-	-	-	-	-	-	-	-	2,8
Education and requalification	-	-	-	-	-	-	-	-	2,7
Attitude towards foreign investors	3,2	3,2	3,1	3,6	3,7	3,7	3,6	3,4	3,0
Investment incentives	2,8	2,8	2,8	2,8	3,1	2,8	2,8	2,8	2,7
Tax system	3,1	2,8	2,8	3,1	3,0	3,0	3,2	3,2	3,0
Legal system	2,6	2,6	2,8	2,9	2,8	3,0	3,2	3,2	3,1
Defence	3,4	3,6	3,6	3,6	3,8	3,9	3,7	3,6	3,0
Low production costs	3,3	3,2	3,2	2,9	2,9	2,7	2,7	2,5	2,9
Infrastructure	3,1	3,1	3,3	3,2	3,5	3,3	3,1	3,0	2,7
Energy resources	2,8	3,3	3,4	3,0	3,0	3,5	2,6	2,8	3,0
Availability of labour at management level	3,4	3,5	2,9	3,0	3,1	3,5	3,1	3,4	3,4
Availability of ‘hands’	2,7	2,8	2,5	2,3	2,4	2,7	2,2	2,5	2,7
Health system	2,5	2,4	2,4	2,7	2,6	3,0	2,7	2,7	2,6
Social security	2,8	2,5	2,6	3,0	3,2	3,0	3,1	3,1	3,0
Standard of living in Latvia	3,4	3,9	3,7	3,9	3,8	3,8	3,5	3,7	3,3

Source: FICIL Sentiment Index 2015-2023

Figure 10. On a scale from 1 (uncompetitive) to 5 (highly competitive), please evaluate the current status of the following drivers of Latvia’s economic competitiveness, in comparison to the other Baltic States



Source: FICIL Sentiment Index 2015-2023

1.6. Further investment plans of the foreign investors in Latvia

As in the previous FICIL Sentiment Index studies, in this year’s survey the foreign investors were asked - “Does your company plan to increase investment in Latvia? If yes, under what circumstances and in what period / amount? If not, why?”. Findings show that, despite existing challenges, 67% of the interviewed investors plan to continue investing in Latvia (See Table 6). Those respondents that do not plan to invest referred to an unpredictable geopolitical situation and small market/demographic situation. Among the barriers for investment, the administrative procedures at municipalities and a lack of co-financing opportunities were mentioned by the foreign investors.

Table 6. Does your company plan to increase investment in Latvia? 2023., n=66

Yes	44 (67%)
No	16 (24%)
Not sure	6 (9%)

Source: FICIL Sentiment Index 2015- 2023

Comments from the interviews are further summarised below in the form of quotes, providing more detailed information with regards to the intentions and the scope of further investment:

Yes, we plan to increase investment

Financial and insurance activities - "We want to increase our business and thus hire more employees".

Wholesale and retail trade; repair of motor vehicles and motorcycles- "Yes: 2-8M EUR in the next 3 years".

Agriculture, forestry and fishing – "Yes! No question about it".

Wholesale and retail trade; repair of motor vehicles and motorcycles- "Yes, invest in shopping business and business development".

Financial and insurance activities – "Approximately 20M EUR next year in IT".

Manufacturing- "Yes, if there will be no resistance from municipalities and if further EU co-financing will be available; overall it is still difficult to achieve required returns from investments made in Latvia".

Wholesale and retail trade; repair of motor vehicles and motorcycles - "Yes planning to increase. Subject to tender approval. 5 to 10 million planned".

Professional, scientific and technical activities - "Yes, we are planning to grow".

Real estate activities - "We are considering investing further, 100-200M EUR over 10 years. Market size and negative demography is the main hindrance".

Professional, scientific and technical activities - "Yes, Employment of 20-50 employees in a service centre".

Transportation and storage - "We are changing the business model a little bit so we are planning to invest around/at least 10M EUR".

Wholesale and retail trade; repair of motor vehicles and motorcycles - "Yes – future business development in the long-term perspective".

Professional, scientific and technical activities - "Yes, we recently opened a new branch of the company in Latvia. Expanding the business in Latvia was a careful decision. Latvia has a skilled workforce – necessary language knowledge, etc".

Real estate activities - "Yes, we plan to increase the investment in absolute terms".

Human health and social work activities - "In 2-3 years, ~ 8M EUR, to build a medical centre".

Human health and social work activities- "Yes, to adjust to the economic growth".

Professional, scientific and technical activities- "Yes, increasing the workforce. Planning to build a new team within the organisation. 3-year development period planned for this".

Electricity, gas, steam and air conditioning supply - "Yes- currently we have approved FDI of around 178 million. Together we plan to invest around 700 million in the next 2-3 years".

Construction - “Yes, we do and we will, for at least 6 years. Resource availability and opportunity to export to other markets are really good in Latvia”.

Wholesale and retail trade; repair of motor vehicles and motorcycles- “Yes, up to 5-10M EUR in the next 5 years, if the situation does not worsen”.

Information and communication- “Yes, for our business development – investment into network buildout”.

Manufacturing - “We are offered to invest in companies on a regular basis and it is likely that we will do so this year”.

Financial and insurance activities - “Yes, our general strategy is to grow in Latvia”.

Financial and insurance activities - “Yes, about 2M EUR each year, provided that the investment climate does not deteriorate further”.

Human health and social work activities - “Yes, the plan is to grow the company”.

Transportation and storage - “Yes, we do it every year. And we are looking for new business opportunities in Latvia. On average, we invest a few million per year. We look positively towards the future and we can do business under any conditions. Business has to move forward, regardless of anything”.

Financial and insurance activities - “Yes, Latvia is part of the group’s “home markets” where we want to grow by supporting investment in increasing the competitiveness of the Latvian economy”.

Financial and insurance activities - “Yes, proportionally to the normal course of business”.

Manufacturing - “Yes, we are doing this year to year -running processes to maintain our factory in the best condition”.

Wholesale and retail trade; repair of motor vehicles and motorcycles - “New investments in real estate and service development. Maintenance of existing assets. Every year approximately 2-3M EUR”.

Electricity, gas, steam and air conditioning supply - “Yes, in 2-3 years’ business 10-15M EUR, in 5-7 years around 150M EUR, if NECP2030 has clearly improved in quality, including private investors’ plans in the energy segment”.

Construction- “Currently starting at 26M EUR investment within the next two years, preparing for 300M EUR investment in 2027-2030. Political support of the government for big investments is needed, as well as support from the society. A clear plan for green transition in the country is needed.”

Wholesale and retail trade; repair of motor vehicles and motorcycles - “Yes plan to invest. Modernise and create new infrastructure objects (stores)”.

Financial and insurance activities - “Yes, we have a plan to increase investment. We are already doing this. This is related to the business opportunity, not related to the government/ministries”.

Manufacturing - “Yes, we plan to increase investment if there will be an opportunity. Our investment is around 30M EUR. This depends on discussions that we are having. This will be within 1-3 years”.

Other service activities - “Yes, we are planning to acquire some, to invest in some research and business units here. With R&D we mean our local labour force is very skilled to produce and create innovative

products for our business, which we usually patent. We are searching for ways to make business for these labs. But these labs will be for internal business. This will be done in 2024”.

Wholesale and retail trade; repair of motor vehicles and motorcycles - “We continuously continue to seek opportunities to invest if the returns are good. Overall, we are investing steadily unless we see an acquisition opportunity”.

Wholesale and retail trade; repair of motor vehicles and motorcycles - “Yes, further store expansion”.

Professional, scientific and technical activities - “Yes, we will continue our investment. Planned stable and active development in Latvia. Investing especially in staff and our specialists”.

Transportation and storage - “Yes, around 30M EUR, in the next 3-5 years”.

No, we do not plan to increase investment

Accommodation and food service activities - “No. We are focusing more on the Lithuanian market, as we are getting bigger returns and the market is bigger. Latvia is Riga, which is for the retail sector does not provide growth opportunities outside Riga”.

Administrative and support service activities - “No, we are only servicing the needs of our own company. Perhaps, in the future – if there will be special functions related to chemical production”.

Real estate activities - “No – no access to new funding from international sources”.

Professional, scientific and technical activities - “No planned investment”.

Transportation and storage- “No, we will invest more in Lithuania (LT) and Estonia (EE). LT has a bigger market and is closer to the southern part of Europe, where the biggest number of goods are coming in for the Baltics. EE because of less hierarchy and higher work effectiveness”.

Manufacturing - “Not in the next 3 years. We have just reached our current maximum, maybe in the future”.

Manufacturing - “Not in current situation (challenging for the industry). Maybe in the future”.

Transportation and storage - “No, as we invested in our new facilities 2 years ago, hoping it will fit our needs in the next 10 years. Smaller investments are made, as we are going in the green direction”.

Professional, scientific and technical activities - “No, no current plans for expansion. Concentrate on the return on investment. No particular negative reason, just the cycle of business”.

Professional, scientific and technical activities - “No, only business as usual investments. Geopolitics need to be clearer”.

Not sure, depends on various circumstances

Information and communication - “Currently on hold for geopolitical and demographic reasons”.

Wholesale and retail trade; repair of motor vehicles and motorcycles - “Under consideration”.

Electricity, gas, steam and air conditioning supply - "Increasing investment depends on the investment climate here. There are certain blockers such as environmental permits, fair competition from state-run companies, and clear strategy/policy from policy-makers and legislators. If all these are sufficiently managed by the state, it is possible to increase investment. If those do not improve then investment may either not reach Latvia or take significantly more time before approving certain investments".

Construction - "Investments in real estate projects are at a low level because of the market situation (high Euribor rates). We are planning to increase investments when EU rates start to reduce".

Real estate activities - "Would like to continue investing but having difficulty finding business cases. Examining projects and are ready to continue staying in Latvia, but there is a real lack of business cases. Need to consider broadening the business activity".

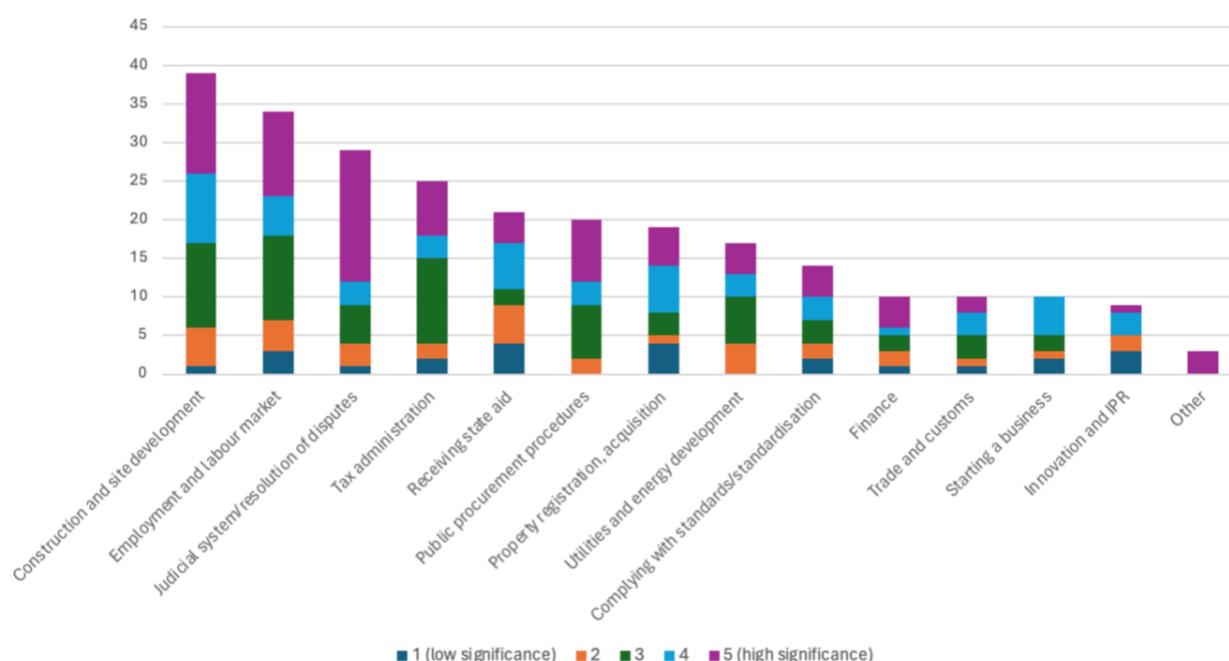
Transportation and storage - "Willing to but it depends on upcoming tenders and approach".

Other service activities - "We invest into our business development and will still do so. New investments are subject to opportunities in the future".

SECTION 2: EFFICIENCY OF PUBLIC ADMINISTRATION PROCEDURES AND THE SCOPE OF THE ADMINISTRATIVE BURDEN IN LATVIA

This section of the FICIL Sentiment Index 2015-2023 report is devoted to the efficiency of the public administration procedures and the scope of the administrative burden in Latvia. In this context, the foreign investors have been asked a few questions. The first one asked to select up to 5 areas of business where the companies of foreign investors have experienced challenging public administration procedures in Latvia. In addition, investors had to indicate the significance of these challenges for their business, using a 5- point scale, where ‘1’ means ‘low significance’, but ‘5’ means ‘high significance’. The findings are summarised in Figure 11. They suggest that a larger number of foreign investors experience challenging public administration procedures (with the highest negative impact) in construction and site development, employment and the labour market, judicial system/resolution of disputes, tax administration, receiving state aid, and public procurement procedures.

Figure 11. Please select up to 5 areas of business where your company has experienced challenging public administration procedures in Latvia. Next, indicate the significance of these challenges for your business. 2023, n=66.

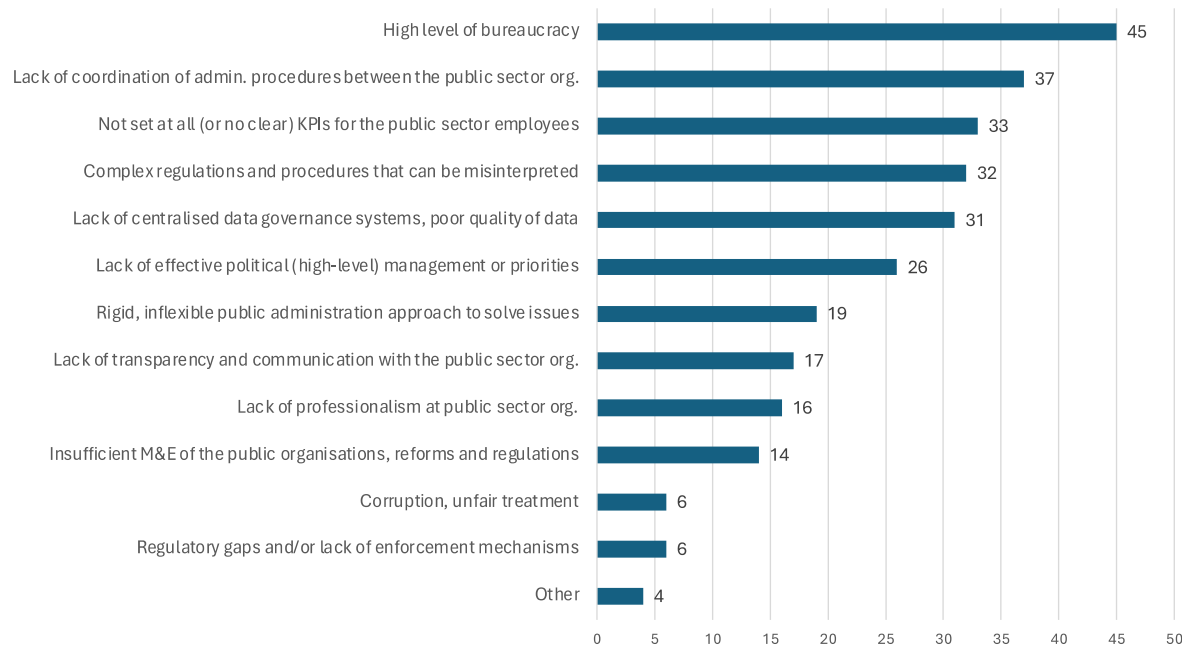


Source: FICIL Sentiment Index 2015- 2023

We proceeded by asking “In your view, **what are the key obstacles that create inefficient administrative procedures in Latvia?**”. Investors were provided a list of obstacles and asked to select up to 5 key obstacles from the list. The results are summarised in Figure 12, indicating that the key obstacles that create inefficient administrative procedures in Latvia is a **high level of bureaucracy**. Among other factors, a lack of coordination of administrative procedures between

the public sector organisations, a lack of or unclear KPIs for the public sector employees, complex regulations and procedures that can be misinterpreted, and a lack of centralised data governance systems, were mentioned by the foreign investors.

Figure 12. In your view, what are the key obstacles that create inefficient administrative procedures in Latvia? 2023., count, n= 66.



Source: FICIL Sentiment Index 2015- 2023

Other possible obstacles that were suggested include:

Real estate activities - “It is not corruption, there are vested interests, influencers. For example, Lembergs - he is in jail but still has influence.”

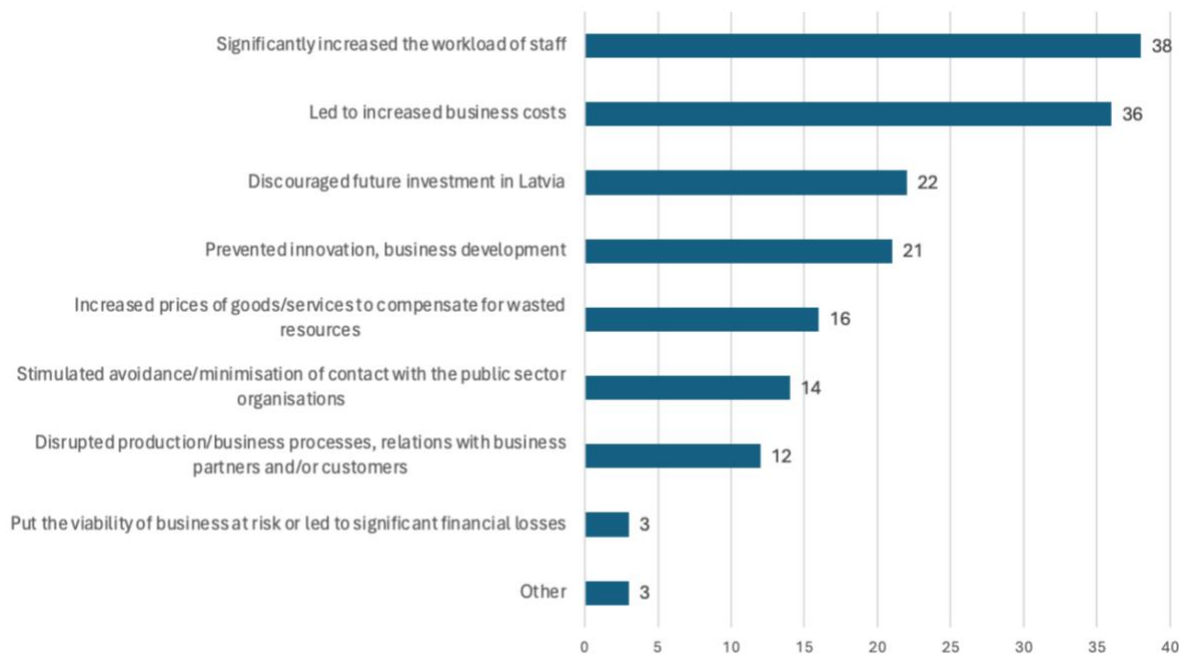
Financial and insurance activities - “Lack of customer centricity originating from a lack of understanding of where the funds for maintenance of the state/ state administration come from.”

Electricity, gas, steam and air conditioning supply - “Lack of resources in key areas. There are several public authorities whose resource availability directly impacts the investment climate.”

Wholesale and retail trade; repair of motor vehicles and motorcycles - “Lack of understanding of the business drivers or economic drivers, brings inadequate focus on one industry.”

Next, the foreign investors were asked about the **impact that the inefficient public administration procedures in Latvia have had on their businesses**. The two most frequently mentioned impacts are a significantly increased workload of staff and increased business costs. Other frequently mentioned impacts include a discouraged future investment in Latvia, prevention of innovation and business development (see Figure 13).

Figure 13. What impact have the inefficient public administration procedures in Latvia had on your business? 2023, n=66.



Source: FICIL Sentiment Index 2015- 2023

Overall, foreign investors highlighted that the administrative burden adds to other challenges that investors experience (e.g., inflation, lack of human capital) and, as a result, these create disincentives to continue investing. Furthermore, additional taxes and sanctions increase the administrative burden, which results in a higher workload for staff. The foreign investors also mentioned that the administrative procedures for foreigners, especially related to banks, purchase of real estate, are more complex. In this light, complex and often unclear legislation creates confusion - even at public sector institutions - and leads to unpredictable decisions, many reporting requirements and duplication of efforts.

Investors also highlighted that the court procedures are long, and they create a high risk of sanctions due to delays. In addition, many investors pointed out that the public procurement procedures are highly bureaucratic, while the state-owned companies get preferential/unfair treatment. Thus, investors argue that consistent policies and a better alignment of the administrative processes across the public sector institutions are needed. Lastly, a low level of trust in politicians and public sector institutions were highlighted in many comments, suggesting that the public sector institutions should foster a stronger dialogue with the foreign investors.

Below are a number of quotes related to the perception of the administrative burden in Latvia:

Agriculture, forestry and fishing- "Birds are more important than humans - before building wind farms, first an assessment on birds is made, only then humans are assessed."

Construction - "No economic development of Latvia discourages business development for us."

Wholesale and retail trade; repair of motor

- Wholesale and retail trade; repair of motor vehicles and motorcycles - "EU sales are subject to additional taxes which has led to higher costs. Has had a much higher cost impact for business."*
- Professional, scientific and technical activities - "As a legal services provider, the main challenge is proper budgeting for the clients in cases where public sector / public administration involvement is required, as often actions of the public sector and, consequently, staff workload, cannot be predicted with reasonable certainty."*
- Transportation and storage - "Due to sanctions, the workload has increased."*
- Professional, scientific and technical activities - "Negative connotations around politics and politicians, a low-level of trust in politicians."*
- Accommodation and food service activities - "Construction permits and the fiscal policy."*
- Real estate activities - "All these answers are related - if you drag something out - more resources, higher prices, labour. We are not yet there with discouraged investment, but it is an uphill battle with investment. We are only in Latvia because of diversification. But we could diversify the portfolio somewhere else."*
- Human health and social work activities - "Compared to Lithuania, the procedure of purchasing real estate is long-lasting and quite complicated for foreign investors. For our company, it took almost two weeks to receive the pre-emptive rights decision after submission of the executed sale purchase contract to the municipality. Following such a long-lasting procedure, the most common way to pay for the purchase of real estate is payment via escrow accounts, which requires additional efforts for foreign investors to deal with banks."*
- Human health and social work activities - "Ministry of Health needs reforms and change management, needs to listen to the businesses more; foster dialogues and compromise."*
- Real estate activities - "Administration of bank accounts. It is partially due to public administration's set regulations that affect the private sector. A certain amount has to be*
- vehicles and motorcycles - "We rarely take part in public procurements due to the high level of bureaucracy."*
- Information and communication - "Favouritism in the market, especially towards state-owned companies, which bring higher costs and lost revenues for other market participants."*
- Manufacturing - "No major negative impact but bureaucracy creates frustration."*
- Financial and insurance activities - "Inefficient and unpredictable public administration results increased service costs for customers."*
- Financial and insurance activities - "Take more risk within the country - reliability and trust towards consistent policies."*
- Manufacturing - "We have to wait 5 hours to get an electronic signature - further digitalisation would be more efficient."*
- Human health and social work activities- "Bureaucracy related to the workforce contracts. Why do we need to create a fictitious application for acceptance of employment, even though the employment contract has already been signed? Why is there a need for an order if there is a contract? Why can't we skip the pile of documents and just go with the employment contract."*
- Financial and insurance activities - "Mortgage levy for banks."*
- Financial and insurance activities - "Interpretation and implementation of EU-wide regulation (e.g. financial sector regulation) is in many cases unnecessarily strict in Latvia compared to neighbouring and other EU countries. Example: Unnecessary strict and unusual (compared to the neighbouring countries) interpretation of the AML law by the State Revenue Service as to whether an entity engaged in issuing loans (within investment projects) to the members of the group of companies qualify as an obliged entity."*
- Electricity, gas, steam and air conditioning supply - "Lack of resources of public authorities approving environmental permits and a lack of decision-making and resources of the Competition Council has both led to*

deposited after which have to wait several weeks for the AML to be processed. We have seen that persons who are Latvian citizens but not residents have had issues with opening a bank account, let alone businesses. It is very difficult to get things done even for an individual.”

Information and communication - “Reporting requirements due to complex legislation and duplication of efforts, long court procedures with a high risk of delayed sanctions, unethical business practices in public procurement.”

Professional, scientific and technical activities - “Given the nature of business, there is no direct negative impact of administrative burden on business.”

Professional, scientific and technical activities - “We strongly feel the impact of discouragement of future investment in LV from our clients. Sometimes we work together with LIAA when we have potential companies that want to locate in LV. Selling LV to potential investors, in a lot of cases investors choose LT or PL instead.”

Professional, scientific and technical activities - “There are no particular issues the company faces.”

Professional, scientific and technical activities- “To fulfil the bureaucratic requirements means extra work for the staff, for example, to fulfil the stricter (more demanding) KYC or AML requirements.”

Transportation and storage - “Need to employ more people to fulfil the rules, means more working hours and payment for them - increased cost for business.”

Professional, scientific and technical activities - “Unreliable answers from the state institutions (for example, SRS).”

discouraged future investments and significant increase of workload for our staff, as well as other things listed above. The foggy approach of the Ministry of Climate and Energy has made our work more difficult and time consuming.”

Construction - “AML procedures create unnecessary costs and bureaucracy.”

Wholesale and retail trade; repair of motor vehicles and motorcycles - “Increase of compulsory reserve storage fees from 2024.”

Construction - “Need to wait for a long time to obtain building permits and commissioning in Riga.”

Wholesale and retail trade; repair of motor vehicles and motorcycles - “Entails higher workload of staff, also lengthier, also no support from state so it just costs the business more. Could be much faster (in Green Deal terms) investment if the state would encourage it..”

Manufacturing - “We have to follow changes in the legislative/regulatory processes, which might affect our business in a bad way.”

Transportation and storage - “No development.”

Other service activities - “Our business tends to be over-regulated compared to many others or similar businesses in EU. The burden is directly related to the higher business costs.”

Wholesale and retail trade; repair of motor vehicles and motorcycles - “Need to set clear strategic objectives, allocate resources (reduce resources in non-priority areas) this would automatically reduce non-essential work.”

One of the questions in the FICIL Sentiment Index study of 2023 was focused on comparison of the administrative burden in other countries. Namely, **“How does the administrative burden in Latvia compare to other countries (please name a country) where you operate? Could you please share any concrete examples where a decision was reached faster due to lower administrative barriers?”** The results show, that, when compared to the other Baltic States, the administrative burden in Latvia seems **higher overall**, although some procedures are faster and more efficient. Investors also pointed out Latvia’s **distinctive administrative features** – a

tendency to fine and penalise, rather than explain, as well as a higher level of bureaucracy, lengthy procedures, requirements for translation to Latvian, a lack of digitalisation and transparency, favouritism towards state-owned companies. Investors also highlighted that for the business operations outside the EU, Latvia has many additional administration procedures.

Finally, we asked the foreign investors to provide **up to 3 potential solutions to reduce the administrative burden in Latvia**. To summarise, the solutions include:

- Reducing the bureaucratic apparatus to increase efficiency;
- Fostering centralisation of administrative procedures to ensure effective coordination of administrative processes;
- Improving communication/engagement between the policy-makers and investors/entrepreneurs. This would improve the quality of policies, administrative processes and a business climate, due to greater transparency, better communication between the stakeholders;
- Fostering digitalisation and a better exchange of data between the public sector institutions;
- Formulating a clear strategy for the country and for institutions to ensure alignment between priorities/policies and a better use of resources;
- Developing result-oriented KPIs for the public sector institutions to improve accountability.

Quotes from the interviews on this question are further displayed in Appendix 3.

SECTION 3: MS. PRIME MINISTER, YOU'VE GOT MAIL

The last question of the FICIL Sentiment Index 2023 asked the foreign investors to draft a message to the Prime Minister of Latvia, suggesting what should be done for Latvia's economy to accelerate. To summarise, the key messages to the prime minister are as follows:

- Investors encourage the prime minister to be brave, ambitious, strong and bold. They encourage the taking of take radical decisions, where needed.
- There is high concern about the demographic situation – there are requests for pension, migration and education reform. In short, no people – no economy.
- The private sector is willing to collaborate and support good reforms. In particular, investors are willing to facilitate upskilling of the labour force.
- A call for a long-term strategy with clear priorities and consistent policy-making and a business-oriented approach.

- The focus should be on determining Latvia's competitive advantage, increasing productivity (through investments in education and health), boosting export capability (through investments in innovation and technology), improving the infrastructure (some respondents highlight the importance of Rail Baltica), building partnerships and ensuring predictability of the environment to encourage more investment.
- Investors should have a feeling of security and enjoy a favourable climate for business/investment. Thus, they would appreciate more openness for communication and more support for investors/entrepreneurs. The neighbouring countries attract and support businesses (both small and large) much better.
- More fairness, transparency and eradication of favouritism of the state-owned companies are needed.
- Reduction of bureaucracy is critical, therefore digitisation should be promoted and better coordination between the public sector institutions is needed. Some municipalities create many additional barriers for business.

Below are summarised quotes from the interviews:

Financial and insurance activities - "Old age poverty is still a major problem in Latvia today. In view of the increasing life expectancy on the one hand, and the continuing frequently limited financial possibilities of people to provide for their old age on the other hand, it is important to create and support a comprehensive pension system consisting of several pillars and supported by corresponding tax benefits. Similar to other European countries, Latvia introduced a 3-pillar pension system in 2001. However, we have to admit that it has not reached the necessary maturity and has not changed the relevant habits of the society. There is still a low awareness of the importance and benefits of saving for retirement, and the pension system is often the subject of disputes about its value, bringing in quite opposing opinions, which does not help to build trust and sustainable involvement of participants. Also, we see that currently all major educational efforts about the purpose and the variety of ways (state pension, bank and insurance provision, etc.) are left exclusively to the companies (service providers), which is unfortunately not enough.

What is your vision of reducing poverty in old age and possible ways of cooperation to ensure that people in Latvia are aware of this important issue, and that we make joint efforts to build trust in the pension system and increase awareness of its benefits and variety of solutions?"

Wholesale and retail trade; repair of motor vehicles and motorcycles - "Have a vision; set mid-term objectives and a road map - be consistent."

Agriculture, forestry and fishing - "Remember that Latvia's land resource is one of the guarantors of economic stability. Its effective use brings great economic benefits. There is no need to impose the many different restrictions and to sing along with European regulations. And if we impose any restrictions, then grant refunds, adequate refunds".

Financial and insurance activities - "Be strong and consistent in defining and executing the vision for Latvia. Build around your team's competence and reputation and you will have enormous power!"

Manufacturing - “Make local production and export capability more competitive and ease doing business in Latvia in every way possible”

Information and communication - “Invest in innovation and technology and prioritise education and skills development for emerging industries.”

Wholesale and retail trade; repair of motor vehicles and motorcycles - “We would like to see a more business-orientated approach from all the government institutions. Ready to collaborate on things and requests of the government - for instance education institutions. Aviation college - certain training in line with market needs. Can provide training for aviation employees and they will stay in Latvia. The government provides limited support, but private entities could take on the role and provide such service. Certain support programmes. Work together with municipalities. Looking to increase the number. of similar programmes. Can be applicable to any sector”.

Wholesale and retail trade; repair of motor vehicles and motorcycles - “Very clear and realistic “USP” for Latvia - why somebody should invest here. Make LIAA’s work more competitive-based on this “USP” (vs. EE and LT for example) – more like an enterprise than a formal agency.”

Professional, scientific and technical activities - “The PM needs to start making bold decisions! She should start going to entrepreneurs and investors in person - she needs to become more available and start thinking about creating a sense of security and trust in investors and in society.”

Real estate activities - “The #1 priority for stimulating further investments is to resolve the demographic challenge in Latvia. Focus on opening up the labour market fast. Introduce support mechanisms for growing the population. Activate the financial markets through privatisation and international cooperation. Political bravery is needed!”

Professional, scientific and technical activities - “Education should be the highest priority above all other areas.”

Professional, scientific and technical activities - “It is of paramount importance to make the right long-term decisions to ensure that Latvia's economic development not only does not lag behind that of Lithuania and Estonia, but overcomes the middle income trap. It is also critical that sufficient investment and attention is paid towards both external and internal security in the current geopolitical situation.”

Transportation and storage - “You should look into the future and see the vision and the strategy, and spend less time thinking about the small, insignificant details. You should be like a captain of the ship - you have to see the horizon!”

Wholesale and retail trade; repair of motor vehicles and motorcycles- “Invest in human capital and education”.

Professional, scientific and technical activities - “Be brave and find a focus, find a couple of priority areas”.

Accommodation and food service activities - “A more favourable investment climate - human capital, innovation and reducing the administrative burden.”

Real estate activities - “Dear Ms. Siliņa, if there was one thing that could put Latvia’s economy into the next gear, it should be completion of the Rail Baltica project. Just imagine the new “catchment area” of Rīga—with all our business, culture and education opportunities and the largest airport in the Baltics once high-speed trains connect it to (at least) Pärnu and Panevėžys, preferably also Kaunas. An additional 400,000 people could commute to Rīga - almost as quickly as to the capital cities of their respective countries. Rīga could finally become the true centre and capital of the Baltics! And since Rīga and Pierīga together make up 2/3 of Latvia’s GDP, having access to all that additional human capital

and potential “clients” for our services and infrastructure will undoubtedly propel our economy to new heights. Despite much scepticism, Rail Baltica is a game changer, especially for Rīga and Latvia. Please make every effort you can to make it happen.”

Administrative and support service activities - “Do not be afraid of large changes that seem unfeasible, unrealistic. Try to take a significant change, it might work out.”

Human health and social work activities - “Currently, we are experiencing high uncertainty and geopolitical challenges, and foreign investments are essential for the Latvian economy. We believe that increasing productivity, building partnerships, and promoting an orderly and predictable environment will allow investors to increase capital, attract more labour and use existing capital or labour more efficiently, as well as creating an even more attractive environment for foreign investors.”

Human health and social work activities - “Stabilise the economy and work more with the business sector, please open up a dialogue. Create a more positive investment climate. You need to work smart in geopolitics to create a sense of security for everyone.”

Financial and insurance activities - “Moving from discussions and planning, to identifying a small number of key areas of focus, and executing them relentlessly will show how serious Latvia is to improve and thus, be the investors “go to” place. This will boost the economy, resulting in greater investment in education, health, infrastructure and therefore the overall standard of living.”

Other service activities - “Dear prime minister, Do you see that the banking sector could facilitate the onboarding of reputable non-residents? This would attract foreign investors and develop the local economy.”

Real estate activities - “SUPPORT THE START-UP ECONOMY - BIG TIME! That is the main differentiation between LV with EE and LT”.

Information and communication - “Trust inspires people and gives them the freedom to dream - let's make Latvia the country where your dreams come true. Fair treatment of all and a level playing field could provide a new social contract - but we all have to be brave enough to dare. So, dare to lead and challenge! Need to allow businesses to be involved in the creation of the future of the country. Also allow them to participate in the realisation of this dream.”

Professional, scientific and technical activities - “Look at capital markets and public companies and how to improve their performance. If companies go for IPOs they come under the scrutiny of investors.”

Professional, scientific and technical activities - “Digitalisation needs to avoid having heavy bureaucracy on top of it. Look at what Estonia did - they did not have these top-heavy regulations and bureaucracy, it has made it easy for them to implement new initiatives and projects. Also, this has made them more attractive to the EU and is the reason why they have received so much funding. They are also transparent about failures and successes.”

Electricity, gas, steam and air conditioning supply - “Have stronger ambitions, and be braver, especially in green energy development. Do not just fill out the minimum of the required goals but have broader, bigger ambitions. You have interest from investors and we could become a country that exports sustainable, green energy.”

Construction - “Understand what we would like to achieve, how to measure it. And do not think about it in 4-year periods. Focus on a clear goal.”

Wholesale and retail trade; repair of motor vehicles and motorcycles - Latvia will develop rapidly if the level of shadow economy is reduced by half”.

Transportation and storage - "The prime minister must push all state-owned (semi-owned) companies to IPO. Simplification of taxes and increased responsibility for underhand entrepreneurs with real jail sentences. The judiciary situation must be significantly improved. Currently, trial processes take years. Make a political decision regarding the lack of labour. We will have to let foreign people in. Let's agree how many, what kind, from which countries".

Information and communication - "We need to eradicate the roots of favouritism, which is apparent in markets, where commercial organisations compete with state-owned companies. This prevents investments and innovation, while keeping costs high. Digitalisation and standardisation of processes, procedures, data systems, could be a way towards this."

Manufacturing - "Give the forest and wood sector opportunities to develop businesses by not intervening with reduced harvesting volumes. Also do not put aside too much land for carbon capture, and do not abandon the FSC certification."

Financial and insurance activities - "Put interest of entrepreneurs first, not only in public rhetoric, but also in real life decision-making process – it is entrepreneurs (not the government or workforce) who make the economy grow."

Financial and insurance activities - "Can you, Ms. Prime Minister for once get your act together and think in more than a 4-year cycle! Constant compromises and not being able to act on meaningful reforms in many fields (e.g. education, school network, SRS, state and municipality-owned company inefficiencies, EU funds, Rail Baltica, Latvian Post, Passenger Railways) will only drag LV further apart compared to the other Baltic States".

*Manufacturing - "The labour market is very limited - the knowledge and skills are limited. Our education system should respond to the needs of the labour sector.
The level of bureaucracy should be readjusted - we should work smarter not harder."*

Manufacturing - "Reduce the "grey"/shadow economy, increase efficiency of the public sector, improve infrastructure in regions, consider the best way to implement common EU regulations."

Human health and social work activities - "Reduce bureaucracy."

Transportation and storage - "We wish Evika Silina to concentrate on human resource issues, given the lack of a labour force in Latvia. This is the basis for the economy. The government should focus on specific industries that are prioritised.

Every municipality has some funding, which is fragmented and as a result there is a lack of achievement. There is a politicisation of the municipalities. They have a big impact on the local economy and this disrupts the economy. Plus, municipalities create more administrative challenges, more paperwork. Local companies should focus on big projects to ensure efficiency, therefore larger public procurement projects for local companies are welcomed."

Financial and insurance activities - "Let`s join forces, ideas and resources on solving the real challenges of the Latvian economy and avoid populist and free market intervention initiatives that reduces Latvia`s attractiveness as an FDI destination and harms its long-term competitiveness."

Financial and insurance activities - "To listen to and implement advice of the industries` experts on changes/improvements in regulation/legislation, taxation, public administration."

Electricity, gas, steam and air conditioning supply - "Have a clear-non-apologetic strategy for the next 20 years that can be appropriately adjusted once necessary. The investment will come."

Manufacturing - "Minimise the administrative burden, make lower operation costs for companies, greatly improve the workforce policy so Latvia can get workers from abroad more quickly and easily."

Construction - “Red carpet for foreign direct investments and reduction of bureaucracy in the public sector”.

Electricity, gas, steam and air conditioning supply - “Focus on discipline and productivity in the public sector - if the government says to attract investors, then ministries should not be allowed to distort the picture and act irresponsibly! Implementation of the heritability principle in a positive way - when the existing government decides to move to a certain strategic goal, the same goal must be taken to the next government at least for two generations!”

Construction - “Go for a key economic focus topic in Latvia and build and develop further attractive sectors around it. This could be green economy related, as well as other sectors, like drones or other new technology. For the green economy, we need a clear vision and plan for how to use it for the further growth of Latvia.”

Real estate activities - “Good luck, wishing the Prime Minister luck.”

Wholesale and retail trade; repair of motor vehicles and motorcycles - “Motivation of the PM to remember that the private sector is the one that earns money - brings money. If there were a lot of competitive companies that can bring money from export in Latvia, everyone will better off.”

Financial and insurance activities - “There are corruption elements in the country. This depends on people. Old-fashioned people create issues in collaboration between the public sector and entrepreneurs. There are some minor positive changes in the administrative procedures – the burden is a bit lower than before.”

Electricity, gas, steam and air conditioning supply - “Policy-makers should be braver, more open-minded.”

Manufacturing- “Please try to develop and hold on to a long-term strategy. Make sure that you are consulting with the NGOs. The complexity is to ensure that the decisions made today will continue the vision/strategy taken now, to ensure continuity and stability. Green energy sectors should be in particular focus.”

Transportation and storage - “It is appreciated that the prime minister has selected priorities for development and follows them, instead of spreading efforts across many areas that produce no results. In addition, it is appreciated that the government focuses on reaching concrete results, instead of blaming political opponents for mistakes. What would help business and support the green agenda? Create incentives for the electrification of vehicles, as in other European countries, including Lithuania and Estonia. Allow drivers of B category vehicles to drive up to 4.2 tonnes (instead of 3.5 tonnes), as in many other European countries. This is essential for stimulating the electrification of vehicles, as electric batteries are very heavy and current regulations do not support long-distance travel with electric vehicles. This would be of no cost to the government, but support long-distance travel and reduce business costs.”

Transportation and storage - “Public-Private-Partnership will help your country and will create state benefit.”

Other service activities - “Please choose one direct target to achieve as a country. We do not need to be the best, to compete with Estonia, Let us go lower to achieve it. Do not go broad, but more focused (is it green economy, finance sector etc.).”

Professional, scientific and technical activities - “Zero tolerance for the companies supporting the shadow economy. Reconsider the approach to education that has a considerable impact for the development of the economy.”

Other service activities - “Please focus on market de-regulation and liberalisation, combined with increased efforts to combat the shadow economy. This cocktail would bring the long awaited boost in taking over neighbouring countries.”

Financial and insurance activities - “Let's decide what kind of economy we are living in. There is no way in between. If it is capitalism, then let's act like that - allow free competition, stop impacting the market through state-owned businesses, align the tax regime accordingly. And please start to work together (state and municipalities) towards a prosperous and wealthy Latvia. Act fearlessly and fast, and the private sector will follow you.”

Wholesale and retail trade; repair of motor vehicles and motorcycles - “Define 2-3 strategic priorities and implement the changes fully. As potential strategic priorities we need to overinvest in both financial and human resources: - Education: From kindergarten to universities by allocating the best resources to establish programs, hire the best talents and pay salaries that are 50% above average or more, consolidate schools and resources. It would allow the building of a strong foundation for everything else. - Security (Physical and Cyber). By strengthening military forces with technology, as we have a limited number of people. - Human health and wellness. This should start with preventive activities (e.g. sport at school and after school, with more focus towards team sports, Preventive healthcare checks for all people to identify issues early) and allocate more money towards screening, doctors vs. building new hospitals and buildings that don't heal. Build a clear security net - if something happens we have your back (similar to Scandinavia).”

Professional, scientific and technical activities – “The PM should increase efforts in investment attraction. It should be a Top 5 priority.”

Professional, scientific and technical activities - “Figure out what the basis of the country's economic growth will be so that the country can develop and afterwards implement it. Prioritisation is key. Prime minister and government - what will you be proud to announce after a year, in terms of both investment attraction and economic growth?”

Professional, scientific and technical activities - “Bold results require bold actions. Big improvements cannot be based on compromises. I wish for the PM to make those bold decisions: Climate and energy, capital markets, the competitiveness of our people in the future job market, education and science. Be bold in setting the goals, financing and demanding the results!!!!.

Transportation and storage - “Implement the solutions to reduce the administrative burden. Public sector effectiveness. Create an environment that supports SMEs so they can work honestly but also pay something (taxes). Not process but effectiveness-based work of the public sector.”

Appendix 1. Foreign investors that took part in the 2023 study

AFI Europe

AFI Europe is part of AFI Properties, one of the leading real estate development, management and investment companies, operating in Central and Eastern Europe since 1997. The company owns, develops and manages properties and projects in Israel, Central and Eastern Europe, with on-the-ground teams comprising nearly 200 professionals.

Arvato Systems

Arvato Systems is a global IT specialist that supports major companies through digital transformation. More than 4,400 staff in over 25 locations epitomise in-depth technology expertise, industry knowledge and focus on customer requirements. Working as a team, they develop innovative IT solutions, transition our clients into the Cloud, integrate digital processes and take on IT systems' operation and support. In 2017, Arvato Systems extended its international family with newly established company, SIA Arvato Systems Latvia. They have around 60 employees, focusing on SAP consulting in the retail sector, a 24/7 service desk and application management.

ATU Duty Free

ATU DUTY FREE is a joint venture between TAV Airports and UNIFREE Duty Free/Gebr. Heinemann. ATU welcomes millions of travellers around the globe each day, serving them with the world's most desirable brands through a portfolio of sparkling duty and tax free shops, brand boutiques, concept stores and sub-contracted stores.

Balta (part of PZU Group)

PZU is one of the largest financial institutions in Poland, as well as Central and Eastern Europe. The Group is led by Powszechny Zakład Ubezpieczeń S.A. (PZU) – a company listed on the Warsaw Stock Exchange. For over 200 years, the core of PZU Group is insurance activity, which aims to ensure a sense of peace and security for their clients through the offered comprehensive insurance protection in all crucial areas of private, public, and economic life. PZU acquired BALTA in 2014. With 30 years of experience, BALTA is the leading non-life insurance company in Latvia, with more than 600 employees, including a distribution network of 300 agents and 42 branches across Latvia.

Baltic Candles LTD

Baltic Candles LTD has a history of nearly a century long, and experience in candle production. Currently, the company is the largest candle producer in the Baltic States and one of the largest in Europe. It produces more than 5,000 tons of candles a year. They have wide experience in producing various types of candles, for both indoor and outdoor use. The company is situated in Dobele and is proud of employing more than 300 residents of this area.

Baltic Container Terminal

BCT is a privately-owned container terminal operating within the free zone of Riga Freeport. Mariner S.p.A. of Italy has acquired the full shareholding interests of BCT. The terminal has become the fastest-growing container handling facility in the Baltic States and enjoys a proven track-record with its clients through the quality of its work, high standards, productivity, safety.

BDO Latvia

BDO Latvia is an integral part of BDO, which stands as one of the largest and most prominent accounting and consulting networks globally. BDO, founded in 1963, is part of a global network that spans more than 160 countries and territories, with 111,000+ people working out of more than 1,800 offices. Together, BDO works to provide their clients with exceptional service, no matter where in the world they do business.

Bergs Timber AB

Bergs Timber is part of the Berg Group, which consists of a group of independent subsidiaries with clear responsibility for results that develops, produces and markets processed wood for various applications. With many years of experience in wood and with great expertise in further processing, Bergs contributes to building a sustainable society based on renewable raw materials from sustainably managed forests in the Baltic Sea region. Currently, the Berg Group is conducting business in Sweden, Latvia, Poland and England.

BITE

BITE is the fastest-growing mobile communication operator in Latvia, for already more than seventeen years providing modern, innovative mobile communication services matching the customers' desires and needs. Currently, more than 20,000 companies have chosen BITE as their information technology and telecommunication services provider. BITE annually invests approximately 10% of its turnover in development of its network infrastructure and services. BITE employs over 800 people. BITE's first 5G station was built in June 2019.

BTA Baltic Insurance Company

BTA is the insurance market leader in the Baltic States, offering a broad range of non-life insurance services. BTA is a human-centred company driven by technologies and innovations. Since 2020, Vienna Insurance Group AG, a leading insurer in Europe, has become the 100% owner of BTA voting shares. BTA holds more than 29+ years of experience in the insurance market, as well as more than 606,000 clients worldwide.

Cabot Latvia

Cabot Latvia is a Business Service Centre consisting of more than 250 enthusiastic and talented team members. The centre operates as part of a Global Business Services organisation within Cabot Corporation and it provides end-to-end process delivery to Cabot internal and external customers. Cabot Corporation has been an industry leader for more than 140 years and currently employs approximately 4,300 employees worldwide.

Circle K

Couche-Tard is a leader in the Canadian convenience store industry. In the United States, it is the largest independent convenience store operator in terms of the number of company-operated stores. In Europe, Couche-Tard is a leader in convenience store and road transportation fuel retail in the Scandinavian countries (Norway, Sweden and Denmark), in the Baltic States (Estonia, Latvia and Lithuania), as well as in Ireland, and also has an important presence in Poland. Circle K has grown into a successful global company with close to 15,000 stores in 24 countries with more than 120,000 people working at their stores and offices.

Deloitte

Deloitte Latvia is one of the leading firms providing professional advisory services in audit, tax advisory, consulting, risk management, financial, and legal services. Currently there are 150

professionals at Deloitte Latvia office, 13,000 in Central European member firms and more than 415,000 in the global Deloitte network.

DHL Latvia

DHL is the world's leading logistics company. 600,000 people in over 220 countries and territories work every day to help costumers cross borders, reach new markets and grow their business. DHL transports everything, from heavy trains and satellites, to small, but essential, rubber corks that seal vaccine doses.

DPDgroup

DPDgroup is one of the world's leading parcel delivery networks, aiming to be a reference in sustainable delivery, and become a leading enabler of e-commerce acceleration, by combining innovative technology and local knowledge to provide a flexible and user-friendly service for both shippers and shoppers. DPD is part of Geopost, one of the world's leading parcel delivery networks operating in nearly 50 countries. Our 122,000 delivery experts deliver 8.4 million parcels worldwide each day through the brands DPD, Chronopost, SEUR, BRT and Jadlog. In Latvia, DPD Latvia is the market leader for parcel deliveries, every day more than 250 professional employees take care of customers' parcels and make deliveries, in order to reach the recipients as quickly and conveniently as possible.

Ellex Klaviņš

Ellex is in the forefront of digital innovation with a team of 200+ experienced and knowledgeable legal specialists to help businesses develop winning strategies. Drawing on nearly 30 years of local expertise from across the Baltics, Ellex's interconnected network incorporates digital law to accelerate results. No matter the level of digital competence, everyone can benefit from the legal infrastructure provided by Ellex that will accelerate the success of any business. Ellex also fosters a culture of sustainability in the workplace and strives to make the world better for everyone.

Enefit Green

Enefit is the second largest electricity trader in Latvia. Along with the broadest range of electricity purchase products available on the market, Enefit also offers energy solutions, natural gas and support instruments for energy efficiency improvement, as well as installation and financing of solar panels. Parent company of Enefit, Eesti Energia is the largest wind energy producer in the Baltic States. Enefit was founded in 2006, and is a registered electricity and gas trader in the entire territory of Latvia. In the international market, Enefit is represented in Estonia, Lithuania, Poland and Finland.

Eolus Vind

Eolus is the leading wind power developer in the Nordic region. Today, they develop, establish and manage renewable energy projects in wind power on land and at sea, solar power and energy storage. The company offers attractive and competitive investment opportunities in the Nordic region, the US, Poland and the Baltics to both local and international investors. With their competent and dedicated staff, they are taking the company forward at a rapid pace and driving the transition to renewable electricity generation. The company's main business is to design and construct facilities for renewable energy and energy storage. Eolus currently has operations in Sweden, Norway, Finland, the US, Poland, Estonia and Latvia.

ERGO Insurance SE | ERGO Life Insurance SE

Ergo Insurance in Latvia is part of the ERGO Group. The Group is represented in over 25 countries worldwide, concentrating on core and growth markets in Europe and Asia. ERGO Latvia offers a comprehensive range of insurances, has 38 branches in Latvia, and more than 640,000 clients rely on ERGO in the Baltic States.

Eversheds Sutherland Bitāns

Eversheds Sutherland is one of the world's largest corporate law firms. Committed locally with Latvian office – Eversheds Sutherland Bitāns, but connected globally, with 74 offices covering 35 jurisdictions with more than 3,000 lawyers and 750 partners. The law office provides full service legal assistance in all areas of business law.

Evolution Gaming Group

Evolution is a multinational B2B innovator and creator of products and software for one of the world's most fast-paced industries – online gaming. They have the full product chain inhouse and across 20+ locations, their constantly growing team of 12,000+ EVOLutioneers work united by their values - live, do the right thing and work together to provide their customers with unique and unexpected entertainment experiences around the world. Evolution Latvia was founded in 2006. From its modern studio in Riga, 3,000+ EVOLutioneers work to develop and maintain online gaming products and provide video studio services.

EY

Ernst & Young is a global leader in assurance, tax, transaction, and advisory services. The insights and quality services EY delivers help to build trust and confidence in the capital markets and in economies over the world. The company develops outstanding leaders who team together to deliver on its promises to all its stakeholders. In doing so, EY plays a critical role in building a better working environment for the people, the clients, and the communities. EY employs more than 300,000 people.

Graanul Invest

Graanul Invest is a world leading biomass and bioenergy producer. They believe that their leadership in biomass is key to meeting the global climate challenge. Graanul Invest Group has been developing the bioenergy field for over 18 years and lead the industry with some of the most advanced process and technologies. Graanul Invest is an international group with 12 modern pellet plants in the Baltics and US, and six combined heat-and power plants in Estonia and Latvia. The Group employs 500 people. LATGRAN is a proud member of Graanul Invest group, the global leader in wood pellet production.

Gren Latvia

Gren Latvia is a leading clean-energy company that provides its customers with electricity, heating and cooling as well as smart solutions to improve resource efficiency. Electricity produced in Jelgava's power plant is sold in the Nord Pool Spot, as well as to large industrial customers. Since summer 2018, Gren Latvia is also operating in Daugavpils where it produces heat energy and electricity. Gren employs over 340 people in Latvia, Lithuania, Estonia, Finland and Sweden.

Ignitis Renewables

Ignitis Renewables is an international green energy company operating in the three Baltic States and Poland. Its objective is to develop a low-carbon electricity generation portfolio with a focus on offshore wind, onshore hybrid, Power-to-X and storage technologies. By developing new

projects, the company is implementing the strategic goal of Ignitis Group to enable green and flexible capacity build-out and to deliver 4–5 GW of installed green generation capacities by 2030.

Ingka

Ingka Group consists of three business areas. Its core business is IKEA Retail, which consists of 379 IKEA stores across 31 markets, and counting. Each year, Ingka Group welcomes 657 million visitors to these stores, and has more than 3.8 billion visits to IKEA.com. Ingka Centres create great meeting places where each centre is anchored by an IKEA store. So far, they have established 44 experience-oriented shopping centres across Europe and China.

Knauf

Knauf is one of the world's leading manufacturers of construction materials for interior design, building insulation, and design ceilings. Knauf plants across the globe produce state-of-the-art drywall systems, plasters, and insulating materials, as well as external thermal insulation composite systems. Knauf has 220 production facilities and sales organisations in over 60 countries and 23,000 employees worldwide. The Latvian branch of the company was established in 1994.

KPMG

KPMG operates as a global network of independent member firms offering audit, tax and advisory services; working closely with clients, helping them to mitigate risks and grasp opportunities. KPMG firms can be found in 145 countries. Collectively, they employ more than 236,000 people across a range of disciplines. In Latvia, KPMG was established in 1994. As part of continued growth in 2020, KPMG member firms in Latvia and Lithuania joined KPMG in Sweden. Combined KPMG practices in Sweden, Latvia and Lithuania employ over 2,000 staff.

Kvist Industries

Kvist is one of the leading wood sub-suppliers to the Danish furniture industry and, apart from expertise inwood, they also provide their customers with full knowledge of the entire value chain from design, development to manufacturing, and final delivery.

Leinonen

Leinonen Latvia is part of Leinonen Group - an internationally established accountancy and advisory firm with 31 years of knowledge and experience. Their service portfolio includes accounting, payroll management, taxation, legal and advisory services. At their Latvia branch, the company focuses on providing foreign-owned businesses with essential services enabling them to streamline their operation and focus on bigger-picture issues.

Lidl Latvija

Lidl is a successful chain of grocery stores and has been expanding sharply throughout Europe for over 40 years. Lidl currently operates around 12,000 stores and more than 200 goods distribution and logistics centres in 32 countries, offering top-quality food and non-food products at the best price and employs over 360,000 people.

Linstow

Linstow is owned by the Awilhelmsen Group, a large international investment company. Linstow Baltic is one of the leading real estate companies in the Baltics. The company owns, develops and manages properties within various segments. Since 1996, Linstow's Baltic subsidiary has been Linstow Centre Management – the region's leading developer and operator

of shopping 88 centres. Linstow also owns seven hotels in the Baltic region, all operated by Radisson under the Radisson Blu and Park Inn brands. The value of Linstow Group's real estate portfolio in the region totals 700 million euros.

Luminor

Luminor is the leading independent bank in the Baltics and the third-largest provider of financial services in the region. Luminor serves the financial needs of individuals, families, and companies. Just like their home markets of Estonia, Latvia, and Lithuania, they are dynamic and forward-looking. Their subsidiaries provide leasing, manage pension funds and other specialist activities. Luminor operates only in the Baltic countries, 98.5% of their total deposits come from EU residents.

Maxima

Maxima Latvija is the leading retail chain in Latvia. Every day around 300,000 clients visit their stores, which are run by more than 7,000 employees. The company is part of the Maxima Grupe holding, the largest retailer chain and employer in the Baltics, providing jobs for more than 38,000 employees in five countries: Lithuania, Latvia, Estonia, Poland and Bulgaria. For multiple years, Maxima Latvija has been acknowledged as the top retail brand in Latvia and the Baltics, and a top 3 overall brand in Latvia. The Sustainability Index has placed the company in its platinum category, while Prudentia and Nasdaq Riga named Maxima Latvija as the most valuable retail company in its Top 101 ranking.

MGI Tech

MGI Tech Co., Ltd. (referred to as MGI) builds core tools and technology to lead life science through intelligent innovation. With a focus on R&D, production and sales of DNA sequencing instruments, reagents, and related products, MGI provides real-time, panoramic, and full-life-cycle equipment and systems for precision medicine, precision agriculture, precision healthcare and other relevant industries. MGI is a leading producer of clinical high-throughput gene sequencers, and its multi-omics platforms include genetic sequencing, medical imaging, and laboratory automation. Founded in 2016, MGI operates in more than 80 countries and regions, serving more than 1,300 customers.

MyFitness

MyFitness is the biggest sports club chain in the Baltic States, first established in Estonia, in 2008. In 2014, MyFitness entered the Latvian market by purchasing seven sports clubs in Riga, currently operating in 13 locations in Latvia. MyFitness has a total of around 50 clubs in the Baltics with a dedicated team of over 900 people.

Nasdaq Baltic

Nasdaq Baltic operates three stock exchanges - in Estonia, Latvia and Lithuania - and the Nasdaq CSD under one Baltic roof by providing the capital market infrastructure across the whole value chain – from listing, trading, and market data to clearing and settlement, and safe-keeping of securities. Nasdaq Baltic exchanges are a part of the world's largest exchange group Nasdaq, Inc., thus ensuring great confidence in the Baltic securities market for international investors, offering a market infrastructure in accordance with the international industry standards, the world's fastest trading platform and high listing standards.

NCH Advisors

NCH Capital's deep-value strategies are executed, depending on the local opportunities, through investments in real estate, agribusiness, private equity and publicly quoted securities. NCH is

headquartered in New York and is one of the largest farm operators in the world that manages approximately \$3 billion of assets through a network of 11 offices in Eastern Europe and South America. NCH Baltics AIFP, established and registered with FCMC in 2021, is a fund manager administering a value-added real estate opportunity fund, NCH Baltic Real Estate Opportunity Fund I, which primarily targets cash flowing urban logistics properties in Estonia, Latvia, and Lithuania at acquisition costs below their replacement values. NCH Baltics AIFP is a part of the NCH Capital Inc. group of funds. NCH also employs more than 130 professionals.

Neste

Neste is the world's largest producer of renewable diesel refined from waste and residues, also introducing renewable solutions to the aviation and plastics industries. It is listed in the Dow Jones Sustainability World Index and the Global 100 list of the world's most sustainable companies. SIA Neste Latvija is engaged in direct sales of cleaner traffic fuels, as well as retail sales via its Neste fuel station network. The company has its own oil terminal in Riga harbour and over 76 fuel stations in Latvia. Neste employs more than 4,900 staff.

Northway Clinic

Northway Clinic is one of the 17 enterprises incorporated into Northway Group. With more than 20 years of experience, Northway Clinic offers services and activities in the field of medicine, helathcare and biotechnical formation. With around 350 employees, the group operates in Lithuania, Latvia, UK, and the USA. In Latvia, Northway Clinic provides fertility treatment services with the aim to provide modern, high quality and safe medical services.

Omniva Latvija

Omniva is an international logistics company owned by the state of Estonia. Omniva ensures the sending of parcels and forwarding of information, serving nearly 10,000 business customers across the entire territory of the Baltic States. They are one of the largest employers in Estonia and also provide jobs in their agencies in Latvia and Lithuania. Omniva holding company employs around 2,600 employees who are mainly located in Estonia, as well as some 100 employees working in Latvia and Lithuania.

Onninen

Onninen serves technical wholesale business customers and provides a comprehensive selection of HEPAC, electrical, refrigeration and energy products. There are around 140 Onninen Express stores and Onninen points of sale in Finland, Sweden, Norway, Estonia, Latvia, Lithuania and Poland. In addition, Onninen provides comprehensive services to professionals through electronic channels. Onninen is part of K Group's international building and technical trade division. Building and technical trade operates in seven countries and employs together with K-retailers around 10,000 trading sector professionals internationally.

OP Bank

OP is Finland's leading financial services group providing a variety of banking, non-life insurance and asset management services to its business and institutional clients, as well as a wide range of banking and insurance services for individuals. In Latvia, OP operates as a corporate bank for large and medium-sized enterprises. Our financial services portfolio consists of loans, guarantees, trade finance and leasing and factoring solutions, as well as cash flow and risk management solutions.

Orkla Latvija

Orkla Latvija is one of the leading, fast-moving consumer goods organisations in the Baltic States. Orkla Latvija combines two companies – “Orkla Confectionery & Snacks Latvija” Ltd and “Orkla Foods Latvija” Ltd. The company represents the following brands: Laima, Selga, Staburadze, Ādažu Čipsi, Spilva, Gutta, Everest, Latplanta and Pedro, as well as managing Laima Chocolate Museum. Orkla Latvija employs more than 1,000 employees and exports goods to over 20 countries. The company opened its new factory in 2022, its 4th factory in Latvia.

Premier Restaurants Latvia

Premier Restaurants Latvia is part of Premier Capital - the Developmental Licencee for MacDonald's in Estonia, Greece, Latvia, Lithuania, Malta and Romania. Premier Capital generates revenue in excess of €500 million from 185 restaurants, employs over 10,000+ people and effects more than 77 million transactions (guest counts) every year across the six markets.

PricewaterhouseCoopers

PwC is a network of firms across 152 countries with more than 328,000 people who are committed to delivering quality in assurance, tax and advisory services. PwC firms provided services to 84% of the Global Fortune 500 companies. They have operated in Latvia since 1993, and currently employ over 160 employees. PwC's goal is to contribute to the development of the country's economy by advising local businesses, governmental institutions, and foreign investors. Their regional practice allows them to use the most capable and experienced experts to serve clients in the best possible way. At PwC, the purpose is to build trust in society and solve important problems.

Rimi Baltic

Rimi Baltic is one of the leading and fastest growing retailers in the Baltic States and operates four chains – Rimi Hyper, Rimi Super, Rimi Mini and Rimi Express. Rimi Baltic operates over 260 stores and employs over 12,000 people across the Baltics. Currently, Rimi Latvia operates 138 stores and employs more than 5,000 people.

Robert Bosch

The Bosch Group is a leading global supplier of technology and services. As of 2020, it employs roughly 420,300 associates worldwide. The German engineering and electronics company founded its subsidiary - Robert Bosch in Latvia in 1993, it coordinates all the company's work across the Baltics and currently employs 83 people across the Baltic States. SIA Robert Bosch is a wholesale company, which represents power tools, thermo technology (also brands Junkers and Buderus), the automotive aftermarket and diagnostic technology products, and security system products.

Roche Services & Solutions

Roche Services & Solutions (RSS) is Roche's Global Business Services Organisation with main sites in Budapest (Hungary), San José (Costa Rica) and Kuala Lumpur (Malaysia), offering customer-centric solutions to its partners within Roche in more than 150 countries. Roche Services & Solutions (RSS) EMEA has expanded its presence by establishing a satellite location in the beautiful city of Riga, Latvia, in 2023. The new RSS team joined Roche's existing Pharma and Diagnostics affiliates office, and is a crucial part of the RSS EMEA organisation.

SCHWENK Latvija

SCHWENK is a leading building materials producer and the only cement producer in Latvia, since 2019 – part of the SCHWENK Building materials group. SCHWENK Group was founded

in 1847 in Ulm, Germany, by Eduard Schwenk and is still a family-owned business. Apart from being among the oldest in the industry, it is also one of the most innovative ones. SCHWENK Latvija employs more than 350 people and more than 500 subcontractors. In 2019, SCHWENK Latvija became the owner of the only cement plant in Latvia; it has the capacity to produce up to 1.6 million tons of cement per year. About 70% of the cement produced in Brocēni, Latvia is exported to Lithuania, Estonia, Sweden and Finland.

SEB

SEB is a leading financial services group in Scandinavia and the Baltics. SEB Latvia has a strong position in both retail and corporate banking, offering a full range of banking services for Latvian people and companies. In Latvia, the bank serves more than 458,000 private and business clients, and employs over 1,600 people. SEB Latvia is the first financial institution in Latvia to receive the Sustainability Index Platinum level – the highest possible position, reflecting the bank's long-term thinking and responsible business practices.

Signet Bank

Signet Bank was founded in 1991 and is one of the first banks of independent Latvia. Since 2013, the bank has focused its strategy on servicing entrepreneurs and their companies, with an emphasis on high-quality capital management and structuring investment projects.

Sorainen

Sorainen is an international business law firm working as one integrated team for a single goal – helping clients succeed in business. With 45 partners and more than 250 lawyers and tax specialists, Sorainen have helped over 15,000 clients on all business law and tax issues involving their region. Founded in 1995, the firm has worked on many significant mandates for international and local clients.

Stockmann

Stockmann is a premium multi-brand retailer with department stores in Finland and the Baltics. Its purpose is to be a marketplace for a good life. In the Baltics, Stockmann's range also includes high-quality food and beverage products. Stockmann has a total of eight department stores in Finland and the Baltic countries, and an online store. In 2023, the Stockmann Group's revenue was EUR 951.7 million and it had around 5,800 employees.

Stora Enso

Stora Enso develops and produces solutions based on wood and biomass for a range of industries and applications worldwide, leading in the bioeconomy and supporting their customers in meeting demand for renewable eco-friendly products. Building on their heritage and know-how in forestry and trees, Stora Enso is committed to the development of products and technologies based on renewable materials. Their products, in many cases, provide a low-carbon alternative to products made from fossil-based or other non-renewable materials. Stora Enso has around 21,000 employees and is publicly listed on the Helsinki and Stockholm stock exchanges. The shares are traded in the USA.

Swedbank

Swedbank's roots are firmly entrenched in Sweden's savings' bank history, the cooperative agricultural bank tradition and Hansabank's major role in the Baltic countries. They serve everyone, from customers with basic needs to those who require advanced banking services. They work to develop close relationships with their 7.06 million private customers and 554,000

corporate customers. To support their businesses, Swedbank also has international branches in Norway, Finland, Denmark, the US, China, and South Africa.

Tamro Baltics

Tamro Baltics is the largest wholesaler of medicines and health products in the Baltic region, as well as the leading retailer in the Baltics, employing 1,200 professionals. In the Baltics there are nearly 450 pharmacies that either belong to Tamro group or operate based on partnership agreement under BENU or aptiekai brands. Tamro Baltics is a part of PHOENIX group, which operates in 29 European countries.

TAV Airports Holding

TAV Airports Holding is one of the leaders in airport operations and airport construction companies in the world. TAV Airports operate 15 airports in 8 countries and together with its service companies, TAV Airports' global footprint reaches 90 airports in 29 countries. TAV Airports also provide duty free, catering, ground handling, IT, security, and lounge services. In Riga International Airport, TAV has been operating commercial areas since 2011. Furthermore, multiple subsidiaries of TAV Airports - ATU Duty-Free, BTA, TAV Operation Services and HAVAS, serve at Riga Airport.

TV3 Group

Modern Times Group for over a period of 25 years, was the market leader and enjoyed the loyalty of its audience. Acquisition by Providence Equity Partners is the next step in this development signalling investment in the latest technologies (HD quality, creation of the TV3 Play platform), not only to grow the digital footprint of the group, but by successfully mining the future, to shape it. At present, that means that any media provider must be able to react to an audience's needs and preferences on a 1:1 basis. Continuing to be the leading Baltic media house, with a group employing more than 450 people, representing the best creative talents in the region, TV3 Group is perfectly placed to do this. In addition to its multi-platform content that is appealing to the most attractive target groups - Free TV, Pay TV, online and radio, it can also offer superior local content. With a focus on its own products, unique local productions starring the most famous Baltic celebrities, it is the creator of leading prime time content across the entire Baltic market.

Vastint Group

Vastint Group is an international real estate organisation with over 30 years of experience. The cornerstone of their operation is the management of portfolio properties and the development of commercial real estate, including residential development and sales. Vastint has been present in Latvia since 2003. Its activities are undertaken in 9 countries across Europe.

Capitalice Asset Management

Capitalica Asset Management is a Lithuania-based investment management company that develops and manages commercial real estate properties. Its objective is to ensure the long-term growth of returns to shareholders through investments made in commercial real estate across the Baltics. Relying on unique investment experience, Capitalica Asset Management manage two investment vehicles: Capitalica Baltic Real Estate Fund I and Green Logistics Fund. The greenest offices in Riga, VERDE is being developed by Capitalica Asset Management, and financed by Capitalica Baltic Real Estate Fund I (30% of total investment) and SBA Group (70% of total investment).

Visma

Visma delivers software that simplifies and digitises core business processes in the private and public sector. With presence across the entire Nordic region along with Benelux, Central and Eastern Europe, Visma is one of Europe's leading software companies. The Visma group consists of over 170 companies across Europe and South America, employing more than 14,000 people and serving 1.4 million customers. The company's headquarters are located in Oslo, Norway. In Latvia, Visma Group is represented by 4 companies and employs over 440 people. Visma Enterprise is the market leader in the field of ERP, BI and HRM solutions, while Visma Consulting provides custom solutions for government and private entities. Visma Labs in Latvia supports Visma Group's new product development. Jumis Pro works on everything related to accounting for small and medium business, and on Cloud solutions for effective small and medium business management.

Vitol Baltics

Vitol Baltics is a part of the Vitol Group, which is an energy and commodities company. Vitol is a private company founded in Rotterdam and for over 50 years it has served the world's energy markets; trading over seven million barrels of crude oil and products a day, and delivering energy products to countries worldwide.

Volvo Truck Latvia

Volvo Group drives prosperity through transport and infrastructure solutions, offering trucks, buses, construction equipment, power solutions for marine and industrial applications, financing and services that increase their customers' uptime and productivity. They are committed to shaping the future landscape of sustainable transport and infrastructure solutions. Volvo headquarters are located in Gothenburg, Sweden, and their shares are listed on Nasdaq in Stockholm, Sweden. Volvo Group employs more than almost 100,000 employees and has production facilities in 18 countries.

YIT

YIT is the largest Finnish, and a significant North European construction company and urban developer. For 110 years, they have created better living environments for their customers: functional homes for sustainable housing, public and commercial buildings for the needs of the future, and infrastructure for smoother movement of people, businesses and society. YIT employs around 5,000 professionals in 9 countries: Finland, Sweden, Norway, Estonia, Latvia, Lithuania, the Czech Republic, Slovakia and Poland. YIT Corporation's share are listed on Nasdaq Helsinki.

Appendix 2. Guidelines for interviews: 2023 study

FICIL Sentiment Index 2023: Survey and interview questions

Survey questions

1. Please provide the name of your company

Open field

2. Please indicate the main type of economic activities in your company, based on NACE Rev.2.

Dropdown list of economic activities under NACE Rev.2

3. Overall, from the perspective of your company, has the investment attractiveness of Latvia improved during the previous 12 months?

Multiple choice question with one answer option

1	2	3	4	5
Not at all	Only minor improvements	Some positive improvements	Yes, has improved	Yes, has improved significantly

4. What are the key factors (max. 3) that have positively and negatively affected the investment attractiveness of Latvia over this period?⁸

Two columns: Top-3 factors that increased attractiveness, Top-3 factors that decreased attractiveness; multiple choice with max. 3 responses per column

- Geopolitics and security
- Quality of policies
- Legal and regulatory environment
- Governance of municipalities
- Tax rates
- Macroeconomic situation
- Access to finance
- Domestic market size
- Ability to export
- Availability of local skilled labour
- Possibility to attract foreign workforce
- Quality of infrastructure
- Labour and other costs
- Other (please specify) _____

5. Please provide comments on the previous question:_____

⁸ Adapted, based on GIC: <https://openknowledge.worldbank.org/entities/publication/58e3709a-29e0-5c3e-931d-6afad17d20f1>

6. On a scale from 1 (uncompetitive) to 5 (highly competitive), please evaluate the current status of the following drivers of Latvia's economic competitiveness, in comparison to the other Baltic States

5-point matrix

Area	1 (uncompetitive) – 5 (very competitive)
Innovation ecosystem – cooperation between government, business and universities	
Science, technology and innovation	
Education and requalification	
Healthcare system	
Social security	
Infrastructure	
Availability of labour (management level)	
Availability of labour ('hands')	
Productivity	
Low production costs	
Tax system	
Legal system	
Standard of living in Latvia	
Attitudes towards foreign investors	
Investment incentives	
Defence	
Energy resources	
Other (<i>specify</i>)	

7. On a scale from 1 (poor) to 5 (excellent), please assess the efforts of the Latvian public sector officials to improve the investment climate in Latvia during the previous 12 months? Please provide comments below.

1 (poor)	2	3	4	5 (excellent)
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8. Please provide comments on the previous question: _____
9. With which public sector institution(s) have you had the most successful cooperation and why (i.e. municipalities, ministries etc.)?
Open field

10. With which public sector institution(s) have you had the least successful cooperation and why (i.e. municipalities, ministries etc.)?
Open field

11. On a scale from 1 (no progress) to 5 (significant progress), please assess progress in the following policy area: Combatting shadow economy⁹

- Governance to combat shadow economy and tools to enforce policies
- Instruments (carrots) to motivate “honest taxpayers”
- Improving the work of and transparency of the SRS

5-scale matrix with the following answer options

12. On a scale from 1 (no progress) to 5 (significant progress), please assess progress in the following policy area: Investment protection¹⁰

- Public procurement process
- Contribution to the sectoral development by the state-owned companies
- Quality of the legislation, including consistency of public policies
- Efficiency of courts

5-scale matrix with the following answer options

13. On a scale from 1 (no progress) to 5 (significant progress), please assess progress in the following policy area: Fostering green economy¹¹

- Improving climate and energy policy
- Enabling private sector as a “green” driver
- Ensuring transparent and predictable development of the energy market¹²

5-scale matrix with the following answer options

14. On a scale from 1 (no progress) to 5 (significant progress), please assess progress in the following policy area: Human capital development.¹³

- Coherent human capital development policy and governance
- Improving the availability of workforce
- Boosting upskilling and requalification of labour force

5-scale matrix with the following answer options

15. On a scale from 1 (no progress) to 5 (significant progress), please assess progress in the following policy area: Public sector effectiveness.¹⁴

- Improving digitalisation of public sector
- Modernising public sector, i.e. increasing accountability and performance-based budgeting

5-scale matrix with the following answer options

16. Please select up to 5 areas of business where your company has experienced challenging public administration procedures in Latvia. Next, indicate the significance of these challenges for your business.

5-point scale matrix with an additional option “not applicable”

⁹ Creation of Shadow economy reduction plan until 2027. Shadow economy levels remain high with 26%.

¹⁰ Latvia's mortgage relief law plan.

¹¹ Any change in taxes and subsidies – EVs. Changes in policy to foster circular economy?

¹² JSC “Sadales tīkls” proposed tariff increase; project ELWIND development; “Latvenergo” and “Latvijas meži” joint company to develop wind farm projects; indecisiveness on the LNG terminal.

¹³ Launch of education accelerator; some legislative changes to allow foreign workforce; new human capital development council and ongoing work on strategy for Human Capital Development of Latvia.

¹⁴ Accepted Public Sector Modernisation plan until 2027.

- Starting a business (e.g., business registration)
- Land/property registration, acquisition or access
- Construction and site development, including environmental permits
- Related to utilities and energy development
- Public procurement procedures
- Complying with standards/standardisation
- Trade and customs (e.g., transport, logistics, import/export procedures)
- Employment and labour market (e.g., visas, work permits, inflexibility of labour law)
- Tax administration
- Finance (e.g., getting credit, investment protection)
- Judicial system/resolution of disputes (e.g., enforcement of contracts)
- Innovation and intellectual/industrial property rights
- Receiving state aid (e.g., for business digitalisation or modernisation)
- Other (please specify)

17. In your view, what are the key obstacles that create inefficient administrative procedures in Latvia? (please select up to 5)

- Lack of coordination of administrative procedures between the public sector organisations
- Lack of centralised data governance systems and/or poor quality of data
- Complex regulations and procedures that can be misinterpreted
- High level of bureaucracy – slow decision-making and/or high regulatory density
- Regulatory gaps and/or lack of enforcement mechanisms
- Lack of transparency and insufficient communication with the public sector organisations
- Rigid, inflexible public administration approach to solve issues
- Corruption, unfair treatment
- Lack of professionalism to manage the public procurement projects and/or to provide high-quality customer support services
- Insufficient monitoring and evaluation of the public organisations, reforms and regulations
- Lack of effective political (high-level) management or priorities
- No set (or clear) KPIs that public sector employees could be held accountable for
- Other (please specify)

18. What impact have the inefficient public administration procedures in Latvia had on your business?

- Fuelled avoidance/minimisation of contact with the public sector organisations
- Significantly increased the workload of staff
- Disrupted production/business processes, relations with business partners and/or customers
- Led to increased business costs
- Prevented innovation, business development
- Increased prices of goods/services to compensate for wasted resources
- Discouraged future investment in Latvia
- Put the viability of business at risk or led to significant financial losses
- Other (please specify)

19. Please provide comments on the previous question: _____

20. How does the administrative burden in Latvia compare to other countries (please name a country) where you operate? Could you please share any concrete examples where a decision was reached faster due to lower administrative barriers?

Open field

21. Please provide up to 3 potential solutions to reduce the administrative burden in Latvia

22. Does your company plan to increase investment in Latvia? If yes, under what circumstances and in what period/ amount? If no, why?

Open field

23. Your message to the prime minister that we deliver in closed envelope: one paragraph on what should be done for Latvia's economy to increase rapidly.

Open field

Appendix 3. Please provide up to 3 potential solutions to reduce the administrative burden in Latvia

Wholesale and retail trade; repair of motor vehicles and motorcycles - Digitalisation of processes; Discussions with business.

Agriculture, forestry and fishing - Reduction of the civil servant apparatus; Complete the reform of two ministries - KEM and VARAM. VARAM is sitting on two chairs at once.; digitisation.

Financial and insurance activities - Centralised project management for large scale EU projects.; Continuing work on digitalisation.

Manufacturing - Fewer layers, fewer municipalities; Develop growth/development related KPIs; Political course and strategy needs to be implemented further into institutions and work of enforcement institutions is not aligned with political priorities.

Wholesale and retail trade; repair of motor vehicles and motorcycles - More collaboration with private entities (private sector).; Digital solution implementation. Data centralisation; Introducing and establishing KPIs.

Wholesale and retail trade; repair of motor vehicles and motorcycles – KPI-driven public services with real accountability; Common back office for public institutions; Common data network and database.

Professional, scientific and technical activities - We need to reduce the amount of bureaucrats in the public administration.

Real estate activities - Improve IT systems; Benchmark best practices; Introduce KPIs in administrative governance.

Professional, scientific and technical activities- Less staff; Higher quality staff; Competitive salary.

Transportation and storage - the labour tax system could be easier: The businesses should know what kind of tax policy we will have for at least the next 3 years.

Wholesale and retail trade; repair of motor vehicles and motorcycles - Set clear KPIs; Set and communicate clear long-term priorities; Productively include companies and business organisations into policy development that has the highest impact on the business environment.

Professional, scientific and technical activities - Find a focus/vision; LIAA should dismiss half of their staff and pay the rest a decent wage.

Accommodation and food service activities - Employment of foreigners; Building permits; Fiscal policy.

Real estate activities - Engineering board; Apartment tax; Centralised database for the information that the state already has.

Administrative and support service activities - Review management systems and data administration processes. Centralised systems would reduce the number of exchanges between different public sector institutions. This would also create more efficiency, increase information exchange.; Human resource development - the salaries should correspond to the levels of qualifications in the public sector. Also, the skill demands should be considered; The bureaucratic apparatus is very large - this would increase efficiency of the public sector officials/workers. However, if there are too few people there will be greater inefficiencies, due to a lack of human resource capacity.

Human health and social work activities - More dialogue; National priorities and strategy; Attract more young people to stay and grow in Latvia.

Financial and insurance activities - Clear ownership of a particular issue by a single ministry. Clear, relevant and challenging KPI.; A cultural and mindset change is required to move to a more collaborative/partnership/problem solving approach. This is a huge change!

Other service activities - Developed system for the public sector to communicate with the private sector more quickly and in a less complicated way. Banks to oversee account opening policies for reputable non-residents.

Real estate activities - Address the deep bottlenecks in all processes. Public sector should go through all the processes that take a long time. To see where the processes are objectively too long/complex. Some things may take a long time as they are important to get right, but not all. It is also important to comply with safety requirements, but we cannot delay all investments because of extremely long and inefficient processes that could be avoided or minimised.

Information and communication - Revise functions of the public sector, decide what to keep as state function and what to delegate/ liquidate. Revise policies and radically simplify, including taxation - simple rules, no exceptions. Establish trust in goodwill and prosecute those who violate the law.

Professional, scientific and technical activities - Change in approach. Tax authority not an entity which penalises but advises instead. Change in approach to how they look at taxpayers in general - not as criminals but as partners Digitalisation would help but then it needs to be the whole government, creating interlinks between institutions. For any authority that works you need KPIs.

Professional, scientific and technical activities – Digitalisation. Lower the level of complication in communication and documentation from SRS. Reduce overregulation. Increase the human touch - not just taking a formal approach. Implement visible targets for the State and improve communication about them. Implement KPIs. No statistical data released and no transparency about it.

Electricity, gas, steam and air conditioning supply - Openness towards copying/taking solutions from other countries. Process digitalisation. Be more open-minded, use other countries' practices, use solutions.

Construction - Listen to FICIL's recommendations. Apply LEAN approaches in the public sector.

Wholesale and retail trade; repair of motor vehicles and motorcycles - public procurements. Procedures of granting building permits. Documentation of building process.

Transportation and storage - Simplify parcel machine setup process (currently, we need to have a building permit). Simplify advertisement approval process for parcel machines. Simplify process of getting work permits for foreign employees.

Information and communication - Efficient digitalisation and standardisation of certain processes (public procurement). Provision of unified centralised database for institutions to carry on their duties.

Financial and insurance activities - Industry silo effect - each ministry is living its own life. Minimise silo effect between different government institutions and policies, driven by ministries. All ministries should have a coordinated approach.

Financial and insurance activities - Stop thinking in-year cycles and stop pleasing voters. Reduce the complication of SRS administrative processes; Make the building permit process the most efficient in Baltics.

Manufacturing - Knowledge-sharing between countries. Simplify social tax payments. Information sharing between institutions.

Transportation and storage- The number of public administration employees should be reduced by one third, and the number of papers requested, by half. There are many unnecessary procedures. It seems that the government is creating jobs by expanding the public administration. This creates multiple challenges for companies - a lack of qualified labour, more bureaucratic procedures. We have to continue attracting labour to Latvia, otherwise business cannot function.

Financial and insurance activities – Data-based decision-making. The public sector should generate data and make it available. More efficient courts.

Financial and insurance activities - Clearly define a few state priorities, based on data, with clearly measurable desired outcomes (KPIs) and clear links to each ministry and institution as to how they are contributing to achieving each goal, and how that contribution will be measured. Measuring costs or resources spent by public administration in relation to GDP. Create efficient “task force” groups (with sufficient competence and decision-making authority) with staff from different public/government institutions to solve specific problems or enact specific reform within a specific time frame (measurable results/KPIs). Change the current approach which is that, for showing initiative and looking for non-standard solutions, civil servants may be penalised. It is important to create the orientation of public administration primarily towards the achievement of the set goals (KPIs) instead of precise fulfilment of instructions.

Electricity, gas, steam and air conditioning supply - Work on developing and improving how ministries draft legislation and run public consultations. Increase the resources of environmental supervisory authorities and allow the development of specialisation groups within such organisations. Interconnect several state-run systems for improving the SRS’s EDS to become more accounting and reporting service based, given the amount of data available to them.

Construction - Reduce the amount of people working in state agencies. Reduce the number of ministries. Reduce the amount of overlapping functions.

Wholesale and retail trade; repair of motor vehicles and motorcycles - Digitalisation of processes. Harmonisation of legislation.

Electricity, gas, steam and air conditioning supply - Centralised data availability, sharing and digitalisation. KPIs for each ministry and their top-level employees. Formulation of a maximum of 3 strategic goals at state level, KPIs aligned with those strategic goals.

Construction - Proper execution of administration Rules. Proper prosecution of violations. Digitalisation

Real estate activities - Ease the procedures. Make them easier/simpler. Ensure that professionalism is maintained in high-level positions.

Wholesale and retail trade; repair of motor vehicles and motorcycles - Changes of tax only once during each election cycle. Making changes less often to preserve predictability. Quality of political staff. Lack of holistic view.

Electricity, gas, steam and air conditioning supply - Multiple institutions should align their vision. One-stop agency. More digitalisation.

Manufacturing - Digitalisation. Digital organisation that stimulates data exchange and better quality of data, as well as data exchange. This will ensure evidence-based policymaking; Clear strategy - transport, energy, demography. We should have a long-term strategy.; Collaboration with the NGOs.

Transportation and storage – Innovation. Digitalisation. Reduce duplication of efforts.

Transportation and storage- Find the right model. Create the best strategy. Assign a new professional statesman.

Other service activities - There should be audit and control of digital systems to see the overlapping functions. Currently, ministries are using their own systems and competing with other public sector companies.

Professional, scientific and technical activities - Skilled employees. Accountability of state institutions. Digitalisation.

Other service activities- Further digitalisation. Collaboration and data sharing between various institutions. Deregulation and market liberalisation.

Financial and insurance activities - Digitalisation; Data-driven decision-making. Cross-sector collaboration.

Wholesale and retail trade; repair of motor vehicles and motorcycles - Create one place and form to provide to banks and other institutions regarding KYC. Now each bank or institution asks different things at different times. A central place is needed that can be accessible by institutions (info about the company would need updating once a year - like the financial statutory report)) Reduce complexity of e-resources. A lot of steps and not clear how to navigate. Consolidate services under one umbrella to avoid different access points.

Professional, scientific and technical activities - Digitalisation and data exchange between public sector institutions. Digitalisation of public sector services. Improvement of user experience, for example, in context of tax administration. Disproportionate expenses and resources are wasted on administrating corporate clients when it could become more effective. In Estonia a similar entity, but with a much lower number of people can achieve better results.

Professional, scientific and technical activities - Cashless economy. Review process from users perspective and digitalise it. Human capital - merge State Employment agency (NVA), State Education and Employment agency (VIAA) and Society Integration Foundation (SIF) to run the coherent policy and not spend excessive resources on ineffective back office functions.

Transportation and storage - KPI based on effectiveness for public sector. Workforce - what is our country-wide priority - blue or white collar? If one way, then support education, if not then look at the other way. Lack of 5 country-wide priorities - what will be our USP, do a SWOT in comparison to the other Baltic States.