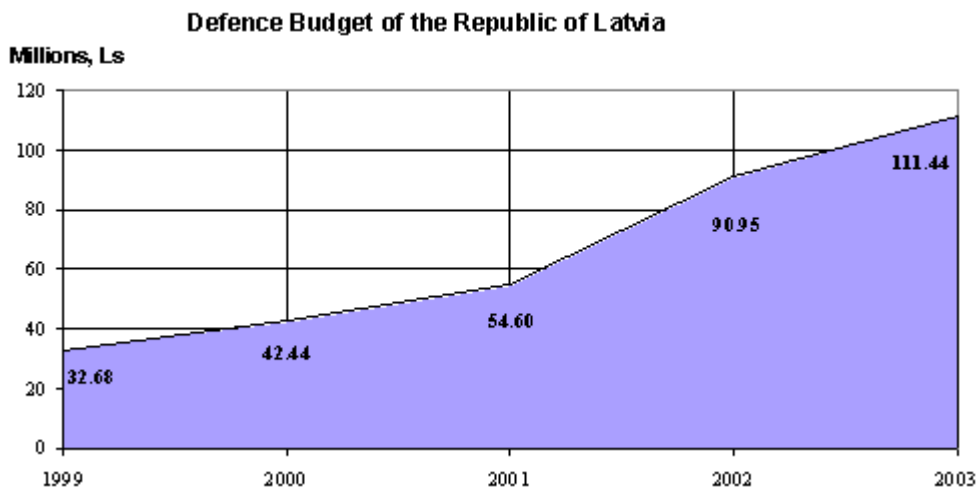




Ministry of Defence Republic of Latvia

THE DEFENCE BUDGET OF THE REPUBLIC OF LATVIA FOR 2002. FACTS AND FIGURES

The total budget allocated by the Government for 2002 for Defence is 90.95 million lats (1.75% of the GDP), of which 68.79 million lats has been directly allocated to the Ministry of Defence. The remaining 22.17 million lats although Defence related is managed outside of the Ministry of Defence. The Defence Budget of the Republic of Latvia in absolute figures is shown in Figure 1



The Defence Budget in Table 1 is shown in cash. Figures are in million of lats (Ls) (USD1 = Ls 0.63)

Table 1. Defence Budget and Projected growth to reach 2% of GDP

Defence Budget

Year	Expected GDP, Million. Ls	% of GDP	Million. Ls
1999	3 897.0	0.84	32.68
2000	4 336.1	0.98	42.44
2001	4 740.8	1.15	54.60
2002*	5 127.5	1.75	90.95
2003*	5 572.1	2.0	111.44

* Projected

The 2002 budget allocated to the Ministry of Defence is Ls 68.79 millions, this represents an increase of Ls 20.97 millions or 44% over the 2001 budget. Table 2 shows the breakdown of the 2002 budget and compares it to the previous year. You can clearly see the changes in cash.

Table 2. Comparison of the 2001 and 2002 Ministry of Defence budgets by programs

Program	Million Lats		
	Budget FY 2001	Budget FY 2002	Increase from FY 2001
State Defence Management and Administration*	3.401	5.649	1.664
Programs, which don't continue in 2002**	0.584		
Accounting of State Military Service and the Conscript Service	0.900	3.619	2.719
Maintenance and construction	2.746	5.796	3.050
National Armed Forces (NAF)	39.372	52.399	13.027
NAF HQ	4.908	6.271	1.363
Support units	8.535	12.020	3.485
Air Forces	2.739	8.218	5.479
Navy	4.173	5.710	1.537
Land Forces	17.003	18.074	1.071
National Defence Academy	2.014	2.106	0.092
Other programs***	0.813	1.324	0.511
Total Budget	47.816	68.787	20.971

* Also included: Military retirees pension fund, Military attachй and representatives.

** There is done restructuring of programs in, so some independent program in year 2001 in year 2002 is under State Defence and Administration.

*** Included State War museum, Defence of State security, Payments to International organisations, etc.

Figure 2 illustrates the total Defence budget in terms of cash breakdown into personnel costs, operations maintenance, and investment costs.

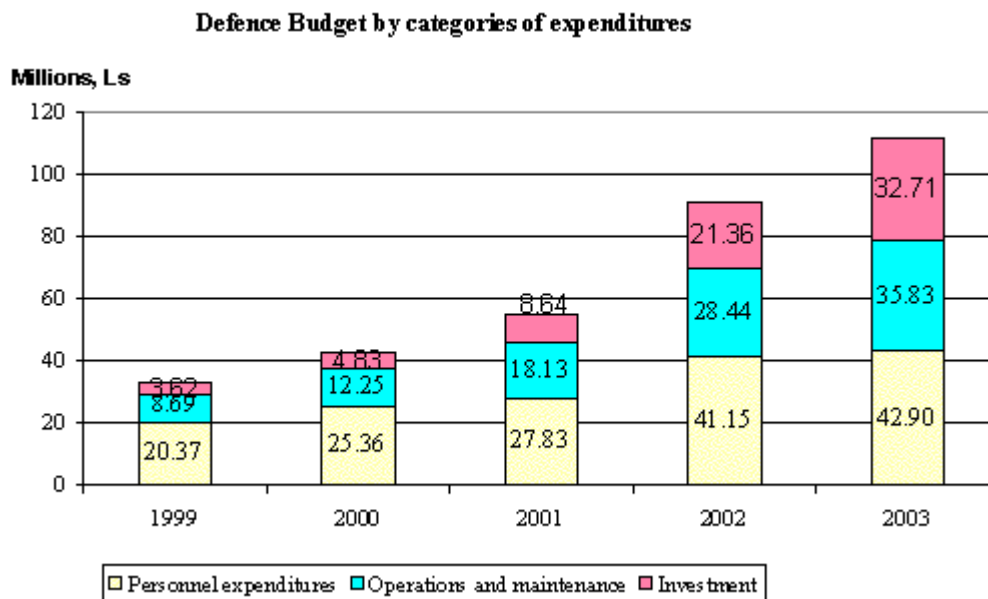
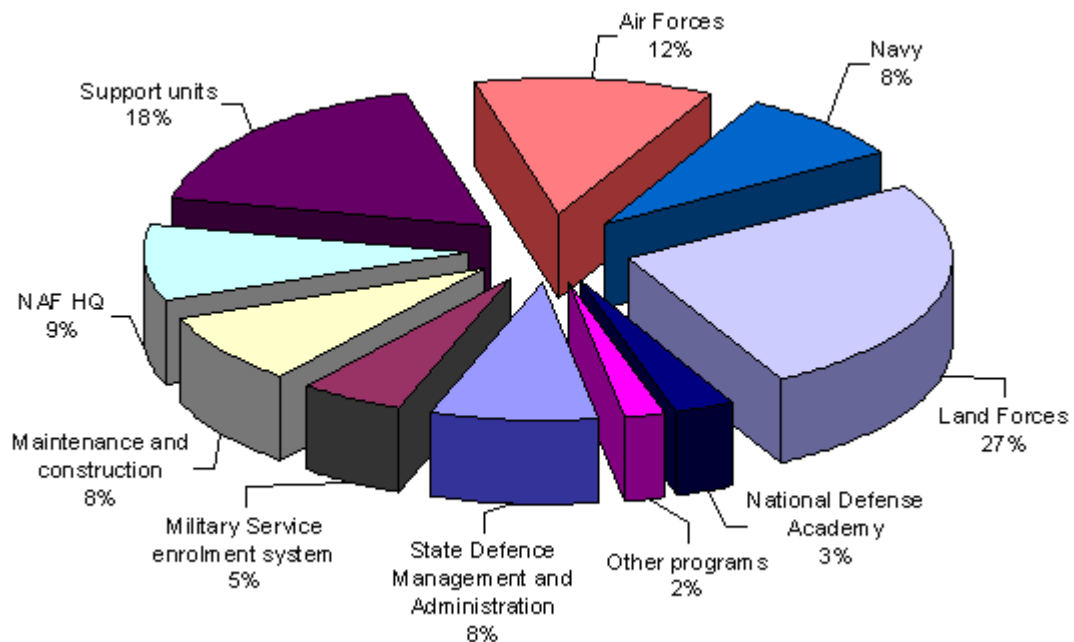


Figure 3 shows the breakdown of the budget for year 2002 by programs.



Other expenses include State War museum, Defence of State security Payments to International organisations, etc.

Increased financial resources are planned for utilisation in financing these activities:

- 5.68 million lats are set aside for 3D long range radar purchase;
- 0.472 million lats are projected for SAR (search and rescue) operation broadening;
- 0.81 million lats are planned for Divers school development in Liepja
- 2 million lats are projected for installation and development of the communication system in NAF
- 5.475 million lats are projected for adjustments and improvements of the infrastructure of NAF.

The current plans and programs call for substantial restructuring and organisational improvements in the Armed Forces. Training will receive special emphasis during the coming years in order that sufficient numbers of personnel are trained to meet mobilisation and NATO interoperability requirements. Special projects and plans include the following:

- Command, control, and communication system improvements, including training in NATO operational and communication procedures;
- Total defence and territorial defence plan development and realisation;
- Officer and NCO training course development and training in accordance with existing Western standards;
- Instructor selection and training;
- Training centre organisational and infrastructure improvements and development;
- Military service enrolment system organisational development and realisation;
- Personnel and logistics management system development;
- Development of speciality and technical training courses;
- BALTBAT, BALTNET, BALTRON, BALTDEFCOL, BALTPERS personnel training;
- Individual, unit (company and battalion level) course development, training, and exercises.
- English language training for all officers and NCOs;

Long term plans identify the requirement for weapon acquisition and integration into the Armed Forces. Long term procurement programs and total costs in million lats for years 2002 - 2008 can be seen in Table 3

Table 3. Requirement for weapon acquisition in NAF

Unit, Equipment	2002	2003	2004	2005	2006	2007	2008	TOTAL, Million Lats
C4I equipment	.				.			30.6
Ammunition								55.6
Weapons								4.2
Infrastructure								36.55
Other investments								4.04
LF communication system								1.3
MRBn equipment								4.2
HQ Coy equipment								9.9
Combat engineer Coy equip.								10.2
AD Battery equipment								16.48
EOD section equipment								1
3D Radar (F117)								7.78
Mi8 HELI								1.9
Mi8 HELI upgrade								0.9
SAR equipment for HELI								0.91
Fast patr. boat modernization								0.28
Sea surveillance system								17.3
Ship modernization								1
Sea mines								2
MCM com.& support ship								6.4
NAVY PG's								2.6
Log Brig staff equipment								1.1
MILRGN Log BN equipment								4.7
Transport BN equipment								1.4
TOTAL, Million Lats	21.2	27.7	36.6	42.1	48.3	53.7	57.6	287.21

For year 2002 are planned 7.77 million lats for maintenance and construction, which is more than twice of than funding for 2001. The utilisation of these financial resources can be divided into four groups Operational and Training facilities, Supply Facilities, Administration Facilities and Utility facilities.

Table 4. Maintenance and construction (million lats)

Significant programs	FY 2000	FY 2001	FY 2002
Operational and Training facilities	1.36	2.49	6.51
Supply Facilities	0.66	0.83	1.03
Administrative Facilities	0.25	0.38	0.08
Utility Facilities	0.04	0.13	0.15
Total	2.31	3.83	7.77

Ministry of Defence Republic of Latvia K.Valdemāra street 10/12,
Riga, LV - 1473, Phone: (371) 7210124, Fax: (371) 7212307