



PATRONS & ATBALSTĪTĀJS



## RESOLUTION OF III INTERNATIONAL ECONOMIC FORUM

*“In this responsible period, the role of the Latvian Academy of Sciences is important as the most qualified industrial and also social expert.”*

*Prof. Ojārs Spārītis, President of Latvian Academy of Sciences*

The aim of III Economic Forum “**BUSINESS SUPPORT: critical points, science-based solutions, international cooperation**” held on 31 October and 1 November 2019 - to draw more attention to the study of the obstacles hindering the development of entrepreneurship and providing science-based recommendations for the improvement of the state and local government support system, stimulating the entry of local and foreign investment and the development of an innovative national economy in the long-term.

**The main organizer of the Forum** – the Institute of Economics of the Latvian Academy of Sciences. **The patron and main supporter** - SIA «Latvijas Mobilais Telefons». The organization of the Forum was supported by various **cooperation partners**: State research program project INTERFRAME-LV, Latvian Academy of Sciences, Scientific and Humanistic Research Foundation Antonio Meneghetti, Latvian Chamber of Commerce and Industry, Norwegian Chamber of Commerce in Latvia, “S-Baltic” Ltd, magazine “Free city” («Открытый город»), online news portal “Baltic-Course” and others.

The Forum was attended by **170 participants** from **22 countries**, including **Ambassadors from 12 countries** from Estonia, Ireland, Sweden, Ukraine, Georgia, Slovak, China, Canada, USA, Turkey, AAE, Uzbekistan. **56 speakers from 10 countries**: Austria, China, Spain, Norway, Belarus, Swiss, France, Lithuania, Italy, Latvia, have spoken at the Forum. There was an opportunity to watch the Forum progress online during the live stream of LMT Straume.

III Economic Forum was opened by member of European Parliament **Dr. Inese Vaidere**, Minister of Economics of the Republic of Latvia **Ralfs Nemiro**, Minister of Welfare of the Republic of Latvia **Ramona Petraviča**, President of Latvian Academy of Sciences **Dr. Ojārs Spārītis**, Deputy Director General of the Institute of European Studies of Chinese Academy of Social Sciences and Executive President of China-CEE Institute **Dr. CHEN Xin**, President of LMT and Vice-President of the Latvian Association of Information and Communication Technologies **Dr. Juris Binde**, President of the Latvian Chamber of Commerce and Industry **Aigars Rostovskis**, as well as by host moderator of the Forum and Director of the Institute of the Economics of LAS **Dr. Nīna Linde**.

Through cooperation of Latvian and international entrepreneurs and researchers the results of the practice-oriented research were evaluated, business support environment and its advantages and disadvantages were analyzed and the development opportunities have been discussed at the Forum. **Open and genuine exchange of views, experiences and science-based opinions of entrepreneurs, scientists and politicians** is the basis for the resolution of the Forum participants with initiatives and proposals for improving the entrepreneurship environment in Latvia and Europe as a whole.

The work of the Forum took place in **four parallel sessions**:

1. Digital solutions as efficient tool for faster development of business environment
2. Financial market for businesses: support or barriers?
3. The investment environment of business development: the key issues faced by local and foreign investors
4. Business support for young people in contemporary society

## Conclusions and proposals of the Financial Section:

1. **Capital productivity and its impact on total productivity.** In Latvia and other countries, there is a lack of information on capital productivity and its impact on overall productivity. In order for Latvian and foreign research institutions to be able to assess the impact of invested capital on total productivity, it is important to create a common aggregated information base on capital productivity and its impact in cooperation with European and international statistical services (Eurostat, OECD, etc.).
2. **The need to increase the return on investment.** A balance needs to be struck between investment in human capital (health, education, skills) and investment in infrastructure, real estate and other consumption-related investments. It is important to promote more productive investment in order to promote higher value-added entrepreneurship and opportunities for citizens to participate in the labor market. Public and private initiatives should aim to create the necessary conditions for the positive impact of investment (including foreign direct investment) on productivity and innovation, employment and quality of work, skills, gender equality and the carbon footprint, according to the Organization for Economic Co-operation and Development (OECD) approach to sustainability.
3. **The need to promote responsible and sustainable entrepreneurship.** In Latvia, there is still a gap between companies that comply with the law at best and the few who already think about sustainable operations today, on how to treat their business, employees, the environment and partners responsibly in the long run. These responsible companies often feel lonely and expect their contribution to a better business environment to be appreciated. It is important that the state sets an example for the private sector in public procurement requirements, including responsibility for people and the environment, by achieving the implementation of sustainability principles in budgetary institutions and public corporations. In addition, it is necessary to think and find ways to evaluate the performance of responsible companies, express gratitude, appreciation and emphasize the importance of a responsible business approach throughout Latvia.
4. **Latvian business is not internationally recognized.** In order to promote the recognition of Latvian business, support and finances are needed, as well as state guarantees to operate in the international market. The Ministry of Economics of the Republic of Latvia must evaluate the functional activity and return of the Latvian Investment and Development Agency (LIAA) or establish an institution / structural unit independent of the LIAA that would support (also financially) Latvian companies abroad. A research group is needed to analyze the specific needs of local businesses and the possibilities of raising their profile abroad.
5. **The level of financial prudence is very low.** Local Latvian companies do not appreciate the opportunities provided by the securities market. This indirectly indicates the still low level of financial intelligence of the Latvian population (including entrepreneurs). There is a need to raise awareness of finance. NASDAQ Riga, in cooperation with the FCMC and other members of the Working Group of Financial Intelligence Partner Organizations, must develop and implement a specific action plan to increase the financial intelligence of citizens (including entrepreneurs), increasing their knowledge of financial markets, stock exchanges, securities, etc.
6. **Monetary policy interest rates are close to zero.** New investment opportunities must be sought. Financial companies need to develop product offerings for their customers that would allow them to earn in a low-interest environment by considering various financial instruments: high-yield bonds, peer-to-peer investments, stocks with high dividend yields.
7. **State support is needed for the development of FinTech companies in Latvia.** In order to stimulate the development of financial technologies (FinTech) in Latvia, a state support policy is needed for the development of FinTech companies (for example, "Financial Sector Development Plan 2020-2022"). Lithuania has a similar experience, which has developed a

plan for the development of financial technology companies (Ministry of Finance of Lithuania, Bank of Lithuania and Invest Lithuania).

8. **The need to improve the education system. In order to economically manage the basic processes of the state, it is important to improve the state education system.** The Ministry of Education and Science must consider the following proposal of the Forum participants: to abandon professional standards, the implementation process of which is very extensive, does not meet the rapid changes in labor market requirements, thus the achieved results are not used in the long run.
9. **The business of local capital banks is an important part of the Latvian economy.** Banks are part of large networks that bring together businesses, customers, financial institutions, regulators and many more. Banks act as guides and outlook converters for various groups in society. In order to facilitate access to finance and banking services for local businesses, it is important to continue a qualitative dialogue between banks and their supervisors on further supervisory principles and methodologies based on appropriate and appropriate risk assessments. The current changes in the financial sector undoubtedly contribute to the restoration of the international reputation of the Latvian financial system. At the same time, a shared vision of strategic development between the government and the industry is needed to promote the international competitiveness of the financial sector.

#### **Conclusions and suggestions of the digital section:**

1. **The need for e-government development in Latvia.** Latvia is currently lagging far behind Estonia in terms of establishing e-government, but is on the right track and needs to continue to develop in this direction, promoting the compliance of the established Network with today's requirements (in the country as a whole and in individual regions of the country). Improving the business environment requires the implementation of the fastest digitization process at the national level, which includes: electronicization of all documents; use of e-commerce, digital trading platforms to improve competitiveness; use of alternative (non-bank) settlement systems.
2. **Shortage of skilled labor.** One of the most important preconditions for supporting entrepreneurship is education. The participants of the forum discussion, including foreign entrepreneurs and investors, repeatedly emphasized that there are problems in Latvia to attract qualified labor. By investing in education, investment is made in human resources and the workforce.
3. **The need to improve general education.** In the context of digitalisation, general education requires the acquisition of languages, the acquisition of mathematics, arts and music subjects, as well as the acquisition of local history and traditions, and the development of pupils' digital skills.
4. **Lifelong learning tasks in the conditions of digitalization of the economic environment.** In the context of lifelong learning development, special attention should be paid to the creation of overlapping personal contacts and social networks, motivation, including the involvement of 50+ people in rural areas (including Latgale), expansion of "Silver Universities" adult education, achievements to encourage other people.
5. **Factors limiting the use of e-environment in business.** The following objective factors limiting the use of the e-environment in business, which are mentioned by the entrepreneurs themselves, must be taken into account: 1) Internet coverage and lack of appropriate quality service providers in rural areas of Vidzeme region; 2) lack of finance for small businesses for the development of websites or the creation of an e-shop platform, the introduction of a payment system with a payment card; 3) lack of specialists with appropriate knowledge and skills.

#### **Conclusions and proposals of the investment section:**

1. **To increase the inflow and return of foreign direct investment (FDI) in the development of the national economy.** Empirical assessments of trends in various foreign direct investment (FDI) sectors in the international investment environment indicate that economic size and growth rate are not important among the main factors of foreign direct investment inflows in European countries. The main trends in actual FDI flows in the world's most dynamic economies show that investor expectations and investment opportunities are more influenced by: tax system, technological and innovation capacity, favorable macroeconomic environment, regulatory transparency, digital infrastructure, national economy openness, skilled labor, national integration international value chains, which can contribute to the competitiveness and profitability of companies.
2. **Develop a productivity-enhancing FDI strategy.** In order to increase the productivity of total factors and promote economic growth in the Baltic States, it is important to invest in innovations, technologies and activities with high added value. To achieve this and achieve the goal, a productivity-enhancing FDI strategy is needed. Investment flows should be encouraged to support research and development, energy efficiency, and technology-based production and services for the long-term sustainable growth of the Baltic economies. It is important to attract foreign direct investment in the implementation of joint greenfield projects in Latvia.
3. **Capital market and IPO.** The government should stimulate the capital market and IPOs (initial public offering of shares), including state and municipally owned companies in the Baltics.
4. **The need for a business support environment.** Municipalities should be motivated to take an interest in the development of entrepreneurship in their territory and to provide conditions for the organization of entrepreneurship by offering clear rules of the game, developed infrastructure, and a favorable environment.
5. **Increasing support for SMEs.** Support project development, especially for small and medium-sized enterprises (SMEs), through the EIC (European Innovation Council) Accelerator Fund. Latvian entrepreneurs must "get out of the comfort zone" and participate more actively in programs funded by the European Commission (EC). It is an opportunity to get the necessary funding for your project, developing not only your business, but also the industry. The EC supports "high-risk, high-return" projects that are really important for Europe, which means that by benefiting themselves, entrepreneurs are also helping their country and Europe as a whole to grow.