

Address by Prime Minister Māris Kučinskis at the 20th FICIL and Latvian
government High Council Meeting

27 May 2016

Dear ladies and gentlemen,

Honourable entrepreneurs,

I highly appreciate the foreign investors' activities in Latvia and honour the entrepreneurs who have trusted Latvia when deciding about investing their money right here. Thank you for your preference to Latvia!

I also welcome the initiative of the Foreign Investors' Council in Latvia when developing the annual sectoral reports, which are prepared on an annual basis by the Foreign Investors' Council in collaboration with the public administration institutions thus seeking the best solutions to improve the business environment in Latvia. Latvian business operates in open global markets, and it is highly exposed to developments in external environment – economic development of major trading partners, the situation in potentially new markets, geopolitical situation in the region, and the like. There are still many unresolved issues, and many of them have been identified by the Foreign Investors' Council during these years of cooperation, and we have to admit that some still need to be resolved.

When developing the Declaration of the Government, I had a clear principle – we should search for effective solutions to a more rapid but, at the same time, balanced development, because this is the only way to meet resident's expectations regarding the quality of life here in Latvia. The principle is as follows – to ensure a balanced annual GDP growth in the range of 5% in the medium-term. At the same time, my personal goal as the Prime Minister is to establish effective communication with social and cooperation partners and to precisely define our shared objectives.

The government has clearly defined the priority action points for economic development - business environment, predictable tax system, development of an innovation platform, reforms in health care and education system, demography, national identity and security dimension. Their implementation requires a horizontal cooperation among a number of sectors. I intend to evaluate the progress of the government's work twice a year, and thus inform the public about the progress towards achieving the objectives set by the government.

Of course, we plan concrete actions to stimulate the rate of economic growth.

First – improvement of the business environment. We will ensure a targeted progress towards outstanding business environment, meaning e-solutions to improve the business environment, simple and high-quality public services, business-friendly infrastructure development services, simplified payment of taxes and reduced administrative burden.

The legal environment to improve the support to entrepreneurship is an important aspect – the judicial territorial reform has to be completed, by setting-up larger and more powerful courts and equalizing workload of judges, reducing the duration of proceedings, as well as ensuring better specialization of judges and the principle of randomness.

The attention should be paid to increased supervision of the insolvency process and insolvency administrators. A new electronic system for supervision of insolvency process administrators' activity reports has already been developed and introduced to improve transparency.

A balanced and predictable tax policy – the total amount of taxes is expected to approach 30% in 2018 while in 2020 the tax collected will amount to 1/3 of GDP.

Special attention is devoted to informal economy and combating of economic crimes – we expect that the proportion of informal economy in the country will be reduced from 23.6% – 21% in 2018. The initial discussion with social and cooperation partners on the informal economy plan and implementation will be held already on 10 June, and it will include specific measures with deadlines by sectors.

With regard to investment attraction, I would like to stress that the strategy for attracting foreign investment and developing a favourable business environment will be improved by creating a competitive investment portfolio and providing a holistic approach to servicing the investment projects in public administration, as well as increasing the role of local governments in the process of investment attraction, ultimately leading to an increase in investment in the medium term by ~ 7 % annually.

In order to contribute to a steady increase in exports of goods and services by at least 5% annually, the support will be provided to SMEs and start-up eco-system

to promote international competitiveness. The medium-term and long-term export credit guarantees will be provided within Altum framework. It is also planned to improve and increase the international contractual base and ensure the representation of economic interests of Latvia.

As I mentioned, I am delighted that the Foreign Investors' Council is involved through practical work in improving the business environment and promoting economic development in Latvia. I hope that this cooperation will continue, and I see an opportunity for even more successful cooperation.

Prime Minister Māris Kučinskis