



PRIME MINISTER SEES IMF LOAN APPROVAL AS STRONG SIGNAL TO FINANCIAL MARKETS

Latvia's Prime Minister Valdis Dombrovskis said that the IMF's decision to approve the next instalment of the loan to Latvia *"is a confirmation that Latvia's economic stabilization plan is moving ahead successfully. This is an important step forward in overcoming the crisis and a positive signal to international financial markets about our country."*

On Thursday, August 27th, the Executive Board of the International Monetary Fund (IMF) approved the new Letter of Intent signed by the government of Latvia and decided to grant Latvia the second instalment of the loan in amount of approximately EUR 200 million. In the end of December 2008, the European Commission, IMF, World Bank, European Reconstruction and Development Bank and several Member States of the European Union agreed on provisions of financial support to Latvia in amount of EUR 7.5 billion. The loan is being made available to Latvia over three years in several instalments.

Minister of Finance Einars Repše added: *"This decision approves the actions that the government has taken so far – amendments to the state budget of 2009, elimination of inexpedient spending, reforms in the public sector. This means that previous decisions have been geared towards managing the economic crises in our country, however, we still need to work in this direction while preparing the state budget project for 2010. The target of the international loan to Latvia is to stabilize the economy and restore the economic growth."*

"Latvia's economy is suffering a much deeper contraction than envisaged at the launch of the program," said IMF Managing Director Dominique Strauss-Kahn. *"The Latvian authorities are committed to putting their economy back onto a sustainable path, through substantial corrective measures, including additional fiscal consolidation."*

International media, financial markets, and economists have been following events closely in Latvia and news of the IMF decision on Thursday put Latvia into the spotlight once again. The IMF announcement follows a major speech by Latvian President Valdis Zatlers on August 25th, where he urged Latvia's business leaders, universities, and research institutions to accelerate their efforts in developing business clusters in order to stimulate innovation and exports.

In recent months the Latvian government has actively engaged the business community in developing a strategy for strengthening the Latvian economy. At the August 25th conference on business development organized by the Ministry of Economics, leaders of Latvia's most successful export sectors – wood processing, chemicals and pharmaceuticals, and transport and logistics offered concrete proposals to the government on how facilitate even greater growth in these and other industries. These proposals were supplemented by experts who participated three highly productive panel discussions on tax policy, financial instruments and absorption of the EU structural funds, and the integration of education, science, and employment policies

A proposal by Minister Artis Kampars to establish priority sectors in the national economy has been generally welcomed by Latvia's business community. In addition to the wood processing, pharmaceuticals, and logistics, other highly promising sectors include the food industry, electronics, production of optical equipment, the metal industry, and mechanical engineering.

Approval of priority sectors would mean increased financial resources for education and worker retraining in these sectors. Nevertheless, other sectors that demonstrate high added value and competitiveness in the export markets would also receive government support. The Latvian Foreign Ministry has also listed export promotion as one of its top priorities and has organized several meetings in recent weeks between Latvia's ambassadors and leaders of the business community.

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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