



# Phare



## Programme and contract information 1995

Latvia

published by the European Commission



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# Programme and contract information 1995

## Latvia

published by the European Commission

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# Introduction

With this brochure Phare aims to provide the interested public with clear and concise summaries of the programmes to be implemented by the partner countries with Phare support. It also aims to point the business community in the direction of potential opportunities.

The programmes described in the following pages are the logical consequences of the priorities expressed by Latvia in its Indicative Programme. They have been given a favourable opinion by Phare's Management Committee and have been approved by the Commission. Phare programme and contract information brochures are published after each Management Committee meeting.

This copy contains summaries of the programmes approved by the Committee at its 37th meeting held on 5 July 1995 for the benefit of Latvia.

Please bear in mind, however, that the publication of the business-related information in these pages does not commit the partner country or the Commission either to adhere to a fixed timetable for implementation or to follow exactly the outlines traced below. Individuals or companies wishing to obtain more detail on the contractual implications of these programmes should contact the relevant Programme Management Unit that is responsible for the implementation of the approved programme. Only individuals or companies registered and resident in European Union Member States or Phare partner countries will be considered for implementing the tasks set out.

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# Contents

<b>What is Phare?</b>	<b>4</b>
<b>Institutional and Human Resources Development Programme</b>	<b>5</b>
<b>European Integration Programme</b>	<b>9</b>
<b>Infrastructure development programme</b>	<b>11</b>
<b>Economic reform programme</b>	<b>14</b>

## What is Phare?

The Phare Programme is a European Community initiative which supports the development of a larger democratic family of nations within a prosperous and stable Europe. Its aim is to help the countries of central and eastern Europe rejoin the mainstream of European development through future membership of the European Union.

Phare does this by providing grant finance to support its partner countries through the process of economic transformation and strengthening of democracy to the stage where they are ready to assume the obligations of membership of the European Union.

In its first five years of operation to 1994, Phare has made available ECU 4,248.5 million to 11 partner countries, making Phare the largest assistance programme of its kind.

Phare works in close cooperation with its partner countries to decide how funds are to be spent, within a framework agreed with the European Community. This ensures that Phare funding is relevant to each government's own reform policies and priorities.

Phare provides know-how from a wide range of non-commercial, public and private organisations to its partner countries. It acts as a multiplier by stimulating investment and responding to needs that cannot be met by others. Phare acts as a powerful catalyst by unlocking funds for important projects from other donors through studies, capital grants, guarantee schemes and credit lines. It also invests directly in infrastructure, which will account for more Phare funds as the integration process progresses.

The main priorities for Phare funding are common to all countries, although every one is at a different stage of transformation. The key areas include restructuring of state enterprises including agriculture, private sector development, reform of institutions, legislation and public administration, reform of social services, employment, education and health, development of energy, transport and telecommunications infrastructure, and environment and nuclear safety.

For countries which have signed Europe Agreements, Phare funding is also focused on meeting the conditions required for membership of the European Community. In particular this concerns preparation for participation in the European Union's internal market and development of infrastructure, especially in border regions.

# Institutional and human resources development programme

Approved by the Phare Management Committee at meeting N° 37 on 5 July 1995.

Duration	to 31 December 1998
EU contribution	ECU 9.2 million
Implementing body	<p>Customs Administration, Kr. Valdemara Street, LA-1841 Riga Tel (+371-2) 22 56 07 Fax (+371-2) 32 24 40 Mr Valdis Kursietis, Head of International Department Customs Department</p> <p>Central Statistical Bureau, State Statistics Committee, Lacplesa Str., 1 Riga Tel (+371-2) 33 40 89 Fax (+371-2) 882 01 66 Dr Ilmars Vanags, Adviser to the President</p> <p>Ministry of Welfare, Labour and Health Kr. Valdemara Str. 38, 1010 Riga, Tel (+371-2) 27 17 13 Fax (+371-2) 27 64 45 Mrs Andris Berzins, Minister of Welfare</p> <p>Ministry of State Reform Brivibas Blvd. 36, 1519 Riga, Tel (+371-2) 28 45 42 Fax (+371-2) 82 85 22 Mrs Vita Terauds, State Secretary</p> <p>State Administration Department of the State Chancellery Brivibas Blvd. 36, room 431, Riga, LV-1050 Tel (+371-7) 28 45 42 Fax (+371-7) 28 04 69 Mr Eduards Ikvilds, Director</p> <p>Ministry of Education, Culture and Science Valnu Iela 2, 1098 Riga Tel (+371-2) 22 57 54 Fax (+371-2) 21 39 92 Mrs Aleksandra Joma</p>

## Main components

<b>Customs transformation</b>	<b>ECU 1 million</b>
Enforcement equipment	ECU 650,000
Communications equipment	ECU 150,000
Upgrading of computer systems	ECU 200,000
<b>Statistical cooperation</b>	<b>ECU 1.7 million</b>
Know-how	ECU 100,000
Training	ECU 200,000
Surveys	ECU 400,000
Upgrading of computer systems	ECU 1 million
<b>Health sector</b>	<b>ECU 2 million</b>
Health financing: know-how, training, equipment	ECU 1,200,000
Human resources development	ECU 400,000
Pharmaceutical sector restructuring	ECU 400,000
<b>Social sector</b>	<b>ECU 2 million</b>
Strategic planning at the Ministry of Welfare	ECU 750,000
Individual social accounts development	ECU 600,000
Training for social work and development of NGOs	ECU 350,000
Health and social programmes management	ECU 300,000
<b>Public administration reform</b>	<b>ECU 1.5 million</b>
Central government administrative reforms	ECU 600,000
Decentralised government reforms	ECU 400,000
Public services information policy	ECU 150,000
Training and human resources development	ECU 350,000

## Background

A Europe Agreement was signed on 12 June 1995 and is currently in the ratification process. It is hoped that the Agreement will come into force on 1 January 1996. Like its cousins in other countries, the Europe Agreement for Latvia puts a strong emphasis on the approximation of legislation and the support to be provided for that purpose.

## Customs

The Government decided in 1993 to create a State Revenue Service modelled on the Danish Customs and

Tax Administration. This came into being on 1 January 1994. Customs has adopted a number of international and European Union (EU) standards, including the Harmonised System, the Single Administrative Document and the TIR Convention. There is still a need to approximate some legislation on trade to European Union laws. The Customs Administration is currently being restructured and is already receiving some Phare support through the multi-country programme for customs cooperation.

#### **Statistical Bureau**

The Central Statistical Bureau, an agency supervised by the Ministry of Economy, has the overall responsibility for the production of government statistics. Its legal framework is given by the Statistics Act of 1993. Although other ministries and agencies may carry out statistical surveys, their work programmes must be approved by the Bureau. The Bureau has defined its strategy and practices with the help of Eurostat, with which it signed a Declaration in March 1995. The Bureau's highest priority is the adoption of international and European statistical standards.

#### **Health sector**

Health indicators have deteriorated in recent years. Current problems include a lack of primary health care provision, an over-stretched network of small hospitals with serious quality problems, overstaffing and over-specialisation, the lack of modern financing and management systems, the use of hospitals as dumping grounds for people whose problems are social rather than medical, and an inadequate legislative framework. A health policy document, currently under discussion, should launch a radical restructuring effort. A decision on financing is also pending. An operational planning and strategy unit will be set up at the Ministry of Welfare with Phare support. Its job will be to develop an implementation strategy for the two aforementioned documents.

As far as pharmaceuticals are concerned, a Pharmaceutical Law was passed in 1993. Distribution is by-and-large private. Despite the 1993 Law, there is still a legal vacuum with regards to pricing, reimbursement etc. There is also a need for further harmonisation with EU legislation.

#### **Social sector and labour markets**

The reform of the social safety net started in 1990 and 1991 with the introduction of the state pension and social insurance fund legislation. Consolidating measures are currently before Parliament. The pension system is being fundamentally changed to a funding-

based approach. The social insurance fund, responsible for the collection of social security contributions, is also being reformed. Social care is moving from an institutional to a "care in the community" approach. All social affairs are the responsibility of the Ministry of Welfare, Labour and Health, overseeing 38 local social insurance offices, 528 municipality offices and 70 labour exchanges. A strategic planning commission has been set up to coordinate the different aspects of the Ministry's work.

A 1992 Phare programme has helped Latvia develop a labour market strategy, but further efforts are needed to reduce the problem of unemployment.

#### **Public administration**

Public administration reform is being managed by an interim ministry, the Ministry of State Reform, whose functions will eventually be spread to other government agencies. Legislation concerning the status, rights, responsibilities etc. of civil servants is in place. A training scheme foresees the training of over 30,000 civil servants by the year 2000. Phare has helped with this reform process through its 1992 and 1993 General Technical Assistance Facility (GTAF) programmes. This concentrated on developing a coherent reform policy.

#### **Business education**

Although the Government recognised early on the importance of introducing modern business education systems, the lack of resources and implementation mechanisms has hindered its efforts. Phare has helped already, notably with short-term management training activities, the 1994 programme for vocational education and training reform (which established a programme implementation unit) and the Tempus programme.

### **Programme objectives**

#### **Customs**

To upgrade transit, import and export procedures.

To improve the speed and efficiency of duty collection.

To improve customs services generally.

#### **Statistical Bureau**

To initiate new sample surveys of major indicators.

To integrate the Latvian system into the wider European system.

To facilitate the adaptation of statistical processes to new needs.



**Health sector**

To reform the financing system by improving the management of resources, implementing the new financing model and setting up expenditure monitoring mechanisms.

To develop human resources.

To revise the law on pharmaceuticals, reorganise the Department of Pharmacy, set up a monitoring system and design a pricing and reimbursement system.

**Social sector and labour markets**

To define a process of strategy reform.

To stabilise the social security system financially.

To develop the skills of social welfare workers.

**Public administration**

To help develop an ethical, efficient and accountable public service.

**Business education**

To help the Government develop a coherent business education system.

**Programme description****Customs**

This component will provide the customs administration with detection equipment for drugs, fraudulent documents, smuggled goods and dangerous cargo, and will furnish training in its use. It will also deliver communications equipment and procedures automation equipment.

**Statistical Bureau**

This component will

- provide new servers and workstations to the central office
- establish and extend regional local area networks through the provision of workstations, servers, communications equipment and copiers
- transfer the enterprise register and local databases onto an RDMBS Oracle database and develop user software
- establish on-line data exchange with selected statistical offices
- carry out up to six surveys: a time-use survey, a pilot census, a production cost survey, a tourism sample survey, a raw material flow survey and a fertility and family survey.

Training and the transfer of know-how will be provided where appropriate.

**Health sector**

To support the reform of the financing system, Phare will provide support for the development of management support systems and of a policy framework for decentralisation, and for the implementation of approved funding schemes. It will also help the central financing unit to set up control mechanisms.

To strengthen human resources in the health sector, this component will implement the strategy developed by a previous Phare programme. Family medicine, health management, community nurses and public health will receive special attention.

A strategy will be developed and implemented to restructure the pharmaceutical sector. It will deal in particular with legislation, institutional strengthening, the design of a monitoring system, and the establishment of a pricing and reimbursement system.

Finally, the Ministry of Welfare's Strategic Planning Unit will receive help.

**Social sector**

This component will strengthen the new Strategic Development Department through the transfer of know-how, staff training and the improvement of information systems.

The component will also help to develop a system of computerised individual social security accounts.

A training programme will be set up for social workers and managers of care institutions. Support will be available to help non-governmental organisations (NGOs) deliver their services to the needy.

**Public administration**

This component will deliver advice, training and equipment to support central government administrative reforms. It will provide advice and material to develop a public information campaign after a needs assessment has taken place. There will also be assistance for the implementation of decentralised government reforms (training, information material, equipment). Finally, help will be available to develop a multi-annual training strategy.

**Business education**

This component, which will be driven by market needs, will develop a two-year further education programme, help to set up an adult business education programme, train the administrative staff of business colleges in management methods, train lecturers in new subject matter and modern pedagogical methods and strengthen the student counselling function. It will be coordinated with the activities of other donors and of the Tempus programme.

## **Implementation**

The health and social sector component will be implemented through a joint Programme Implementation Unit. A Steering Committee will be set up by the Ministry of Welfare for these components.

The contracting agency for this programme will be the European Commission on behalf of the national authorities. The Latvian Government will provide counterpart and support staff and facilities. It will also take the appropriate legislative and institutional steps.

The usual procurement rules apply.

The implementation will be monitored by the Commission through regular work reports provided by the recipients. Bi-annual assessment meetings will be organised. Independent experts may be hired to carry out mid-term and 'ex post' programme assessments.

# European integration programme

Approved by the Phare Management Committee at meeting N° 37 on 5 July 1995.

Duration to 31 December 1997

EU contribution ECU 1.3 million

Implementing body

European Integration Bureau,  
Ministry of Foreign Affairs  
Brivibas Blvd. 36, Riga, room 261,  
LV-1050  
Tel (+371-7) 28 37 56  
Fax (+371-7) 83 00 75  
Ms Iveta Sers, Acting Head

PMU, Ministry of  
Agriculture/WB/EU  
Republic Square, 2 - 1981 Riga  
Tel (371-2) 32 53 75  
Fax (371-8) 83 03 96  
Mr Aigarsto Stokenbergs, Director

## Main components

### Implementation of the Free Trade and Europe Agreements

Legal advice and know-how transfer	ECU 500,000
Training	ECU 200,000
Equipment	ECU 100,000

### Harmonisation of agricultural standards and legislation

Know-how transfer	ECU 300,000
Training	ECU 200,000

## Background

A Free Trade Agreement was concluded with the European Union in 1994. In the recently-signed Europe Agreement, Phare is defined as the key instrument of support for the Agreement's implementation. According to the conclusions of the European Council held at Essen, Phare must help the associated countries prepare for membership of the European Union. It will do so by providing assistance for the adoption by Latvia of the "acquis communautaire", the establishment of institutional frameworks and the completion of economic restructuring.

The 1994 Phare Programme provided limited support to implement the Free Trade Agreement and to negotiate the Europe Agreement. It identified the priority actions

to be implemented through the present programme, notably the creation of a coordination structure at the Ministry of Foreign Affairs.

The importance of the agricultural sector in the Latvian economy and the existence of the Common Agricultural Policy justify special efforts to harmonise Latvian with European agricultural norms and standards. Phare has already provided grants worth ECU 10.15 million to Latvian agriculture through previous programmes.

## Programme objectives

### Implementation of the Free Trade and Europe Agreements

To strengthen existing institutions and help create new bodies where necessary.

To increase the knowledge of European affairs of key Latvian officials.

To help Latvia adopt the internal market *acquis communautaire*.

To increase public awareness of the European Union (EU).

To mobilise private sector support for the upholding of the relevant legislation and norms.

### Agriculture

To adapt legislation and standards to EU norms.

To train key agricultural civil servants.

To develop contacts between Latvian agriculture and the EU agricultural establishments.

To raise awareness of the effects of European integration on agriculture.

## Programme description

### Implementation of the Free Trade and Europe Agreements

**ECU 800,000**

The following support will be provided:

- know-how, legal advice and long-term support to help key ministries to adapt legislation and harmonise standards in a range of areas
- training for political decision-makers and technical specialists on the structure of the EU and the implications of the Europe Agreement
- know-how and training to help Latvia strengthen the institutions involved with the implementation of the Europe Agreements

- know-how to help set up a policy to coordinate all those assistance projects already under way that have implications for integration
- logistical and technical help to raise public awareness of the implications of accession. This could take the form of a public library or broad-based communications campaigns.

**Harmonisation of agricultural standards and legislation** **ECU 500,000**

This component will train relevant government officials in administration, languages, negotiation and communications skills and equip them with the required know-how about the EU and the Common Agricultural Policy (CAP).

**Implementation**

The contracting agency for this programme will be the European Commission on behalf of the national authorities. The Latvian Government will provide counterpart and support staff and facilities. It will also take the appropriate legislative and institutional steps.

The usual procurement rules apply.

The implementation will be monitored by the Commission through regular work reports provided by the recipients. Bi-annual assessment meetings will be organised. Independent experts may be hired to carry out mid-term and 'ex post' programme assessments.

# Infrastructure development programme

Approved by the Phare Management Committee at meeting N° 37 on 5 July 1995.

Duration to 31 December 1997

EU contribution ECU 6.2 million

Implementing body Ministry of Economy, Department of Energy Development  
Brivibas Blvd. 36, 1519 Riga,  
Tel (+371-2) 22 01 51  
Fax (+371-8) 22 47 94  
Mr Oshs, PIU Director

Ministry of Environment and Regional Development  
Peldu St, 25, Riga 1050  
Tel (+371-2) 22 36 12  
Fax (+371-8) 82 04 42  
Mr Richard Lucking, Advisor

Ministry of Transport  
58 Brivibas Street, 1743 PDP Riga  
Tel (+371-2) 28 55 07  
Fax (+371-2) 21 71 80  
Mr Vigo Legzdins, PIU Coordinator

## Main components

### Transport ECU 1.8 million

Railways restructuring study and institution building ECU 600,000

Road passenger transport system master plan ECU 240,000

Latvian Road Administration: know-how transfer ECU 360,000

Institutional support to the Ministry of Transport ECU 400,000

Harmonisation of legislation and training ECU 200,000

### Energy ECU 2.4 million

Advice and equipment to Energy Programme Implementation Unit (PIU) ECU 350,000

Training ECU 245,000

Setting up the Energy Efficiency Revolving Fund ECU 100,000

Wood harvesting and boiler conversion ECU 150,000

Accounting systems for energy utilities ECU 150,000

Advice to prepare energy emergency planning ECU 125,000

Advice for standardisation system ECU 200,000

Assistance to develop energy statistics ECU 80,000

Deposit into revolving fund ECU 1 million

**Environment ECU 2 million**

Deposit into National Fund ECU 500,000

Daugavpils-well study ECU 300,000

Daugavpils-study of pilot projects ECU 200,000

Daugavpils-waste water treatment ECU 1 million

## Background

### Transport

Latvian railways (LDZ), formerly part of the Baltic Railways Administration of Soviet Railways, is still adapting to its independent existence. The situation regarding ports has already been comprehensively analysed, and a master plan exists. More generally, the short-term priorities identified by the Transport Development Plan are

- to upgrade investment planning capacities
- to maintain the existing infrastructure
- to develop freight transit and passenger operations capable of generating income
- to develop one airport to international standards
- to ensure that basic urban public transport systems are available.

Strategically important operations will remain in state hands.

### Energy

Latvia has no hydrocarbon resources at all. Energy imports accounted for 83 per cent of consumption in 1993, down from 90 per cent in 1990 (the drop is due to a fall in consumption rather than a development of local energy resources). Latvia consumes 35 per cent more energy per dollar of Gross National Product (GNP) than other countries of comparable size and income. However, there are domestic energy sources that could be developed, notably hydropower, wood and peat.

Other resources that could be exploited or whose efficiency could be improved are geological formations to store natural gas, a transnational power grid, district heating systems and hydrocarbon facilities at Ventspils seaport. Generally, investment is required throughout the sector. Strategic decisions are prepared by two small energy departments at the Ministry of Economy; they

are implemented by the Latvian Energy Agency, established in 1994. The Latvian Energy Policy has been approved.

### **Environment**

Latvia's National Environmental Policy Plan (NEPP) addresses the following problems:

- water quality, both inland and in the Baltic Sea (municipal waste, agricultural run-off)
- hazardous waste (past contamination, inadequate storage of chemicals, former military bases, management)
- non-hazardous waste (collection, sorting, transport, disposal)
- nature conservation
- air pollution
- policy, legislation etc.

Phare has been active in previous years. It financed feasibility studies for two waste water treatment plants, is financing a waste pipeline, has studied hazardous waste management solutions, and has contributed to institutional strengthening.

## **Programme objectives**

### **Transport**

To support the integration of Latvia with the European Union (EU) and its neighbours.

To improve the road network and provide good transit connections.

To develop the institutional and legal framework for railways.

To introduce modern management and budget practices.

### **Energy**

To strengthen policy-making and strategy development capacities at the Ministry of Energy.

To improve energy management skills at the Latvian Energy Agency.

To increase energy efficiency.

### **Environment**

To help implement the plan for the Daugavpils water supply and waste water treatment systems prepared by a previous Phare initiative.

To prepare the ground for the establishment of the Latvian Environmental Fund.

## **Programme description**

### **Transport**

This component will

- help to restructure LDZ railways by developing modern management structures. It will also clarify the relationship between railways and the state by drawing up a Performance Agreement and public service contracts
- help to implement the Latvian Road Administration's management and institutional reform plan through training, advisory services and the transfer of know-how
- provide support to help harmonise legislation with EU laws and produce transport statistics in accordance with Eurostat norms
- identify the training needs of mid-level management staff in all related subsections.

### **Energy**

This component will provide further support for the Programme Implementation Unit to increase the efficiency of the Ministry of Economy's energy departments. The assistance will take the form of energy policy advice, help in drafting a Supplementary Treaty to the European Energy Charter, know-how and training.

This component will also

- provide equipment, advice and training to reorganise the data collection and analysis system of energy statistics
- finance a feasibility study into the Energy Efficiency Revolving Fund that will look at engineering, financial, legislative and administrative aspects
- reserve money to be deposited into the Revolving Fund
- finance an energy efficiency awareness campaign to follow up a 1994 initiative
- disseminate the new accounting standards for public utilities developed in 1994
- provide know-how to support the cooperation on standardisation systems between the Latvian Electrotechnical Committee and CENELEC/IEC (European standardisation bodies)
- help to implement the hydrocarbon to wood conversion of district heating boilers researched under a previous programme by helping district heating utili-

ties to plan the conversion, negotiate contracts for the supply of wood and peat fuels etc.

- work out a detailed energy emergency plan based on the recommendations of a previous study.

### **Environment**

There are four main parts to this component.

- The Daugavpils water supply should be switched from riverwater to groundwater because of the risks of industrial pollution of the Daugava river. The project will erect new well-fields, upgrade existing wells, install submersible pumps, install Ranney wells and drill observation boreholes to monitor Daugavpils' pollution plume. Other related projects may also be funded.
- The project will fund a study and a pilot plant to investigate the possibility of using biological treatment to remove iron and manganese from Daugavpils' groundwater.
- It will study alternatives for waste water treatment, build new treatment capacity at Daugavpils' waste water treatment plant, carry out emergency repairs, and expand the infrastructure of the plant.
- A strategy plan will be drawn up for the Latvian International Fund for the Environment.

### **Implementation**

The contracting agency for this programme will be the European Commission on behalf of the national authorities. The Latvian Government will provide counterpart and support staff and facilities. It will also take the appropriate legislative and institutional steps.

The usual procurement rules apply.

The implementation will be monitored by the Commission through regular work reports provided by the recipients. Bi-annual assessment meetings will be organised. Independent experts may be hired to carry out mid-term and 'ex post' programme assessments.

# Economic reform programme

Approved by the Phare Management Committee at meeting N° 37 on 5 July 1995.

Duration	to 31 December 1998
EU contribution	ECU 8.3 million
Implementing body	Latvian Privatisation Agency, Latvian Development Agency (LDA), Ministry of Economy, Preses str. (2 room 502) 1011 Riga Tel (+371-2) 28 34 25 Fax (+371-2) 28 25 24 Mrs Vesmane, Acting Director
	External Relations Administration, State Property Fund Smilsu iela 1, Riga, LV-1980 Tel (+371-2) 22 65 53 Fax (+371-7) 24 28 18 Ms Marita Baltina, Senior Officer
	Ministry of Economics, Brivibas Blv, 36 - 1519 Riga Tel (+371-2) 22 54 82 Fax (+371-2) 82 82 23 Andrew Baldwin, General Coordinator
	Ministry of Finance, Smilsu str., 1-4, 5th floor 1050 Riga Tel (+371-2) 782 03 48 Fax (+371-2) 22 98 86 Oliver de Baer

## Main components

<b>Privatisation</b>	<b>ECU 800,000</b>
Resident advisor	
Institutional, legal and methodological support	
Public relations	
<b>SME development</b>	<b>ECU 1 million</b>
Strengthening of the Riga Business Advisory Centre	
Outreach activities	
Analysis and support for financial measures	
General policy advice	
<b>Restructuring</b>	<b>ECU 3 million</b>
Support for restructuring activities	ECU 1 million
Public finance and accounting	ECU 500,000

Investment promotion and tourism development ECU 1.5 million

**Agriculture** ECU 3.5 million  
Rural finance ECU 1.5 million  
Development of on-farm activities ECU 1 million  
Agricultural convergence ECU 500,000  
Support for the decentralisation of PIU activities ECU 500,000

## Background

The economy has begun to stabilise, with inflation down to about 3.5 per cent a month and industrial production on the way to recovery. Unfortunately, unemployment is rising fast. The Law on the Privatisation of State and Municipal Property was passed in February 1994. However, there are still legal deficiencies that deter investors, including the complexity of the existing legislation, issues of commercial confidentiality and payment restrictions. A State Property Fund manages state holdings and a Privatisation Agency privatises. Privatisation efforts are relatively sluggish. Two privatisation tenders are in progress for about 90 companies. A voucher privatisation programme, supported by USAID and the World Bank, is being launched.

Most entrepreneurs hold university degrees and have management experience. The main problem they encounter is the lack of finance for capital formation. Six Business Advisory Centres, linked by a network, have been launched with Phare's help. Phare has also launched a credit line worth ECU 1 million for SMEs through local banks.

The tax and customs services were merged into the State Revenue Service on 1 January 1995. The integration process is proving to be more difficult than expected. The tax code is being revised while a centralised treasury system is to be set up. A new budget classification system was recently introduced. A new accounting system is being implemented while the professional environment for accounting is slowly coming together.

Foreign investors have shown little interest in Latvia so far (total Foreign Direct Investment (FDI) for 1994: ECU 100 million), despite the inducements of the 1991 foreign investment law. The Latvian Development Agency was set up in 1993 to promote the country. Phare has helped by providing long-term advisory services, which started functioning in April 1994.



Tourism, for which the Ministry of the Environment is responsible, shows good potential, especially for spreading economic growth outside the capital. Operational matters are handled by the Latvian Tourist Board. Over the past two years, Phare has committed ECU 650,000 to this sector.

Agricultural reform primarily involves action in the following areas: markets and trade, land ownership and leasing issues, business and technical advice, and credit and loan finance. Credit has been buttressed by a World Bank loan and Phare funds channelled through the Agricultural Finance Company (AFC). Phare has already committed ECU 10 million to Latvian agriculture, which has contributed to (among other things) the institutional development of the Ministry of Agriculture (MoA), the Latvian Agricultural Advisory Service (LAAS) and the AFC.

### **Programme objectives**

To help Latvia carry on the restructuring and privatisation process.

To spread entrepreneurial skills.

To implement a computerisation strategy for the State Revenue Service.

To improve tax legislation and administration.

To improve the capacity of government staff dealing with accountancy reform.

To help accountancy bodies develop.

To improve rural bank lending.

To strengthen rural banks.

To expand advisory extension services to farms.

To harmonise agricultural legislation and standards with European Union (EU) models.

To help Latvia develop its programme management skills.

### **Programme description**

#### **Privatisation, restructuring and business development**

Phare will help the Privatisation Agency develop the institutional and legal structures of the privatisation process through legal training, legal support and public relations support.

For restructuring purposes, Phare will provide support and training to the State Property Fund to corporatise

state enterprises, to develop and implement a monitoring system, and to develop portfolio management skills.

The staff of the Business Advisory Centres will continue to receive training. One or two Business Innovation Centres might be established. A feasibility study will be financed to investigate a guarantee scheme for SMEs.

#### **Public finances and accounting**

Phare will support the computerisation of the State Revenue Service to smooth the merger of the tax and customs authorities. This will involve the purchase of some computer systems, the enlargement of the information systems strategy to include the budgetary process, advice on tax legislation and administration, and staff training.

Phare will fund the continuing training needs of staff dealing with accountancy reform and will provide support to set up, organise and manage the Accounting Board and Accountancy Steering Committee.

#### **Investment promotion**

The staff of the Latvian Development Agency will receive further training. Advisory services and money will be provided to prepare sector-specific investment and export studies and to advise the Government on pro-investment policies. Promotional activities will also be supported. Help for institutional and legal strengthening and attracting financial support will also be provided.

#### **Tourism development**

Current support will result in a tourism master plan, whose contents will influence the shape of this component. Broadly speaking, it will deliver training, structural and marketing assistance and help to set up regional tourist information offices.

#### **Agriculture**

Assistance will be provided to analyse institutional options and objectives for rural bank lending. Support services (training, advice) will be provided to AFC, the Mortgage Bank, UniBank and rural credit unions to facilitate farm lending.

To help farmers make more informed production decisions, the following help will be provided:

- advice for the institutional strengthening of LAAS, the National Fisheries Board and the State Forestry Service
- support for these organisations to develop extension services for farmers

- finance for assistance services to initiate a programme of rural demonstrations
- dissemination of the results of evaluations of methods.

To harmonise EU and Latvian agricultural standards and legislation, Phare will finance the raising of awareness of European issues among the rural population, and provide key civil servants with the required skills and knowledge of European affairs.

### **Implementation**

The contracting agency for this programme will be the European Commission on behalf of the national authorities. The Latvian Government will provide counterpart and support staff and facilities. It will also take the appropriate legislative and institutional steps.

The usual procurement rules apply.

The implementation will be monitored by the Commission through regular work reports provided by the recipients. Bi-annual assessment meetings will be organised. Independent experts may be hired to carry out mid-term and 'ex post' programme assessments.





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