

# Country strategy for development cooperation

with Latvia

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REGERINGSKANSLIET

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*Central and Eastern Europe Department*

## **COUNTRY STRATEGY FOR DEVELOPMENT COOPERATION WITH LATVIA: 2002–2004**

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### **1. INTRODUCTION**

The Swedish Government has decided to adopt a country strategy for development cooperation with Latvia and other countries to which it gives priority in Central and Eastern Europe. The present country strategy will determine the focus of Sweden's cooperation with Latvia during the period 2002–2004. The strategy is based on proposals by Sida, the Swedish International Development Cooperation Agency, additional considerations submitted by the Ministry for Foreign Affairs, the views of other ministries involved in cooperation with Latvia, and priorities presented in the course of continuous cooperation with Swedish partners and at deliberations held in Riga on April 16<sup>th</sup> 2002.

### **2. REFORM POLICY**

Since Latvia regained its independence in 1991, the country has undergone a radical political and economic transformation. Today the country has a functioning parliamentary democracy and a well developed market economy. The political situation is stable and economic growth in recent years has been favourable. The country's primary foreign policy goals are accession to the EU and Nato membership. Latvia joined the World Trade Organisation in 1999.

The EU, which accounts for some 65 per cent of all foreign trade, is Latvia's principal trading partner. Exports to the Commonwealth of Independent States (CIS) have increased in recent years. Russia remains a considerable trading partner, largely due to the great volumes of transit trade passing through Latvian ports. An additional factor behind the growth of trade is the increase in sales of processed agricultural and fisheries products. Sweden is the sixth

19 June 2002

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largest country of origin for imports to Latvia and continues to be one of the major countries of origin for foreign direct investment.

The country's reform policies in the latter part of the 1990s have been governed by the need for alignment with the rules of the EU's internal market and regulatory framework. Relations with the EU have been regulated by a Europe Agreement signed in 1998, and the following year the country embarked on negotiations for EU membership. Latvia aims to have concluded negotiations by the end of 2002 and accede to the Union in 2004.

Latvia's ability to stimulate continued domestic and foreign investment in productive sectors will be decisive to the country's economic development.

### **3. MEMBERSHIP NEGOTIATIONS AND ALIGNMENT WITH EU POLICIES**

Though Latvia has made considerable progress towards alignment with the *acquis communautaire*, much remains to be done in terms of developing institutional structures. EU membership negotiations will probably be brought to a conclusion in 2002, as foreseen in the road map. It is vital that Latvia take steps to remedy the deficiencies to which the EU has called attention and demonstrate that its administrative capacity is developing in the right direction.

The Commission notes in its progress report of November 2001 that Latvia already met the political criteria in 1997. Further efforts to consolidate and deepen the country's democratic institutions have continued since then. Among other things, the report notes that the Latvian Government has adopted a programme for reform of the public administration covering the period 2001–2006, and another programme for preventing corruption.

The report observes that significant progress has been made on integrating non-citizens into Latvian society. However, the Commission does point out that the work should proceed by a full implementation of the extensive integration programme that was adopted in 2001, and whose measures include continued efforts in the area of naturalisation and support for language education.

Justice and home affairs must continue to receive attention. In this area, reform of the judicial system has top political priority in Latvia. Certain shortcomings have been remedied but the reforms need to be further accelerated, particularly with regard to legislation, the rate

19 June 2002

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at which cases are judged and decisions enforced, and the long periods of detention prior to trial. Corruption is a thorny issue and the Commission has underlined the importance of stepping up efforts still further in order to achieve concrete results. Improved coordination of legal cooperation throughout the country's justice and law enforcement system – the police and prosecution services, the judiciary and the prison and probation service – is regarded as an urgent concern.

On the Commission's assessment, Latvia is a functioning market economy that should be able to cope with the pressure of competition and market forces in the near future, assuming that structural reforms continue at the same rapid pace as hitherto. The country is now stable in macroeconomic terms and its regulatory framework is well adapted to market economy conditions. Vital progress has been made in the field of structural reform. The final stage of the pension reform is in preparation, the financial sector is undergoing gradual consolidation and the regulatory frameworks for the financial market and social services are in the process of development. The areas that continue to require attention are above all the further privatisation of state-owned companies, the implementation of deregulation in the telecommunications and energy markets and further privatisation of land. In addition, the Commission notes that measures aimed at improving the climate for enterprise should continue and the flexibility of the labour market should be enhanced.

Building up the capacity of the public administration to meet the demands of membership is described by the Commission as one of the greatest challenges. Progress has been made with respect to all the short-term priorities, for example, free mobility of goods, social policy, the environment and employment. Turning to slightly longer-term priorities, progress has been noted above all as regards free mobility of people, television and radio legislation and the customs area. In several sectors there is a need for alignment to the *acquis* and stronger administrative structures. This applies, for example, to environmental and energy policy, agricultural policy, public procurement, telecommunications and information technology, migration and asylum policy, regional policy and the social sector. Another essential part of alignment to the EU is to build up an efficient and effective structure for managing upcoming Structural Fund programmes and control of EU funds.

#### **4. DEVELOPMENT COOPERATION TO DATE**

19 June 2002

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Since the inception of Swedish support to Latvia in 1990, a total of SEK 750 million have been disbursed for various bilateral development cooperation projects. Most of these undertakings were related to the goal of achieving a socially sustainable economic transformation. Other areas in which support was provided included environmentally sustainable development, the promotion of democracy and human rights and security enhancement. Sweden is a major donor to Latvia.

The process of reform in Latvia in the latter part of the 1990s has been governed by the need for alignment with the rules of the EU's internal market and regulatory framework. The EU alignment process has also become a key concern for Swedish support, in line with the aims set out in the 1999–2001 country strategy. In practice, virtually all Swedish support extended during this period had a direct or indirect bearing on Latvia's efforts to align with EU rules and practices. Measures with a direct bearing on EU alignment are being carried out in areas such as statistics, working environment, labour market institutions and general advice. Other areas in which Swedish support has been directly conducive to EU alignment include the environment, agriculture, aviation and shipping and the legal domain.

Support for security enhancement during the initial stages of cooperation, in the form of equipment provision mainly for border control, coast guard, police and customs operations, played an important part in safeguarding the independence of the new country of Latvia. This was gradually superseded by more extended security-building support aimed at institutional and skills development. Latvian authorities have confirmed the importance and relevance of Swedish efforts in this area.

Swedish support aimed at enhancing Latvia's democratic culture has focused primarily on improving cooperation between local government authorities, county administrative boards and NGOs. The Swedish Institute has played an invaluable part in making new contacts and building networks in the fields of culture and education. Since the beginning of the 1990s, Sweden has supported the social integration of the Russian-speaking population, one measure here being language education conducted in cooperation with UNDP. Since the mid-1990s support has been given aimed at mainstreaming gender equality concerns in bilateral cooperation.

Initially cooperation in the legal domain proved problematic, but as it has come to focus more closely on EU alignment the pace at which

19 June 2002

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individual projects have developed has picked up. In view of the significance of the judiciary for the process of alignment to EU policies, development cooperation in the judicial sphere was intensified in 1998, when the Latvian and Swedish governments signed an agreement on development cooperation in this sector. The emphasis here is on police cooperation and twinning arrangements between correctional institutions. As from year 2000 the cooperation includes the courts.

Support for a socially sustainable economic transformation has come to focus more clearly on the social area in recent years. It has primarily been made available to the process of reform in social welfare, the construction of a social insurance system and the restructuring of health and medical services. Support in the labour market area at both central and regional levels has played a significant role in the development of active labour market programmes in Latvia. The development of public administration is an important element of the Latvian reform process and has received substantial Swedish support in the period. The Latvian land reform has been supported by extensive Swedish inputs, with respect both to mapping and land surveying operations and institutional development. Extensive support has been devoted (via Swedfund Financial Markets and other channels) to restructuring and consolidation in the banking and financial sectors, particularly in the latter part of the 1990s, and cooperation in this area has been able to assume new forms in the last few years. Sizeable support has been given to trade development and promotion but this has diminished in recent years and has now virtually ceased to be needed. In the last few years such support has been provided above all in the form of projects involving the Latvian Chamber of Commerce and others, and via the StartEast and Advantage East programmes.

The HELCOM Action Programme for the Baltic Sea, the EU alignment process and, in more recent years, Baltic 21, the regional programme for sustainable development in the Baltic Sea region, have all been targets for Swedish support in the environmental sphere. Support linked to the Action Programme has mainly taken the form of feasibility studies, investment and institutional development in water and sanitation systems, but has also benefited regional waste projects. Agricultural support, also part of Baltic 21, has focused on demonstration exercises and training aimed at reducing run-off of nutrient salts from agricultural land. The extensive cooperation between the Swedish Environmental Protection Agency and the Latvian Ministry of Environmental Protection has concentrated on water and chemicals areas, in

19 June 2002

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recent years with a clear focus on alignment to and implementation of EU regulations.

Swedish support in the energy sphere, first and foremost in the district heating sector, has led to financial savings, a better environment, improved know-how and expertise and new job opportunities.

Performance evaluations show Swedish bilateral development cooperation to have been highly relevant in terms of pre-established objectives and to have contributed favourably to Latvia's positive development. The report *Developing Cooperation with Central and Eastern Europe* notes that cooperation adhered closely to the instructions set out in the 1999–2001 country strategy. Bilateral support also had a favourable impact on the Swedish business sector. Support measures in the banking and financial sectors in the 1990s have facilitated Swedish investment. Ventures in the environmental and energy sectors have opened doors for Swedish companies, as has the targeted StartEast programme. It is also worth noting that bilateral actions have served as a good basis for further EU-financed cooperation in Latvia, especially under the EU PHARE twinning programme in which Swedish authorities are major participants.

Support for land reform, infrastructure, the banking and financial sectors, agriculture, forestry and fishery, and trade development and promotion has almost come to an end. Latvia's capacity to absorb bilateral support has decreased as EU-financed programmes have increased in number and scope. At the same time, the requirement that a greater proportion of costs be shared has become more difficult as the EU has also increasingly required co-financing.

## **5. COOPERATION IN 2002–2004**

### **5.1. Objectives**

The overall aim of development cooperation between Sweden and countries in Central and Eastern Europe is to promote sustainable development, closer integration and partnership in the Baltic Sea region and its vicinity on the basis of each country's needs and utilising Sweden's resource base.

19 June 2002

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## 5.2. General considerations

It is very much in Sweden's interests to actively promote the accession of Latvia and other Baltic countries to the European Union. Accordingly, one of the main tasks of Sweden's Baltic policy during the remainder of the pre-membership period is to pursue its support for the full integration of these countries into the EU. It is also in Sweden's interests to ensure the development of mutually active transfrontier cooperation between the Baltic countries and the Russian regions adjacent to them.

Latvia's favourable economic development and the rapidity of its alignment with the *acquis* have permitted the gradual reduction of development cooperation in recent years and the growth of normal international relations. The reduction of bilateral support, facilitated by the large-scale transfer of resources through the EU, is expected to continue. It is foreseen to be phased out in connection with Latvia's EU-accession, probably in 2004. It is important that contacts previously established should not be lost in the transition to normal neighbourly cooperation.

The use of Latvian resources and experience in connection with Swedish development cooperation with other countries in Central and Eastern Europe and Central Asia should continue to be encouraged.

## 5.3. The scope, form and direction of future development cooperation

Continued phasing out of development cooperation is anticipated throughout the period 2002–2004 with a view of cessation in connection with the EU-accession. As the timing of the phase-out will depend on the progress of negotiations, there will be a particular need to review the strategy in 2003.

Cooperation shall be informed by three considerations: the need to promote alignment with the EU in the candidate countries, the promotion of good relations with Sweden and the need to adopt a gender equality perspective in all development cooperation.

Support shall include measures aimed at supporting Latvia's efforts to align with the *acquis* prior to membership and be based on Latvia's own pre-membership strategy. The emphasis should be on helping Latvia meet the requirements laid down in the *acquis*. Swedish support shall be aimed at undertakings which are outside of, yet serve as a complement to, EU support programmes.



19 June 2002

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Important remaining areas for Swedish bilateral support are the judiciary, the environment and the social sector. Wherever possible ongoing Swedish undertakings should be incorporated into EU programmes. Twinning is an important instrument in the field of administration. Close coordination with EU PHARE programmes will play a major role in future bilateral support.

Development cooperation shall contribute to the creation of close, long-term, neighbourly cooperation between Swedish enterprises, NGOs and central and local government authorities and their counterparts in Latvia. Cooperation should lead to the continued intensification of trade and cultural exchanges between the two countries. Cooperation shall be targeted at areas in which Sweden has special knowledge and expertise and is particularly qualified to extend support. It is essential that support be phased out at a pace and in ways that will facilitate continued cooperation of mutual interest to both parties.

Active concern for gender equality shall be a salient feature of all development cooperation between Sweden and Latvia. The implications and consequences of support measures for men and women shall be assessed in the planning and preparatory stages. In addition, special support targeted at women or men, e.g. measures aimed at strengthening the position of women in the labour market, may be called for. Measurable project goals should be set in all relevant cooperation areas. Expectations of cooperation partners should be clarified in this respect.

As in the past, support should take the form of technical cooperation, focusing primarily on the development of expertise and institutions. Cooperation in the environment field could also include investment support. Support should be provided for activities for which Latvia has overall responsibility and restricted to the provision of resources, in terms of skills and capacity, that are not available in the country. Among other things this means that Swedish support should be consistently linked to the requirement that costs be shared with the Latvian opposite party.

The following recommendations apply to the six cooperation areas set out below:

- common security
- deepening democracy
- economic change
- social security
- the environment

19 June 2002

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- education and research

### **5.3.1 Common security**

The aim of security-enhancing support for Central and Eastern Europe is to promote common security in the region in both civil and military spheres.

The corresponding measures involve support for:

- the development of security policy know-how and expertise
- a democratically based total defence system
- peace-support operations
- defence environment projects
- non-proliferation of weapons of mass destruction
- emergency preparedness
- border management
- the promotion of know-how and expertise in the sphere of asylum and migration policy.

Security-enhancing support is one of the cornerstones of Sweden's Baltic policy. Government policies are informed by a broad view of security. The concept is not limited to military security but also presupposes civil, diplomatic, political and economic measures.

The transfer of know-how and institution building (training and advice) are the main forms of support here. However, some assistance in the form of military materiel is also provided. The Swedish Armed forces acting in consultation with the Swedish and Latvian governments draw up annual programmes with a view to making security-enhancing support more long term and coherent.

The Swedish security-enhancing support in the military sphere is aimed at contributing to the build-up of a national defence capacity under democratic control in Latvia. This also improves Latvia's ability to make its own security policy choices. This is in Sweden's interest.

Support should be used to tackle areas or problems with a transboundary nature and applied to issues of significance in the security policy sphere. Security-enhancing support should serve to

19 June 2002

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expedite membership of the EU and alignment with other international cooperation structures.

Latvia's accession will alter the situation yet again and steps should then be taken to phase out security-enhancing support in some areas. However, certain sectors receiving security-enhancing support are less closely linked to EU membership requirements while still retaining considerable significance for Swedish security. This applies particularly to the total defence sphere where the need for support is more long term.

Support in the security policy sphere, originally aimed at enhancing the ability of the Baltic countries to act in the international arena, has focused increasingly on promoting national security policy know-how and expertise, and continued support in this area may be expected.

Sweden is assisting Latvia with long-term planning in connection with the latter's armed forces, in which the principles of democratic control and public support play a fundamental role. The training of officers and other military personnel are a significant component of cooperation in this area. Support is also extended to the Baltic countries' joint defence college BALTDEFCOL in Tartu, Estonia. Sweden also coordinates and directs the college's activities. As regards peace support operations, Sweden extends support to the Baltic battalion BALTBAT and its naval counterpart, the Baltic Naval Squadron BALTRON. Multilateral support is now being reduced as the Baltic countries assume increasing responsibility for development projects. Instead, more support is being provided to the recipient countries' national defence forces.

Environmental projects and programmes linked to military activities continue to be important. For example, Swedish support for the development of risk assessment methods and environmentally safe handling of hazardous substances is expected to continue. Training in defence-related environment matters is another area of concern.

The situation with respect to security-enhancing support in the civil sphere can generally be regarded as satisfactory and a gradual

19 June 2002

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phasing out of bilateral support during the programme period may be warranted.

Latvia now has an acceptable national system for safeguarding nuclear materials and non-proliferation. However, further integration into transboundary cooperation in this area is important. There may be reason for sustained efforts to enhance the capacity for cooperation between official bodies aimed at combating the smuggling and illegal handling of nuclear materials.

Latvian preparedness to manage accidents and disasters is not yet considered to be on a par with preparedness in the Nordic countries. A certain need for education and training still remains before normal neighbourly cooperation is possible in this area. Greater emphasis should be given to preventive measures. Concluding measures should be linked to bilateral agreements on rescue services.

Latvia's maritime safety capability is judged to be adequate and a transition to normal neighbourly cooperation is regarded as feasible during the strategy period.

The structures and organisations for dealing with migration now in place in Latvia are close to acceptable. A national regulatory framework conforming to international standards has been adopted and implementation has reached an acceptable level. However, it is important that a state of readiness be maintained to deal with influxes of refugees even though these are relatively small at present.

Another important area is the promotion of collaboration between authorities and regional transboundary cooperation, which should be linked to customs services, police forces and frontier surveillance. Minor supplementary measures in areas where Latvia lacks sufficient experience, and/or where they are deemed appropriate in Sweden's view may receive support in the coming years.

External support is still required in the customs area, not least in view of the extensive work EU membership will entail in terms of

19 June 2002

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transposition and application of legislation. This will also play a major role in the economic transformation of the country and in promoting free and unhindered trade.

As Swedish support is dependent on EU-financed programmes in many of these areas, efforts should be made to ensure that they are coordinated with and complement the latter. EU financing should be sought for future activities wherever possible.

As effective Baltic Sea cooperation on security enhancement is in Sweden's overall national interests, the authorities concerned should make contingency plans for possible cooperation after EU membership within the framework of their normal international operations.

Thus, although a certain measure of support will continue to be necessary, it appears that a transition to normal, operational cooperation is likely to be achievable in the near future. The support still required can take a number of forms. For example, steps could be taken to incorporate Latvia in various networks that would provide a framework for continued selective measures.

### **5.3.2. Deepening democracy**

#### **Justice and Home Affairs**

The aim of legal cooperation is to strengthen the rule of law in Latvia by supporting the development of long-term institutional and administrative capacity in the authorities concerned. As such efforts are vital to Latvia's integration into the EU this form of support should be a key factor in determining the direction of future cooperation.

Cooperation in the legal sphere concerns the following areas:

- The police service
- The prosecution service
- The judiciary
- The prison and probation service

19 June 2002

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- Crime prevention

Although major support will continue to be needed in this sphere, this will increasingly be covered by the EU PHARE programme. Swedish authorities should remain involved in these EU-financed programmes, particularly in those areas where Sweden's resource base can be turned to account. Seven Swedish government authorities (the National Police Board, the Office of the Prosecutor-General, the Economic Crimes Bureau, the National Council for Crime Prevention, the National Courts Administration, the Crime Victim Compensation and Support Authority and the Data Inspection Board) are involved in the PHARE Twinning project 'Organised Crime'. The National Police Board is in charge of coordination. This project, which concerns the entire justice and law enforcement system in Latvia, replaces much of the bilateral cooperation, above all as regards the police and prosecution services. Continued bilateral measures shall either complement EU undertakings or target areas considered to have a bearing on EU alignment efforts but not covered by the PHARE programme. Efforts should be made to ensure that support measures have the full support of the recipient parties.

Efforts should be directed towards strengthening Latvian capacity to fight international organised crime, particularly trafficking in women and children. A crime prevention perspective shall inform all aspects of cooperation. Measures to prevent violence against women are a potential area for bilateral cooperation.

Where the courts are concerned, cooperation will extend to a number of different areas, for example, measures to change working methods and improve judicial procedures. Development cooperation affecting the prison and probation services will mainly take the form of twinning arrangements between Swedish and Latvian correctional institutions. Cooperation between the Swedish Ministry of Justice and the Latvian Ministries of Justice and the Interior will principally comprise advice on EU alignment and the education and training of judges.

Measures to combat corruption will continue to be important. Swedish activities will include, inter alia, support to promote the implementation of the new anti-corruption law and the anti-corruption authority.

Swedish development cooperation in the judicial sphere shall be gradually replaced by normal neighbourly cooperation in areas of mutual interest, in accordance with agreements entered into by the Latvian and Swedish governments.

19 June 2002

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### **Cooperation at local and regional level**

Cooperation at local and regional levels is now extensive and is expected to continue to play an important part in future. There is still a need for support, above all in view of the wide economic and social disparities between the country's regions.

Some key areas for cooperation are the public administration, the social sector, EU alignment and measures to enhance the capacity of local and regional authorities to manage EU structural funds.

Support should continue to be extended mainly within the framework of existing programmes for in-depth twinning and cooperation between county councils and county administrative boards. Where appropriate, Swedish regional and local support measures should be coordinated at county level. Efforts should be made to promote greater integration of small rural municipalities as conditions in these areas often differ considerably from those in bigger towns and cities.

Special attention should be given to the problem of obtaining greater access to EU financing. This can help create the necessary conditions for a gradual transition to other forms of cooperation. In the course of the strategy period, the growth of normal neighbourly relations and financing via EU programmes should make it possible to reduce this type of support.

### **Support for civil society**

Measures aimed at promoting public participation in political life and the concerns and activities of associations and related organisations should be supported by funds channelled through NGO's and organisations associated with political parties. This form of support is designed to strengthen local organisations for cooperation and thereby foster a vigorous civil society. In Latvia it is widespread and most of the organisations with which Sida has framework agreements are active in the country.

Cooperation between these organisations during the coming strategy period shall take into account Latvia's impending accession to the EU and the eventual cessation of development cooperation at that point. Consideration should be given to the likelihood that there will be a continued mutual interest in cooperation in many areas thereafter. The organisations' strategies in the coming years should focus on support to the cooperation partners for EU-alignment

19 June 2002

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projects and the mobilisation of members, as well as enhancing their ability to apply for and win EU and other funding. Other priority areas are HIV/AIDS, alcohol and drug abuse, trafficking in human beings and sexual exploitation.

It is worth noting that measures at local and regional level and support to civil society provided in the course of cooperation in Eastern and Central Europe enjoy a wide popular support in Sweden.

### **Culture, language and integration**

Thanks in part to the efforts of the Swedish Institute, there is now a well-developed contact network linking Swedish and Latvian cultural and social institutions, organisations and individual professionals. The aim of continued support shall be to foster a democratic culture, mainly through cultural and social exchange focused on projects which are widely endorsed in the recipient country. Efforts should be made to promote more contact in regions outside the capital.

Efforts to encourage the integration of non-Latvian citizens into the community should be continued. They should aim at increasing accountability and co-financing as Swedish support is phased out during the strategy period. In general, the integration aspect of development cooperation should be borne in mind and measures to promote integration should be implemented where appropriate.

As development cooperation with Latvia is phased out it is vital that existing contacts are made use of and extended in ways that assist the transition to normal neighbourly cooperation between Latvian and Swedish parties.

### **5.3.3. Economic change**

#### **The central government administration**

Efforts must be made to strengthen Latvia's public administration, particularly with a view to the country's alignment with the acquis. Swedish bilateral support has decreased as needs have been met increasingly by EU programmes. EU support is provided through the Twinning Programme, an important instrument for strengthening the administrative capacity of the Latvian government. Swedish authorities should continue to take part in twinning projects in Latvia. However, there will continue to be a place for decreasing amounts of bilateral support up until accession, with concluding



19 June 2002

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measures having a direct bearing on the integration of Latvia into the Union. Relevant areas include statistics, the development of labour market institutions, and authorities with supervisory responsibilities for postal and telecommunications services and the working environment. Special attention shall be directed to measures that promote alignment to and application of the regulations that apply in the internal market. Support here shall complement EU PHARE programmes and facilitate a transition to normal neighbourly cooperation and should be guided by Latvia's National Programme for the Adoption of the Acquis.

### **Land reform**

Latvia has virtually completed its land reform. However, some work remains to be done in urban areas. Swedish support – which has encompassed institutional support aimed at building up the Latvian land survey authority, central and regional land surveying systems, property registration, property formation and valuation, and map-making – is now virtually at an end. Concluding measures with a direct bearing on EU alignment may be considered. Latvia is now in a position to draw up, develop and successfully implement its own strategies in the mapping and property areas, without external assistance. Minor supplementary measures relating to EU alignment in the sphere of reallocation and concentration of land holdings may be necessary.

### **The business sector**

Sweden provided extensive support to the business sector in the 1990s. The rapid pace of development in Latvia has made it possible to terminate this support almost completely. Although minor supplementary measures may be called for, cooperation should focus mainly on support for SME development under the StartEast programme. Projects in Latvia should be able to receive support until the end of 2002/beginning of 2003.

A dynamic flow of trade and investment between the countries around the Baltic Sea will require a solution to the problem of border obstacles, including customs issues, that at present impede freer exchange. Measures to solve these problems, particularly on the Latvian-Russian border, should receive attention. In addition, special initiatives should be considered to promote cooperation between areas in the two countries that are close to the border. Coordination with EU-financed programmes should be sought.

19 June 2002

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Swedfund International AB is scheduled to receive an injection of capital in 2002 to cover venture capital undertakings in Central and Eastern Europe. There may also be occasion to implement new projects through Swedfund in Latvia in the years leading up to the country's accession to the EU.

Support for the Latvian banking and financial sectors was particularly extensive throughout the 1990s. It has to a large extent been replaced by other forms of cooperation, among them concluding measures within the area of financial supervisory.

#### **5.3.4. Social security**

##### **Social welfare services**

The social sector has been an important area of cooperation in recent years. Latvia has developed basic social services and social insurance systems and structures. However, deficiencies remain in a number of areas including the administration of the social insurance system. Pre-membership support can only be extended in certain areas as large segments of the social welfare sector are not covered by the EU regulatory framework. Bilateral measures will therefore continue to play a significant part, either as a complement to existing support or in areas not covered by the PHARE programme.

Continued efforts will be needed to develop alternatives to existing institutions and train social workers. Measures to cut down institutionalisation are also necessary; support in this area should be developed in close cooperation with the World Bank and be based on ongoing efforts to reform the welfare system.

Support should be extended to vulnerable groups in society. Special initiatives based on the UN Convention on the Rights of the Child should be taken to improve the plight of children and young people. Measures to improve the position of the disabled should be based on UN Standard Rules to ensure that people with functional impairments enjoy full participation and equality in the community.

Violence against women and children is a serious and growing problem. Particular attention should be given to women and children who are victims, or potential victims, of trafficking in human beings and/or sexual exploitation. Support for preventive action, targeted mainly at young people, should be made available. Continued support through the International Organisation for Migration (IOM)

19 June 2002

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may be called for. Implementation should conform to the declaration by the 2<sup>nd</sup> World Congress against Commercial Sexual Exploitation of Children held in Yokohama in 2001. The networks built up as part of the work of the Council of the Baltic Sea States (CBSS) to support efforts on behalf of vulnerable children in the region should be made use of.

Programmes and projects aimed at combating the rise in alcohol and drug abuse observed in recent years are another important area of activity.

It is anticipated that future needs in connection with the working environment will be restricted to minor concluding measures.

Supplementary labour market-related measures are likely to be required, particularly in connection with the integration of disabled people in the labour market.

### **Health and medical care**

Health will continue to be a central component of cooperation. Support measures aimed at developing financing systems for the health and medical care services and the development of primary care services should continue. As in the past, this should be provided as part of the ongoing reform programme and in close cooperation with the World Bank.

Attention should also be directed at the serious situation with regard to the control of infectious diseases, particularly tuberculosis and HIV/AIDS. Efforts in this area should be aimed at supplementing and extending ongoing reform programmes with disease control elements. It is envisaged that projects and their coordination will be implemented as part of the programme set up by the Council of the Baltic Sea States (CBSS) to combat the spread of infectious diseases in the region.

Preventive measures in the public health field and efforts to provide information and change attitudes should be stepped up. Greater attention should be focused on user groups, such as patient organisations, in the health and medical care field. Support for the development of youth guidance centres from a public health needs perspective may be called for. Steps should be taken to ensure that their activities are directed at girls as well as boys.

Direct support through Sida should not be used for specific, selected initiatives at local level. Support for measures of this kind

19 June 2002

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should be channelled through NGOs, the Eastern Europe Committee of the Swedish Health Care Community or via twinning activities, insofar as these organisations or structures are capable of providing support of this kind.

In this area, close and continuous dialogue should be maintained with Swedish enterprises and the Swedish Trade Council to ensure that support measures facilitate the long-term presence of Swedish companies in the health and medical care sector in Latvia.

#### **5.3.4. The environment**

Meeting the environmental requirements for EU membership poses a major challenge for Latvia. EU alignment in this sphere will require substantial human and financial resources, even after accession. This is reflected in the extended transition period for compliance with EU environmental regulations requested by the Latvian Government and accepted by the EU when the environmental chapter was provisionally closed in November 2001. There will therefore be continued demand for Swedish support in the environmental sphere – with the emphasis on EU alignment – throughout the remainder of the pre-membership period. Previous cooperation on the planning and implementation of investment in water and sanitation, waste management disposal, capacity-building measures and the transfer of know-how to environmental authorities should continue during the 2002–2004 strategy period. The EU is expected to meet needs in this area through its various support instruments after Latvia's accession.

With regard to investment, support should preferably be extended to projects which have previously been identified and where some form of agreement on cooperation has already been made. Examples include water and sanitation projects forming part of the national programme 800+, incorporating Jurmala as the largest single project and the regional sanitation projects in the Liepaja and Piejuras regions. As before, support should be concentrated on fulfilling the HELCOM recommendations and EU directives. Institutional reforms are normally a condition for Swedish participation in investment programmes. Cooperation shall be based on previous experience and approaches developed by Latvian authorities, Nordic bilateral donors and financing institutions, and coordinated with the help of EU support. The investment projects already agreed on or currently in preparation have implementation periods and payment times of several years. Although the volume of new commitments will fall, disbursements for these projects and cooperation involving authorities will continue to be extensive during

19 June 2002

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the next two to three years. This means that the level of Swedish support in the environmental sphere during the period will not fall below that of the immediately preceding years. As regards future measures in the environmental sphere, close and continuous dialogue should be maintained with Swedish enterprises and the Swedish Trade Council to ensure that support measures facilitate the long-term presence of Swedish companies in and relations with Latvia.

Cooperation in the spheres of institution building and knowledge transfer should continue throughout the period. The most important areas of cooperation in the run-up to EU membership are support for institutional reform, harmonisation of environmental legislation and implementation of certain EU directives. Important areas are water and sanitation, environmental health and chemical pollutants. Furthermore, preservation of biological diversity, transboundary cooperation on water, application of the UN Framework Convention on Climate Change, including the Kyoto Protocol, and Baltic 21 especially as it applies to forestry and agriculture, are also topical.

A number of major projects aimed at enhancing energy efficiency have been implemented with Swedish support. Further reforms in this sector are not expected to require donor support.

Cooperation in the sphere of radiation protection should continue throughout the period. The new radiation protection authority, the Radiation Safety Centre (RDC) will need help to develop know-how and expertise in the areas within its remit. Among other things, this will involve support for the development of licensing and supervisory functions, and the continued development of Latvia's national regulatory framework, including alignment with the *acquis communautaire*. Efforts should be made to improve radiation protection in the medical field and develop knowledge and expertise in the storing and handling of radioactive waste.

#### **5.3.4. Education and research**

Continued support will be extended to cooperation projects in the field of education and research and to the development of networks of common interest to players from Sweden and the Baltic countries. Transboundary cooperation, which could also include other countries in the region, should be encouraged. As previously, individual scholarships will play a significant part in cooperation. When awarding scholarship grants and designing cooperation projects, efforts should be made to ensure that men and women are

19 June 2002

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equally represented. Baltic 21 projects in education and Education for All undertakings should receive priority.

As regards Swedish language instruction, measures for the coming strategy period are expected to be similar in scope and character to those for the previous period. The number of Swedish lecturers should be the same as in 2001 following the cutbacks which have taken place in recent years.

During the period, increased emphasis should be placed on the transfer of skills and know-how in education and research and support for cooperation within the EU programmes.

In this connection, attention should be focused on *Women and Science* the EU action programme for women and research. Consideration shall be given to the need for special measures to support cooperation in education and research after the conclusion of the programme period.

It is essential that continued efforts be made to create and extend sustainable networks involving Swedish and Latvian universities and colleges of higher education. Continued support should be given to adult education, an important area in which cooperation is already well established.



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