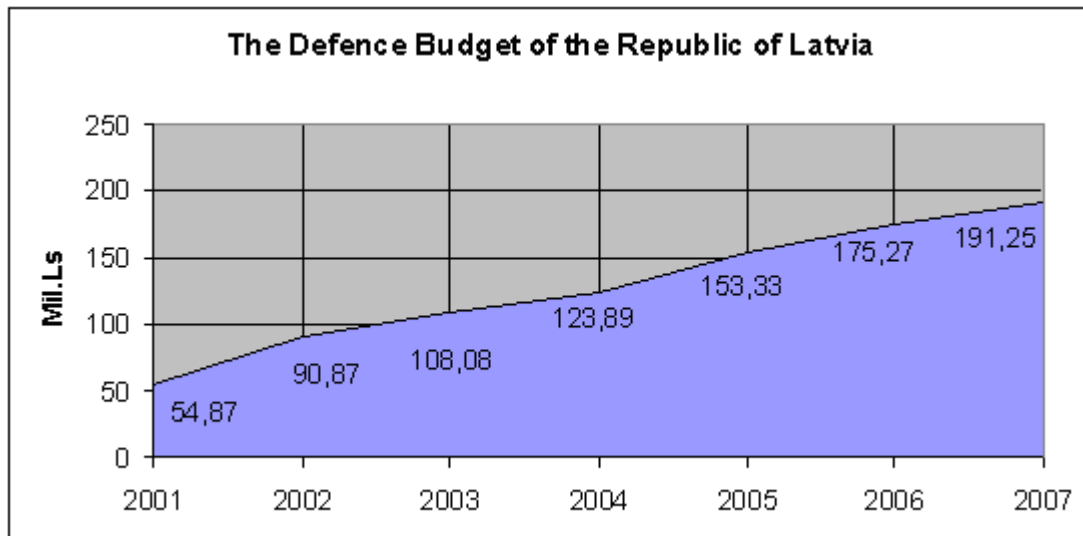




Ministry of Defence  
Republic of Latvia

**THE DEFENCE BUDGET OF THE REPUBLIC OF LATVIA FOR 2005.  
FACTS AND FIGURES**

The total defence budget allocated by the government for 2005 is 153.33 million Lats (Ls). 110.12 million Ls have been budgeted directly to the Ministry of Defence (MoD) and 43.21 million Ls are defence-related items to be managed outside the Ministry. The projected annual growth of the Defence Budget is shown in Figure 1. A breakdown of the Defence Budget for 2005 among institutions is shown in Figure 2.



The Defence Budget in Table 1 is shown in millions of Lats (Ls) (EUR1 = Ls 0.7028).

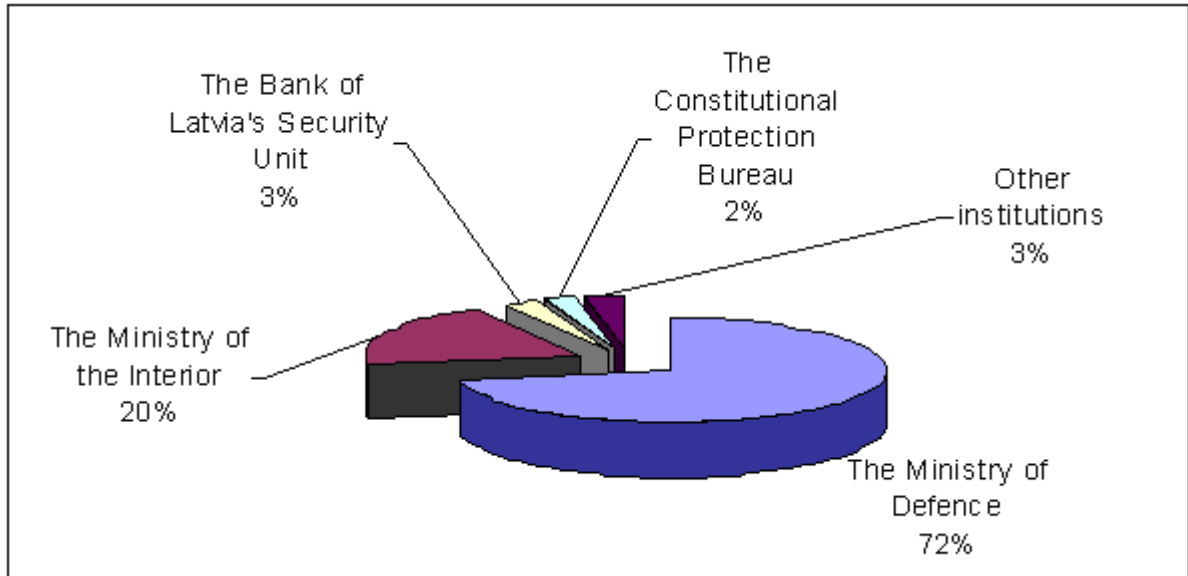


Table 2 shows the breakdown of the MoD budget for 2005 by program and a comparison with the MoD budget for 2004.

**Table 1**  
**The Defence Budget and Projected Growth**

Year	Expected GDP, Million Ls	Defence Budget	
		% of GDP	Million Ls
	3 889.7	0.84	32.68
2000	4 348.3	0.98	42.44
2001	4 812.6	1.15	54.87
2002	5 194.7	1.75	90.87
2003	5 612.2	2.00	110.06
2004	7 075.8	1.75	123.90*
2005 **	7 994.0	1.92	153.33
2006 ***	8 763.6	2.00	175.27
2007 ***	9 562.7	2.00	191.25
2008 ***	10 435.9	2.00	208.72

\* To bring the methodology of relevant macroeconomic calculations closer to the requirements of the European System of National Accounts (ESA 95), the value of GDP at current and constant prices has been changed. Therefore in 2005 it is seen the rapid growth of GDP compared to 2004.

\*\* Planned

\*\*\* Projected

The Defence Budget in Table 1 is shown in millions of Lats (Ls) (EUR1 = Ls 0.7028).

Table 2

**The MoD Budget for 2004 and 2005 (by program)**

	Million Ls		
	Budget FY 2004	Budget FY 2005	Change in % from FY2004
<b>National Armed Forces (NAF)</b>	<b>69.843</b>	<b>80.241</b>	<b>15%</b>
NAF HQ	3.468	2.858	-18%
General Purpose Units	2.968	1.762	-41%
Air Forces	5.083	3.873	-24%
Navy	3.476	2.547	-27%
Land Forces	5.719	3.847	-33%
National Defence Academy	1.130	0.557	-51%
Logistics Support Centre	18.004	17.928	0
TRADOC*	1.579	1.544	-2%
International Operations and NAF Personnel Centralized Wage System	28.416	45.325	60%
<b>Maintenance and Construction</b>	<b>9.632</b>	<b>11.501</b>	<b>19%</b>
<b>State Defence Management and Administration**</b>	<b>7.790</b>	<b>9.743</b>	<b>25%</b>
<b>Other Programs***</b>	<b>6.063</b>	<b>8.633</b>	<b>42%</b>
<b>Total Budget</b>	<b>93.328</b>	<b>110.118</b>	<b>18%</b>

\* TRADOC has been established by combining the National Defence Academy and armed forces training bases.

\*\* Also included: Military Pension Fund, military attachés and representatives, etc.

\*\*\* Includes the War Museum, the Military Intelligence and Security Service, contributions to international organisations, etc.

Table 2 shows the breakdown of the MoD budget for 2005 by program and a comparison with the MoD budget for 2004.

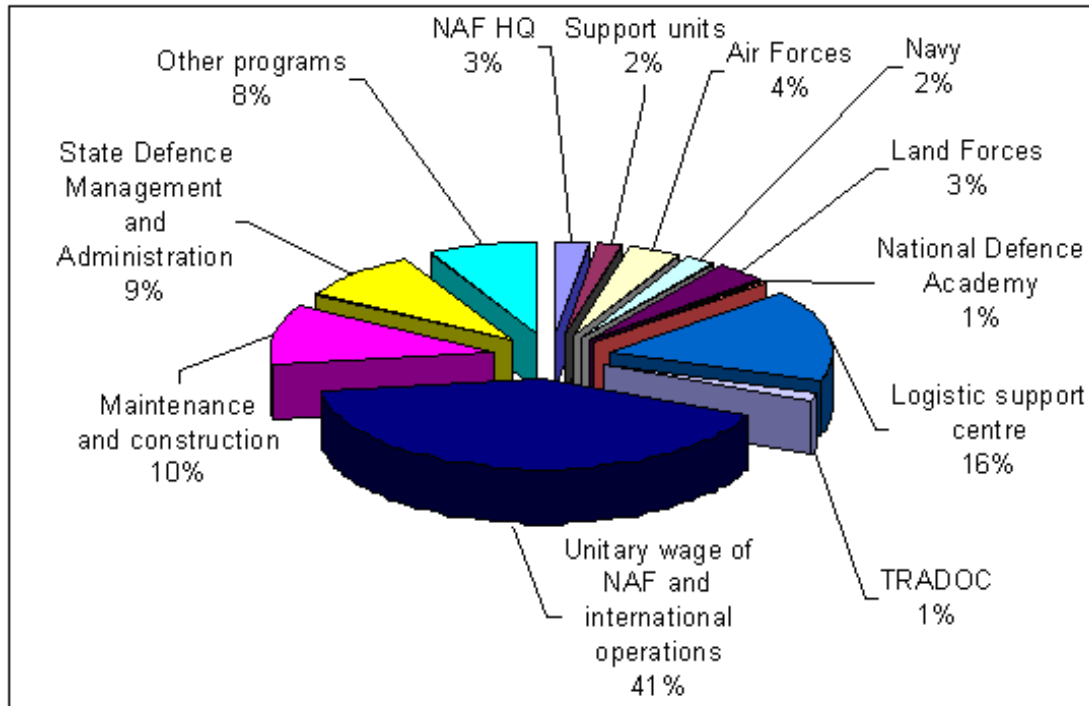


Figure 3 shows the breakdown of the MoD budget for 2005 by program.

#### The Main Priorities for 2005

- Professionalization of the NAF, including development of recruitment system and social guarantees, provision and improvement of training, armaments and equipment.
- Provision of the readiness of NAF units to participate in international operations, by developing unit deployability and higher fighting capability.
- Introduction of Force Goals (NATO tasks for military capabilities of the Alliance) and Standardization Agreements especially focussing on modernisation of control and command system, development of communications and information systems, air space surveillance and control, logistics and supply systems.
- Development of Host Nation Support system interoperable with NATO and other partner countries in compliance with NATO procedures and standards.
- Implementation of NATO Crises Response System requirements to ensure defence system readiness in crisis.
- Implementation of personnel career planning and training system for the MoD and NAF.
- Development of defence infrastructure according joint infrastructure plan.

#### The Main Areas of Estimated Expenditure Included in the MoD Budget for 2005

- Participation in international peacekeeping operations - 6.791 million Ls
- Contributions to the NATO military budget - 0.700 million Ls
- Development of a communications system for the NAF - 3.607 million Ls
- Centralized equipment procurement
  - Acquisition of weapons - 0.164 million Ls
  - Acquisition of munitions - 1.038 million Ls
  - Acquisition of uniforms - 1.796 million Ls

### Land Forces (National Guard)

- Special Operations Unit - 2.019 million Ls

### Air Forces

- Short-range air-defence system (RBS-70) - 1.000 million Ls
- Development of an air-space surveillance system (BALNET) - 0.424 million Ls
- Communications system "Air Policing" – 0.416 million Ls
- Lielvarde military base project - 0.900 million Ls

### Navy

- Sea surveillance system - 0.200 million Ls
- Acquisition of oil spill contingency vessel - 0.200 million Ls
- Development of Naval infrastructure in Daugavgriva - 0.881 million Ls

### Maintenance and Construction - 11.501 million Ls

For maintenance and construction in 2005 there are planned 10.399 million Ls. A further 1.102 million Ls have been allotted for the maintenance of the State Agency for Defence Properties. A breakdown of the maintenance and construction budget is shown in figure 4.

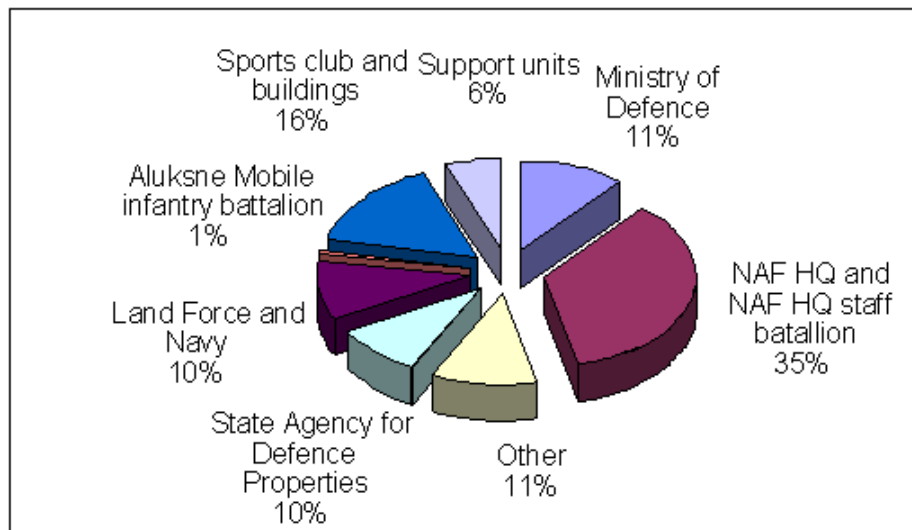


Figure 4 shows the breakdown of the construction and maintenance budget for 2005 - 11.501 million Ls.

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