

**LIST OF ACHIEVEMENTS
BASED ON THE ACTION PLAN
TO IMPROVE THE BUSINESS ENVIRONMENT
IN LATVIA (1999-2002)**

The list below is a summary of achievements based on the Latvian government's Action Plan to Improve the Business Environment in Latvia for the period 1999-2002. The Action Plan was first adopted by the Cabinet of Ministers in May 1999 based on the recommendations in the Report on Administrative Barriers to Investment in Latvia, prepared by the Foreign Investment Advisory Service of the World Bank Group and subsequent inputs of the business community. The Action Plan has been subsequently revised and updated on a regular basis, following the recommendations of the Foreign Investors' Council in Latvia (FICIL) and various business associations. To date, 68 out of 77 suggested measures that were included in the Action Plan have been successfully implemented.

- The European Commission in 2001 awarded CC BEST (Candidate Country BEST) status to these efforts to establish a structured and constructive dialogue between the public and private sector in improving the business environment in Latvia.
- The World Bank Group Foreign Investment Advisory Service (FIAS) is preparing guidelines for other transitional economies, largely based in Latvia's innovative efforts to systematically improve the business environment by reducing administrative barriers to doing business.
- Steady improvements have been made in a variety of areas, including but not limited to tax policy and tax administration, customs and border crossing, real estate business development, cooperation in anti-corruption efforts, development of skilled labor, improvement in the coordination of inspections, and enhancement of administrative culture.

ADMINISTRATIVE CULTURE

- Government officials are more willing and able to engage the business community in constructive dialogue and in identifying problems and solutions.
- Government agencies are more active in seeking private sector comments on draft legislation.
- The capacity of business associations is gradually increasing in order to meet the challenge of engaging the government in dialogue.
- Accessibility of information on various business-related procedures has improved.

TAX POLICY AND TAX ADMINISTRATION

- Tax and enterprise registration has been combined into a single procedure.
- The process of electronic submission and acceptance of tax declarations has commenced.
- Ongoing progress has been achieved in revision of the State Revenue Service (SRS) methodological guidelines on application of legislation, taking into account the discrepancies and problems concerning the application of legislation that have been indicated by tax-payers.
- Draft SRS normative acts are posted on the SRS Internet home page at least two weeks before adoption for comments.
- Appeal of Decisions Departments have been established in the SRS regional institutions in Vidzeme, Latgale and Zemgale to handle complaints on decisions made by tax administration officials. Appeal Departments in Riga and Kurzeme are now being set up.
- Amendments to the *Law on Taxes and Duties*, authorizing the SRS to reduce the penalties imposed (once every three years), were adopted on April 13, 2000.
- A state duty in the amount of two percent of the transaction value or real estate cadastral value for the registration of title transfer has been capped at LVL 30,000. Further reduction of the state duty to the level of actual costs is planned for 2003.
- The Ministry of Welfare has held discussions with the Embassy of the United States of America about possibilities to sign a social security treaty, which would solve the issue of double social contributions for US citizens.
- The Saeima has adopted amendments to the *Law on State Social Insurance* postponing the increase in the social insurance contribution rate for a foreign employee employed by a foreign employer until EU negotiations have been completed (currently envisaged till 2003).
- The Saeima adopted amendments to the *Law on Value Added Tax* on March 1, 2001 providing that the input VAT for goods imported may be deducted on an accrual basis upon receipt of an invoice and for refunding VAT to foreign carriers for fuel purchased in Latvia.

CUSTOMS AND BORDER-CROSSING

- The coordination between border guards and customs officials has improved at both the institutional and practical level.
- A precise delineation of the duties and authority relating to decisions taken by customs officials has been implemented after adoption of a resolution of the SRS on July 7, 2000.
- Companies are currently holding discussions with the customs authorities to initiate pilot projects for the introduction of simplified customs clearance procedures.

- The following Cabinet regulations have been adopted regarding application of the Law on Customs in 1999 and 2000: “Procedure for Declaring Goods”, “Procedure for Completing Customs Pre-Clearance”, “Procedure for Completing Customs Procedure – Export”, “Procedure for Completing Customs Procedure – Import”.
- The SRS has issued an order on procedures for issuing electronic declaration permits and an order on procedures for document preparation. Issuance of permits for electronic declaration was started in December 18, 2000.
- Since September 1, 2001 the Consultations Department of the Legal Division of the National Customs Board provides information and consultations to the clients of the customs authorities concerning any customs issues.
- The State Border Guard Communications Centre has been equipped with recording equipment to provide effective and fair solutions to resolve complaints filed by individuals and legal entities.
- The Manual of Customs Procedures, now available on the Internet at <http://www.vid.gov.lv>, contains the following sections: “Release for Free Circulation (Import)”, “Import into a Customs Warehouse”, “Pre-Clearance and Temporary Storage”, “Temporary Export”, “Re-Import”, “Re-Export”, “Free Port”, “Supply”, “Destruction”, “Refusal in Favour of the State”, “Customs Control of Persons and Vehicles”, “Customs Clearance and Declaration”, “Simplified Declaration”, “ATA Manual” and “TIR Manual”. The National Customs Board will prepare sections on “Temporary Import”, “Free Zones”, “Customs Debt”, “Guaranties”, “Customs Brokers” for the Manual of Customs Procedures by July 30, 2002, for distribution to customs authorities, businesses and will be available on the Internet.
- Following the suggestion of a number of business associations that it is necessary to separate liability for technical errors from liability for deliberate infringements, amendments to the Administrative Violations Code were adopted by the Saeima on June 14, 2001 and came into force on July 16, 2001.
- An exchange rate calculation methodology for customs payments has been included in the Customs Law in accordance with the EU Customs Code and is expected to come into force in July 2002.
- The Saeima adopted amendments to the *Law on the Natural Resources Tax* on December 20, 2001, coordinating the tax payment term and procedure and defining specific types of permitted packaging errors of weight that occur during transportation.
- A feedback questionnaire on the effectiveness of border crossing and clearance procedures at border checkpoints was designed and implemented by the SRS Customs Board, Border Guards, Sanitary Border Inspection, and the LDA in 2001 (over 500 truckers filled out the questionnaire). The results of this assessment are now being used in elaborating a change agenda for these institutions.

- The Ministry of Finance has drafted regulations that define the procedure for granting a deferment of customs payments and the procedure for aggregating these tax amounts for a calendar week or calendar month.
- The relevant legislation is being drafted and submitted to the Cabinet of Ministers to implement the simplified customs declaration procedure (i.e. incomplete declaration, simplified declaration and local customs clearance), as envisaged in the Customs Law.

EMPLOYMENT AND RESIDENCY OF EXPATRIATES

- The procedures for obtaining a working permit have been simplified by adopting new regulations “The Procedure for the Employment of Foreigners and Stateless Persons in Latvia” on March 28, 2000. In addition, an information booklet has been published in 10,000 copies.
- The Ministry of Interior is finishing work on a new and modern Immigration Law to be considered by the Cabinet of Ministers in spring 2002.

CONSTRUCTION

- A uniform set of fees and duties related to construction has been introduced making the construction process less bureaucratic and more transparent. The construction preparation process as well as the procedure of state expertise have been simplified and streamlined by adopting amendments to the “General Construction Regulations”.
- Amendments to the *Construction Law* are being prepared for the third and final reading in the Saeima, providing that the heads of municipal construction boards must obtain a construction practice certificate, enabling regular training and qualification-building for these officials, further improving the state expertise procedure for construction projects, and separating the expertise function for construction projects from functions entrusted to the construction inspectorate.
- A regular link between the Municipal Affairs Board (MAB) and the Construction Department of the Ministry of Environmental Protection and Regional Development has been established. A register of municipal duties has been opened in the MAB, where information concerning all the municipal duties and their rates imposed by local governments is available.

INSPECTIONS

- The co-ordination and co-operation of various inspectorates has been improved due to the establishment of the Inspectorate Coordination Council in April 2000. The Council is responsible for the implementation of inspections improvement programmes.
- Each of the inspections and controlling institutions prepared internal regulations based on guidelines provided in an Instruction of the Cabinet of Ministers, adopted on January 18, 2000.

COOPERATION ON ANTI-CORRUPTION ISSUES

- The Crime and Corruption Prevention Board has evaluated and taken into consideration all the recommendations expressed by FICIL.
- The package of laws including the *Law on Anti-Corruption Bureau*, *Law on the Conflict of Interest of State Employees*, and *Law on the Initial Declaration of Assets* have been accepted in the first reading of the Saeima on March 7, 2002 and will be adopted in an expedited fashion (in two readings).
- LVL 370,000 have been allotted in the state budget for FY2002 for the commencement of operations of the Anti-Corruption Bureau, training of specialists, and expansion of activities.

DEVELOPMENT OF SKILLED LABOR

- A National Standard for Secondary Professional Education and a National Standard for Vocational Training have been developed and approved on June 27, 2000.
- The book “Quality Assessment Manual” and the “Manual for Recognition of Diplomas” have been prepared and printed by the Academic Information Center in May 2000.
- An Instruction for the Higher Education Quality Assessment Center has been adopted including the provision that one of the criteria to assess the quality of operations of a higher educational establishment is the reliability of examination results by May 2000.