



This information was prepared by the Ministry of Finance.

LETTER OF INTENT WITH THE IMF SIGNED

On July 27, after the revision of the International Monetary Fund (IMF) loan to Latvia, Letter of Intent was signed by the government and coalition parties. Discussions were held between the IMF mission and authorities of Latvia during the time period of July 13 and 27. The agreement includes a policy package facilitating economic recovery, while protecting the most vulnerable society groups, ensuring sustainable debt of the country, and is consistent with Latvia's strategy to adopt the euro.

In the nearest weeks the IMF Executive Board will discuss the Letter of Intent. After it's approval this policy package will allow Latvia to obtain approximately EUR 193 million (USD 278.3 million) of additional financing from the IMF. In the meantime, the IMF in its communication has acknowledged that significant progress has been achieved in the stabilization of the financial sector in Latvia.

The IMF mission was lead by Anne – Marie Gulde who said: *“The IMF support will also ensure that Latvia can continue to meet its international payment obligations and provide resources, as needed, to support the financial system. We will continue to work intensely, and in close cooperation with the European Union, to assist Latvia in adapting to the challenges ahead”.*

On July 27, Latvia received the second installment by the European Commission (EC) amounting to EUR 1.2 billion. The Supplemental Memorandum of Understanding between the EC and Latvia was concluded on July 13 (for further information on the Memorandum see Factsheet No 65).

Minister of Finance Einars Repše said: *“The reception of the EC loan installment is a positive signal that international partners appreciate amendments to the state budget 2009. Now, however, it is important to continue focused efforts also concerning the budget for 2010. The aim of international loan is to stabilize the national economy; moreover, it is a considerable support for the renewal of economic activity.”*

As of July 29, 2009 the available resources of the State Treasury amounted to nearly LVL 1 billion. In addition, the European Commission loan of EUR 600 million is available for providing support to the financial sector. Regardless of the increase in the public debt (in accordance with operational data of the State Treasury, as of July 29, 2009 the public debt amounted to LVL 3.9 billion or 30.2% of GDP), it still remains among the lowest in the European Union, both in absolute terms as well as expressed as a percentage of GDP. For comparison, in 2008, Italy's public debt amounted to 105.8% of GDP, for Greece it was – 97.6% of GDP, and for Belgium – 89.6% of GDP.

Einars Repše, Minister of Finance, confirms: *“This information and the above stated facts indicate that the State Treasury has and will have sufficient resources to finance budget expenditure as well as to ensure an appropriate servicing of public debt.*

The collaboration between the authorities of Latvia, the IMF, and the EC has not only been very intense, but also fruitful. A coordinated action of all international donors is of pivotal importance for

the success of the initiated reform program of Latvia. The Government expresses its commitment to restore the national economy of the country by striving to achieve tasks foreseen in the reform program and strengthening confidence in the national economy.”.



THE LATVIAN INSTITUTE

The Latvian Institute (Latvijas institūts) was established by the Latvian state to provide a wide range of information about Latvia, its society, culture and history.

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