

**Cooperation with**

# **Latvia**

**a results analysis**

**August 1998**

**Lisa Román  
Claes Sandgren**



SWEDISH INTERNATIONAL DEVELOPMENT  
COOPERATION AGENCY

Department for Central and Eastern Europe



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## Table Of Contents

	Page
Summary	1
1. INTRODUCTION	1
1.1 The purpose and organisation of the report	
1.2 Results and relevance	
1.3 Goals of cooperation with central and eastern Europe	
1.4 The process of transition in Latvia during the 1990s	
1.5 Other donors	
1.6 The country strategy	
1.7 Sweden s comparative advantages for Latvia	
1.8 EU membership	
2. COMMON SECURITY	9
2.1 Purpose and content	
2.2 The assessments and recommendations made in the study	
2.3 Special assignment: the Skrunda fund	
3. THE CULTURE OF DEMOCRACY	11
3.1 Latvian National Human Rights Office	
3.2 The legal system, in particular the courts system	
3.3 Correctional treatment	
3.4 Further education of journalists	
3.5 Twinning cooperation	
3.6 Cooperation between county administration boards	
3.7 Non-governmental organisations	
3.8 Language programme	
3.9 Riga Graduate School of Law	
3.10 The Swedish Institute	
4. SOCIALLY SUSTAINABLE ECONOMIC TRANSITION	23
4.1 Public administration	
4.2 Labour market area	
4.3 Land reform	
4.4 Banking and finance	
4.5 Transport and communications	
4.6 Forestry, agriculture and fisheries	
4.7 Other trade and industry	
4.8 School of Economics in Riga	
4.9 The social sectors	
5. ENVIRONMENTALLY SUSTAINABLE DEVELOPMENT	40
5.1 Water and waste-water treatment plants	
5.2 Other forms of environment cooperation through Sida-East	
5.3 Cooperation in the field of energy - Sida-East and the National Board for Industrial and Technical Development (NUTEK)	
5.4 Swedish National Environmental Protection Agency (SNV)	
5.5 Agricultural fertilisers	
5.6 Nuclear safety	

6.	DISCUSSION AND CONCLUSIONS	47
6.1	Results of cooperation	
6.2	Relevance of cooperation	
6.3	Final comments	
<i>Appendix 1</i>		55
Terms of reference		
<i>Appendix 2</i>		57
Selected material (internal material not available)		
<i>Appendix 3</i>		59
Persons interviewed		

# Cooperation with Latvia

## -A results analysis

### Summary

Swedish cooperation with Latvia has the main objectives of supporting the reform process with the aid of projects for the transfer of knowledge and institutional development, and of facilitating the entry of the country into the EU. The range of Swedish projects in Latvia is rich and diversified; most contribute more or less directly to institution building. Swedish cooperation is also characterised by great flexibility, a virtue in a country which is undergoing a rapid process of change. At the same time the Latvian capacity to absorb the projects and make them sustainable is limited. The relatively limited Latvian contribution in many of the projects and the fact that certain projects are initiated and run by the Swedish side rather than the Latvian side can be a problem. In certain cases this means that the lasting effects of the projects are put at risk and that possibly development cooperation displaces locally generated and financed initiatives. Furthermore at this stage the reform process has reached a new phase. There has been a reduction in the need of more or less acute interventions which come into being on an ad-hoc basis, in favour of cooperation which contributes to developing structures in accordance with a more long-term, strategic approach.

### 1 Introduction

Sweden has pursued programmes of development cooperation with Latvia since 1990. During the period 1990-1997 support amounting to some SEK 560 million has been allocated to projects in Latvia. Furthermore programmes have also included regional projects in the three Baltic countries (in total some SEK 510 million) as well as projects which include all partners in cooperation in the Baltic Sea region to which Sweden has given priority (i.e. in addition to the Baltic states also Poland and north-west Russia: in total some SEK 210 million, see Table 1). In addition to projects for the promotion of common security which are administered by the Ministry for Foreign Affairs, most of the projects up to July 1, 1995 were channelled through BITS, SIDA and SwedeCorp and thereafter through the new international development cooperation agency, Sida. Other parties involved in development cooperation with Latvia are the Swedish Institute, Swedfund International AB, the Swedish National Board for Industrial and Technical Development - NUTEK, various non-government organisations etc.

During the 1990s Latvia has undergone an extensive process of social transition. As Latvia's transition towards a viable market economy has taken shape, Sweden's programmes of development cooperation with Latvia have moved forwards and have found more stable forms. One step in this direction is the development of a country strategy. The Government decided on a first country strategy for Latvia in 1996. This covered the period up to and including 1998. During the autumn of 1998 Sida shall present requisite documentation to the Government for the next country strategy for Latvia covering the period 1999 and 2000. This results analysis is part of this work. This supplements, updates and develops the results analysis of 1996.

## 1.1 The purpose and organisation of the report

The purpose of the results analysis is to ensure that experience gained is utilised in the work on the country strategy. The results analysis also fulfils an information function: since there is a the lack of a detailed description of Sweden's cooperation with central and eastern Europe, the results analysis is intended to be a source of information on development cooperation with Latvia. In accordance with the instructions given in the terms of reference (appendix 1) the analysis shall take up two fundamental issues, namely the *results* achieved in the projects in Latvia and the *relevance* of these projects.

**Table 1. Sweden's appropriation for Latvia under the framework of cooperation with central and eastern Europe; bilateral and via regional projects; SEK '000**

	<i>projects in Latvia</i>	<i>regional projects in the Baltic countries</i>	<i>regional projects in the Baltic Sea area</i>
<b>Sida-East</b>	<b>164 692</b>	<b>74 493</b>	<b>57 300</b>
- culture of democracy	4 142	62 694	-
- socially sustainable economic transition	72 711	11 347	57 300
- <i>credit facility, Start East</i>	-	-	57 300
- environmentally sustainable development	87 649	406	-
- <i>Baltic Sea programme</i>	62 000	-	-
- <i>technical support</i>	25 649	406	-
- Skrunda	325	-	-
<b>SIDA</b>	<b>16 194</b>	<b>18 772</b>	<b>20 702</b>
<b>BITS</b>	<b>164 407</b>	<b>87 339</b>	<b>-</b>
- Baltic Sea programme (Liepaja)	49 000	-	-
- other	115 407	87 339	-
<b>SWEDECORP</b>	<b>14 709</b>	<b>2 860</b>	<b>44 730</b>
- loan to Swedfund Int AB for part ownership in Investment Bank of Latvia	4 500	-	-
- soft credits to small and medium size companies	-	-	35 300
- other	10 209	-	9 430
<b>Min for Foreign Affairs</b>	<b>111 599</b>	<b>296 933</b>	<b>70 695</b>
- promotion of security	49 936	169 852	-
- Skrunda	16 000	-	-
- School of Economics in Riga	10 000	47 000	-
- Riga Graduate School of Law	12 000	-	-
- Baltic Investment programme	-	53 950	-
- NEFCO	-	-	57 470
- other	23 652	25 551	13 225
<b>Swedish Institute, SI</b>	<b>10 263</b>	<b>16 835</b>	<b>16 454</b>
<b>Swedish Nuclear Power Inspectorate (SKI)</b>	<b>125</b>	<b>50</b>	<b>-</b>
<b>National Institute of Radiation Protection (SSI)</b>	<b>2 361</b>	<b>10 225</b>	<b>-</b>
- evacuation/ disaster planning systems	-	4 735	-
- other	-	5 490	-
<b>National Board for Industrial and Technical development (NUTEK)</b>	<b>30 450</b>	<b>-</b>	<b>-</b>
<b>National Environment Protection Agency (SN)</b>	<b>6 252</b>	<b>4 385</b>	<b>1 200</b>
<b>TOTAL</b>	<b>558 441</b>	<b>511 892</b>	<b>211 081</b>

Source: Ministry for Foreign Affairs



Cooperation with Latvia, as cooperation with central and eastern Europe in general, is characterised by exchanges between a large number of individual parties and agencies in Sweden and Latvia. The results analysis covers development cooperation with Latvia defined in Government bill 1994/95:160 (page 6) and which is usually termed cooperation with central and eastern Europe. The activities financed by the Baltic Sea Fund are the same areas and similar projects as those discussed here. However this programme partly has another objective, namely to promote employment in Sweden. The cooperation taken up in this study has the aim of promoting development in Latvia and thereby of indirectly promoting Sweden's interest in having good relations in and with Latvia.

In the first place the study covers projects which were completed after September 1996 or are still in progress. However, it is difficult to clearly define an activity in time and therefore the analysis refers in many cases to activities which go back further in time. The study is based as far as possible on evaluations, reports and another existing documentation (see Appendix 2). In addition interviews have been conducted in Latvia and Sweden (see Appendix 3).

The report is organised in the following way. The frame of reference for the analysis is discussed in the introduction. The remainder of the report is divided up in accordance with Sweden's overall goals for cooperation: chapter 2 covers projects to promote common security (largely based on a recently performed study), chapter 3 covers projects in the area of democracy, chapter 4 Sweden's cooperation to promote socially sustainable economic transition, and chapter 5 environmental projects. In chapter 6 we summarise our findings and draw general conclusions.

## **1.2 Results and relevance**

The report presents results of individual projects or groups of projects in three different dimensions:

- 1) Tangible *outcomes*;
- 2) *Implementation* and
- 3) the *long-term effects* and *sustainability*.

The results achieved in individual projects and sectors can be compared with stipulated objectives and expected effects of the projects as documented in various decisions and reports. The scope of Sweden's cooperation is large and wide. Reports on and assessments of individual results are therefore relatively brief and in some cases aggregated. The aim is to give an integrated picture of achievements in different areas.

The remainder of the chapter is devoted to a short presentation of the frames of reference for assessments of relevance made in this report: the Swedish goals of cooperation, Latvia's development within these areas, the work of other international donors in Latvia, the Swedish strategy for Latvia, Sweden's comparative advantages in cooperation with Latvia, and Latvia's aspiration to become a member of the EU.

## **1.3 Goals of cooperation with central and eastern Europe**

The Swedish Parliament has determined the following goals for development cooperation with countries in central and eastern Europe:

- to promote common security
- to deepen the culture of democracy
- to support socially sustainable economic transition
- to support environmentally sustainable development.

A gender equality perspective shall permeate all programmes of cooperation.

*One criterion for the relevance of Sweden's projects in Latvia is that they promote one or more of these goals.*

## **1.4 The process of transition in Latvia during the 1990s**

Latvia became an independent nation once again in 1991. Thereafter a process of transition towards a market economy and democratisation has guided the development of the nation.

#### **1.4.1 Security**

The end of the cold war has created the requisite conditions for genuine common security in Europe. In Latvia there is, broadly speaking, a consensus where the country's security policy is concerned: on western orientation, with membership of the EU and NATO as the main objectives. At independence Latvia initiated an extensive programme of work in respect of its security policy. This has included basic approaches to defence and security and a number of institutional arrangements, for example in respect of general skills in the area of security, the democratic and civil control of the defence forces, peace-promoting projects, border and coastal surveillance, rescue services, combating crime, and asylum and migration policies.

#### **1.4.2 Democratic development**

Latvia is a parliamentary democracy and today, to all intents and purpose, a well consolidated democracy. The parliamentary elections which were held in the autumn of 1995 as well as the local elections in March 1997 were free and fair. Of those entitled to vote, 72 per cent and 56 per cent respectively took part in the elections. A considerable part of the population, some 28 per cent, are, however, not citizens of Latvia and thus do not have the right to vote. Naturalisation of Russians who are not citizens of Latvia proceeds at a very slow pace and criticism has been levelled at the fact that stateless children who are born in Latvia have problems in obtaining citizenship. The Latvian Parliament (*Saeima*) is currently processing a proposal from the Government which has the aim of making it easier for non-Latvians to gain citizenship.

The legal system in Latvia is in serious decline. The levels of expertise are low since the lawyers' educational background is more or less obsolete. Effectiveness is also low due to old-fashioned routines and problems in retaining qualified personnel (a consequence of the low salary levels). The courts are considered to have a great amount of, if not yet total, independence, but legal procedures are slow, many court judgements are not put into effect, corruption exists and the general public has little confidence in the courts.

Human rights have been gradually consolidated in Latvia since independence was regained. There are no serious or systematic violations of human rights and there are no political prisoners. The shortcomings mainly consist of a weak courts system and the vulnerable position of non-Latvian citizens in certain respects. Latvia has ratified both UN convention of 1996 as well as the convention on the rights of the child and a large number of other central conventions.

Non-government organisations are of central importance to civil society in Latvia - and thereby for the consolidation of democracy - but they are not such a considerable force in the Latvia of today as they could be. There is a small number of organisations which work for human rights in Latvia. The largest is the National Office for Human Rights, a government institution. This office, which was opened in 1995, enjoys extensive support from abroad (see further 3.1 below). The human rights organisations which work in Latvia are not specially numerous. They mostly have an ethnic base.

On the other hand it should be said that several of them are very active and can hardly be said to be under-financed.

#### **1.4.3 Economic transition and the social situation**

The picture of Latvia at the end of the 1990s is complex. After initial economic difficulties the economy is growing (see Table 2). Control of price stability and the public finances, as well as successful but not yet finalised reforms of basic structures - ownership, regulations, legislation etc - seem to guarantee growth. At the same time the social indicators are alarming: a perpetually poor country has to continue to make reforms in the social sectors and to meet the people's needs of a basic social safety net.

In the 1990s Latvian trade and industry has been characterised by decline in several sectors. There is still stagnation, mainly in agriculture and in parts of the manufacturing industry, but in several areas the trend has been reversed. Most growth is to be found in the service sectors, in particular in transport and communications, but there is growth in the wood processing industry, the food

industry and the textile sector. Major institutional changes in this area have referred to the privatisation of small and medium-size companies (now the large government-owned companies are on the verge of privatisation), as well as the stabilisation of the financial system (after an extensive bank crisis in 1995). Foreign trade has expanded. Trade with the EU has increased while trade with the former Soviet Union and East Europe has declined. The deficit in the balance of trade is diminishing and a large proportion of imports consist of capital goods. There is still a considerable deficit in the balance on current account. There has been an increase in foreign investments. The inflow of capital corresponds approximately to the average for foreign investments in central and eastern Europe for the period. Unemployment is high in Latvia. Statistics vary depending on whether (a smaller number of) registered unemployed or actual job-seekers are measured. A reduction in the number of job applicants has occurred during the last few years but these still constitute some 14 per cent of the working population (other figures indicate rather 20 per cent). However here there are considerable differences between regions and between urban and rural areas.

Over time the transition has exposed and accentuated the deficiencies in the structure, scope and content of the social sectors. Generally speaking since the 1960s Latvia, as other former Soviet states, has experienced a decline in the health situation of its population. The situation was exacerbated during the first few years of independence but has improved somewhat since 1995. The health system is the subject of reform, but there are considerable difficulties. Health care has traditionally focused on curative rather than preventive care and the medical system is cumbersome and requires resources. The Latvian educational system has now become the subject of fundamental reform. The situation in Latvia is special since there are two parallel systems, a Latvian system and a Russian system which, among other things, has consequences for the integration issue and also means an extra burden on school finances which are already under severe pressure. An important step towards better social conditions is the basic reform of the pension system and the social insurance system and of the social services which is currently being implemented in Latvia.

**Table 2 Latvia's economy 1995-1998 (forecast)**

	1998 forecast
GNP (fixed prices; growth in per cent)	
Inflation (consumer price, growth in per cent)	
Budget balance (per cent of GNP)	
Unemployment	
- registered (end of the period, per cent of active working population)	
- job applicants (end of the period, per cent of active work population)	

*Sources: Latvia's Ministry of the Economy, April 1998*

#### **1.4.4 Environment**

Latvia is a relatively sparsely populated country, rich in forests and with large areas of untouched nature and rich flora and fauna. As opposed to other countries in the region, in Latvia the typical environmental problems of the Soviet era have been less serious since the problems are concentrated to a number of so-called *hot spots*. There are considerable problems with ground water sources and sewage treatment in urban areas. Considerable investments have already been made to rectify these problems, particularly in the major towns. The situation is still very serious in many regions and in small towns. An increase in the amount of traffic, particularly in Riga, has contributed to air pollution but otherwise the situation in respect of air pollution is relatively good. Latvia has started to

work on the problems of solid waste management. These problems includes the reprocessing of old tips with hazardous waste and the increasing amounts of refuse produced in a consumption society.

The ineffective use of resources is particularly in evidence in the energy sector where it has been possible to use cheap energy from the Soviet Union in Latvia which is a poor country where energy resources are concerned. Today Latvia has to import more than 75 per cent of its energy, mainly in the form of oil and gas from Russia. This makes a significant contribution to Latvia's deficit in its balance of trade. When more accurate price tags are put on the use of energy, different measures to reduce the use of energy will acquire central importance. These include heating systems which consume a low amount of energy and better insulation in homes, as well as a more efficient use of energy by trade and industry.

Latvia is working on amendments to its environmental legislation in order to use this way to create the right incentives and sanctions for a more efficient use of energy. However, progress in creating structures to ensure observance of laws in this area is slow, as in most other areas in the legal system.

*A relevant programme of development cooperation with Latvia is one that focuses on building up institutions and structures to strengthen transition in the future.*

### **1.5 Other donors**

Sweden is an important partner in cooperation with Latvia, but far from the only partner in cooperation. The largest partner in cooperation is the EU's *PHARE programme* which, between 1991 and 1999, allocated some ECU 200 million (SEK 1,600 million), in other words just over twice as much as Sweden's appropriations up to 1997. Phare's activities are governed by indicative programmes for the long-term, and action programmes which specify individual projects, which are often short-term. The overall aim focuses on preparing Latvia for integration into the EU by developing the private and social sectors, the public institutions and infrastructure.

The total allocations of the *EBRD* to Latvia were, at the end of 1996, some ECU 170 million (SEK 1,400 million). The aim of the EBRD is catalytic and encourages co-financing of foreign investments and the mobilisation of local capital as well as development of the private sector. The EBRD works together with the *European Investment bank (EIB)*, an independent EU institution, which lend funds to, for example, infrastructure investments, environmental protection and support for small and medium-size companies. The lending volume of the *World Bank* to Latvia was, up to the middle of 1996, USD 27.3 million (SEK 200 million). The World Bank has worked for the most part on strengthening institutions, promoting privatisation and making government agencies and infrastructure more efficient. The *International Monetary Fund (IMF)* provides technical assistance and balance of payments support with the aim of guaranteeing macro-economic stability. This is of importance where financial support from other organisations and lenders is concerned.

Among the bilateral donors Sweden and Denmark are about the same size. Both Finland and Norway cooperate with Latvia, as do France, the Netherlands, Great Britain and the USA. In addition to the bilateral donors, small and large NGOs also work with various projects in the country.

*The assessment of the relevance of Swedish support to Latvia must also take into consideration all these other activities which are taking place in the country: is Sweden filling gaps in the flow or is there duplication of effort?*

### **1.6 The country strategy**

The country strategy for Latvia which Sweden prepared in the autumn of 1996 expresses Sweden's ambitions in respect of the programmes of development cooperation. Within the framework of the four goals one main task has to be to prepare the way for Latvia's integration into Europe and to develop regional cooperation with the aim of future membership of the EU. It has therefore been of central importance to support growth and the transition of the Latvian economy in which the implementation of land reform and support to the social sector are important components.

Furthermore the strategy emphasises that Sweden shall contribute to cooperation at the local level between Swedish and Latvian municipalities through so-called twinning cooperation.

The Swedish cooperation shall focus on institutional development and the transfer of knowledge. Furthermore it is important that it is Latvia which has control of the ownership of the projects. A medium range perspective is emphasised: the focus shall be on large projects with a 1-3 year perspective. Coordination with other donors is important and a gender equality perspective shall permeate all projects. The goal is that it shall be possible to phase out institutional support over a 6-8 year period.

*The country strategy provides guidelines for cooperation and applies to the period 1997-98. Projects approved from 1997 onwards should be compared with the guidelines as a measure of the relevance of the cooperation.*

### **1.7 Sweden s comparative advantages for Latvia**

In general Sweden has very good prospects for close cooperation with the Baltic countries. This is related to their close vicinity, the common cultural heritage and the common history, the many Baltic people in Sweden, our common interests and so on. For this reason there is cause to build on and to develop cooperation in areas in which extensive contacts between individuals and at the local level are important. Examples are the development of structures at municipal level and between NGOs. The common interests constitute a good foundation for cooperation in the area of security. There is also reason to point out individual sectors where Swedish expertise is prominent, for example the forest sector and environmental cooperation, in which cooperation with Latvia can be particularly favourable.

*From this perspective relevant development cooperation with Latvia is cooperation which makes good use of and develops areas in which Sweden has comparative advantages.*

### **1.8 EU membership**

One task for Swedish development cooperation is to promote Latvia s future membership of the EU - almost 90 per cent of the programmes of cooperation are estimated to concern this subject. At present Latvia is in the process of adjusting to EU criteria in a number of areas as a form of preparation for EU membership.

The EU s opinion of Latvia s status can be summarised under four points, which can also serve as a summary of the progress of Latvia s transition at the present time (Commission of the European Communities, 1997):

- 1) the Commission notes that it is necessary for Latvia to take action on the naturalisation issue, to improve the legal system and overcome the problems relating to corruption, but states that Latvia has developed towards a democracy and a state governed by the rule of law.
- 2) Latvia has made great progress in its transition to a market economy. The weaknesses lie in the implementation of the commercial regulations, and the incomplete privatisation and restructuring of the economy.
- 3) In many respects Latvia has adequate legislation but is nevertheless considered to have limited capacity to take on the obligations of membership in a number of areas in its legislation and in the sanctions available to its legal system (for example environmental legislation, and legislation in relation to competition and taxation). In particular attention is called to weaknesses in the legal system and the security area.
- 4) Finally it is underlined that, in the medium term, Latvia will be in need of extensive reforms to its public administration and the legal system.

## **2. Common Security**

Sweden pursues extensive programmes of cooperation with Latvia in the field of security. The Ministry for Foreign Affairs administers these programmes which, during the period 1990-1997, amounted to some SEK 50 million in Latvia. Additionally there were joint Baltic projects amounting in total to some SEK 170 million. The programmes of cooperation have recently been the subject of a study (Ds 1998:30). The content of the study is summarised below.

## **2.1 Purpose and content**

The purpose of Swedish programme to promote common security with central and eastern Europe is to improve security in the area in the vicinity of Sweden and to achieve stability and security for ourselves and our neighbouring countries. Cooperation with Estonia, Latvia and Lithuania is the cornerstone of this cooperation, but greater attention is being given to cooperation with north-west Russia and Poland. The cooperation is of importance for the creation of a new approach to the role of the public authorities in an open, democratic society with respect for the individual, equality and pluralism. Concrete activities which have received support are, among other things, the establishment of a foreign policy institute in Riga, training of officers from the Baltic countries at Swedish military colleges, advisory services for building up a national service system, voluntary organisations and total defence, the creation of a Baltic battalion for peace-keeping activities, building up coastal and border surveillance systems, providing equipment and training to improve the capacity to combat organised crime, development of regulations, organisation and equipment to administer issues relating to asylum and immigration, training and systems development for the management of accidents and disasters, development of marine and air traffic control systems, disposal of old ammunition and military scrap etc.

In Latvia cooperation has been in the fields of coastal surveillance, border surveillance, the police system and the Latvian customs. Swedish parties have been the Swedish Coast Guard, the Defence Materiel Administration, the National Police Board and the Swedish Board of Customs.

## **2.2 The assessments and recommendations made in the study**

The study is of the opinion that cooperation with Latvia gives a mixed overall picture. Considerable achievements have been made in parallel with certain problems and delays. However, Swedish agencies are without exception satisfied with the results. From the Latvian side the importance of cooperation with Sweden is given prominence. The study considers that the projects are adequate and relevant. Cost-effectiveness varies. Sustainability is in certain cases surprisingly high.

Where security cooperation in general is concerned, the study points out that it partly has the aim of fulfilling the four goals for cooperation with central and eastern as laid down by the Swedish Parliament and partly the Swedish self-interest of creating security through cooperation, in addition to the specific interests of the agencies concerned to meet their own responsibilities with the aid of international cooperation. It is not possible to obtain absolute measurements of the results of operations. The assessment is that goal fulfilment in the programmes of cooperation is satisfactory against the background of prevailing circumstances: both Swedish agencies and their counterparts in the partner countries have little experience of international development cooperation. Furthermore the programmes have been pursued to the extent permitted by the absorption capacity of the partner countries.

The equipment part of the cooperation projects was initially of great importance while the transfer of knowledge has received a growing amount of relative importance. In the beginning the programmes often consisted of handing over used equipment etc. Now it has become increasingly clear that major, long-term projects (for example training and exchanges) are desired and possible to implement. In the long run the study wants the cooperation between the countries to develop into an exchange between counterpart agencies.

The earlier lack of experience of development cooperation on the part of certain Swedish agencies has the result that the study wants to see a stronger systematic strengthening of skills in this area at most of the participating agencies, as well as more follow-ups, evaluations and reports on projects to the Ministry for Foreign Affairs. Furthermore the study points out that to a great extent the cooperation meets Swedish interests. This should therefore be reflected in the financing of the cooperation which, to a greater extent than hitherto, should be financed by the agencies' own budgets. International expertise at Swedish agencies should be strengthened.

Coordination between Swedish agencies now functions better than in the initial phase. In addition the capacity of the partner countries to coordinate projects and to avoid duplication of work has increased as has the coordination of the donor community as a whole. However the coordination could still be further improved, including the Nordic countries. The study also wants to see a supplementary method for the systematic identification of relevant projects outside the mandate of the agencies, for example through regular talks on the programmes of cooperation at government level.

The administration of the programmes of cooperation in the area of common security should be simplified, through the transfer of as much present support in the area as possible to Sida. Use should be made of Sida's expertise in assessing, implementing and following up projects. A consultative procedure should supplement this delegation to enable the Ministry for Foreign Affairs to make political assessments at an early stage in the preparation process.

Through the expansion of the EU's cooperation programmes, Swedish projects can be reduced in areas such as border surveillance and the customs without for that reason reducing Swedish participation. However, hitherto bilateral cooperation has been more effective than multilateral cooperation and should constitute an essential part of operations in the future.

### **2.3 Special assignment: the Skrunda fund**

In 1995 the Latvian government established a fund to make it easier for Latvia to fulfil its undertakings to Russia in connection with the withdrawal of Russian troops. Sweden is the only financier - apart from a marginal contribution from Finland - and has provided SEK 16 million to the fund, of which SEK 8 million is a contribution towards financing the dismantling of the new Russia radar station at the Skrunda base, and SEK 8 million to facilitate the repatriation of Russian troops and their families. The fund, which is supervised by the Latvian Ministry of Environmental Protection and Regional Development, has a technical adviser at its disposal, financed by Sida.

As far as the dismantling of the radar station is concerned, which incidentally was new and had not been commissioned, most of the work could be implemented with American support. However, funds from Sweden were used for certain environmental measures in the area of the Skrunda base. The main activity of the fund is now repatriation. In principle Sweden has accepted that the part of the Swedish contribution which was intended for dismantling may be used for repatriation purposes. There is another older radar station at the Skrunda base which is still in use but which shall be left by the Russians in August 1998. According to the agreement between Russia and Latvia, the Russians shall be responsible for dismantling this station.

The repatriation programme is underway, if at a slow pace. In 1995 112 persons were repatriated, in 1996 746 persons, and in 1997 451 persons. In other words there was a decrease last year, which was particularly apparent during the latter part of the year, despite the fact that the average grant per family has been increased from SEK 5,740 to SEK 7,210. The main reason appears to be a lack of accommodation in Russia. The rate of repatriation was still low during the first six months of 1998. The fund has SEK 12 million at its disposal, of which SEK 8 million was originally allocated for the dismantling of the new radar station. This amount can be expected to be sufficient for a considerable period of time to come in view of the present rate of repatriation and the level of grants. However it is difficult to make a forecast since it is so difficult to assess developments in Russia. The fund's administration is almost completely financed by the Swedish contribution. Sweden has continuously - but without success - attempted to persuade Latvia to assume responsibility at least for a part of the administration costs.

Approximately 1,500 Russians have hitherto been repatriated with support from the fund but it is too early to say what the final result of the repatriation programme will be. There are uncertainties in respect of the extent to which the inclination to be repatriated will continue, and thereby the extent to which the fund will be used. However, there can be absolutely no doubt that the repatriation programme, as well as the dismantling of the radar station, correspond to Latvia's

security interests and are also urgent from the environmental point of view. The purpose of the Skrunda fund can therefore be said to be clearly relevant.

### **3. The Culture Of Democracy**

#### **3.1 Latvian National Human Rights Office**

The Latvian National Human Rights Office was established by the Latvian Government in 1995. It is thus a public institution but, under a law passed in 1996, enjoys independent status. The head of the Office is appointed by Parliament for four years at a time. The Office receives most of its funding from a four-year UNDP project (1996-99) amounting to USD 1.1 million. The largest donor to the project is Sweden (USD 400,000) and the Netherlands (USD 350,000). Finland provides USD 150,000 and the UNDP USD 240,000. In addition to this there is a separate two-year UN project amounting to USD 695,000 which receives funds from the UN Centre for Human Rights/UN Voluntary Fund. The Latvian government provides a contribution which is not negligible (premises and the salaries of certain members of staff). The overall objective of both projects is to contribute to building up an institution which functions as an independent national institution in the field of human rights with the capacity, among other things, to intervene against violations, help to form public opinion and to provide professional advice on policy matters. Operations fall within five areas: education and information directed towards the general public; education and information directed towards public servants and specialists; analysis of the human rights situation in Latvia and forming opinion in respect of violations etc; processing complaints on violations of the rights of individual citizens; and documentation, video recordings and suchlike.

Under an acting director the Office gained a relatively respected position in Latvian society. It has taken up issues of current interest, including the legal position of non-citizens, which has attracted attention and probably had an effect on the government's policy. Its work of taking up complaints of violations of citizens' rights has proved to fill an important function. During the period January - April 1998 1,273 complaints were received. However not many of these can be said to be complaints of a legal nature. The Office, which has been accepted as a member in the International Ombudsmen Institute, does not however possess the powers to impose sanctions. It mediates and provides advice.

After a permanent director was appointed to the Office in 1997 it has, according to some commentators, started to have a lower profile and to be more docile in its attitude towards the Government. Its greater focus on social issues is disputed. In addition to this the national audit office has criticised the Office's accounts and an there was an internal conflict between the new director and his deputy which had the result that the deputy was dismissed. However it is not very easy to make an assessment of the situation. The Office appears to need a strategy in order to proceed further. The UNDP had an evaluation made of the Office in May-June 1998 since half of the project period had passed at this point in time. The evaluation, which was made by Peter Hosking from New Zealand, was not available when this results analysis was finalised.

#### **3.2 The legal system, in particular the courts system**

Sweden has provided support in the legal area since 1992, mainly through the Swedish National Courts Administration and to a certain extent through the Office of the Prosecutor-General (for the support provided in the area of correctional treatment see the next section). The programme of support, for which an amount of some SEK 1.2 million was allocated in 1992, has been based on two agreements with Latvia, of 1992 and 1995. The programme of cooperation has mainly consisted of seminars and study visits which has meant that representatives of the Latvian legal system have been given an insight into the workings of the Swedish legal system. The activity was evaluated in June 1996 (Falk, 1996). In the evaluation it is stated that the programme has had good features but it is also pointed out that it has made slow progress, it has proceeded in fits and starts, and that there have been difficulties in establishing a dialogue on priorities.



Since the agreement was concluded in 1995 the programme of cooperation has marked time. Sida therefore engaged a consultant who identified a number of conceivable areas of cooperation in a study. Thereafter Sida decided on a new project based on this study and on requests from Latvia, and allocated (in April 1998) a further SEK 1.2 million mainly for the objective of making the administration of the legal system, particularly the courts administration, more effective.

Discussions are currently taking place on an agreement for the project. The parties involved are the Swedish National Courts Administration and the Latvian Ministry of Justice which is supported by the above-mentioned consultant who is leading the project and, as Sida's representative, also has the task of ensuring the project takes place and of coordinating the project. One of the first actions in the project is to make a study which shall analyse, among other things, the working methods of the courts. At the moment the prosecuting authorities are not included in the programme of cooperation.

The legal system has thus proved to be problematic as an area of cooperation. It is difficult to find traces of the previous projects. In the interviews with Latvian officials which were held in connection with this results analysis, the Latvian dissatisfaction with the programme has been very conspicuous. The difficulties appear to lie in the inability of the Latvian side to articulate their needs and an uncertain Latvian interest. On the Swedish side there has been inadequate expertise where development cooperation is concerned, including shortcomings in the sensitivity for the Latvian points of view. The consequence has been that the work has been supply-side oriented which has had an uncertain focus and has not been coordinated with other operations. According to the National Courts Administration's own reports on the earlier work, the Latvian contribution to local costs was very small.

That said above does not mean that the selection of the legal area for projects was not well grounded when it was made. It has also subsequently proved to be far-sighted in the sense that the weaknesses of the legal system can prove to be one of Latvia's most troublesome shortcomings when its qualifications for membership of the EU shall be examined. As mentioned above this is confirmed in the Commission's statement on Latvia's application. It is therefore welcome that Sida has now taken new measures. But it is worth reflecting on the fact that Sida is obliged to engage a consultant to ensure that the project takes place and that in this particular case Sida has been forced to forgo its requirement of a request from the Latvian side in respect of the programme of cooperation. There does not appear to be any determination on the Latvian side to reform the legal system in its entirety. But sluggishness can also be a sign of weak capacity on the Latvian side and it seems to be clear that its contribution to local costs will be minimal. This is very much in contrast to the substantial contribution which the Ministry provides to the Judicial Training Centre, despite the fact that this centre is an NGO (support is provided in the form of excellent premises and half of the budget of USD 200,000 per year). The difference in interest is connected with the fact that the Ministry has an obligation to support the training of judges. But it is also a reminder of the risk that the proposal for reform which may be the result of the project may not meet with sympathy at governmental level and will therefore not receive any funding. Experience gained in Latvia indicates that the proposal of the Commission for International Development Cooperation in the Legal Sector (KUR) for thorough planning of cooperation in the legal field at a high level is well motivated. (SOU 1998:86)

### **3.3 Correctional treatment**

As mentioned above the prisons are not modern and are seriously overcrowded and do not have sufficient personnel. The proportion of prisoners in Latvia is among the highest in Europe (402 per 100,000 inhabitants) and the sentences are long, on average 4.5 years for male inmates. In addition to this there is an inhuman approach which, among other things, leads to violence and persecution of the inmates and there is little understanding of their needs of education and readjustment.

Corruption is widespread in the prisons system. It is in the light of this that the National Prisons and Probation Administration has undertaken programmes of cooperation with Latvia - as well as the other Baltic countries - since 1996 in the area of correctional treatment. The Administration used some SEK 6 million from its own budget for cooperation between 1996 and 1998, of which SEK 3.5 million referred to Latvia. In a decision made in January 1998, Sida granted SEK 2.2 million for

1998 and the first six months of 1999 for further cooperation with Latvia in this area. The cooperation is mainly undertaken in the form of a twinning arrangement between three Swedish and three Latvian prisons and a Swedish institution and a Latvian institution which train prison staff. The concrete activities are based to a great extent on changing the attitude of the staff and improving their skills. A small amount of equipment has also been provided.

The objective of the programme is that, in the long-term, the correctional treatment system in Latvia shall term be brought up to western European standards. The programme is based on an expert report on the Latvian prisons which was prepared in 1994 with the support of the THEMIS programme of the Council of Europe (Lake and Rostad, 1994). The Council of Europe's rules for prisons serve as norms for the programme. The above-mentioned report's recommendations and the rules thus give the programme stability and a clear focus. The programme has been received with great appreciation on the Latvian side. The twinning arrangement stands out as an appropriate form of cooperation. The project is being run within the framework of a regional initiative of the Council of Europe, Nordbalt, in which Norway has the main responsibility for the projects in Latvia. In this way good order is created for follow-up, making priorities and for coordination of the Nordic countries' projects in the Baltic countries.

The reform of the correctional treatment system should go hand in hand with a reform of other parts of the legal system. Over a third of the inmates are in custody while awaiting a trial. If the capacity of the courts can be improved, the overcrowding can also be reduced. Likewise alternative penalties and shorter sentences can have this effect. It is therefore welcome that the programme includes projects which go beyond the area of correctional treatment. However the Latvian contribution is extremely small and, according to information received from the Latvian side, the activities would probably come to an end if the Swedish support was phased out. It is true that the programme consists to a large extent of human resource development activities for the staff and other capacity building activities which can also have permanent effects even if the programme was discontinued, but this does not prevent it from being desirable that the Latvian government gradually tries to increase its contribution to the activities. Projects in this area must have a long-term perspective in order to provide results, since influencing attitudes is a central factor. Lake will make a follow-up of the study which will provide material for decisions on further support.

### **3.4 Further education of journalists**

In 1997 Sida decided to give support amounting to SEK 1.1 million for the further education of Latvian journalists working at provincial newspapers. The project, which was implemented in 1997/98, consisted of a programme of cooperation between an institute for the further education of journalists (FOJO), which is attached to the University College of Kalmar, and the Latvian Media Professional Training Centre (LMPTC), established by the media sector in Latvia. The objective of the project was to improve the professional skills of journalists working in local and regional media in Latvia and to give the LMPTC experience in the education and training of journalists. The project consisted of four two-stage courses. The first stage of each course was held in Latvia and the second in Sweden. FOJO was responsible for organising the programme and holding the courses while LMPTC was responsible for the recruitment of participants - in total 60 journalists - and for local administration in Latvia.

There were good reasons for the project. A competent body of journalists is an indispensable part of the democratic culture. The person responsible at the LMPTC states that she was very satisfied with the courses. The evaluations also indicate that the courses - apart from one - were greatly appreciated by the participants. Certain results are already visible, for example in the form of better lay-out and articles which are more reader-friendly, and there has been a certain process of professional regeneration. The ambition to strengthen the capacity of the LMPTC so that the Centre can give further education and training itself has, however, not been realised in a appreciable way. The capacity of the Centre is still not sufficient to run any major activities of its own. The Latvian contribution to the courses was not entirely marginal. As a rule the participants were allowed to attend the courses during paid working hours and their employers also gave a contribution to the local course administration in Latvia.

### 3.5 Twinning cooperation

Since 1991 programmes of twinning cooperation have been run between Swedish municipalities and municipalities in the Baltic countries, Poland, Russia, Ukraine, Bosnia and Rumania. The main objective of the programmes has been to promote the democratisation process in these countries and their transition into market economies, and to improve the environment. Aspects of gender equality shall be given particular attention. The Swedish party in the programme is the Swedish Association of Local Authorities which examines applications for funds, approves grants and makes reports on the projects in accordance with guidelines agreed by the Swedish Association of Local Authorities and Sida. For the period 1990-1998 SEK 122 million was allocated for the activities. Of this amount SEK 32 million refers to Estonia, SEK 21 million to Lithuania and SEK 16 million to Latvia, which thus has the smallest proportion. During the period 1994-1996 only 25 per cent of the projects in the Baltic countries were undertaken in Latvia. However in 1997 the Latvian proportion increased sharply, among other things on account of the fact that Sida's Department for Central and Eastern Europe (Sida-East) worked to increase the number of Latvian projects. The projects consist of human resource development and the exchange of experience in respect of local democracy, local government administration, environmental protection, social issues and similar subjects. Sida and the Swedish Association of Local Authorities make an annual review of the programme.

The programme of twinning cooperation with Poland and the Baltic countries was evaluated in 1996 (Falk and Wallberg, 1996). The conclusions of the evaluation on twinning cooperation were particularly positive. The evaluation states that experience gained of the programme of twinning cooperation is that a combination of committed people on both sides, the relatively small amounts to each project, and the so-called bottom-up approach in a joint decision-making process constitute an extremely vigorous alternative to the more traditional, expert-oriented model.

The evaluators find that the support to twinning in the four countries is cost-effective, has had an effect on the countries' national policies, met the interests of the recipient municipalities where the areas of cooperation are concerned, and built networks with the partner countries. It has introduced new administrative methods, contributed to raising awareness of the environment and influenced the education systems as well as other sectors in public services. Where weaknesses are concerned note is made, for example, of limitations in the capacity of the municipalities, of a certain duplication of effort and of the fact that equality could have been given more prominence. Among the recommendations it can be mentioned that the evaluation recommends greater institutional support for local government reform and the national training of local politicians, senior local government officers and other municipal employees. It should be observed that the evaluation contains very few conclusions which are specific to Latvia.

In the spring of 1998 the Latvian association for local and regional government (ULRGL) made a survey, with the aid of a questionnaire, of the Latvian municipalities which have a twinning arrangement with another country. The results of the questionnaire have not yet been finalised but an initial review of the responses confirms that twinning cooperation is appreciated (with Sweden, Denmark and Norway). The interviews made in connection with this results analysis point in the same direction. However there appears to be a saturation where democracy projects are concerned. The wish has been expressed that greater emphasis shall be placed on concrete issues such as heating, water supply and land-use planning and that supplies of equipment should be given more scope in the programme. EU adjustment at the local level and use of the programme of cooperation to facilitate participation in EU-financed projects are also recommended.

There is clearly great justification in allocating such considerable amounts to cooperation at regional and local level. The consolidation of democracy requires a vital democracy at this level too. Twinning support also means that cooperation with Latvia is extended in a natural way to districts outside Riga. There are specialist skills in municipalities and county councils which can be placed at the disposal of the twinned municipalities in a cost-effective way through the twinning programme. This also has the result that cooperation is led into areas which would otherwise

probably be neglected, for example social issues. Social services are an example of this. The twinning programme also has the advantage that it creates a number of contacts which can pave the way for further regular cooperation between Sweden and Latvia. There are already tendencies in this direction, for example in respect of sport and culture and, to some extent, business contacts. The longer the programme of twinning cooperation continues, the more natural an extension of this type will be. Hitherto the weaknesses have been supply-side orientation and the small Latvian contributions to the programme. Where the former is concerned a certain improvement can be noted but this can hardly be said of the latter. Experience also indicates that there is a need for better skills in running projects. This improvement can be made within the framework of ongoing projects.

### **3.6 Cooperation between county administration boards**

Since December 1993 there has been a programme of cooperation between Swedish county administration boards and their counterparts in the Baltic countries. The objective of the programme is to strengthen local and regional administration in the Baltic countries through human resource development. The programme shall focus on democratisation, gender equality and the environment. A total of 22 of 24 Swedish counties have participated in the programme. The programme is governed by general guidelines drawn up in 1996 which were agreed by Sida and the county administration boards. The county administration board in the county of Östergötland coordinates projects in Latvia. During the period 1992-1997 a total amount of SEK 17.5 million was allocated for cooperation between county administration boards in Sweden and the Baltic countries from the appropriation for cooperation with central and eastern Europe. Estonia is the largest recipient: 17 county administration boards have cooperation projects in Estonia while only 9 have projects in Latvia.

The programmes of cooperation in all three countries were the subject of an evaluation made in the spring of 1996 (Almqvist, 1996). It was stated that cooperation was characterised by a high degree of flexibility a low degree of bureaucratisation but the lack of a long time perspective for the programme prevented strategic planning. A number of recommendations are provided in the evaluation on how the programme could be improved. Among other things it is recommended that strategies are drawn up for the future work and an action plan for each of the Baltic countries. Likewise it is recommended that information seminars are held for the county administration boards which work in the same countries and that experience gained is documented.

In April 1998 Sida decided to grant SEK 7 million for further cooperation between the county administration boards in Sweden and the Baltic countries. Sida's decision is based on a very brief application which does not contain a real analysis of the programme (its results, the wishes of the partners in cooperation and their contributions to the programme, Sweden's proportion of the support received and so on). Despite the brevity of the application Sida has not obtained any points of view from the Latvian partners in cooperation or the embassies but has based its decision on the above-mentioned evaluation which was made two years ago. We have learnt however that Sida has obtained information of another type and in its decision Sida shall request relevant information from the county administration boards in the future. Neither the application nor Sida's decision take up the recommendations made in the evaluation. However it is stipulated in the above-mentioned guidelines that a plan of operation shall be drawn up for each partner country. Furthermore grants can be approved for a longer period of time which facilitates the planning of the programmes.

It would appear that the programme of cooperation between the county administration boards has great relevance, but it is difficult to form an impression of the results which have been achieved. The above-mentioned evaluation was written in very general terms and does not say anything which is specific to Latvia. The material which the county administration boards submitted to Sida on operations in 1997 is, as suggested, uninteresting. We have not been able to identify a person on the Latvian side who has an overview of the programme which consists of a large number of small projects (on average SEK 100,000 each). The focus of the projects merits closer analysis. Business issues for example appear to be more predominant than democratisation, including services to

citizens. There is also a lack of resources at the county administration board in Östergötland to follow-up the programme of cooperation with Latvia. It is desirable therefore that follow-up capacity is strengthened, especially as the Latvian contributions to the projects are modest: they consist for the most part merely of staff time and offices.

### **3.7 Non-governmental organisations**

NGOs are of central importance for civil society in Latvia and thereby for the consolidation of democracy - but they are not as significant a force in the Latvia of today as they could be. Some 80 per cent of them are based in Riga and, particularly in small towns and rural areas, there is no tradition of working through NGOs. It is difficult to obtain access to information, funding and the knowledge required to develop this type of activity and their collaboration with each other is weak. While NGOs had an upswing in connection with the struggle for independence, activities have stagnated since then. In 1996 there were 3,690 NGOs registered but many of them have been dissolved or are inactive. The organisations which have a budget of any size normally receive support from abroad. These shortcomings are known and several organisations have therefore created support mechanisms which have the objective of helping NGOs to develop their activities. The most important of these is the NGO centre in Riga which cooperates with Forum Syd in Sweden.

Sida's allocation to the programmes of cooperation of Swedish NGOs with NGOs in central and eastern Europe amounted to SEK 190 million during the last three fiscal years. Of this amount slightly less than SEK 28 million was allocated to Latvia for some 125 projects. Of the funds for cooperation with Latvian NGOs, the largest proportion is for trade union cooperation. Adult education, prevention of alcohol and drug abuse, and farming and forestry development are also important areas. Ten of the projects have had children and young people as their target group and six of the projects women as the target group (Hagberg, 1998).

In 1997 Sida had an evaluation made of cooperation between Swedish NGOs and NGOs in the Baltic countries which receive grants from Sida (Winai et al, 1997). The evaluation, which included 15 Latvian organisations, had its focus on the content and development of partnership, and the sustainability of the programmes of cooperation.

The evaluation found that most of the organisations are well on the way to developing a democratic and sustainable structure for their work and that they are working to build up a democratic society. Most of them produce what they have intended and half of them had started strategic development work. However, most of the organisations are dependent on foreign support both for their regular operations and for their development work, even if voluntary inputs make certain operations possible without external support.

In the great majority of cases the Swedish support has achieved concrete results. It has contributed to greater expertise and greater capacity, among other things for working as democratic fora. It has also contributed to creating greater independence in respect of skills and finance. The support has increased the awareness of the need of an internal democratisation of the organisations as well as a democratisation of society in general.

The evaluation provides some recommendations for cooperation in the future. Flexibility is needed due to the varying level of development of the partner organisations and in consideration of social developments. A clear division of responsibilities between the cooperating organisations is also needed. The long-term capacity of the organisations and the development of their identity should be put into focus. An exchange of experience between the organisations should be encouraged as well as building up networks with other social sectors, for example trade and industry. Too optimistic objectives and narrow time perspectives can lead to extended engagement in projects. The final point of time for the projects should be fixed as well as criteria which show when a Sida-supported project can pass into a phase of genuine partnership which is not dependent on foreign support.

The evaluation does not contain any observations or conclusions which are specific to the Latvian organisations. However, interviews made in connection with this results analysis indicate that the general assessments made in the evaluation are, without exception, valid for Latvia. Funding appears to be the dominating problem for the Latvian organisations. It is difficult to find internal sources of finance and the low salary levels make it difficult for people to spend time on unpaid voluntary work. It is hardly possible to maintain that financial independence on foreign countries should have diminished, as is claimed in the evaluation.

As far as the relevance of cooperation with the Latvian organisations is concerned, there can hardly be any doubt that relevance is great where the democracy goal is concerned. On the other hand the material available does not permit an assessment to be made of whether the focus has been optimal in consideration of other objectives or social development in general. As is pointed out in the evaluation the initiative for cooperation has to a great extent been taken by the Swedish organisations which have also been the driving force where the focus of the cooperation is concerned. There is a risk that it is the more advanced organisations which participate in programmes of cooperation with the western countries rather than those which represent areas in which the needs are the greatest. As far as sustainability is concerned, the difficulties in respect of funding constitute a problem for most of the NGOs. Dependence on external support is still great and there is hardly any improvement in sight.

### **3.8 Language programme**

Of Latvia's population of 2.5 million inhabitants, 55 per cent are Latvians, 32 per cent Russians and the remainder come from Belarus, Ukraine, Poland etc. The language barriers closely follow ethnicity: 72 per cent of the population have Latvian citizenship while 28 per cent are non-citizens. Of the latter 84 per cent have Russian as their native language. The majority of the Russian population do not speak Latvian which is an obstacle for them where acquiring Latvian citizenship is concerned as well as a disadvantage on the labour market and in other connections. In the light of this situation the Latvian government, in collaboration with the UNDP, has initiated a national language programme for training in Latvian. The aim of the programme is to facilitate the integration of non-Latvians into Latvian society and in this way reduce the division of Latvian society into two parts.

The UNDP has undertaken to assume responsibility for the funding of the implementation of the language programme for the first four years. Its cost is USD 3.2 million for the first two-year phase (1997 and 1998). The Ministry for Foreign Affairs is responsible for the project on the Swedish side. The project has several financiers for phase 1, of which Sweden is the largest (USD 0.7 million). The project consists of the following components: training of teachers in Latvian as a second language; development of material and training programmes; training of adults in Latvian; media campaigns; and building up the capacity to continue to run the national language programme in the future. During its first two years the programme reached some 5,500 persons of whom many were teachers of Latvian. The training materials reached some 40,000 persons. A TV language programme was also produced and broadcast.

In June 1997 an evaluation seminar was held on the project in order, among other things, to stimulate an exchange of experience between those persons engaged in the programme. In connection with the seminar a questionnaire was produced which was completed by participants in the activity (Zepa et al, 1997). The outcome was mixed. Several problems were reported but the participants also expressed their appreciation of the activity.

The project has great relevance as a means to improve the integration of Russian speakers. This is confirmed by the fact that the European Commission's statement stresses the importance of social integration and knowledge of Latvian is pointed out as a key issue. The results of the project are more difficult to assess. The project has one serious constraint, namely the Latvian teachers' workload and low salaries which made it difficult for them to participate in the activity. Information obtained indicates that the project is being run with commitment and that goal fulfilment is satisfactory. The fact that the activity is nevertheless surrounded by a certain amount

of uncertainty is connected with the fact that its acceptance and support at the political level is unclear and there is a lack of commitment and capacity at the Ministry of Education . This can appear to be paradoxical in the light of the fact that the project is the Government's national language programme but the Latvian government has done extremely little to put the programme into effect. In fact in certain circles there is opposition to the Russian speaking population learning Latvian. It is symptomatic that Latvian agencies do not provide any funds for the activity. Their input is merely allowing schools to be used for the language training.

The UNDP has now prepared a second, two-year phase of the project (1999 and 2000) at a cost of USD 4.7 million. It is planned that this phase will have the same content as the first with the addition of support for grass roots activities which promote ethnic tolerance and dialogue. Furthermore the policy already applied - that books and material may be sold (to others than the specific target groups) - is confirmed in order to create revenue and facilitate the sustainability of the project.

The extent to which the Latvian government will provide a contribution to the new phase of the project is still unclear. The idea is that the government shall take over the responsibility for the funding of activities after this phase. Experience gained hitherto does not give such an optimistic forecast on the sustainability of the activity after the foreign support has been phased out. The sustainability of the activity can therefore be questioned despite the fact that the national language programme is intended to run for a ten-year period. On the other hand the results can have a permanent effect in so far as an improvement to the skills of teachers in teaching Latvian as a second language can be utilised in many contexts in the future. The same applies to the new training materials.

### **3.9 Riga Graduate School of Law**

In Ds 1994:134 it is proposed that a graduate school of law should be built up in Riga to serve all three Baltic countries. The proposal was presented in view of the lack of lawyers trained in modern law which characterises all three Baltic countries and which puts the emergence of the rule of law and the market economy at risk as well as the integration of the countries into Europe. In 1997 the Swedish and Latvian governments concluded an agreement on the establishment of the Riga Graduate School of Law and the project is now taking shape. The activity will be initiated on a small scale during the academic year 1998/99 and the following year it will be implemented on a full scale. According to a preliminary estimate the costs will amount to SEK 150 million during the first ten years, in addition to the local costs. Sweden has in practice entered into a commitment for a ten-year engagement amounting to SEK 4 million per year.

The project appears basically to be very appropriate. Its relevance is great in so far as there is a clear lack of competent lawyers in the Baltic countries, a lack which seriously exacerbates the countries transition and integration. At the same time this lack can ironically harm the project since it leads to a situation in which graduate lawyers will obtain well paid positions despite deficiencies in their education. The school's recruitment base is therefore somewhat uncertain not least since it is difficult to anticipate the extent to which Estonian and Lithuanian students are inclined to go to Riga. A study of conditions for the recruitment of students will however be available in September 1998. As far as the sustainability of the project is concerned, it is of fundamental importance that a local team of teachers is built up. The commitment on the Baltic side is not particularly prominent and must be strengthened. There is also a lack on the Swedish side of a driving force of the type that the Stockholm School of Economics constitutes in the matter of its counterpart in Riga. As far as financing is concerned there is some uncertainty in respect of the extent to which other financiers than the Swedish government will provide funds after the initial stage. That said above underlines the importance of running the project in a vigorous way which includes the purposeful recruitment of students.

### **3.10 The Swedish Institute**

The activities for which the Swedish Institute is responsible cover a wide field and are widely diversified. Information, culture, languages, exchanges of experts, exchanges in the field of education and research, scholarships and training in the Swedish language are catchwords which

show the diversity of the activities. For 1997 the Swedish Institute was allocated SEK 54 million for cooperation with central and eastern Europe within the framework of the programme of cooperation which is the subject of this results analysis. Of this amount SEK 47.9 million had been used during the first six months of 1998. No information was available on the remainder (SEK 6.1 million). Of the SEK 47.9 million, SEK 6.2 million referred to Latvia which therefore received 12.9 per cent of the allocation.

a. *Integration.* Before the activities are commented on in more detail there can be good reason to briefly take up the support for the integration process which is peculiar to Latvia (as for Estonia). Integration of the non-Latvian population is a sensitive issue in Latvia but of central importance for a harmonic development of society and of importance for Latvia's possible entry into the EU. The trustful relationship with Latvia makes Sweden a natural partner in this area, particularly since it is in the interest of Sweden's security policy that integration proceeds well. Sweden has been a driving force at the political level in the issue of the integration process and has tried, among other things, to influence Latvian legislation on citizenship. Sweden has supported the integration process mainly in the form of contributions to the national language programme, which was taken up under point 3.8 above. The Ministry for Foreign Affairs is responsible for the contribution. However the Swedish Institute has allocated certain smaller amounts to projects from the promotion of integration.

Support to the integration process is thus of central importance and the area is well suited for Swedish projects in the future. It should be observed that widely different projects can have effects which promote integration, for example support to human rights organisations which do not have an ethnic base, cultural activities, training of teachers in Latvian history, production of teaching aids and of programmes for the media which the objective of promoting integration and so on.

b. *Information.* There is a great demand in Latvia for information on Sweden. For information on Sweden an amount of SEK 2,494,000 was allocated in 1997 from the appropriation for cooperation with central and eastern Europe. In 1995/96 the Institute produced 3 fact-sheets and 2 publications for Latvia and in 1997 a further two publications. In 1995/96 13 information requests were processed and in 1997 37 requests. Experience shows that it is desirable that material is produced in Latvian and/or Russian if it shall reach its intended target groups. As far as can be judged demand for information material will remain at the same level for a long time to come.

c. *Cultural and expert exchanges.* There is a strong interest in Latvia for Swedish culture and therefore cultural exchanges are very suitable for support. In 1997 SEK 1,958,000 was used for cultural projects. Their main purpose has been to give Latvians in the cultural sphere the possibility to obtain information about Swedish experience through visits, public appearances and seminars etc. The exchanges of experts, for which there is no separate item in the statistics, amounted to SEK 828,000 in 1997. The aim here is to spread knowledge about Swedish society through visits and similar forms of exchange of experience. An increase in the number of seminars can be noted, which focus among other things on the aspirations in respect of integration in Latvia. Exchanges of experts can provide impulses for cooperation projects. There are some examples of this in Latvia.

d. *Education and research.* Higher education is a major item in cooperation with Latvia. Both the School of Economics and the School of Law, which are regional projects but are located in Riga, are extensive, complicated and costly projects. They are therefore taken up in separate sections of the report (4.8 and 3.9). For university cooperation with Latvia, including individual scholarships, SEK 748,000 was approved in 1997. In addition to this there is the so-called Visby programme and the Baltic Sea scholarships which, however, are not financed by the appropriation for cooperation with central and eastern Europe. For the academic year 1997/98 in the Visby programme an amount of SEK 6.6 million was allocated for cooperation with Latvia between university colleges. In 1997 individual scholarships were granted in both programmes in an amount of SEK 1.6 million.



Training in Latvia in the Swedish language is a central feature of cooperation with central and eastern Europe. In 1997 SEK 1,017,000 was allocated for this purpose. Support is given in several forms. In 1997 the Institute provided seven teachers of Swedish, including two at university college level, for whom financial support was provided. In the same year Latvia received 20 free places at the Institute's language course in Swedish and two scholarships to promote the teachers' and school management's international contacts while three university colleges and 16 other schools were given support for teaching aids.

e. *Relevance and sustainability.* Creating contacts in the wide sense of the term can be seen as the common denominator of the Institute's activities. Interviews held in Latvia indicate the importance of this in consideration of the pent-up need of contacts with the West - not least with Sweden - which existed in Latvia after independence, and still exists today. The interviews also called attention to the fact that activities focus on two sectors in Latvia which lost prestige and resources after independence - the universities and cultural life - and therefore for this reason support is relevant and important. As all the more contacts are established it is natural that the projects are intensified and focus on cooperation. The prospects of this type of development appear to be good due to the high levels of education which can be found in many sectors in Latvia.

Where creating contacts is concerned, sustainability is normally of subordinate importance. On the other hand it is desirable that contacts give Sweden goodwill and preferably lead further to cooperation. We have not found any material which sheds light on the extent this was the case in 1997. As the work of the Institute is given more of the character of institutional cooperation and other forms of cooperation, it will be necessary for the Institute to guarantee the sustainability of projects.

f. *The Swedish Institute's working methods.* The Institute's operations consist of a number of small projects in a number of areas. The reporting system is not particularly well developed. This makes it difficult to manage and control operations and it is difficult for an outsider to obtain an overview of the operations and their results. Earlier evaluations have called attention to the need of a better *reporting, follow-up and evaluation* of activities and thus the creation of conditions for a greater focus on results. Experience gained in the performance of this results analysis confirmed the need of this type of improvement. No evaluation has been made of the work of the Institute for several years. However initiatives have been taken for a better follow-up, in the first place by the cultural unit but also to a certain extent by the others. But there is a need for a systematic and vigorous reinforcement covering all the Institute's activities. We have understood that the Institute is now reviewing its system for follow-up and evaluation. This is welcome, particularly if it leads to the Institute obtaining more capacity to report on the results of its work.

The institute's *selection of projects* has traditionally been mainly governed by applicants for funds, i.e. Swedish institutions and individual persons in Sweden. It has not emerged that the Institute use an essentially different method in Latvia for the funds for cooperation with central and eastern Europe, and requirements in respect of cost-sharing are minimal. However the Institute is undertaking a process of rethinking and it has also undertaken a reorganisation in order to be better equipped to take initiatives and to work more systematically on the basis of demand from the partner countries.

## **4. Socially Sustainable Economic Transition**

A large proportion of Sweden's projects and in particular Sida's work focuses on the economic and social transition of the Latvian society.

### **4.1 Public administration**

One of the aims of Sweden's cooperation with Latvia is institutional development which concerns, to a great extent, the administrative structures which define the framework of social life. In this connection the projects in the legal system are of importance and have been taken up under

Chapter 3 above. Many other projects contain elements of public administration support but are taken up under the sector to which they refer.

Sida has financed different types of management training programmes, some through the *Latvian School of Public Administration* (LSPA). The School, which is subordinate to the *Bureau of Public Administration Reform* (BPAR), has the task of training and certifying civil servants in basic public administration, and of providing certain courses of a further education type. A programme of cooperation with a Swedish company, OMNIA Management AB, has given some 230 senior civil servants a course in management issues and during the period covered by this results analysis members of Parliament and the Government have attended similar weekend courses. The project has also produced a certain amount of course material which it has been possible to use in other connections. Another training project, *management audit*, refers to the training of organisation consultants. The Swedish partner has been EC Effectiveness Consultants Sverige AB. Eleven (of twelve) civil servants from different ministries have completed the five-week programme which is spread out over a year. Between meetings the course participants have had different authentic tasks to solve, for example reorganisation of departments or solving conflicts at the work place. Management training has also been implemented by the Swedish Kastellgården AB for the *Latvian Privatisation Agency*.

According to reports and summaries of evaluations, the courses have been appreciated and have been at a high and relevant level. They have without exception been well implemented and have given good results. During the period a total amount of SEK 2.1 million has been allocated. The costs, normal consultants fees, seem reasonable. The question of whether the projects have been cost-effective depends on whether they have provided any positive effects for the Latvian administration. Potentially the courses contribute to building up the Latvian capacity to take action in respect of organisational changes, a core element in the reform process. But if the courses are not linked to real organisational reforms, there is a risk that the programmes will be relatively ineffective. However conversations with LSPA indicated that the organisational structures of ministries and government agencies have still hardly been adapted to make use of this type of consultancy service in a systematic way; in particular the issue of funding is precarious. The political upheavals also create uncertainty, at present even in respect of the responsibility for LSPA and BPAR. In addition there is sometimes a lack of political understanding for management expertise and organisational development. On the other hand the insights gained remain perhaps with the individual and contribute to more rapid changes when the occasion arises. Moreover fairly uniform management concepts provided by one organisation (LSPA) can be more efficient than courses spread over different agencies, but the efficiency is due to LSPA's status and impact in the bureaucracy.

Since 1992 Sida has funded a project via HIFAB in respect of *advisory services in debt management and procurement issues* at a total cost of some SEK 12 million, of which some SEK 3.5 million has been allocated during the period covered by this results analysis. The aim of the project has been to establish internationally approved routines and to train Latvian staff at the ministries concerned. The Swedish advisers involved (one for debt management and one for procurement) have been attached to the Ministry of Economics (formerly the Ministry for Economic Reforms) and the Ministry of Finance.

The project has been relevant for Latvia, but the circumstances have been difficult. As in other parts of the public administration, salary levels etc have contributed to a high turnover of those members of staff who have acquired attractive know-how. For this reason the project has had limited permanent results in the form of institutional development and this has been a basic argument for Sida's decision to phase out the project. In addition the activity has been the subject of a political tug-of-war.

#### **4.2 Labour market area**

Unemployment in Latvia is high but measures in the labour market area to address this situation have been given relatively low priority on the Latvian side (partly on account of the difference

between the registered unemployed and the actual number of job-applicants). Swedish cooperation with Latvian labour market agencies has taken place since 1992 and is financed via Sida-East. The two largest projects during recent years are a project run by the Swedish Labour Market Board (AMS) which amounts to some SEK 1.8 million and a project run by the Board's training organisation (AMU) which provides vocational training for the unemployed amounting to SEK 1.5 million. Each project has involved some 125 persons.

The projects have been evaluated (Oxenstierna and Huitfeldt, 1997). The evaluation points out that Sweden has played a prominent role in the labour market area in comparison with other members of the donor community. The projects have been implemented by highly qualified consultants and the Latvian administration of the training programme has been of high quality.

The AMS project is based on developing the capacity to provide jobs at the existing Latvian government employment offices at the central and local level. Three local offices were to be developed into model offices for other employment offices. The components of the project have been almost completely implemented but have provided few visible results, among other things no model offices have been developed. According to the evaluation the course participants have had problems in using the knowledge they have acquired, chiefly due to the fact that the Latvian agencies have not matched the Swedish training project with resources and the rehabilitation of equipment and offices.

The AMU project is an umbrella project for a number of different activities aimed both at staff at the local labour market offices and at labour market trainers. The overall objective has been to develop effective labour market training programmes and to improve the content of courses. In the main it has been the staff working at the labour market offices who have been reached by the courses and the results have chiefly been to make these people aware of the importance of training and to improve their skills in purchasing training.

The evaluation makes the assessment that the projects possess great relevance in view of the great unemployment in Latvia and since few other donors are active in this area. The projects are judged to be cost-effective. The majority of participants in both projects have been women. However the evaluation points out that *ethnic* segregation is perhaps a greater problem on the Latvian labour market and this has not been the subject of any special measures in the project. The evaluation points to a gap between the knowledge acquired and the possibility of using the knowledge. A number of recommendations are provided for further projects in the area which, among other things, take up drawing up a strategy which guarantees that Latvian resources match the Swedish inputs.

A new decision on further cooperation between the Swedish Labour Market Board and the *Latvian State Employment Board* amounting to SEK 2.5 million has been made by Sida-East. Among other things the project includes further development of two labour market offices and the development of capacity to implement labour market programmes for the unemployed.

#### **4.3 Land reform**

The privatisation of land and property is an essential component of the market reforms. Since 1992 Sida has supported a programme of cooperation between the Latvian *State Land Service* (SLS) and Swedish Swedesurvey AB to build up a modern land survey agency and to develop systems and know-how in the areas of property registration, property legislation and the valuation of land and property. This is intended to create the conditions necessary for a property market and for an expansion of the credit system by means of providing greater possibilities for mortgages. During the period just over SEK 20 million has been allocated to this work, broken down as follows: SEK 13 million to aerial photography and basic maps (implemented by SSC Satellitbild AB) and SEK 7 million to the work on the property register, land valuation, information systems and legislation. An evaluation covering most of the completed and ongoing work was performed in 1996 (Brook and Ragnar, 1996) and is commented on in detail in the results analysis of 1996. Since then a

further major aerial photography project (amounting to some SEK 5.8 million) has been approved and is currently taking place.

The assessment made by the evaluation is, without exception, positive where the Swedish-financed projects are concerned. They have been relevant, sustainable, flexible and relatively cost-effective. However the financial situation of the Latvian SLS represents a bottleneck. A further problem is that property registration in Latvia is divided into a property register (cadaster), for which the SLS is the agency responsible, and a land book which is kept at individual courts and the Ministry of Justice. The work on the land book has been supported by EU-PHARE. Registration in the land book is lagging behind, among other things due to the fact that registered property ownership leads to taxes and fees as well as maintenance requirements. If properties are not registered the use of the property register is limited. Better coordination between the property register and the land book is necessary. The evaluation criticises the short-term project model (1 year) for the Sida-financed projects. It recommends long-term projects (2-3 years) in which individual components are allowed to be flexible in view of the rapidly changing situation in Latvia.

The evaluation points out that there is uncertainty about the scope of a major EU-PHARE project in the area. This uncertainty is also referred to in a report from Swedesurvey of August 1997 as a basic reason for the considerable delays in several components. However much has been achieved and a tangible result is the amount of property registration which increased from some 17 per cent in May 1996 (corresponding registration in the land book was only just under 10 per cent) to some 35 per cent just over a year later. The work on legislation has also continued even if the Government has not submitted a bill to Parliament in respect of the property register. The report makes the assessment that the project has contributed to increasing the understanding of property administration in a market economy, to concrete developments in the area, and to the capacity and organisational development of SLS.

The projects in this area have been extensive and they have contributed to building up relevant structures for a market economy. The main problem appears to lie in the fact that the land book has lagged behind - but this was outside the Swedish programme of cooperation. Here there is a parallel to the question of the use of changing the skills and attitudes of individuals if the formal structures are not changed. Greater effectiveness in the property register also requires changes in the land book. However the basic problem is that the incentive to register the ownership of property is weak and that there is no political will to legislate in this area.

#### **4.4 Banking and finance**

Sweden has been active in several ways with the aim of supporting and developing the finance system in Latvia: through direct public administration support and support to different forms of training in banking; through forms for capital support via Swedfund Financial Markets; and through different investment programmes for the granting of credits in the Baltic countries.

With the aid of a *trust fund* Sida has financed a Swedish adviser at the *Technical Unit* of the Ministry of Finance in Latvia. The Technical Unit was established in 1995. The project has cost almost SEK 4 million. The task of the Swedish adviser has been to select and monitor banks which are authorised as intermediaries of a World Bank loan of USD 33.6 million, a so-called *credit line* (*enterprise and financial sector restructuring loans*). A Danish adviser has had the task of making a detailed follow-up and monitoring the loans and the final borrowers. Some two-thirds of the World Bank loan has now been disbursed and seven banks have been approved as banks for onlending. The bank crisis of 1995 delayed the project and the advisers were engaged in the Ministry of Finance's administration of the acute crisis. The bank crisis had the result that Latvia's largest bank and other banks were closed. The reason for this was the banks' extensive risk exposure and speculation on the foreign currency market as a consequence of weak bank management and weak financial legislation. The crisis was solved through the introduction of powerful legislation, improved inspections, and foreign investments in several large banks, mainly through the EBRD and Swedfund. Today the Latvian banking system is more stable and efficient: the number of banks has been halved but there are still 32 banks in Latvia.

A new project has originated from the advisory function at the TU: planning the development of a uniform *financial supervisory authority* for both banks and other insurance, leasing and finance institutes. In this area both the legislation and the institutions are still quite fragmented. Sweden's experience of the bank crisis in 1991 and the subsequent restructuring of financial supervision activities lie behind this initiative. The project is based on a working group with representatives of existing supervisory bodies, the central bank, the Ministry of Welfare and the Swedish adviser under the leadership of the Minister of Finance. In the first place this group will go through legislation and make study visits to other countries in order to learn from these countries (this stage is already completed). A twinning programme is foreseen with a suitable European financial supervisory authority. Sida is positive to financing a second stage in the project if the partner selected for twinning purposes is the supervisory authority in Sweden, which is the counterpart in the first stage of the project. The adviser has also taken initiatives for the development of leasing and risk capital supply, and has also participated in various training programmes.

Both the original tasks and the additional initiatives of the TU and the Swedish adviser have been of relevance for the transition of the Latvian bank sector. The demands made on the banks in order to obtain access to the World Bank credit have contributed to a tightening up which should be of importance for the long-term credibility of the banking system in its entirety. For Latvia the project and its side-effects have thus contributed to institutional development. Whether the unit and the specific expertise in the Ministry of Finance will continue to exist in the long term is difficult to judge. TU is a formal and independent organisation which is attached to the Ministry of Finance. Therefore there is an organisational structure, at least for the foreseeable future, and the unit can offer decent salaries. However, as is also the case with other agencies, it has to live with losing competent members of staff, for example to the commercial banks.

In 1995 the government allocated SEK 240 million for risk capital investments in commercial banks in the Baltic countries. The funds have been channelled via *Swedfund Financial Markets AB* (SFM) a wholly owned subsidiary of *Swedfund International AB*. Just under SEK 50 million has been invested in Latvia as share capital in three Latvian banks (*Rīgas Komercbanka*, *Latvijas Unibanka* and *Žemes Banka*; SFM's share of ownership varies between 8 and 12 per cent), SFM's strategy is to have long-term shareholdings. The intention is to sell the shares when the capital markets have stabilised and achieved sufficient liquidity, and confidence in the banking system has been restored. Through its part ownership SFM can actively influence the activities of the commercial banks and initiate cooperation and consolidation between banks. It can be mentioned that the Latvian share portfolio constitutes only some 24 per cent of SFM's total portfolio in the three Baltic countries (shareholdings and mortgage loans in Estonia and Lithuania are 36 per cent and 40 per cent respectively).

In this connection the activities in Latvia of the parent company, *Swedfund International* can also be mentioned. Since cooperation with central and eastern Europe started, Swedfund has participated in four projects. The engagement in the forest company, *Latsin*, is now over. This was a joint venture between Swedish Sandvik and two Latvian private persons in which, in the start-up phase, Swedfund contributed to the funding through a loan of some SEK 2 million. In 1997 the engagement in the *Investment Bank of Latvia* has also been terminated. Here Swedfund owned some 10 per cent of the bank and the total investment was some SEK 7.9 million (of which half was in the form of a conditional loan through SwedeCorp/Sida). Swedfund International have two remaining engagements in Latvia. Since 1995 it has been involved in building up Latvia's airline, *Air Baltic*, through share ownership and loans amounting in total to SEK 35 million. Furthermore it has been engaged since 1996 in building up a chain of shops, *EastinWest*. Its commitment here is SEK 2.5 million.

The activities in the banking and finance sector shall also include Sweden's contributions to various *investment and credit programmes*. Here there are a number of different forms of credits and investments with varying aims and objectives (see the discussion in Ds 1998:12 on the number of forms of

company support and forms of credits which exist for Swedish companies intending to establish themselves in the Baltic Sea region).

The *Baltic Investment Programme* (BIP) has been in existence since 1992. This is a co-project between the Nordic countries and the EBRD and has the aim of promoting the emergence of small and medium-size companies. The *Investment Bank of Latvia* is a result of the BIP programme. In total the Nordic countries have invested ECU 175 million (SEK 1,400 million) in two phases. The Swedish share of the BIP amounts to SEK 255 million. The programme is administered by the EBRD as well as the *Nordic Investment Bank* (NIB) and the *Nordic Project Export Fund* (Nopef), organisations which otherwise also work with different types of credits and investment facilities in the Baltic countries/eastern Europe in order to promote entrepreneurship in these countries (the EBRD's objective in particular) and to encourage Nordic entrepreneurship in the Baltic countries (a focus of NIB and Nopef). The BIP shall be evaluated during 1998 and thereafter forms for phasing it out shall be studied.

There is also the *Nordic Environment Financing Company* which shall promote investments of Nordic environmental interest in eastern Europe. Just over 70 per cent of its operations take place in the Baltic countries and Poland. In addition there is the Start-East project which is discussed below. There is also the guarantee budget of the Swedish Export Credit Guarantee Board (EKN) which has the aim of developing trade and industry and infrastructure in the Baltic countries and Russia and to contribute to permanent cooperation between companies in these countries and in Sweden. Until 1997 the EKN's commitments had led to obligations and business amounting in total to SEK 288 million in Latvia (some 23 per cent of the budget) and much of the business referred to the transport sector.

#### **4.5 Transport and communications**

Independence has involved the establishment of national agencies for roads, civil aviation and shipping. Swedish projects in these areas have taken place during the period. Evaluations of these programmes have been made and these are briefly commented on below.

Cooperation in the *road sector* has taken place since 1991 with the objective of improving the Latvian road administration's transformation of its organisation and management, and of building up its training capacity. In addition there has been a certain amount of transfer of knowledge in respect of the maintenance of roads and bridges. Since 1993 BITS (and then Sida) has allocated just under SEK 2 million. The Swedish party has been SweRoad AB. The projects have mainly concerned management training. The evaluation (Markstedt, 1996) makes the assessment that the projects have been effective: they have been appreciated by the participants who have often been able to put their knowledge into practice and many have also advanced in the organisation. Even if the Swedish support has been small it has been of strategic importance for the process of institutional transformation. Delays have occurred chiefly due to the workload of the staff at the road administration. The development of a training unit has not taken place. Future projects require more coordination both between the Latvian parties involved (Ministry of Transport and the road administration), between international financiers (several major projects are on the way), as well as more detailed project descriptions. At the same time rapid changes in the sector mean that projects must be implemented rapidly before they become obsolete. The evaluation points out in particular how a large number of projects among the donors make inroads into limited local capacity and it is necessary to hold discussions with the Latvian government on possible organisational solutions (local consultants, sub-agencies etc) in order to increase capacity.

The evaluation of projects in the civil aviation sector concern all the three Baltic countries (Svenningsson, 1996). Processes of institutional change to develop national independent civil aviation systems and administrations have been implemented surprisingly rapidly. Where Latvia is concerned the projects have amounted to just under SEK 6 million. The projects have included support for the establishment of a Latvian civil aviation agency, the modernisation of Riga airport, training and the exchange of experience in the development of national air traffic systems and the procurement and support for the installation of air traffic controls. The evaluation makes the

assessment that the projects have been relevant and well implemented. The content of the programme of cooperation has been upgraded at the same pace as changes in conditions. Guidelines in the project documentation which were written in a fairly general way have facilitated flexibility. Reports from the Swedish party could have been improved somewhat. Organisational, political and personnel changes in Latvia have caused delays. However the Latvian civil aviation agencies are now in a position in which their activities can be financed by their own revenue (fees from air traffic). One sensitive problem which remains to be solved is the issue of the nationality of the air traffic controllers (the great majority are Russian). Relations with the Swedish party involved, Swedavia, are well established. The Latvian air controller organisation, LGS, has previously received technical assistance for the modernisation of its organisation. Whenever necessary LGS now engages Swedavia for training programmes at its own expense - an example of development cooperation which has passed into a form of regular cooperation between neighbouring countries.

In the shipping sector Sweden has contributed projects since 1991 amounting in total to some SEK 3.2 million. Approximately half this amount has been used for bilateral projects and the remainder for regional projects. The shipping department at the Ministry of Transport has been the main Latvian party. The Swedish party has been the National Maritime Administration. The evaluation (Bruzelijs, 1996) makes the assessment that the results vary in quality. Projects in respect of seaworthiness and navigation support are considered to be the most successful. Relatively small changes have materialised in the project on shipping dues but new concepts and methods, for example more conscientious investment planning etc) have been introduced. The results of the projects, which have had the direct aim of organisational development of the shipping agency, are difficult to identify. The reason for this is considered in particular to be the chaotic situation which characterised the organisation of the shipping sector after 1992 in which opposing political interests were involved. Despite this the projects have not necessarily been negative or without effect since, among other things, they have introduced new thinking on the organisation of the shipping sector. The contacts with the Swedish party have also been appreciated by the staff at the Latvian agency. The evaluation finds a need for further support in the shipping sector. However, if it is decided to enter into more extensive cooperation for the development of institutions, the projects must be prepared very thoroughly, in agreement with all agencies concerned and political interests. In addition the implementation of the projects must be monitored by Sida. The evaluation also discusses alternative forms of exchanges and training, in particular the stationing of foreign personnel at the Latvian agency and the secondment of Latvian civil servants at corresponding foreign agencies for relatively long periods of time.

The increasing volume of traffic necessitates the modernisation of Latvian ports. Sida has supported the preparations of a *Master Plan for Liepaja Port*. The Swedish party has been SWECO and the project has amounted to some SEK 1.9 million. The Latvian party has been the Liepaja port agency which has done a great deal of the work. The plan was completed at the end of 1997. It contains a development strategy for the port in three phases up to the year 2010. In the plan it is recommended that the investments in the first phase are implemented (a relatively modest rehabilitation of existing quays) and then a detailed follow-up of trends in respect of cargo volumes should be made before a decision is reached on the remaining phases. The time schedule for the remaining investments can be greatly extended if the financing is in the form of commercial loans and not grant aid or concessionary credits. The development of information systems for budgetary control, financial analysis, the competitive situation etc is necessary to guarantee that the correct investment decisions are made.

According to the Swedish consultant the work has been implemented smoothly. The port authority has been competent and accommodating. A problem in the production of different scenarios have been the difficulties in assessing future trends in respect of transit volumes (dependent on developments in Russia) and the competitive situation where Liepaja port is concerned. A reorganisation of the port and getting the port services to pay their way are of central importance. The port organisation is at present cumbersome with a separate port authority and many small stevedoring companies. After the presentation of the Master Plan the port authority has started the

recommended rehabilitation of the first phase and initiated a study of the possibility to build a new oil terminal just outside the present port area in accordance with the proposal in the Master plan.

Sida has approved a grant of SEK 2.3 million for the development of a *computer based model system for transport analysis* for the Riga region. The parties involved are the Riga City Council and the Swedish Inregia AB (Stockholm County Council). The increase in traffic necessitates improvements to the road network. The planners need relevant data in respect of traffic flows, accessibility, land use and the environment. The project was practically completed at the end of 1997. However a request was made for an extension in order to include new information which became available through a parallel EU-PHARE project and which can provide better forecasts. This phase is also completed now. Otherwise the project has achieved stipulated goals in so far as the four databases in respect of housing and working places, the road network, public transport and travel patterns of the population are now in place so that the computer system can be used to make forecasts on travel in Riga.

Another project is a part of a programme of cooperation between Riga and Stockholm in which Sida has contributed to a *traffic and parking seminar* in which the city of Stockholm's parking company has been engaged. Sida has also financed a small project for the development of railway legislation in a project between Latvian Railways, the Ministry of Transport and the Ministry of Justice in cooperation with the Swedish party, SwedeRail.

A functioning transport system is essential for expansion and development of trade and international relations as well as for regional development. The transport sector is the sector which is expanding most in Latvia today. For these reasons the projects in this area appear to have been relevant and for the development of Latvia. They have also in general had a lasting effect.

#### **4.6 Forestry, agriculture and fisheries**

Swedish cooperation with the *State Forest Service* (SFS) at the Latvian Ministry of Agriculture has been evaluated (Boström, 1996). In the evaluation it is stated that the major Sida project, the work on a *Master Plan* (implemented by Swedforest International and amounting to some SEK 4.5 million) has been of great importance: the plan has constituted the point of departure for a number of projects in the forest sector (among other things pre-studies for the pulp industry and satellite inventory, each amounting to some SEK 2.5 million, and training manuals for forest workers). The Swedish projects have contributed to increasing technical know-how and awareness of forest issues at all levels, and contacts between different forest interests in Latvia and internationally have been made possible. Furthermore a policy project has had a direct effect on forest legislation. At the same time the criticism is made that the *Master Plan* has not been the national project as was intended and not had sufficient importance at the political level or in the private sector. A *steering committee* could have provided political back-up and more resources in the project preparation process would have made the project still more effective.

Discussions at the SFS were based to the statement made in the evaluation on project preparations. The opinion was expressed that the project plans would be more realistic and, in addition, would relieve the pressure on SFS if a larger proportion of local experts had been permitted to participate in the preparation and implementation of the project. Sometimes the projects lead to the result that the skills of the foreign consultant improve. SFS were of the opinion that in some cases there are delays in project administration on the Swedish side which makes it difficult to engage Latvian experts even if the flexibility in the Swedish projects is valuable. SFS would also like to participate in discussions on the production of Sweden's country strategy which could also increase the relevance of the programme of cooperation. Furthermore emphasis was given to the importance of not merely coordinating projects with other donors but also other agencies in Latvia, in particular the Ministry of Environmental Protection and Regional Development. SFS confirmed the problems of losing qualified staff from the bureaucracy, but stressed the fact that the skills acquired nevertheless benefit Latvia as long as qualified persons stay in the sector. One important result of Swedish cooperation has been that today SFS have reached a more strategic level: its work focuses on developing capacity rather than solving individual problems. SFS has also learnt the value of identifying problems. SFS



also reported that the *Master Plan* is still valid where the structural approach is concerned even if developments have left a number of detailed proposals in their wake. The *pre-study for a pulp factory* has led to a feasibility study which is still in progress.

The points of view of the SFS have been reported here. It can be added that these requests should perhaps rather be made to the Latvian coordination unit which has the task of obtaining points of view from the sector ministries. At the same time the reflections of the SFS can be an indication that coordination of and communications between agencies does not always function satisfactorily in Latvia. Sida also has reason to think about the exchange of information with Latvian parties.

The project in respect of satellite photography was concluded in December 1997 and the parties involved, SFS and the Swedish company SSC Satellitbild, have submitted a report. The project has included the supply and installation of computer equipment and software, the selection of geographical areas for making forest inventories by satellite and the production of maps, as well as associated training programmes. All stages of the project have been implemented according to plan. The project has provided know-how on new technology for the production of maps and also for the quality control of forest maps and databases. It is considered that the technology which has been introduced is cost-effective if certain requisite conditions are present (among other things that the forests are sufficiently homogenous and that large scale aerial photography is not available). It is considered that the project has prepared the SFS for satellite data technology which will soon be available and which will be able to perform satellite inventories at a low cost and with a resolution close to that of aerial photography.

Sweden's projects in the *agricultural sector* include an earlier project on technical assistance to the Latvian investment bank for administering applications for credits and a few other small projects. In the period reviewed here cooperation has been limited to a project initiated at the end of 1997 for the entire Baltic region amounting to SEK 2.7 million. The project, for which the Swedish Ministry of Agriculture is responsible, has the aim of supporting the Baltic countries in their EU adjustment process through capacity building at the ministries of agriculture. Regional projects have also been undertaken in the *fisheries sector*. The Swedish National Board of Fisheries has been engaged in projects concerning coastal fish conservation, fishery information systems and acoustic assessments of fish stocks. The projects amount to SEK 6.3 million for all three countries.

Among the primary industries Sweden's projects have focused on the forest sector. The area covered by forest is large and forestry and the wood industry are important for Latvia. On the other hand Sweden has had few projects in the agricultural sector and fishing industry. This appears to be reasonable in view of the fact that Sweden is considered to have comparative advantages in the forest sector, that other donors are active in the other sectors, and that a concentration and focus of support is necessary for Swedish cooperation.

#### **4.7 Other trade and industry**

Several human resource development projects and business development projects were financed earlier by SwedeCorp. Many of these projects were undertaken in cooperation with the *Latvian Chamber of Commerce* in Riga. This organisation, with branch offices in five other places, has, during the period, been the subject of a Sida-financed project with the Southern Sweden Chamber of Commerce as the Swedish partner with the aim of improving the organisation's customer-orientation and service and thus obtain more members and better finances. Project implementation has been delayed. The objective has been to double membership in three years (from 700 at the end of 1996 of potentially some 15,000 companies). In May 1998 the Chamber of Commerce in Riga reported that membership had only increased by 50-60 companies. The Latvian Chamber of Commerce has also been engaged in the project *Advantage Balticum* which has had its point of departure in market studies in the manufacture of furniture and tools as well as textiles and ready-made clothing. According to the Chamber of Commerce in Riga *Advantage Balticum* has led to long-term business relations between Latvian and Swedish companies in two cases, one in the ready-made clothing industry and one in the furniture sector. Implementation has been sluggish: of the funds allocated at the end of 1995 only a third (SEK 1.5 million) have been used (in the entire

Baltic region). Two of the reasons for this are low levels of demand from Swedish manufacturers by Baltic sub-contractors and a lack of suitable consultants for implementation purposes.

The *Enterprise Support Centre* (UAC) in Riga is an organisation which receives funds from EU-PHARE in order to support, in particular, small and medium-size companies. The Sida-financed *Swedish Baltic Corps* has been run in UAC with the objective of offering Latvian companies unemployed qualified Swedes as advisers. The Chamber of Commerce of the counties of Örebro and Västmanland has been responsible for the project in Latvia. During the second phase of the project up to and including 1997, the UAC have been given a more active role in the identification and follow-up of companies. The project has meant that 26 companies have engaged Swedish experts, in particular in the field of marketing, but also to a fairly high degree with specific sector expertise. According to UAC the assistance received has been appreciated with a few exceptions. The problems of identifying suitable companies have, however, been considerable since, according to UAC there are relatively few suitable companies for this type of foreign expertise which is now saturating the Latvian market. At the same time there has also been resistance from some Latvian companies to receive foreign advice.

Another business development project is the *Start-East programme* which has the objective of creating long-term business cooperation between Swedish companies and companies in the Baltic region and north-west Russia. Credits in the form of loans which may be written-off and conditional loans of a maximum amount of SEK 500,000, or 30 per cent of the total investment, are given to the Swedish partner and are administered by Almi Företagspartner and Sida-East. The programme's first two phases, up to 1996, have been evaluated (Karlstedt, Hilding and Gryko, 1997). In total SEK 58 million had been lent to 182 Swedish companies, of which 25 cooperated with Latvian companies. The evaluation makes the assessment that the programme is relevant and well-run and has contributed to business exchanges between the countries. In particular the strong emphasis on the transfer of know-how is appreciated. The selection process is adequate but possibly not sufficient attention is paid to market issues and financial requirements for further investments. It is assessed that some 50 new jobs have been created per project and that almost half of the projects have been extremely successful while a third have been stagnant. The administrative costs are high but it is felt that the construction of the programme contributes to the transfer of know-how and long-term cooperation without too much dependence on development cooperation. In a third phase a further SEK 22.3 million has been allocated for the Start-East programme.

Projects which are directed at individual companies are complicated to evaluate. The danger in subsidising the company's human resource development and market programmes is that a contribution is made to distort the competitive situation by giving certain companies an advantage compared to those who did not enjoy the subsidy. In addition it is often difficult to judge whether the companies included in the project would not have been prepared to seek and pay for corresponding expert assistance on the market (UAC, for example, state that the funds used to pay for the Swedish experts could have doubled and still been of interest to the companies). The counter argument is that in a situation in which entrepreneurship is new and where there is a lack of experience and information, support to individual companies can contribute to the spreading of know-how which is of benefit to an entire sector. A further argument for subsidising companies' investments in human capital (purchase of expert assistance for human resource development) is shortcomings in the workings of the credit market which make it difficult for the companies to borrow for this type of investment.

The business promotion projects in Latvia clearly contribute to improving know-how in certain sectors and to remedying the shortage of risk capital, but they are relatively unwieldy instruments. The resources may be of greater benefit elsewhere. Incidentally *Advantage Balticum* is no longer in question where Latvia is concerned due to the lack of demand for Latvian sub-contractors from the Swedish side and the lack of suitable Swedish marketing expertise. Neither will the *Swedish Baltic Corps* be repeated due to the fact that Swedish experts of the type in question are no longer available as well as the difficulties in identifying suitable companies to request the service given the requirements made (that the companies shall be private Latvian companies).

Support to sector organisations and chambers of commerce are of another character: support to an institutional structure which provides information and arranges contacts, open to all, and which can support a sound business climate. If the projects which Sweden has financed here are suitable or not rather depends on whether the organisations which have received support are the best of their type in Latvia. Sida-East has based its selection of chambers of commerce and the UAC on an overall assessment of possible organisations of this type in Latvia.

#### **4.8 School of Economics in Riga**

The individually largest and most visible Swedish project in Latvia is the building up of the School of Economics in Riga. The activity was started in 1994 and has been continuously built up, physically and structurally. Just over 100 students are admitted and graduate each year. The school is a regional Baltic project. In the latest admissions the proportion of Latvian students has decreased from 81 per cent (graduated in 1998) to 69 per cent (will graduate in 1999). Estonians and Lithuanians share approximately equally the remainder of the places. Just over half the students are men. The Swedish government has undertaken to support the activity for a ten-year period up to the year 2003 in a total amount of SEK 112 million; hitherto SEK 57 million has

been disbursed. The financial survival of the school after the year 2003 is still uncertain - different forms of funding by Swedish and Baltic trade and industry are being examined. The Latvian Government's contribution is limited to the corresponding contribution for university studies in general.

The School of Economics was evaluated at the beginning of 1996 (Hood, Junge-Jensen and Methlie, 1996). The evaluation praises the achievements and is of the opinion that the educational programme shows high levels of quality. The evaluation calls attention to certain shortcomings. The teaching staff is for the most part external, the majority of the teachers were flown in from the School of Economics in Stockholm. The education programme is judged to be far too intensive to be realistic in the long term (2 years' studies give a degree which corresponds to 3 years' studies at western schools of economics). It is recommended that great efforts are made to recruit a permanent teaching staff, that the programme should be extended, that the research climate should be developed, that the library should be extended and that the need for computers should be reduced through reorganisation. In addition more inter-disciplinary studies are recommended and an emphasis on small and medium-size companies in case studies. In addition it is also recommended that the school establishes a masters programme and an exchange programme with western schools of economics.

Several of the recommendations have been responded to. Among other things the programme is now 2.5 years. The library has been greatly extended as the result of a donation, as has the number of computers. The students from the school also have the possibility to undertake a 1.5 year masters programme at the School of Economics in Stockholm. However, the teaching staff is still external to a great extent and relatively little has been achieved where training and establishing a local teaching staff or developing a research environment are concerned. This is detrimental to sustainability. Changes on this point are certainly not easy to achieve when, at the same time, levels of quality in education programmes shall be maintained. However it still appears that there is a lack of strategic planning to take action in respect of these difficulties.

The evaluation does not touch upon the Baltic aspect of the programme. Even if the school, due to its location, is to a great extent a Latvian project, the number of students from Estonia and Lithuania increase at each admission, which is praiseworthy. In addition to spreading its favours in further circles in the region, the programme also creates contacts and networks between the countries.

The educational programme given at the School of Economics in Riga is of high quality and extremely relevant for developments in Latvia and other parts of the Baltic region. The programme is perhaps exclusive and isolated from other forms of higher education, and it is not part of a wider strategy for reforms of education programmes in economics or university studies in Latvia. However the study programmes are available to all with adequate qualifications. No fees are charged for tuition. It is possible for the students to borrow money for their board and lodging and they only have to repay the loan if they leave the Baltic region within five years after graduation; in this way there is a certain possibility that the skills acquired benefit the region (even if the school reports that many of the students obtain international positions). In addition the education programme should constitute wholesome competition, and demonstrate a different educational approach, to other educational programmes in economics in the Baltic region. The school's greatest problems lie in sustainability with a teaching staff and school management which are still only stationed to a small extent in Riga. There is also the uncertain financial situation.

#### **4.9 The social sectors**

The background to the structural reform which is starting to materialise in the area of *social insurance* is the economic upheaval in Latvia. Inflation and the bank crisis and suchlike led to the elimination of both existing private savings and government pension funds and created a pension system totally dependent on the tax payers. High social expenditure created a deficit in the government budget and made inroads into local savings and investments. Employers avoided employing persons (at least officially) due to the high social contributions.

The *pension reform*, which is the first stage of a more extensive social insurance reform and includes other social benefits as well as the social services was initiated in 1995 by the Ministry of Welfare and the World Bank. It replaces the *pay-as-you-go* system (i.e. pensions are paid from the government's tax revenues) with a system in three parts:

- 1) a government basic pension which is partly dependent on the taxes paid in by the individual and partly a general old age pension. This part has already been introduced;
- 2) Mandatory Pension Scheme. This part has not yet been introduced due to limitations in the capital market for investments of the fund's money;
- 3) Voluntary Private Funded Scheme. A first part of the project was financed by BITS. Sida-East has then allocated some SEK 33 million to the project in a trust fund in the World Bank. This fund was later divided into two parts: one part is administered by the World Bank and the other by the Ministry of Welfare in Latvia.

The pension reform has similarities with the Swedish pension reform and a large number of Swedish experts have been engaged in the project. A *mid-term review* was performed by a Swedish consultant in March 1998 (Kilsved, 1998). Its assessments are commented on in the following.

The various components of the project are proceeding, with some minor delays, according to plan. The production of budget models is more or less finalised. The local offices of the SSIF have developed plans for a reorganisation. At SSIF 544 persons have undergone training. Activities have been implemented for external and internal dissemination of information and an IT centre has been established. Parliament has approved the bill on private pensions and a supervisory authority for private pension funds has been established within the government insurance supervisory authority. The social services department at the ministry has good relations with municipalities and other organisations. The administration of social benefits has been simplified. The pilot project in Kandava is underway. New methods for the monitoring and evaluation of social rules are being developed. Staff at the ministry, research workers and statisticians have been trained. The Ministry of Welfare has allocated LVL 30,000 (almost SEK 400,000) to a *Social Policy Research Programme*. Access to libraries and the internet have been developed.

The *mid-term review* is of the opinion that the project contributes to capacity building and a change in the institutional conditions in the entire system. The Ministry of Welfare, for example, is given another role when the administration of social services is transferred to the municipalities. Where the gender equality issue is concerned the report points out that the reform is at least not to the disadvantage of women: pensions are based on the income earned over one's lifetime and, as a result of the fact that women live longer, women, as a group, receive the largest proportion of the pensions. In the project the majority of the employees are women whose professional skills are being upgraded by the various programmes. The project is considered to be cost-effective. Some 25 per cent of the activities have been implemented by local consultants. The participation of the World Bank has been effective and valuable. However emphasis is given to the need of realistic deadlines to guarantee quality in the work.

The *mid-term review* gives prominence to a number of difficulties and outstanding bottlenecks. In particular the complications of the political process have been underestimated. One example is the decentralisation of the social services which in principle shall be located at Latvia's approximately 560 municipalities. In many cases these are extremely small municipalities which often do not have the capacity for these new tasks. The merger of municipalities and cooperation between municipalities is however a sensitive issue since local self-government is regarded by many as an important result of independence. Furthermore the other part of the pension reform, the obligatory, individual savings component, has not yet obtained the political acceptance and support which is necessary, partly due to the undeveloped local capital market. Some of the difficulties in the political process are connected with the picture of the pension reform in the mass media. Negative press on the reform has been caused by unfortunate transitional rules which created big differences between winners and losers (a statutory guarantee of pension levels of at least subsistence level moderated this criticism). In addition there is an inherited scepticism towards

government information which means that municipalities have difficulties in spreading information about the principles of the system.

Another bottleneck is the incapacity of the ministries to retain competent staff. The staff turnover at the Ministry of Welfare is now 20-30 per cent. Not least the IT experts are attracted by the private sector. The Ministry has tried to solve the problem by special contracts in which key persons receive extra compensation for special duties. SSIF has now been transformed into a company and can thereby establish salary levels independently. Considerable reductions in personnel are also anticipated. However staff turnover is unavoidable and not merely negative (it spreads knowledge into society). The report recommends further training programmes to do with the resignations of members of staff and that the agencies introduce career planning for their staff.

Finally the report recommends that a dialogue is held with EU-PHARE to guarantee that the reforms are in accordance with EU conditions, that the development of Latvian project leader capacity is continued, that a system is developed which reduces injustices between the residents of different municipalities, and that the social services are combined with the medical services in order to make the systems more efficient.

The social insurance project contains programmes which focus on the social services in Latvia. Sweden has also been active in other areas in the *social sector*. A number of projects in the social area are also being run in the programme of twinning cooperation and in cooperation between NGOs. Sida-East has previously supported seminars and training programmes for civil servants and the preparation of laws and ordinances for care of the elderly. In the present period support to the project *Livslust/Dzīvesprieks* has been continued. This project has the aim of giving young people without parents a home and occupational training. The project is a Swedish-Latvian initiative and is forcefully pursued by and dependent on a group of enthusiasts. The funds provided by Sida-East have amounted in total to SEK 2.4 million. Funding has also been provided by the Latvian government, the social service in Tukum and a number of sponsors. A former hospital has been restored and the objective is to involve some 150 teenagers during a five-year period. Of these 40-50 should be able to stay at the home at the same time. The number of young people is only approximately half the planned number at the present time. Of these about half are girls.

The project is extremely deserving in view of the limited social safety net in Latvia and the risk that the young people in the target group are drawn into unemployment and criminality. However the project is an isolated measure and its survival is dependent on uncertain further funding. In Sida's decision on supplementary financing there is an awareness that the project does not really correspond to the country strategy which explicitly rejects isolated measures in the social field. The allocation for the last period is motivated by the fact that it permits core activities to get underway which guarantee the possibility of the project to survive by virtue of its own efforts. To the project's advantage it can also be said that it constitutes a demonstration project for social services in the country and has aroused a great deal of attention. This can contribute to creating a debate and to influencing attitudes.

The *health care services* have been fairly poor for a long time in Latvia. There are far too many large hospitals with expensive operating costs, and primary care and preventive health care have been neglected. The links with the deficient social safety net are also obvious: many old people are taken into hospital for minor ailments due to a lack of local medical services and a lack of money to pay for the heating, food and electricity for their houses. At present the World Bank is engaged in preparing an extensive project for a reform of the health sector in general which is expected to receive support from Sida. Since the end of 1996 Sida-East has financed an *expert in health and medical care* for the Baltic region at the World Bank office in Riga. The allocation amounts to SEK 2.4 million. The task of the expert is to monitor the development of the social sector in the three countries, to supervise loans in the sector and to participate in the implementation of projects financed by the World Bank etc. This type of project is clearly part of the work associated with institutional development.

With the aim of assisting reorganisation and institutional development in the health sector Sida has also financed *training programmes and the development of management functions in the health care services* in a programme of cooperation between the health department at Riga region committee and Stockholm Care. The project amounts to SEK 1.3 million. This type of public administration support contributes to institutional development and is in line with the overall goals for cooperation. The Latvian party emphasises the importance of being introduced to new ideas and methods to achieve organisational change. At the same time the work is proceeding very slowly. The structures are difficult to change. There are many who are interested in preserving the status quo in the system. For example there is a struggle with mediocre reforms in the primary health care which have had the result that private health stations oppose further reorganisation and rationalisation. Likewise there is resistance from management in the large hospitals who will lose if primary health care receives more resources. Sida has also financed the production of a *health care programme for southern Riga* amounting to SEK 1.3 million with Chalmers Institute of Technology as the Swedish party involved.

Another project in the health sector is the *occupational therapy training programme* to which Sida shall contribute SEK 3.9 million between 1997 and the year 2000. This project has its origin in an initiative of people attached to Latvia's Medical Academy and the Association of Sweden's Occupational Therapists. Occupational therapy is new in Latvia. In the long-term the introduction of this professional group will result in a new approach to rehabilitation and handicaps etc. Despite some uncertainty in respect of funding a four-year educational programme was started at the Academy for the first time in 1996. In the first part of the project nine Latvia doctors were trained to become occupational therapists with support from the East Europe Committee of the Swedish Health care Community, SEEC. These have worked as teachers in the programme in addition to the ordinary teachers at the Academy. Sida's support to the programme has the objective of developing the programme, curricula and syllabuses, further education programmes and the funding of a Swedish project leader. The project has been initiated recently and it is too early to make an evaluation. The educational programme is accepted and supported by the Latvian health care agencies. There is, or will be, a great demand for occupational therapists since their role is well defined in the development of primary health care in Latvia. It is not as clear whether their services are fully financed. The Swedish party has reported a number of teething troubles. These are due to the fact that the educational programme started before the organisation of the project was complete.

## **5. Environmentally Sustainable Development**

Swedish cooperation with Latvia in the environmental field focuses on support to the implementation of the *Baltic Sea Programme*, a programme for the Baltic Sea which was established within the framework of the Helsinki Commission. This programme defines a number of concrete sources of pollution, the so-called *hot spots*. The programme has been drawn up jointly by the countries in the area and by international financing organisations.

Major parts of the Baltic Sea Programme are being administered by Sida-East which also pursues other programmes of cooperation in the field of the environment and energy. In the field of energy the Swedish National Board for Industrial and Technical Development, NUTEK, is also active. Programmes of environmental cooperation are also run through the Swedish National Environmental Agency (SNV), and to a limited extent through the Swedish University of Agricultural Sciences. The environmental issues also include cooperation in the areas of radiation protection and the inspection of nuclear power stations, but this aspect is limited where Latvia is concerned.

### **5.1 Water and waste-water treatment plants**

In the Baltic Sea programme, and among the environmental projects financed by Sida-East (as well as within cooperation with Latvia in its entirety), the co-financing of investments in water and waste-water treatment plants in three large towns is by far and away the largest part of the support.

In *Liepaja* Latvia's third largest town (110,000 inhabitants), located on the Baltic coast, Sida has co-financed since 1995 a water and waste-water treatment project which has the objective of rehabilitating and extending the existing treatment plant, improving and extending the mains and pump stations, and developing capacity and know-how at the local water company. Sida is financing consultant inputs and equipment for the treatment plant and interceptors, and a twinning programme between the *Liepaja* water and sewage company and the water company in the Swedish town of Norrköping. The project started in 1995 and most of the investments were finalised during the spring of 1998. The opening of the treatment plant took place in May 1998. The total project cost is SEK 152 million of which Sida is contributing SEK 49 million. Other financiers are the Latvian government, the municipality of *Liepaja*, the World Bank, Finland, EU-PHARE and NEFCO.

*Liepaja* is the first completed major environmental investment in Latvia. The technical work has by and large proceeded according to plan. An important component in the successful implementation has been the *Project Implementation Unit* (PIU) which was established in *Liepaja*. The project has encountered certain difficulties on the funding side which are partly connected with difficulties in obtaining agreed funding from the municipality and partly due to a decrease in the demand for water and thereby lower revenues from water tariffs.

*Daugavpils* on the River *Daugava* in south-east Latvia is the second largest town in the country, with a population of 130,000. The background to the project here is, as in other places in Latvia, an over-dimensioned but inefficient and dilapidated water and waste water system. All waste water has been discharged into the *Daugava* which flows into the Baltic Sea. The river has also been a source of water for *Daugavpils* and *Riga*, among others. The project in *Daugavpils* has the objectives of developing a new source of ground water, of rehabilitating and extending the existing treatment plant, pump station and water mains system, and of institution building. A Finnish twinning partner, the water company in *Tampere* is participating in building up the water company and in making it more efficient. Sweden is co-financing the waste-water component and improvements to the mains and pump stations. The Swedish contribution amounts to some SEK 22 million of a total investment of some SEK 163 million. Other financiers are the Latvian government, the municipality of *Daugavpils*, the World Bank, EU-PHARE, Denmark, Finland, NEFCO and the water company *Udensvads*.

The project in *Daugavpils*, which started in 1996, should be finalised at the end of 1999, but according to World Bank reports it is estimated that there will be a delay of about one year. It is mainly the development of sources of water and the plant for the treatment of waste water which are lagging behind. The delay is partly due to some uncertainty on the part of EU-PHARE in respect of the agreed funding of an essential water main. The financial situation of the local water company is also a source of concern due to difficulties in implementing necessary tariff increases and a reduction in the demand for water.

Planned investments for the rehabilitation and development of *Riga*'s water and waste water system are much more extensive than the projects in *Liepaja* and *Daugavpils*. The project concerns almost the entire population of *Riga*, which is almost 900,000 people. The total project cost has been estimated at some SEK 785 million. Sweden's allocation of SEK 40 million contributes to the financing of equipment to the bio-stage, a unit in the treatment plant, and to project management and a twinning arrangement between the water company in *Riga* and *Stockholm Water*. The project shall be completed in 1999. Other financiers are *Riga*'s water works, *Riga City Council*, the Latvian government, and the EBRD, EIB, Switzerland and Finland. The *Riga* project is still in its initial phase. The procurement of investment components has been started and twinning cooperation for institution building and support for project management are underway.

The three water and waste-water projects are similar in organisation. The projects also display, to a certain extent, similar problems. In general the technical know-how on the Latvian side has been good. The difficulties concern the necessary organisational and financial changes brought about by the project. The Latvian contribution varies between the projects. Where *Daugavpils* is concerned



foreign credits and grant aid each cover 40 per cent of the total project cost and thus the Latvian contribution is some 20 per cent. On the other hand in Riga the Latvian contribution amounts to 50 per cent of the total investment.

The Swedish twinning arrangement with the water companies in Liepaja and Riga (as well as the Finnish project in Daugavpils) have had the necessary institutional changes as the focus of their work. The Swedish parties involved emphasise that ideas for rationalisation, cost awareness and financial strength in municipal services take time to plan and germinate. One good idea of the twinning arrangement is to create a further form for dialogue and the exchange of experience than what is possible in a clearly defined, specific assignment. However initially there has been some uncertainty on the Latvian side as to what purpose this arrangement shall serve. The Swedish parties also report that working with the political sphere has been more time-consuming than expected. A certain criticism is also directed at Sida's approach (and sometimes those of other financiers) to the Swedish party involved in cases where reports and cost calculations have been questioned. To some extent these problems are due to the fact that the arrangement is more loosely defined than a normal contracted assignment, which creates conflicting ideas on what shall be achieved. In addition it is not always clear that it is part of the task of a company owned by a Swedish agency/Swedish municipality to assist development in Latvia and this can contribute to conflicts of interest. In addition there is a lack of experience of international work and development cooperation on the part of the Swedish institutions.

Sida has also financed feasibility studies for *water and waste-water treatment projects in four small towns* (Sigulda, Ainazi, Limbasi and Saulkrasti) in the so-called 800+ programme. This has had the result that Sigulda is now planning investments in water and waste-water treatment plants in which Sida-East is expected to become involved as a co-financier. Finally mention can be made of the water and waste-water project in Jelgava being run by the county administration board in Södermanland. The aim of the project is to make municipal technology efficient and to find financiers for water and waste-water investments. This project originated from the twinning programme between county administration boards and Latvia, but is being financed by the Baltic Sea Fund and is thus outside the scope of this report. However it is not out of place to mention that similar projects are proceeding in parallel but that relatively few contacts appear to take place between the various Swedish parties involved. In addition to losses in efficiency, this probably also creates a certain amount of confusion for the Latvian parties.

## **5.2 Other forms of environment cooperation through Sida-East**

Sida-East has recently decided to invest in a *waste disposal plant in Getlini* where among other things waste from Riga shall be deposited. The Swedish undertaking concerns providing support for water-related components and institution building. Other financiers are the World Bank, GEF and Riga. The Swedish undertaking is for slightly more than SEK 11 million.

Other programmes of environmental support channelled via Sida-East concern technical assistance in a number of areas. Since 1991 Sida (and its predecessors) have financed 25 different projects (not including energy projects). Ongoing projects include *monitoring water quality in River Liepaja, plant protection, bio-filters for air purification, development of environmental legislation for the Latvian railways, and training of technicians in modern refrigeration technology*. In total this technical assistance covers allocations of more than SEK 30 million since cooperation was first started with Latvia.

Ten projects have been run through the Geological Survey of Sweden (SGU) to rehabilitate and develop the geological surveys made in the Baltic countries. Seven projects have been undertaken in Estonia, two in Lithuania and just one, *geochemical mapping*, in Latvia (amounting to SEK 750,000). The package of projects has been evaluated in its entirety (Toksvad and Prols, 1998). The evaluators make the assessment that the projects have been relevant and implemented well. The technical know-how of the recipients had been underestimated which can be a partial explanation of the fact that in many cases the projects have achieved more than expected. Criticism is made of the fact that support to institutional development was not included in the project objectives, and of the weak administrative structure of the projects. The successes are due in most cases to the

commitment of a few key persons. A certain difficulty in achieving cost-sharing is also noted. Where the continuation of the programmes are concerned it is recommended that technical themes, for example quality assurance and presentation techniques, are combine with institutional issues such as project management and cost control.

A large number of organisations and agencies on both the Latvian side and the Swedish side are involved in Sida-financed programmes of cooperation. In relation comparison with the other Baltic countries, environmental cooperation with Latvia is given special mention by the Swedish parties involved. One indicator of Latvia s progress in this area is that the number of technical assistance projects is just over twice as many in Latvia compared to Estonia and Lithuania.

Technical cooperation, as the investment programmes, is coordinated on the Latvian side by the Ministry of Environmental Protection and Regional Development and its sub-agencies. The Ministry is praised for its capacity, enterprise and ingenuity. Partly this is a question of the persons involved - an experienced minister and experienced management staff in the ministry. The establishment of sub-agencies and institutes make it possible to administer more projects. In addition they contribute to greater continuity in the work since it is possible for them to pay reasonable salaries to their staff. These organisations (for example for hazardous waste, for the 800+ programme and so on) are financed to a great extent by international funds (including EU-PHARE). This constitutes a limit on the sustainability of the organisations (unless plans for a financial take-over by the Latvian government exist); there is a risk that the organisations will become chronically dependent on external funding to implement necessary environmental interventions. On the other hand the existence of these organisations can be well motivated since they permit acute environmental problems to be remedied relatively effectively. If these agencies are forced to close down the same will happen as in other areas where agencies or organisations lose professionally skilled staff. However the professional skills can nevertheless still be of benefit to the country if the persons concerned stay in the sector and the country, for example as private consultants.

The Latvian side is, in general, satisfied with cooperation with Swedish agencies and contacts with the major financier, Sida-East. The Latvian side wishes to see even greater transparency in Sida s work and to have a greater exchange of information. In addition it is thought that there are resources available in Sweden and at Sida for environmental interventions which are not used since the Latvian side is not aware of their existence. It is also desired to link projects in the environmental field with projects for regional development to a greater degree than has been the case hitherto.

Otherwise it is emphasised by the Ministry for the Environment as well as other parties involved in the environmental field in Latvia that while the institutional capacity/personnel skills for the development of viable organisations and systems in the environmental field is satisfactory in the large towns, the situation is much weaker in smaller places. In small municipalities there are a few persons with the relevant background, and the knowledge of English for example is often limited. It is therefore more difficult to absorb and administer new ideas and investments.

### **5.3 Cooperation in the field of energy - Sida-East and the National Board for Industrial and Technical Development (NUTEK)**

The use of energy is great in Latvia, largely as a consequence of inefficient energy systems. In Latvia there is a relatively large potential availability of bio-fuels and, in relation to the neighbouring countries, considerable hydropower resources. However some 25-30 per cent of the country s electricity has to be imported. During the last four or five years the energy sector has been reformed. This reform has included increases in the price of energy, changes to the legislation, and the privatisation of energy companies. The largest bilateral donor where energy is concerned is Sweden. Latvia cooperates with both Sida-East and with NUTEK.

Sida-East has allocated almost SEK 30 million for technical assistance in the field of energy since programmes of cooperation were started at the beginning of the 1990s. The main focus has been

on various stages in the development and rehabilitation of district heating systems in Latvian towns. This has partly included feasibility studies and partly demonstration projects in which Swedish equipment has been installed with the objective of demonstrating and evaluating certain technologies and materials. Training in maintenance of the electricity mains has also been provided. Sida-East also financed an energy expert (for the entire Baltic region) between 1993 and 1996, who was stationed at the World Bank Office in Riga.

The largest ongoing project of Sida-East is the *district heating project in the town of Jelgava* (population 75,000) south of Riga. Sida has been engaged in this project since 1993. The feasibility study made then has now led to investments financed by the World Bank. Sweden's grant aid has amounted in total to SEK 7.2 million. The Swedish Fjärrvärmebyrå has been engaged as the technical adviser. The Finnish Ekonon Energy has been the organisational and financial adviser. According to reports from the World Bank project implementation has been satisfactory in most respects, both technical and organisational. In 1997 the district heating company in Jelgava attained full cost coverage which means that the town council no longer has to contribute to the operating costs of the company. The customers' capacity to pay has increased. Proposals for further projects are being discussed.

The Swedish party involved praises the high levels of skills and efficiency in Jelgava. In several respects the project has been ahead of the time schedule and the entire project has progressed relatively smoothly. One aspect of cooperation is that most technicians and the majority of project management are women. This should guarantee relatively good continuity in further development and operations since it appears that women choose to stay in municipal companies to a greater extent than men.

The Swedish Fjärrvärmebyrå has also been engaged in pre-studies and demonstration projects for the *rehabilitation of the district heating system in Riga and Daugavpils*. Progress in this work is reported as considerably slower. The organisational structures are problematic. In Riga for example the privatisation of the power company, Latvenergo, has been awaited. There are conflicting opinions between the power company and Riga municipality etc. The major stumbling block is pricing. In Daugavpils the difficulties also consist of old-fashioned approaches to pricing and to power production. Similar comments have been made by the World Bank. In addition attention is called to the fact that working conditions changed a great deal during the 1990s. In 1995 there was one party alone which dealt with energy projects in a municipality. In projects today it is necessary to deal with complex organisational structures in semi-privatised power companies which conclude contracts with other companies which construct district heating systems, and so on.

NUTEK's work in the programme of *environmentally adapted energy systems (EAES)* is part of the work relating to the climate and environment resulting from Swedish ratification of the UN's *Framework Convention on Climate Change (FCCC)*. In total SEK 240 million has been allocated for work on making energy more efficient in eastern Europe. Most of the funds have been used in the Baltic region and Latvia and Estonia have been the major recipients. NUTEK's main work concerns projects at local (municipal) level relating to district heating systems: boiler conversions and the rehabilitation of networks. In addition there are projects to make the use of energy more efficient among final users, for example hospitals and schools. Seminars, short courses and follow-up activities have been held.

The programmes of cooperation of Sida-East and NUTEK in the energy sector have recently been evaluated (Petersen and Ramlau, 1998). The aim has been to determine the division of work and responsibilities between the two agencies in order to improve coordination. The evaluation states that NUTEK and Sida-East have different purposes in their work with energy: NUTEK seeks to achieve certain goals in respect of climate which are directly measurable in terms of reductions in carbon dioxide, while Sida supports a broader spectrum of development objectives. However this leads to much the same type of projects since both agencies have the mandate to emphasise environmental aspects and the efficient use of energy. However, despite a certain amount of overlapping, there has most often been a clear difference between the activities of the agencies.

Sida-East often participates in major co-financed projects and seeks cooperation with central agencies while NUTEK participates in small projects and cooperates directly with local agencies. The evaluation does not try to assess which approach is the most effective. It can be considered that NUTEK's many small scale projects at the local level can induce institutional changes at the central level, on par with the institution development included in Sida-East's projects. However, attention is called to the fact that coordination and collaboration between the Swedish agencies has been inadequate. It is recommended that the Government reviews the mandates and tasks of the agencies. In addition a direct dialogue between the agencies is encouraged through the establishment of a coordinatory committee, through different activities and the mutual utilisation of the skills of each agency. It can be added that, on Sida's initiative, a standing consultative group has been in existence since the beginning of 1998 with representatives of Sida-East, NUTEK, the Ministry for Foreign Affairs and the Ministry of Industry and Commerce.

#### **5.4 Swedish National Environmental Protection Agency (SNV)**

Most funds granted for bilateral cooperation with Latvia have been channelled through SNV for their programmes of cooperation with eastern Europe, but the funds have been relatively modest: Between 1993 and 1998 projects approved have amounted to just over SEK 11 million (for the entire eastern European region the figure is just over SEK 40 million). Cooperation has focused on administrative and policy-oriented projects which have often played a key role for development. In Latvia programmes of cooperation have focused in particular on water conservation, nature conservancy, drawing up environmental legislation, and management training.

The SNV also praises environmental cooperation with Latvia in comparison with the other Baltic countries. SNV's relations with Latvian environmental agencies are well developed and described almost as a type of twinning cooperation. One project leads to another in the dialogue between the agencies. There is also a trend towards a greater degree of cost sharing. The difficulties in Latvia's development in the environmental field are those associated with the establishment of closer relations with the EU. This requires the harmonisation of legislation, sometimes at far too rapid a pace, and thus at the expense of quality. The major challenge to development where the environment is concerned is not considered to be so much the incorporation of European directives as the application of the directives. In this respect the agencies responsible and their methods need to undergo essential changes. The transport and agricultural sectors will probably put greater pressure on the environment in connection with adaptation to the EU.

SNV's activities have been evaluated (Falk and Wallberg, 1997). The evaluation states that, with few exceptions, the programme of cooperation has been successful and functioned well where equality and collaboration between staff are concerned. The evaluators make the assessment that the fragmented impression, which the catalogue of projects gives initially, is adequate in view of the modest budget ceilings and the informal dialogue which leads to projects. The evaluation considers that SNV's international secretariat and its Eastern Europe group function well but would be better served if project documentation was tightened up and more regular project follow-ups were made. Support should also be given to Swedish and Latvian parties in their agreements in order to avoid mistakes in respect of tax rules etc. Problems of this type arise on account of the lack of international experience of the parties involved. The evaluation also recommends that measures should be taken to extend the Swedish resource base for international work.

The evaluation is mildly critical of the Swedish profile in environmental cooperation. The roles of the different agencies and financiers are not entirely clear to the counterparts in central and eastern Europe. It looks for more coordination and better information. But despite this criticism it can be stated that there is a fairly high degree of coordination of environmental cooperation on the Swedish side. There is a consultative group for the Baltic Sea Programme which includes representatives of Sida, SNV, the Ministry for Foreign Affairs and the Ministry of the Environment. SNV has also had a coordinatory function for Swedish environmental cooperation in general as the administrator of the environmental agreements which the Swedish Ministry of the Environment has concluded with its Baltic counterparts. However, this coordinatory role is given less prominence as the SNV's own activities expand.

## 5.5 Agricultural fertilisers

Swedish projects in Latvia in the agricultural sector have been modest. The same applies to environmental cooperation relating to agriculture. During the period 1994 to 1997 the Swedish University of Agricultural Sciences has been responsible for a cooperation project within the so-called *Baltic Agricultural Run-off Action Programme (BAAP)*. The programme is long-term and has the aim of restoring ecological balance in the Baltic Sea by reducing the discharge of fertilisers. The programme consists of long-term policy-oriented and institutional reforms, training, and infrastructure investments. The total cost of the first phase has been estimated at ECU 5 million (SEK 45 million). The proportion administered by the Swedish University of Agricultural Sciences for the first phase amounts to SEK 25 million, of which SEK 13 million has been allocated for projects in the Baltic countries.

The programme has been evaluated (Korkman and Jern, 1997). The evaluation makes the assessment that the organisation of the programme has been well balanced and satisfactory. There is also a great amount of research potential in the work. To make the programme interesting to farmers it should possibly also have included other issues than those merely relating to the environment. More information for local agencies had been desirable; the programme has not been matched by local initiatives. On the other hand, according to the evaluators, the project has been successful in attracting local funding to an unusually large extent. The discharge of fertilisers has diminished due to the programme and the decline in agricultural production, but will increase in the future. The evaluators recommend an extension of the programme and attach a programme with a total budget of SEK 34 million. For this phase the importance of cooperation between the Baltic countries is emphasised as well as more information and training.

## 5.6 Nuclear safety

Swedish programmes of cooperation with central and eastern Europe in the fields of nuclear safety and radiation protection are run through the Swedish Nuclear Power Inspectorate (SKI) and the National Institute of Radiation Protection (SSI). An evaluation of SKI's and SSI's work in central and eastern Europe has been initiated. There are not many activities of this type in Latvia. The work of the international project unit of the SKI, *Swedish International Project Nuclear Safety (SIP)*, takes place mainly in Lithuania (85 per cent) and the remainder in Russia. In the SSI's Project Radiation Protection East which has been in progress since 1991/92 with the aim of improving radiation protection and making it more efficient, as well as solving acute radiation protection problems, an amount of SEK 9 million has been allocated for projects in Latvia amounting in total to SEK 63 million. The programme has worked with supplying up-to-date reference literature, computers and associated equipment and measuring instruments. Furthermore courses have been held in legislation and supervisory issues. A proposal for a national nuclear waste strategy has been developed. This training and the equipment supplied to agencies and border surveillance personnel makes improved supervision and inspection possible.

# 6. Discussion And Conclusions

This section gives an overall assessment of results and the relevance of development cooperation with Latvia and final comments on cooperation in general.

## 6.1 Results of cooperation

### *Outcome*

The outcome of the individual projects in the programmes of cooperation with Latvia may be assessed, without exception, as being satisfactory. The individual projects have often fulfilled their given objectives. The following provides some important examples. Sweden has contributed to building up relevant institutions in the area of security, to strengthening the protection of human rights, to creating more humane forms of correctional treatment and, with the aid of the language programme, has facilitated the integration of society. Furthermore Sweden has financed projects which have contributed to building up and developing different parts of the public administration, for example in the labour market sector, the transport sector and the health sector, and has supported land reform and the forest administration. Swedish projects have been of crucial

importance for building up the School of Economics in Riga. With the aid of public administration support and risk capital Sweden has contributed to developing the capital market. Swedish projects in the area of social insurance have been important. In addition Sweden's engagement in the environmental sector has been extensive and has contributed to concrete changes, for example in the water, waste-water and energy systems. On the minus side there are those projects which have provided negligible concrete results, for example in the courts system and certain parts of the public administration support.

#### *Implementation*

In general the various projects have been implemented well if with certain delays in some cases. The projects are often characterised by a great deal of flexibility: Individual project components have been adapted to changes in conditions. This flexibility is a virtue in itself in a country in transition. There are naturally risks with flexibility: for example the counterpart omits to take certain measures in expectation that the Swedish partner in cooperation will step in whenever necessary.

Where implementation on the Latvian side is concerned there are many examples of great ambition and engagement in different projects. The inadequate absorption capacity of Latvian agencies and implementing organisations is however a problem. However with time the working methods of many Latvian agencies have improved and have become more professional. At the same time a bottleneck remains on the Latvian side in the form of slow political processes. Implementation has been delayed due to a lack of understanding of the intentions which have been behind the projects as well as the political tug-of-war for resources.

The main impression is good where the Swedish partners' share of the implementation is concerned. Swedish consultants have been competent and committed. There are exceptions but these are not predominant. However, some projects have focused more on problem-solving than on institutional development. This can be well motivated in certain acute contexts but can also make the project relatively volatile. Comments from the Latvian side on the situation that a project has mainly contributed to improving the professional skills of the Swedish expert is an expression of this. A further observation is that many of the Swedish agencies which have been engaged in different projects have lacked experience of international work or development cooperation. In some cases this has resulted in high costs for the learning process, both in respect of establishing good working relations with the Latvian party and in relation to the financing Swedish agency. In certain cases there is some tension between the ordinary work of an agency and the demands which the Latvian engagement place on members of staff, the organisation and financing.

The dominating party on the Swedish side is Sida-East. Its methods are touched upon in general terms in Ds 1997:75. There it is underlined that Sida has a high level of activity where evaluations are concerned (with certain variations however in quality) and that Sida works actively in the area of policy. It is noted that Sida does not utilise the reports submitted by the implementing organisations to any great extent. Shortcomings where the production of statistics is concerned is also criticised. Observations from Latvia indicate that this is valid in some cases. The picture of Sida's engagement in individual projects is otherwise mixed. On the Latvian side the degree of contact with Sida varies. At agency level, where most of the direct contacts take place there is, without exception, a positive reaction to Sida's methods and commitment. Sida is experienced as unbureaucratic and flexible. Sometimes there is criticism that the decision-making process is slow and it can be difficult to obtain information on the status of a project which is being assessed. Swedish implementing organisations sometimes experience Sida as bureaucratic and pedantic, but in other cases as committed and supportive and, in still further cases, as a remote financier.

#### *Effects and sustainability*

It is still too early to assess the effects of Swedish projects in Latvia at the level of society in general. On the other hand it can be said that the cooperation has the consequence that people are confronted with new ideas and methods which sow the seeds which grow in the machinery of society. In this sense almost all projects have had some type of effect, even if the effects are

impossible to measure. Some of the Swedish projects in Latvia have also had the main aim of creating contacts. The extent to which these contacts have provided effects and created goodwill no doubt varies a great deal. If exchanges are part of a series of projects in, for example, a cultural sector, the effects will probably be greater than if the contacts were sporadic.

However the main part of the Swedish support concerns capacity building in which sustainability is of central importance. When the Swedish support is phased out the project should be of such nature that it is possible to maintain and develop the project in question. The main impression is that Swedish cooperation with Latvia has contributed to capacity building and human resource development with good prospects of achieving permanent results. However there are three circumstances in respect of sustainability which deserve attention.

In the first place a considerable proportion of the projects which are supported by Sida receive a very modest, sometimes *negligible contribution from the Latvian government*, even if the size of the Latvian contribution varies a great deal between different types of projects and sectors. Where the environment, for example, is concerned the Latvian contribution is often considerable. The small Latvian contributions are due to the tight Latvian fiscal policy and can sometimes also constitute an indication of insufficient support and acceptance by the Latvian authorities. In other cases the reason can be that the foreign support makes Latvian funding unnecessary. It is true that the Latvian budget position is strained but it is nevertheless important to obtain an increase in the Latvian share of the costs. This should be a prerequisite for further Swedish support, particularly in consideration of the fact that the inflow of grant aid to Latvia is considerable. The small level of Latvian contributions augurs no good for the continuance of activities in certain sectors when foreign support is phased out.

In the second place there is a great deal of *supply-side management on the Swedish side*. In many cases the projects are not based on genuine Latvian initiatives but are the result of proposals and pressure from abroad combined with the inability of the Latvian side to decline offers of support.

In the third place *some of the projects are of an ad hoc type* and are not always part of an overall strategy for the development of a sector. Sometimes the projects are local initiatives for which inadequate support and acceptance has been gained at agency level or for which no analysis has been made of the project's long-term consequences.

These three circumstances are connected with each other. The smaller the Latvian contribution to a project, the more important it is that the project corresponds to a genuine Latvian demand, and vice versa: the requirement for cost-sharing should be maintained with firmness in those cases a project has been actually generated abroad. At the same time the Latvian demand must be well accepted and supported by the authorities. What can be discerned in cooperation with Latvia is, in other words, a fairly complex picture in which shortcomings in cost sharing, supply-side management and an ad-hoc approach endanger the sustainability of activities in certain projects.

Experience from Latvia indicates that it is desirable that Swedish agencies should be more consistent in their demands in respect of cost sharing. Departures from this policy are made relatively often, but rarely on acceptable grounds. But there are no criteria which state when departures may be made and this has the result that there is an element of arbitrariness. It would be desirable that such criteria were drawn up - for example in the matter of types of organisations or activities - so that arbitrariness was eliminated as far as possible. Where Sida-East is concerned, criteria of this type have been drawn up where cost sharing is concerned. These imply that the Department for Central and Eastern Europe assumes responsibility for a larger proportion of the costs of projects in the public sector, in particular the social sectors, since resources in Latvia are very limited in this area.

Another point is that the capacity building which is now being implemented with foreign support can have a permanent value in certain places even if the institution receiving support cannot continue its operations. One example is that the higher level of skills possessed by personnel can

benefit Latvian society in new structures, even if the present activities are discontinued. Another example is the introduction of new types of teaching materials.

It can also be pointed out that the problems in respect of sustainability appear different to different Swedish parties. Where Sida-East is concerned a greater amount of demand-side management can be noted, but cooperation is still characterised by very great breadth. Where the projects of Sida-East in the environmental field are concerned, the dominating impression is of institutional focus and acceptance and support by the authority concerned.

For other parties involved supply-side management is more obvious, for example in security cooperation, for NGOs, in the language programme and the School of Economics. But even in the twinning programmes between municipalities and county administration boards, which are greatly in demand from the Latvian side, initiatives have been taken by the Swedish side without support and acceptance having been gained at the local level in Latvia, which would have been desirable.

## **6.2 Relevance of cooperation**

### *Objectives of cooperation with central and eastern Europe*

The Swedish objectives of cooperation with central and eastern Europe are of central importance but tend to have the character of fields of activities rather than the form of concrete directives. To the extent to which a project is relevant according to other criteria and also well implemented, it is probable that the project contributes to development in the right direction. Since most projects are considered relevant and well implemented, it is concluded that cooperation with Latvia has on the whole provided a positive contribution to social development in Latvia in the direction prescribed by the four goals.

In line with a decision of the Swedish Parliament, cooperation shall also be permeated by a perspective of equality between women and men. In Ds 1997:75 it is stated that equality was the factor which was least successful in the evaluations. Where projects in Latvia are concerned, few projects have an explicit focus on gender equality or components for the promotion of equality. During the work on this report, equality was hardly mentioned at all by the persons we spoke to, both in Sweden and in Latvia. There is a risk that since equality is given prominence, energetically and frequently, by Swedish agencies in different policy documents, this is confused with actual activities in the area. Another point is that it is perhaps unrealistic to expect great success in this area at this point in time. The background and attitudes are different in Latvia and Sweden. At present it appears that the Swedish side takes equality into consideration chiefly in the sense that support is not given to projects which have a direct negative effect on equality (that the pension reform is designed in such a way that it does not have a negative effect on women is one example). At the same time it can be mentioned that a great deal of the cooperation between Sweden and Latvia is a case of human resource development in the public administration where a large proportion of the staff are women, and this can promote equality in the long-term.

### *The transition process in Latvia*

The relevance of Swedish programmes of cooperation is great in the light of the process of transition of society taking place in Latvia. It is difficult to find examples of projects in which Sweden has participated which are irrelevant in consideration of the needs associated with transition. Sweden has financed projects in central areas for the development of a viable market economy. It can also be pointed out that several projects would have been important even if Latvia was not undergoing a process of transformation. One example is the project in the field of correctional treatment which has the aim of introducing a more humane treatment of prisoners, but there are also other projects in the social sectors which would have been motivated under any circumstances.

### *Other donors*

There are many parties involved in cooperation with Latvia. There is a certain amount of coordination by the authorities in Latvia and between the donors themselves through an exchange of information. Many projects, particularly the major water and waste-water projects, also have



several financiers. No major examples have been observed of overlapping or shortcomings in coordination in individual projects or interventions, apart from the lack of information from EU-PHARE's time schedules and undertakings in connection with the water and waste-water project in Daugavpils and in the work with the land book (a parallel project of significance for Sweden's project on the property register). One general impression is however that the exchange of information could be greater and there could be more contacts and discussions between the parties involved in order to make some projects more effective and efficient.

However the exchange of information and coordination have a certain contradictory relationship with current realities in which there is often a form of competition between different donors (a situation which incidentally can benefit efficiency in some projects). The local capacity to absorb foreign support is, as mentioned above, limited. When different countries and donors wish to act and create a distinctive image in a certain area there is a struggle for the Latvian resources.

Another issue which is connected to the discussion on relevance in relation to the process of transition is whether the donor community in general has been too helpful and thus contributed to delaying this process in certain areas. Does the access to foreign resources encourage the recipient country to be less active in mobilising local resources (establishing efficient tax collection, spend time on a necessary reorganisation and pursue reform issues)? The often fairly small Latvian financial contribution to different projects naturally has its origins in a genuine lack of resources and in a lack of priorities on the Latvian side. If Sweden undertakes to finance the main part of a certain reform, local resources can be used in other areas. One point which has been reported on regularly as a problem for both Latvian and Swedish parties in individual projects is, however, the political dimension, in which political interests pull in different directions and the authorities sometimes struggle with each other for scarce resources - since the views of different politicians vary on what is relevant and should be given priority.

#### *The country strategy*

The decision of the government on cooperation with Latvia (government bill 1994/95:160) and the strategies which have been drawn up on the basis of this decision constitute an important foundation for assessments of relevance, even if it should be kept in mind that most projects in Latvia were prepared before the strategies mentioned here were adopted.

The country strategy for support to Latvia for the period 1997 to 1998 has had a positive effect in so far as it has led to a more systematic analysis of what Sweden should support. At the same time it can be stated that, in certain parts, the strategy is formulated in very general terms and its purpose of governing operations has been limited in Latvia. Therefore it is difficult to find projects whose existence is not compatible with the strategy. On the other side no obvious omissions, in the sense that projects prescribed in the strategy are lacking, have been found either.

The country strategy gives prominence to support to the social sectors. Support is also focusing to an ever increasing extent on the social sectors, in accordance with the intentions of the strategy. The country strategy also emphasises institutional development. A great amount of work has the objective of institutional development. The discussion above on sustainability indicates that certain projects will not necessarily contribute to the development of viable institutions.

It can also be mentioned in passing that the country strategy describes the transfer of know-how as an objective of programmes of cooperation. A more adequate term or approach would be human resource development or development of know-how.

#### *Sweden's comparative advantages*

The high level of cooperation with the Baltic countries - not least with Latvia - shows that Sweden has made use of its comparative advantages for cooperation with the countries. A good example is the twinning cooperation programme which has laid the foundations of permanent regular relations and can provide impulses for an extension of cooperation, for example to the commercial area. The programmes of cooperation for the promotion of security can be seen as another

example. Due to our trustful relations with Latvia, Sweden has had very good prospects of pursuing programmes of cooperation in respect of security with Latvia. The same line of argument can be made on the issue of citizenship and other sensitive issues relating to social integration in Latvia. On the other hand it is more difficult to maintain that cooperation with Latvia has systematically focused on sectors where expertise has been built up in the Swedish resource base.

#### *EU membership*

Several projects have great relevance in consideration of Latvia's aspiration to obtain membership of the EU; a natural consequence of cooperation explicitly having the objective of supporting Latvia's application for EU membership. It can also be noted that Sweden provides support in several areas which are pointed out in the statement made by the Commission as being very deficient in Latvia. Examples are the status of non-citizens and the slow naturalisation process, and the shortcomings in the public administration and the legal system.

### **6.3 Final comments**

In most areas Swedish cooperation with Latvia has achieved the intended results. Many of the projects financed by Sweden have contributed to reshaping and developing Latvia. The relevance of Swedish cooperation with Latvia is great. However a results analysis and assessment tends to dwell on the difficulties which have been observed.

A recurring problem in many of the projects is that the political dimension has been underestimated. In many projects it is reported by both the Latvian and Swedish parties that a considerable amount of time and effort has been spent on awaiting and understanding political decisions. This has been the case for example in the social insurance reform, the Graduate School of Law, certain environmental projects and certain public administration projects. For those reforms which are costly or which threaten certain groups, the many political factions tend to pull in different directions. An associated problem is the large number of administrative units (a result of the new nation's desire for a great deal of decentralisation): the operations of a large number of small and poor municipalities shall be involved in various administrative reforms. Greater requirements for coordination between Latvian authorities, ministries and municipalities could be one way of creating understanding of comprehensive, overall approaches and of reducing tensions.

The Latvian capacity to absorb foreign interventions is also a recurrent problem. Considerable demands for social transformation and the involvement of many foreign parties puts pressure on the fairly small body of Latvian administrators and experts. At agency level there is also a risk that competent staff disappear to the private sector due to the salary situation. If Swedish projects are to be effective and have lasting results it is necessary that they are accepted and supported by the Latvian administration. This stimulates ideas for subject matter concentration in development cooperation.

However, at present cooperation tends to be characterised by breadth and fragmentation. There is a dilemma here. On the one hand a greater focus on certain areas can improve efficiency - if the areas selected are those in which Sweden's prospects of making a useful contribution are particularly good. On the other hand cooperation can be a means to create a wide circle of contacts which can serve as a platform for the normalisation of relations between the countries in the future. This aspiration speaks in favour of a broad programme. It would also be difficult to gain understanding for a concentration of areas by those sectors of society in Sweden which were thereby prevented from participation in programmes of cooperation with central and eastern Europe. The great fragmentation of the Swedish projects therefore appears understandable. However the fact that Sweden is active in many different areas does not necessarily mean that each agency splits up its resources and provides a small amount to each area. Where Sida-East, the dominating party in cooperation with Latvia, is concerned, there is reason to review the extent to which the projects can be concentrated and intensified in order to make them fewer and in certain cases larger. This requires a greater degree of sector analysis, in-depth dialogue with partners in cooperation on the Swedish and Latvian sides, and a more active follow-up. Also the indications of shortcomings in Latvian capacity and/or commitment, which have been criticised, underline the

importance of thorough project preparations and a good knowledge of the sectors at Sida as well as greater Latvian participation in the selection and design of the projects and in the strategy work. If Sida modifies its methods in this direction there will be greater possibilities of making assessments on whether the absence of initiatives and financial contributions on the Latvian side should be seen as a form of weak acceptance and support. A reinforcement of the knowledge of development cooperation on the part of the Swedish partners in cooperation could also lead to an improvement in quality.

In the long term the levels of knowledge in Latvia, its wide circle of contacts and the relatively good availability of grant aid speak in favour of a greater focus on areas in which Sweden can provide particularly valuable contributions. Here it can be borne in mind that, in many areas, Sweden has good prospects of contributing to strengthening the capacity for implementation of adjustment to the EU, due to the fact that we have recently undergone a corresponding process ourselves. The third pillar area is part of this. Also at the local level there is experience of entry into the EU which can be a good basis for cooperation with municipalities in Latvia to prepare them for membership of the EU. The fact that EU-PHARE is now starting major EU preparatory projects in Latvia underlines the importance of Sweden identifying areas where we have particularly good prospects of providing support. It is in line with a strategy of this type that Sweden actively takes advantage of the possibility, with the aid of funding from EU-PHARE, of making government agencies or other institutions available as partners in twinning arrangements with Latvian counterparts in appropriate areas. Once again the third pillar area is an example.

## **Appendix 1**

### **Terms of reference**

Sida-East/PH

1998 03 31

### **Latvia: A Results Analysis**

#### **1. Background and purpose of the Analyses**

Swedish support to Latvia during the period 1990 -1997 has amounted to approx. 760 million SEK. At present the co-operation is guided by Country Assistance Strategy (CAS), which the Swedish Government adopted in December 1996 for the period 1996-1998. The assignment aims at identifying and analysing results achieved through the Swedish support and its impact on the transition process in Latvia with a particular focus on the support channelled through Sida. It will provide a basis for Sida's proposal to the Swedish Government for a revised CAS for Swedish support to Latvia to cover the period 1999-2001.

#### **2 Scope and focus of the Analysis**

With a focus on impact of Swedish support and its relevance for the transition process, the assignment shall cover the following aspects.

##### *A. Relevance of co-operation*

Relevance should be assessed in relation to the needs and priorities of Latvia and the main Swedish objectives :

- to promote common security
- to deepen the culture of democracy
- to support socially sustainable economic transition
- to support environmentally sustainable development

as well as - with regard to the support provided during 1996-1998 - the more specific guidelines laid down in the Country Assistance Strategy.

##### *B. Project output*

Project output is defined as tangible, immediate results from project activities compared to the project plans and to a situation without the project(s), e.g. that a number of persons are trained to a certain level of knowledge, new methods are developed and implemented etc.. Where possible, already existing evaluation findings shall be used as sources of information.

##### *C. Project implementation*

Quality of services and supplies; performance of the actors in interaction; co-ordination with other activities at the client organisations.

##### *D. Impact and sustainability*

Impact is defined as sustainable effects of the project output, such as an improved efficiency in the trained organisation; an investment decision with certain implications; cost savings following the implementation of new methods etc. Impact shall be analysed at an aggregate level. As in the case of project outputs, impacts and measures of impacts to be assessed should be defined beforehand.

The sustainability of the impact shall also be assessed. Project impact shall be assessed from the following perspectives:

- Achievement of objectives, i.e. impacts in relation to
  - a) overall objectives of Swedish support to countries in CEE and guidelines in CAS.
  - b) objectives as described in project documents, contracts and Sida's decision memoranda.
- other registered impact that was not foreseen in the above-mentioned documents.

#### *E. Lessons learned*

Operational and strategic in relation to the implementation process. A certain emphasis should be given the division of responsibility during different phases of the projects - identification, planning, implementation and follow up as well as the system of cost sharing.

### **3. Methodology**

The Analysis shall in a systematic way collect and analyse information with a focus on impact of Swedish support through Sida. Existing documentation shall be utilised and new information collected where necessary. Emphasis shall be put on the period after 1995. The views of relevant institutions and agencies in Latvia will also be an essential input as well as information from other important international supporting agencies, primarily IBRD and PHARE.

Support through other Swedish channels, i.e. Ministry of Foreign Affairs, the Swedish Institute, the Swedish Nuclear Power Inspectorate/ Swedish International Project, the Swedish Radiation Protection Institute and the Swedish Environment Protection Agency shall be dealt with summarily on the basis of existing material.

An inception report shall be prepared as a first step in the assignment. The inception report shall define focus and scope of work, list main issues to be covered and propose a structure of the Analysis. To the extent possible, findings shall be expressed in gender disaggregated and measurable terms. The evaluation team is supposed to consist of two persons. For the task a maximum of 15 manweeks may be utilised. Two visits to Latvia are envisaged.

### **4. Reporting**

A draft report in Swedish shall be presented to Sida before June 15, 1998. A final report shall be submitted no later than August 15.

## Appendix 2

### Selected material (internal material not available)

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## Appendix 3

### Persons interviewed

Björn Andersson, Fjärrvärmebyrån, Västerås  
Gert Andersson, Södermanland's county administration board, Jelgava  
Maija Andersone, European Integration Bureau, Riga  
Sylvia Augustinsson, Swedish Institute, Stockholm  
Andris Aukmanis, Soros Foundation, Riga  
Carin Berg, Swedish Institute, Stockholm  
Lennart Berglund, Stockholm Water  
Janis Birgelis, Forest Department, Ministry of Agriculture, Riga  
Lennart Bogg, World Bank, Riga  
Olafs Bruvers, Latvian National Human Rights Office, Riga  
Zigfrids Bruvers, Ministry of Environmental Protection and Regional Development, Riga  
Ilze Bumbiere, Foreign Assistance Programme Coordination, Ministry of Finance, Riga  
Janis Bunkss, Ministry of Environmental Protection and Regional Development, Riga  
Per Bylén, National Swedish Courts Administration, Jönköping  
Gunta Ceplevica, Foreign Assistance Programme Coordination, Ministry of Finance, Riga  
Per Colliander, National Prison and Probation Administration, Norrköping  
Dace Dzenovska, UNDP, Riga  
Armands Eberhards, Ministry of Finance, Riga  
Lars Eklund, Sida-East, Stockholm  
Lennart Forsell, Norrköping Water, Norrköping  
Linda Freimane, EU-Phare, Riga  
Anders Frick, Commission for International Development Cooperation in the Legal Sector, Stockholm  
Lauma Grafa, Department of Social Assistance, Ministry of Welfare, Riga  
Dina Grube, World Bank, Riga  
Kerstin Gyllhammar, Sida-East, Stockholm  
Roger Handberg, Technical Unit, Ministry of Finance/World Bank, Riga  
Howard R Handler, USAID, Riga  
Björn Hedvall, Östergötland's county administration board, Linköping  
Martins Hildebrants, UNDP, Riga  
Thilo Hoffmann, Delegation of European Commission, Riga  
Lars Holm, FOJO, Kalmar  
Peeter Horm, Sida-East, Stockholm  
Stanislav Hoshenko, Latvian Chamber of Commerce, Riga  
Lars Jeurling, World Bank, Riga  
Maria B. Johansson, Sida-East, Stockholm  
Angelita Kamenska, The Soros Foundation Latvia, Riga  
Inga Kacevska, Judicial Training Centre, Riga  
Ingvar Karlén, Devfin AB, Uppsala/Stockholm  
Anita Kehre, Latvian Media Professionals Training Centre (LMPTC), Jurmala  
Andris Kiskurno, Environmental Projects, State Projects Agency, Riga  
Allan Pagh Kristensen, Danish embassy, Riga  
Steinar Langbakk, Swedish Association of Local Authorities, Stockholm  
Bengt Lagerstedt, Stockholm  
Maria Lagus, Sida-East, Stockholm  
Bo Libert, National Environment Protection Agency, Stockholm  
Didzis Liepins, UAC (Enterprise Support Centre), Riga  
Inga-Britt Lindström, Society of Swedish Occupational Therapists, Stockholm  
Hans Magnusson, Swedish embassy, Riga  
Robert Maushammer, USAID, Riga



Anders Matsson, SWECO, Göteborg  
Hans Medéus, Swedfund, Stockholm  
Aleksandrs Mirlins, Ministry of Internal Affairs, Riga  
Björn Mothander, Stockholm  
Leif Mutén, School of Economics, Stockholm/Riga  
Tommy Nilsson, Kastellgården AB, Göteborg  
Carita Nygren, Society of Swedish Occupational Therapists, Stockholm  
Karin Oscarsson, Sida-East, Stockholm  
Dace Ozola, Union of Local and Regional Governments of Latvia, Riga  
Arvid Ozols, Ministry of Agriculture, Riga  
Anders Palzow, School of Economics, Stockholm/Riga  
Aija Priedite, National Programme for Latvian Language Training, Riga  
Svetlana Proskurovska, Bureau of Public Administration Reform, Riga  
Renate Pupele, Riga Municipal Non-profit Health Insurance  
Torbjörn Ramberg, Sida-East, Stockholm  
Charlotta Relander, UNDP, Riga  
Raina Rudzite, Ministry of Environmental Protection and Regional Development, Riga  
Ulla Rylander, Swedish Institute, Stockholm  
Maija Sauluna, Ministry of Justice, Riga  
Baiba Sejane, Ministry of Justice, Riga  
Henriks Silenieks, Latvian Chamber of Commerce, Riga  
Roberts Stripnieks, Latvian State Forest Service, Riga  
Maris Slokenbergs, School of Economics, Riga  
Per Johan Svenningsson, Stockholm  
Mats Sylwan, Swedish embassy, Riga  
Jan Sand Sorensen, UNDP, Riga  
Vita Terauda, The Soros Foundation, Riga  
Inta Vanovska, Department of Social Insurance, Ministry of Welfare, Riga  
Gunta Veismane, Latvian School of Public Administration  
Aivars Vetra, Vaivari rehabilitation centre, Jurmala  
Janis Vetra, Latvia's Medical Academy, Riga  
Per Vågberg, Swedish Institute, Stockholm  
Ligita Zacesta, Union of Local and Regional Governments of Latvia, Riga  
Vitolds Zahars, Ministry of Interior, Riga  
AnnLis Åberg, Sida-East, Stockholm  
Martin Åberg, Swedish embassy, Riga  
Per Östensson, Ministry for Foreign Affairs, Stockholm







SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

S-105 25 Stockholm, Sweden

Tel: +46 (0)8-698 50 00. Fax: +46 (0)8-20 88 64

[www.sida.gov.se](http://www.sida.gov.se)