

# **A manual for the identification and removal of administrative barriers to investment**

Module 5: Action plans

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FIAS  
Leaders in Investment Climate Solutions  
International Finance Corporation and  
The World Bank Group



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## About this manual

This manual, and the accompanying tools (a business survey questionnaire and a set of templates for government agencies), describe how to assess administrative barriers to investment. Its purpose is to help government agencies, business associations, foreign aid agencies, and consultants interested in carrying out such an assessment.

## How this manual is structured

This manual is structured into six separate modules.

Module 1: About the manual: the cycle of reform

Module 2: Prerequisites and preparation

Module 3: Identifying barriers

Module 4: Public-private dialogue

Module 5: Action plans

Module 6: Monitoring, evaluation and continual assessment

## Intended audiences for each module

Very few individuals will be willing and able to read the entire manual!

**Senior decision-makers** in government and foreign aid agencies will probably only want to read Module 1.

Whoever will be responsible for the overall assessment of administrative barriers (**team leader and staff of the secretariat**) should initially read Module 1 and 2. They can study the remaining modules as the project progresses.

There will probably be an individual or **team responsible for the business survey** (administrative and regulatory costs survey, usually contracted to a local survey company). In addition to Module 1 and 2, they should especially read Module 3 and Module 6.

There will probably be another individual or **team responsible for the templates** for government agencies. In addition to Module 1 and 2, they should especially read the relevant sections in Module 3 and Module 5.

Whoever is primarily responsible for the **dialog** between the public and private sectors, and the preparation of the action **plan** should focus on Module 2, Module 4 and Module 5.

## Acronyms and abbreviations used in the manual

AB	Administrative barriers
ARCS	Administrative and regulatory cost survey
BIS	Business intermediary survey
CMB	Citizenship and migration board
ES	Enterprise survey
GDP	Gross domestic product
FDI	Foreign direct investment
FIAS	Foreign Investment Advisory Service
IPA	Investment promotion agency
LoI	Letter of intent
MI	Ministry of interior
MW	Ministry of welfare
OECD	Organization for Economic Co-operation and Development
S-A	Self assessment
SES	State employment service
SME	Small and medium enterprises
QMS	Quality management systems
ToR	Terms of reference
VAT	Value added tax

# 1 Adoption of action plan by government and implementation

## Box 1: Action planning

The point of focus of the whole administrative barrier diagnostic phase process should [be] the release of the government's action plan, which is its public commitment to act. Longer-term commitment and project preparation by FIAS from the beginning will support the action plan. FIAS should assist in drawing up the action plan with the concerned ministries. FIAS can also participate in the ongoing planning process by reviewing drafts, or presenting one-day workshops on particular issues that arise. Moreover, to tie action planning into the ultimate goal of implementation, monitoring of the milestones in the action plan should be built into the process from the very beginning.

Source: Adapted from Jacobs & Associates, Assessment of the Program of the Foreign Investment Advisory Service to Reduce Administrative Barriers to Investment, 1995-2004 (9 September 2004)

## Review of the draft action plan by the steering committee and submission to the government

### Task 1: Adoption of the action plan by government

The action plan prepared by the steering committee must be reviewed and formally adopted by the government before many measures can be implemented. These may include amendments to legislation that must also be approved by parliament.

Once the technical sub-groups, as described in Module 4, have agreed upon a set of problems that can be resolved and have defined precise and detailed measures that can realistically be implemented, the secretariat compiles proposals from all the technical sub-groups and produces a draft action plan in accordance with the structure described above in Module 4. Some of the technical sub-groups might not have agreed upon the implementing authority (column 3 of the action plan), deadline (column 4) and/or the indicators for monitoring (column 5). In such a case, it is the responsibility of the secretariat to propose and, if necessary, coordinate with the institutions in question all the missing elements. Consultations with the chairman of the steering committee might also be required.

In addition to the draft action plan, the secretariat also drafts all the other documents that are normally required when submitting any materials for review to the government. These can include, but are not limited to, the following:

- A report to the government describing the activities undertaken by the steering committee and presenting the draft action plan as approved in the steering committee. The report should also highlight the issues of the action plan that are deemed to be of the highest importance, as well as those issues, if any, where final agreement with the responsible institution was not reached.
- A draft decision of the government on adoption of the action plan. The decision must ensure that the adopted action plan in its entirety is mandatory for all the designated institutions. If necessary, the decision can also name the secretariat as the institution that monitors the implementation of the plan. A sample is presented in Module 5.

This decision of the government, once adopted, in combination with the executive decree setting up the steering committee, forms the legal basis for the existence and functioning of the action plan.

The draft action plan and the accompanying documents are reviewed, discussed and approved in the meeting of the steering committee. Following that, the secretariat (through the chairman of the steering committee) submits the draft action plan and related documents to the government.

Approval by the steering committee is usually needed to ensure smooth approval of the action plan in the government. The rationale is simple – since the representatives of various ministries and agencies have approved the draft action plan in the steering committee, the same people and institutions will normally not be able to halt adoption of the action plan in the government.

There might be instances where a full agreement on some issues is not reached (e.g. the institutions do not agree with the deadline, etc.) in the steering committee. In such a case, every effort should be made to limit the number of disagreements by reaching some sort of workable compromise before submission to the government. If this is not possible, the disagreement should be recorded in the accompanying report and the positions of both sides explained, thus leaving the final decision for the political level.

However, the legal and bureaucratic culture and tradition in different countries may vary and the judgment on what works best in a given country should be made by the secretariat and the key interested parties.

Adoption of the action plan by the government is needed to provide a legally binding status to the plan, obliging the responsible institutions to fulfil it.

The review of the action plan in the government provides an opportunity to raise to the highest political level issues that could not be resolved at a lower level. In order not to produce an open confrontation at the government's session, it might be useful to carry out consultations between the chairman of the steering committee (e.g. the political champion) and the responsible minister beforehand.

In addition to the secretariat's oversight of implementation of the action plan (as mandated by the decision of the government on adoption of the plan and the executive decree on setting up the steering committee) the adoption of the plan by the government places the fulfilment of the tasks under government's general bureaucratic control process. In some countries it can be the state chancellery or any other center-of-government institution that, as part of its regular duties, controls the observance of various deadlines imposed on ministries. The secretariat should leverage this resource, while carrying on with the substantive examination of the status of implementation of the action plan.

## **Activities to ensure implementation, such as follow-up, dissemination, press coverage, regular contacts**

### **Task 2: Implementation of action plan**

This is the responsibility of the government, according to the assignments specified in the action plan.

The FIAS role in implementation must be carefully designed to be light-handed, yet effective. FIAS does not have the mandate, skills or resources to become a technical assistance agency. The answer lies in expansion of the FIAS skills that are already highly developed –using its own skills and resources strategically to leverage the resources of others. FIAS can assist in implementation in five key ways that help build and sustain the critical mass needed for change, and that correspond to the critical failures of its client countries:<sup>1</sup>

- *Responding to on-demand information needs.* FIAS can act as an information broker, making high-quality information accessible to implementing bodies on demand through a flexible variety of means, including workshops in-country, regional workshops, building of the best practice database, and provision of short-term experts. The FIAS task manager helps the country define its information needs during the action planning process, and should keep in close touch through the

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<sup>1</sup> Adapted from Jacobs & Associates, Assessment of the Program of the Foreign Investment Advisory Service to Reduce Administrative Barriers to Investment, 1995-2004 (9 September 2004)

solution design and implementation process to help define information needs in a timely way.

- *Coaching clients on reform strategies and sustainable governance issues using in-house expertise.* FIAS can help countries develop better sustainable governance capacities, such as reform strategies and capacities, transparency strategies, public-private dialogue, and consultation, building capacities for high-quality administrative and regulatory action. This may go beyond working with the public sector. FIAS can, for example, help private business organizations develop as watchdogs of the reform process.
- *Deploying a skilled stable of consultants to work during the implementation phase,* depending on financial resources. FIAS can make available specialized consultants to react with the client over the implementation period in the priority areas of reform. FIAS has a stable of consultants that it relies on. These consultants are generally deployed on an intermittent basis in the country, but could work for longer periods depending on the budget for the implementation stage. The skill-set of the FIAS stable includes all the high priority reforms: business registration, tax implementation, employment barriers, access to land, site development including environmental permits, inspections, and standards.
- *Facilitating in obtaining and managing financing from other donors for a two to three year implementation phase.* FIAS involvement in managing implementation projects over two to three years can provide donors with a mechanism for financing this work. While the nature of FIAS interaction with World Bank projects varies, depending on the level of resources needed and comparative advantage, coordination of priorities with the World Bank before starting a project will help better integrate FIAS' work into a more general development strategy. Earlier consultation on priorities increases the chances that the World Bank can provide financing from ongoing projects for implementation as soon as a diagnostic report is completed. In assisting with implementation, FIAS then works as a consultancy service to the World Bank. For projects requiring a sustained presence on the ground, FIAS and the World Bank may work out an agreement allocating tasks. For example, FIAS might supply a consultant working as World Bank staff, but under FIAS surveillance, to make best use of FIAS expertise and monitoring. FIAS can also supply a series of short-term consultants, or take responsibility for the governance aspects of a larger reform. Given the long lead time in Bank programming, FIAS staff should communicate with the World Bank from the very beginning of a diagnostic so that implementation can be built into Bank planning.

- *Providing project management services such as monitoring progress, intervening as a neutral and influential voice to maintain reforms, particularly when the government changes. The credibility of FIAS and its ability to project a reasonable business voice into high government levels are assets to the reform process that may be needed as implementation runs into opposition.*

The following actions should be taken during this phase:

**Table 1: Action planning and implementation phases**

<b>Recommended FIAS procedure to prepare an administrative barriers report</b>	<b>Primary purpose of this step</b>
Counterpart decides if the client wants to follow up with an action plan. (This step may occur after the communication phase)	
FIAS may be invited to participate in the action plan by advising on specific issues. (This step may occur after the communication phase.)	
The government establishes the implementation structures, with the participation of FIAS and stakeholders.	Implementation: Client creates the institutions needed to implement, with FIAS help
Action plan process begins. FIAS team returns for one week to brief on recommendations, discuss good practices, and assist in the action plan.	Solution Design, Implementation: Fine-tune recommendations and assist in drafting the action plan
Over the action planning period (1-3 months), FIAS comments on drafts, and responds with expertise as needed. FIAS reaches final agreement with donor on financing package for action plan.	Solution Design, Implementation: Fine-tune recommendations and assist in drafting the action plan
The medium-term action plan is agreed by the government for the 5-6 priority reforms, with schedule, financing plan, milestones, and monitoring process, with list of needed technical assistance and other inputs.	Solution Design, Implementation: Fine-tune recommendations and assist in drafting the action plan
<b>Implementation phase</b>	
FIAS contributes according to the role and inputs defined in the action plan.	Implementation: Provide technical assistance during the implementation process to keep reforms on track

Source: Adapted from Jacobs & Associates, Assessment of the Program of the Foreign Investment Advisory Service to Reduce Administrative Barriers to Investment, 1995-2004 (9 September 2004)

Once the action plan is adopted by the government, it becomes a binding legal document for the institutions of the executive branch, requiring fulfilment of certain tasks by a specific deadline. Therefore, in order to maintain the momentum and have tangible results that can be related to the private sector counterparts and the international community, the task of the steering committee and secretariat is to ensure maximum implementation of the action plan.

If the implementation aspects of this reform program are left unattended, then unless the government is extraordinarily efficient and all the institutions have an excellent working relationship, it is most likely possible that the responsible institutions will not start realizing the actions until the deadlines are approaching or have already passed.

The majority of reforms included in the action plan will require sustained and focused efforts on the part of responsible institutions.

For example, if the task as provided in the action plan is *to submit amendments to the law or regulations to the government*, this will involve preparing the text of amendments (with or without the assistance of international experts), organizing an internal review within the government, soliciting comments from the business community, evaluating the proposals received from other government institutions and from the business community, if necessary carrying out consultations with the institutions whose objections might halt the intended reform, preparing the final draft, submitting it to the government for review and shepherding it through a series of government reviews. If the amendments have to be approved by the parliament then the shepherding exercise is even longer – through the hearings and reviews in the parliament. The bureaucratic review process will most likely be the same for minor or major amendments.

It is quite common that items included in the action plan may be supported by whole projects or components of projects, such as:

- structural adjustment loans
- private sector development projects
- public sector or civil service reform projects
- tax or customs reform projects
- registry or cadastre reform projects

- competitiveness projects
- small and medium enterprise development projects
- etc.

Such projects can provide needed resources and long-term technical assistance to support the reforms of the action plan (see Box 2). In particular, it is usually beneficial to combine reforms intended to improve the investment climate with reforms to improve public sector management. The action plan can provide the content for such reforms, while a public sector management project can help implement reforms within the government to improve public sector efficiency, transparency, accountability, and business orientation.

### **Box 2: Lesotho registration and licensing reform**

FIAS carried out an Administrative Barriers Study in 1997; because of internal political conflicts, the government did not act on the report. In 2004, the World Bank began a dialogue on private sector development that led to an agreement that licensing and company registration reforms were necessary. The government requested FIAS help in designing a solution to these issues, while it was engaged in a broader discussion on overall private sector development strategy. FIAS produced a reform proposal for the modernization and reform of licensing and company registration in July 2004. In April 2005, a PSD Forum held in Maseru proposed to the government the components of a PSD program, which is to be supported by an IDA credit, part of which will be used to finance the hardware and software costs of the licensing and registration reforms.

The task of the secretariat of ensuring maximum implementation of the action plan involves the following activities/steps:

- *Dissemination.* After the action plan has been adopted in the government, the secretariat should disseminate it to all the members of the steering committee, other responsible civil servants and interested private sector counterparts.
- *Follow-up and regular contacts with the responsible institutions.* The secretariat should keep itself updated on the status of implementation of the tasks envisaged in the action plan throughout the life of the plan. Among other things, the secretariat should:
  - Develop and maintain a regular contact with civil servants in different ministries in charge of the reform items of the action plan.

- Follow up on the progress of legal acts provided for in the action plan and on the compliance of the proposed norms to those anticipated in the action plan.
- Organize and facilitate consultations between government institutions and representatives from the private sector to solicit their comments and suggestions about the draft legal acts that have been prepared in the context of the action plan.
- Follow up on the future progress of draft legal acts in order to ensure that the reservations expressed or proposals made are taken into account in the final version of amendments.
- Prepare opinion letters when necessary, specifying the problems identified and proposing alternative solutions.

An understanding of internal bureaucratic procedures and document flows within the government is a valuable asset to follow up on the individual tasks of the action plan most efficiently.

*Press coverage.* In ensuring the implementation of the action plan, another useful tool is the involvement of the mass media. Information on the progress on the action plan in general or some discrete issues should be provided on a regular basis to the press and other media. Press coverage will help to sustain a certain level of pressure, and this can be helpful in achieving results.

[An update of this section, based on recent FIAS experience in conducting joint projects with the World Bank's Development Communications Group, as well as based on the UN's Bosnia Bulldozer Initiative, is being prepared for inclusion in the September 2006 Update of this Manual]

# A Appendix Latvia action plan

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>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"> <li>- work permit shall be issued simultaneously with residence permit</li> <li>- fixed payment for work permit issuance shall be made</li> </ul>	<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>5) Entrepreneurs emphasize inadequacy of information available on the procedure for obtaining residence and work permits.</p>	<p>Provide information to entrepreneurs on the procedure of obtaining work and residence permits, required documentation and related costs</p>	<p>Prepare the following informative materials:</p> <p>1) on obtaining work permits - Ministry of Welfare</p> <p>2) on obtaining residence permits – Citizenship and Migration Board of the Ministry of the Interior</p> <p>3) dissemination of informative materials in English, German and Russian among consular departments of the Republic of the Ministry of Foreign Affairs</p> <p>4) placing of information in Internet home page – the Latvian Development Agency</p>	<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>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>Review legislation regulating activities of the Immigration Police and CMB and introduce required amendments to ensure implementation of and abidance by the recommendation of the work group</p>	<p>Ministry of the Interior</p> <p>By 15 June 1999</p>

**ACTION plan**

Problem	Objective	Activities	Preconditions	Responsible Institution. Term
<b>Company Registration Process</b> Enterprise (company) registration with the Enterprise Registry and the Tax Payers Register of SRS actually is a duplicative procedure resulting in double registration.	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.	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)	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.	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.
<b>Tax administration and solution of disputes</b> 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	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, - elimination of legislative controversy.	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 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.	Selection of highly qualified staff for creation of the information system	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 Law On Taxes and Duties by 30 June 1999
<b>Customs</b> The investors maintain that the border guards create obstacles for declaration of goods imported to Latvia. According	Eliminate doubling of customs and border guard functions related to controlling of goods and conventionally prohibited	The State Revenue Service shall draft amendments to the Law On the State Border of the Republic of Latvia and the Law On the	The Ministry of Finance shall take into consideration the recommendation of the EU experts on accurate specification	Ministry of Finance. Elaborate and submit by 31 May 1999

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	articles thus accelerating border crossing.	Border Guard of the Republic of Latvia for submission to the Cabinet of Ministers.	of the function of the customs and the border guards on the state border.	
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 -		Ministry of Finance  Draft regulations will be developed and submitted to the State Chancellery by 31

		have been included in the action plan of the Ministry of Finance for 1999.		December 1999.
	Improve the foreign investment control mechanism at the State Revenue Service	Supplement SRS Order No. 243 as of 23 July 1996	Proposal of the Latvian Development Agency shall be harmonized with the Legal Department of the State Revenue Service.	SRS By 1 June 1999
	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
<b>Real Estate</b>			
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	Eliminate the most essential procedural barriers for foreign investors wishing to obtain land property rights in Latvia: - reject the requirement to obtain the permission of the local government, - eliminate restriction with respect to free capital flows.	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).	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.
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.	Cancel the first refusal right of municipalities to real estate as practically ignored thing. By cancelling 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.	Prepare amendments to related legislation and submit to the Cabinet of Ministers	Ministry of Justice Prepare and submit by 1 September 1999
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 evaluation takes from 1 to 3 months even if the real estate has not physically changed.	Extend the validity term of the documents certifying real estate evaluation to 5 year period instead of currently effective 6 months.	On the basis of proposals prepared by the work group develop and submit to the Cabinet of Ministers draft amendments to CM Regulation No. 219 On State Duties for Execution of Notaries Operations and Registration of Ownership with the Land Registry (Appendix 3)	Ministry of Justice Prepare and submit to the State Chancellery by 1 July 1999
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.	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.	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)	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.
5) Comparatively long registration period (30 days) of real estate operations with the	Provide for the opportunities of accelerated real estate registration period	On the basis of amendments prepared by the work group prepare and submit to the	Ministry of Justice Prepare and submit to the State

Land Registry (30 days). Legislation does not explicitly define if accelerated registration is permissible.	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.	Cabinet of Ministers amendments to the Law On Registration of Real Estate With Land Registry (Appendix 5)	Chancellery by 1 July 1999
<b>Construction</b>			
1) Complexity and time consuming nature of construction problems hereof	Ensure consistent solution to construction problems hereof.	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 and municipalities.	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.
2) Obtaining construction permit for a commercial project takes from 1 to 1.5 years on the average. 3) The entrepreneurs have emphasized the need to centralize and simplify the process of obtaining technical documentation necessary for commencement of construction 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. In many countries zone variations for a particular parcel of land are approved in a simpler manner and quicker.	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.	We recommend the following issues to be reviewed and handled by the would-be work group dealing with construction issues: 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.	Would-be work group handling construction issues.
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	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.	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.	The information shall be submitted by all ministries to the Construction Department of MEPRD by 1 July 1999.  Construction Department of MEPRD shall collect all information submitted by the ministries and dispatch it to all institutions involved in the construction process.

		5) Charge MEPRD with the task to revise and rationalize the procedure for state expertise and prepare amendments to enacted legislation if necessary.	MEPRD By 1 August 1999
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

**ACTION plan**

Problem	Objective	Activities	Responsible Institution. Implementation Term
<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>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. 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>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"> <li>• name, address of inspected entity</li> <li>• object of inspection</li> <li>• results of inspection detected breaches (with reference to relative legislation, articles, criteria)</li> <li>• steps taken by the inspector</li> </ul> <p>If necessary, develop and submit draft amendments to the Cabinet of Ministers Regulations No.154 On Administrative Statement Process.</p>	<p>Public Administration Reform Bureau</p> <p>Prepare and submit to the State Chancellery by 1 September 1999</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>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>The following institutions shall develop their own internal regulations for operation:</p> <ul style="list-style-type: none"> <li>- The State Language Inspection (we propose involvement of the Riga Dome Language Inspection as well)</li> <li>- Sanitary Border Inspection</li> <li>- State Construction Board</li> <li>- State Employment Inspection</li> <li>- State Inspection for Protection of Cultural Monuments</li> <li>- State Sanitary Inspection</li> <li>- State Fire Safety Inspection</li> <li>- State Environmental Inspection, etc.</li> </ul> <p>On the basis of such regulations the institution enlisted above shall prepare informative materials (in accord with Appendix 6) to be disseminated among</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 shall place the prepared materials in its Internet home page.</p>

		the public and businesses.	
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.	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.	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.	State Civil Service Administration  Public Administration Reform Bureau  By 1 July 1999
4) Absence of cooperation and coordination mechanism among various public institutions dealing with similar or overlapping competence.	Create an institutionalized mechanism for involvement of public institution into a mutual dialogue aimed at solving competence distribution issues and elimination of function overlapping.	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 between public institutions.	Public Administration Reform Bureau shall promote commencement of such cooperation.

## **B Appendix: draft decision of adoption of action plan**

**EXTRACT  
FROM THE MINUTES OF THE MEETING OF THE  
CABINET OF MINISTERS OF THE REPUBLIC OF LATVIA**

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Riga

No. 32

10 July 2001

**32.§**

**On the action plan to Improve the Business Environment  
2940-k**

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(A.Kalvītis, A.Bērziņš)

1. To accept the action plan to improve the business environment (hereinafter referred to as the plan).
2. For the Ministry of Economy to update the information on the completion of tasks referred to in the plan (Section 9, 12 and 16) and to submit the updated plan to the State Chancellery.
3. For the ministries and other institutions mentioned in the plan to complete the tasks assigned to them within the set deadlines.
4. By 1 November 2001 for the designated government institutions to provide to the Ministry of Economy (the Latvian Development Agency) information concerning the completion of the tasks assigned under the action plan.
5. By 16 November 2001 for the Minister of Economy to submit a report to the Prime Minister of the Republic of Latvia concerning fulfilment of the plan and other measures necessary to improve the business environment in Latvia.
6. For the responsible ministries to provide within one month to the Prime Minister a report on the inclusion of the tasks assigned to them in the action plans of the ministries for fulfilling the government Declaration.
7. To acknowledge the decision contained in the minutes of the Cabinet of Ministers' meeting, dated 21 November 2000, (min. No.55 26.§) "On the action plan to improve the business environment" to be void.

Prime Minister

A.Bērziņš

Director of the State Chancellery

G.Veismane