

**REPORT ON PROGRESS IN IMPLEMENTATION  
OF THE NATIONAL LISBON PROGRAMME OF  
LATVIA FOR 2005-2008**

**LATVIA  
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## PREFACE

On October 19, 2005 the Cabinet of Ministers approved the *National Lisbon Programme of Latvia for 2005-2008* (hereinafter Programme or NLPL) aimed at promotion of national growth and employment. The Programme is a policy planning document, which shows how, in 2005-2008, Latvia will reach the Lisbon Strategy goals on the basis of the Integrated Guidelines approved by the European Council in July 2005.

*Report on Progress in Implementation of the National Lisbon Programme of Latvia for 2005-2008* (hereinafter Report) evaluates the progress in reaching the Lisbon Strategy goals.

The Report was developed by the Ministry of Economics in co-operation with the Ministry of Foreign Affairs, Ministry for Children and Family Affairs, Ministry of Finance, Ministry of Education and Science, Ministry of Welfare, Ministry of Regional Development and Local Government, Ministry of Transport and Communications, Ministry of Justice, Ministry of Health, Ministry of Environment, Ministry of Agriculture, Ministry of Culture, Secretariat of the Special Assignments Minister for Social Integration, Secretariat of the Special Assignments Minister for Electronic Government Affairs, Latvian Investment and Development Agency, Competition Council and Public Utilities Commission.

Co-ordination of development of the Report was ensured by the *Supervisory Board of the Lisbon Strategy* and the *Advisory Working Group of the Lisbon Strategy*.

The Report consists of political summary, ensuring implementation of the Programme, economic situation and macroeconomic policy, microeconomic policy and employment policy, as well as examples of good practice, characteristics of the use of the Structural Funds and annexes. The annexes contain a list of Programme measures, their status and funding, as well as characterise the status of implementation of the Single Programming Document activities as of June 1, 2006.

All numerical information and data, except in cases specially indicated, have been received from the Central Statistical Bureau of the Republic of Latvia or from Eurostat.

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## ABBREVIATIONS

### Abbreviations

CF	Cohesion Fund
ECOFIN	Economic and Financial Affairs Council
ERDF	European Regional Development Fund
ERM II	European currency exchange rate mechanism
ESA	European System of National Accounts
ESC	Economic and Social Cohesion
ESF	European Social Fund
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross domestic product
IAS	Institution's Action Strategy
ICT	Information and communication technologies
JSC	Joint Stock Company
LIDA	Latvian Investment and Development Agency
MLBL	Mortgage and Land Bank of Latvia
NATO	North Atlantic Treaty Organisation
NLPL	National Lisbon Programme of Latvia
NP	National Programme
OP	Operational Programme
PCCC	Professional Career Counselling Centre
PCCSA	Professional Career Counselling State Agency
PEE	Professional Education Establishments
PHARE	The Economic assistance programme of European Union for countries of Central and Eastern Europe
SEA	State Employment Agency
SF	Structural Funds
SIC	Social Integration Centre
SME	Small and medium-sized enterprises
SPD	Single Programming Document
SRS	State Revenue Service
UN	United Nations

### Measures

EUR	Euro, single currency of the EMU
LVL	Latvian lats (national currency of Latvia)

### Conventional designations

–	Magnitude zero / absent
...	Data not available or too uncertain

## 1. POLITICAL SUMMARY

*National Lisbon Programme of Latvia for 2005-2008* (hereinafter Programme or NLPL) is a policy planning document that shows, how Latvia is going to reach the goal in the medium-term (promotion of national growth and employment) and how it will implement the *Integrated Guidelines* approved by the European Council in July 2005. Achievement of this goal requires ensuring annual GDP growth of 6-8% in 2005-2008 and increasing employment rate to 65% (of which 61% for women and 48% for older people).

Process of implementation of the Programme indicates that the main goals set in it are achievable. GDP increased by 10.2% in 2005 and by 12% in the 1<sup>st</sup> half of 2006, which are the higher rates than determined in the Programme. Also the indicators characterising employment in Latvia improve rapidly. Employment rate reached 63.3% in 2005, i.e., it increased by 1 percentage point in comparison with 2004. At the same time, unemployment rate decreased from 10.4% in 2004 to 8.7% in 2005 and 7.2% in the 2<sup>nd</sup> quarter of 2006.

Priority actions of Latvia for reaching the Lisbon Strategy goals remain unchanged, namely:

- securing macroeconomic stability;
- stimulating knowledge and innovation;
- developing favourable and attractive environment for investment and work;
- fostering employment;
- improving education and skills.

Latvia supports decisions of the Spring European Council and has adjusted the Programme accordingly in order to ensure their implementation.

Latvia has a goal to maintain stable **macroeconomic environment** that is a necessary precondition for ensuring growth and jobs. The observed comparatively high inflation and imbalance of the foreign sector are being carefully assessed at present, although the current influence of these processes on the development of the national economy still does not require fast and cardinal interference.

Fiscal consolidation, which has been successfully carried out already during the previous years continued in 2005 and ensured that the reference value of the Maastricht criterion was not exceeded. By EAS 95 methodology, the general government budget surplus in 2005 made up LVL 15.2 million or 0.2% of GDP (operational data of April 2006 notification). In order to ensure purposeful development and efficient use of state budget resources, ministries gradually introduce strategic planning that results in budget formation being based on funding of action policy targets and results.

In implementation of the fiscal policy, a prudent permissible amount of the total budget deficit and rational budget spending directed to growth will be observed also in the future.

General government debt in Latvia is still among the lowest in the European Union and it is anticipated that its rate in the medium-term will remain considerably lower than the criterion of general government gross debt set out in the Maastricht Treaty.

Assessment of sustainability of Latvian public finances is positive and, according to the assessment by the ECOFIN Council, Latvia is among countries with a low risk of sustainability of public finances.

One of the main goals of the government is introduction of the EU single currency euro in Latvia. To achieve this goal, the Cabinet of Ministers approved the *Latvia's National Euro Changeover Plan* on March 6, 2006, which foresees implementation of several measures related to adjustment of normative acts and ensure the technical operation of money and

payment systems, financial system, public debt management, budgetary accounting and statistics, business environment and consumer protection, taxes and social security, as well as for informing the society. Taking into account that implementation of the goal set by the government to join the euro zone on January 1, 2008 is problematic due to growing inflation, the situation is being assessed at present and a decision for further action will be taken.

Economy based on **knowledge and innovation** is a precondition for further development and competitiveness of Latvian economy. Therefore it is necessary to make investment in research and education. According to the *Law on Scientific Activity*, the annual increase of financing for scientific activity in the state budget is prescribed to be at least 0.15% of GDP or by LVL 10-15 million on average annually. Public expenditures on research and development in 2005 exceeded by LVL 13.6 million compared to 2004 and amounted to LVL 23.3 million. Total expenditures on research and development were LVL50.6 million or 0.57% of GDP.

According to provisions of the Programme, Latvia improves activities of measures related to technology transfer and strengthening co-operation between educational, research institutions and industries.

In 2006, Latvia continues implementing the programme "Support to Development and Improvement of Applied Research Infrastructure" and supporting the development of technology transfer contact points at higher education institutions.

In the next financial perspective period (2007-2013), it is planned to implement new programmes directed to promotion of co-operation between industries and research institutions, such as:

- support to competence centres;
- development of technology incubators;
- support to innovation incubators;
- continuing implementation of programmes for support of innovation in the private sector.

The government has set several tasks for faster development of the information society. The first thing to be ensured is free competition in the market of information and electronic communication services, and a lot is already done in this regard. Progress is reached regarding the increase of the number of internet users. Internet was used at least once a week by 27% of Latvian inhabitants in 2004 and by 36% in 2005. Introducing the current policy, good distribution of telecommunications has been achieved, legal acts related to ICT have been adjusted, main registers and the most essential information systems have been formed, integration of information systems of public administration and establishment of online services are being developed.

Improvement of **business potential (especially SME)** is continued in Latvia.

In order to promote competitiveness and development of enterprises, the government ensures favourable business environment, lessening administrative burden and encouraging dialogue between business organisations as well as continuing support to training and consultations and financial support for enterprises. *Action Plan to Improve Business Environment* is developed annually. The *Action Plan* of 2006 solves problems in construction, employment, tax administration, introduction of e-government, etc. In 2005 and 2006, improvements were made in operation of the Register of Enterprises and a new *Insolvency Law* had been developed. Priority in the field of competition protection is combating the gravest violations of the *Competition Law* – conclusion of prohibited agreements and abuse of dominant position. To implement this, amendments to the *Competition Law* have been made and regulations of the Cabinet of Ministers have been approved, envisaging the so-called *Tolerance Programme* in application of penalty.

In order to improve SME access to funding, more attention is paid to granting funds for business development in early stage (measures for access to seed capital, opportunities to get loans on preferential terms) and access to finance in the form of risk capital as well as to co-funding for development projects of entrepreneurs in territories requiring special assistance.

Financial support for enterprises and innovation from structural funds in the amount of EUR 480 million is planned in the next financial perspective period.

Latvia especially supports the Spring European Council's decision regarding the **energy policy**. It is important to improve security of energy supply and diversify energy sources, thereby reducing dependence of EU member states from one energy supplier. Latvia fully supports the idea to develop a common EU energy policy and use a coordinated approach for relations with the third countries. Latvia is especially interested in integration of the Baltic States' energy market into the single EU energy market. At present, the energy market of the Baltic States is isolated from the EU energy market. Cooperation projects with the neighbouring countries have been developed and are being implemented in order to decrease the isolation from the other EU member states.

The government has accepted the *Energy Development Guidelines for 2007-2016* that envisage several strategic measures to reduce the energy dependence of the state, including construction of new power station in Latvia and increased use of renewable energy resources (especially biomass) in energy production.

Concerning the prospects for secure supply of natural gas, Latvia has potential for underground gas storage with volume of up to 70 billion m<sup>3</sup>, which might be examined and used to store gas in the future.

Latvia is in the completion stage of opening the common electricity market for all consumers, envisaging to open it by the middle of 2007. It is planned to open the domestic gas market by 2010. In this way, competition will be ensured in the energy market.

Taking into account the policy implemented by the EU in the field of climate change reduction and the energy supply security issue topical for Latvia, sustainable use of energy resources is one of the priorities of the state. Therefore the government supports measures aimed at raising the energy efficiency and use of co-generation, as well as renewable energy resources and promotes development of environmental technologies.

As mentioned before, economic development positively influences situation in the labour market. To foster employment, the Programme sets the following priorities of Latvian **employment policy**:

- to promote inclusive labour market, widening the range of active employment measures;
- to encourage economic activities in the less developed regions;
- to address the issue of undeclared work more intensively and stimulate population to be engaged in the formal economy, by raising the net wages for low-paid employees and strengthening both the state control institutions and social partner associations (trade unions, employee associations, etc.);
- to expand opportunities of education and training.

Life-cycle approach to employment, improvement and diversification of active employment measures as well as development of labour market institutions, employment partnership and social dialogue are the basic elements constituting the overall employment policy measures of the Programme.

Improvements of employment promotion measures and preventive measures of unemployment reduction in the Programme are envisaged by improving professional training and retraining of the unemployed and raising skills, by carrying out measures for the rise of competitiveness, (including the teaching of the state language), diversifying active employment measures in accordance with the needs of the regions.

The Programme pays special attention to measures related to inclusion of young people, pre-pension age people, women (especially after child care leave), disabled persons and people from other social exclusion risk groups in the labour market.

In 2005, SEA implemented 3 projects with ESF support in the framework of the national programme "Support to Implementation of Active Employment Measures", in the framework of

which unemployed persons (among them long-term unemployed, unemployed returning in the labour market after child care leave, disabled unemployed and unemployed after serving their sentence in detention facilities) were involved in training, retraining and skill-raising courses. In 2005, more than one-third of these unemployed entered the labour market after training.

Support to development of entrepreneurship in territories requiring special assistance is being provided both in the framework of national funding (Regional Fund) and by using EU resources (European Regional Development Fund), encouraging economic activity in these territories, creating new workplaces and maintaining the existing ones.

The grant scheme "Support to Investment in Development of Enterprises in Territories Requiring Special Assistance" is implemented from January 1, 2004 to December 31, 2006, the national programme "Development of Entrepreneurship in Territories Requiring Special Assistance" was implemented from 1998 to the spring of 2004, and the national programme "Income Tax Allowances" is implemented from 1998 to the end of 2006.

The growing activity of entrepreneurs and the reached performance indicators indicates growth of business activity in territories requiring special assistance. Therefore a new support programme for development of entrepreneurship in territories requiring special assistance is being worked out for the planning period of 2007-2013 in the framework of structural funds of the European Union.

To increase economic activities in the less developed regions more effectively, it is envisaged to increase faster the budget expenditures for putting in order the 2<sup>nd</sup> class roads. LVL 3.5 million were allocated in 2006, while allocation of LVL 12 million is envisaged in the next years.

There is no single essential measure that would guarantee substantial reduction of undeclared employment (shadow economy). Set of measures involving all interested parties is important. Therefore, the Programme envisages both raising administrative capacities of the State Labour Inspectorate and strengthening the role of the trade and employer unions for solution of the problem as well as stresses the necessity to raise the minimum wage and increase the untaxed minimum in order to reduce the tax burden for people with low incomes.

As from January 1, 2006, both the minimum monthly wage was increased from LVL 80 to LVL 90 and the monthly minimum not subjected to personal income tax was raised from LVL 26 to LVL 32. It is envisaged to raise the minimum wage in 2007.

Investment in human capital is a decisive factor for raising the productive capacity in order to promote progress towards knowledge-intensive economy.

The Programme envisages the following main tasks for **improvement of education and skills** in 2005-2008:

- Strengthen co-operation between public administration institutions, education establishments and employers in order to adjust the supply of the education system with the needs of the labour market;
- Raise cost efficiency in all levels and forms of education;
- Improve availability of education at all levels and reduce the number of students who do not graduate or do not achieve a professional qualification;
- Increase the availability of lifelong learning and motivation of the population in this area;
- Raise the overall level of technological skills and natural science knowledge, improve the professional orientation system and ensure the availability of professional orientation services for all the population in the context of lifelong learning.

The Programme sets the target to raise the education level reached by youth, which is quantitatively determined for 2010: proportion of youth (20-24 years) with at least secondary education reaching 85%. This indicator corresponds to the target indicator set by the EU for 2010.

To solve these tasks, the Programme pays a big attention to measures for improvement of secondary and higher professional education, such as modernisation of material and technical



provision of professional education establishments and modernisation of practical training, as well as development and implementation of information campaign in order to raise prestige of engineering sciences, natural sciences, medicine and other fields necessary for the development of Latvia.

The Programme stresses the necessity and includes measures to increase availability of higher education and its conformity with the labour market needs. For this purpose, the number of study places financed from the state budget is being raised in natural sciences, engineering sciences and environmental sciences, the amount of student loan and funds of grants in higher education establishments are being increased, the set of normative measures to ensure practice for students is being established, etc.

So, in 2005/2006 academic year, the number of places financed from the state budget was raised in conformity with the labour market needs in such thematic groups of education as engineering sciences and technology, natural sciences and mathematics, health, health care and social care. The number of study places financed from the state budget in 2006 was increased by 553 places, including in engineering sciences and natural sciences by 338 places. In percentage, the number of study places financed from the state budget in the fields required by the labour market was 44% in 2006 financial year, including 31% in engineering sciences and 13% in natural sciences, mathematics and information technologies.

Lifelong learning system that would provide opportunity for the population to adapt to the conditions of the changing labour market is being created. Lifelong learning strategy has been developed (*Lifelong Learning Policy Guidelines for 2007-2013*) and will be reviewed by the government soon.

Utilisation of **structural funds** of the European Union facilitates achieving the targets set in the Lisbon Strategy in Latvia. Approximately 67% of financial resources from structural funds in 2004-2006 planning period have been channelled for implementation of the Lisbon Strategy's priorities. Priorities of Latvia for work in the next seven years are also clear, namely, raising competitiveness and development of a knowledge-based national economy. The government has identified three main priorities for further development of the state in the period of 2007-2013, namely, educated and creative person, technological excellence and flexibility of enterprises, development of science and research (National Development Plan of Latvia for 2007 – 2013).

Consistently implemented economic policy directed towards the establishment of a new knowledge-based economy and fostering employment provides an opportunity for Latvia to achieve goals set down in the Lisbon Strategy.

## 2. STATE OF PLAY IN TERMS OF GOVERNANCE AND OWNERSHIP

In order to provide co-ordination and supervision of implementation of the Lisbon Strategy, the government has developed the mechanism for monitoring of the implementation in Latvia and has established:

- *Supervisory Board of the Lisbon Strategy*, in order to ensure the fulfilment of tasks set up in the Lisbon Strategy in Latvia. The Board is chaired by the Minister of Economics, approved by the Cabinet of Ministers as the co-ordinator of implementation and supervision of the Lisbon Strategy. Ministers and representatives of the Saeima, local governments and social partners, who are connected with the Lisbon process, are included in the Board. Tasks of the Board are to co-ordinate the development of the National Lisbon Programme of Latvia, involve public institutions, the Saeima, local governments and social partners in the development process of the Programme, supervise implementation of the Programme and inform the public about the fulfilment of the tasks;
- *Advisory Working Group of the Lisbon Strategy*, in order to ensure development of the National Lisbon Programme of Latvia and its implementation at the inter-institutional level. The group is chaired by the State Secretary of the Ministry of Economics. Senior officials of the ministries connected with the Lisbon process are included in the Working Group.

Meetings of the Supervisory Board of the Lisbon Strategy and of the Advisory Working Group of the Lisbon Strategy are held at least once per quarter.

Social dialogue is important for achieving the goals of the National Lisbon Programme of Latvia for 2005-2008. That is why the Programme foresees several measures for the improvement of the social dialogue both at the state level and at the regional level. Institutions involved in the employment partnership, among them the Employers' Confederation of Latvia and the Free Trade Union Confederation of Latvia, will be strengthened in the context of the National Programme "Support to capacity-building for implementation of labour market and gender equality policy in responsible institutions, distribution of information and raising awareness" co-financed from the ESF. In the context of the Programme, also capacities of Latvian local and regional governments and Latvian Association of Local and Regional Governments are being built in order to ensure development of employment partnership and social dialogue at the local and regional government level.

Since September of the previous year, the Programme was presented and discussed:

- at the European Affairs Commission of the Saeima;
- at the Sub-commission on Latvia's Future Development of the Education, Culture and Science Commission of the Saeima;
- at the Latvian National Economy Council;
- at the Small and Medium Enterprise and Trades Co-operation Council of Latvia;
- at the Free Trade Union Confederation of Latvia;
- in the framework of the seminar "Building the institutional capacity in Kurzeme region";
- at the Intelligence Conference of Latvia, etc.

The European Union Information Agency organises discussions on Lisbon Strategy issues on a regular basis.

## 3. ECONOMIC SITUATION AND MACRO-ECONOMIC POLICIES

### 3.1. ECONOMIC SITUATION

Reforms implemented in Latvia and integration in the European Union left a positive impact on the economic development of the country. The economic growth rate of Latvia is the highest in the EU. Since 2000 the average annual GDP growth rate has been 8.1%, and in 2005 GDP increased even faster – by 10.2%. Rapid economic growth in Latvia continues in 2006 as well. In the 1<sup>st</sup> half of 2006 GDP increased by 12% in comparison with the respective period of 2005. High growth rates are ensured by stable dynamics of the domestic demand and by increase of exports.

Exports, both of goods and services, increased fast and the trade balance of Latvia improved in 2005. Private consumption went up and was favourably influenced not only by the annual growth of wages, but also by the opportunity for individuals to get consumer loans and loans for purchase and repair of housing that are offered at affordable interest rates. Private consumption in 2005 exceeded the level of the previous year by 11.4%. The favourable financial situation – low interest rates on loans and development of mortgage crediting – encourages investment as well. Investment in fixed assets in 2005 was considerably larger (by 18.6%) than in the previous year.

Economic activity grows in all major sectors of the national economy (see Table 1). Almost 80% of GDP increase in 2005 was ensured by growth of service sectors, where the biggest contribution was made by trade, transport and communication sectors.

Table 1

**GDP Dynamics by Sectors**  
(growth against the respective period of the preceding year, %)

	2003	2004	2005
<b>GDP</b>	<b>7.2</b>	<b>8.6</b>	<b>10.2</b>
Agriculture, forestry and fishing	-2.4	3.4	5.5
Manufacturing industry	6.0	6.4	5.9
Construction	13.7	13.3	15.5
Trade, hotels and restaurants	10.9	12.7	17.2
Transport and communications	8.9	10.1	16.2
Public services	3.8	3.4	2.7
Other services	5.7	9.4	8.1

Contribution of manufacturing industry to the growth is also substantial. In 2005 growth was faster in the sectors whose sales markets are relatively less linked to exports, with the exception of the food industry, e.g., by almost 25% in manufacturing of construction materials, by 12% in printing and publishing industry and by 15% in chemical industry. Manufacturing outputs have increased by 6.5% on average during the year. Modernisation and reconstruction of production as well as utilisation of resources from EU funds will increase productivity and competitiveness of the sector, thus it is anticipated that industry will continue developing dynamically.

Construction develops fast and its industrial outputs in 2005 were by 15.5% bigger than in 2004. Construction of private and apartment houses as well as public buildings increases essentially.

Increased domestic demand promotes development of services, especially those concerning wholesale and retail trade (this sector grew by 17.4% in 2005). The dynamics of domestic demand is steady and ensured by the growth of income, stability of the financial system, expansion of credit opportunities, accession to NATO and EU and formation of positive future expectations. It is expected that increased household income and spread of consumer loans will foster further growth of domestic trade (especially non-food consumer goods) and other market services. Big opportunities for growth lie ahead for the tourism sector that has developed very rapidly in the recent years.

After accession to the EU, cargo transportation increased especially fast and passenger transport services grew, including air transport services. Volume of transport and communication services in 2005 was by 16.2% bigger than in the previous year.

The economic growth in Latvia has been achieved in conditions of stable macroeconomic environment. The Bank of Latvia implements *de facto* policy of fixed national currency exchange rate. This reduces uncertainty, eliminates exposure to currency risk and gives entrepreneurs a stable base for planning and price determination. Since May 2, 2005 Latvia has joined ERM II with already existing exchange rate of the lats against the euro, namely, EUR 1 = LVL 0.702804.

Relatively high inflation rate was observed in the recent years. Inflation rate was 7.3% in 2004 and 7% in 2005. Faster growth of inflation in 2004 was mainly due to a combination of several one-time factors (rise of administratively regulated prices, harmonisation of indirect tax rates, inflation expectations related to Latvia's accession to the EU and high world oil prices). High inflation rate remained in 2005 mostly due to increased fuel prices in the world markets and the second-round inflation (spiral).

In 8 months of 2006 inflation increased at a more moderate pace than in the respective period of the two preceding years. According to forecasts, inflation will decrease gradually in the coming years due to diminishing impact of the abovementioned factors that are raising prices.

One of the main economic development risks in Latvia is a relatively high current account deficit caused by high domestic demand and steep growth of investment in particular. Strongly negative trade balance is the main reason for the current account deficit. Slightly less than one-third of this balance is covered by the positive balance of services, because there is a high share of transit services in the economy.

In 2005 the current account deficit amounted to 12.4% of GDP and was by 0.5 percentage points lower than in 2004. Even though the current account deficit is at relatively high level, it is not to be regarded as critical at present, because it is covered by foreign direct investment and long-term loans. Net foreign reserves of the Bank of Latvia fully cover the reserve money.

It is forecasted that faster growth of exports promoted mostly by structural reforms will gradually bring down the current account deficit in the medium term. However, the demand for imports will remain relatively high due to further modernisation of the national economy and its growing openness.

EU is the main trading partner of Latvia. Foreign trade with EU member states has been constantly expanding since restoration of Latvia's independence and currently 75% of Latvian exports and imports are linked to the EU. The biggest trading partners of Latvia in terms of foreign trade turnover in 2005 were Lithuania (12.7%), Germany (12.6%), Estonia (9%), Russia (8.3%), Sweden (6.1%) and Poland (5.9%).

Exports of Latvian goods in current prices grew by 30% in 2004 and by 34% in 2005. Exports increase to all sales markets for Latvian goods – to EU member states, CIS countries and other countries of the world. Latvia's trade with Lithuania and Estonia and other new EU member states has increased very fast after Latvia's accession to the European Union. Latvian trade with other Baltic States has more than doubled during two years in comparison with the period before the EU accession.

The employment and unemployment indicators are gradually improving. The economic activity of the population (participation in the labour market) in Latvia is close to the EU average, while the economic activity of women has already exceeded the average indicators of the EU. The employment rate in 2005 reached 63.3%, which is by 1 percentage point higher than in 2004.

The economic growth potential is best characterised by the growth of investment. Investment in the fixed assets in 2005 was made at a volume twice bigger than in 2000. Volume of investment made during this period has increased by 15.7% annually and by 18.6% in 2005.

As regards growth of investment and its share in GDP, Latvia has one of the highest indicators among the EU member states. Investment is promoted by several factors, among them stable macroeconomic environment, inflow of foreign investment, reduction of interest rates on loans and strengthening of the banking sector, increase of general economic activities and formation of positive future expectations, etc.

At the end of 2005 foreign direct investment (FDI) accumulated in Latvia amounted to LVL 2836 million or 40.4% of annual GDP volume. The volume of incoming foreign direct investment in the last five years equalled to 3.4% of GDP on average and the inflow increased after accession to the EU. In 2005 the incoming foreign direct investment amounted to 4% of GDP and covered almost 15% of investment in fixed assets.

Reforms carried out in the previous decade have strengthened the private sector, macroeconomic conditions favourable for development have been created and the business environment is improving. Investment continues to grow rapidly, encouraging modernisation of production and introduction of new, more productive technologies. Accession to the EU has a particularly positive impact on development of Latvian economy. It strengthens confidence in sustainable growth also in the following years. GDP It is forecasted, that the GDP will grow by 11% in 2006. If there are no external shocks, the annual GDP growth in Latvia can reach 6-8% in the medium term.

### **3.2. MACRO-ECONOMIC POLICY**

Latvia has a goal to maintain a stable macroeconomic environment, which is a necessary precondition to ensure growth and employment.

The Programme for 2005-2008 defines the following main tasks to maintain macroeconomic stability:

- Comply consistently with the fulfilment of the Maastricht fiscal criteria in Latvia and ensure gradual reduction of the government budget deficit;
- Introduce medium-term (3-5 years) budget planning and strategic planning in ministries and, in accordance with it, to base budget formation on financing the action policy goals and results;
- Promote coordinated increase of wages and labour productivity in order to prevent additional economic instability, at the same time taking into account the consequences of inflation;
- Ensure successful accession of Latvia to the Euro zone.

From the point of view of the long-term stability, the Programme sets the following task as a priority:

- To ensure sustainability of public finances.

Measures for maintaining the macroeconomic stability are described in details in the *Convergence Programme of Latvia for 2005-2008* accepted by the government in November 2005.

### **Fulfilment of the Maastricht fiscal criteria**

The main activities to be carried out in the area of fiscal policy, which are envisaged in the *National Lisbon Programme of Latvia for 2005-2008* in order to fulfil the Maastricht fiscal criteria and ensure efficient budget spending, are being implemented successfully on the whole.

The fiscal consolidation successfully carried out already in the previous years was continued in 2005, which ensured that the reference value of the Maastricht criterion is not violated. The general government budget surplus in 2005 (according to the ESA 95 methodology) amounted to LVL 15.2 million or 0.2% of GDP (notification data of April 2006). For comparison, the general government budget deficit was -0.9% of GDP in 2004 and -1.2% of GDP in 2003.

Rapid development of the national economy was observed in 2005, which ensured high growth of tax revenues. For example, the value added tax revenues increased by 35.8% in 2005 in comparison with 2004, while the growth rate of corporate income tax in the same period was 41.3 per cent.

In implementation of the fiscal policy, a prudent permissible amount of the total budget deficit and rational budget spending directed to growth will be observed also in the future.

The level of the general government debt in Latvia is remaining among the lowest in the European Union and is expected to remain considerably below the gross government debt volume criterion in the medium-term (60% of GDP) as defined in the Maastricht Treaty. According to the ESA 95 methodology and operational data, the general government debt amounted to LVL 1084.5 million or 12.1% of GDP on December 31, 2005.

During 2005 the central government debt decreased by LVL 12.6 million and comprised LVL 962.3 million (after discount) or 10.8% of GDP on December 31, 2005. As the actual execution of the state budget in 2005 was better than initially planned and the state budget deficit did not reach the amount planned in the Law "*On the State Budget for 2005*", it was not necessary to implement all planned borrowing activities in 2005 and the opportunity to do advanced repayment of several foreign loans was used. Taking into account the level of the state budget deficit forecasted in the medium-term, the central government debt in the following years is expected not to exceed 11% of GDP.

Essentially new measures in the area of government debt policy are not foreseen at present, but before any action in the area of central government debt management a careful analysis of potential risks must be carried out in order to ensure execution of the most financially favourable transactions for the state.

In order to ensure more favourable development of Latvian government debt securities market in the context of the planned introduction of the euro currency, in addition to the set principles of the redenomination of the state debt, strategic guidelines are being worked out that will foresee the direction of the desirable market changes (methods of initial placement of securities, depositary and trading systems, investor base, etc.).

### **Ensuring efficiency of budget spending**

In order to ensure purposeful development and efficient spending of the government budget resources, the ministries gradually implement the strategic planning, in the result budget formation is being based on financing the action policy goals and results. In those ministries, where institution's action strategy (hereinafter IAS) has been introduced, budget programmes are being prepared in accordance with the IAS policy/structure of the budget programmes. IAS ensures rational planning of resources as well as continuity for projects included in budget programmes, and it results in definition of the results to be achieved at certain financing.

Since 2004, an explanatory note to the current annual state budget law specifies the goals and main results of activity of every significant budget programme (subprogramme). Ministries annually prepare performance indicators, which they plan to reach, and the Cabinet of

Ministers approves these indicators. In addition to this, in order to strengthen responsibility of budget institutions for economic and rational use of resources, since 2005 the *Law on Budget and Financial Management* has a norm prescribing that ministries and other central government institutions submit to the Cabinet of Ministers the informative report on usage of the state budget resources allocated in the year of account, on the implemented policy and fulfilment of the performance indicators for reaching targets of activity results, and explanation of deviations in fulfilment of the performance indicators of the approved programmes and subprogrammes.

*Law on Budget and Financial Management* prescribes that, in order to inform the society about activity goals and results of an institution and on the usage of the allocated state budget resources in the previous year, ministries and other central government bodies as well as all institutions financed from the budget and subordinated to them and local governments prepare annual public reports by July 1 of the year following the year of account and publish information about acceptance of the annual public report and information on opportunities to see its full text in the newspaper "Latvijas Vēstnesis". In such way, transparency of resource usage is ensured for the society.

On August 22, 2006 the Cabinet of Ministers approved the draft concept "*On Implementation of Strategic Planning and Medium-Term Budget Planning in Public Administration*" that prescribes development of a budget law for one year, at the same time also by working out a resource framework for three years. It is envisaged to implement medium-term three-year budget planning as from 2007. At present, the necessary amendments to normative acts and other changes are being made.

### **Improvement of the wage payment system**

The Programme prescribes that wage increase is mostly achievable by promoting the economic development, consequently by encouraging growth of entrepreneurship and labour productivity, investment in the development of human resources and education in particular.

Minimum monthly wage is one of the most important mechanisms of the wage regulation in Latvia. In order to establish the system for a regular fixing of the minimum monthly wage, the government adopted the *Concept of a Minimum Wage* in 2002. The concept envisages that, by 2010, the minimum monthly wage will be increased to 50% of the average gross monthly wage for the previous year. As from January 1, 2006 the minimum monthly wage was increased from LVL 80 to LVL 90.

At present, work on optimisation of wage payment system in the public sector is in progress, establishing a single regulation for wage payments in order to ensure unified principles for the fixation and planning of wage payments in the public sector. After coming into force of the Programme, the Cabinet of Ministers has approved several regulations:

- Regulation No. 995 "Regulations Governing the Wage Payment System and Qualification Rankings of Direct State Administration Officials, Employees and Office Holders and Central Electoral System and Central Land Commission, as well as Benefits and Compensation for Officials" approved on December 20, 2005;
- Regulation No. 310 "Regulations Governing the Position Classification System and the Procedures for Classifying Positions in Direct State Administration Institutions" approved on May 3, 2006;
- on May 23, 2006, the Cabinet of Ministers reviewed and adopted the informative report "Plan of Wage Payment Increase for Employees of Direct State Administration Institutions" that envisages equalisation of wage payment, reducing average wage payment differences between institutions, where wage payment is lower than the average wage payment level, and gradual rise of wage payment in all institutions, foreseeing annual increase. Transition period from 2007 to 2011 for implementation of the new wage payment system is envisaged.

### **Ensuring accession of Latvia to the euro zone**

Introduction of the single EU currency euro in Latvia is one of the main goals of Latvian government. Macroeconomic stability that would promote further growth of the national economy is a precondition for reaching this goal. In order to maintain macroeconomic stability, the Council of the Bank of Latvia has increased the reserve requirement ratio for banks and subsidiaries of foreign banks in several steps: from 4% to 6% on June 14, 2005 (the decision came into force on August 24, 2005) and from 6% to 8% on November 17, 2005 (the decision came into force on December 24, 2005). On March 14, 2006 the Council of the Bank of Latvia took decision to expand the base of compulsory reserves, maintaining the reserve requirement ratio at the previous level of 8%. As from May 24, 2006 the reserve requirement ratio is also applied to bank's liabilities with a fixed term exceeding 2 years. The expansion of the base of reserves was carried out in order to reduce rapid growth of crediting volumes as a keeper of high inflation and therefore promote macroeconomic stability.

If the risks to macroeconomic stability continue growing, the Bank of Latvia is ready to implement restrictive monetary policy also in the future, by assessing the positive and negative aspects of particular steps of the monetary policy carefully.

To ensure the technical and legal base for euro introduction in the national level, an appropriate organisational structure of the euro introduction project was established in summer of 2005.

On March 6, 2006 the Cabinet of Ministers approved the *Latvia's National Euro Changeover Plan* that prescribes carrying out several measures in regard to adjustment of normative acts, adjusting and ensuring technical operation of the normative base for money and payment systems, financial system, state debt management, budget accounting and statistics, business environment and consumer protection, taxes and social security, as well as for informing the society.

Along with approval of the *Latvia's National Euro Changeover Plan*, the *Action Plan for Introduction of the Single European Currency in Latvia* was also approved, which is Annex 1 of the former. The Action Plan incorporates general and practical measures for the changeover to the euro, the responsible institutions and terms for implementation of the defined activities. At present, the *Communication Strategy for Euro Changeover in Latvia* and the *Communication Action Plan for Euro Changeover* have been developed, approved by decision of the Steering Committee of the euro introduction project and sent to the European Commission for conclusion. In parallel, negotiations with the European Commission have been started to conclude strategic partnership agreement for implementation of communication strategy and co-financing of communication activities.

### **Ensuring sustainability of public finances**

Evaluation of sustainability of Latvian public finances is positive and, according to the assessment by ECOFIN, Latvia is among countries with low risk for sustainability of public finances.

Changes in public finance policy will be required in the future in order to adjust the budget for a substantially different demographic situation that includes necessity to raise the retirement age, ensure timely accumulation of resources and improve the health care system.

As the birth rate in Latvia is insufficient for alternation of generations, the average lifespan is growing and therefore the society has high ageing rate resulting in considerable load of pension-age people on able-bodied people. Thus, the Law "*On State Pensions*" set down gradual rise of the retirement age to 62 years (the rise of this age for men is already completed, while the rise of retirement age for women to 62 years will continue until 2008). In 2005 and 2006, according to the timetable set down in the Law "*On State Pensions*", the rise of retirement age for women is continued.

Taking into account the development trends of the demographic situation and its impact on the economic development of the country, balanced planning of social security policy and finances



is very important in order to ensure the long-term stability of the social security system. Method of old-age pension calculation in the inter-generation solidarity scheme stabilises the system in relation to changes in life expectancy without compensating fluctuations in the demographic load on old-age pensioners on able-bodied people, which have to be compensated by the reserve fund of state social security financial resources. Maintaining stability of the pension system in the long-term is impossible without such fund.

On the basis of the goals set in the Lisbon Strategy, it is important for Latvia to involve in reaching the common EU targets in the **health** care area in order to raise health care quality and standards. The most urgent basic tasks are:

- to improve access to health care services for population, by developing health care infrastructure (paying special attention to the primary health care and emergency medical help), therefore Latvian population will be provided with high quality care brought closer to their needs and the quality of provided health care services will be raised;
- to modernise the emergency medical service in order to provide timely medical help, which would result in decreased mortality rate of the population and promote faster restoration of work capacities of people;
- to ensure and develop human resources in health care in the long-term.

In order to reach the set goals, important policy planning documents have been approved, which determine the further priorities and required actions.

According to the Programme for Development of Providers of Out-Patient and In-Patient Health Care Services, it is planned to reach the indicator that no more than 1800 patients are registered at one family doctor in Latvia by 2010. It is also envisaged to create 20 new practices of family doctors as well as transform and improve 50 practices of family doctors, thereby ensuring medical help as close as possible to the population.

In order to determine priorities in development of the human resources of health care and continue development of population-oriented rational, efficient and high-quality health sector, the guidelines "Development of Human Resources in Health Care" for 2005-2015 were approved by the Cabinet of Ministers Regulation No. 326 of May 18, 2005. Ensuring growth of wages is one of the most important tasks to be solved urgently in the recruitment of human resources. The guidelines determined two options for ensuring growth of wages and fixing the lowest wage rate.

In the framework of the EU PHARE National Programme, financial support in the amount of almost 5 million LVL was received in 2000-2006 to strengthen the institutional capacity of the health care sector. In its context, measures were implemented to raise the level of personnel competence, abilities and skills of the institutions involved in the health care process, control and supervision, employee training programmes were implemented and studies performed, and investment was made to ensure and adjust the public administration infrastructure in compliance with EU requirements.

The Activity 1 of the Measure 2.3 "*Social activities of health care*" of Priority "*Employment, social inclusion and social activities of health care*" in the EU Structural Funds Programming Period 2007-2013 envisages promotion of public awareness of the healthy lifestyle, therefore keeping as much as possible able-bodied people in the labour market, reducing the risks of disability due to illness and the number of suicides, while Activity 3 envisages raising the level of personnel competence, abilities and skills of the institutions involved in the health care and promotion process. In the framework of this activity, training and recruitment to the labour market of the personnel of the institutions involved in the health care and promotion process will be ensured in order to achieve provision of high-quality health care services, diagnostics of illnesses, medical rehabilitation and prophylactic activity, and encourage co-operation between various specialists of health care institutions and other bodies.

## 4. MICRO-ECONOMIC POLICIES

### 4.1. KNOWLEDGE AND INNOVATION

To stimulate knowledge and innovation, the main tasks of the Programme in 2005-2008 are as follows:

- Increase public investment and foster private investment in R&D;
- Ensure renewal of intellectual potential in science, improving the system of doctoral grants and modernising scientific infrastructure;
- Promote transfer of knowledge and technologies in production (including business incubators and technology parks);
- Increase internet availability and introduce electronic signature as well as ensure wider public services in the e-environment.

#### **Increasing public and private investment in research and development**

The Programme sets the target that gross domestic expenditures to research and development has to reach 1.5% of GDP in 2010. In order to reach this target, the *Law on Scientific Activity* prescribes the annual increase of financing for scientific activity in the state budget to be at least 0.15% of GDP or by LVL 10-15 million on average annually, at the same time improving the procedure of granting public financing for scientific activity set out by the normative acts, and improving conditions of financing for research commissioned by the public administration bodies and market-oriented research. Essential modernisation of scientific infrastructure in research institutes and higher educational establishments and reorganisation of state science institutes are envisaged.

Public financing for research and development in 2005 was by LVL 13.6 million higher than in 2004 and amounted to LVL 23.3 million. Gross financing for research and development equalled to LVL 50.6 million or 0.57% of GDP.

Increase of public financing for research and development was mostly channelled to:

- public research programmes in priority scientific disciplines determined by the Cabinet of Ministers Regulation "On Priority Scientific Disciplines for Financing Fundamental and Applied Research in 2006-2009";
- ensuring basic funding for science institutes;
- development of scientific activity in higher educational establishments.

Programme of market-oriented research projects has been worked out with the goal to promote co-operation of Latvian scientists and entrepreneurs (especially SME) in conducting the research necessary for development of new technologies and products. It is envisaged to finance the programme from the state budget, and research priorities in the programme are as follows:

1. in agrobiotechnology – innovative environmentally-friendly technologies to acquire food products;
2. in biomedicine and pharmacy – gene technologies and technologies for synthesis of new biologically active substances;
3. in energy – environmentally-friendly types of renewable energy, safety of energy supply and efficient use of energy;

4. in informatics – safe software, integrated information and communication systems and networks, electronic technologies;
5. in Latvian Studies – research regarding history, language and culture;
6. in material science – nanotechnologies to acquire functional materials, new-generation composite materials;
7. in forestry science – sustainability, new products and technologies;
8. in medical science – development of clinical medicine based on technology of applied sciences;
9. in environmental science – the regional impact of climate change on water ecosystems and adaptation, sustainable management and protection of the environment of the Baltic Sea and inland waters.

Latvia has ensured for scientists and entrepreneurs the opportunities of participation in a range of EU research and technology development programmes, concluding appropriate agreements on participation in them and paying the required participation fee into their budget.

In the budget for 2006, assistance funding to state scientific institutions is envisaged for projects approved in the framework of the EU 6<sup>th</sup> Framework Programme, INTAS, EUREKA and bilateral co-operation programmes, as well as for participation in the COST action.

#### **Raising the intellectual potential of science**

Successful development of knowledge economy is unthinkable without the intellectual potential of science, which is determined by the number and qualification of people employed in science and research. At present, the proportion of scientific employees (including the ones with a doctorate) in Latvia is considerably lower than in other EU member states.

The national programme "*Support to Implementation of Doctoral Programmes and Postdoctoral Research*" has been launched. 438 doctoral students are involved in the programme, of which 36 have already presented their doctoral theses.

The national programme "*Support for Modernisation of Scientific Infrastructure in State Research Institutions*" is taking place since 2004, attracting co-funding from ERDF. It has a goal to modernise infrastructure in state research institutions that carry out scientific research in priority scientific disciplines. 22 agreements have been concluded on implementation of projects and allocation of co-funding from ERDF, of which six projects have been implemented already.

In 2006 support to universities and research institutes is put into practice for acquisition of scientific appliances and equipment in order to encourage increased volume of provided services.

#### **Promoting transfer of knowledge and technologies in production**

The Programme envisages several measures for improvement of innovation support structures in order to promote transfer of knowledge and technologies and encourage development of new products and technologies. The goal is to increase the number of innovative enterprises to 32% of all enterprises in 2008 and raise the number of national patents to 95, of which 24 are international.

In order to encourage private investment in applied research, promote technology transfer and ensure introduction of research results into production, the functions of the Latvian Investment and Development Agency (LIDA) are being expanded. As from June 1, 2006 the Technology Agency is established, which is integrated in LIDA as a separate structural unit. LIDA will administer the corresponding state support programmes, will conduct analysis of the innovation system and instrument efficiency on a regular basis, will promote application of

knowledge (especially outside Riga Planning Region), will prepare proposals for new innovation policy support instruments and co-ordinate their development, will prepare, co-ordinate and lead innovation international co-operation projects, etc.

Projects for promotion of the development of innovative business and applied research infrastructure are being carried out, and their funding is ensured in framework of Component 1 "*Development of innovative business and applied research infrastructure*" of PHARE 2003 National Programme "*Economic and Social Cohesion measures in Latvia*". The programme will run until November 31, 2006.

Establishment of technology transfer contact points of support programmes at higher education institutions has been started in 2005 for improvement of the technology transfer system. These contact points are being established in order to promote co-operation of scientists and entrepreneurs and ensure efficient introduction of research results of state research institutions into production. The supportable projects of technology transfer contact points were chosen through an open tender procedure. After assessment of the administrative and qualitative adequacy of the projects, a decision to support establishment of six contact points was taken (single points at the University of Latvia, Latvia University of Agriculture, Ventspils University College, Rēzekne Higher Educational Institution, and two points at the Riga Technical University). In the framework of the programme, it is planned to prepare 95 commercial offers, initiate at least 70 co-operation agreements with entrepreneurs and prepare 15 patent applications at the technology transfer contact points.

The state support programme "*Support for the Development of New Products and Technologies*" was continued in 2005, and commercial companies can receive support for development of new products and technologies in its framework. Entrepreneurs have access to the support for planning work for the development of new products or technologies, as well as for technical pre-examination work if it is done before planning work, in the framework of one project in the amount of up to 45% of the supportable project costs.

Co-funding of the project "International transfer of innovative technologies to promote integration of Latvian small and medium-sized enterprises in the European Union, using opportunities of the European network of Innovation relay centres (IRC)" supported by the European Commission continues in 2006. This project is being implemented by the Latvian Technological Centre. The aim of the project is to promote conclusion of technology transfer agreements between EU and Latvian SMEs, organise seminars, information days and thematic conferences, prepare and distribute monthly informative edition of IRC Latvia.

To promote creation of effective and competitive industry with a rational sectoral structure conformable to conditions of Latvia, which would ensure high economic growth also in the future, the Programme envisages provision of bigger support to development of clusters. The goal is to stimulate increased competitiveness and productivity of enterprises, promoting their mutual co-operation and collaboration with educational, scientific, research and other related institutions. It is planned to conduct study on the potential of the cluster creation and, through a tender procedure, provide support for the development of the three most perspective clusters.

Proposals for development of support programme of cluster promotion have been prepared in 2006. The cluster programme is being developed as one of investment directions in the framework of the operational programme "*Business and innovation*". Implementation of the programme is expected to start in 2007 along with the period for absorption of EU Structural Funds for 2007-2013. The programme will be oriented to activation of co-operation and implementation of common projects in sectors characterised by export development potential and orientation to production with high value added and having objective preconditions for development of competitiveness.

The study "*Opportunities of further development of Latvian information and communication technologies*" was completed in March 2006. In the framework of the study, by summarising statistical data and conducting interviews with representatives of the sector's enterprises and experts, the current situation in Latvian sector of information and communication technologies was analysed, the main problems, trends, labour availability and its qualification level were

clarified, collaboration with research institutions and operation of the *Information Society* cluster were analysed.

Intellectual property council was created in 2006 with the task to promote development of intellectual property (including industrial property) in order to increase the protection level of innovative solutions and make their use in production more intensive. In the framework of the mentioned council, the draft policy planning document "Guidelines for Protection and Ensuring Intellectual Property Rights for 2007-2012" was developed, and adoption of this document by the Cabinet of Ministers is planned in 2007.

Several proposals for technology incubator programme have been prepared to attract structural funds of 2007-2013. The task of the programme is to promote creation and development of new competitive enterprises in high technology and medium technology industrial and service sectors, providing them with the necessary infrastructure and seed capital. It is planned to create 3 technology incubators that would support rapidly growing knowledge-intensive enterprises, providing pre-seed grants for physical persons with good ideas and seed investment for incubator companies, combining this with services necessary for growth.

In order to promote co-operation between research and business sectors, development of new products and technologies, encourage business activity with higher value added, it is planned to develop and implement new support programmes for 2007-2013 in the following areas (in parallel to the current state support programmes that are already being financed from the EU structural funds):

- implementation of large-scale industrial research and projects for development of new products and technologies, which would promote development of particular sectors, on initiative of the industrial sector (commercial companies) in co-operation with the scientific sector;
- systematic clarification of current and needed research competence and purposeful adequate development in higher education establishments and institutes in order to encourage technology transfer and technology commercialisation and make enterprises informed about the potential co-operation partners in higher education establishments and institutes;
- providing new enterprises of medium and high technology sectors with infrastructure and financing to start and develop business activity;
- fostering attraction of highly skilled specialists for solution of technological problems of enterprises or development of new products;
- promoting investment of local entrepreneurs in knowledge-intensive and technology-intensive projects as well as attraction of foreign investment in areas with high value added in order to encourage transfer of the newest technologies from abroad.

### **Increasing internet availability**

The government has set several tasks for faster development of information society. The first thing to be ensured (and a lot is already done) is free competition in the market of information and electronic communication services.

The Programme also envisages to encourage widespread use of ICT in public services, SMEs and households, by developing various channels and organisations for the provision of services, building technical and organisational infrastructure for the complex provision and convenient use of services, establishing a single state portal, and improving co-operation between public registers.

Progress has been achieved regarding the increased number of internet users, as internet was used at least once a week in Latvia by 27% of inhabitants in 2004 and by 36% of inhabitants in 2005. By implementing the current policy, good spread of telecommunications has been achieved, legislative acts related to ICT have been aligned, main registers and the most essential information systems have been formed, integration of information systems of public administration and establishment of online services are being developed.

There are about 4000 ICT companies in Latvia. Most of them are specified in provision of various information technology services, but the biggest turnover is created by companies offering telecommunication services. Services offered by electronic entrepreneurs also develop.

Development of information services influences services of other sectors substantially and expands export opportunities. ICT-related sectors, where Latvia has gained international success are signal processing and quantum calculation. Perspective sectors are bio-informatics, language processing and embedded software.

Employees of ICT sector are well trained, but their number is insufficient. The shortage of highest-level experts (system's analysts, consultants, project managers) is especially perceptible.

Public financing for applied research in ICT sectors was granted for the first time in 2005 and quadrupled in 2006. ICT research also gets financing from Latvian Council of Science, and ERDF co-funding has also been granted to support the applied research. State support for the innovation programme EUREKA is being planned, to which 28 projects from Latvia have been submitted.

Project of integrated state information systems (hereinafter ISIS) is being developed in the framework of the project "E-government portfolio" of ERDF National Programme "Development and improvement of the infrastructural foundation for electronic governance". By using ISIS, electronisation of services and integration of institution information systems are being performed. Architecture of ISIS will ensure the opportunity to provide the same e-service, using unlimited number of access points (users of services). 1<sup>st</sup> round of ISIS will start operating at the end of 2006.

Establishment of the document circulation and control system (DCACS) was started in November 2005. DCACS is being implemented in the framework of ERDF National Programme and is intended for optimisation, automation and standardisation of document circulation and task fulfilment control in the State Chancellery and ministries, using up-to-date information technology solutions and module architecture. Operation of DCACS is planned to start at the end of 2006.

A project was completed in March 2006, resulting in creation of a new state information system (SIS) „Register of State Information Systems". The register allows getting information about state information systems from a single place. It is planned that up to 100% of state and local government registers will be united into common system by 2009.

Work is continued in assessment of normative acts related to electronic signature and in development of appropriate normative acts. The Cabinet of Ministers Instruction "On Selection of the Bearer of Safe Electronic Signature and on Introduction of Safe Electronic Signature in the Republic of Latvia" supported selection of smart card as the bearer of safe electronic signature in Latvia. It is planned to issue certificate for creation of safe electronic signature in customer service centres of the state JSC "Latvijas Pasts" and in post offices of Latvia's district towns as from September 2006.

In order to promote availability and quality of the services provided by the public sector, the activity "Development of Public Internet Access Points" is being implemented, which envisages creating new public internet access points and develop the already existing ones. Tender of open projects in the framework of this activity concluded in November 2005. Assessment of project applications is in progress, and conclusion of project implementation agreements will be started. The projects have to be implemented in 2 years.

Majority of libraries in Latvia are provided with computers, internet connections, computer systems, software, access to various electronic databases and sources of information. Teaching information technologies to library employees is also ensured, teaching centres have been established and several seminars organised. In 2005-2006 publicly accessible libraries of state and local governments are supplied with 1500 computers, 200 local data transmission networks and 190 internet connections. 600 library employees have been given basic skills of computer use, access to internet is ensured in 97% of public libraries of state and local governments.

Formation of the national digital library *Letonica* is continued and the state united library information system is being shaped.

At the beginning of 2006, the European Commission approved the Net-Safe project application. The aim of the project is to create Latvian national support point of the Insafe network that coordinates providing information about safe use of internet. Its establishment will give an opportunity to found partnership and exchange experience with other EU member states of the Insafe network in order to promote development of safer internet environment in Latvia.

Government policy of ensuring access to broadband network is determined in the "*Broadband Network Development Strategy for 2006-2012*" that envisages provision of public and ERDF financing to entrepreneurs in the amount of 35% of the appropriate costs, so that they would expand infrastructure of broadband networks in distant territories. The ERDF National Programme "*Development of High Quality Broadband Networks in Geographically Distant Territories*", which envisages ensuring broadband access opportunities in distant regions, is coordinated and approved.

## **4.2. FAVOURABLE AND ATTRACTIVE ENVIRONMENT FOR INVESTMENT AND WORK**

In the Programme, the following main tasks have been set as priority directions for the creation of a favourable and attractive environment for investment and work in 2005-2008:

- Promote entrepreneurial culture, lessen administrative obstacles and burden, create a supportive environment for SME;
- Strengthen the supervision of competition and ensure effective competition in public services;
- Improve and develop transport infrastructure, increase the number of connections with other European infrastructure networks;
- Speed up administrative territorial reform.

Latvia, supporting decisions of the Spring 2006 European Council, sets the following priority task:

- Ensure efficient, safe and sustainable energy supply.

*National Lisbon Programme of Latvia* takes into account the European Union position on the necessity to separate economic growth from resource use so that economic and social success would not be achieved at the expense of excessive use of natural resources and deterioration of environmental quality. Therefore the necessary condition is:

- To ensure sustainability of resources.

### **Promoting entrepreneurial culture**

The Programme envisages annual preparation and implementation of the *Action Plan for Improvement of Business Environment* (see Chapter 7.2), including recommendations of entrepreneurs (especially small and medium-sized ones), social partners and Foreign Investors Council in Latvia.

*Action Plan for Improvement of Business Environment* for 2006 especially stresses those reform directions that include issues of tax administration, employment, introduction of e-government, and construction.

As both international studies and local entrepreneurs point at exceptionally non-flexible labour relations in Latvia, in the framework of the Action Plan, the tasks to be accomplished have been explored and the tasks to be performed for improvement of labour relations have been worked out and approved by the government, considering issues of prolonging the test period, extending the term of labour contract, and other issues. The Action Plan also prescribes that preparation work for starting use of safe electronic signature has to be completed in 2006. It is envisaged to improve normative acts in the area of construction in order to simplify the procedure of co-ordination for individual buildings as well as determine implementation of principles of „one-stop-shop“.

Several improvements were made in operation of the Enterprise Register in 2005 and 2006, and since 2005 all applications for putting into commercial register are considered by the Enterprise Register over three working days. Work is started to establish a unified system for registration of real estate deals.

To essentially reduce the time required for entrepreneurs in going through the State Revenue Service (SRS) formalities, in 2006 entrepreneurs were given an opportunity to sign documents with electronic signature, therefore it is not necessary to visit SRS.

A new *Insolvency Law* has been worked out and its coming into force is envisaged on July 1, 2007. The procedure for coming into force of chapters “Process of Legal Protection of a Debtor” and “Process of Insolvency of a Physical Person” of this law will be determined by a special law.

Introduction of the Insolvency Law will promote development of business environment and limit submission of groundless insolvency applications, prescribing new signs of insolvency process, and submission of insolvency process application will be only possible after ascertaining these signs. The draft law also provides for cross-border insolvency process. In its framework, an entrepreneur may initiate insolvency against foreign debtor, who has property (e.g., subsidiary) in Latvia. The draft law also prescribes establishing an electronic Insolvency Register thereby putting in order the information about all insolvency subjects. Establishment of the Insolvency Register will ensure regular information about debtor legal protection processes and insolvency processes, thereby making these processes more transparent, open and accessible. The register will replace the current labour-consuming and time-consuming processing of paper documents related to company insolvency process.

As from the 2<sup>nd</sup> half of 2005, Latvia has substantially improved the statistics of implementing internal market directives. As of June 1, 2006 98.5% of internal market directives were transposed in normative acts of Latvia (25 directives in total, implementation measures for which have not been announced), and this fully ensures reaching the Lisbon goal of transposing at least 98.5% of directive requirements or allowing directive transposition deficit in the amount of 1.5%. Latvia is also among those 6 member states that have implemented all financial service directives that had to be transposed by December 1, 2005.

In order to improve access of SMEs to funding, it is planned in the following years to pay more attention to allocation of financing for business development in the early stage (measures for availability of seed capital, opportunities to obtain loans on preferential terms) and availability of finances in the form of venture capital, as well as to co-financing for entrepreneurs' development projects in the territories requiring special assistance.

In order to improve access to loans on preferential terms, the Mortgage and Land Bank of Latvia (MLBL) implements support programmes financed by the state and EU, granting high-risk loans to viable and perspective projects of SMEs and business beginners, which are not financed by commercial banks due to insufficient collateral and other risks of the project. MLBL also implements other support programmes, among them training and consultation programme for business beginners and housing warranty programme.

Crediting Programme for Beginners was started at MLBL in March 2006 and is co-financed from the state and EU Structural Funds resources.

Access of SMEs to credit resources is also promoted by the Latvian Guarantee Agency that is a state-support institution. In order to improve the loan guarantee system, the procedure for



consideration of applications has been optimised, speeding up consideration of guarantee applications by the Latvian Guarantee Agency. In 2005 the European Commission approved the state support programme for development of venture capital "*Support to Venture Capital of Small and Medium-Sized Commercial Companies*". In the framework of this programme, in April 2006 LGA established 3 venture capital funds co-financed from the state budget and European structural funds, which might start making investment in the 4th quarter of 2006 already. These funds will invest in small and medium-sized commercial companies with high growth potential and value added, making investment in own capital of companies or granting it in the form of financial instruments related to own capital. As a result, the attracted additional financing is used for expansion of the current operation or for development of new products or technologies.

For the planning period of 2007-2013, such support programmes are envisaged as loan and leasing guarantees, export guarantees, heightened-risk loans, fund of venture capital funds, and business angels network.

To promote economic activities in the territories requiring special assistance, the grant scheme "*Support to Investment in Development of Enterprises in the Territories Requiring Special Assistance*" has been introduced (see Chapter 5.1 on promotion of economic activities in least developed territories).

### **Strengthening the supervision of competition**

In order to promote competition, *ex ante* measures of competition are being implemented, which include analysis of competition conditions and prices in markets, where suspicions of insufficient competition and its pressure on prices of goods/services exist.

The Programme also stresses the necessity to participate in the development process of sectoral normative acts in the institutions of Latvia and the EU, in order to encourage competition in sectors, where a high level of administrative regulation and inefficient use of public resources exist. In 2005-2008 participation in the market liberalisation process of gas, electricity, rail and air transport sectors will be especially important in this regard. Survey of market situation is being carried out in the mentioned sectors in the framework of particular cases to be considered and market surveillance. On the ground of market survey results, proposals will be made for amendments in normative acts in order to promote competition in the liberalised markets.

As implementation of competition policy is unachievable without awareness of the society, necessity of competition and its legal and economic aspects are being explained to interested parties in various target groups in the framework of establishing the competition advocacy system.

Struggle against the gravest violations of the *Competition Law*, namely, conclusion of prohibited agreements and abuse of dominant position, is set as a priority in the field of competition protection for the next years. Therefore amendments have been done to the *Competition Law* and Regulations of the Cabinet of Ministers have been approved, which provide for the so called Tolerance Programme in application of fines.

Implementation of several other measures is envisaged in 2007-2009 to keep and develop free, fair and equal competition protection, for example, in order to assess the influence of the lack of competition in market sectors on the growth of inflation, it is planned to conduct a cross-sector study on competition situation in those market sectors, which produce/sell goods and services that affect inflation. As a result of the study, it will be also possible to establish existence of unfair commercial practice in market sectors. Along with this, it is also envisaged to carry out the requirement included in draft normative acts, namely, assessment of the influence on competitiveness of companies and on growth of prices.

### **Improvement and development of transport infrastructure**

Transport infrastructure is one of the determinant factors of business environment. Long-term objective of the transport development policy in Latvia is to create an effective, safe, competitive, environmentally friendly, balanced and multimodal transport system that is integrated in the European transport system and satisfies the economic and social needs of the state for passenger and cargo transportation in domestic and international traffic.

To ensure improvement of the state road network's condition and increase the load-carrying capacity of the road surfaces and bridges in accordance with EU requirements, the portion of the state budget revenues from the excise tax on oil products channelled to roads is increased gradually (65% in 2007, 70% in 2008), including increased funding for maintenance and development of 2<sup>nd</sup> class state roads in order to promote the development of amalgamated local governments.

Budget expenditures for improvement and maintenance of **roads** in 2006 are allocated in amount, which is by 35% bigger than in the previous year, and it is planned to raise them by 80% for 2007. It is envisaged to increase budget expenditures faster for repairs of 2nd class roads: LVL 3.5 million are allocated in 2006 and allocation of LVL 12 million is planned in next years.

Quality improvement and development of roads also is a precondition for improvement of traffic safety along with administrative measures in order to achieve a 50% reduction in the number of road fatalities by 2010 in comparison with 2002, which is a target set in the Verona Declaration. There are some improvements in this regard, as the number of road fatalities in 2005 is by almost 15% lower than in 2002, however it is clear that much faster progress is required.

Special attention in the Programme is paid to quality improvement and development of international transport corridors, including Via Baltica and East-West road corridors and East-West railway corridor as well as infrastructure development and rise of competitiveness of ports.

EU funding was absorbed successfully in 2005. Four Cohesion Fund transport infrastructure project applications were submitted to the European Commission and approved in 2005. Thus, all available financing from the Cohesion Fund for transport sector in 2000-2006 is already reserved for projects. With the help of Cohesion Fund resources, also improvements of Via Baltica road spans in construction of Saulkrasti bypass and improvements of access road to Riga airport are being made. Along with road infrastructure development projects financed from the Cohesion Fund, implementation of ERDF national programmes and open tender projects was started. 84 project applications were assessed, and the Central Finance and Contract Agency concluded 30 contracts on allocation of ERDF co-financing.

To improve safety level of transit corridors in compliance with EU requirements, implementation measures of several projects were made on **railway** in 2005, using financial assistance from the Cohesion Fund and state budget resources. With financing from the Cohesion Fund, modernisation of train service management and hot-box detection systems, change of switches, splinters, sleepers, rails and rubber covering of level crossings in East-West railway corridor, and construction of the reception park of Rēzekne II station are carried out.

Even more voluminous use of Cohesion Fund resources for improvement of railway infrastructure is envisaged in the planning period of 2007-2013. Investment in the amount of LVL 76.6 million (including LVL 48 million from the Cohesion Fund) is planned for renovation of rail track and improvement of its carrying capacity in East-West railway corridor. Investment in the amount of LVL 60.5 million (including LVL 47.1 million from the Cohesion Fund) is planned for reconstruction and development of TEN-T railway spans and for further progress of *Rail Baltica* project.

Development of **ports** and **airports** is also taking place. Reconstruction of access roads to Liepāja and Ventspils ports as well as extension of runway and improvement of lighting system in Riga International Airport is carried out using Cohesion Fund resources.

Construction and construction supervision agreements have been signed in the framework of Ventspils and Liepāja ports' access road projects. Government purchase documentation is being prepared for the airport runway project.

On July 12, 2006 the Cabinet of Ministers approved the "*Guidelines of Transport Development for 2007-2013*" that define basic principles of policy, development goals and priorities in the transport sector for 2007-2013. To reach the goals set in the guidelines, the following main directions of activity are determined:

- Improvement of infrastructure quality;
- Raising the level of traffic safety;
- Organising public transport services on national bus and train routes of the route network;
- Promotion of transit services;
- Formation and implementation of transport policy on the basis of studies and professional specialists.

### **Administrative territorial reform**

To encourage development of local governments, the Programme especially stresses the necessity to carry out administrative territorial reform of local governments in order to create an optimum administrative and organisational structure of local governments and promote their capacity, which would foster development of regions. Timetable for completion of the reform is set until the local elections in 2009. The Cabinet of Ministers approved draft territorial division of local governments, which serves as a base for implementation of the reform. Several financial support instruments have been created to promote implementation of the reform in accordance with the Law on Administrative Territorial Reform.

To ensure formation of strong local governments, it is planned to implement measures for strengthening capacity of local governments in the programming period of 2007-2013 in the framework of the EU structural funds' operational programme "*Human Resources and Employment*", supporting skills improvement of the existing local government employees and ensuring recruitment of skilled specialists to regions and local governments.

### **Effective, safe and sustainable energy supply**

Latvia, supporting decisions of the Spring 2006 Council, sets as priority the task to ensure effective, safe and sustainable energy supply where the main present tasks are to liberalise electricity and gas markets and develop interconnections of electrical transmission networks of the Baltic States, Nordic countries and Central European countries.

In view of the policy carried out by the European Union in the climate change reduction area and the energy supply safety issue urgent for Latvia, sustainable use of energy resources is one of priorities of the state. Support to energy efficiency raising measures, use of co-generation and renewable energy resources and promotion of the development of environmental technologies are of vital importance.

Main conditions of **electricity** market were introduced in Latvia by adopting the Electricity Market Law in 2005. According to these conditions, eligible users (all users, with the exception of households) can freely choose an electricity supplier for non-regulated price that is set in bilateral agreements between the user and the supplier.

Electricity transmission and distribution takes place in accordance with transmission and distribution tariffs approved by the Public Utilities Commission (Regulator). *Electricity Market Law* guarantees free, explicit and non-discriminatory access to electricity transmission and distribution systems, observing regulations for a system connection, the methodology, and electricity transmission and distribution tariffs approved by the Regulator. As from July 1, 2007 also households will have rights to participate in the electricity market.

Project of *Estlink* cable was started in 2005 (construction of the Baltic-Finnish underwater cable), and completion of it is planned not later than at the end of 2006.

One of potential asynchronous connections of Baltic States energy systems to Western Europe may be implemented, by carrying out the project of connection of Lithuanian–Polish electricity transmission systems. The issue of connecting Lithuanian and Polish energy systems was made topical for the first time in the framework of the Baltic Ring study in 1998. Several studies have been done up to now, but specific work was not started.

The most used forms of **renewable energy resources** in Latvia are wood and hydroresources, which make up one-third of the balance of Latvian primary energy resources. Wind power and biogas are used considerably less, while solar energy is used at very small amounts in the form of pilot projects at present. The contribution of renewable energy resources to electricity generation is considerable and makes up 46%. By 2010 Latvia has to increase the share of “green” power in the total volume of generated electricity to 49.3%.

96% of all currently generated electricity obtained through the use of renewable energy resources has come from the 3 biggest hydropower plants (Rīga, Ķegums and Pļaviņas HPP). Small hydropower stations generated about 2% of the total generated electricity volume in the country, while wind generators and biogas stations generated 1.5% and 0.8% respectively.

Latvia continues improving support mechanisms for promotion of electricity generation from renewable energy resources and simplifying administrative procedures for electricity producers that use renewable energy resources. Two draft Cabinet of Ministers Regulations have been prepared, which will determine new procedures for compulsory purchase of electricity from co-generation plants and setting its purchase price and for compulsory purchase of electricity generated from renewable energy resources and setting its price respectively.

It is envisaged to use the financial support available in the framework of EU Structural Funds, Cohesion Fund and Norwegian financial instrument for better use of renewable energy resources and development of co-generation plants.

Biofuel is being produced in Latvia by using oil extracted from rapeseeds. Fields sowed with rape take up 54 thousand hectares or about 6% of all arable land in Latvia.

To promote development of biofuel in Latvia, the *Law on Biofuel* was adopted on March 17, 2005 with the goal to encourage turnover of biofuel, thereby supporting the use of environmentally friendly renewable energy resources that are safe to supply.

The state provides direct support to producers of biofuel since 2005. Financially supportable quotas for production of biodiesel and bioethanol are set two times per year. The amount of the quota in 2005 was 11.4 million litres of bioethanol and 12.5 million litres of biodiesel. The amount of the direct support in 2005 was LVL 170 for 1000 litres of produced biodiesel and LVL 140 for 1000 litres of produced bioethanol. The financially supportable quota in 2006 amounted to 16 million litres for bioethanol and 18 million litres for biodiesel. In the 1<sup>st</sup> half of 2006 the amount of the direct support was LVL 160 for 1000 litres of produced biodiesel and LVL 130 for 1000 litres of produced bioethanol.

The amount of bioethanol produced in 2005 made up 2 million litres while the amount of produced biodiesel was 0.8 million litres. Four million litres of bioethanol and 2.1 million litres of biodiesel were produced in the 1<sup>st</sup> half of 2006.

State policy of renewable energy resources is aimed at promotion of their use, respecting environment and achieving reduction of CO<sub>2</sub> emissions. One of the tasks of this policy is to encourage use of biomass in cogeneration plants. Main goals of the policy of renewable energy resources to be achieved are as follows:

- electricity acquired from renewable energy resources should constitute 49.3% of the total generated volume of electricity in 2010;
- share of renewable energy resources in the total balance of energy resources should be at least 37%;
- share of biofuel in power intensity of the total commercialised transport fuel should make up 5.75% in 2010.

Several projects related to the use of renewable energy resources were started in 2006. The project "*Promotion of biofuel use and integration of environmental requirements in regional biocentres*" supported by Latvian Environmental Protection Fund not only will explain, but also will demonstrate in practice the advantages of biofuel use and its favourable impact on environment. The project "*Use of solar energy accumulated in the ground for ensuring and efficient use of heat supply system in Smārde rural council hall*" was also started. As a result of the project, the current fuel (diesel) will be replaced by environmentally friendly renewable energy resource reducing emissions of air-polluting substances – solar energy accumulated in the ground. This will reduce the emissions that constitute 65.94 kg/ CO<sub>2</sub> and 39.9 kg/NO<sub>x</sub> per year in the present heating conditions. The project should be classified as an innovative project in raising the heating system efficiency and improvement of energy efficiency in the public sector on Latvian scale.

### **Ensuring sustainability of resources**

In compliance with the policy implemented by the EU in the field of climate change reduction and in accordance with the breakdown of greenhouse gas emissions by national economy sectors, main measures are being implemented in the energy sector, agriculture and waste management. Among them, support for energy efficiency increase measures, use of cogeneration and renewable energy resources and promotion of development of environmental technologies are of crucial importance.

The comparatively virgin nature of Latvia is frequently mentioned as the most important resource of Latvia and as its symbol, which attracts tourists from all over the world, and the largest areas of virgin nature are situated in the specially protected nature reserves (12.1% of Latvia's land area). The area of Latvia's reserves "Natura 2000" (unified network of protected nature territories of EU significance) is almost equal to the total area of the specially protected nature reserves.

*Climate Change Reduction Programme for 2005-2010* was approved in 2005.

Regional **emission quota trading system** operates in EU member states as from January 1, 2005.

In compliance with EU Directive 2003/87/EC, Decision 280/2004/EC of the European Parliament and of the Council, European Commission Regulation 2216/2004, European Commission Decision 2004/156/EC and appropriate normative acts of Latvia, the greenhouse gas emission registry was established (it started operating on November 23, 2005). 4 070 078 emission quotas were granted (not including the number of quotas additionally granted from the reserve), 2 854 424 emission quotas were verified and 2 854 424 emission quotas were handed over in 2005. Evaluating operation of the EU Emissions Trading System (ETS) in Latvia, one has to note that all basic elements of the system are operating and, besides, the registry will also serve in the international emission trading process in the future, implementing the flexible mechanism envisaged in the Kyoto Protocol.

*Concept on Participation of Latvia in International Emission Trading* was approved in April 2006 in order to ensure decision making on the issue of Latvia's participation in the international emission trading in the framework of the UN Framework Convention on Climate Change and its Kyoto Protocol. The Concept also offers options for optimum management of international emission trading in Latvia and fulfilling commitments of the UN Framework Convention on Climate Change and its Kyoto Protocol.

Pre-study for establishment of green investment system for introduction of Kyoto flexible mechanisms was conducted in co-operation with representatives of the World Bank in the 1<sup>st</sup> half of 2006. Emission quota distribution plan for 2008-2012 was notified by the European Commission on August 16, 2006.

As a result of natural overgrowing of non-forest land and purposeful afforestation, Latvia's total forestland area increases every year. In spite of this fact, Latvia emits more anthropogenic greenhouse gas emissions than attracts them. In 2005 Latvia attracted greenhouse gases in the amount of mere 63% or by 7737 Gg CO<sub>2</sub> equivalent less than it

emitted. According to forecasts, about 580 thousand hectares of uncultivated naturally overgrowing land might be in Latvia by 2020, therefore more attention is paid to the use of the land, raising productivity of forest inventories and afforestation of unused land.

Big energy consumption of dwelling houses is a key problem in the field of housing. 334 176 dwelling houses were in Latvia at the end of 2004, of which 41% were built in the period of 1958-1992, when reinforced concrete structures were widely used in construction. Big energy consumption and low thermal performance of isolation constructions are characteristic for such houses. Therefore **renovation and reconstruction of houses** is necessary in order to reduce the consumption of energy resources and along with it also the harmful emissions of CO<sub>2</sub> into atmosphere, which arise from production of thermal energy.

In 2006 it is planned to submit the state support programme "*Programme for Promotion of Apartment Houses Renovation*" to the Cabinet of Ministers for approval.

Co-financing of the activity "*Measures for reconstruction and heat performance improvement of housing owned by local government*" is planned from EU Structural Funds resources for 2007-2013 in the field of housing, which will also implicitly promote measures of energy efficiency of privatised apartment houses. It envisages that in cases, where apartment owners decide to carry out appropriate energy efficiency measures but individual apartments are owned by a local government, energy efficiency measures for the common property may be carried out with co-financing from EU Structural Funds in proportion to the number of apartments owned by the local government.

Taking into account the rapid development of national economy (including industrial production) in the last years, it is vital to pay more attention in the future to development of environmental technologies. Implementation of a programme for support of environment-friendly technologies by attracting ERDF resources is foreseen in the planning period of 2007-2013.

To promote research, development and use of environmental technologies, draft Cabinet of Ministers Instruction "Changes in the National Environmental Policy Plan for 2004-2008" has been prepared, which includes new chapter on environmental technologies. The draft instruction formulates main problems and policy goals in the field of environmental technologies and measures for their attainment.

Big attention in Latvia is paid to protection of natural resources and preservation of biological diversity.

To ensure favourable protection status of protected species and biotopes, protection plans are being worked out for *Natura 2000* territories. It is planned to improve the list and data base of *Natura 2000* territories by the end of 2007 in compliance with guidelines of the European Commission. Grasslands in *Natura 2000* territories take up 63 025 hectares. In addition, valuable grassland biotopes take up 14 146 hectares. They need renewal and management measures.

The sub-programme "Agrovide" ("Agro-environment") of the Rural Development Plan for 2004-2006 envisages introduction and encouragement of agricultural methods that preserve and improve biological diversity and reduce environmental pollution, promotion of production, processing and sale of high quality products, reduction of erosion by increasing the proportion of vegetation-covered areas in agricultural land, as well as preservation, protection, reproduction and popularisation of locally originated important sorts of cultivated plants and agricultural breeding animals that are nationally and internationally recognised as endangered populations.

According to this, several activities of the sub-programme "Agrovide" were implemented in 2005, namely, "*Development of biological agriculture*", "*Preservation of biological diversity in grasslands*", "*Establishment of buffer zones*" and "*Preservation of genetic resources of agricultural animals*". Besides, new activity "Containment of erosion" of "Agrovide" was developed and co-ordinated in the European Commission during 2005 and started in autumn 2006.

According to the developed *Latvian Rural Development Strategy for 2007-2013*, one of development directions is improvement of environment and rural landscape, which also includes measures for preservation of biological diversity, ecologically valuable agricultural and forestry systems and water resources. Agriculture and forestry leaves a substantial impact on environment, therefore it is necessary to support use of environmentally friendly production methods aimed at preservation of biological diversity, sustainable management of natural resources (e.g., improvement of soil fertility, reduction of erosion and soil acidity), higher quality of products and reduction of nitrate pollution and diffusive phosphorus pollution, as well as payments that would compensate unearned income arising from constraints of economic activity in *Natura 2000* territories, and it is also necessary to support assuming of voluntary environmental commitments.

This will be carried out by such measures as agro-environment, investment in environmental infrastructure of agricultural enterprises, raising the value of forest land and unused agricultural land, and support to agricultural activity in less favourable areas.

Improvement of **environmental infrastructure**, especially water management and waste management, continued in 2005.

Implementing the started projects, the quality of water management services will be improved for almost 50% of Latvian population. Resources from both the Cohesion Fund and ERDF were used in funding the projects. Implementation of water management development projects co-financed from the Cohesion Fund and ERDF is also planned in 2006-2008.

In 2005 through implementation of water management infrastructure development projects supported by the Cohesion Fund, new water preparation stations and waste water treatment facilities were built and the existing ones were reconstructed, water supply networks and sewerage systems were expanded, and other activities improving water management services were carried out.

In 2005, physical implementation of two household waste management projects co-financed from the Cohesion Fund was concluded (Ventspils and Ziemeļvidzeme household waste management regions) and implementation of Liepāja household waste management project was continued, while implementation of waste management infrastructure development projects was started in Austrumlatgale and Dienvidlatgale household waste management regions. These 5 household waste management regions contain about 30% of Latvian population. Recovery work in 11 household waste dumps was completed with ERDF support in 2005, recovering 9 hectares. It is foreseen to continue this work also in 2006- 2008, using co-financing from both the Cohesion Fund and ERDF.

Encouraging separate collection and processing of waste, subsidies from the collected natural resource tax were paid for processing and recycling of environmentally harmful products in 2005. Subsidies were granted for recycling of the used tyres, lubricating oils, power accumulators and chemical power sources, mercurial bulbs and old vehicles.

Activity "*Establishment of separate waste collection points*" will be implemented in 2006-2008 with the financial support of ERDF until 2008.

## 5. EMPLOYMENT POLICIES

### 5.1. EMPLOYMENT

The Programme for 2005-2008 defines the following main tasks for fostering employment:

- Promote inclusive labour market;
- Encourage economic activities in the least developed regions;
- Reduce undeclared employment.

Life-cycle approach to employment, improvement and diversification of active employment measures along with development of labour market institutions, employment partnerships and social dialogue are the basic elements that make up the set of employment policy measures of the Programme. Latvia has a goal to reach employment rate of 65% in 2008 (61% for women and 48% for older people) and 67% (62% for women and 50% for older people) respectively in 2010.

The rapid economic development observed in Latvia in the recent years positively influences the situation in the labour market. During the last five years (2001-2005) employment rate has increased by 5.8 percentage points. Employment rate in Latvia was by 4.9 percentage points below the EU average in 2000, but lagged behind by mere 0.5 percentage points in 2005.

Employment rate in 2005 was by 1 percentage point higher than in the previous year and reached 63.3%. It lags behind the target for 2010 set in the Programme by 4.7 percentage points. Male employment grows faster, increasing by 1.2 percentage points in 2005 and reaching 67.6% that is almost at the target level for 2010 set in the Programme (68%). It has to be noted that female employment rate in Latvia (59.3% in 2005) is higher than the EU average (56.3% in 2005).

Unemployment indicators have improved accordingly. Unemployment decreased especially fast in 2005 to 8.9% (it was 10.4% one year before). The share of long-term unemployed persons has decreased. Long-term unemployment rate amounted to 4.1% in 2005 and lagged behind the target level set for 2010 by mere 0.1 percentage points.

Unemployment of youth has substantially decreased in 2005 from 18.1% in 2004 to 13.6% in 2005 (in the age group of 15 to 24 years). The number of employed young people has increased, but the number of economically active young people has gone down, because more and more young people continue their education.

Difference between youth unemployment and the average unemployment rate in the country has also decreased substantially. Youth unemployment rate in 2004 was by 7.7 percentage points higher than the average unemployment in the country, but in 2005 it was by mere 4.7 percentage points higher. This difference is among the lowest in EU member states.

Employment rate of older people has increased in 2005. It amounted to 49.5% in 2005 (age group of 55-64 years), which is by 1.6 percentage points higher than in the preceding year and exceeds the target for 2008 set in the Programme and slightly lags behind the target level set for 2010. However, it must be noted that employment level of older people has substantially increased among women (from 41.9% in 2004 to 45.3% in 2005), but has a little decreased among men (from 55.8% to 55.2%). It can be mostly explained by the different retirement age for women and men. At present, the retirement age is 62 years for men and 61 year for women. It is determined that also the female retirement age has to reach 62 years in 2008, and this age is annually increased by six months. That is why the female employment rate in this age group is increasing.



### **Promoting an inclusive labour market**

In order to foster employment and reduce unemployment, the Programme envisages improving the professional training and retraining of the unemployed and raising skills, carrying out measures for the rise of competitiveness, including such measures as teaching the state language and diversifying active employment measures in accordance with the needs of the regions.

The Programme especially stresses the measures related to inclusion of the young people, pre-pension age people and women, especially after child care leave in the labour market.

For inclusion of the disabled and people of other social exclusion risk groups in the labour market, it is envisaged to create subsidised workplaces and develop the system of social services by improving availability of professional and social rehabilitation services, integrating persons with functional disorders into society, providing them with technical aids and improving the infrastructure of social care and social rehabilitation institutions.

With ESF support in the framework of the national programme "Support to implementation of active employment measures", SEA carried out three projects in 2005: the unemployed (among them long-term unemployed, the unemployed returning to the labour market after child care leave, disabled unemployed and the unemployed after serving their sentence in detention facilities) were involved in training, retraining and skills-raising courses for the unemployed. More than one-third of them got work in 2005 after the training.

In addition, in 2005 the unemployed and job seekers were involved in informative hours and days, modular training to acquire basic skills, individual consultations or work in groups and mastering the practical skills required for work.

In 2005 SEA developed several new measures, and both the unemployed and job seekers and employers were asked to participate in them, for example, the employer (with an enterprise, where collective dismissal or reduction of the number of employees is envisaged), in co-operation with the agency, can provide the employees with opportunities to receive specialist consultations, take part in informative activities and acquire the basic skills required in the labour market. In this way, the employer lessens the social tension in the enterprise and increases and diversifies the opportunities to find new workplace or acquire skills required in the labour market (languages, project management and other skills).

The pilot project of measures "*Acquiring the practical skills required for work in the workplace*" envisages that the unemployed may check their professional suitability by working for one to three months in some profession. It is a good opportunity for the employer to test skills and suitability of a potential employee and find a suitable employee in the case of a positive result. During the pilot project, the employer receives subsidies to pay for work of the unemployed and to pay in addition to the supervisor.

In 2005 SEA concluded 25 agreements with project applicants approved in the framework of the ESF open tender of project applications "*Ensuring subsidised workplaces for social exclusion risk groups*". 56% of all projects are being implemented by private enterprises, while local government organisations implement 44% of the projects. 48% of all projects are being implemented in Latgale region, 16% are implemented in Kurzeme, 16% – in Vidzeme, 4% – in Riga, and 16% – in Zemgale region. The deadline for implementation of the projects of the open tender applications is June 30, 2008.

In 2005 SEA implemented a new measure "*Supported work*". If a person with mental disorder is involved in work, the agency provides this employee with a paid mentor, who follows the quality of work done by this employee and the acquisition of required skills.

Special measures are meant for **persons after child care leave** in order to involve them in the labour market. SEA organises professional training, paid temporary public works and other active employment measures. Career consultations provided by Professional Career Counselling State Agency (PCCSA) are available. So that parents could co-ordinate work and family lives more successfully and persons after child care leave could return to work, 18

projects for creation of child play areas and development centres were implemented in the framework of the State Programme for Improvement of the Situation of Children and Family and in co-operation with local governments and non-governmental organisations in 2005. Agreements on creation of 10 child play areas and development centres and day centres for primary school age children were concluded in 2006.

Also **pre-pension age people** are being involved in the active employment measures organised by SEA. PCCSA offers specially organised career consultations to older people.

In order to foster **youth employment**, the PCCSA provides individual and group consultations in the choice of education and profession, determination of professional suitability and career planning. In order to solve the current problems of unemployed youth with integration in the labour market, SEA organises active employment measures, prioritarily involving unemployed young people into them.

Several European Social Fund projects were implemented in 2005 and their implementation will increase youth opportunities to get included in the labour market.

Implementation of the projects of the ESF open project tender "*Ensuring work practices for unemployed young people*" (27 projects) was started in 2005. Repeated tender of projects was also announced and it was decided to forward 49 projects for approval.

*„Employment measure during summer holidays for persons, who acquire education at general, special or professional education institutions"* started in 2004 is being continued. The measure has a goal to encourage summer employment of pupils and promote their competitiveness in the labour market, giving to pupils an opportunity to acquire necessary basic abilities and skills and get work experience. In this project, SEA financed pupils' wages in the amount of 50% of the minimum monthly wage set in the country and covered costs of the work practice supervisor from state budget resources. Costs of employers consisted of pupils' wages in the amount of at least 50% of the minimum monthly wage, tax payments, bonuses, dinners, etc. 9264 pupils were involved in this measure during 2005, which is almost three times more than in 2004 (3223 schoolchildren).

In order to promote awareness of society about the principle of **gender equality** and its real application, the strategy of informing society about gender equality issues was developed and its implementation was started in 2005. Opinion survey "*Attitude towards gender equality in the labour market*" was conducted. Implementation of the strategy is continued in 2006, making social advertisements and informative materials, organising seminars and discussions in mass media for different target audiences, etc.

In order to analyse the situation, a study on gender equality in the labour market has been started. It is envisaged to get results of the study at the end of 2007.

It is planned to implement the national programme "*Support to promotion of gender equality*" with ESF support in 2007.

To clarify the situation of a man as a father and his opportunities to co-ordinate family and work lives, implementation of projects "*Men equal, men different*" financed by the European Community was started on November 1, 2005. In their framework, analysis of public environment, survey of employees and analysis of results, and interviews with employers were conducted, and good practice guidelines were developed on their basis. At the same time, an informative campaign about popularisation of father's role in society takes place in mass media during the project.

By improving and **developing social care and social rehabilitation services** and infrastructure, the network of social services is being optimised throughout Latvia, availability of services and their compliance with the set quality requirements, efficient use of resources and inclusion of disabled people as well as members of their families in the labour market are being ensured.

Professional rehabilitation programmes offered by the state agency "Social Integration Centre" (SIC) correspond with labour market requirements, but it is necessary to expand the range of programmes offered by SIC, introduce new training methods as well as the system for

detection of professional suitability of the disabled with a goal to practically test if his chosen programme is appropriate for the type of functional disorder and the degree of its severity.

National programme "*Improvement of infrastructure and equipment of social care and social rehabilitation institutions*" prescribes modernisation and adjustment of these public institution complexes in order to provide employment-oriented services in accordance with client needs in the region as well as expansion of the supply of social rehabilitation services. Attraction of ERDF resources for its implementation is planned.

Grant schemes to ensure programmes for higher education and professional further education and improvement of social care and social rehabilitation workers have been developed and are being implemented. They have ESF support. With the funding available for the grant scheme, more than 140 social work specialists from all regions of Latvia will acquire the first-level higher professional education in the field of organising social care, social rehabilitation or social help in the next years, while 30 social work specialists will improve their professional qualification (1454 social work specialists were employed by local governments in 2005).

In order to promote development of professional social work, the Programme for Professional Social Work Development (2005-2011) was worked out and approved in 2005, which prescribes additional state support to education of social work specialists for the state and ESF resources, partial financing of pay for those professional social workers, who perform social work with families and children in social services of local governments, popularisation of good practice in local governments, ensuring methodological aid to social work specialists, and establishment of the Social Work Council.

National programme "*Support to capacity-building for implementation of labour market and gender equality policy in responsible institutions, dissemination of information and raising awareness*" has been developed and is being implemented with ESF support. Its goal is to raise **administrative capacity of institutions** involved in development and implementation of the labour market policy, popularise principles of gender equality, strengthen social partner organisations and develop the system of professional orientation services. Structural units of the State Employment Agency and of the State Labour Inspectorate, trade unions of the Free Trade Union Confederation of Latvia, member organisations of the Employers' Confederation of Latvia, local governments, and structural units of the Professional Career Counselling State Agency have received support in the framework of the national programme in 2005.

It is envisaged to implement two national programmes: "*Capacity-building for labour market institutions*" and "*Improvement of infrastructure of labour market institutions*" in the planning period of 2007-2013, using ESF support.

New **system of labour protection services** with a goal to ensure quality of labour protection services and set unified criteria for assessment of their competence has come into force as from January 1, 2006. To improve the work environment and reduce the number of accidents in comparatively dangerous sectors, the forms of commercial activity are determined, where an employer has to compulsory involve a competent institution in the field of labour protection.

Great attention is still paid to educating and informing society (both employers and employees) about labour protection issues and their significance in order to promote introduction of labour protection requirements in enterprises.

To improve the labour protection system, it is planned to work out the national action plan in the area of labour protection, transform and strengthen the Institute of Occupational and Environmental Health, develop the capacity of the State Labour Inspectorate by introducing new training models and sector-specific approach, and promote social dialogue at enterprise level on labour protection issues.

Voluminous **labour market studies** have been started with ESF support, which will provide the necessary information for raising efficiency of the employment policy, for regional development policy, promotion of education and science, more successful adaptation of Latvian labour market to the requirements of the EU single market. Creation of long-term forecasting system of labour demand and supply is envisaged in their framework.

### **Encouraging economic activities in the least developed regions**

In order to lessen the marked regional differences in employment rates, the Programme stresses the necessity to pay more attention and allocate more resources to business start-up measures and to promotion of geographic mobility in economically weak or less favourable territories.

Support to development of business activity in territories requiring special assistance is provided both in the framework of national financing (Regional Fund) and by use of EU resources (European Regional Development Fund), by encouraging economic activities in these territories, creating new workplaces and keeping the existing ones, as well as promoting rise in living standards of the population.

In order to provide support to enterprises, the grant scheme "*Support for investment in development of enterprises in territories requiring special assistance*" (ERAF financing is also used in the grant scheme) is implemented and income tax allowances are applied.

The growing activity of entrepreneurs and the achieved performance indicators point at increased business activity in territories requiring special assistance. Therefore a new support programme for development of entrepreneurial activity in territories requiring special assistance is being worked out for the planning period of 2007-2013 in the framework of EU structural funds.

New methodology had been worked out in 2006 for detection of territories requiring special assistance. According to this methodology, the status of territories requiring special assistance is in force from January 1, 2007 until December 31, 2009.

To encourage diversification of rural economy, co-financing for implementation of projects in such activities as diversification of agricultural activities and activities close to agriculture, investment in ensuring basic services for rural population and rural economy needs, and promotion of countryside tourism and crafts is available in the framework of the European Agricultural Guidance and Guarantee Fund in the programming period of 2004- 2006.

To ensure diversification of rural economy also in the future, implementation of the following support measures is envisaged in the programming period of 2007- 2013:

- Support to establishment and development of enterprises;
- Promotion of tourism activities;
- Restoration and development of settlements;
- Preservation and development of rural cultural heritage.

Cultural policy plays a special role in the regional policy. Formation of regional cultural policy as well as cultural mapping and research are planned in the further planning period until 2008.

Memoranda of Understanding on the implementation of the Norwegian bilateral financial instrument in 2004-2009 and on the implementation of the European Economic Area financial instrument in 2004-2009 have been signed, where the preservation of European cultural heritage is a priority.

Proposals are being worked out for the Operational Programme of 2007-2013, by foreseeing attraction of financing to development and creation of cultural tourism products, renovation of cultural and historical heritage objects with high socio-economic potential, establishment of multifunctional concert halls in development centres of national and regional importance, and preservation and renovation of such private cultural and historical heritage objects where wide accessibility of these objects for society is ensured. Proposals to "*Cross-border co-operation programme for 2007-2013*" have been worked out as well, envisaging attraction of financing for implementation of cultural co-operation, cultural infrastructure, cultural tourism and cultural heritage preservation projects.

In order to create favourable conditions for development of tourism sector and fulfil implementation of mutually co-ordinated tourism development policy, in 2006 the government approved the Latvian Tourism Development Programme for 2006-2008.

Implementation of projects of the activity "Efficient use of cultural and historical heritage in tourism development" co-financed by ERDF was started in 2006. The activity is aimed at promotion of tourism, at the same time fostering development of regions, and this is directed to efficient use of cultural and historical heritage for development of tourism products, improvement of tourism infrastructure, creation of new tourism products and lessening the impact of seasonality on the tourist flow, which would encourage increased number of tourists and improvement of the quality of provided services.

To promote development of tourism products of national level in all regions also in the further years and ensure development of unified tourism information system, proposals for the period of 2007-2013 were prepared.

The study "*Geographic mobility of labour force*" was started in 2005. Both the internal and external migration, its amount and specifics are being explored and analysed in its framework. It is planned to carry out this study by December 5, 2006. Its results will be used in development of the state economic migration policy.

In order to increase economic activities more efficiently, especially in the least developed regions, it is envisaged to raise budget expenditures faster for repairs of 2<sup>nd</sup> class roads. LVL 3.5 million have been allocated in 2006, while allocation of LVL 12 million is planned in the next years (see also Chapter 4.2 on transport).

To provide good-quality public transport for the population of regions, a new *Draft Law of Public Transport Services* has been worked out. The task of this draft law is to provide the population with safe and available public transport services as regular passenger transportation organised by the state or local government for public benefit within a united network of routes. Public means of transport (bus, tram, trolley bus, train) are used for provision of these services.

Draft Law of Public Transport Services prescribes that carriers can receive full compensation of losses related to provision of public transport services that are necessary for society (in accordance with the set common EU legal acts (Regulation)): the new public transport system is based on clearly defined principles of its organising, competence of institutions and indicators of access to services.

### **Reduction of undeclared employment**

There is no single special measure that would guarantee substantial decrease of undeclared employment (shadow economy). Set of measures involving all interested parties is important. For that reason, the Programme foresees solution of the problem both by raising administrative capacities of the State Labour Inspectorate, improving control over observance of labour law norms, increasing the level of society's awareness about the issues of labour law, developing a model of co-ordination mechanism for effective exchange of information with the adequate public administration bodies and other institutions, and by strengthening the roles of trade unions and employer associations, encouraging employers to unite in employer organisations, in order to create a favourable environment for raising the reputation of socially responsible business activity, and also stresses the necessity to raise the minimum wage and increase the untaxed minimum in order to reduce tax burden on workplaces of low income.

The minimum monthly wage was raised to LVL 90 in 2006. The government has approved the increase of the minimum monthly wage to LVL 120 in 2007. The sum not subjected to income tax is also increased every year, which allows to reduce tax burden on people with low incomes.

Draft National programme "*Improvement of occupational safety system and labour relations supervision*" is being implemented in the State Labour Inspectorate with ESF support in the period from 2004 to 2007. In its framework, among other things, it is envisaged to conduct

independent assessment of operation of the State Labour Inspectorate, ensure training for employees of the inspectorate, work out specific training programmes, as well as carry out the campaign of informing society about labour safety and health protection and labour relations issues, including development of various informative materials.

The study "*Evaluation of unregistered employment*" was started with ESF support in 2005. The goal of the study is to provide evaluation of the volume and characteristics of unregistered employment, analysis of factors causing it, and proposals for reduction of unregistered employment. It is planned to conduct interviews with experts as well as employee and employer surveys in the framework of this study by the beginning of 2007 in order to obtain evaluation of unregistered employment, work out specific policy alternatives on the basis of this evaluation and carry out assessment of their influence, including analysis of cost efficiency.

## 5.2. EDUCATION AND SKILLS

The Programme envisages the following main tasks for improvement of education and skills in 2005-2008:

- Strengthen co-operation between public administration institutions, education establishments and employers in order to adjust the supply of the education system with the needs of the labour market;
- Improve availability of education at all levels and reduce the number of students, who do not complete studies or do not achieve a professional qualification;
- Increase the availability of lifelong learning and motivation of the population in this area;
- Raise the overall level of technological skills and natural science knowledge, improve the professional orientation system and ensure the availability of professional orientation services for all population in the context of lifelong learning.

Investment in human capital is a decisive factor for raising productive capacity in order to promote progress to knowledge-intensive economy. This investment has to ensure essential improvements in the ability of the education system to adapt to the changing requirements of the labour market, improve availability of education at all levels, raise participation and responsibility of regional governments and employers in ensuring availability of professional education and create efficient system of lifelong learning.

The Programme sets the target to raise the level of youth education, which is quantitatively set for 2010 (the share of young people in the age of 20-24 years with at least secondary education has to reach 85%). This indicator corresponds to the target indicator set by the EU for 2010.

To solve these tasks, the Programme pays a big attention to measures for improvement of both the secondary and the higher professional education, such as modernisation of the material and technical provision and practical training of professional education establishments, as well as developing and carrying out an information campaign in order to raise prestige of engineering sciences, natural sciences, medicine and other fields necessary for development of Latvia.

### **Improving availability of education at all levels**

Several measures are being implemented so that all **children of compulsory education age** would be enrolled in the education system. 95% of them on average are enrolled in it. 34 catch-up education programmes were carried out in the academic year 2004/2005, giving an opportunity for pupils, who graduated from the 9th grade with school report to get a certificate of basic education within one year.

The number of five-year and six-year old children, who acquire pre-school education programmes has increased (to 96%), due to the Education Law norm on the compulsory preparation of five-year and six-year old children for the acquisition of basic education. Licences for 888 professional education programmes (1<sup>st</sup> to 3<sup>rd</sup> levels of qualification) were issued in 2005, among them 12 professional programmes with pedagogical correction, to give an opportunity for pupils of 7th-8th grades with low level of basic knowledge to continue education. To reduce the number of pupils expelled from education establishments, professional education establishments (hereinafter – PEE) hold professional career education activities.

The number of schoolchildren, who graduate from the 9<sup>th</sup> grade with school report, i.e., without acquiring basic education, decreases gradually. In the academic year 2003/2004, 9.5% of the graduates did not acquire a certificate of basic education, while there were 6.9% of such graduates in 2004/2005 and 5.7% in 2005/2006.

To expand the **range of people acquiring higher education**, amendments have been made to normative acts and the student loan has been increased to LVL 120 per month instead of the previous LVL 60. Besides, special loans for studies abroad were granted in 2005.

The number of pupils **with physical and mental disorders**, who are integrated in comprehensive day-schools has increased. Integration of children with severe disorders (who earlier were considered unteachable in Latvia) into special and general education establishments, which was started in 1990, has improved.

164 licences for special education programmes were issued in 2005, including 40 licences for special education programmes for educatees with special needs, who are integrated in general education establishment.

General education establishments fully or partly adjusted technically for children with motion disorders are being established with support of local governments. It is planned to adjust at least one general education establishment per district (39 education establishments in total) from EU structural funds in the next planning period, and improvement of learning environment is planned in all special education establishments.

Co-operation of special education establishments with professional education establishments has improved in the recent years, work of professional classes in special schools for educatees with mental disorders has improved. So that educatees with mental disorders had an opportunity to acquire fundamentals of profession, professional classes are opened in several special education establishments, where one can acquire simpler professions and prepare for further acquisition of profession in professional education establishments.

The number of pre-school education age children with special needs, who acquire appropriate programmes has increased.

PEE development projects for integration of young people with special needs into education system are being financed in the ESF framework.

SEA implemented the project *"Provision of training to people representing groups at risk of social exclusion, including ICT support for disabled persons"* with ESF support in 2005.

ESF grant scheme *"Development and implementation of professional rehabilitation programmes"* co-finances measures directed to co-operation of employers and education establishments, thereby providing educatees with an opportunity to acquire practical experience (practice at employer), ensuring opportunities to acquire and perfect knowledge necessary at present (languages, ICT, management) in order to be able to keep up with changes in the labour market, developing lifelong learning system for adults (including e-teaching), thereby ensuring acquisition of abilities and skills necessary to them and facilitating their inclusion in modern labour market.

To promote inclusion of disabled persons in the labour market, establishment of specialised workshops is envisaged.

Concept *"Improvement of the career development support system"* was worked out in 2005, which describes several lines of action to improve operation of career development support

system. Terminology of career development support system was also worked out and co-ordinated among specialists in 2005.

It is envisaged, that by September 1, 2006 the Ministry of Education and Science will establish a co-ordinating mechanism (independent Career Development Support Council), the goal of which is to promote co-operation of institutions involved in the system.

It is planned to merge PCCSA with SEA as from January 1, 2008, ensuring for customer an opportunity of easier orientation in services offered by both agencies.

The total number of people consulted by PCCSA in 2005 has increased by 12.4% in comparison with the previous year. The number of service recipients in main target groups (unemployed, persons after child care leave, disabled, pre-pension age people, persons after serving their sentence in detention facilities) has especially increased. The number of service recipients has decreased among employed persons and parents of pupils and has slightly decreased among pupils.

Professional Career Counselling State Agency (PCCSA) implemented the project "*Improving infrastructure and information system development at the Professional Career Counselling State Agency*" with ERDF support in 2005. Establishment of new consultation offices in districts of Latvia, repairs of premises of the Professional Career Counselling Centre (PCCC) and ensuring access to the premises for all customers, i.e., persons in wheelchairs, equipping workplaces of PCCC employees, and development of PCCC information system are planned in the framework of the project by June 30, 2006.

Professional career education (professional orientation) activities directed both to recruitment of PEE students and motivation of first courses' students to learn the chosen profession are implemented in PEE. These activities are also supported from ESF resources. Two competitions have been announced in the activity "Professional orientation and consultancy measures in education establishments" since 2004, 72 projects were supported in the 1<sup>st</sup> competition, while 100 projects were recognised as administratively appropriate in the 2<sup>nd</sup> competition and qualitative assessment of these projects is taking place.

Implementation of NP activity "Implementation of study programmes and improving the quality of study process in natural science and technology-intensive fields" is taking place.

### **Strengthening co-operation between public administration institutions, education establishments and employers**

To improve educational programmes in accordance with the labour market needs, representatives of the Professional Education Co-operation Council and Trilateral Co-operation Sub-council of Professional Education and Employment are included in the commission for accreditation of study and educational programmes. Sectoral specialists are invited as experts to assess the quality of learning process of the corresponding education establishments as well as in the Commission for Licensing Higher Education Programmes.

Amendments to the Cabinet of Ministers Regulation "Regulations for Licensing Higher Education Programmes" have been made, which allow to organise the licensing procedure in a more rational way.

Draft amendments to the "Regulations for Accreditation of Higher Education Programmes" have been submitted to the Cabinet of Ministers.

### **Increasing availability of lifelong learning**

Implementation of the national programme "*Development and implementation of a lifelong learning strategy*" was started in 2005. The national programme contains seven projects and their activities encompass all planning regions of the country. The main task of the national programme is to improve the quality of education services and their availability for all categories of the population and plan the development of human resources in regions in



accordance to their economic development plans in order to reduce the number of unemployed persons and raise the qualification of able-bodied people.

To promote „life-cycle“ approach to employment, big attention in programmes financed by PHARE is paid to issues of lifelong learning.

The professional and higher education and practical training system is being modernised, programmes of professional further education are being worked out, studies on the needs and opportunities of professional further education are being conducted, methodological materials for practical training lessons are being developed in the framework of the 2<sup>nd</sup> activity „Development of Professional and Further Education“ of the 2<sup>nd</sup> component „Investment in Development of Human Resources“ of the PHARE 2003 ESK Programme.

### **Raising the overall level of technological skills and natural science knowledge**

The number of study places financed from the state budget in accordance with the labour market needs in such thematic groups as engineering sciences and technology, natural sciences and mathematics, health, health care and social care has been increased in the academic year 2005/2006. Percentually, the number of study places financed from the state budget in the disciplines required by the labour market was 44% in the financial year 2006, including 31% in engineering sciences and 13% in natural sciences, mathematics and information technologies.

In order to ensure the link between the education process and the changeable requirements of the labour market, several project tenders have been announced. These projects are meant for improvement of education programmes.

To optimise study fields, it is planned to use results acquired by the labour market demand and supply forecasting system as from 2008.

In the framework of the draft EU National programme *„Development of a unified methodology to increase professional education quality and to attract and educate social partners“*, a working group of experts has developed the Methodology for Quality Assurance and Assessment of Professional Education Establishments, which is being approbated.

The quality of professional education is assessed in accreditation process (usually once in six years). In the accreditation process, experts assess the education content, organisation of the education process, material and technical base, adequacy of teacher skills and other aspects of PEE work.

## 6. CO-ORDINATION BETWEEN THE NLPL AND THE STRUCTURAL FUNDS

Approximately 67% of Structural Funds (hereinafter – SF) resources in the planning period of 2004-2006 are channelled to implementation of the priorities set in the Lisbon Strategy (see Annex 2). The priorities defined in the National Lisbon Programme of Latvia for 2005-2008 correspond to the following priorities set out under the Single Programming Document (hereinafter – SPD):

- Priority 1: “Promotion of balanced development”, except the support for environmental investment;
- Priority 2: “*Promotion of business activity and innovation*”;
- Priority 3: “*Development of human resources and promotion of employment*”;
- Priority 4: “*Promotion of development of agriculture and fisheries*”, activities supporting investment in agricultural enterprises, improvement of processing and marketing of agricultural products, enhancing adaptation and development of rural areas, as well as training.

### **Priority 1: “Promotion of balanced development”**

Priority 1 of SPD is related to Chapter 2.1.5 “Sustainability of Resources”, Chapter 2.1.3 “Information Society”, Chapter 2.2.5 “Infrastructure” and Chapter 3.4 “Education and Skills” of the NLPL for 2005-2008.

To foster achievement of Lisbon goals for ensuring sustainability of resources, support from SF is provided for development of water management infrastructure by improving treatment of drinking water and wastewater, establishment of sorted waste collection system by creation of points for sorted collection of waste and reducing the amount of deposited waste and re-cultivating dumps that do not comply with legislative requirements. Support is also provided for improvement of heat supply systems by reducing the sulphur content in fuel, encouraging transition from liquid fuel with high sulphur content to fuel with low sulphur content as well as to regenerative fuel, and lessening the impact of energy production on environment. In addition, support is financed for modernisation of heat supply systems in accordance with environmental requirements and for improvement of energy efficiency of heat supply systems both in production and distribution and for the end consumers, carrying out modernisation of centralised heat supply systems and transition from liquid fuel with high sulphur content to fuel with low sulphur content as well as to regenerative fuel and improvement of energy efficiency of centralised heat supply systems in order to reduce heat supply losses and heat distribution losses, improving energy efficiency of boiler houses (including co-generation opportunities) and encouraging wider use of regenerative energy resources as well as improving energy efficiency for the end consumers (schools, kindergartens, health protection establishments, etc.).

SF investments for support of the Lisbon-set support area “Infrastructure” are provided for reconstruction of the infrastructure of roads, sea ports and railway and for improvement of the efficiency of transport system on city streets, thereby ensuring a safe, sustainable and environmentally friendlier transport system.

SF support for achievement of goals set by NLPL in the area of building the information society is provided in order to improve the existing state information systems and develop new ones, integrating them into unified state system, ensure public access, promote implementation of e-government and optimisation of administrative work of central and local governments. SF support is also provided for establishment of public internet access points and deployment of broadband networks. Implementation of both activities will start in the 2<sup>nd</sup> half of 2006.

SF contribute to the framework of NLPL Chapter 3.4 "Education and Skills" in the planning period of 2004-2006. It is planned to use the mentioned financing for improvement of the infrastructure of education, employment and health care.

Investment in primary health care will be directed to improvement of the existing primary health care centres and establishment of the new ones and it is also planned to improve and renovate eight primary health care centres throughout Latvia. To improve the infrastructure of professional education and modernise the teaching equipment of higher education institutions, support is provided for re-planning and renovation of classrooms (lecture rooms) in accordance with subject standards and educational programmes as well as to acquisition of up-to-date equipment and facilities. Public social care establishments are being modernised and adjusted to offering new kind of social care and rehabilitation services in these establishments or out of them in order to encourage return of disabled persons and members of their families in the labour market. ICT support is ensured for administrative institutions of the social services system.

### **Priority 2: "Promotion of business activity and innovation"**

Priority 2 of SPD is related to Chapter 2.1.2 "Innovation" and Chapter 2.2.4 "Small and medium-sized enterprises" of the NLPL for 2005-2008.

Support in SF framework for development of innovation is provided to foster achievement of Lisbon goals in the area of innovation, promoting rise of the national innovation capacity. As a result of implementation of the activity, new commercial companies will be founded, among them those founded on the basis of other organisations and results of their scientific research, as well as the general goal of the activity will be reached, namely, increased number of commercial companies. In the framework of the activity, financial support is being provided for introduction of new kinds of products or technologies in production by supporting development of feasibility studies, samples and test models.

Support in SF framework for achievement of Lisbon goals in development and rising competitiveness of SMEs is provided in the framework of Activity 2.3 and Activity 2.4 of the SPD. Implementation of the Lisbon Strategy, which defines the EU long-term target to become the most dynamic and competitive knowledge-based economy in the world by 2010, will be promoted in the framework of Activity 2.3 of the SPD. In SF framework, support is provided for participation of enterprises in international exhibitions and fairs and other activities, giving an opportunity for Latvian enterprises to become noticed on international scale. Financial support to SMEs is also given for the use of foreign consulting services and exchange of experience in such fields as market study, development of business plans, financial management, quality requirements, etc. (support programme "Consulting services").

To improve access of SMEs to funding, 3 instruments are used in the framework of Activity 2.4 of the SPD, namely, loans on preferential terms to start business, granting guarantees for projects to SMEs with insufficient collateral, and venture capital fund. Funding is vitally necessary to increase competitiveness of SMEs.

To achieve goals set out in Lisbon Strategy for ensuring scientific activity and development, SF support is provided in two directions: a) supporting development of applied research in public scientific institutions, which will promote development of the new products and technologies, and b) providing modern research facilities and infrastructure to public research institutions that have a potential to commercialise research, which in turn will foster co-operation between scientific institutions and industrial sector as well as will promote creation of new technologies and knowledge-based products.

### **Priority 3: "Development of human resources and promotion of employment"**

Priority 3 of SPD is related to Chapter 3.2 "Labour Supply" of the NLPL for 2005-2008.

SF in the planning period of 2004-2006 contribute to promotion of employment, placing main emphasis on implementation of active employment measures, retraining and raising skills of

the employed, unemployed, job seekers and inactive people, business start-ups and self-employment. SF will be also used as a financial support for increasing capacity of institutions responsible for development and implementation of the labour market and gender equality policy.

It is planned to use financing of SPD Activity 3.2 from SF in the planning period of 2004-2006 for promotion of education, mainly stressing the development of higher and professional education, especially in such disciplines as natural sciences, engineering sciences and mathematics. In the framework of the activity, it is planned to build the capacity of education and training systems in economically important and science-and-technology-intensive disciplines, modernise education and training systems and build the capacity of lifelong learning, including e-education. Development of lifelong learning strategy and mechanisms for its implementation will promote improvement of the quality and availability of education as well as improvement of access to lifelong learning throughout Latvia, thereby equalising differences between regions in the employment of labour force and encouraging socio-economic development.

It is planned to use financing of SPD Activity 3.3 from SF in the planning period of 2004-2006 for reduction of social exclusion, promoting measures for motivation and rehabilitation of groups of people at risk of social exclusion and thereby encouraging their inclusion in the labour market.

Special measures are planned to facilitate inclusion of social exclusion risk groups. It is planned to ensure better access to ICT for disabled persons, creating conditions for e-work, distance learning and opportunities of professional skills development. It is planned to ensure specially equipped or adjusted ICT for persons with certain disabilities, e.g., blind or weak-eyed persons, persons with mental disorders, etc.

**Priority 4: "Promotion of development of agriculture and fisheries", activities supporting investment in agricultural enterprises, improvement of processing and marketing of agricultural products, enhancing adaptation and development of rural areas, as well as training**

Priority 4 of the SPD is related to the Chapter 2.2.4 "Small and Medium-Sized Enterprises" of the NLPL for 2005-2008.

SF support for promotion of the NLPL chapter "Small and Medium-Sized Enterprises" is provided in order to encourage and ensure balanced and sustainable rural development, reducing socio-economic differences between the countryside and cities, preserving varied rural environment and fostering efficiency and competitiveness of agricultural production, encourage and ensure efficiency of agricultural production and ensure its competitiveness in both the domestic market and the foreign market. Activities for raising standards of agricultural product quality, hygiene, food safety, environmental and labour safety in agricultural enterprises are supported.

Additional SF support is provided in order to encourage involving of young people in permanent agricultural activities, which would promote founding of economically viable rural farms and along with it would ensure renewal of labour force in the agricultural sector and preserve the number of rural people. The support granted in the framework of this activity has the intention to protect the countryside from depopulation.

SF support is also provided to improve competitiveness of agricultural products in domestic and foreign markets by improving the structure of Latvian processing sectors and raising the standards of quality, hygiene, food safety and other standards in processing enterprises (i.e., introduction of ISO and HACCP standards, improvement of processing, delivery and packaging systems). The activities have been developed in order to improve the structure of Latvian processing industry and raise the standards of quality, hygiene, food safety and animal welfare in processing enterprises.

The goal of training of SPD Activity 4.7 includes investment of NLPL type in small and medium-sized enterprises. In the framework of the activity, it is planned to raise skills and knowledge

of farmers and other persons that are linked to agricultural activities in accordance with the EU Memorandum on Lifelong Learning and prepare forest owners and other persons linked to forestry for application of such forest management practice that is aimed at strengthening economic, ecological and social functions of the forest. To overcome the above-mentioned problems in rural areas, training for population of the countryside is offered as near as possible to living and working places of educatees.

SF support is provided to measures of renovation and modernisation of the fishing fleet. The activities are directed to improvement of navigation safety and working and hygiene conditions as well as ensuring adequate conditions for storage and processing of fish on ships, which in turn will promote sustainable and responsible use of resources. SF support is also directed to modernisation of the process of fish processing, improvement of hygiene conditions and introduction of new technologies. This also concerns introduction of environment-friendly technologies and of self-control and quality management systems as well as organisation of processing of fish caught by coastal fishers.

Structural funds constitute just one of the instruments that promote achievement of goals set in the Lisbon Strategy, supporting intervention areas that partly coincide with the ones defined by the NLPL.

## 7. INNOVATIVE IDEAS AND SUCCESS STORIES

### 7.1. PENSION SYSTEM

National policy of Latvia in the area of pensions is progressive, modern and financially stable in the long-term. The reform of the pension system, which was started in Latvia in 1995, has been completed and a three-tier pension system has been introduced. According to terminology of the World Bank, the 1<sup>st</sup> tier is the mandatory state non-funded pension scheme based on the principle of solidarity (operates as from January 1, 1996), the 2<sup>nd</sup> tier is the mandatory state funded pension scheme (operates as from July 1, 2001) and the 3<sup>rd</sup> tier is the voluntary private pension scheme (operates as from July 1, 1998). As the financial situation of the 1<sup>st</sup> tier scheme is mostly influenced by demographic and labour market factors, but the financial situation of the funded scheme is mostly influenced by the financial capital market, these tiers support each other towards fulfilment of the common goal (welfare of pensioners), mutually equalising potential risks.

In comparison with the pension system that operated before the launch of the reform and constituted a threat of the exhaustion of funds for pension payments in the future, the new pension system has several advantages. It is financially stable in the long-term and able to ensure payment and regular indexation of pensions in spite of the high demographic aging rate of the population, which will grow even more in the future. It is able to keep the rate of state social security payments unchanged in the long-term and therefore, without planning its further rise, is able to protect employees from increased burden of social security payments. The amount of pension in all three tiers depends on contributions, thereby those, who make bigger contributions or postpone their retirement will get bigger income in the retirement age. A common trait is also that these instalments are being accumulated in all three tiers (conditionally or directly), earning interest and making pension capital.

Ideology contained in the pension system of Latvia is directed to making able-bodied age people be interested in staying in the labour market as long as possible, continuing work also after reaching the set minimum retirement age. The amount of old age pension in the generation solidarity scheme also depends not only on the accumulated pension capital, but also on the retirement age and the forecasted life expectancy after retirement.

Gradual rise of the minimum retirement age for both men and women to 62 years is taking place in Latvia. This age for men was already set in 2003, while for women the rise of this age will be continued gradually until 2008. As from July 1, 2006 the retirement age for women is 61 years (61.5 years as from July 1, 2007).

The pension system introduced in Latvia is flexible in respect of the retirement age, because retirement is possible at any age, which is not lower than the one set by the law regulating operation of the respective scheme (the average age when people cease their economic activity is gradually increasing every year. In 2005, this age was 61.37 years for men and 58.76 years for women), and with regard to pension accumulation forms (because it contains both the generation solidarity pension scheme and the schemes, where money is invested in the financial capital market) and in relation to the security in the pension payment phase, envisaging both the mandatory state pension and along with it the life pension offered by life insurance companies and payment of the capital accumulated in private pension funds.

Employment rate in the age group of 55 to 64 years is increasing rapidly and reached 49.5% in 2005 (48% in 2004) and is higher than the EU average (42.5% in 2005). Employment rate for women in this age group has risen considerably by 3.2 percentage points and reached 45.1% in 2005.

## 7.2. IMPROVEMENT OF BUSINESS ENVIRONMENT

The survey "Doing Business in 2007: Creating Jobs" conducted by the World Bank places Latvia among 12 most active reformers during 2006. On the whole, the study appreciates business environment of Latvia, putting it in the high 24<sup>th</sup> place in the world by the ease of doing business. Latvia has climbed up by two places in comparison with the previous survey.

One efficient mechanism for improvement of business environment in Latvia is the annual *Action Plan for Improvement of Business Environment* worked out since 1999. The *Action Plan* is an inter-ministry policy planning document setting out directions for implementation of business environment policy as well as tasks, measures to be carried out, responsible institutions, indicators for assessment of how the tasks have been accomplished and their accomplishment terms. Problems included in the *Action Plan* and their solutions are identified through close co-operation with organisations representing entrepreneurs (Council of the Small and Medium-Sized Enterprises and Crafts, National Economy Council, Foreign Investors Council in Latvia) as well as through assessment of problems identified in business environment surveys. The *Action Plan* covers amendments to legal acts, revision and simplification of procedures, improvement of co-ordination between various institutions, preparation and publication of information, as well as training of employees of public institutions. The *Action Plan* is based on a "reform cycle" that consists of: 1) identification of a problem, 2) dialogue between government/entrepreneurs, 3) decision-taking and 4) supervision and assessment of influence.

The Cabinet of Ministers has charged the Latvian Investment and Development Agency with supervision of implementation of the *Action Plan* and institutionalisation of the dialogue between the government and business circles.

So, the *Action Plan* is a framework document or an "umbrella" document that identifies the necessary reforms in various public administration sectors, thereby ensuring observation of the "Think Small First" principle in regulation of business activities. In the framework of the plan, public financing has been granted for measures to ensure efficient implementation of transposed directives, carrying out adequate market surveillance that would create favourable business environment and fair competition and lessen risks for consumers to experience traumas and suffer accidents due to the use of unsafe goods or services.

Approximately 200 measures in total have been contained in the Action Plan since the start of its implementation, and their fulfilment is ensured within a particular calendar year. The most essential achievements are simplification of enterprise founding procedures and arrangement of tax policy and administration procedures, including introduction of electronic tax declaration.

The latest Action Plan for 2006 includes 23 measures structured in 5 sections:

- tax policy and administration;
- improvement of the legal environment of business activity;
- prevention of administrative obstacles in business activity;
- improvement of business support instruments;
- continuation of tasks of the previous Action Plan.

Action Plan for 2006 will help to find solutions to such issues as reduction of time for settlement of issues with SRS, reform of the tax penalty system, development of e-government services, improvement of regulation of real estate transactions, and simplification of construction procedures.

To promote more active involvement of entrepreneurs in solving issues of improvement of the business environment, the Ministry of Economics in co-operation with Latvian Investment and Development Agency organised the conference "Initiative "Better Regulation": for Raising Competitiveness of Business Environment in Latvia and Europe" on June 30, 2006. Its goal was to analyse the achievements and problems of Latvia so far in improvement of regulation

quality and outline the vision and priority reform tasks of Latvia in improvement of regulation efficiency. Entrepreneurs and employees of non-governmental organisations and public administration institutions (about 300 representatives) discussed the necessary reforms at 4 parallel round-table discussions. In the result of these discussions, the measures to be carried out were identified for inclusion in the *Action Plan for Improvement of Business Environment* for 2007. Such panel discussions, involving as many people as possible, will be held every year to promote participation of the non-governmental sector particularly in solution of different issues.



## LIST OF MEASURES OF THE NATIONAL LISBON PROGRAMME OF LATVIA FOR 2005-2008, THEIR STATUS AND FINANCING (NEW MEASURES MARKED BY \*) )

Measures of the National Lisbon Programme of Latvia		Years	Fulfilment and financing of measures	Responsible ministry	
<b>1.</b>	<b>Macroeconomic policy for Growth and Jobs</b>				
	<b>1.1.</b>	<b>Fiscal policy</b>			
	<b>1.1.1.</b>	<b>To fulfil the Maastricht fiscal criterion and ensure efficient budget spending</b>			
		– By reducing the general government budget deficit gradually, ensuring the formation of a balanced budget in the long-term	2005-2008	Fiscal surplus of the general government budget in 2005 was 0.2% of GDP (ESA operative notification data of April 2006).	Ministry of Finance
		– By introducing medium-term (3-5 years) budget planning	2007	Concept "On Implementation of Strategic Planning and Medium-Term Budget Planning in Public Administration" has been approved (Cabinet of Ministers Instruction No. 703 of September 14, 2006), which prescribes annual formation of budget law for one year, additionally preparing framework of expenditures for three years.	Ministry of Finance
		– By examining the expedience and efficiency of the budget programmes, to prevent the inexpedient spending of the budget	2005-2008	A norm was included in the <i>Law on Budget and Financial Management</i> in 2005, which prescribes that ministries and other central public institutions submit to the Cabinet of Ministers an informative report on utilization of resources of the state budget allocated in the report year, on the implemented policy and fulfilment of performance indicators for reaching target results of operation.	Ministry of Finance
	<b>1.1.2.</b>	<b>To ensure successful accession of Latvia to the Euro zone</b>			
		– To work out the plan of necessary measures in order to ensure the successful accession of Latvia to the Euro zone	2006	<i>Latvia's National Euro Changeover Plan</i> has been approved (Cabinet of Ministers Instruction No. 148 of March 6, 2006). Necessary normative acts are being implemented.	Ministry of Finance
	<b>1.2.</b>	<b>Public Debt</b>			
	<b>1.2.1.</b>	<b>To ensure the necessary financial resources for financing the government budget deficit and refinancing the central government debt liabilities at costs as low as possible and under conditions as favourable as possible, limiting financial risks and taking into account the development of Latvian state capital market and all financial systems</b>			
		– By working out new debt repurchase and debt exchange programmes for the management of debt refinancing risks	2005-2008	Although the present regulatory normative acts and trade infrastructure ensure opportunity of pre-term repurchase of Latvian state securities, such actions potentially would be done in conditions of approaching term for re-denomination of debt securities to the euro currency.	Ministry of Finance
		– By continuing the started reduction of external government debt servicing costs	2005-2008	Assessing efficiency of foreign borrowings of the government in the aspect of costs, pre-term repayment of several borrowings from international financial institutions was carried out in 2005.	Ministry of Finance

Measures of the National Lisbon Programme of Latvia			Years	Fulfilment and financing of measures	Responsible ministry
		– By developing strategic positions that will foresee the desirable (optimal) direction for development of Latvian state debt securities market, incl. methods of initial placement of securities, depositary and trading systems, investor base, etc. *)	2005-2008	Strategic positions for development of Latvian state debt securities market are under formation.	Ministry of Finance
	<b>1.3.</b>	<b>Sustainability of Public Finances</b>			
	<b>1.3.1.</b>	<b>Raise the retirement age</b>			
		– By increasing the retirement age for women	2005-2008	Retirement age of women is annually increased by 0.5 years so that it would reach 62 years on July 1, 2008.	Ministry of Welfare
	<b>1.3.2.</b>	<b>Improve the healthcare system</b>			
		– By modernising emergency medical service	2005-2010	<i>Guidelines for Development of Emergency Medical Service</i> have been approved (Cabinet of Ministers Instruction No. 444 of July 19, 2005). Financing in 2006 is LVL 0.32 million.	Ministry of Health
		– By optimising the structure of healthcare service providers	2004-2010	<i>Programme for Development of Providers of Out-Patient and In-Patient Health Care Services</i> has been approved (Cabinet of Ministers Instruction No. 1003 of December 20, 2004). Financing in 2006 is LVL 5.004 million.  <i>Guidelines "Development of Human Resources in Health Care" (2005-2015)</i> have been approved (Cabinet of Ministers Instruction No. 326 of May 18, 2005). Financing in 2006 is LVL 5.953 million. Financial support in the amount of almost LVL 5 million for building the institutional capacity of health care sector has been received in the framework of EU PHARE NP.	Ministry of Health
	<b>1.4.</b>	<b>Wage development</b>			
	<b>1.4.1.</b>	<b>To promote concerted increase of the wages and labour productivity, so as not to create additional economic instabilities, at the same time taking into account the consequences of inflation</b>			
		– By implementing the Concept of a Minimum Wage	2006-2010	The minimum wage is increased from LVL 80 to LVL 90 as from January 1, 2006.	Ministry of Welfare
		– By increasing the understanding and improving the analytical basis for introducing an optimal wage payment, tax and benefit system in Latvia	2005-2008	Studies "Wages and factors influencing them" and "Optimal employment-promoting system of taxes and benefits" are conducted in the framework of NP "Labour market studies".	Ministry of Welfare
		– By encouraging social dialogue	2005-2007	In the framework of NP "Support for capacity-building in institutions responsible for implementation of labour market and gender equality policy, dissemination of information and raising awareness" co-financed by ESF, 2 projects are implemented: – for building capacity of Employers' Confederation of Latvia	Ministry of Welfare

Measures of the National Lisbon Programme of Latvia			Years	Fulfilment and financing of measures	Responsible ministry
				Total financing is LVL 0.600 million, incl. ESF financing LVL 0.450 million; – for building capacity of Free Trade Union Confederation of Latvia Total financing is LVL 0.617 million, incl. ESF financing LVL 0.450 million.	
		– By improving the wage payment system in public administration institutions	2005-2011	New wage payment system is developed. Gradual application of the new wage payment system is started as from July 1, 2006. <i>"Regulations Governing the Payment System and Qualification Rankings of Direct Public Administration Officials, Employees and Office Holders and Central Electoral Commission and Central Land Commission Employees, and also Benefits and Compensation for Officials"</i> have been approved (Cabinet of Ministers Regulation No. 995 of December 20, 2005).	Ministry of Finance
<b>1.5.</b>	<b>Tax policy</b>				
	<b>1.5.1.</b>	<b>To improve motivation and promote financial attractiveness of jobs</b>			
		– By raising the untaxed monthly minimum and allowances for dependent persons gradually	2006-2010	As from January 1, 2006 the untaxed monthly minimum of physical persons is set in the amount of LVL 32 (LVL 26 in 2005) and the tax allowance for dependent persons is set in the amount of LVL 22 (LVL 18 in 2005).	Ministry of Finance
<b>2.</b>	<b>Microeconomic reforms</b>				
	<b>2.1.</b>	<b>Research and development</b>			
	<b>2.1.1.</b>	<b>To invest public resources in research and development more efficiently and effectively and encourage research and development in the private sector</b>			
		– By envisaging increased financing for scientific activity, at the same time improving the procedure of granting public financing for scientific activity, which is prescribed by normative acts	2006-2010	Total financing for scientific research in 2005 was 0.57% of GDP, incl. public financing 0.26% of GDP (LVL 23.3 million). Cabinet of Ministers Instruction No. 446 <i>"On Measures of Sub-programme 05.12.00 "Promotion of Competitiveness of Science" of the Ministry of Education and Science and on Financing of Public Research Programmes in 2005"</i> of July 20, 2005 has been approved, setting down financing in the amount of LVL 0.632 million for implementation of five public research programmes. Cabinet of Ministers Regulation No. 345 <i>"Procedure of Assessment and Financing of Fundamental and Applied Research Projects"</i> of April 25, 2006 has been approved. Cabinet of Ministers Instruction No. 412 <i>"On Priority Scientific Disciplines for Financing of Fundamental and Applied Research in 2006–2009"</i> of June 6, 2006 has been approved. Cabinet of Ministers Regulation No. 581 <i>"Procedure for Distribution of Financing for Market-Oriented Research Projects"</i> of July 11, 2006 has been approved, which prescribes how the Ministry of Education and Science distributes financing for market-oriented research projects on the basis of scientific and economic expertise. Cabinet of Ministers Regulation No. 479 <i>"Regulations for Provision of Business Support to Projects in the Framework of</i>	Ministry of Education and Science

Measures of the National Lisbon Programme of Latvia			Years	Fulfilment and financing of measures	Responsible ministry
				<i>EUREKA Programme</i> of June 13, 2006 has been approved, which defines conditions for the amount of state support and procedure of its granting, by which co-operation between scientific institutes and SMEs in research on development of new competitive products, technologies and services is supported.	
		– By defining the priority of scientific directions for 2006-2009 and by implementing 5 research programmes in these priority scientific directions till 2008	2006-2009	Cabinet of Ministers Instruction No.412 <i>"On Priority Scientific Disciplines for Financing Fundamental and Applied Research in 2006–2009"</i> of June 6, 2006 added previous priorities with new ones: agrobiotechnology, energy and environment, as well as medical science.  Financing for 5 research programmes was LVL 0.6 million in 2005 and LVL 2.9 million in 2006.	Ministry of Education and Science
	<b>2.1.2.</b>	<b>To modernise scientific infrastructure in research institutes and higher education establishments</b>			
		– By reorganising state science institutes	2006	Reorganisation of state science institutes was completed in 2006 by integrating them in the University of Latvia (8 institutes), Riga Technical University (1 institute) and Riga Stradiņš University (1 institute). The following state science institutes with the status of state agencies were formed: Latvian Institute of Organic Synthesis, BioMedical Research and Study Centre, Latvian State Institute of Wood Chemistry, Institute of Hydroecology, Institute of Physical Energetics, Institute of Electronics and Computer Science, Latvian Forestry Research Institute Silava.	Ministry of Education and Science
		– By modernising scientific infrastructure in the state science institutes by 2008	2004-2008	Implementation of NP "Support for modernization of scientific infrastructure in the state science institutes", total financing LVL 11.1 million with ERDF co-financing, incl. LVL 4.379 million in 2005 and LVL 2.03 million in 2006.	Ministry of Education and Science
		– By promoting the development of innovative business and applied research infrastructure in the regions	2005 – 2006	Implementation of Component 1 "Promotion of innovative business and applied research infrastructure development" of PHARE 2003 ESC programme. Total financing in 2005-2006 is LVL 9.626 million, incl. PHARE financing LVL 6.114 million.	Ministry of Regional Development and Local Government, Ministry of Economics
	<b>2.1.3.</b>	<b>To ensure renewal of the intellectual potential in science</b>			
		– By improving the system of doctoral grants and scholarships and establishing a postdoctoral research support system	2005-2008	Implementation of NP "Support for implementation of doctoral study programmes and postdoctoral research". Total financing is LVL 8.316 million, incl. LVL 5.09 million in 2005-2006.	Ministry of Education and Science
		– By developing the project of a Science and Technology Centre (2008)	2006-2008	On June 7, 2006 the Ministry of Education and Science, Riga City Council and University of Latvia signed the Protocol of Intent on creation of a Science and Technology Centre in Riga. Expert consultations on operation strategy of the Centre, models of its financing and the process of its creation took place in August 2006.	Ministry of Education and Science

Measures of the National Lisbon Programme of Latvia		Years	Fulfilment and financing of measures	Responsible ministry	
	<b>2.1.4.</b>	<b>To promote participation of Latvian science in the international co-operation projects</b>			
		– By supporting participation in the EU science and technology development programmes	2005-2006	Public financing is granted (LVL 1.1 million in 2005 and LVL 0.687 million in 2006) for EU 6 <sup>th</sup> Framework Programme, INTAS, EUREKA, projects of bilateral co-operation programmes, as well as participation in COST actions.	Ministry of Education and Science
	<b>2.2.</b>	<b>Innovation</b>			
	<b>2.2.1.</b>	<b>To improve innovation support structures and public support programmes</b>			
		– By establishing a technology agency by 2007	2006-2007	Technology agency is integrated in LIDA, where Knowledge and Innovation System Department is established as from June 1, 2006.	Ministry of Economics
		– By improving the existing public support programmes as well as developing new innovation support measures	2004-2006	Functions of LIDA have been expanded. LIDA will administer the appropriate state support programmes, will analyse efficiency of innovation system and its instruments on a regular basis, will promote application of knowledge, etc. Total financing in 2006 is LVL 0.262 million. In the framework of OP "Business and innovation", proposals have been prepared for attraction of structural funds to 2007-2013 OP programmes: – Programme for recruitment of high-quality employees – Support for business activity with high value added – Programme of competence centres.	Ministry of Economics
		– By developing a public support programme for the protection and enforcement of intellectual property rights	2005-2006	Draft policy planning document " <i>Guidelines for Protection and Provision of Intellectual Property Rights for 2007-2012</i> " has been worked out. Its adoption by the Cabinet of Ministers is planned in 2007. Project "Protection of intellectual and industrial property rights" has been implemented (total financing LVL 0.467 million, incl. PHARE financing LVL 0.387 million).	Ministry of Culture, Ministry of Justice
		– By implementing a complex of measures for establishing entrepreneurs' awareness about the importance of industrial property and its protection, for increasing competitiveness	2007-2012	The complex of measures is included in the " <i>Guidelines for Protection and Provision of Intellectual Property Rights for 2007-2012</i> ".	Ministry of Justice
		– By conducting the Community Innovation Survey *)	2007-2008	In compliance with requirements of European Commission Regulation 1450/2004, a survey on innovative activities of enterprises has been prepared. The survey will be conducted in 2007 and its results in summarised form will be delivered to data users in the middle of 2008.	Ministry of Economics
	<b>2.2.2.</b>	<b>To support transfer of knowledge and technologies, encourage development of new products and technologies</b>			
		– By developing a programme of technology incubators and starting its implementation from 2007	2007-2013	Programme of Technology Incubators is being prepared in the framework of OP "Business and innovation", support for creation and operation of 3 TI is envisaged. Proposals for attraction of structural funds in 2007-2013 for a technology incubator	Ministry of Economics

Measures of the National Lisbon Programme of Latvia				Years	Fulfilment and financing of measures	Responsible ministry
					programme have been prepared. It is planned to attract LVL 14 million from ERDF for implementation of the programme in 2007-2013.	
			- By continuing the formation of a technology transfer network started in 2005 to ensure the efficient introduction of research results from public research institutions into production	2005-2013	State support programme "Technology transfer" is being developed in the framework of OP "Business and innovation". In its framework, support for 10 technology transfer contact points and 2 technology transfer centres will be provided. Creation and operation of six technology transfer contact points in higher education institutions, where state-financed applied research is conducted, has been supported. Financing is LVL 0.149 million in 2005, LVL 0.239 million in 2006 and LVL 0.202 million in 2007. New support programmes (2007-2013) are being developed, which would promote and ensure introduction of research results into production. It is planned to attract LVL 147.1 million from ERDF for implementation of the programmes.	Ministry of Economics
			- By developing and implementing the innovative business incubator and industrial (science and technology) park support programme for the establishment of new innovative enterprises and attraction of investment to the regions	2007-2013	Model of State programme on business incubators in regions has been developed in the framework of OP "Business and innovation". It is envisaged that 10 business incubators in regions will be established and supported by 2013. Proposals have been prepared for attraction of structural funds in 2007-2013 for development programmes of business incubators and areas usable for business. It is planned to attract LVL 38 million from ERDF for implementation of programmes in 2007-2013.	Ministry of Economics
			- By promoting development of intellectual property, including industrial property, in order to increase protection level of innovative solutions and make their use in production more intensive *)	2007-2012	Intellectual property council was established in 2006, which is chaired by the Minister of Justice. All involved state institutions as well as the Supreme Court and the Office of Prosecutor General participate in the council. Draft policy planning document "Guidelines for Protection and Provision of Intellectual Property Rights for 2007-2012" has been worked out. Its adoption by the Cabinet of Ministers is planned in 2007.	Ministry of Justice
	<b>2.3.</b>	<b>Information society</b>				
		<b>2.3.1.</b>	<b>To encourage widespread use of ICT in public services, SMEs and households</b>			
			- By developing various channels and organisations for the provision of services, building technical and organising infrastructure for the complex provision and convenient use of services	2005-2008	In the framework of activity "Electronisation and implementation of services of state and local government institutions" (actual budget expenditures LVL 0.01 million in 2005; budget LVL 0.028 million in 2006) of ERDF National programme project "E-government portfolio", activity "Developing description of standard procedure for operation of customer service centres" has been started. To promote development of e-services, Division for Development of E-Services of the Secretariat of Special Assignments Minister for Electronic Government Affairs has been established.	Secretariat of the Special Assignments Minister for Electronic Government Affairs

Measures of the National Lisbon Programme of Latvia			Years	Fulfilment and financing of measures	Responsible ministry
				In the framework of project "E-government portfolio" of ERDF National programme "Development and improvement of electronic government infrastructure base", project of integrated state information systems is being developed, electronisation of services and integration of information systems of institutions are carried out.	
		– By establishing new state information systems, among them e-procurement system, National United Library Information System, National Museum Inventory System, State Unified Archive Information System	2005-2008	<p>"Register of state information systems" was established in March 2006 (LVL 0.0071 million for 2005-2006 were spent from the state budget).</p> <p>Electronic Procurement State Agency (EPSA) was established in January 2006.</p> <p>In the framework of component "Establishment of an intranet-based compatible accounting system of state and local governments" (LVL 0.087 million (75% ERAF financing and 25% national financing) have been spent till now, but LVL 0.299 million in total are envisaged by December 31, 2009) of ERDF National programme project "E-government portfolio", automated accounting systems are being implemented in 17 state and local government institutions, 300 users in total. It is planned to introduce accounting systems by the end of 2006.</p> <p>National United Library Information System is being worked out. Total financing in 2006 was LVL 1.312 million.</p> <p>State Unified Archive Information System is being worked out. Total financing is LVL 0.983 million.</p> <p>Information system of National Museum Inventory is being formed. Total financing is LVL 0.7596 million.</p>	Secretariat of the Special Assignments Minister for Electronic Government Affairs, Ministry of Culture
		– By aligning normative environment of e-government	2005-2007	<p>Normative acts have been developed: Cabinet of Ministers Regulation No. 572 "Regulations for Registration of State Information Systems" of August 2, 2005; Cabinet of Ministers Regulation No. 764 "General Technical Requirements for State Information Systems" of October 11, 2005; Cabinet of Ministers Regulation No. 765 "General Safety Requirements for State Information Systems" of October 11, 2005; Cabinet of Ministers Regulation No. 71 "Procedure for Supervision of State Information Systems Development Projects" of January 24, 2006. Regulations of Integrated State Information System are under development, and it is envisaged to work out regulations that will regulate electronic services.</p>	Secretariat of the Special Assignments Minister for Electronic Government Affairs
		– By establishing a single state portal, formulating instructions for the development and maintenance of public institution websites and promoting semantic national-level and cross-border interoperability of e-Content	2005-2008	<p>Portal <a href="http://www.latvija.lv">www.latvija.lv</a> (1<sup>st</sup> stage) with links to Latvian state institutions has been developed and was launched on August 3, 2006. Draft Regulation of the Cabinet of Ministers regarding maintenance of content of the Latvian State links portal has been developed. Draft Regulation of the Cabinet of Ministers "Procedure how Institution Places Information on Internet" has been developed.</p>	Secretariat of the Special Assignments Minister for Electronic Government Affairs

Measures of the National Lisbon Programme of Latvia			Years	Fulfilment and financing of measures	Responsible ministry
		– By ensuring the creation, improvement and maintenance of Internet connections, as well as development of software for schools and libraries	2005-2008	National programme "Development and improvement of infrastructure base of e-government" is being implemented with support of ERDF financing. Total financing for 2004-2007 is LVL 1.2666 million. It is planned to create and improve 11 state information systems, develop 56 e-services of public administration, provide internet access for 100% of comprehensive schools and 80% of local government institutions in the framework of this programme by the end of 2006.	Secretariat of the Special Assignments Minister for Electronic Government Affairs
		– By encouraging development of public Internet access points in the regions	2004-2008	Activity "Development of public internet access points" is being implemented. Total financing for 2005-2006 is LVL 2.4 million, incl. ERDF financing LVL 1.8 million.	Ministry of Regional Development and Local Government
	<b>2.3.2.</b>	<b>To ensure the security of networks and information, as well as convergence and interoperability in order to establish an information area without frontiers</b>			
		– By improving co-operation between public registers	2005-2008	Concept " <i>On Management of Maintenance of Centralised Information Systems</i> " has been approved (Cabinet of Ministers Instruction No. 526 of July 14, 2006), which determines how centralised information systems will be maintained.	Secretariat of the Special Assignments Minister for Electronic Government Affairs
		– By creating a system of safe electronic signature, improving information security and expanding the use of e-services	2005-2008	Work is being done in co-operation with SJSC "Latvijas Pasts" and LLC "Lattelecom" in order to introduce safe electronic signature, incl., to create institution of reliable provider of certification services, ensure issuance and use of safe electronic signature, develop and introduce electronic services, and promote use of safe electronic signature.	Secretariat of the Special Assignments Minister for Electronic Government Affairs
		– By establishing a computer security incident response team in the public administration sector (2006) and encouraging establishment of a computer security incident response team in the private sector	2006-2007	Opportunities to entrust the support group to SJSC "State Information Network Agency" are being assessed. At present, analysis is conducted of what legal acts have to be developed so that establishment of support group could be entrusted to a public subject.	Ministry of Transport and Communications
	<b>2.3.3.</b>	<b>To encourage the deployment of broadband networks, including the poorly served regions, in order to develop a knowledge economy</b>			
		– Ensure broadband access for distant regions	2006-2008	ERDF NP "Development of high quality broadband networks in geographically distant territories" has been developed. Total financing LVL 4 million, incl. ERDF financing LVL 3 million.	Ministry of Transport and Communications
		– Develop government policy for ensuring broadband network access	2005-2008	Concept " <i>Strategy for Development of Broadband Networks for 2006-2012</i> " has been developed (Cabinet of Ministers Instruction No. 839 of December 27, 2005).	Ministry of Transport and Communications



Measures of the National Lisbon Programme of Latvia		Years	Fulfilment and financing of measures	Responsible ministry
2.4.	<b>Competitiveness of Industry</b>			
	2.4.1.	<b>To identify competitiveness factors in industrial sectors</b>		
		– By carrying out sectoral studies	2005-2008 Study on further development prospects of Latvian chemistry and pharmacy sector was conducted in 2005. Total financing is LVL 0.01 million. Study "Further development opportunities of Latvian information and communication technologies" was completed in 2006. Total financing is LVL 0.01 million.	Ministry of Economics
		– By promoting development of creative industries, encouraging establishment of creative laboratories and business incubators, as well as raising entrepreneurs' awareness of the protection of intellectual property rights	2005-2008 Draft policy planning document "Guidelines for protection and provision of intellectual property rights for 2007-2012" has been developed, and its adoption by the Cabinet of Ministers is planned in 2007.	Ministry of Economics
	2.4.2.	<b>To promote development of clusters</b>		
		– By providing support to development of clusters	2005-2008 Proposals for "Support programme of cluster promotion for 2007-2013" have been developed in the framework of OP "Business and innovation" in 2006. Total financing from ERDF fund is LVL 12.99 million.	Ministry of Economics
2.5.	<b>Sustainability of resources</b>			
	2.5.1.	<b>To encourage the use of renewable energy resources</b>		
		– By setting up balanced volumes of compulsory procurement for new energy sources if renewable energy resources are used for energy generation	2006-2008 NP "Improvement of heat supply systems by reducing the sulphur content in fuel" has been developed. Total financing is LVL 0.954 million in 2006, incl. ERDF financing LVL 0.624 million, and LVL 7.132 million in 2007-2008, incl. ERDF financing LVL 4.098 million.	Ministry of Economics
		– By implementing test projects, where energy would be generated from renewable energy resources less used in Latvia, including biogas	2005-2008 Implementation of the project "Use of solar energy accumulated in the ground for provision and efficient use of heat supply system in Smārde rural council hall" has been started.	Ministry of Environment
		– By developing a strategy for the use of renewable energy resources, preparing policy planning documents in the field of development of environmental technologies	2005-2006 <i>Law on Biofuel</i> was adopted by the Saeima on March 17, 2005. Draft "Guidelines for Use of Renewable Energy Resources" have been developed. <i>Energy Development Guidelines for 2007-2016</i> have been approved (Cabinet of Ministers Instruction No. 571 of August 1, 2006).	Ministry of Environment, Ministry of Economics
		– By working out support schemes for promotion of bio fuel use in public transport, logging machinery, means of inland water transport	2003-2010 Study "Potential of biofuel, its opportunities and obstacles to it as regards implementation of EU Directive 2003/30/EC in Latvia" was conducted in 2005. Financing from the Latvian Environmental Protection Fund (LEPF) is LVL 7500. Implementation of the project "Promotion of biofuel use and integration of environmental requirements in regional biocentres". LEPF financing for 2006 is LVL 14 thousand.	Ministry of Environment, Ministry of Economics

Measures of the National Lisbon Programme of Latvia			Years	Fulfilment and financing of measures	Responsible ministry
		– By preparing recommendations for application of the “green procurement” in public administration as well as central and local government institutions	2004-2008	<p><i>Public Procurement Law</i> allows to use the green procurement criteria in public procurement since spring 2006.</p> <p>National Environmental Policy Plan for 2004-2008 explores main problems in this area and sets political goals to promote green procurement in Latvian public institutions. Inter-ministry working group has been established with involvement of local government representatives to develop recommendations for application of green procurement in state administration and local government institutions.</p> <p>Seminars for employees of state and local government institutions on opportunities to use green procurement criteria in state and local government procurement have taken place.</p>	Ministry of Environment
	<b>2.5.2.</b>	<b>To preserve biological diversity at the current level</b>			
		– By creating specially protected maritime nature territories and establishing micro-reserves	2005-2008	In the framework of the project “Protected maritime territories in the Eastern part of the Baltic Sea” (01.08.2005-01.08.2009, EC, LIFE financing) led by the Baltic Environmental Forum, studies have started in the Baltic Sea in order to assess and lessen threat to protected species of birds and mammals of EU importance, as well as create protected areas of European importance Natura 2000. Proposals for amendments to legislation have been prepared so that one could develop natural protection plans for these maritime areas. Experience exchange seminar on management of protected maritime territories and appropriate legislation was organised in the Netherlands.	Ministry of Environment
		– By implementing activities of the Rural Development Plan sub-programmes “Agrovide” (“Agro-environment”) and „Less favourable districts and districts with limitations in relation to environmental protection” for the preservation of biological diversity	2004-2006	<p>Activities of the sub-programme “Agrovide” (“Agro-environment”) of the Rural Development Plan are being implemented, namely, development of biological agriculture and preservation of biological diversity in grasslands as well as preservation of genetic resources of agricultural animals.</p> <p>Total financing envisaged for the sub-programme “Agrovide” in 2006 is LVL 6.92 million, of which LVL 5.54 million is a contribution of Guarantee Section of the European Agricultural Guidance and Guarantee Fund (EAGGF).</p> <p>Total financing envisaged for the measure “Less favourable areas and areas with restrictions for environmental protection purposes” in 2006 is LVL 58.28 million, of which LVL 46.62 million is a contribution by Guarantee Section of the EAGGF.</p> <p>Studies financed by Forest Development Fund with the total financing of LVL 0.25 million in 2004-2006 have been implemented.</p>	Ministry of Agriculture
		– By ensuring a favourable conservation status for specially protected species and	2006-2008	<p>Payment for Natura 2000 grasslands.</p> <p>Total financing envisaged for the measure “Less favourable areas and areas with restrictions for environmental protection</p>	Ministry of Agriculture

Measures of the National Lisbon Programme of Latvia			Years	Fulfilment and financing of measures	Responsible ministry
		habitats and creating the NATURA 2000 network		purposes" in 2006 is LVL 58.28 million, of which LVL 46.62 million are contributed by Guarantee Section of EAGGF.	
	<b>2.5.3.</b>	<b>To improve and modernise environmental protection infrastructure</b>			
		– By developing water management in towns and settlements	2005-2008	Water management infrastructure development projects have been implemented. Total financing is LVL 23.7 million, incl. CF financing LVL 14.4 million and ERDF financing LVL 0.3 million. Water management infrastructure development projects are envisaged. Total financing is LVL 188.5 million, incl. CF financing LVL 138.8 million and ERDF financing LVL 15.7 million.	Ministry of Environment
		– By establishing a regional system of municipal waste management	2005-2008	5 household waste management projects have been implemented in regions that contain about 30% of Latvian population. Total financing is LVL 3.6 million, incl. CF financing LVL 1.9 million. Reconstruction work has been completed in 11 household waste dumps. Total financing LVL 0.4 million, incl. ERDF financing LVL 0.3 million. Establishment of regional household waste management systems, incl. waste deposit areas, and re-cultivation of dumps. Total financing of projects co-financed by Cohesion Fund is LVL 22.7 million, incl. CF financing LVL 20.7 million. Total financing of projects co-financed by ERDF is LVL 4.3 million, incl. ERDF financing LVL 3.2 million.	Ministry of Environment
		– By promoting the processing of municipal waste and establishing a system of sorted collection of waste	2005-2008	Establishment of sorted waste collection systems. Financing (subsidies for regeneration) was LVL 1.963 million in 2005. Establishment of sorted waste collection points. Total financing is LVL 1.757 million, incl. ERDF financing LVL 1.3 million.	Ministry of Environment
	<b>2.5.4.</b>	<b>To continue fighting the climate change and lessening its harmful impact</b>			
		– By establishing and maintaining a greenhouse gas registry, allocating emission quotas to Latvian enterprises and ensuring their participation in the emission quota trading system	2005-2006	Greenhouse gas registry has been established. Pre-study for establishment of green investment system for introduction of Kyoto flexible mechanisms was conducted in co-operation with the World Bank in 2006. The planned World Bank financing is USD 0.08 million. Working out an emission quota distribution plan for 2008-2012. Total financing LVL 9500.	Ministry of Environment
		– By reducing the volume of methane emissions from waste disposal areas, landfills and wastewater treatment facilities	2005-2008	During 2006-2009 it is envisaged to close all dumps that do not comply with requirements of normative acts. Four household waste deposit areas were established by 2005, and in two of them ("Getliņi" and "Šķēde") collection of biogas and its utilisation for electricity generation was started. By the end of 2006, management of biogas created in waste-burying process will be launched by "Ziemeļvidzeme Waste Management Organisation". By processing wastewater	Ministry of Environment

Measures of the National Lisbon Programme of Latvia				Years	Fulfilment and financing of measures	Responsible ministry
					sludge, methane for heat supply and electricity generation is acquired in co-generation station "Daugavgrīva".	
			– By encouraging the attraction of carbon dioxide – supporting the rise of forest plantation productivity and reforestation of non-agricultural land	2004-2006	Implementation of the activity "Afforestation of agricultural land". Implementation of the activity "Replacement of low-value forest plantations or species of trees in order to increase biological diversity and ecological value".	Ministry of Agriculture
			– By supporting the implementation of measures aimed at increasing the energy efficiency of the energy production sources and energy transmission and distribution systems	2006-2008	Draft Regulation " <i>Regulations for Electricity Generation in Co-generation</i> " is being prepared for submission to the Cabinet of Ministers. In its framework, it is envisaged to purchase electricity generated in effective co-generation in the form of compulsory purchase. Contracts for starting implementation of projects of heat supply modernisation and raising the energy efficiency will be concluded by the end of 2006. It is envisaged to attract ERDF financing in the amount of LVL 7.886 million for this purpose as well as ensure financial support from the state budget, whose volume will depend on the submitted projects. Absorption of the financial means will be possible in the period of 2006–2008.	Ministry of Environment, Ministry of Economics
			– By promoting energy saving and efficient use in buildings and heat supply systems	2006-2009	"Promotion Programme for Renovation of Apartment Houses" has been developed. Financing of LVL 0.5 million in 2007 and LVL 2.4 million in 2008 is envisaged for its implementation.	Ministry of Regional Development and Local Government
<b>2.6.</b>		<b>Internal market</b>				
		<b>2.6.1.</b>	<b>To ensure control over transposition and implementation of EU directives</b>			
			– By transposing directives efficiently and timely	2005-2008	Control system for transposition and implementation of EU legal acts is being formed. 98.5% of internal market directives were transposed in Latvian normative acts as on June 1, 2006. Guide on development of methodologies for transposition of EU law is being worked out.	Ministry of Justice
			– By ensuring efficient implementation of transposed directives, performing adequate market surveillance, which would create a favourable business environment and fair competition and would reduce consumer risks of traumas and being injured in accidents, using unsafe goods and services	2005-2008	Consumer Rights Protection Centre Strategy for 2007-2009 has been worked out, which determines the necessity to introduce new approach to market surveillance on the basis of risk management and planning and testing goods and services on a regular basis. As from 2006 the procedure of inspections is changed by transition to a smaller number of inspections, while paying more profound attention to the risk goods and services and also preparing information for society on the situation in particular areas. Draft PHARE transition programme "Strengthening the market surveillance system" was announced in 2006. Total financing is LVL 0.844 million in 2007 and LVL 1.325 million in 2008.	Ministry of Economics

Measures of the National Lisbon Programme of Latvia		Years	Fulfilment and financing of measures	Responsible ministry	
	<b>2.6.2.</b>	<b>To identify and eliminate administrative restrictions hindering the free movement of services</b>			
		– By identifying the current administrative restrictions, which exist in national normative acts and hinder free movement of services, and developing an action plan to eliminate these	2006	A study is being developed, which will identify the current administrative restrictions, which exist in national normative acts and hinder free movement of services. On the basis of this study an action plan for amendments to normative acts will be developed.	Ministry of Economics
	<b>2.6.3.</b>	<b>To apply EU public procurement rules effectively</b>			
		– By transforming Directive 2004/18/EC of the European Parliament and of the Council of March 31, 2004 on the coordination of procedures for awarding public works agreements, public supply agreements and public service agreements in the national practice	2006	<i>Public Procurement Law</i> was adopted by the Saeima on April 6, 2006. This law implements Directive 2004/18/EC of the European Parliament and of the Council of March 31, 2004.	Ministry of Finance
<b>2.7.</b>	<b>Competition</b>				
	<b>2.7.1.</b>	<b>To implement <i>ex ante</i> measures of competition ensuring policy</b>			
		– By analysing competition conditions and prices in markets, where suspicions of insufficient competition and its pressure on prices of goods/services exist	2005-2009	Examination of competition conditions has been carried out, conducting surveys of fuel market, retail market, cement production and wholesale market. On the basis of data acquired in these surveys, action plan for improvement of situation in fuel market was developed and proposals for <i>draft Law on Organising the Trade</i> were worked out. It is planned to continue conducting intersectoral study: competition situation in market sectors, whose produced/sold goods and services affect inflation, as well as assessment of influence of requirements included in draft normative acts on enterprise competitiveness and increase of prices.	Ministry of Economics
		– By participating in the development process of sectoral normative acts in the institutions of Latvia and the EU, in order to encourage competition in sectors, where a high level of administrative regulation and inefficient use of public resources exist	2006-2009	Examination of market situation is being carried out in the context of particular cases to be considered and market surveillance. Conduction of studies on competition situation in these sectors is envisaged in the next years. On the basis of results of the market examination, proposals will be made for amendments to normative acts in order to promote competition in the markets to be liberalized.	Ministry of Economics
		– By measures of competition advocacy in educating the public *)	2007-2009		Ministry of Economics
		– By building professional capacity of the Competition Council *)	2007-2009		Ministry of Economics
	<b>2.7.2.</b>	<b>To continue liberalisation of network infrastructure</b>			
		– By handing over the functions of distribution system operator and	2005-2008	Since January 1, 2005 a structural unit of JSC "Latvenergo" with seven distribution network branches operates, providing	Ministry of Economics

Measures of the National Lisbon Programme of Latvia			Years	Fulfilment and financing of measures	Responsible ministry
		public trader to two new joint stock companies fully owned by the state JSC "Latvenergo" by July 1, 2007		distribution service and performing all functions of public trader. As from July 1, 2007 this structural unit has to operate with the status of a separate legal person.	
		- By analysing the electronic communications market	2005-2008	In accordance with EC recommendation on particular markets of goods and services in the electronic communication sector, where <i>ex ante</i> regulation may be necessary in compliance with Directive 2002/21/EC (2003/311/EC), analysis has been completed in 4 of 18 electronic communication markets requiring compulsory analysis.	Public Utilities Commission
	<b>2.8.</b>	<b>Business Environment and Regional Framework</b>			
	<b>2.8.1.</b>	<b>To assess the business environment on a regular basis, maintaining dialogue between government/entrepreneurs</b>			
		- By preparing and implementing the Action Plan for Improvement of Business Environment annually	2005-2008	Cabinet of Ministers Regulation No. 215 "Action Plan for Improvement of Business Environment for 2006" of March 29, 2006 has been approved. Main areas: tax policy and administration, labour legislation, simplification of administrative procedures.	Ministry of Economics
		- By conducting studies on the influence of administrative procedures on business	2005-2007	Study on administrative requirements for entrepreneurs was conducted in August-December 2005. The study consists of three main elements - business survey, self-appraisal of the influence of state and local government institutions on business environment, and report on policy recommendations. 701 enterprise managers in Latvian cities and regions were interviewed in the survey. Total financing from the state budget is LVL 0.02 million.	Ministry of Economics
		- By improving the operation of the Enterprise Register, ensuring electronic access to documents and information	2005-2006	Several improvements in the operation of the Enterprise Register have been made. Since 2005 all applications for entry in the Commercial Register are considered by the Enterprise Register in three working days. An opportunity is provided to submit creditor applications electronically, concluding special agreement with LLC "Lursoft".	Ministry of Economics, Ministry of Justice
		- By establishing a joint registration system of the real estate transactions	2006	Cabinet of Ministers Regulation No. 80 <i>Action Plan for Prevention of Problems in the Area of Real Estate Transactions</i> of February 13, 2006 has been approved and its implementation has been started.	Ministry of Justice
		- By implementing the new Insolvency Law	2005-2008	New <i>Insolvency Law</i> has been worked out, and its coming into force is envisaged on July 1, 2007.	Ministry of Justice
	<b>2.8.2.</b>	<b>To encourage development of local governments and ensure the rise of their capacity, implement mutually co-ordinated sectoral and regional policy</b>			
		- By carrying out administrative territorial reform until the local elections in 2009	2005-2006	The required normative acts have been prepared, incl. amendments to the <i>Law on Administrative Territorial Reform</i> . Draft law on <i>creation of regional governments (districts)</i> is being prepared.	Ministry of Regional Development and Local Government

Measures of the National Lisbon Programme of Latvia			Years	Fulfilment and financing of measures	Responsible ministry
		– By implementing the PHARE 2003 National Programme "Strengthening the institutional capacity in the regions"	2005-2006	Implementing the projects of PHARE 2003 National Programmes. Total financing is LVL 1.16 million, incl. PHARE financing LVL 1.04 million. Activity "Strengthening the capacity of social partners, non-governmental organisations and local governments" (2007-2013) of OP "Human resources and employment" of EU structural funds.	Ministry of Regional Development and Local Government, State Chancellery
	<b>2.8.3.</b>	<b>To implement mutually co-ordinated sectoral and regional policy</b>			
		– By carrying out supervision and assessment of regional development	2006	Establishment and implementation of a system for supervision and assessment of regional development. Cabinet of Ministers Regulation No. 766 "Procedure for Information Exchange of Institutions Involved in Operation of the System for Supervision and Assessment of Regional Development" of September 19, 2006 has been approved.	Ministry of Regional Development and Local Government
		– By promoting diversification of rural economy and establishment of favourable conditions and the necessary infrastructure	2004-2006	Implementation of the rural development measure "Enhancing adaptation and development of rural areas" in the Single Programming Document (land amelioration, preservation of rural landscape, diversification of economic activity in the countryside, creation of farmer consultation services). Total financing envisaged in the period of 2004-2006 is LVL 27.14 million, of which EAGGF Guidance Section financing is LVL 19.69 million.	Ministry of Agriculture
		– By establishing favourable conditions for the creation and development of products and services for tourism and cultural tourism	2005-2008	<i>Tourism Development Programme of Latvia for 2006-2008</i> has been approved (Cabinet of Ministers Instruction No. 505 of July 5, 2006). <i>Action Plan for Tourism Development of Latvia for 2006</i> has been approved (Cabinet of Ministers Instruction No. 425 of June 6, 2006). Project applications in ERDF project competition "Efficient use of cultural and historical heritage in tourism development" (LVL 6.48 million) have been received and assessed. Proposals for support measures in the tourism sector in 2007-2013 (LVL 29.73 million) of ERDF OP "Infrastructure and services" have been prepared.	Ministry of Economics
		– By developing regional cultural policy *)	2006-2008	Latgale Region Cultural Support Programme is being implemented in 2006 (total financing LVL 0.02 million) and Zemgale Region Cultural Support Programme is being developed. 1 <sup>st</sup> stage of cultural mapping project was completed and the 2 <sup>nd</sup> stage of cultural mapping project of Latvian regions was developed in 2006 (total financing for completion of data base „Cultural map" is LVL 0.146 million). Implementation of projects of the priority "Preservation of European cultural heritage" of Norwegian/EEA Financial Instrument. Total co-financing of Norway/EEA is LVL 1.92 million.	Ministry of Culture

Measures of the National Lisbon Programme of Latvia		Years	Fulfilment and financing of measures	Responsible ministry
<b>2.9.</b>	<b>Small and Medium-Sized Enterprises</b>			
	<b>2.9.1.</b>	<b>To improve access of SMEs to funding</b>		
		– By promoting availability of credit resources	2004-2006 Implementation of state support programme "Aid Scheme of Loan Guarantees of Latvian Guarantee Agency". Total financing is LVL 5 million.	Ministry of Economics
		– By ensuring allocation of financing for business development in the early stage	2005-2007 Implementation of state support programme "Loans (incl. Microloans) for Business Start-Ups". Total financing is LVL 20.99 million.	Ministry of Economics
		– By promoting availability of finance in the form of SME venture capital	2006-2008 Implementation of state support programme "Aid to Venture Capital of Small and Medium-Sized Enterprises". Total financing is LVL 10.6 million. Proposals for OP State support programmes (2007-2013) have been prepared: – loan and lease guarantees, – export guarantees, – heightened-risk loans, – fund of venture capital funds, – business angel network.	Ministry of Economics
		– By co-financing entrepreneurs' development projects to encourage economic activity in the territories requiring special assistance	2005-2008 Implementation of the national programme "Development of business activity in the territories requiring special assistance". Total financing is LVL 2.7 million (LVL 1.7 million in 2005-2006). Implementation of the grant scheme "Support for investment in development of enterprises in the territories requiring special assistance". Total financing is LVL 10.3 million (LVL 4.9 million in 2005-2006), incl. ERDF financing LVL 5.15 million (LVL 2.45 million in 2005-2006). Activity "Support for investment in development of SMEs in territories requiring special assistance" (2007-2013) of EU structural funds' OP "Business and innovation".	Ministry of Regional Development and Local Government
	<b>2.9.2.</b>	<b>To ensure informative and consultative support</b>		
		– By providing support with consultation and participation of commercial companies in international exhibitions and trade missions	2006 Implementation of the state support programme "Support for consultations and participation of commercial companies in international exhibitions and trade missions". Total financing is LVL 1.661million.	Ministry of Economics
<b>2.10.</b>	<b>Transport</b>			
	<b>2.10.1.</b>	<b>To improve and develop the quality of international transport corridors</b>		
		– By developing Via Baltica and East-West road corridors	2005-2008 Implementation of transport infrastructure projects of the Cohesion Fund is continued. Total financing in 2005 is LVL 54 million, incl. CF financing LVL 18 million. Total financing in 2006 is LVL 74 million, incl. CF financing LVL 37 million. Implementation of projects of NP "Development of state 1 <sup>st</sup> class roads" is continued. Total financing is LVL 53.5 million (LVL 29.1 million in 2005), incl. ERDF financing LVL 34 million (LVL 18.5 million in 2005), in 2006 the total financing is LVL 14.8 million.	Ministry of Transport and Communications



Measures of the National Lisbon Programme of Latvia			Years	Fulfilment and financing of measures	Responsible ministry
				Implementation of NP "Improvement of Riga transport system for 2004-2006" is continued. Total financing is LVL 23.9 million (LVL 3.3 million in 2005, LVL 8.3 million in 2006), incl. ERDF financing LVL 14.74 million (LVL 2.2 million in 2005, LVL 5.3 million in 2006).	
		- By modernizing the East-West railway corridor	2005-2006	Raising the safety level of transit corridor. Total financing is LVL 99 million, incl. CF financing LVL 74 million (LVL 11 million in 2005, incl. CF financing LVL 6 million; LVL 12 million in 2006, incl. CF financing LVL 7 million). Reconstruction and development of TEN-T railway spans, incl. Rail Baltica. Total financing LVL 60.8 million, incl. CF financing LVL 47 million (2010-2013). Work for renovation of railway tracks and for improvement of carrying capacities is envisaged (2007-2013). Total financing is LVL 76.6 million, incl. CF financing LVL 48 million.	Ministry of Transport and Communications
		- By promoting the infrastructure development and growth of competitiveness of Latvian ports	2004-2006	Implementation of NP "Reconstruction and development of joint hydrotechnical structures of Latvian small ports" is continued. Total financing is LVL 3.9 million, incl. ERDF financing LVL 2.5 million.	Ministry of Transport and Communications
		- By ensuring the development of infrastructure at "Rīga" International Airport	2005-2008	Documentation of new tender is currently being prepared. It is planned to announce the tender at the end of 2006.	Ministry of Transport and Communications
		<b>2.10.2. To ensure improvement of the state's road network condition and increase the load carrying capacity of the road surfaces and bridges in accordance with EU requirements, by increasing funding for road maintenance and improving the system of financing</b>			
		- By changing the financing model of state roads, envisaging channelling certain portion of the excise tax on fuel to roads, inter alia by increasing funding for maintenance and development of 2 <sup>nd</sup> class state roads	2006-2008	The system of financing has been improved, by envisaging financing from state budget resources in accordance with certain portion of the excise tax on oil products (65% in 2007, 70% in 2008). Development of 2 <sup>nd</sup> class state roads is being carried out. Total financing in 2006 is LVL 3.5 million.	Ministry of Transport and Communications
		<b>2.10.3. To create an integrated passenger transportation system</b>			
		- By establishing a new efficient management system of public transport	2005-2008	Reform of public transport was started in 2005. As from 2006, the Ministry of Transport and Communications handed over functions of organising the public transport to the Road Transport Administration, which in the 2 <sup>nd</sup> quarter of 2006 co-ordinated with the Latvian Association of Local and Regional Governments the route network of long distance buses to be announced for the next planning period.	Ministry of Transport and Communications
		- By granting adequate state financing for public transport	2006-2008	Cabinet of Ministers accepted allocation of additional LVL 4.24 million for implementation of public procurement in rail passenger transportation in 2006.	Ministry of Transport and Communications

Measures of the National Lisbon Programme of Latvia			Years	Fulfilment and financing of measures	Responsible ministry
		– By creating a unified and rational network of public transport routes	2004-2008	NP "Implementation of GPS base of bus traffic organisation and control system" is continued. Total financing in 2006 is LVL 0.8 million, incl. ERDF financing LVL 0.5 million. Implementation of NP "Development of Riga suburban rail passenger transportation". Total financing is LVL 17.6 million (LVL 6.3 million in 2006), incl. ERDF financing LVL 8.5 million (LVL 3 million in 2006).	Ministry of Transport and Communications
<b>2.11. Energy</b>					
<b>2.11.1. To continue development of the electricity market</b>					
		– By developing the secondary legal acts required for the Electricity Market Law by 2007	2005-2007	3 draft regulations of the Cabinet of Ministers have been developed, by which it is planned to complete formation of legal environment for ensuring operation of electricity market.	Ministry of Economics
		– To establish the independent distribution system's operator by July 1, 2007	2005-2007	On August 30, 2006 the Board of SJSC "Latvenergo" took decision to establish separate/independent distribution system's operator JSC "Sadales tīkls".	Ministry of Economics
<b>2.11.2. To develop interconnections between electricity networks of the Baltic, Nordic and Central European countries</b>					
		– By participating in the NORDIC ENERGY LINK project	2005-2006	Project of Estlink cable was launched. The project is financed by involved energy companies from Finland, Estonia, Latvia and Lithuania. Total project costs are estimated in the amount of approximately LVL 77.3 million. Estlink will be a direct current cable between two substations – Harku 330 kV substation (in Estonia) and Espoo 400 kV substation (in Finland). Studies have been conducted for the following projects: – Lithuanian-Polish link ("Power Bridge"), which has been not started yet. Total project costs are currently estimated in the amount of approximately LVL 281.12 million; – underwater direct current cable link between Lithuania and Sweden.	Ministry of Economics
<b>2.12. Public – Private Partnership</b>					
<b>2.12.1. Promote public – private partnership</b>					
		– to establish the Advisory Board of Public-Private Partnership	2006	Development of the required normative acts has been started.	Ministry of Economics
		– Conduct feasibility studies in the period of 2006-2009, of at least 12 potential PPP projects for assessing the suitability of PPP financing models	2006-2009	Preparation of legal documentation for two PPP pilot projects and preparation of standardised purchase documentation have been started. Planned financing is LVL 0.089 million.	Ministry of Economics
		– to develop methodology of the management cycle of PPP projects and carrying out its specification on a regular basis	2006-2007	Informative material is being developed. By the end of 2006 it is planned to prepare guidelines for PPP project cycle and update them on a regular basis.	Ministry of Economics
		– Create a website about PPP	2007	Development and registration of integrated website is planned.	Ministry of Economics

Measures of the National Lisbon Programme of Latvia			Years	Fulfilment and financing of measures	Responsible ministry
		– Organise training seminars on various aspects of PPP	2006-2009	2 seminars have been organised: – on PPP in the framework of US business forum on May 23, 2006; – seminar organised by LIDA (round table discussion) on implementation of PPP pilot projects and identified problems on June 20, 2006.	Ministry of Economics
<b>3. Guidelines for the Employment Policies</b>					
<b>3.1. Life-Cycle Approach to Employment</b>					
	<b>3.1.1.</b>	<b>To support integration of unemployed young people and job seekers in the labour market</b>			
		– By providing practice places to unemployed young people	2005-2008	Implementation of the project "Providing practice places to unemployed young people" is continued. Total financing is LVL 4.656 million (LVL 0.337 million in 2005, LVL 2.287 million in 2006, LVL 1.838 million in 2007, LVL 0.193 million in 2008), incl. ESF financing LVL 3.492 million.	Ministry of Welfare
		– By subsidising employment measures for unemployed young people	2005-2008	Support to unemployed young people is continued. Total financing for "Subsidised employment for unemployed from target groups" is LVL 0.530 million in 2005 (LVL 3.215 million in 2006), incl. ESF financing LVL 0.365 million (LVL 2.027 million in 2006).	Ministry of Welfare
		– By providing work places for young people aged 15-18 years during summer holidays	2004-2008	Support to young people aged 15-18 years during summer holidays is continued. Total financing is LVL 0.439 million in 2005 (special state social security budget). It is planned to use LVL 0.742 million for employment of schoolchildren in 2006.	
	<b>3.1.2.</b>	<b>To inform and educate society about gender equality in the labour market</b>			
		– By developing and implementing the strategy of informing society about gender equality issues	2005-2007	<i>Strategy of informing society about gender equality issues</i> was developed and its implementation has started. Total financing is LVL 0.105 million, incl. ESF financing LVL 0.078 million. NP "Support for promotion of gender equality in the labour market" (2007-2013) is planned. Total financing is LVL 0.927 million, incl. ESF financing LVL 0.788 million.	Ministry of Welfare
		– By conducting studies about gender equality in the labour market	2005-2007	The study "Aspects of gender equality in the labour market" was started. Total financing is LVL 0.096 million (LVL 0.019 million in 2005, LVL 0.063 million in 2006, LVL 0.014 million in 2007), incl. ESF financing LVL 0.072 million.	Ministry of Welfare
	<b>3.1.3.</b>	<b>To support persons after child care leave for inclusion in the labour market</b>			
		– By developing services of kindergartens, game and development centres, and babysitters	2005-2008	Projects for establishment of 18 game and development centres for children were implemented in 2005. Agreements for establishment of 10 game and development centres for children and day centres for primary school age children were concluded in 2006. Financing is LVL 0.1 million (in 2005) and LVL 0.05 million (in 2006).	Ministry for Children and Family Affairs
		– By organising measures to enhance motivation of	2005-2008	It is planned to use LVL 0.067 million from special employment budget resources for	Ministry of Welfare

Measures of the National Lisbon Programme of Latvia			Years	Fulfilment and financing of measures	Responsible ministry
		persons after child care leave and long-term unemployed		measures to enhance motivation of persons after child care leave in 2006.	
		– By educating society about sharing roles in the family	2005-2006	The project "Men equal, men different" financed by the European Community was implemented. Total financing was LVL 0.12 million.	Ministry for Children and Family Affairs
	<b>3.1.4.</b>	<b>To include pre-pension age people in the labour market</b>			
		– By developing active employment measures organised by the SEA	2005-2006	For implementation of active employment measures organised by SEA, LVL 14.168 million were used in 2005, incl. LVL 8.120 million from ESF resources. For implementation of active employment measures organised by SEA, it is planned to use LVL 18.727 million in 2006, incl. LVL 14.024 million from ESF resources.	Ministry of Welfare
		– By developing professional orientation services in accordance with the needs of this target group in the context of life-long learning	2005-2006	852 pre-pension age persons received professional orientation services from the Professional Career Counselling State Agency in 2005.	Ministry of Welfare
	<b>3.2.</b>	<b>Inclusion in the Labour Market</b>			
	<b>3.2.1.</b>	<b>To improve and diversify active employment measures and preventive measures for unemployment reduction</b>			
		– By improving professional training and retraining of the unemployed and raising skills; by carrying out measures for raising competitiveness, among these for teaching the state language and by organising paid temporary work	2004-2006	Measures supported by ESF were implemented in the framework of NP "Support to implementation of active employment measures". Total financing was LVL 25.480 million (LVL 10.871 million in 2005, LVL 12.154 million in 2006, LVL 2.455 million in 2007), incl. ESF financing LVL 9.322 million). Measures supported by ESF in the framework of NP "Raising competitiveness of able-bodied people (15-64 years) in the labour market, incl. retraining of the employed and active employment measures" (2007-2013). Total financing is LVL 23.136 million, incl. ESF financing LVL 19.665 million. Measures supported by ESF in the framework of NP "Complex support projects to improve opportunity of the unemployed from target groups to integrate in the labour market" (2007-2013). Total financing is LVL 2.9 million, incl. ESF financing LVL 2.465 million. Measures supported by ESF in the framework of NP "Measures of supported employment for the unemployed from target groups" (2007-2013). Total financing is LVL 2.978 million, incl. ESF financing LVL 2.531 million.	Ministry of Welfare
		– By creating subsidised classes and workplaces for the disabled and other socially excluded risk groups	2005-2008	Support is provided to create subsidised workplaces for social exclusion risk groups for implementation of projects. Total financing is LVL 3.197 million (LVL 0.411 million in 2005, LVL 2.027 million in 2006, LVL 0.722 million in 2007, LVL 0.036 million in 2008), incl. ESF financing LVL 2.557 million.	Ministry of Welfare

Measures of the National Lisbon Programme of Latvia			Years	Fulfilment and financing of measures	Responsible ministry
		– By diversifying active employment measures in accordance with regional needs	2005-2006	Implementation of measure "Employment promotion" of Component 2 "Investment in human resources" of NP "Economic and social cohesion measures in Latvia". Total financing is LVL 1.018 million, incl. PHARE financing LVL 0.752 million. Support to implementation of plans of local employment promotion measures (2007-2013). Total financing LVL 2.432 million, incl. ESF financing LVL 2.067 million.	Ministry of Regional Development and Local Government, Ministry of Welfare
	<b>3.2.2.</b>	<b>To develop the system of social services</b>			
		– By improving availability of professional and social rehabilitation services, by integrating persons with functional disorders into society	2004-2008	Grant scheme "For support to projects of development and implementation of social rehabilitation programmes" is implemented. Total financing is LVL 3.05 million (LVL 0.736 million in 2005, LVL 2.314 million in 2006), incl. ESF financing LVL 2.44 million. Grant scheme "Development and implementation of professional rehabilitation programmes" (2004-2008) is implemented. Total financing is LVL 3.742 million (LVL 0.008 million in 2005, LVL 3.734 million in 2006), incl. ESF financing LVL 2.993 million. 14 projects are implemented in the framework of the grant scheme. Grant scheme "For support to projects of development of alternative social care and social rehabilitation services" (2005-2007) is implemented. Total financing is LVL 1.512 million (LVL 0.046 million in 2005, LVL 1.387 million in 2006), incl. ERDF financing LVL 1.147 million. 16 projects are implemented in the framework of the grant scheme. Grant scheme "For support to projects of motivation programme for social exclusion risk groups" is implemented. Total financing is LVL 3.683 million (LVL 0.008 million in 2005, LVL 3.675 million in 2006), incl. ESF financing LVL 2.947 million. Implementation of NP "Programme of raising motivation and employment promotion for long-term unemployed" (2007-2013). Total financing is LVL 6.123 million, incl. ESF financing LVL 5.204 million.	Ministry of Welfare
		– By educating and training social work specialists, by improving the infrastructure of social care and social rehabilitation institutions	2004-2007	Implementation of projects of NP "Improvement of infrastructure and facilities of social care and social rehabilitation institutions". Total financing is LVL 5.273 million (LVL 0.034 million in 2004, LVL 1.926 million in 2005, LVL 3.331 million in 2006), total attributed costs are LVL 4.775 million, incl. ERDF financing LVL 3.820 million. Grant scheme "Training of social work specialists" (2005-2008) is implemented. Total financing is LVL 0.969 million (LVL 0.386 million in 2005, LVL 0.582 million in 2006), incl. ESF financing LVL 0.775 million. 21 projects are implemented in the framework of the grant scheme.	Ministry of Welfare
	<b>3.3.</b>	<b>Labour Market Needs</b>			
	<b>3.3.1.</b>	<b>Establish the system for long-term forecasting of the labour market</b>			
		– By developing system for long-term forecasting of labour market and by	2005-2007	Study "Research of system for long-term forecasting of labour market demand and analysis of opportunities for improvement" is	Ministry of Welfare

Measures of the National Lisbon Programme of Latvia			Years	Fulfilment and financing of measures	Responsible ministry
		ensuring sustainability of the system		conducted in the framework of NP "Labour market studies". Total financing is LVL 0.274 million (LVL 0.028 million in 2005, LVL 0.175 million in 2006, LVL 0.071 million in 2007), incl. ESF financing LVL 0.2055 million.	
		<b>3.3.2. To conduct studies on labour market and labour mobility</b>			
		- By conducting labour market studies	2005-2007	<p>Study "Wages and factors influencing them" is conducted in the framework of NP "Labour market studies". Total financing is LVL 0.095 million (LVL 0.028 million in 2005, LVL 0.067 million in 2006), incl. ESF financing LVL 0.071 million.</p> <p>Study "Specific labour market problems of Latvia and its regions" is conducted in the framework of NP "Labour market studies". Total financing is LVL 0.329 million (LVL 0.033 million in 2005, LVL 0.198 million in 2006, LVL 0.098 million in 2007), incl. ESF financing LVL 0.247 million.</p> <p>Study "Optimal employment-promoting system of taxes and benefits" is conducted in the framework of NP "Labour market studies". Total financing is LVL 0.111 million (LVL 0.011 million in 2005, LVL 0.067 million in 2006, LVL 0.033 million in 2007), incl. ESF financing LVL 0.083 million.</p> <p>Study "Causes and length of unemployment and social exclusion" is conducted in the framework of NP "Labour market studies". Total financing is LVL 0.286 million (LVL 0.198 million in 2006, LVL 0.088 million in 2007), incl. ESF financing LVL 0.215 million.</p> <p>State Employment Agency studies fully financed from ESF resources are conducted in the framework of NP "Labour market studies". Total financing is LVL 0.475 million (LVL 0.161 million used in 2005, LVL 0.198 million planned to be used in 2006).</p> <p>Tender of open projects "Support to conducting labour market studies" is held. Total financing is LVL 0.606 million (LVL 0.066 million used in 2005, LVL 0.136 million planned to be used in 2006) from ESF resources.</p>	Ministry of Welfare
		<b>3.3.3. To develop and strengthen labour market institutions, employment partnerships and social dialogue on the regional, sectoral and enterprise levels</b>			
		- By strengthening labour market institutions	2004-2007	<p>Implementation of NP "Support for capacity-building in the institutions responsible for the implementation of labour market and gender equality policy, and the dissemination of information and raising awareness". Total financing is LVL 7.596 million (LVL 2.903 million in 2005, LVL 4.693 million in 2006), incl. ESF financing LVL 5.672 million.</p> <p>NP "Capacity-building of labour market institutions" (2007-2013). Total financing is LVL 2.377 million, incl. ESF financing LVL 2.020 million.</p> <p>NP "Improvement of infrastructure of labour market institutions" (2007-2013). Total financing is LVL 3.873 million, incl. ESF financing LVL 3.292 million.</p>	Ministry of Welfare
		- By strengthening non-governmental institutions	2004-2007	In the framework of NP "Support for capacity-building in the institutions	Ministry of Welfare

Measures of the National Lisbon Programme of Latvia				Years	Fulfilment and financing of measures	Responsible ministry
					responsible for the implementation of labour market and gender equality policy, and the distribution of information and raising awareness": Capacity-building of the Employers' Confederation of Latvia. Total financing is LVL 0.6 million, incl. ESF financing LVL 0.45 million. Capacity-building of the Free Trade Union Confederation of Latvia. Total financing is LVL 0.617 million, incl. ESF financing LVL 0.45 million. Capacity-building of Latvian local governments and Latvian Association of Local and Regional Governments. Total financing is LVL 0.416 million, incl. ESF financing LVL 0.3 million.	
	<b>3.4.</b>	<b>Labour Market Flexibility</b>				
		<b>3.4.1.</b>	<b>To improve the system of the work safety and health protection at work</b>			
			- By improving infrastructure of the State Labour Inspectorate and strengthening administrative capacities	2006-2007	Administrative strengthening of the State Labour Inspectorate is carried out. Survey is held, results are summarised and report is prepared on analysis of the situation of SLI operation. Total financing is LVL 0.723 million, incl. foreign financing LVL 0.6499 million.	Ministry of Welfare
			- By raising capacities of the Employers' Confederation of Latvia, Free Trade Union Confederation of Latvia, Latvia's local governments and Latvian Association of Local and Regional Governments	2005-2008	<i>See Measure 2 of 3.3.3.</i>	Ministry of Welfare
			- By establishing the Latvian National Work Environment and Health Institute and ensuring its operation	2006-2007	Administrative strengthening of the Work Environment and Health Institute is carried out. Total financing is LVL 0.723 million, incl. foreign financing LVL 0.6499 million. Analysis of the current status of the Work Environment and Health Institute and the necessary changes has been conducted and examination of the Labour Protection Information System has been carried out.	Ministry of Welfare
			- By improving supervision of labour safety systems and labour relations	2004-2007	Implementation of the project "Improvement of labour safety system and labour relations supervision" is taking place in the framework of NP "Support for capacity-building in the institutions responsible for the implementation of labour market and gender equality policy, and the dissemination of information and raising awareness". Total financing is LVL 0.95 million (LVL 0.373 million in 2005, LVL 0.505 million in 2006), incl. ESF financing LVL 0.712 million.	Ministry of Welfare
			- By conducting study on labour conditions and risks	2005-2006	Primary analysis of the current studies, policy and normative acts was conducted in the framework of NP "Labour market studies". Employer's survey was conducted. 2 surveys are conducted at present, namely, survey of new mothers and survey of disabled persons, and exploration of measurements done by laboratories is taking place.	Ministry of Welfare

Measures of the National Lisbon Programme of Latvia			Years	Fulfilment and financing of measures	Responsible ministry	
				Total financing is LVL 0.237 million (LVL 0.025 million in 2005, LVL 0.166 million in 2006, LVL 0.046 million in 2007), incl. ESF financing LVL 0.178 million.		
		<b>3.4.2.</b>	<b>To reduce undeclared employment</b>			
			– By increasing the minimum wage and the untaxed minimum	2006-2010	As from January 1, 2006 the minimum wage was increased from LVL 80 to LVL 90. As from January 1, 2006 the untaxed minimum was increased from LVL 26 to LVL 32.	Ministry of Finance
			– By raising administrative capacities of the State Labour Inspectorate	2005-2008	<i>See Measure 1 of 3.4.1.</i>	Ministry of Welfare
			– By strengthening the role of the trade and employer unions in entrepreneurship	2005-2006	<i>See Measure 2 of 3.3.3.</i>	
			– By conducting a study for the assessment of unregistered employment	2005-2007	Study "Assessment of unregistered unemployment" is carried out in the framework of NP "Labour market studies". Total financing is LVL 0.066 million (LVL 0.007 million in 2005, LVL 0.04 million in 2006, LVL 0.019 million in 2007), incl. ESF financing LVL 0.049 million.	Ministry of Welfare
		<b>3.4.3.</b>	<b>To support business start-ups and promote geographic mobility in the least developed regions</b>			
			– By promoting measures of business start-ups	2005-2008	Grant scheme "Consultations and training for business start-ups and self-employment" is implemented for support of projects. Total financing is LVL 2.166 million (LVL 0.295 million in 2005, LVL 1.871 million in 2006), incl. ESF financing LVL 1.733 million. Implementation of NP "Support to business beginners" (2007-2013). Total financing is LVL 22.205 million, incl. ESF financing LVL 18.874 million.	Ministry of Economics
			– By conducting study about geographic mobility of labour	2005-2006	Study „Geographic mobility of labour“ is conducted in the framework of NP "Labour market studies". Total financing is LVL 0.111 million (LVL 0.033 million in 2005, LVL 0.078 million in 2006), incl. ESF financing LVL 0.083 million.	Ministry of Welfare
			– By ensuring the improvement of state road network's condition		<i>See Measure 1 of 2.10.1.</i>	Ministry of Transport and Communications
		<b>3.5.</b>	<b>Investment in Human Capital</b>			
		<b>3.5.1.</b>	<b>To improve ability of education system and students to adapt to the changing requirements of the labour market</b>			
			– Balance number of students in general and professional education programmes by taking into account the results of long-term forecasts of the labour market	2005-2006	Long-term forecasting model of the labour market is created in the framework of NP "Labour market studies". Total financing is LVL 0.274 million (LVL 0.028 million in 2005, LVL 0.175 million in 2006, LVL 0.071 million in 2007), incl. ESF financing LVL 0.2055 million. Cabinet of Ministers Regulation "Amendments to the Cabinet of Ministers Regulation No. 740 „Regulations on Scholarships“ of August 24, 2004" has been	Ministry of Education and Science, Ministry of Welfare



Measures of the National Lisbon Programme of Latvia			Years	Fulfilment and financing of measures	Responsible ministry
				approved on April 4, 2006, which determines the amount of scholarship for students of professional education institutions in the amount of LVL 20 per month (LVL 4.3 million per year) (the current amount is LVL 8.5). ESF projects (in the amount of about LVL 1.5 million) ensure enrolment of additional groups of students in professional education institutions. 500 students were enrolled in 2006.	
		- Modernise material and technical provision of professional education institutions	2005-2007	Projects for improvement of professional education infrastructure in the amount of LVL 3.1 million are implemented in the framework of ERDF NP for 2004-2006.	Ministry of Education and Science
		- Promote modernisation of professional and higher education and practical training system, acquisition of adequate knowledge, skills and abilities in economic sectors important to regions	2005-2008	89 ESF projects aimed at supporting the implementation of learning practice have been approved in the framework of NP "Economic and social cohesion measures in Latvia ", total financing is LVL 0.717 million. Implementation of measures "Fostering employment" and "Development of professional education and further education" in the framework of Component 2 "Investment in development of human resources" of PHARE 2003 ESC programme. Total financing in 2005-2006 is LVL 3.194 million, incl. PHARE financing LVL 2.384 million). 36 agreements for implementation of ESF projects have been concluded, total financing LVL 1.184 thousand.	Ministry of Education and Science, Ministry of Regional Development and Local Government
		- Develop and carry out an information campaign in order to raise prestige of engineering sciences, natural sciences, medicine and other fields necessary for the development of Latvia	2005-2006	Action plan to ensure increased number of students in hard sciences and engineering sciences is being developed. The number of study places in higher education institutions was increased by 461 places in 2006, mainly in disciplines necessary for development of Latvia, providing them with financing in the amount of LVL 1 million. Support for study process in these disciplines is provided from ESF financing (LVL 5.09 million) and ERDF financing (LVL 5.65 million).	Ministry of Education and Science, Ministry of Welfare
		<b>3.5.2. To improve availability of education at all levels, reduce the number of students expelled from educational establishments</b>			
		- By integrating young people in the education system	2005-2007	24312 educatees have received professional orientation services at the Professional Career Counselling State Agency in 2005. 95% of compulsory education age children are included in the education system. 34 catch-up education programmes have been implemented in the academic year 2004/2005, providing opportunity for 353 pupils, who graduated from 9 <sup>th</sup> grade with school-report to acquire certificate of basic education during one year. In order to reduce the number of students expelled from education establishments, 32 pedagogical correction education programmes for general basic education (catch-up education programme for 9 <sup>th</sup> grade), 25 pedagogical correction education programmes for the 2 <sup>nd</sup> stage of general basic education (7 <sup>th</sup> -9 <sup>th</sup> grades) and 150	Ministry of Education and Science, Ministry of Welfare

Measures of the National Lisbon Programme of Latvia			Years	Fulfilment and financing of measures	Responsible ministry
				<p>pedagogical correction education programmes for general basic education (1<sup>st</sup>-9<sup>th</sup> grades) were implemented in the academic year 2005/2006.</p> <p>10 ESF projects for involvement of young people with low level of preliminary knowledge into general and professional education establishments have been approved, total financing is LVL 0.385 million.</p>	
		- By applying educational services to socially excluded population groups	2005-2007	<p>12 professional rehabilitation programmes were implemented in 2005 and 15 professional rehabilitation programmes are being implemented in 2006 in the state agency "Social Integration Centre". Total financing envisaged for implementation of these programmes is LVL 0.85 million in 2005 and LVL 1.103 million in 2006.</p> <p>In order to promote the integration of children with special needs into general education establishments, financing in the amount of LVL 0.07 million has been granted in the framework of tender "On distribution of state budget for financing general education establishments in accordance with special needs" in 2005. 54 general education establishments have received financial support.</p> <p>In the framework of sub-programme "Integration of children with physical and mental disorders into general education schools", financial support in the amount of LVL 7822 has been given to education establishments, where children with disorders are integrated. 15 ESF projects for inclusion of young people with special needs into general and professional education establishments have been approved, total financing is LVL 0.585 million.</p>	Ministry of Education and Science, Ministry of Welfare
		<b>3.5.3. To increase availability of higher education and its conformity with the labour market needs</b>			
		- By raising the number of study places financed from the government budget in natural sciences, engineering sciences, environmental sciences	2005-2008	The number of study places in natural sciences, engineering sciences and environmental sciences was increased by 337 places in 2006, providing them with financing in the amount of LVL 0.75 million.	Ministry of Education and Science
		- By increasing the amount of student loan and fund of grants in higher education institutions	2005-2008	Cabinet of Ministers Regulation No. 78 "Amendments to Cabinet of Ministers Regulation No. 220 "Procedure for Granting and Repaying Study Loan from Credit Institution Guaranteed by the Government" of May 29, 2001" has been approved on January 24, 2006, increasing the amount of student loan to LVL 120 per month.	Ministry of Education and Science
		- By establishing the set of normative measures to ensure practice for students, acquiring modern technologies for research institutes, where education process and innovations are ensured, supporting entrepreneurs,	2005-2008	<p>Implementation of NP activity "Support to provision of learning practices for professional education and higher education students". Total financing in 2005-2006 is LVL 8.25 million.</p> <p>Implementation of ESF activity "Support to provision of learning practices for professional education and higher education</p>	Ministry of Education and Science

Measures of the National Lisbon Programme of Latvia			Years	Fulfilment and financing of measures	Responsible ministry
		who provide places of practice, creating system of employer and employee co-operation agreements		students". Total financing in 2005– 2006 is LVL 8.25 million.	
		– By developing availability of higher education and technical provision to acquire programmes for the disabled	2005-2006	In the framework of resources of ERDF NP "Improvement/modernisation of premises and equipment of higher education institutions", access to 2 higher education institutions has been ensured for persons with functional disorders.	Ministry of Education and Science
	<b>3.5.4.</b>	<b>To improve life-long learning system</b>			
		– By developing life-long learning strategy	2005-2007	NP "Development and implementation of life-long learning strategy". Planned financing is LVL 0.650 million. Implementation of NP activity "Expanding opportunities of further education in sectors important for economy". 36 agreements for implementation of projects are concluded, total financing is LVL 1.184 thousand.	Ministry of Education and Science
		– By improving professional orientation system	2005-2006	Concept " <i>Improvement of career development support system</i> " is developed (Cabinet of Ministers Regulation No. 214 of March 29, 2006). 3 methodological materials have been issued: 3200 copies for 7 <sup>th</sup> -9 <sup>th</sup> grades, 1400 copies for 10 <sup>th</sup> -12 <sup>th</sup> grades. Project "Career education software in the education system" of the ESF national programme "Support to introduction of professional orientation and career education in the education system" is implemented in the Professional Orientation Information Centre of the Professional Education Development Agency. 93 agreements have been concluded for the implementation of ESF project measures on professional orientation and consulting in education institutions, total financing is LVL 0.58 million.	Ministry of Education and Science, Ministry of Welfare
		– By conducting labour market studies	2005-2006	13 studies in the area of labour market are conducted in the framework of NP "Labour market studies". Total financing for the studies is LVL 2.225 million (LVL 0.327million in 2005, LVL 1.369 million in 2006, LVL 0.529 million in 2007), incl. ESF financing LVL 1.669 million.	Ministry of Welfare
	<b>3.5.5.</b>	<b>To implement the projects of new Latvian National Library and digital library</b>			
		– By constructing a new and modern building of the National Library as well as implementing the digital library project, creating ICT provision and digital content, ensuring availability of services in the whole country	2005-2008	The digital library project is implemented. Total financing is LVL 3.03 million (LVL 0.03 million in 2005, LVL 0.09 million in 2006). Preparing construction of the National Library is taking place. The funding is LVL 3.197 million in 2005 and LVL 8.26 million in 2006. Implementation of the construction project, equipment of the building, its commissioning and starting operation: financing in 2007-2010 will be LVL 116.9 million.	Ministry of Culture

Measures of the National Lisbon Programme of Latvia		Years	Fulfilment and financing of measures	Responsible ministry	
3.6.	<b>Availability and Quality of Education System</b>				
	3.6.1.	<b>To improve educational programmes in accordance with the labour market needs</b>			
		– By conducting an analysis of labour market demand and, on its basis, updating the Classifier of Professions and fields of studies	2005-2008	Study "Exploration of the system for long-term forecasting of labour market demand and analysis of improvement opportunities" is conducted in the framework of NP "Labour market studies".	Ministry of Education and Science, Ministry of Welfare
		– By reorganizing administratively complicated and expensive licence receipts and accreditation procedures	2005-2008	Cabinet of Ministers Regulation No. 9 "Procedure for Licensing of General and Professional Education Programmes" of January 3, 2006 has been approved and amendments have been made to Cabinet of Ministers Regulation "Procedure for Licensing Higher Education Programmes" (Cabinet of Ministers Regulation No. 679 of August 22, 2006), which allows to organise the licensing procedure more rationally.	Ministry of Education and Science
		– By informing more widely potential students about prospects in the various fields of studies	2005-2008	At information days of higher education institutions, the attention was drawn to the necessity of better informing potential students. Implementation of NP activity "Implementation of study programmes and improving quality of study process in natural-science-and-technology-intensive disciplines". Total financing in 2005 and 2006 is LVL 4.45 million.	Ministry of Education and Science
	3.6.2.	<b>To establish quality assurance system of professional education</b>			
		– By improving infrastructure of professional education establishments	2005-2008	Projects to improve infrastructure of professional education in the amount of LVL 3.1 million are implemented in the framework of ERDF NP 2004-2006. Licences to 888 professional education programmes, among them 158 professional further education programmes and 133 professional improvement education programmes, have been issued in 2005 on the basis of decisions taken by the professional education programmes licensing commission.	Ministry of Education and Science
		– By improving the system of compulsory centralised exams	2005-2006	Cabinet of Ministers Regulation No. 967 "Procedure for Centralised Professional Qualification Exams" of December 20, 2005 has been issued.	Ministry of Education and Science
		– By working out a unified methodology for raising the quality of professional education as well as the attraction and education of social partners	2005-2008	ESF national programme "Working out of a unified methodology for raising the quality of professional education as well as the attraction and education of social partners" is implemented in the framework of NP activity "Working out a unified methodology for raising the quality of professional education as well as the attraction and education of social partners". Initial financing is LVL 0.532 million.	Ministry of Education and Science
		– By ensuring operation of Trilateral Co-operation Sub-council of Professional Education and Employment and establishment of the efficient operation of the regional councils	2005-2007	4 regional councils have been established in Kurzeme, Zemgale, Vidzeme and Latgale, which assess correspondence of the supply of professional education establishment programmes with regional needs, and commissions for accreditation of professional qualification exams and professional education programmes have been	Ministry of Education and Science, Ministry of Regional Development and

Measures of the National Lisbon Programme of Latvia			Years	Fulfilment and financing of measures	Responsible ministry
				established. In 2006, financing to ensure operation of regional councils is LVL 16.5 thousand.	Local Government
		– By developing and implementing procedure which envisages regular efficiency analysis of the use of government budget resources, assessing volume and results of resources used in the study process in view of their efficiency in the labour market	2005-2007	Development of required normative acts has been started.	Ministry of Education and Science
	<b>3.6.3.</b>	<b>To increase opportunities of student mobility for improvement of education and acquisition of particular professions</b>			
		– By ensuring additional financing for student scholarships and academic staff scholarships in Socrates/Erasmus programmes	2005-2006	Latvian public financing is provided for student scholarships and academic staff scholarships in Socrates/Erasmus programmes (in the amount of LVL 0.132 million in 2005 and LVL 0.3 million in 2006) and additional financing is requested, making amendments to the State Budget Law in the amount of LVL 0.08 million. In 2006 by September 14, loans for studies abroad were granted in the amount of LVL 0.854 million. Total financing in 2005 and in 2006 by September 14 is LVL 1.327 million.	Ministry of Education and Science
		– By ensuring opportunities for students and creating a mechanism of financing for acquisition of study courses in related higher education institutions in Latvia	2005-2006	Included in the draft <i>Law on Higher Education</i> .	Ministry of Education and Science
	<b>3.6.4.</b>	<b>To ensure high-quality comprehensive services of professional orientation</b>			
		– By improving professional orientation system of the Professional Career Counselling State Agency	2005-2006	Improvement of PCCSA infrastructure and development of its information system are carried out in the framework of NP "Improvement of infrastructure and technological provision of labour market policy implementation institutions". Total financing is LVL 0.256 million (LVL 0.130 million in 2005, LVL 0.103 million in 2006), incl. ERDF financing LVL 0.192 million.	Ministry of Education and Science, Ministry of Welfare
		– By introducing professional orientation information measures in educational establishments	2005-2008	Implementation of NP activity "Support for implementation of professional orientation and career education in the education system". 93 agreements have been concluded for implementation of ESF projects by introducing professional orientation and consultation measures in educational establishments, total financing is LVL 0.580 million. Implementation of NP activity "Professional orientation and consultation measures in educational establishments".	Ministry of Education and Science

Measures of the National Lisbon Programme of Latvia			Years	Fulfilment and financing of measures	Responsible ministry
		– By developing and updating 60 professional standards and programmes in accordance with labour market requirements	2005-2006	Professional Education Centre of the Ministry of Education and Science annually plans financing in the amount of approximately LVL 7 thousand for development of professional standards.	Ministry of Education and Science
	<b>3.6.5.</b>	<b>To apply education services to socially excluded population groups</b>			
		– By introducing distance learning and modern information and communications technology methods more widely in the process of acquisition of professional education	2005-2006	ESF projects for implementation of professional rehabilitation and training of disabled persons (total financing is LVL 0.428 million) and for training of disabled persons in information and communication technologies (LVL 40 thousand) are carried out in Cīrava professional secondary school.	Ministry of Education and Science
		– By improving professional rehabilitation services, establishing a network of regional branches of the Social Integration Centre (SIC) as well as increasing the number of professional rehabilitation programmes	2005-2006	State agency "Social Integration Centre" creates a branch network. New branches were not opened in 2005, but it is planned to open 4 SIC branches in 2006. Grant scheme "Development and implementation of professional rehabilitation programmes" (2004-2006) is implemented. Total financing is LVL 3.785 million (LVL 1.365 million in 2005, LVL 2.377 million in 2006), incl. ESF financing LVL 2.993 million. 14 projects are implemented in the framework of the grant scheme. Provision of training for social exclusion risk groups in the framework of NP "Support for implementation of active employment measures", including information and communication support for disabled persons. Total financing is LVL 25.48 million (LVL 7.275 million in 2005, LVL 9.392 million in 2006), incl. ESF financing LVL 8.813 million. 12 professional rehabilitation programmes were implemented in 2005 and 15 professional rehabilitation programmes are being implemented in 2006 in the state agency "Social Integration Centre". Total financing envisaged for implementation of these programmes is LVL 0.850 million in 2005 and LVL 1.103 million in 2006.	Ministry of Welfare

## STATUS OF IMPLEMENTATION OF THE SINGLE PROGRAMMING DOCUMENT ACTIONS AS ON JUNE 1, 2006

No.	Action	NLPL sections	Financing			Refunds for recipients of SF financing, LVL million
			Total financing available for measure /action in 2004-2006, LVL million	EU, million LVL	LV, million LVL	
	Priority 1: Promotion of balanced development		189.2	143.2	46.0	16.4
	incl. Priority 1: Promotion of balanced development for NLPL sections		133.8	101.7	32.1	16.3
	Measure 1.1: Improvement of environmental infrastructure and promotion of tourism	2.1.5. Sustainability of resources (is related to Actions 1.1.1, 1.1.2, 1.1.3, 1.1.4)	55.4	41.5	13.8	0.1
	Measure 1.2: Development of accessibility and transport system	2.2.5. Infrastructure	87.9	65.9	22.0	14.5
	Measure 1.3: Development of information and communication technologies	2.1.3. Information society	19.1	14.3	4.8	0.1
	Measure 1.4: Development of education, health care and social infrastructure	3.4. Education and skills	26.9	21.5	5.4	1.7
	Priority 2: Promotion of business activity and innovations		150.7	112.6	38.3	5.4
	incl. Priority 2: Promotion of business activity and innovation for NLPL sections		62.6	46.6	15.5	0.8
	Measure 2.1: Support to promotion of innovation development	2.1.2. Innovations	12.7	9.2	3.1	0.0
	Measure 2.2: Development of infrastructure fostering business		88.1	66.0	22.8	4.6
	Measure 2.3: Support to promotion of development of SMEs	2.2.4. Small and medium-sized enterprises	4.8	3.6	1.2	0.2
	Measure 2.4: Access to financing for SMEs	2.2.4. Small and medium-sized enterprises	27.5	20.6	6.8	0.0

No.	Action	NLPL sections	Financing			Refunds for recipients of SF financing, LVL million
			Total financing available for measure /action in 2004-2006, LVL million	EU, million LVL	LV, million LVL	
	Measure 2.5: Support to public research	2.1.1. Scientific activity and development	17.6	13.2	4.4	0.6
	Priority 3: Development of human resources and promotion of employment		118.4	88.4	30.0	17.9
	incl. Priority 3: Development of human resources and promotion of employment for NLPL sections		118.4	88.4	30.0	17.9
	Measure 3.1: Promotion of employment	3.2. Labour supply	45.8	32.9	12.9	12.5
	Measure 3.2: Development of education and further education	3.2. Labour supply	45.5	34.1	11.4	1.7
	Measure 3.3: Eradication of social exclusion	3.2. Labour supply	27.1	21.5	5.7	3.8
	Priority 4: Promotion of development of agriculture and fisheries		110.2	81.3	39.1	39.3
	incl. Priority 4: Promotion of development of agriculture and fisheries for NLPL sections		69.9	43.5	26.4	26.8
	Measure 4.1: Investment in agricultural enterprises	2.2.4. Small and medium-sized enterprises	33.4	18.2	15.2	16.2
	Measure 4.2: Support for new farmers	2.2.4. Small and medium-sized enterprises	4.8	3.6	1.2	3.5
	Measure 4.3: Improvement of processing and marketing of agricultural products	2.2.4. Small and medium-sized enterprises	19.3	13.5	5.8	5.8
	Measure 4.4: Promotion of transformation and development of rural areas		29.1	21.3	7.9	6.8
	Measure 4.5: Development of forestry		6.6	4.8	1.8	0.8
	Measure 4.6: Development of local capacity (measure of LEADER + type)		2.1	1.6	0.5	0.0
	Measure 4.7: Training	2.2.4. Small and medium-sized enterprises	1.7	1.3	0.4	0.1
	Measure 4.8: Balancing fishing intensity		10.2	8.2	2.0	4.4
	Measure 4.9: Fleet renewal and modernisation of fishing-boats	2.2.4. Small and medium-sized enterprises	0.7	0.6	0.1	0.2



No.	Action	NLPL sections	Financing			Refunds for recipients of SF financing, LVL million
			Total financing available for measure /action in 2004-2006, LVL million	EU, million LVL	LV, million LVL	
	Measure 4.10: Improvement of processing and marketing of fishery and aquaculture products, fishing port facilities and aquaculture	2.2.4. Small and medium-sized enterprises	10.1	6.4	3.7	1.0
	Measure 4.11: Development of coastal fishery, socio-economic measures, support to suspension of fishing activities and other financial compensations, promotion of conquering new markets and support to producer organisations		2.5	2.0	0.5	0.4
	5. Technical assistance		11.9	7.9	4.0	0.05
	incl. for NLPL sections		11.9	7.9	4.0	0.05
	<b>Total</b>		<b>590.8</b>	<b>433.5</b>	<b>157.3</b>	<b>79.1</b>
	<b>NLPL</b>		<b>396.1</b>	<b>288.1</b>	<b>108.0</b>	<b>57.5</b>
		<b>NLPL % of the Single Programming Document</b>	<b>67</b>		<b>% of NLPL total financing</b>	<b>15</b>