

Latvia

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Systematic Removal  
of Administrative  
Barriers

by Lars N. Grava

# International recognition...

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- ... of efforts to reduce administrative barriers and improve the business environment in a systematic manner based on dialogue between the interested parties:
  - EU acknowledgement in Reports on Latvia's Accession (2000, 2001, 2002)
  - European Commission Enterprise Directorate General: CC BEST status
  - FIAS/World Bank recognition

# Reforms implemented

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- Tax:
  - establishment of appeals body
  - draft tax legislation posted on Internet for comment
  - improved system of VAT refunds
- Customs and Border Crossing:
  - simplified clearance introduced
  - manuals on customs procedures disseminated
  - delineation of institutional responsibilities
- Work and residence permits:
  - institutional coordination
  - simplified requirements and procedures
  - warranties by applicant

# Reforms implemented (cont.)

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- Enterprise registration:
  - enterprise and tax registration combined
- Inspections:
  - establishment of Inspectorate Coordination Council
  - standardized rights and responsibilities
- Construction:
  - clarified procedure for issuing technical regulations
  - fees and duties standardized

# Chronology

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1999	<b>FIAS Report</b> on Administrative Barriers to Investment in Latvia
1999-2003	<b>Ongoing reforms</b>
2002/3	<b>Self-Assessment</b> of Administrative Procedures for Doing Business in Latvia
2003+	<b>Reforms continue...</b>

# Initial difficulties

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- Skepticism by businesses
- Skepticism by government
- Credibility of reform institutions
- Political changes
- Too many problems in too many areas!

# Components of reform

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- Institutions and allies
- Structured dialogue
- Legal instruments: Action Plan
- Monitoring

# Institutions and allies: government support

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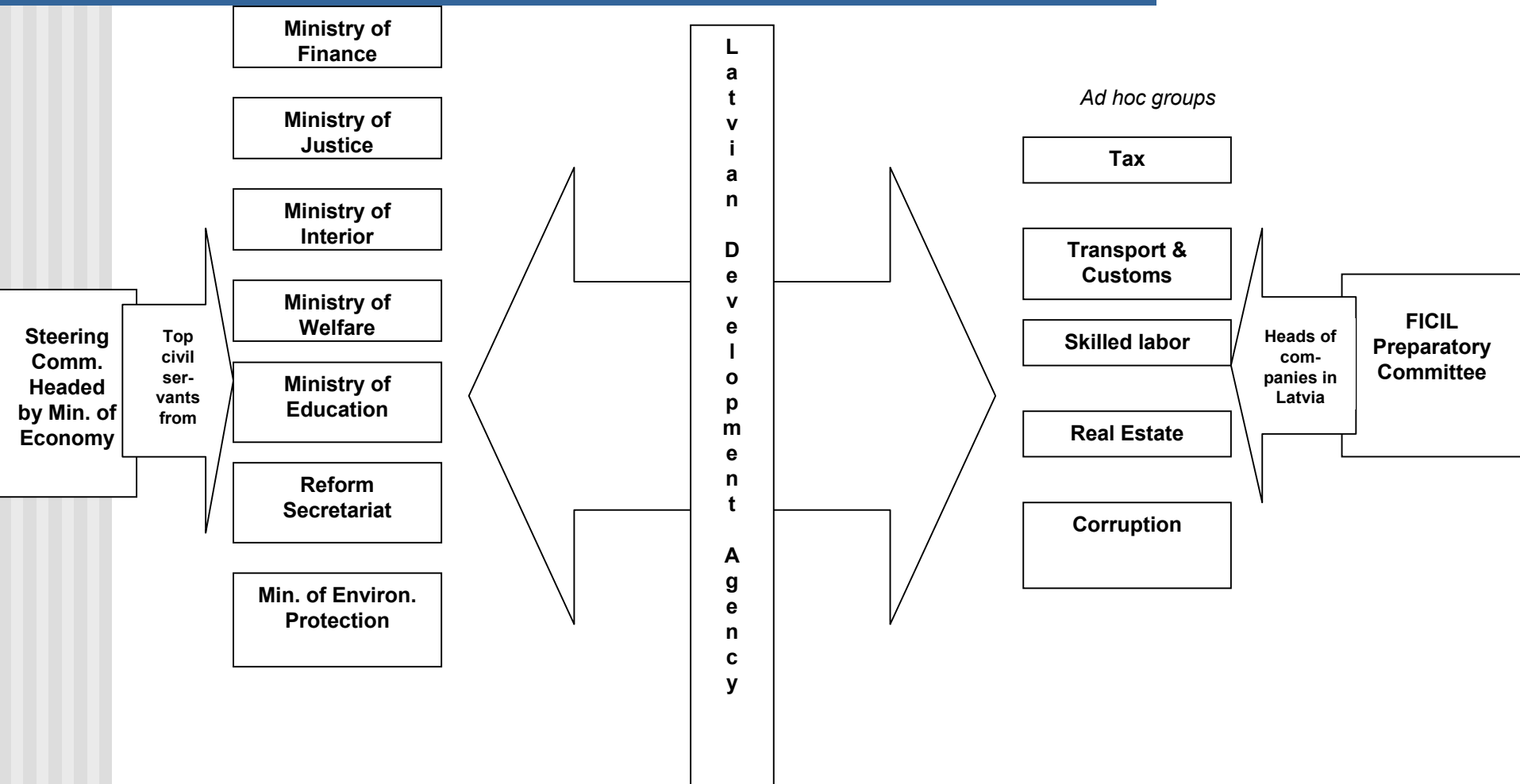
- Political champion: Minister of Economy and now Deputy PM
- Steering Committee:
  - High-level civil servants (state secretaries, heads of agencies)
  - Business representatives
- Technical/secretariat: Latvian Development Agency

# Institutions and allies: business support

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- Foreign Investors' Council in Latvia
- Foreign Chambers of Commerce
- Sectoral domestic business associations
- National Economy Board

# Structured dialogue: FICIL/Government meetings:



# Legal instrument: Action Plan (excerpt)

Problem	Measures to be performed	Responsible institution / member of Steering Group	Deadline
<b>TAX POLICY AND TAX ADMINISTRATION</b>			
<p><b>1. During the appeal of an existing tax dispute, the disputed tax amount as well as penalties for any additional tax calculation are imposed within 30 days of the resolution date. The representatives of FICIL have asked for an assessment of the possibility to suspend the imposition of taxes and penalties until a court judgment takes effect, if the decision of the SRS has been appealed to court.</b></p>	<p><b>To include in the draft revisions to the law <i>On Taxes and Duties</i> a provision that, in the event of timely submission of an appeal, the collection of tax debts is suspended until settlement of the issue.</b></p>	<p><b>Ministry of Finance and State Revenue Service (State Secretary of MoF, Director General of SRS)</b></p>	<p><b>By 1 October 2001 to submit to the State Chancellery draft amendments to the law <i>On Taxes and Duties</i> and amendments to the law <i>On the State Revenue Service</i>.</b></p>

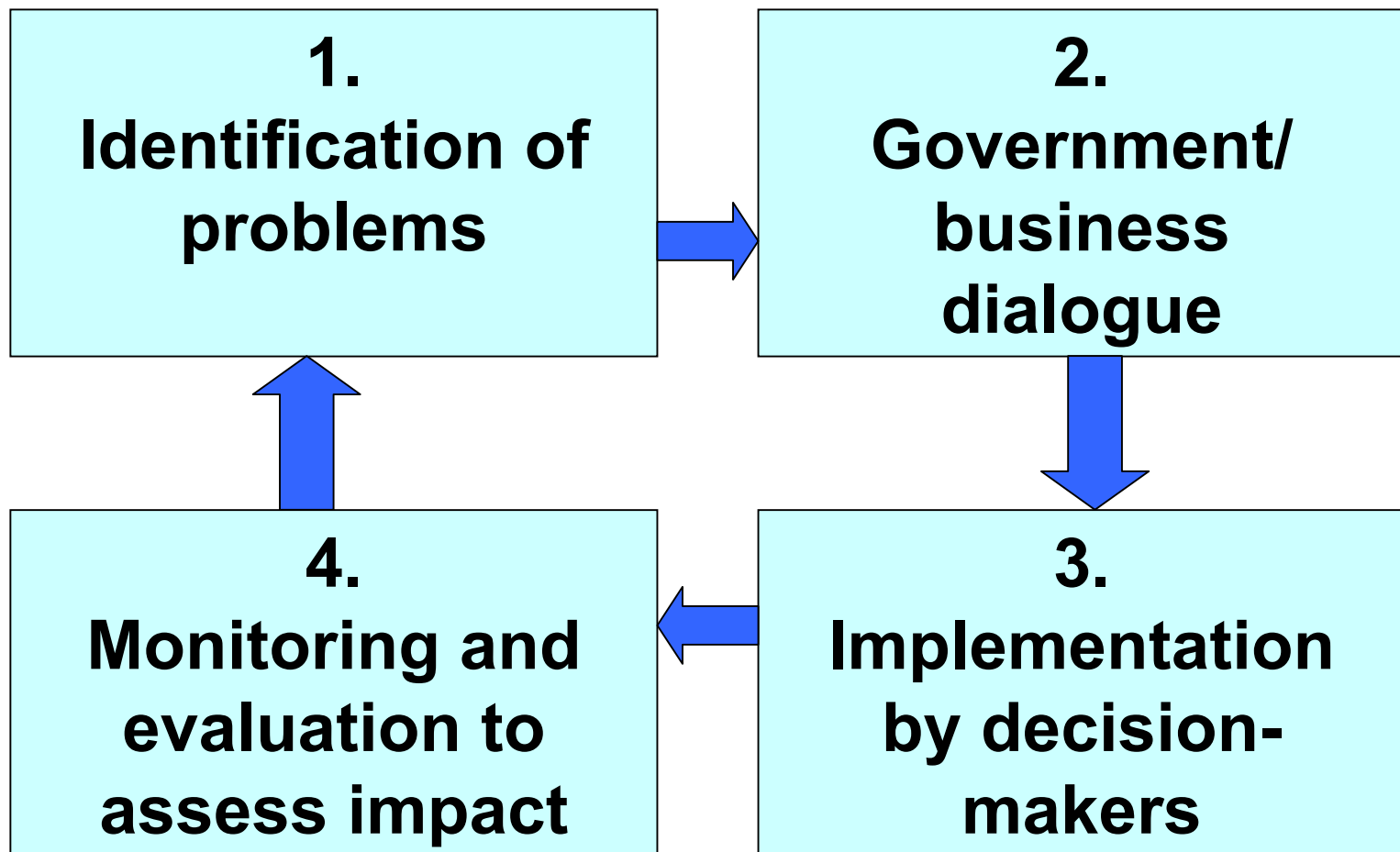
# Evolution of the Action Plan

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- After each FICIL meeting, revised Action Plan
- “Completed Tasks of the Action Plan”
  - repository of those tasks deemed completed, but that still require monitoring
  - nothing is lost!
- **The Action Plan is a living document**

# Cycle of Reform

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# Self-Assessment components

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Administrative  
and Regulatory  
Costs Survey

Focus groups  
with businesses

Legal  
analysis

Procedure templates by  
state and municipal  
institutions

# Templates

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- A basic instrument for describing the procedures that businesses must undergo from the perspective of the public institution overseeing that procedure
- General structure:
  - Information about the procedure an investor has to go through
  - Basic agency statistics to be used for monitoring purposes
  - Agency assessment of the procedure

# Templates: overall observations

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- Good response rate
- High quality
- Institutions collect some hard data, but necessary to improve the system
- Few appeals
- Good ideas for improvement
- Widespread use of “motivated refusal”
- Still low level of provision of information and feedback mechanisms

# Templates: specific observations

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- Discrepancy between business and Landbook views of title registration
- Good understanding by inspectorates of time required
- Chaos at municipal level:
  - municipal trade permits
  - construction

# Templates: next steps

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- Municipal police
- Ready-made guides for investors
- Comparisons between agencies (esp. inspections, municipalities)
- The information in the templates can serve as performance indicators

# Priority areas based on self-assessment

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- Action Plan model:
  - Real estate registration
  - Tax administration:
    - Penalties
    - VAT refunds
    - frequent changes in rules
  - Customs: simplification of procedures

# Priority areas based on self-assessment (contd.)

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- Center-of-government (policy):
  - Compliance rather than enforcement
  - Level playing field
  - Electronic documentation
  - Notarization
  - High-level (sophisticated) corruption

# Priority areas based on self-assessment (contd.)

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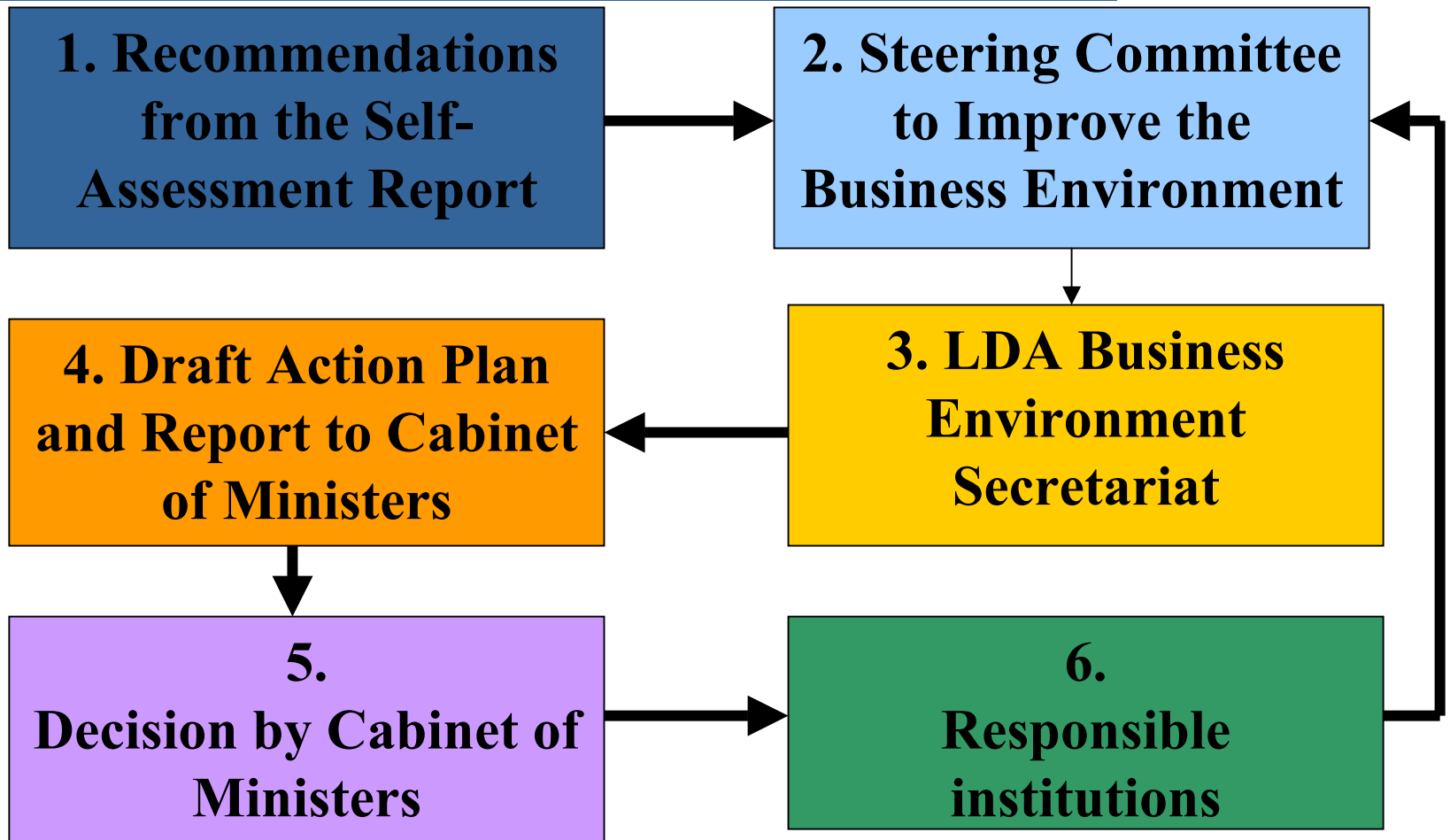
- Municipal level:
  - Construction
  - Municipal trade permits
  - Municipal police

# Self-Assessment Report on the Internet

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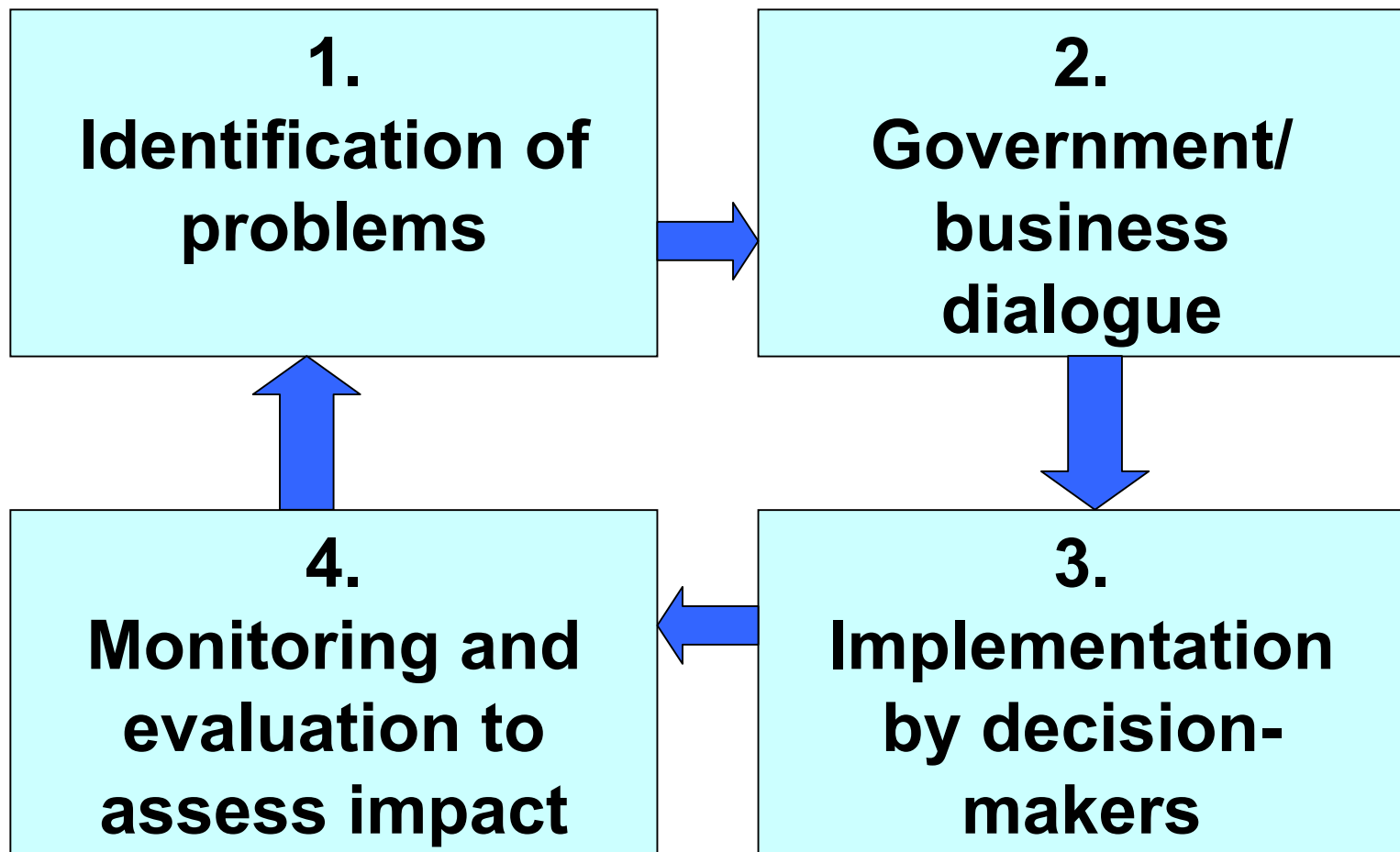
- <http://www.lida.gov.lv/eng/inner/aboutagency/fias/>

# Reform path



# Cycle of Reform

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# Achievements

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- 90% of tasks in Action Plan have been implemented
- Cycle of reform is institutionalized
- Dedicated secretariat
- Interested, involved businesses
- Administrative reform is a government-wide activity
- Model spread to other government areas