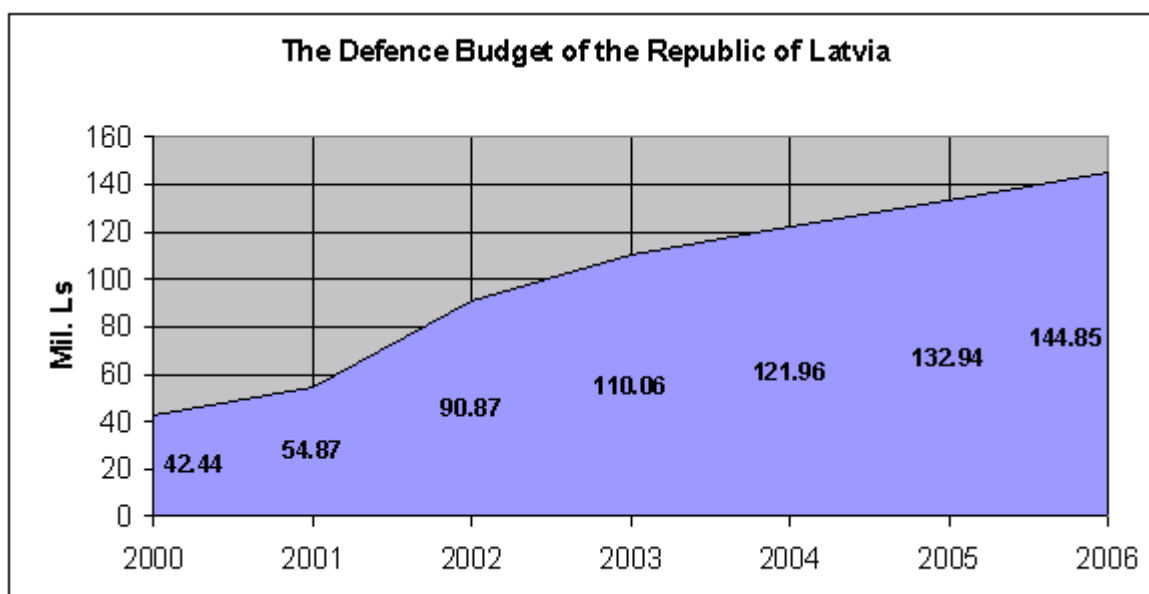




Ministry of Defence Republic of Latvia

THE DEFENCE BUDGET OF THE REPUBLIC OF LATVIA FOR 2004. FACTS AND FIGURES

The total defence budget allocated by the government for 2004 is 121.96 million Lats (Ls) (2% of GDP). 91.39 million Ls have been budgeted directly to the Ministry of Defence (MoD) and 30.57 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 2004 among institutions is shown in Figure 2.

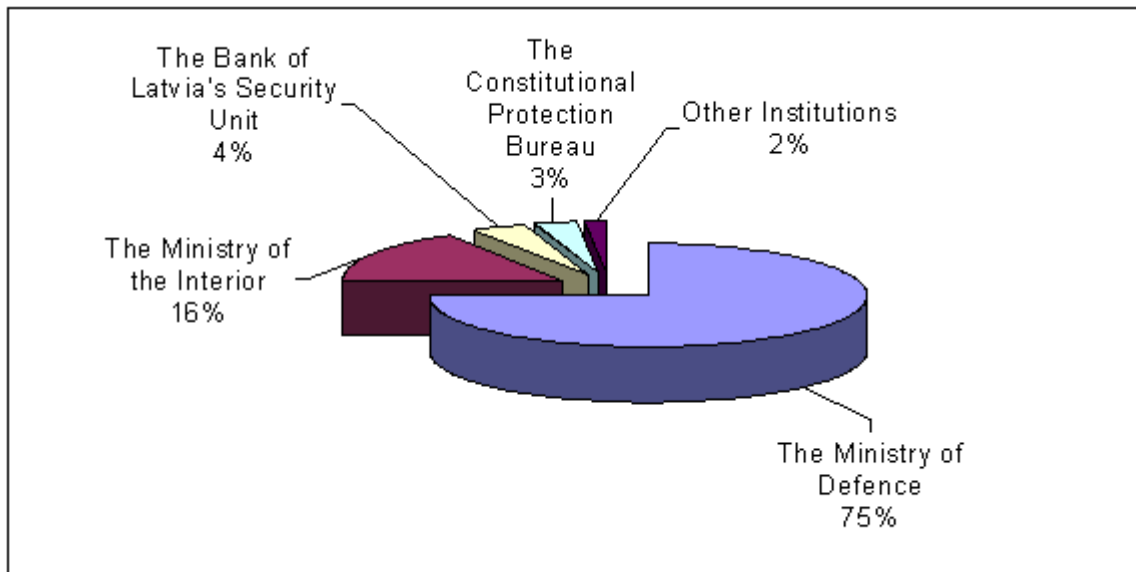


Table 1

The Defence Budget and Projected Growth

Year	Expected GDP, Million Ls	Defence Budget	
		% of GDP	Million Ls
1999	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	2.0	110.06
2004 *	6 097.7	2.0	121.96
2005 **	6 647.0	2.0	132.94
2006 **	7 242.7	2.0	144.85

* Planned

** Projected

The Defence Budget in Table 1 is shown in millions of Lats (Ls) (USD1 = Ls 0.585). Table 2 shows the breakdown of the MoD budget for 2004 by program and a comparison with the MoD budget for 2003.

Table 2

The MoD Budget for 2003 and 2004 (by program)

	Million Ls		
	Budget FY 2003	Budget FY 2004	Change in % from FY2003
State Defence Management and Administration*	6.727	7.515	12%
Maintenance and Construction	6.685	9.557	43%
National Armed Forces (NAF)	64.167	68.909	7%
NAF HQ	6.933	4.044	-42%
General Purpose Units	7.471	2.691	-64%
Air Forces	9.019	4.522	-50%
Navy	6.445	4.018	-38%
Land Forces	10.099	6.287	-38%
National Defence Academy	0.441	1.116	153%
Logistics Support Centre**	14.554	18.301	26%
TRADOC***	9.205	1.585	-83%
<u>International Operations and NAF Personnel Centralized Wage System</u>	-	26.345	100%
Other Programs****	5.201	5.405	4%
Total Budget	82.780	91.386	10%

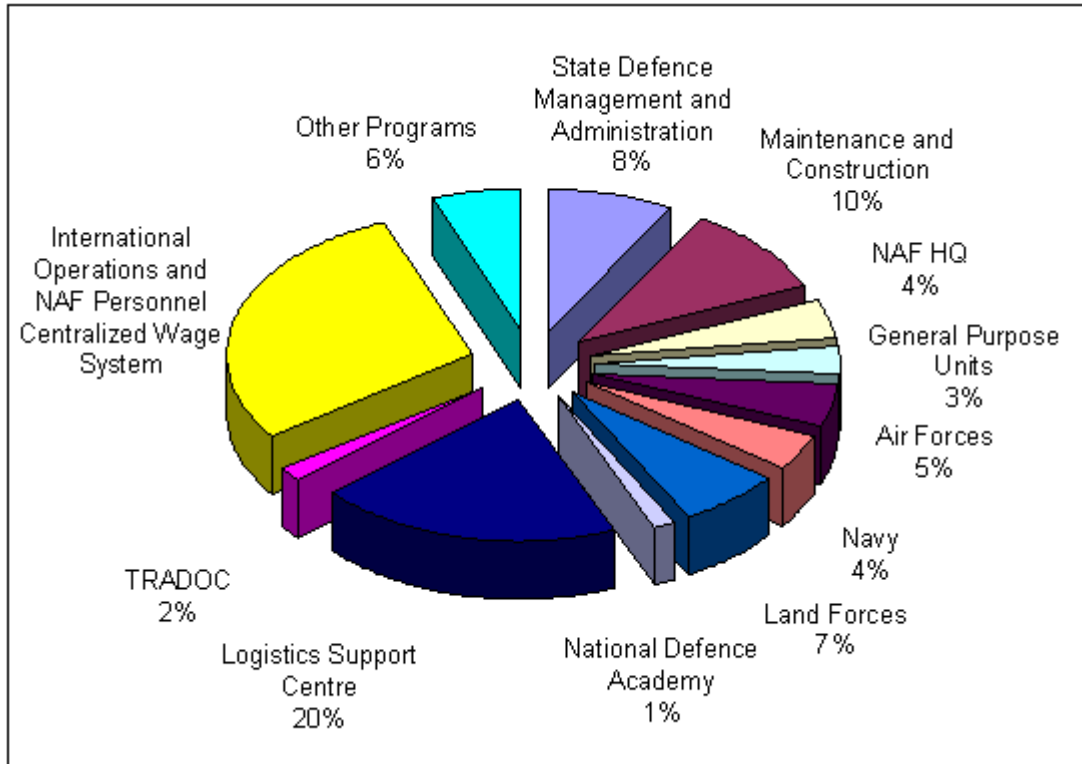
* Also included: Military Pension Fund, military attachés and representatives, etc.

** The Logistics Support Centre was included under General Purpose Units in 2003.

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

**** Includes the War Museum, the Military Counterintelligence Service, and contributions to international organisations, etc.

Figure 3 shows the breakdown of the MoD budget for 2004 by program.



The Main Priorities for 2004

The Minister of Defence has issued guidelines for the development of the State Defence System to help direct the 2004 budget planning process. As a result, the following significant assignments have been defined for 2004:

- To complete the tasks related to the *Reform Implementation Plan for NATO Membership* and to plan the defence system's further development.
- To introduce the new NAF structure. This new structure will attempt to replace the concept of large territorial defence mobilisation with a smaller, more modern force that is better suited to collective defence and possesses higher fighting capabilities.
- To continue implementing the personnel career planning system for the Ministry of Defence and the NAF, to improve the system of military education, and to ensure wage reform and social guarantees for professional army soldiers.
- To ensure the readiness of NAF units to deploy and participate in international operations.
- The acquisition of modern armaments and equipment.
- To continue joint Baltic State co-operation projects and consider additional opportunities to increase NAF unit development, preparedness and support to NATO-led operations.
- To continue increasing compatibility in all areas of the NAF according to NATO Standardization Agreements.

The Main Areas of Estimated Expenditure Included in the MoD Budget for 2004

- Participation in international peacekeeping operations - 5.155 million Ls
- Contributions to the NATO military budget - 0.500 million Ls
- Development of a communications system for the NAF - 4.568 million Ls
- Centralized equipment procurement
 - Acquisition of weapons - 1.243 million Ls
 - Acquisition of munitions - 1.110 million Ls
 - Acquisition of uniforms - 2.262 million Ls
- Improvement of living standards
 - Commence NAF wage reform - 2.822 million Ls
 - Provide accommodations for NAF professional soldiers - 1.000 million Ls
- Land Forces (National Guard)
 - Special Operations Unit - 0.789 million Ls
 - Mid-range anti-tank rocket system - 1.000 million Ls
- Air Forces
 - Short-range air-defence system - 1.000 million Ls
 - Development of an air-space surveillance system (BALNET) - 0.447 million Ls
- Navy
 - Sea surveillance system - 1.000 million Ls
 - Acquisition of influence and acoustic trawls for Condor II-class ships - 1.000 million Ls
 - Development of Navy Coast Guard docks and infrastructure development in Daugavgriva - 0.670 million Ls
- Maintenance and Construction - 8.542 million Ls

The expenditures on maintenance and construction planned for 2004 (8.542 Ls) have increased by 41% in comparison to 2003. A breakdown of the maintenance and construction budget is shown in figure 4. A further 1.015 million Ls have been allotted for the maintenance of the State Agency for Defence Properties.

