

Work Group On Administrative Barriers to Foreign Investments in Latvia. Subcommittee On Issues of Entry, Residence and Employment of Foreigners.

ACTION PLAN

Problem	Objective	Activities	Responsible Institution. Term
<p>1) Obtaining of residence and work permits is a complicated and time consuming process.</p> <p>2) Excessive documentation requirements</p> <p>3) Inadequate cooperation between the Citizenship and Migration Board and the State Employment Service; inconsistent procedures. Investors complain about being sent from one department to another.</p> <p>4) Doubling CMB and SES formalities</p> <p>5) Entrepreneurs emphasize inadequacy of information available on the procedure for obtaining residence and work permits.</p>	<p>Simplification of work permit obtaining procedure:</p> <p>1) provide for simplified work permit obtaining procedures for directors, board members and responsible representatives of enterprise executive structures;</p> <p>2) reduce the number of visits to be made to the Employment Service by establishing that:</p> <ul style="list-style-type: none"> - work permit shall be issued simultaneously with residence permit - fixed payment for work permit issuance shall be made 	<p>1) Specify and submit to the Cabinet of Ministers the draft amendments to CM Regulations No. 54 On Employment of Foreigners and Stateless persons;</p> <p>2) Upon specification of amendments to CM Regulations No. 54 On Employment of Foreigners and Stateless Persons the Ministry of the Interior (MI) and the Ministry of Welfare (MW) shall consider and, if necessary, submit to the State Chancellery draft amendments to CM Regulations No. 417 On procedures for residence permit Issuance and Registration.</p>	<p>1) Ministry of Welfare – prepare and submit to the State Chancellery by 1 June 1999</p> <p>2) Ministry of the Interior</p>
<p>6) Authority of the Immigration Police to detain investors and expel them from the country on the grounds of minor technical breaches of immigration rules.</p>	<p>The Immigration Police should be authorized to inflict penalty for technical breaches of immigration rules, but should not have the authority to detain foreign investors or representatives in the absence of an actual commitment of criminally penal acts</p>	<p>Prepare the following informative materials:</p> <ol style="list-style-type: none"> 1) on obtaining work permits - Ministry of Welfare 2) on obtaining residence permits – Citizenship and Migration Board of the Ministry of the Interior 3) dissemination of informative materials in English, German and Russian among consular departments of the Republic of the Ministry of Foreign Affairs 4) placing of information in Internet home page – the Latvian Development Agency 	<p>Ministry of Welfare (State Employment Service)</p> <p>Ministry of the Interior (Citizenship and Migration Board)</p> <p>Consular Department of the Ministry of the Interior</p> <p>Submission of the informative materials by SES and CMB by 1 July 1999</p> <p>Ministry of the Interior</p> <p>By 15 June 1999</p>

Work Group On Administrative Barriers to Foreign Investments in Latvia. Subcommittee On Enterprise Registration, Tax Administration, Customs
ACTION PLAN

Problem	Objective	Activities	Preconditions	Responsible Institution. Term
<p>Company Registration Process Enterprise(company) registration with the Enterprise Registry and the Tax Payers Register of SRS actually is a duplicative procedure resulting in double registration.</p>	<p>Upon registration of an enterprise (company) with the Enterprise Registry the enterprise obtains a registration certificate which shall simultaneously be deemed as taxpayer's registration certificate. Information to SRS on the enterprise (company) shall be provided by the Enterprise Registry instead of the entrepreneur. An enterprise (company) shall register with SRS only as VAT payer and shall register also its structures.</p>	<p>At the end of April 1999 a work group comprising representatives from the Ministry of Finance, the Ministry of Justice, the Enterprise Registry and the State Revenue Service will commence activities; it will work out the Chapter of the Law On Taxes and Duties related to enterprise registration (MF Order No. 255 as of 19 April 1999)</p>	<p>1) As information should be provided in electronic form, data transmission system connecting the Enterprise Registry and SRS shall be installed. 2) Legislation shall stipulate that information exchange between the ER and SRS is by way of electronic documents having legal validity. 3) The issue of information provision on accounts shall be solved. 4) Transfer of registration of other legal entities to the ER is desirable. 5) The issue of identification numbers shall be solved.</p>	<p>Ministry of Finance The section on enterprise registration of the Law On Taxes and Duties will be developed by 30 June 1999; the Law shall be submitted to the State Chancellery by 1 October 1999.</p>
<p>Tax administration and solution of disputes Resolution of SRS officials are appealed to SRS Director General and then to the court. The appeals process is lengthy. The investors question the impartiality and autonomy of SRS internal appeals system</p>	<p>Establish an independent two-level appeals system for pre-court reviewing of tax disputes aimed at: - achieving impartiality of tax dispute solution, - improving quality of the decision making process, - achieving an agreement with the taxpayer,</p>	<p>Under Section 11 <i>Tax Determination And Appeal</i> of the SRS Modernization Project 1998-2002 the Project Management Unit has been formed ; it will draft the appeals structures and amendments to the Law On the State Revenue Service to improve the appeals</p>	<p>Selection of highly qualified staff for creation of the information system</p>	<p>By 31 December 2001 (project implementation term) under SRS Modernization Project 1998-2002. Harmonization of legislation by Quarter I of 2000. Elaboration of the section on Appeal of Tax Dispute of the</p>

	- elimination of legislative controversy.	procedures of the officials' resolutions. Proposals for amendments to the Draft Law On the Latvian Administrative Process and CM Regulation on SRS Appeals Structure will be worked out.		Law On Taxes and Duties by 30 June 1999
<p>Customs The investors maintain that the border guards create obstacles for declaration of goods imported to Latvia. According to them the border guards engage in unnecessary vehicle inspections thus slowing down the border crossing. Doubling of control functions of the customs and border guards is incidental</p>	Eliminate doubling of customs and border guard functions related to controlling of goods and conventionally prohibited articles thus accelerating border crossing.	The State Revenue Service shall draft amendments to the Law On the State Border of the Republic of Latvia and the Law On the Border Guard of the Republic of Latvia for submission to the Cabinet of Ministers.	The Ministry of Finance shall take into consideration the recommendation of the EU experts on accurate specification of the function of the customs and the border guards on the state border.	Ministry of Finance. Elaborate and submit by 31 May 1999
Inconsistency of the import and export customs procedures	Improvement of import and export related legislation	Elaboration and approval at the Cabinet of Ministers of the CM Regulations on Procedure for Declaration of Goods.		Ministry of Finance . The draft was reviewed by the Cabinet of Ministers on 22 March 1999. Currently the text of the draft is in the process of harmonization with the Ministry of Justice.
		Elaboration and approval by the Cabinet of Ministers of the Draft on the Procedure of Pre-taxing Operations	Related amendments to the Law On Customs shall be enacted.	It has been developed and is ready for dispatch to the ministries for harmonization. It is projected for submission to the State Chancellery by 1 July 1999 (under the condition that the related amendments to the Customs

				Law have taken effect by this date).
		A work group consisting of the representatives from the Ministry of Finance, the State Revenue Service, the Ministry of Transportation and the Latvian Transit Business Association will be formed. It will develop amendments to the CM Regulations On Submission and Acceptance of Warranties at SRS Customs Establishments, On Procedure For Execution of Customs Operation - Importing to the Customs Warehouse, On Procedure for Execution of Customs Operation - Transit, On Procedure for Execution of Customs Operation - Import for Processing		Ministry of Finance The amendments will be developed and submitted to the State Chancellery by 31 December 1999.
		Development of CM regulations dealing with customs procedures - temporary import, temporary export, clearance for free turnover, export and re-export - have been included in the Action Plan of the Ministry of Finance for 1999.		Ministry of Finance Draft regulations will be developed and submitted to the State Chancellery by 31 December 1999.
	Improve the foreign investment control mechanism at the State	Supplement SRS Order No. 243 as of 23 July 1996	Proposal of the Latvian Development Agency shall be harmonized with the Legal	SRS By 1 June 1999

	Revenue Service			Department of the State Revenue Service.	
	Accelerate introduction of customs declaration processing system	Introduce customs declaration processing system ASYCUDA ++	Adoption of all secondary legislation for the Customs and creation of an integrated data transmission network	Ministry of Finance By 31 December 2001	
	Improve consistent application of legislation at the border crossing points	An accurate distribution of duties and competence regarding the decision making powers of the customs officials will be worked out and presented to all entrepreneurs.		SRS By June 30, 1999	
		1) In cooperation with the Danish Tax and Customs Ministry a manual on application of customs procedures will be prepared. 2) Prepare and publish concise description of the following customs procedures: - import, - export, - transit		SRS 1) By 31 October 1999 2) By 31 July 1999	
	Achieve that the customs officers are trained in management, well-read in procedures and have computer proficiency.	SRS Educational Department and the Customs Administration organize extensive training of their staff to improve their qualification.		Incorporated in the action programs of the SRS Educational Department and Customs Administration for 1999/2000	

ACTION PLAN

Problem	Objective	Activities	Responsible institution. Term
<p>Real Estate</p> <p>1) The requirement to obtain permission of the municipality for land purchase demanded from some foreign investors is useless to a great extent and does not efficiently protect the interests of the Government and citizens of Latvia</p>	<p>Eliminate the most essential procedural barriers for foreign investors wishing to obtain land property rights in Latvia:</p> <ul style="list-style-type: none"> - reject the requirement to obtain the permission of the local government, - eliminate restriction with respect to free capital flows. 	<p>Give support to the draft legislation developed by the LDA On Amendments to the Law On Land Reform in Cities and Towns of Latvia and Amendments to the Law On Privatization of Land in Rural Areas (Appendix 1, 2).</p>	<p>Ministry of Economy. The drafts have been reviewed by the Cabinet of Ministers on 19 April 1999. Updated drafts are projected for reviewing by CM in May.</p>
<p>2) First refusal right of municipalities. This essentially prolongs the time required for formalization of real estate purchase. Preservation of such first refusal rights is not sufficiently founded in relation to deals with real estate; moreover, it is disregarded in most cases.</p>	<p>Cancel the first refusal right of municipalities to real estate as practically ignored thing. By canceling the obligation to obtain municipality's refusal in case of real estate sale the procedure for deals with real estate and legal operation with it would become simpler. For the purpose of protecting municipal interests the provision stipulating the local government initiative of forceful alienation of real estate needed for public use should be preserved, provided such respective asset is required for implementation of the local government functions.</p>	<p>Prepare amendments to related legislation and submit to the Cabinet of Ministers</p>	<p>Ministry of Justice Prepare and submit by 1 September 1999</p>
<p>3) The evaluation required for the registration of ownership rights to real estate is valid only for the period of 6 month. Issuance of a repeated</p>	<p>Extend the validity term of the documents certifying real estate evaluation to 5 year period instead of currently effective 6 months.</p>	<p>On the basis of proposals prepared by the work group develop and submit to the Cabinet of Ministers draft amendments to CM Regulation No.</p>	<p>Ministry of Justice Prepare and submit to the State Chancellery by 1 July 1999</p>

<p>evaluation takes from 1 to 3 months even if the real estate has not physically changed.</p>		<p>219 On State Duties for Execution of Notaries Operations and Registration of Ownership with the Land Registry (Appendix 3)</p>	
<p>4) Upon registration of the real estate ownership with the Land Registry the acquirer must confirm non-existence of property tax by municipality-issued certificate on tax payment which generally increases corroboration time of the deal and incurs extra indirect charges.</p>	<p>Cancel the requirement for the new owner to submit a certificate on real estate tax payment upon registration of real estate with the Land Registry which act would generally alleviate the real estate operations. Recently prepared draft amendments provide that the tax arrears upon alienation of real estate transfer to the new owner.</p>	<p>On the basis of amendments prepared by the work group prepare and submit to the Cabinet of Ministers amendments to the Law On Real Estate Tax (Appendix 4)</p>	<p>Ministry of Finance Incorporate the amendments proposed by the work group in the Draft Amendments to the Law On Real Estate Tax developed by the Ministry of Finance.</p>
<p>5) Comparatively long registration period (30 days) of real estate operations with the Land Registry (30 days). Legislation does not explicitly define if accelerated registration is permissible.</p>	<p>Provide for the opportunities of accelerated real estate registration period of 3 working days in case a ten-fold chancellery duty is paid. The proposed amendment, though not accelerating corroboration of all operations, will nevertheless simplify legal operation related to real estate and enable the entrepreneur to execute accelerated registration of respective real estate.</p>	<p>On the basis of amendments prepared by the work group prepare and submit to the Cabinet of Ministers amendments to the Law On Registration of Real Estate With Land Registry (Appendix 5)</p>	<p>Ministry of Justice Prepare and submit to the State Chancellery by 1 July 1999</p>
<p>Construction</p>			
<p>1) Complexity and time consuming nature of construction problems hereof</p>	<p>Ensure consistent solution to construction problems hereof.</p>	<p>1) With due consideration of complexity of the issue and the need to enter into an active dialogue with the local government representatives we recommend to form a working group charged with the task to develop proposals for streamlining the construction process, such group being represented by entrepreneurs, MEPRD, Local Government Board</p>	<p>Ministry of Environmental Protection and Regional Development (MEPRD) Prepare and submit to the State Chancellery a draft order on the formation of the work group by 1 June 1999.</p>

<p>2) Obtaining construction permit for a commercial project takes from 1 to 1.5 years on the average.</p> <p>3) The entrepreneurs have emphasized the need to centralize and simplify the process of obtaining technical documentation necessary for commencement of construction</p> <p>4) It is difficult to achieve modification of zone layout in the master plan of the city. The master plan modification process is particularly time consuming and complicated. It is actually equal to the approval of the original master plan.</p> <p>In many countries zone variations for a particular parcel of land are approved in a simpler manner and quicker.</p>	<p>Simplify the construction object harmonization process in Riga by centralizing issuance of technical documentation required for commencement of designing. Issuance of technical specification should proceed on a centralized basis by forming a special unit under the Riga Construction Board.</p>	<p>We recommend the following issues to be reviewed and handled by the would-be work group dealing with construction issues:</p> <p>2) The Riga City Council (Dome) should set up a construction board on the basis of the Riga City Development Department by uniting all structures dealing with construction and territorial planning as well as introduce centralized procedure for issuance of technical specifications and harmonization of building designs.</p>	<p>Would-be work group handling construction issues.</p>
<p>5) absence of a uniform system of fees - every service dealing with issuance of technical specifications charges a fee the amount of which is regulated by internal normative documents</p>	<p>Provide the entrepreneurs with information regarding the fees payable at each stage of the construction process, assess the legal aspect of such fees and their amount.</p>	<p>4) Oblige all ministries with construction institutions and technical maintenance services under them to submit to the Construction Department of MEPRD information on technical regulations for commencement of construction and fees payable at different stages of construction project for issuance of technical specifications and agreement by identifying legislative acts underlying and regulating such operations.</p> <p>5) Charge MEPRD with the task to revise and rationalize the procedure for state expertise and prepare</p>	<p>The information shall be submitted by all ministries to the Construction Department of MEPRD by 1 July 1999.</p> <p>Construction Department of MEPRD shall collect all information submitted by the ministries and dispatch it to all institutions involved in the construction process.</p> <p>MEPRD By 1 August 1999</p>

		amendments to enacted legislation if necessary.	
6) Lack of coordination among technical departments - regulations issued by various services often contain similar requirements.	Eliminate overlapping of functions and competence of various technical maintenance services	6) Reviewing of regulatory framework of those institutions that are involved in issuance of technical specifications required for commencement of construction in Riga. Assess distribution of functions and competence among the said institutions with the aim to identify similar or doubling functions and develop proposals.	MEPRD shall submit the prepared proposals to the State Chancellery by 1 October 1999

Work Group On Administrative Barriers to Foreign Investments in Latvia. Subcommittee On Inspections

ACTION PLAN

Problem	Objective	Activities	Responsible Institution.
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Implementation Term			
<p>Public Administration Reform Bureau</p> <p>Prepare and submit to the State Chancellery by 1 September 1999</p>	<p>Develop and submit to the Cabinet of Ministers draft instruction obliging the controlling institution to issue administrative statements in writing on the spot or in case of absence of an administrative statement to prepare, issue and place in the archives description of each inspection comprising:</p> <ul style="list-style-type: none"> • name, address of inspected entity • object of inspection • results of inspection detected breaches (with reference to relative legislation, articles, criteria) • steps taken by the inspector <p>If necessary, develop and submit draft amendments to the Cabinet of Ministers Regulations No.154 On Administrative Statement Process.</p>	<p>Ensure mandatory making of administrative statement and its issuance on the spot in writing.</p> <p>Even if administrative statement is not made out a written description of every inspection is necessary to ensure consistency of the decisions made by the respective institutions, to make the operation of inspections explicit and transparent for the public and to furnish inspection management with effective control instruments.</p> <p>Apart from issuance such administrative statement or description of inspection results should be kept with the archive of the inspection and made available to the inspected entity.</p> <p>The inspected entities shall be entitled to getting acquainted with the descriptions and the public shall be informed of such entitlement.</p>	<p>1) Inconsistent attitude on behalf of inspectors when inspecting enterprises. Administrative statement is not always issued on the spot in writing. In cases when administrative statement is not made out (particularly in cases of a positive statement) inspectors in a series of institutions are not obliged to prepare the description of inspection accessible also to the investor. Such weaknesses give rise to concerns of the businesses about transparency of the inspectors' operation and possibility of reporting mechanism.</p>
<p>1) The enlisted institutions shall, by 1 July 1999, submit the regulations and informative materials to the Public Administration Reform Bureau</p> <p>2) The Public Administration Reform Bureau shall, by 1 August 1999, collect the submitted informative materials.</p> <p>3) The Latvian Development Agency</p>	<p>The following institutions shall develop their own internal regulations for operation:</p> <ul style="list-style-type: none"> - The State Language Inspection (we propose involvement of the Riga Dome Language Inspection as well) - Sanitary Border Inspection - State Construction Board - State Employment Inspection - State Inspection for Protection of Cultural Monuments 	<p>Provide information to the public and businesses on inspections and their functions thus reducing the alienation from and misunderstanding related to the inspected structures as well as enhancing perception of inspectors about their powers.</p>	<p>2) Work sub-groups disclosed that entrepreneurs often lack information of inspections, their objectives, legal framework, rights and authority of the inspectors, rights of the inspected.</p>

<p>3) Appeals mechanism related to operation of public institutions is inappropriate. The typical such mechanism is appealing to the management of the institution, which is not at all attractive to the investors. Appeals to court form an alternative which is time consuming and expensive.</p>		<p>- State Sanitary Inspection - State Fire Safety Inspection - State Environmental Inspection, etc.</p> <p>On the basis of such regulations the institution enlisted above shall prepare informative materials (in accord with Appendix 6) to be disseminated among the public and businesses.</p>	<p>shall place the prepared materials in its Internet home page.</p>
<p>3) Appeals mechanism related to operation of public institutions is inappropriate. The typical such mechanism is appealing to the management of the institution, which is not at all attractive to the investors. Appeals to court form an alternative which is time consuming and expensive.</p>	<p>Ensure a permanent appeals mechanism and inform the public and businesses on such opportunity regarding alleged incompetence, discretion and wrongful activity of state officials and civil servants.</p>	<p>1) Supplement the Draft Law On State Civil Service by incorporating claim reviewing on neglect or inappropriate compliance with duties on behalf of civil servants in the powers of the State Civil Service Administration (Appendix 7). 2) Consider formation of ombudsman institution in Latvia as one of the alternatives for effective reviewing of claims against public officials.</p>	<p>State Civil Service Administration Public Administration Reform Bureau By 1 July 1999</p>
<p>4) Absence of cooperation and coordination mechanism among various public institutions dealing with similar or overlapping competence.</p>	<p>Create an institutionalized mechanism for involvement of public institution into a mutual dialogue aimed at solving competence distribution issues and elimination of function overlapping.</p>	<p>Work group proposes cooperation between the following structures: - local governments and MEPRD on construction issues - State Language Inspection and regional institutions (including the Riga Dome Language Inspection) on mutual coordination and responsibility - Citizenship and Migration Board and State Employment Service on labor and residence permits and application of the mechanism to cases of eventual disagreement</p>	<p>Public Administration Reform Bureau shall promote commencement of such cooperation.</p>

