

# FOREIGN INVESTORS IN LATVIA ON THE IMPACT OF COVID-19

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SSE RIGA



FOREIGN INVESTORS  
COUNCIL IN LATVIA

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## Foreword

There is no doubt – these are trying times for everyone. This year has brought an onslaught of many different challenges for people, governments and businesses alike. As of April 1<sup>st</sup>, there have been 206 countries, areas or territories affected by the COVID-19 outbreak (World Health Organisation data)<sup>1</sup> meaning most of the World is currently dealing with the consequences of this virus, problems ranging from health crisis to economic downturn.

The health and wellbeing of people around the world is a priority, it is necessary to get the spread of COVID-19 under control. At this moment governments around the world are developing various policies to limit the spread and impact of this virus. The Foreign Investors Council in Latvia (FICIL) has been closely following the situation, gathering information from businesses representing various sectors on the challenges arising and effect of this global pandemic.

The situation is developing very rapidly, every few hours we receive new information on various topics relating to the COVID-19 crisis. To gather a more in-depth view of what challenges the business sector is facing, FICIL asked a diverse range of investors to comment on short term and long-term issues they are dealing with. Potential recommendations to the government were discussed as well as possible aftermath throughout the world. Many investors mentioned the health of employees, loss of revenue and economic downturn as immediate challenges they are facing, while in the longer term the occurrence of a global recession is on everyone's mind. It is too early to examine concrete problems arising based on COVID-19 crisis; however, it is important to keep exchanging information and communicating on the main questions the current situation alludes to. Also, a crucial factor is the economic recovery plan to overcome this crisis, the focus on which should start now.

What carries weight in difficult times is the ability to keep a calm and collected mind, as well as not forgetting about the long-term view. This may have seemed to be a sprint at the beginning, but it is clear that managing the consequences of COVID-19 spread will surely be a marathon. Solidarity is a key part in overcoming the challenges people and businesses are currently facing, and to ensure we are prepared for the moment of restarting economic recovery. FICIL is continuing the cooperation with state institutions during this time, it is now even more important to share best practice and knowledge gained through experience locally and internationally to minimise the long-term negative impact of COVID-19.

FICIL applauds the continued work of health care professionals, public sector representatives and other crucial personnel who provide essential services for everyone during these challenging times.

Gunta Jēkabsone  
Foreign Investors' Council in Latvia  
Chairperson of the Board

<sup>1</sup> <https://www.who.int/emergencies/diseases/novel-coronavirus-2019>

## Executive Summary

This report aims to provide an assessment of foreign investors in Latvia with regards to the impact of COVID-19 pandemic. With this study, as well as following surveys, our intention is to support policy makers with up to date information, fostering evidence-based policy decisions to support business climate and stabilise the economy. Study is conducted by the Foreign Investors Council in Latvia in cooperation with the Stockholm School of Economics in Riga. We draw on the data from the online survey of 45 companies, foreign investors in Latvia, collected from 20 to 23 March, 2020.

This study focuses on the following issues: (i) change in the demand for products or services as a consequence of COVID-19, (ii) main short-term and long-term challenges foreign investors are facing as a result of pandemic, (iii) the measures taken by investors to minimise the negative effect so far, (iv) recommendations to the Government with regards to the necessary support to stabilise business climate in the country, and (v) viewpoint of foreign investors about the possible long-term implications of COVID-19 on the global economy.

Results of the study clearly demonstrate that many foreign investors have already experienced decrease in demand for their products and services. Namely, as many as 58% companies that took part in the study admit the decrease in demand, ranging from a -5% up to a -100%. 4% respondents report experiencing an increase in demand, while 20% stated that currently the demand has remained the same. 18%, however, indicate that it is still difficult to assess the real impact of COVID-19. Our results indicate that foreign investors in the service sector has so far experienced the most severe decrease in demand of their products and services.

To gain insight into the situation soon after the announcement of the State of Emergency in Latvia, we asked the investors what short-term challenges they are facing as a result of the pandemic? Some of the immediate concerns raised by respondents include ensuring health and safety of employees and customers, providing possibility of remote work and challenges to continue business activity in cases where many transactions and operations have been suspended. As for the long-term challenges, companies highlight retention of employees and customers due to world-wide restrictions and loss of revenue including decrease of business activities. Investors are also concerned about uncertainty with regards to mobility restrictions, demand for products and services as well as development trends of the financial sector.

Reducing costs and expenses that include unwilling redundancies, transitioning to remote work as well as implementing even stricter rules for safety in line with COVID-19 prevention measures outlined by the Government, were highlighted as the key steps taken

so far by the majority of companies to minimise the negative effect of this pandemic. Furthermore, some respondents also highlighted the role of active communication within their business communities, sharing best practices and socially responsible activities, as well as implementation of crisis management teams to deal with the challenges brought on by COVID-19.

We further inquired about the steps taken by parent companies abroad to support foreign investors in Latvia in the current situation. Majority of respondents mentioned sharing best practice amongst each other, providing insights on how to increase efficiency and ensure cost savings. In few cases, investors also mention having received financial support from their parent companies; yet some are already in the stage of addressing liquidity issues and top-level crisis management.

We also asked respondents to provide recommendations to the Government of Latvia with regards to what should be done at this point to support businesses and stabilise the investment climate in Latvia? Messages received from the investors summarise a number of key concerns that businesses are facing due to the global COVID-19 pandemic, as well as provide potential solutions on how the state could support the affected businesses. To summarise, investors suggest a sick-leave support and loan guarantees, emphasise the necessity of improved communication with regards to the impact of COVID-19, efficient support for medical services as well as call for strategic planning on long-term consequences.

Asked to share their perspective with regards to the possible long-term implications of COVID-19 on the economy, majority of foreign investors that took part in the study refer to many negative effects such as unemployment, bankruptcies, poverty, various social problems and global economic recession. However, some investors see that Covid-19 could improve the efficiency of remote business and advanced digital skills, as well as its impact could stimulate changes of the consumer behaviour and values with regards to safety.

What's next? Due to the high level of uncertainty, it is rather obvious that there are more questions than answers at this moment. It is also rather clear, especially if COVID-19 will not be stopped relatively quickly, we are not talking about the short-term effect of pandemic to the economy of Latvia and many other countries in the world. Majority of the foreign investors in Latvia that took part in this study highly appreciate the swift actions the Government of Latvia has taken so far. Yet investors also seem to be well aware of forthcoming economic downturn that most likely will require tough decisions both by the policy makers and managers of companies.

In this context, messages we received from the foreign investors on Latvia not only highlight the need for a swift, but also strategic, long term action by the policy makers to

minimise the negative impact on the investment climate in Latvia and business climate in general. In particular, investors emphasise that the public sector, as well as the private sector, need to be proactive and flexible in this changing environment, making decisions that will be sustainable over a longer period of time, not just a coming few months. For instance, since many respondents that took part in this study highlight the possibility of redundancy among their employees, one way to improve the situation in the long term is by introducing a system that facilitates fast transition from unemployed to employed, pairing job seekers with available vacancies. Such initiative might potentially lessen the burden on social budget and reintroduce many people into the workforce.

We believe that a balanced approach on tackling the important issues of the day, yet as a part of a longer-term strategy can help the economy of Latvia to strongly recover from the crisis. Determined, evidence-based actions that draw on the experience of other, similar countries, are extremely important in order to overcome this crisis with minimal negative effect in the long-term. We hope that this report will provide policymakers with better grounds for making evidence-based policy decisions in such a way that business and economy of Latvia can successfully recover from the crisis as soon as possible. As situation is likely to change, our intention is to run such survey on the regular basis providing policy makers in Latvia with up to date information. We also hope that it will continue to foster further constructive communication between the foreign investors and the Government of Latvia.

## Table of Contents

<b>1. Introduction and methodology.....</b>	<b>8</b>
<b>2. Changes in the demand for the products and services as a consequence of COVID-19 .....</b>	<b>9</b>
<b>3. Main short – term challenges foreign investors in Latvia are facing relating to COVID-19 and the State of Emergency .....</b>	<b>10</b>
<b>4. Main challenges foreign investors in Latvia are expecting in the long term as a consequence of COVID-19 .....</b>	<b>13</b>
<b>5. Steps foreign investors are taking to minimise the effect of the COVID-19.....</b>	<b>16</b>
<b>6. Assistance provided by the parent companies abroad to limit the effect of COVID-19 .....</b>	<b>19</b>
<b>7. Recommendations of the foreign investors to the Government of Latvia to protect the business climate .....</b>	<b>21</b>
<b>8. Challenges foreign investors expect to see coming out in the long-term as a result of COVID-19 .....</b>	<b>25</b>
<b>9. Conclusions and policy suggestions .....</b>	<b>28</b>
<b>Appendix 1. Questionnaire form .....</b>	<b>31</b>
<b>Appendix 2. Foreign investors that took part in the study .....</b>	<b>32</b>

## 1. Introduction and methodology

It is widely acknowledged that COVID-19 will have a significant impact on the economy in most, if not all, countries in the world, including Latvia. This also means challenges for many companies, including foreign investors to Latvia. In this study we draw on the survey of 45 foreign investors in Latvia, in order to provide investors viewpoints with regards to the effect of COVID-19. The distribution of respondents by sector is presented in Figure 1.

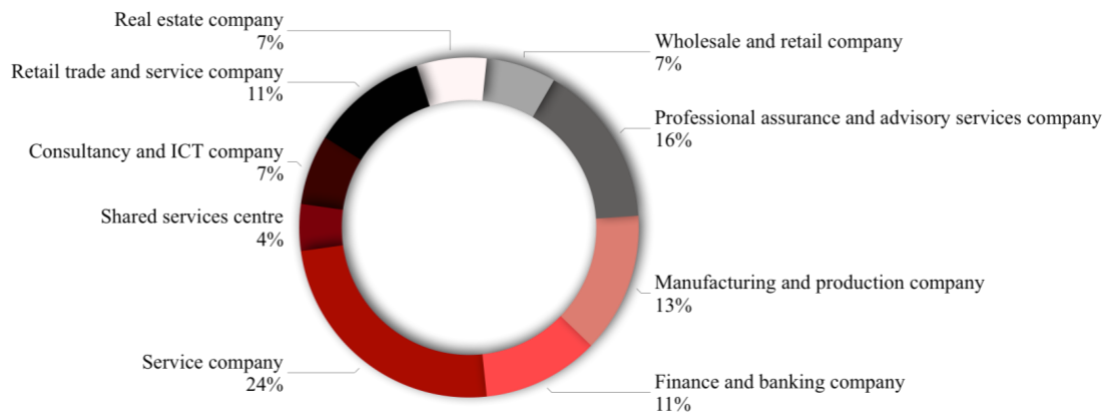


Figure 1. Distribution of respondents by sector.

This study was conducted from 20 till 23 of March. The questionnaire form was distributed online with the e-mail including invitations to fill in the questionnaire form. We asked investors the following questions:

- Has there been a change in demand for your products or services as a consequence of COVID-19?
- What are the main challenges your company is currently facing relating to COVID-19 and the State of Emergency in the short-term?
- What are the main long-term challenges your company is facing relating to COVID-19 and the State of Emergency?
- What steps is your company taking to minimise the effect of the current situation?
- What is being done by your parent company abroad to limit the effect of the current situation?
- What would be your recommendations to the Government of Latvia at this point to support affected businesses and stabilise business environment in the country?
- What challenges do you see that will come out in the long-term from this global pandemic?

The report is structured accordingly.



As situation is likely to change, our intention is to run such a survey on a regular basis providing policy makers in Latvia with up to date information that can help make more informed policy decisions.

## 2. Changes in the demand for the products and services as a consequence of COVID-19

Most investors that took part in the study admitted that they experienced decrease in demand as a result of COVID-19. A relatively smaller proportion pointed out that demand has remained the same, or it is too early to tell on the decrease or increase in the demand for their products or services (Figure 1). Furthermore, majority of investors also highlighted that they expect negative changes in the coming weeks due to the continued spread of Covid-19 across the world. 4% of the respondents, however, reported increase in demand for their products and services.

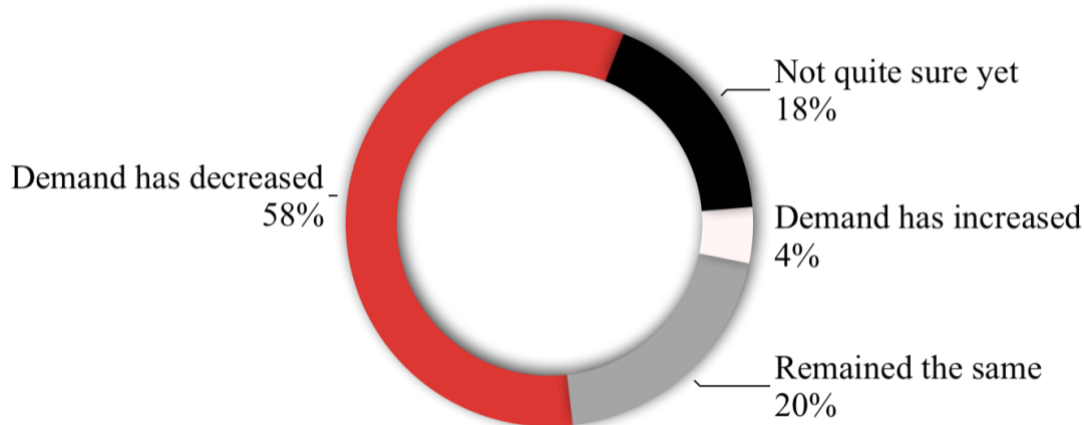


Figure 2. Answers to the question "Whether there been a change in demand for your products or services as a consequence of COVID-19?"

Findings of the study also show that investors representing certain sectors, such as real estate, finance and banking, and real trade and services, have experienced a more severe decrease with regards to the demand for their products and services (Figure 3). Majority of investors that took part in the study, however, predict that in the longer term, due to overall economic downturn, COVID-19 will negatively impact almost all sectors.



Figure 3. Change in the demand of products and services by sector.

### 3. Main short – term challenges foreign investors in Latvia are facing relating to COVID-19 and the State of Emergency

To gain insight into the situation soon after the announcement of the State of Emergency in Latvia, we asked the investors what short-term challenges they are facing as a result of the pandemic? As reflected by quotes below, **health and safety of employees and customers** is amongst the key concerns for most of the investors that took part in the study:

*“Ensuring crowd control/social distancing in shops, to keep business running, protecting our own staff from epidemic risks, smooth running of Emergency Response Operation, as per manuals.”*  
-Retail trade and service company

*“Providing catering service, that is safe for our employees and customers; balance cash flows.”*  
-Service company

*“Safety of clients and staff.”*  
-Retail trade and service company

*“Protecting employees from getting infected.”*  
-Service company

*“Personal protective equipment, staff downtime.”*  
-Service company

*“Danger of having to quarantine the workers.”*  
-Manufacturing and production company

*“The supply of heating & energy to customers at this time of the day is crucial, so we need to ensure a continuous production process and first and foremost the health of our employees. The illness of the production workers and the quarantine of their colleagues would seriously jeopardise the production process. The second major challenge is scheduling the annual repairs in May, which involves professionals from different countries. The uncertain situation also makes planning of*

*“Provide additional security measures at point of sale (staff / visitors) and office (staff), namely hygiene / sanitation, protection of staff from potentially infected visitors, increased food safety requirements, stricter requirements for suppliers and others, implementing distance preserving measures and regulatory requirements in the area of diminishing the impact of Covid-19.”*  
 -Retail trade and service company

*the production process during the summer more difficult.”*  
 -Service company

*“Employee health worries, closure of hotels (tenant), logistics challenges.”*  
 -Real estate company

*“Employees' state of health control.”*  
 -Consultancy and ICT company

Findings of this study also suggest that economic downturn and the resulting consequences is another major concern for the businesses, as there is little certainty as to how long the State of Emergency will last and what effect it will have on the economy. Yet for many investors it is already evident, that **loss of revenue and the ability to carry out business functions** have been impaired during the first few weeks of this pandemic:

*“Suspension of production; drop of sales.”*  
 -Wholesale and retail company

*“Cash flow due to all projects being cancelled in the upcoming 3 months.”*  
 -Service company

*“No demand for hotel rooms and dramatically reduced footfall to retail centres.”*  
 -Real estate company

*“Concerned with managing to pay taxes, salaries, managing to make all deliveries to our customers.”*  
 -Service company

*“Loss of income for companies and people.”*  
 -Professional assurance and advisory services company

*“Short-term challenge - due to new situation very limited amount of vacancies. Finding and adding new employees was one of the key success factors to remain competitive vs. other competence centres.”*  
 -Consultancy and ICT company

*“A lockdown in our market will make it impossible to ship our products to customers.”*  
 -Manufacturing and production company

*“To keep the construction process going, to continue apartment sales, to retain employees.”*  
 -Real estate company

*“Border crossing, ferry companies reducing crossings over sea, possible quarantines.”*  
 -Service company

*“Stock issues; workforce; retail limitations; traffic decline.”*  
 -Wholesale and retail company

*“External challenges - market demand decrease, service of equipment and import of critical parts.”*  
 -Manufacturing and production company

*“Decrease in demand / shipments and consequently in revenues, not possible to provide air/sea/road transportation services to many countries/districts, very high air/sea freight prices.”*  
 -Service company

*“Big drop in customer traffic, big drop in cash, forced to close best stores in airport and port.”*  
 -Retail trade and service company

*“Decreased demand for products, operational daily routines customisation to current situation*

*“Drop in production turnover, drop in profits, downtime in the HORECA industry, additional*

*(both from customers servicing and employees' perspective)."*

*-Finance and banking company*

*"Income has decreased; costs remain the same."*

*-Service company*

*costs for worker protection (respirators, masks, disinfectants), company adaptation for remote work, reduction of salaries in idle positions."*

*-Manufacturing and production company*

*"Issues with cash flow, new customer sales."*

*-Professional assurance and advisory services company*

Businesses across the world have had to arrange new ways of working during these times. **Remote work opportunities** add another element of changing circumstance, with some businesses being better prepared to handle the swift transition to online management of activities. It is important to emphasise that not all businesses can actually shift to a virtual place of work and our findings suggest that it might be rather challenging also for foreign investors:

*"Staying in touch with partners and clients on-line."*

*-Professional assurance and advisory services company*

*"To find new way how to work with customers, how to make product presentations, seminars, how to prove our quality from remote."*

*-Manufacturing and production company*

*"Employees are working remotely (to arrange the possibility to work remotely)."*

*-Professional assurance and advisory services company*

*"Remote work, health, safety and environment (HSE) standard compliance."*

*-Shared services centre*

*"It was necessary to close shops, provide employees with remote workplaces, and take care of customer service remotely."*

*-Consultancy and ICT company*

*"Remote organisation of work, stability of IT systems during high load, IT security."*

*-Professional assurance and advisory services company*

*"Remote work, uncertainty and decrease in demand."*

*-Finance and banking company*

In addition, number of respondents highlighted that **continuity of business operations and uncertainty** are amongst the main short-term challenges for their business operations. In this light, findings of the study show that for many investors, various transactions and operations have been stopped for at least some time, and investors are not certain for how long such situation may last:

*"Potential customers are putting contract communication on pause."*

*-Shared services centre*

*"Bond insurance (travel and construction bonds) continuity, debts of customers."*

*"Training for seafarers has been stopped & transportation of the seafarers to/from the ships outside Latvia has been suspended for now."*

*-Service company*

<p>-Finance and banking company</p> <p>“Delivery of goods in connection with limited activity in other EU countries. Workloads for certain functions have increased significantly.”</p> <p>-Wholesale and retail company</p> <p>“Perplexity of what will happen in the future and even tomorrow.”</p> <p>-Service company</p> <p>“New business orders are postponed for indefinite time, existing projects postponed.”</p> <p>-Professional assurance and advisory services company</p>	<p>“Uncertainty about the future development of situation (how long will it last).”</p> <p>-Shared services centre</p> <p>“Continuity of the production and supply chain in the current circumstances (social distancing, security measures, etc.), longer border crossing (LV - EST), first indications of individual customers' willingness to significantly extend payment terms.”</p> <p>-Manufacturing and production company</p> <p>“Ensure continuity of product supplies; ensure availability of workforce and scheduling work according to fluctuations in demand; temporarily frozen investment projects.”</p> <p>-Retail trade and service company</p>
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To summarise, most, if not all the investors that took part in the study agree that:

“The longer the crisis, the more short-term challenges become long-term challenges.”  
 - Manufacturing and production company

#### **4. Main challenges foreign investors in Latvia are expecting in the long term as a consequence of COVID-19**

There are various evolving perspectives on what will be the long-term consequences of this global pandemic, so we asked business representatives to share their viewpoint with regards the anticipated ramifications of the current situation in the long run. Amongst the key long-term concerns mentioned by a number of investors is **retention of employees and customers**:

<p>“Customers going out of business and economic meltdown.”</p> <p>- Manufacturing and production company</p> <p>“Difficulties maintaining or attracting new clients who are doing business in Norway.”</p> <p>- Finance and banking company</p> <p>“New customers search and world economic recession.”</p> <p>- Shared services centre</p> <p>“Recruitment freeze due to Covid-19 for the company means one almost empty office that will not be filled with employees, higher overhead expenses, less demand for the resources. We have two offices; one has been opened since January 2020 and have just</p>	<p>“Possibility of losing our partners and projects.”</p> <p>- Professional assurance and advisory services company</p> <p>“Adjusting workforce to reflect the amount of work.”</p> <p>- Professional assurance and advisory services company</p> <p>“To keep the number of employees in the company.”</p> <p>- Manufacturing and production company</p> <p>“Additional costs for worker protection (respirators, masks, disinfectants), adjusting the company to remote work, reducing salaries for idle positions.”</p>
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*started operations. High rent expenses without growing high revenues during 2020 would make us less competitive than other competence centres located in other markets.”*

*- Consultancy and ICT company*

*“Optimisation of the workforce will most likely be necessary”*

*- Retail trade and service company*

*“People now face downtime in their workplaces, unpaid leave, and other measures that adversely affect employee income. The issue of how to pay for the services received is becoming a topical issue in the country. We see that many customers may have trouble paying their energy bills.”*

*- Service company*

*“Payment of staff wages and rent is the main challenge.”*

*- Service company*

*- Manufacturing and production company*

*“Decrease of inquiries (due to slowing down the business activities worldwide).”*

*- Professional assurance and advisory services company*

*“Full employment of all staff in the situation of an emergency. Turnover is expected to decline on an annual basis.”*

*- Wholesale and retail company*

*“Staff availability, intra-country mobility, health checks.”*

*- Consultancy and ICT company*

*“To keep staff employed, to get business back to normal.”*

*- Service company*

Number of short-term issues can as well stretch into long-term challenges with no clear timeframe of dealing with consequences of Covid-19 creates increased economic pressure. Our findings suggest that, directly linked with aforementioned challenge of retaining employees and customers, **loss of revenue and decrease of business activity** are amongst key such concerns for the foreign investors in Latvia:

*“Economic recession, lower consumer confidence and purchasing power.”*

*- Retail trade and service company*

*“Decrease of rents and apartment prices as a result of economic decline.”*

*- Real estate company*

*“It may be necessary to reduce the working hours of trading venues or even to close individual trading venues”*

*- Retail trade and service company*

*“Customers reducing orders, possible quarantines, payment discipline.”*

*- Service company*

*“Big drop in revenues, problems with cash flow and possible problems with solvency and liquidity, bad debts, no work for employees.”*

*- Service company*

*“Due to loss of income company might face challenges with profitability & liquidity issues.”*

*- Professional assurance and advisory services company*

*“Uncertainty about the demand for recruitment services in the medium-term at least.”*

*- Professional assurance and advisory services company*

*“Cash flow, new customer sales.”*

*- Professional assurance and advisory services company*

*“Income decrease, potential insolvency of customers, purchasing power decrease, credit impairments increase.”*

*- Finance and banking company*

*“Continuing business, fulfilling contract obligations, and reaching previous levels of turnover.”*

*- Service company*

*“Shutdown over a longer period.”*  
- Manufacturing and production company

*“Drop down of business volumes.”*  
- Finance and banking company

*“Cash flow problems / negative profit.”*  
- Service company

*“Decrease in market activity, interruption / postponement of construction projects, revaluation of investments / customer solvency.”*

- Manufacturing and production company

As highlighted by number of respondents, aforementioned challenges can as well lead to **bankruptcy**:

*“Bankruptcy.”*  
- Service company

*“Customers and suppliers will go bankrupt.”*  
- Service company

*“No business means losses and possible termination of the company.”*  
- Manufacturing and production company

Furthermore, **uncertainty of mobility restrictions**, uncertainty for **demand of products and services**, uncertainty of **change in behaviour**, uncertainty of **financial sector development** has been highlighted as major long-term challenges brought by COVID-19 pandemic:

*“Mainly the unpredictability of development of situation in core business.”*  
- Shared services centre

*“Decrease in consumption; purchasing pattern changes; economic slow-down.”*  
- Wholesale and retail company

*“The ability of the financial sector to recover from the crisis.”*  
- Finance and banking company

*“Travel restrictions and limited physical interactions.”*  
- Real estate company

*“Debtors, issues with economic recovery and market stabilisation.”*  
- Retail trade and service company

*“Border crossing in future between countries. Finance market.”*  
- Service company

*“Disbalancing market, country protectionism, EU internal protectionism with support schemes, relations with Third countries after potential currency fluctuations.”*  
- Manufacturing and production company

*“Feasibility of development plans of our company, consumer confidence and recovery of catering industry.”*  
- Service company

*“In the event of a prolonged state of emergency / stricter measures, a further decline in turnover is expected to have an impact on financial performance, a decline in the solvency of debtors is expected, which may have an additional negative impact on financial results.”*  
- Retail trade and service company

## 5. Steps foreign investors are taking to minimise the effect of the COVID-19

Apart from identifying key short- term and long-term challenges brought by COVID-19, we also asked foreign investors that took part in this study to share what steps companies are taking in order to deal with the negative effect of the pandemic. In this regard, a crucial element highlighted by majority of investors is **cutting down cost and expenses**, including **reducing number of employees**:

*“We're laying off most of our team, cutting most costs, and going into survival mode.”*

- Professional assurance and advisory services company

*“Reducing costs, working from home, renegotiating agreements.”*

- Consultancy and ICT company

*“Focusing on minimizing cost, re-arranging and prioritizing longer term activities, trying to figure out new business possibilities, investing this extra” time for learning more and new.”*

- Service company

*“Reducing costs, use annual leave as temporary measure, suspension of any non-mandatory services such as maintenance of the facilities.”*

- Service company

*“Reviewing working hours for our stores, closing some locations, coffee shops, cancelling marketing activities, freezing administration costs, freezing investment plans etc., negotiating to increase payment days for suppliers and reduce rent payments due to overall emergency situation.”*

- Retail trade and service company

*“Laying off staff.”*

- Professional assurance and advisory services company

*“Closing hotels, laying of staff, stopped all investments.”*

- Real estate company

*“Change of communication strategy, decrease of costs.”*

- Wholesale and retail company

*“Cost saving in all fields, enhanced control of receivables, staff reduction.”*

- Service company

*“Strict safety precautions, serving customers within legislation framework, cost reduction measures, cash flow control.”*

- Service company

*“Cost cutting to huge marketing plans, events. Paid vacation using at this moment.”*

- Manufacturing and production company

*“Costs are minimised and cash flow is carefully assessed. An analysis of possible situations is under way. The company plans to apply for a tax break.”*

- Service company

*“Reducing costs, use annual leave as temporary measure, suspension of any non-mandatory services such as maintenance of the facilities.”*

- Service company

Furthermore, keeping in line with safety precautions, to protect employees and limit the spread of the virus, many companies are **transitioning to remote working arrangements** as well as **implementing even stricter rules** for employees regarding the preventative measures:

*“Flexible working times, work from home.”*

- Professional assurance and advisory services company

*Reduces staff flow, maximizes work from home, and limits staff presence in the workplace.”*

- Consultancy and ICT company



*“Working remotely from home, security measures at points of sale.”*  
- Retail trade and service company

*“Working from home, using modern technologies, adapting services to new circumstances, searching for new business opportunities.”*  
- Shared services centre

*“Employee safety, transfer to remote work where possible, reduce interaction in production processes, investment review & minimisation, cost cutting programmes.”*  
- Manufacturing and production company

*“Reducing working hours, working remotely and providing disinfectants. Employees who have been traveling internationally for either business or personal reasons, remain at home by going into self-isolation for 14 days. During that time, employees stay at home and keep away from workplace, social events, public spaces and other mass gatherings.”*  
- Service company

*“Work remotely, business continuity, control of productivity.”*  
- Finance and banking company

*“Work from home where possible, starting negotiations with tenants who are in most critical situation.”*  
- Real estate company

*“Fully remote work. Regular management team rallies to make decisions in line with global decisions made by the public sectors and the businesses.”*  
- Wholesale and retail company

*“Avoiding sick employees. Finding new products to produce for healthcare.”*  
- Manufacturing and production company

*“Moving on remote mode, revision of processes, contacting clients and candidates to check up status, reviewing costs.”*  
- Professional assurance and advisory services company

*“We try to keep the production as normal as possible with special conditions that we implemented about two weeks ago. All traveling is suspended. We have raw materials in stock for at least 3 months production. Handshakes are no longer allowed among workers, family or friends. Washing of hands in the morning, evening, lunch breaks, toilet visits etc. has been emphasized and enforced. Entrance doors have information and restrictions for access is implemented. Truck drivers are not allowed out of the truck when delivering or collecting goods. Lunch breaks, wardrobe activities, work situation etc. organised so that workers avoid close contact and as far as possible try to keep 2 metre distance between each other. As much as possible the administration will also give good information to all workers so that they do their best to implement these things also in their private “arena” - towards family and friends.”*  
- Manufacturing and production company

In addition, businesses are closely following the development of the situation, as well as **instructions from the Government with regards to the necessary precautions**, highlighting necessity to ensure **active communication**: between both the State and business community, within business community and within the public administration bodies as well as internally in their companies:

*“We have implemented all measures recommended by the government and medical authorities and are implementing Covid-19 action plan developed by our company. We have closed our Customer Service Centre and*

*“Travel ban and mandatory quarantine for those returning from private trips, possibility to work remotely, additional disinfection of premises for those who prefer to work from office, monitoring the health conditions,*

*provide customer service remotely. The factory is also closed to visitors. Access to production control rooms is restricted to shift operators only. Employees are provided with personal protective equipment, hand sanitizers, vitamins to strengthen immunity. All employees whose work specifics allow it work remotely.”*

*- Service company*

*“Keep updating our clients about the changes/amendments to the law/possibilities.”*

*- Finance and banking company*

*“We continue to provide services as we implement the recommended Covid-19 containment measures.”*

*- Professional assurance and advisory services company*

*“Following the rules set by Government, administration and management works from home.”*

*- Manufacturing and production company*

*especially those who are in self-isolation. Sharing learnings on working remotely to Managers and employees. Assure IT continuity. Conduct virtual meetings with Management of company. Close collaboration with our Customers in the other countries. Regular communication to all employees.”*

*- Shared services centre*

*“Situation monitoring, strong control over construction process and construction materials delivery, work force accessibility monitoring, new rules applied in respect of strong hygiene and work safety, costs monitoring, suspension of several new projects development, several restrictions for meeting in a person, financing process/sources monitoring etc.”*

*- Real estate company*

Furthermore, our findings also suggest that investors are showcasing **best practice and socially responsible measures** being taken to assist also other sectors that are currently under high pressure:

*“Supporting doctors with free mobile communications for the next few months and support students with smart devices (3000 pcs in total).”*

*- Consultancy and ICT company*

*“Offering credit holiday periods to customers.”*

*- Finance and banking company*

*“Flexible management with HORECA sector to support their business.”*

*- Retail trade and service company*

*“... taking leadership by offering our best practices to the government and other industry players, rearranging operations to adapt to change, and any other measures as required by the progressing situation as per our Crisis Management Manual and guidelines.”*

*- Retail trade and service company*

In addition, number of respondents highlighted that **crisis management** meetings and other activities implemented within companies to deal with various challenges:

*“Crisis Management Group meetings are held daily within the company with the aim of responding and preparing responses promptly to all of the current challenges and ensuring the exchange of up-to-date information between departments.”*

*- Retail trade and service company*

*“We work now with full speed. We think on ways how to be able do our business in the future accordingly to be less affected by the consequences.”*

*- Service company*

## 6. Assistance provided by the parent companies abroad to limit the effect of COVID-19

In the times of major uncertainty, as in the situation brought on by the Covid-19 pandemic, support from parent companies can be very crucial for foreign investors. For this reason, we asked the entrepreneurs that took part in this study the following question: “What is being done by your parent company abroad to limit the effect of the current situation?”

Number of foreign investors answered that either *they do not have parent company* or that *parent company have advised to do what companies do in Latvia already*:

*“The same as is done here in Latvia: Working from home, using modern technologies, adapting services to new circumstances, searching for new business opportunities.”*  
- Shared services centre

*“There is no parent company. But all our clients (travel agencies abroad) also lost all their clients. Many postponing and hoping that things will be back to normal after the summer.”*  
- Service company

*“Same as we do here in Latvia.”*  
- Finance and banking company

*“I am the foreigner and my base is here, no parent company.”*  
- Service company

*“The same as we do.”*  
- Service company

*“We do not have a parent company.”*  
- Service company

*“They cannot influence much.”*  
- Service company

*“We are the parent company.”*  
- Service company

In most cases, however, support received from the parent companies includes *sharing best practices amongst each other, providing measures to increase efficiency and control as well as ensure cost savings*:

*“Alignment of measures across the group, sharing of best practices.”*  
- Retail trade and service company

*“Supply management >100%; production capacity adjustments.”*  
- Wholesale and retail company

*“Enhanced coordination between countries and the global team; employees' health as a # 1 priority; # 2 - business continuity.”*  
- Wholesale and retail company

*“Just controlling, sending instructions. No decision concerning personnel at the moment.”*  
- Service company

*“Review of production plans to avoid out of stock.”*  
- Retail trade and service company

*“Contingency plans, discussions with ECB.”*  
- Finance and banking company

*“Moving on remote services, reviewing costs, introducing online solutions.”*

*“Preparing practical recommendations for different sectors. Preparing analytical materials. Issuing regulatory guidelines on the office work.”*

- Professional assurance and advisory services company

“Control and monitoring of current situation.”  
- Finance and banking company

“Cost reduction, increase in returns for any investments.”

- Professional assurance and advisory services company

“Cost saving plus temporary lay-offs for employees (there is no legislative base in Latvia for temporary lay-offs).”  
- Service company

- Professional assurance and advisory services company

“Costs are minimised, and cash flow is carefully assessed. An analysis of possible situations is being carried out.”  
- Service company

“Operational measures to protect workers for continued production and supply.”  
- Manufacturing and production company

“Cost optimisation, establishing guidelines for safety measures in production, efficiency in logistics, sharing experience from other markets.”  
- Manufacturing and production company

In some cases, companies have received **financial support** from their parent companies:

“We got some money injection to ensure our cash flow to fulfil our obligations.”  
- Retail trade and service company

“Financial support, if needed.”  
- Professional assurance and advisory services company

... yet also some companies reported, that they already are in the stage with regards to the **liquidity questions and crisis management**:

“Provision of liquidity, crisis management.”  
- Wholesale and retail company

“Assistance with treasury and liquidity questions.”  
- Service company

“Stop investments, resolving liquidity concerns (renegotiating with banks) – monitoring.”  
- Real estate company

“Has activated the top-level Crisis Management process, giving guidance and recommendations to the national business units.”  
- Retail trade and service company

Companies also receive some support with regards to **health safety and working from home** instructions:

“Instructions to business unites re employee health and flattening the infection impact curve, making sure absent people get paid.”  
- Real estate company

*“All employees have been given tools to be able to work from home.”*  
- Consultancy and ICT company

*“Anyone with a job that allows it works remotely. The production facilities are closed to visitors. Precautions similar to ours are taken.”*  
- Service company

... as well as some **other** support, as illustrated by the following quotes:

*“We try to keep the production as normal as possible with special conditions that we implemented about two weeks ago. All traveling is suspended. We have raw materials in stock for at least 3 months production. Handshake is no longer allowed among workers, family or friends. Washing of hands in the morning, evening, lunch breaks, toilet visits etc. has been emphasized and enforced. Entrance doors have information and restrictions for access is implemented. Truck drivers are not allowed out of the truck when delivering or collecting goods. Lunch breaks, wardrobe activities, work situation etc. organized so that workers avoid close contact and as far as possible try to keep 2 metre distance between each other. As much as possible the administration will also give good information to all workers so that they do their best to implement these things also in their private “arena” - towards family and friends.”*  
- Manufacturing and production company

*“No big changes yet. Follow the situation and making emergency plans. Too early to act more strongly.”*  
- Manufacturing and production company

## **7. Recommendations of the foreign investors to the Government of Latvia to protect the business climate**

Asked “what would be your recommendations to the Government of Latvia at this point to support affected businesses and stabilise business climate in the country?”, some foreign investors answered that they **fully support what is already being done by the Government** and that the Government should continue same path:

*“Seems like Latvian Government is doing excellent job already.”*  
- Professional assurance and advisory services company

*“Continue balanced precaution approach.”*  
- Wholesale and retail company

*“I support the Government's hitherto strict restrictions to limit the spread of the virus, with negative economic effects. Specifically, from the point of view of the health work group - clearly recognizing the need for strict restrictions because the health care system (with staff shortage!) would not be able to cope with the large number of hospitalized patients.”*  
- Wholesale and retail company

Yet, majority of the foreign investors that took part in the study highlight **the necessity for various type of support from the government**, including lowering or cancelling taxes, providing support for companies with high tax ranking, support all companies, not merely some industries:

*“Lower VAT (Value Added Tax) rate to 5% for fresh, healthy food (milk, fish, meat, bakery), to alleviate spending burden for families, so that money saved on food can be spent elsewhere in the economy.”*

*- Retail trade and service company*

*“No-tax regime for industries with proven declines.”*

*- Real estate company*

*“Stop all taxes and give financial support to all employees who lost their jobs and give some sort of support for the travel companies/tourism to keep the blood flowing through the veins enough to survive until the customers comes back to Latvia.”*

*- Service company*

*Tax breaks are needed.”*

*- Consultancy and ICT company*

*“Help businesses with period where taxes would be taken off for some period of time, pay staff temporary compensation during stand still.”*

*- Service company*

*“Do not list any industry out of help. All will need it eventually. Allow temporary lay-offs within 5 days' notice to all companies.”*

*- Service company*

*“Tax payment deadline extensions, credit holidays in banks, available loans for maintaining of cash flow, compensations for employees since salary costs are the biggest portion of total costs for service providers - paying sick leave from 2nd day, compensations in case of temporary lay-offs due to lack of work.”*

*- Service company*

*“Collaboration with companies to ensure employees' social security (e.g. partial salary coverage in case of idle positions, etc.); financial support for all affected sectors (tax breaks).”*

*- Manufacturing and production company*

*“Support buying services and products from local companies. Pay to employees for their downtime. Find a mechanism how companies can*

*“Temporary support for companies and employees to avoid layoffs (all industries and it is urgent!) Tax reliefs temporarily (e.g. halt real estate tax) ensure liquidity in the banking sector and provide state guaranteed for sustainable businesses.”*

*- Real estate company*

*“Establish support measures for all companies in crisis, regardless of their sector. Establish a downtime regime for the temporary suspension of staff. Evaluate tax incentives for donations when entrepreneurs take special support measures to stabilise the situation in the country.”*

*- Retail trade and service company*

*“Broader support for downtime, especially for the companies that have high ranking at Tax inspectorate.”*

*- Professional assurance and advisory services company*

*“Act quickly and boldly - bear the brunt of the costs that this sudden downturn has caused. Possible instruments include cash benefits for keeping employees that would have been otherwise fired and easily accessible loans. I'd recommend keeping the usual bureaucratic controls to a minimum - this is not the time to be scrutinising everyone's 5-year cashflow projections.”*

*- Professional assurance and advisory services company*

*“The Government must listen to the views of business organisations and associations. Aid should not be granted on a sectoral basis but should be assessed on the basis of the pre-crisis activity of each company (taxes paid, debts and other factors of operation). This is the right time to take a strong stance and to firmly target tax evaders and refrain from supporting them. At the same time, the Government must be the one that promotes consumption, namely by activating public procurement (infrastructure development). The public sector must not be the first to suspend projects / defer payments, giving the wrong signals to the common market.”*

*- Manufacturing and production company*

*issue bonds and be ready to buy bonds from good taxpayers to add liquidity.”*  
- Service company

*“Targeted support to the most affected companies (not just by industries, or everybody), clear measures taken on timely basis. for example, measures of supporting labour are lagging behind.”*  
- Professional assurance and advisory services company

*“Provide tax breaks, benefits that allow us to pay salaries and retain the employees and include small entrepreneurs in the list of state aid. The Government should develop a post-crisis recovery plan and assess which EU co-financed projects could accelerate the flow of cash into the economy.”*  
- Service company

*“To provide financial support to the aviation industry and its affiliated companies providing infrastructure of Riga Airport. Revise the tax law to allow companies hit by the crisis to take tax breaks. Compensation of staff costs in the event of a continuing emergency after April 14 to avoid mass layoffs.”*  
- Service company

*“Safeguard the businesses affected and make sure there are enough free capital to make the wheels go around.”*  
- Manufacturing and production company

*“More measures with immediate impact: direct support to impacted employees, support businesses through state/municipality owned companies (e.g. utilities); reducing tax burden for supporting employees in kind.”*  
- Service company

*“The support should be fair to small and large businesses.”*  
- Retail trade and service company

*“Support companies with employee costs and give tax holidays for companies based on total impact on business more than 30%.”*  
- Retail trade and service company

*“1. Temporary layoff approach (Scandinavia has good example) to all industries.  
2. HSE standards - they have to be lightened in the current situation. Example: It is not possible for Employer to visit all employees and makes sure the workspace is according to state standards. (Poland has good example how to act in the case)  
3. Unemployment policy - this should become more supportive towards unemployed person (longer period for 75% salary).”*  
- Shared services centre

In addition, investors suggest implementing **sick leave support** as well as **loan guarantees**:

*“Implement sickness leave “B” for people who stay home because of closed schools and pre-schools and to people in quarantine.”*  
- Wholesale and retail company

*“Loan guarantees for proven businesses hit, via Altum.”*  
- Real estate company

*“Loans providing for business stabilisation (without credit interest, payment term 3 years) / taxes relief/employees' wages compensation.”*  
- Service company

Number of foreign investors that took part in the study also call for some more **planning** and improved **communication** with regards to the impact of Covid-19:

*“Government needs to start planning a couple scenarios of how to get out of an emergency, how will we continue to work once the state aid ends.”*

- Professional assurance and advisory services company

*“Provide more guidance on potential lockdown period longevity, approximate time plan/ steps how return back to “normal” life is planned and more details on currently announced business/employees support package implementation set-up.”*

- Finance and banking company

*“Support plans lasting longer than 3 months.”*

- Finance and banking company

*“Before making drastic restrictions, such as license suspension, inform individually so that the company can prepare to redirect services to other parts of Europe.”*

- Consultancy and ICT company

*“As soon as possible define concrete activities what will be done to help to ensure business continuity, clear subsidisation policy.”*

- Finance and banking company

As illustrated by the following quotes, investors also request **efficient support for medical services to fight the pandemic ...:**

*“Medical service nationwide sufficiency, making sure quick and reliable Covid-19 testing solutions are widely available and used as soon as they appear, quarantine measure controls and motivation to flatten the curve.”*

- Real estate company

*“Relax mandatory health check (OVP) requirements during the emergency period for temporary employees, who are temporarily helping in shops.”*

- Retail trade and service company

*“Enhance the measures required to contain the virus and mitigate effect on country’s economic situation and employment as all businesses cannot operate from home. Government should invest effort to collaborate with other countries finding common solutions for the same problem, learning from the best practices. Also, very important to support all medical personnel, make sure doctors and nurses have higher salary, sufficient and good personal protection equipment, request local production companies to produce disinfection liquid, face masks for citizens, etc. Would be necessary to change work legislation and introduce temporary layoffs for positions not required for certain period of time. If there would be any regulation that would allow to reduce rent expenses for empty office, it would help a lot. Hotels can be turned into temporary hospitals if needed.”*

- Consultancy and ICT company

... as well as to **tighten restrictions:**

*“Quarantine for arriving people so that they can get to work faster inland. Altum counter-guarantees for travel agencies submitted by insurers to Consumer Rights Protection Centre.”*

- Finance and banking company



*“Tighter restrictions to stop the virus totally. This is crucial in each country, ES, world. Then the economy will recover sooner. We lose people, money and time by passive actions.”*

*- Finance and banking company*

*“Take strict measures to stop Covid-19.”*

*- Professional assurance and advisory services company*

**Other** suggestions of the foreign investors that took part in the study are summarized in the quotes below:

*“Balance imports in conditions of falling exports, investment reduction of imported materials, prioritisation of household needs with a view to reduce consumption.”*

*- Manufacturing and production company*

*“Take the chance to open up transport sector. Truck loads for instance. That's possible without increasing the pressure on roads (e.g. more axles), saves a lot of fuel and increase Latvia's competitiveness. Very important for far distance forestry in Latvia. Open up train logistics for private actors. Also, very good for forest owners out of direct contact with the coastline. Forestry legislation needs also a quick update. Lot of things are good but there is a need for more flexible and responsible way of managing forests.”*

*- Manufacturing and production company*

*“Avoid a full lockdown of the country. Offer support if disbanding is in the question.”*

*- Manufacturing and production company*

*“Be very careful with statements about future economic recession, support businesses, be proactive.”*

*- Shared services centre*

*“1. Initiate discussion with the neighbour states on opening transit for seafarers.*

*2. Agree on the conditions which would allow to conduct classroom training for seafarers (2m distance, ventilation, masks, etc)”.*

*- Service company*

*“Provide personalised self-defense tools, pay downtime for everyone, not just a few companies.”*

*- Service company*

## **8. Challenges foreign investors expect to see coming out in the long-term as a result of COVID-19**

In some cases, it seems like foreign investors do not see Covid-19 as a major problem and ***do not anticipate any impact***:

*“The flu is an annual and mostly a normal event. Do we take the same precautions next season of flu? If so, there won't be jobs anymore to worry about.”*

*- Manufacturing and production company*

*“Return to regular business as most financial buffers are used for survival.”*

*- Service company*

*“I hope that during the next 2 months this problem will be solved, and we can go back to normal business.”*

*- Manufacturing and production company*

... or, at this stage, were **not yet sure**:

*“It depends on how long time it will take to stop this virus.”*

- Finance and banking company

*“We don't know for sure yet, but the tourism industry might take longer to recover due to lingering fears in the population.”*

- Professional assurance and advisory services company

*“It is not yet possible to predict how long and deep the crisis will be.”*

- Finance and banking company

*“Depending on the time, if you manage to overcome the crisis within a month, the impact will not be slow, if everything drags on for more than a month, there will be company bankruptcies, layoffs, etc.”*

- Service company

*“Difficult question since many areas are affected (e.g. society/ health care / business / Government / relations / politics / economics / defence / sport ...).”*

- Service company

Overall, however, foreign investors identified both **positive** and **negative** potential long-term outcomes of the global pandemic. Indeed, some of the investors that took part in the study see a few potential **positive** changes as a result of Covid-19 crisis, including *more efficient remote business, advanced digital skills also in the public sector, changes of the customer behaviour, changes of values in particular with regards to safety*, etc.:

*“Leaner, more efficient, and remote businesses (in retail - more online grocery shopping and home delivery, we are now ramping up our pick-up and home-delivery business).”*

- Retail trade and service company

*“Change of human behaviour. Though it is not necessarily bad.”*

- Wholesale and retail company

*“There will be other values. Health care will be also very important like safety. Digitization and IT become more important. Civil protection was not forthcoming and there should be improvements. Big question is where invest money for pension system. Better in local market. EU was not prepared for such a pandemic and that is the big question that the EU will face in the future. This is probably the answer for all populist politicians.”*

- Service company

*“New shopping behaviours, new hygiene concerns, logistics challenges to stay; might be challenge and for sure is a new opportunity.”*

- Wholesale and retail company

*“Need for our services, mobility.”*

- Professional assurance and advisory services company

*“Review of remote business processes with State institutions.”*

- Finance and banking company

*“Those that are able to adapt fast have benefit. GBS companies were relatively readier to react - we had already established Home office procedures, IT support ready.*

*Clear and timely communication is crucial. And lyrical conclusion: After pandemic is over, we will be able to evaluate who are the companies really taking care of their people in the times of trouble.”*

- Shared services centre

Majority of foreign investors, however, refer to many *negative* effects, such as unemployment, bankruptcies, poverty, various social problems and recession amongst others.

*“Economic recession, extreme times for aviation and hospitality industries, changes in supply chains.”*

- Real estate company

*“Unemployment, bankruptcies, social problems, political instability - reduced FDI.”*

- Real estate company

*“Higher unemployment, decrease of income, bankruptcies, higher NPLs.”*

- Professional assurance and advisory services company

*“Recession, people will not travel, as there are less incomes, less airlines (I am sure many will go broke soon), and in general, travel is a non-essential service.”*

- Service company

*“Global economic recession.”*

- Shared services centre

*“Impact on supply chain globally and impact on Latvian seafarers and international goods transferred by ships. We should do as much as we can in respect of seafarer's open travel as that will push Latvian seafarers to the very top of the list. No ships can be stopped without consequences and no ships can work without crew.”*

- Service company

*“Getting back on track and solve all delayed issues.”*

- Professional assurance and advisory services company

*“Impact on travel/accommodation industry, mass bankruptcy of SME, dip of consumer confidence.”*

- Service company

*“Increased protectionism.”*

- Retail trade and service company

*“Keeping at least the same turnover amount as before.”*

- Professional assurance and advisory services company

*“Exhausted medical personnel, lack of resources due to closed production and boarders, weakened businesses and economy.”*

- Consultancy and ICT company

*“Employment issues, poverty, starvation.”*

- Service company

*“Economic downfall that will reduce demand for services of our company.”*

- Service company

*“Travelling will go down, local food will be needed.”*

- Service company

*“Many businesses will go bankrupt and it will create big bad debts for those who will survive, very high unemployment rate and very low purchasing power, very low demand and very low growth of GDP after pandemic, very big budget deficits and external debts in countries, low liquidity and solvency ratios of companies.”*

- Service company

*“Long period of low demand and very careful behaviour in export sectors.”*

- Manufacturing and production company

*“Slow growth.”*

- Service company

*“Currency fluctuation. The market will correct itself.”*

- Manufacturing and production company

*“How the clients will recover and get their business back on track again. No clients mean no business. We have b to b business. Most likely after the pandemic the biggest part of entrepreneurs must try to recover their losses, re-organize work, clientele etc. That will for sure reduce b to b businesses that are out of necessary or less important.”*

- Service company

*“Recession and major increase on bankruptcies. Increased unemployment. Global change in the ways of working.”*

- Professional assurance and advisory services company

- “Temporary slowdown of the economy.”*  
- Real estate company
- “1) The risk of re-infection with a much deeper economic downturn; 2) continuous long-term decline in retail sales due to declining incomes; bankruptcy of middling businesses, especially in the travel, retail, and catering sector.”*  
- Wholesale and retail company
- “GDP to drop about -7% in the case of prolonged crisis.”*  
- Finance and banking company
- “Restructuring in some sectors is likely to affect the small and medium-sized segment.”*  
- Professional assurance and advisory services company
- “Economic recession.”*  
- Service company
- “Global economic stagnation and changing habits of consumers. Mass bankruptcies (especially for small / medium-sized businesses), which may lead to a strengthening of the "resilient" companies, will put an additional burden on national budgets, which may lead to a revision of Government spending (more social needs / less investment).”*  
- Retail trade and service company
- “Availability of services, unemployment.”*  
- Consultancy and ICT company
- “Trust in global trade & supply chains, societies & countries increased debt will reduce future development potential, social security reserves will be "eaten", pension funds losses in financial markets will decrease individual income of future retired people.”*  
- Manufacturing and production company
- “Economic recession...”*  
- Consultancy and ICT company
- “Slow recovery of the aviation industry and reaching previous turnovers, slow growth of numbers of passengers and flights. Finding strong partners if existing partners do not survive the crisis. Keeping a reliable workforce. Troubles in restoring the purchasing power.”*  
- Service company
- “The challenge: Coordinated cooperation between EU countries for targeted economic recovery. Consequences: economic downturn. We see the risk that large companies and those that are more successful in coping with the economic consequences of a pandemic will be subject to a higher tax burden in order to inject into the state budget the necessary support mechanisms.”*  
- Manufacturing and production company
- “Decline in the beer market (decline in demand, purchasing power, increase in the market for illegal products), retention and recruitment of new skilled workers.”*  
- Manufacturing and production company

## 9. Conclusions and policy suggestions

This report aims to provide an assessment of foreign investors in Latvia with regards to the impact of COVID-19 pandemic. We draw on the data from the online survey of 45 companies, foreign investors in Latvia, collected from 20 to 23 March, 2020. The key focus of this study is on the following issues: (i) change in the demand for products or services as a consequence of COVID-19, (ii) main short-term and long-term challenges foreign investors are facing as a result of pandemic, (iii) the measures taken by investors to minimise the negative effect of the COVID-19 so far, (iv) recommendations to the Government with regards to the necessary support to stabilise business climate in the country, and (v) viewpoint of foreign investors about the possible long-term implications of COVID-19 on the economy.

Results of the study clearly demonstrate that many foreign investors have already experienced the decrease in demand for their products and services and suggest that foreign investors in the service sector have so far experienced the most severe decrease. Some of the short-term challenges faced by most of respondents that took part in the study include ensuring health and safety of employees and customers, providing possibility of remote work and challenges to continue business activity in cases where many transactions and operations have been suspended. As for the long-term challenges, companies highlight retention of employees and customers due to world-wide restrictions and loss of revenue and decrease of business activities. Investors are also concerned about uncertainty with regards to the mobility restrictions and demand for products and services as well as development trends of the financial sector.

Reducing costs and expenses that include unwilling redundancies, transitioning to remote work as well as implementing strict rules for the safety were highlighted as the key measures taken so far by the majority of companies to minimise the negative effect of pandemic. Respondents also highlighted the role of active communication within their business communities, sharing best practice and socially responsible activities, as well as implementation of crisis management teams to deal with the challenges brought on by COVID-19. In this regard, number of investors reported they have received assistance from their parent companies in order to deal with the short-term and potential long-term challenges. This includes sharing best practice, providing insight into increasing efficiency and ensure cost savings, financial support. Yet our results also show that a few foreign investor companies in Latvia, in some cases with the support from their parent companies, are already in the stage of addressing liquidity issues and top-level crisis management.

Recommendations from the key foreign investors in Latvia to the Government of Latvia with regards to what should be done at this point to support businesses and stabilise the business climate in Latvia include a sick-leave support, loan guarantees, improved communication, efficient support for medical services to fight the pandemic. Asked to share their perspective with regards to the possible long-term implications of COVID-19 on the economy, majority of foreign investors that took part in the study refer to many negative effects such as unemployment, bankruptcies, poverty, various social problems and global economic recession. Some investors, however, also see very few potential benefits, including improved efficiency of remote business and advanced digital skills as well as positive changes in the consumer behaviour and values, especially with regards to health and safety.

Majority of the biggest foreign investors in Latvia that took part in this study highly appreciate the swift actions the Government of Latvia has taken so far. Yet investors also seem to be well aware of forthcoming economic downturn that most likely will require tough decisions both by the policy makers and managers of companies.

In this context, messages we received from foreign investors in Latvia not only highlight the need for swift, but also strategic, long term action taken by policy makers to minimise the negative impact on the investment climate in Latvia and business environment in general. In particular,

investors emphasise that the public sector, as well as the private sector, need to be proactive and flexible in this changing environment, making decisions that will be sustainable over a longer period of time, not just the upcoming months.

We believe that a balanced approach on tackling the important issues of the day, yet as a part of a longer-term strategy can help the economy of Latvia to come out of the crisis in a relatively strong position. Determined, evidence-based actions that draw on the experience of other, similar countries, are extremely important in order to overcome this crisis with minimal negative effect in the long-term. We hope that this report will provide policymakers with better grounds for making evidence-based policy decisions in such a way that business and economy of Latvia can successfully recover from the crisis as soon as possible. As this situation is likely to change, our intention is to run such a survey on a regular basis providing policy makers in Latvia with up-to-date information. We also hope that it will continue to foster further constructive communication between the foreign investors and the Government of Latvia.

## Appendix 1. Questionnaire form

### Survey regarding the impact of Covid-19

Your answers regarding business activity during the State of Emergency in Latvia relating to the Covid-19 global pandemic will be anonymised and used to inform the Government and relevant state institutions on the challenges investors are currently facing, as well as to provide recommendations to be implemented to limit the effect of the current situation on the business community and economy as a whole. Please submit this survey until the end of 23 March.

Company:

Industry represented:

Average annual turnover:

Number of employees:

Has there been a change in demand for your products or services as a consequence of Covid-19?

Demand has increased \_\_\_\_

Please indicate approximate percentage of the increase (+) in the demand for your products or services \_\_\_\_

Remained the same \_\_\_\_

Demand has decreased \_\_\_\_

Please indicate approximate percentage of the decrease (-) in the demand for your products or services \_\_\_\_

Not quite sure yet \_\_\_\_

1. What are the main challenges your company is currently facing relating to Covid-19 and the State of emergency in the short-term?
2. What are the main long-term challenges your company is facing relating to Covid-19 and the State of Emergency?
3. What steps is your company taking to minimise the effect of the current situation?
4. What is being done by your parent company abroad to limit the effect of the current situation?
5. What would be your recommendations to the Government of Latvia at this point to support affected businesses and stabilise business climate in the country?
6. What challenges do you see that will come out in the long-term from this global pandemic?

Thank you!

We value your time and effort dedicated to help bring these crucial issues to light.

## **Appendix 2. Foreign investors that took part in the study**

### **AFI Europe Group**

AFI Europe is a leading real estate development and investment company operating in Central and Eastern Europe and focusing on the development of large-scale commercial and residential projects. The company owns, develops and manages properties and projects in Bulgaria, the Czech Republic, Germany, Hungary, Latvia, Poland, Romania and Serbia, with on the-ground teams comprising nearly 200 professionals. Headquartered in the Netherlands, AFI Europe is part of the AFI Group – an international holdings and investments conglomerate.

### **Aldaris**

Aldaris is a Latvian brewery with rich traditions and a long history dating back to 1865. Nowadays, JSC Aldaris is part of the Carlsberg Group and one of the largest companies operating in beer and non-alcoholic beverages in Latvia. JSC Aldaris is focused on sustainable growth, while developing new products and experimenting with exclusive tastes. Years of industry experience and in-depth business knowledge allow the company to successfully adapt to emerging market trends and a rapidly changing business environment. Aldaris – shaping the beer industry and corporate agenda in the region.

### **Atea Global Services**

Atea Group is the leading Nordic IT infrastructure company and the 2nd largest in Europe with more than 7.000 employees and a revenue of more than EUR 3,5 billion in 2017. Our consultants are amongst the highest certified within the Atea Group and thus ensure your Digital Workplace, Service Desk, Application Packaging, and Azure deployed workloads are in the most capable hands.

### **Balta**

Balta (part of PZU Group) PZU is one of the largest financial institutions in Poland, as well as Central and Eastern Europe. Continuing a 200-year tradition PZU provides comprehensive insurance coverage in all key 57 sectors of private, public and economic activity. PZU Group also manages an open pension fund, investment funds and savings programmes. PZU acquired BALTA in 2014. With nearly 27 years of experience, BALTA is the leading non-life insurance company in Latvia, with almost 600 employees, including a distribution network of 300 agents and 42 branches across Latvia. BALTA is also the most loved insurance brand in Latvia, as well as recognised as the most honest insurer in the SKDS consumer survey for the last 15 years, among other recognitions and awards.

### **BEWE RIX**

BEWE RIX and BEWESHIP LATVIA are operating since 1998 and provide worldwide transportation services including road, marine and air transport, provide full range of warehousing and customs services. Company is awarded with AEOF certificate and is member of global network of independent freight forwarders WCA.

### **BITE Latvia**

BITE is the fastest-growing mobile communication operator in Latvia, for already more than fourteen years providing modern, innovative mobile communication services matching the customers' desires and needs. Currently, more than 20 000 companies have chosen BITE as their information technology and telecommunication services provider. BITE annually invests approximately 10% of its turnover in development of its network infrastructure and services. Currently, the powerful BITE 4G Internet is already available for 99.99% of the country's



residents, this is also a reason for introduction of the 5G network. BITE's first 5G station was built in June 2019.

### **BTA Baltic Insurance Company**

BTA Baltic Insurance Company (BTA) is the insurance market leader in the Baltic States, offering a broad range of non-life insurance services. Vienna Insurance Group AG, a leading insurer in Europe, became the largest shareholder of the company in 2016 by obtaining 90% shares in the company. 10% of the company's shares are owned by Balcia Insurance SE. BTA dates back to 1993, since then, the company has accumulated huge experience, and has just as strong ambition for growth. BTA is characterized by innovation, efficiency and a professional team of nearly 1000 employees in the entire Baltic region.

### **CE BSR**

The foundation "Cluster Experts Baltic Sea Region" (CE BSR) was founded in 2010 to facilitate cluster development in Latvia and SMEs networking and co-operation in Latvia and the Baltic Sea Region. The foundation is involved in organizing international events and exchanges, consulting, research activities and training.

### **Circle K Business Centre**

Circle K Business Centre is a shared service centre which supports Circle K Latvia operations through a wide range of services within Finance & Control, Information Technologies, Human Resources, Transport Fuel and Customer Service.

### **Circle K Latvia**

Couche-Tard is a leader in the Canadian convenience store industry. In the United States, it is the largest independent convenience store operator in terms of the number of company-operated stores. In Europe, Couche-Tard is a leader in convenience store and road transportation fuel retail in the Scandinavian countries (Norway, Sweden and Denmark), in the Baltic countries (Estonia, Latvia and Lithuania), as well as in Ireland and also has an important presence in Poland. In addition, under licensing agreements, approximately 2,250 stores are operated under the Circle K banner in 16 other countries and territories (Cambodia, China, Costa Rica, Egypt, Guam, Honduras, Hong Kong, Indonesia, Jamaica, Macau, Mexico, Mongolia, New Zealand, Saudi Arabia, the United Arab Emirates and Vietnam), which brings the worldwide total network to more than 16,000 stores.

### **Coca-Cola Baltic**

The Coca-Cola Company is a total beverage company, offering over 500 brands in more than 200 countries and territories. In addition to the company's Coca-Cola brands, our portfolio includes some of the world's most valuable beverage brands, such as Fanta, innocent smoothies and juices, Powerade sports drinks, Sprite, vitamin water and ZICO coconut water. We're constantly transforming our portfolio, from reducing sugar in our drinks to bringing innovative new products 58 to the market. We're also working to reduce our environmental impact by replenishing water and promoting recycling. With our bottling partners, we employ more than 700,000 people, helping bring economic opportunities to local communities worldwide.

### **DMC Baltic Latvia**

DMC Baltic Latvia SIA is an incoming tour operator working in the MICE market (Meetings Incentives Conferences Events). We only serve European travel and event companies, with a strong focus and position in the Scandinavian market. We exclusively work with corporate clients,

and each year DMC Baltic handles and service around 50-70 meetings & events with 1000s of international travellers to all three Baltic States.

### **Ernst & Young Baltic**

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. The insights and quality services EY delivers help build trust and confidence in the capital markets and in economies the world over. The company develops outstanding leaders who team together to deliver on its promises to all its stakeholders. In so doing, EY plays a critical role in building a better working world for the people, the clients and the communities.

### **Evolution Latvia**

Evolution Gaming Group AB develops, produces, markets and licenses fully integrated B2B Live Casino solutions to gaming operators. Since the company was established in 2006, 59 Evolution has become a leading B2B provider in the European market with 100+ operators among its customers. The group today employs approximately 7,500 people with a majority being based in Latvia, Georgia and Malta. The parent company is domiciled in Sweden.

### **Floriance**

Floriance SIA is a Latvian-Finnish family business founded in 2011. Floriance is the official representative of Helsinki Expo and Convention Centre here in Latvia. We are also in shoe business taking care of the Baltic agency for German manufacturer. At the moment we are developing our range, and we will provide interior design services in cooperation with Firenze based Italian company.

### **Fortum**

Fortum is a leading clean-energy company that provides its customers with electricity, heating and cooling as well as smart solutions to improve resource efficiency. Fortum wants to engage its customers and society to join the change for a cleaner world. Fortum has operated in Latvia since 2007, and since 2008 is the district heating operator in Jelgava city. Electricity produced in Jelgava power plant is sold in the Nord Pool Spot, as well as to large industrial customers. Since summer 2018, Fortum has also operated in Daugavpils where it produces heat energy and electricity.

### **G4S**

The company offers a range of services, including the supply of security personnel, monitoring equipment, response units and secure prisoner transportation. G4S also works with governments overseas to deliver security. G4S is the world's largest security company measured by revenues.

### **GlaxoSmithKline Latvia**

GlaxoSmithKline (GSK) is a British pharmaceutical company headquartered in Brentford, London. As one of the world's leading research-based pharmaceutical and healthcare companies GSK is committed to improving the quality of human life by enabling people to do more, feel better and live longer. GSK's three world-leading businesses research and deliver innovative medicines, vaccines and consumer healthcare products. The GSK office employs 45 people in Latvia.

### **Gosselin Mobility Baltics**

Gosselin is a leading provider of relocation and moving services for domestic, long distance and international moves, that operate through 48 offices in Europe, Russia, the Caucasus and Central Asia. Gosselin move private persons as well as diplomats, corporations and government institutions with secure, smooth and fast transitions.

## **HRX**

The story of HRX started in 1991 when its first and only van headed from Helsinki, Finland to the Port of Tallinn in Estonia. Since then, the family-owned business has grown and expanded, but still carries the same values it has had from the start. HRX is an independent, family-owned Finnish company specialising in international groupage shipment deliveries. HRX logistics centres are located in Finland, Sweden, Estonia, Latvia, Lithuania, and Poland. Our mission is to provide clients with unique logistics solutions to help them succeed in their business.

## **IBC Company Formations Limited**

IBCC's core business is company formation and accounting services. IBCC also specialises in providing a complete company package, where the client can be confident that all his business set-up needs will be taken care of in one place. IBCC has been actively helping clients save time and money through expert advice on international company formation, accounting and tax matters since 1994. The extensive experience has allowed us to develop an expertise and focus on developing company packages in jurisdictions which have advantageous tax planning opportunities.

## **Intrum**

Intrum is the industry-leading provider of Credit Management Services with a presence in 24 markets in Europe. Intrum helps companies prosper by offering solutions designed to improve cash flows and long-term profitability and by caring for their customers. To ensure that individuals and companies get the support they need to become free from debt is one important part of the company's mission. Intrum has circa 10,000 dedicated professionals who serve around 80,000 companies across Europe. In 2018, revenues amounted to SEK 13.4 billion. Intrum is headquartered in Stockholm, Sweden and the Intrum share is listed on the Nasdaq Stockholm exchange.

## **ISKU**

Isku is a Finnish business established in 1928. Isku designs and manufactures furniture and offers services and comprehensive interior solutions for learning, working and health care facilities, as well as for all public spaces and leisure time facilities. A leader in Finnish know-how, quality and industrial innovation, Isku's goal is to inspire, create experiences of success and provide our customers with high-quality furniture while ensuring responsible production.

## **Karlsberg**

Karlsberg Ltd is engaged in the production of office accessories, advertising and presentation materials, as well as product packaging. A wide variety of materials are used: aluminum, organic glass, leather, textiles, plastic, cardboard, paper and more. The company's history and traditions date back to 1954.

## **LAPA LTD**

The LAPA LTD main activities are the crewing - supply of seafarers to the merchant fleet ships and Conventional (STCW) training required to the seafarers. LAPA Ltd. started back in 1991 and their aim is to supply world first class shipping companies with crews from the Baltic States, Russia, Belorussia and Ukraine. LAPA Ltd. provides crews for all types of vessels in compliance with the ITF standard of contracts.

### **Leinonen**

Leinonen Group is an internationally established accountancy and advisory firm with 25 years of knowledge and experience. Leinonen's 14 offices are scattered around Scandinavia, Baltic states and Central Eastern Europe – altogether 12 countries, i.e., Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Poland, Bulgaria, Hungary, Russia, Belarus, and Ukraine. Leinonen's service portfolio includes accounting, payroll management, taxation, legal and advisory services. All of the services are custom-molded to suit each business needs.

### **Linstow**

Owned by the Awilhelmsen Group, a large international investment company, Linstow is one of Norway's leading real estate enterprises. Since 1996, Linstow's Baltic subsidiary has been Linstow Centre Management – the region's leading developer and operator of shopping centres. Linstow has established five shopping centres in Latvia: Alfa, Mols, Galerija Centrs, Origo, and Dole and the largest shopping centre in Estonia – Ülemiste. Linstow also owns seven hotels in the Baltic region, all operated by Radisson under the Radisson Blu and Park Inn brands. The value of Linstow Group's real estate portfolio in the region totals 700 million euros.

### **Luminor**

Luminor is the third-largest provider of financial services in the Baltics, with approximately 1 million clients, 2500 employees, and a market share of 16.8% in deposits and 19.5% in lending as at the end of the third quarter of 2019. The total shareholders' equity amounts to 1.6 billion euros and Luminor is capitalised with a CET1 ratio of 18.7%.

### **Maxima Latvija**

Maxima Latvija is one of the leading retail chains in Latvia, the largest private employer in the country and one of the largest tax payers in Latvia. The company is part of the "Maxima Grupe" holding company that is the largest retail store chain and employer in the Baltics, employing more than 40 000 employees in five countries – Lithuania, Latvia, Estonia, Poland and Bulgaria.

### **Møller Baltic Import SE**

Møller Baltic Import SE is the largest car importer in the Baltics, providing Volkswagen imports in all three Baltic States and Audi imports in Latvia and Lithuania. The company is owned by Møller Mobility Group - the leading car group in the Nordic and Baltic countries. Møller Mobility Group is a family-owned group involved in the import, sale, servicing and financing of Volkswagen, Audi, Škoda and SEAT cars. The company is represented in Norway, Sweden, Estonia, Latvia and Lithuania.

### **Narvesen Baltija**

Narvesen is the leading retail franchise network, which provides a convenient opportunity to purchase everyday goods and services to quickly restore energy. Since 1997, Narvesen has been a successful convenience store chain with 235 stores in 36 cities. Narvesen offers a diverse range of fresh and tasty dishes, refreshing drinks and a wide selection of the latest press editions. 75% of people living in Latvia visit Narvesen daily. In Latvia, the franchise network offers a workplace for more than 650 people, including franchisees. Today, after 21 years of experience, Narvesen is perceived as a high value brand in Latvia. Narvesen is a fast-growing retail shop network and a market leader in the convenience sector, and will continue its growth also in 2020, when "Coffee Inn" (owner of the coffee shop chain "Caffeine Roasters") will join "Narvesen Baltija".

### **Neste Latvija**

Neste is the world's largest producer of renewable diesel refined from waste and residues, also introducing renewable solutions to the aviation and plastics industries. It is listed in the Dow Jones Sustainability World Index and the Global 100 list of the world's most sustainable companies. SIA Neste Latvija is engaged in direct sales of cleaner traffic fuels, as well as retail sales via its Neste fuel station network. The company has its own oil terminal in Riga harbour and 75 fuel stations in Latvia.

### **Norplast**

Norplast SIA was established in 1995. Initially, the company recruited 6 employees and manufactured a variety of fiberglass boats for the Norwegian market. Norplast today produces not only for Scandinavian companies but also for the world market in various sectors such as ship's safety equipment, sea rescue boats, oil production, transport, recreation, wastewater treatment and fish farming etc. Norplast SIA is owned 100% by Norpartners AS in Norway. Norpartners AS engages in the marketing of the products and more than 95% of Norplast's production is exported. Norplast SIA has currently 50 employees.

### **Numero Latvia**

Numero Latvia Ltd is a representative of the Norwegian accounting firm Numero Consultants AS, which provides full-service accounting services, consulting and representation of foreign companies in the Kingdom of Norway. Numero Consultants AS is an authorized accounting firm and a member of NARF (Norwegian Association of Authorized Accountants). Our clients range from self-employed to manufacturing companies and groups.

### **People Management**

People Management was established in 1991 in Helsinki, Finland. As the Baltic economies transitioned to a free market in the early 90's, our clients needed help entering the market and finding the right employees. 1994 People Management opened an office in Tallinn, with offices in Riga and Vilnius in the following years. With almost 30 years of recruitment experience in the challenging Baltic markets, we can fill even the most demanding positions.

### **Premier Restuarants Latvia**

McDonald's is the leading catering company in Latvia by number of guests and employees as well as financial performance and investments. McDonald's employs 700 people, and its 13 restaurants in Latvia were visited by 8 million guests last year. The McDonald's development license holder, Maltese company Premier Capital, owns 156 McDonald's restaurants in the Baltic States, Malta, Greece and Romania, serving 130 million guests.

### **Procter & Gamble Marketing Latvia**

Procter & Gamble is the largest Fast Moving Consumer Goods (FMCG) company in the world. We manufacture over 60 brands used by nearly 5 billion customers and compete in 160 marketplaces. Business operations in Latvia were established in 1995. P&G Latvia works in close partnership with Poland, Hungary, Czech Republic, Slovakia, Croatia. Together, they form P&G Central Europe. P&G Latvia has mainly Sales organization with a general office in Riga. It is located in a modern part of the city center – Skanste.

### **SCA Mezs Latvija**

SCA Mežs Latvija SIA is a subsidiary of Svenska Cellulosa Aktiebolaget (SCA). SCA is a Swedish consumer goods company and pulp and paper manufacturer, which was founded in 1929. SCA Mežs Latvija SIA supports environmentally friendly forestry. We have been awarded FSC (Forest Stewardship Council) and PEFC (Supply Chain Certification) certification for our Forest Certification Scheme, and our environmental management system is certified by ISO 14001: 2015 (3000).

### **SCHWENK Latvija**

SCHWENK Latvija is a leading building materials producer and the only cement producer in Latvia, since 2019 – part of the SCHWENK Building materials group. SCHWENK Group was founded in 1847 in Ulm, Germany, by Eduard Schwenk and is still a family owned business. Apart from being among the oldest in the industry, it is also one of the most innovative ones.

### **Swedbank**

Swedbank's roots are firmly entrenched in Sweden's savings bank history, the cooperative agricultural bank tradition and Hansabank's major role in the Baltic countries. We serve everyone, from customers with basic needs to those who require advanced banking services. We work to develop close relationships with our seven million private customers and 600 000 corporate customers. To support their businesses, Swedbank also has operations in Norway, Finland, Denmark, the US, China, Luxembourg and South Africa.

### **Talentor Latvia**

Talentor is a tightly-woven network of highly experienced people around the globe. Talentor business is Executive Search, Assessment and Development on an international level leveraging the local know-how of our partners. Talentor consultants have the intuition and experience to find, evaluate and coach executives and talented professionals. In our digital world, this increasingly means breaking new ground and abandoning old methods.

### **TAV Latvia**

TAV Airports Holding is one of the leaders in airport operations and airport construction companies in the world. TAV Airports Holding provides airport services in 21 countries, 76 airports, and serves around 1 million flights with more than 152 million passengers. In Riga International Airport TAV Airports Holding is represented by six TAV group companies - TAV Latvia is operating in commercial areas, ATU - Duty Free, BTA - Food & Beverage, TAV Operation Services - Business Lounge, HAVAŞ - Ground Handling and TAV IT - Solutions, with approximately 650 employees in total. TAV Latvia is in charge of all commercial areas of RIX that are operated by group companies and other international and local investors since the beginning of 2011, when TAV Airports Holding won a tender and signed a concession agreement with Riga International Airport, becoming one of the most valuable cooperation partners of RIX.

### **TMC**

TheMiceCream is a meeting & incentive company operating in the Baltic world – Latvia, Lithuania and Estonia. We are dedicated to providing supreme value to stakeholders through our unique corporate culture. TheMiceCream is made up by some of the most talented industry people from Scandinavia and the Baltics. TMC hires the best personalities, eager to work in a friendly environment full of creative challenges, which lead to personal growth. TheMiceCream has a reputation for unusual and creative events and perfect organization.

## **VASTINT LATVIA**

Vastint Group is an international real estate organisation with over 30 years of experience. The cornerstone of their operation is the management of portfolio properties and the development of commercial real estate, including residential development and sales. Vastint has been present in Latvia since 2003.

## **Visma Labs**

Visma delivers software that simplifies and digitises core business processes in the private and public sector. With presence across the entire Nordic region along with Benelux, Central and Eastern Europe, Visma is one of Europe's leading software companies. The Visma group consists of over 200 companies across 16 countries worldwide, employing more than 10 000 people and serving more than a million customers. The company's headquarters are located in Oslo, Norway. Visma Group is represented by 3 companies in Latvia. Visma Enterprise is the market leader in the field of ERP, BI and HRM solutions, while Visma Consulting provides custom solutions for government and private entities together employing 150 specialists. Visma Labs in Latvia supports Visma Group's new products development and currently employs more than 200 specialists.