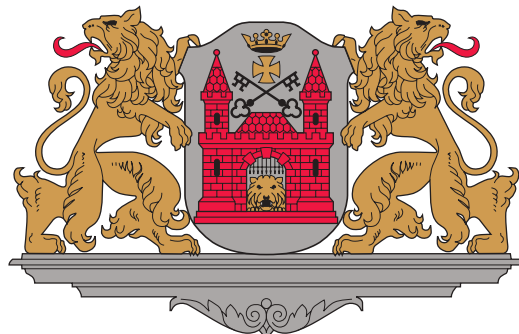




**Riga Municipality
Annual Report
2003**



Riga Municipality Annual Report 2003

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The inhabitants of Riga
are the City's most
important economic,
social and cultural
development potential.



The Report of Riga City Council Chairman



Riga Municipality Annual Report 2003 has been prepared in order to provide detailed information on the performance of Riga Municipality with regard to the economic and social development of the City of Riga. The report provides information on Riga Municipality financial policy and the budget of the City, the most important activities within the Municipality functions.

This document will provide you with the information on the current state of Riga financial position, the economic potential of the City, and the development of various fields of its operation. The report reflects on changes in the composition of employment and tendencies for welfare of the population of Riga.

In 2003 Riga Municipality began to introduce the long-term financial stability policy, significantly decreasing the budget deficit of the City and gradually improving credit terms. The aim of this policy is to achieve a balanced budget in the short term and gradually reduce the debt of the City, simultaneously ensuring sufficient investment resources to finance economic and social programs.

Within the last four years the Municipality has realized an active investment policy: investments in the City development amounted to more than 120 million lats, and served to improve the quality of infrastructure and ensure increasingly favorable business conditions. These investments allowed to attract both domestic and foreign investors: Riga aggregates more than 60% of all foreign investments in Latvia; more than 85% of enterprises with foreign capital are located here.

This investment policy constitutes excellent grounds for further attraction of investments from various sources: governmental, as well as domestic and foreign private sector by utilizing the opportunities arisen from joining the European Union.

Riga economic development currently can be characterized by dynamic growth, especially in the fields of services (i.e. construction), trade and commercial services. This growth has provided the able-bodied population with new, better-paid positions and improve their wellbeing.

The above-mentioned positive trends do not lessen the importance of Municipality's social and housing policy. Riga Municipality has been actively solving housing problems for various social sections of the population. New residential houses have been put into operation, and the social aid system for the population of moderate needs has been developed.

In 2004 more than 840 new apartments are planned to be put into operation with the help of Municipality resources, continuing this trend also in years to come.

In 2003 the link to the society has been created in order to learn the needs of the population and receive their feedback. Riga Municipality home page (www.riga.lv) has been constructed and put into operation. Apart from that, Riga City Council services have been developed and their electronization has been carried out.

In order to ensure more effective operations of Riga Municipality, the implementation of the internal audit function has been commenced in 2003 with the aim of performing regular evaluation and improvement of the internal controls in Riga City Council departments, institutions, enterprises, business entities, stock companies and municipal agencies.

In 2004 the modernization of municipal services will be continued within the framework of the e-city project, incl. services involving the application for the reception by Riga City Council officers and professionals, construction supervision services, centrally administered municipality allowances. Development and improvement of internal information systems will be carried out, ensuring more efficient operations of the Municipality and higher quality of the services provided. Acquisition of computer equipment for the schools is planned as well as their connection to the unified computer network of the Riga City Council. It is also planned to commence the first pilot projects on the establishment of e-society.

The policy of Riga economic development administered by Riga Municipality will be kept in line with the requirements for a friendly and comfortable city environment, ensuring the development of social and cultural infrastructure and fulfillment of the highest standards for the environmental protection.

The City of Riga development plan for 2006 to 2018 has the highest importance in the coordination of various directions for the development of the City.

Riga Municipality will continue to provide stable basis for the activities of economic, social and cultural nature, as well as realize active policy within the fields of social care, housing and education for the interests of the whole population of Riga.

I hope the results of our co-operation will assist Riga in strengthening its position of the economic and humanitarian center of Latvia and the whole Baltics.

Gundars Bojārs,
Riga City Council Chairman

The Report of Riga City Council Finance Department Director



In 2003 refocusing from short-term to long-term approach in Riga Municipality budgeting and resource attraction areas was performed.

The City of Riga budget deficit in 2003 was reduced to a level of 5% from the budget revenues, compared to the level of 15% in the previous years. In accordance with the long-term budget stabilization program, the budget of 2004 was produced and approved, ensuring the increase of maintenance costs and further reduction of the budget deficit to the level of 4% from the budget revenues.

By means of refinancing the 51 million lats short-term liabilities accumulated during the previous years and attracting long-term credit resources with better terms, reduction in loan servicing costs has been achieved yielding annual budget savings of 2.7 million lats.

Riga City Council financial policy in 2003 was aimed at ensuring a stable rate of the economic and social development of the City, financing of the City infrastructure maintenance and development as well as optimization of the financial resource allocation. Riga City Council financial policy is executed by the Riga City Council Finance Committee, Riga City Council Finance Department, as well as financial professionals of other departments and municipal institutions.

In accordance with the regulations, Riga City Council Finance Department performs the following financial management activities:

- prepares the City of Riga budget project;
- performs tax administration;
- performs activities to ensure the City of Riga budget utilization and the accounting of revenues and expenditures;
- attracts the necessary financial resources to finance the budget;
- controls finances and the utilization of the Riga City Budget resources;
- consolidates and analyzes the Riga City Council investment and financial policy results;
- Settlements Office provides credit resources and performs cash accounting and control for the municipal enterprises, business entities and stock companies.

In order to ensure more effective realization of the financial stabilization policy, in 2003 the Finance Department performed several managerial activities. Apart from that, the optimization of structural units was undertaken with the aim of ensuring motivated and focused functioning of Department's executive body.

In order to achieve unified approach to the administration of municipal taxes and fees, reorganization of the Tax Authority and Tax Collection

Authority took place, replacing them with the Municipal Revenues Authority. The district units of the Finance Department were transformed into tax-payer service centers, providing information and advisory on tax-related issues.

The tax-payment procedure has been improved, for instance, those individuals who are property tax payers and have signed agreement on remote banking services with AS "Hansabanka", are offered an opportunity to pay taxes over the internet.

In order to reduce the amount of cash payments at district executive board settlements offices, the outsourcing of the property-tax collection is under consideration. The submission of payments will be free of charge, given that the Finance Department will cover the costs of payment collection.

The Department has produced "The Conception of Financial Accounting and Management", which has been approved by the Riga City Council Finance Committee. A unified accounting system of the Riga Municipality has been developed and implemented with the helping hand of Riga City Council Information Technologies Center.

In 2004 the Finance Department will continue the implementation of the long term financial stabilization policy, by means of improving financial and budget management, and adjusting the financial planning and accounting systems to allow the consolidation of the financial systems of the Riga City Council, its structural units, and municipal enterprises.

The upgrade of financial resource management will result in improved financial resources structure, reduced currency and interest rate risks, as well as advanced cash flow management.

The Department will continue to work on the broadening of investment financing sources, by means of introducing the European Union funds co-financing system for the purpose of investment project implementation, as well as the application of the principle of governmental and private partnership in the execution of the municipal investment policy.

The information exchange and co-operation with credit-rating agencies has been improved in order to achieve higher rating for the City. In 2004 the Finance Department will develop and implement a quality control system.

The aim of the Finance Department is to achieve a balanced budget in the short term and reduce the debt of the City, providing stable basis to the realization of Riga Municipality economic and social programs.

I hope that the Riga Municipality annual report of 2003 provides detailed information on the financial performance of the Municipality and allows to assess its financial development prospects in the future.

K. Kavacs,
Riga City Council Finance Department Director

Structure and Function of the Riga City Council

The Riga City Council consists of 60 councilors elected to office every four years. The work of the Riga City Council is carried out by the Riga Chairman, Vice-Chairman, the Presidium of the Council, the Executive Director of Riga City, the Executive Directors of the Riga regions and administrative districts, as well as the employees of municipal organizations and enterprises in accordance within the structure of the municipal administration. The deputies of the Riga City Council work on ten committees – the Finance Committee; the Education, Youth and Sports Committee; the Municipal Services and Housing Committee; the Security and Order Committee; the Culture, Arts and Religion Committee; the City Development Committee; the Municipal Property and Privatization Committee; the Traffic and Transport Affairs Committee; the Social Issues Committee and the Environment Protection Committee.

The functions of the Riga Municipality are carried out by departments of the Riga City Council – the Finance Department; Education, Youth and Sport Department; Property Department; Municipal Services Department; Welfare Department; City Development Department; Transport Department; Environment Department – as well as directorates, institutions, enterprises and business companies, centers and agencies.

The Audit Directorate of the Riga City Council is responsible for the evaluation of the internal control system and the coordination of internal audits of the structural units, institutions, enterprises, business companies, capital companies and municipal agencies of the Riga City Council.

The main functions of the Riga City Council are to:

- Organize municipal services for inhabitants;
- Provide for the organization and sanitation of the public services and facilities of the administrative territory of Riga City;
- Establish regulations for the public use of publicly accessible forests and waters;
- Provide for inhabitants to acquire a basic and general secondary education, and to provide places for pre-school age children in educational and child care centers;
- Care for culture and to encourage the preservation of traditional cultural values and the development of folk art;
- Provide accessible health care, and to encourage inhabitants to lead a healthy lifestyle;
- Provide social assistance for residents;
- Offer assistance to inhabitants in solving housing issues;
- Support entrepreneurship in the Riga City administrative territory and to help reduce the level of unemployment;
- Provide social order;
- Establish regulations for the utilization of and building on land in accordance with the administrative territory plan of Riga City;
- Monitor construction works in the Riga city administrative territory;
- Organize public transport services.



The new Riga Town Hall was opened in November 2003

Riga City: Review and Development

History and Geographical Location

Riga has an ancient and interesting history. Settlements of the Livs, Zemgalians and Latgians were already located on this site around 2000 years ago, and merchants have always visited here when traveling along the Silk Road from Europe to Asia.

Riga is first mentioned in the Chronicle of Henry of Livonia in 1198, but the official date of foundation of Riga is considered to be 1201, when the German crusaders' Bishop Albert von Buxhoeveden chose Riga as the center for his diocese.

The City developed rapidly, with trade as the basis for its prosperity. In the sixteenth century Riga became a major city in the Hanseatic League and a center for manual trades.

Riga has always been a point of intersection for historical events. It has been ruled by the Polish-Lithuanian State and Sweden, was conquered by Peter the Great and was threatened by Napoleon. During the Swedish period Riga became the second most important Swedish city, and in the last half of the 19th century – one of the most significant cities in Russia.

Latvia became an independent nation when independence was declared on 18 November 1918. In 1940 Latvia was occupied by the Soviet army, during World War II Latvia came under German occupation, and in 1945 it was occupied once more by the Soviet army. In 1991 Latvia was proclaimed as a free, democratic nation once again.

Latvia's capital city Riga has always been the main metropolis of the Baltic States. The Baltic States are located in the geographical center of Europe. Latvia is one of three Baltic States, but its capital Riga is the largest and most central city of the region.

Riga is located on both banks of the Daugava River near its entry into the

Bay of Riga, and is the center of economic and cultural life of the nation. Riga is Latvia's largest city, in which over one-third of Latvia's population reside, where over half of all of Latvia's gross domestic product is produced, and where almost all of the nation's financial resources are amassed. Riga is the base for state and administrative organizations, most Latvian universities and one of the largest ports in the Baltic Sea.

Riga's rapid economic development is favored by its advantageous geographical location. The main economic sectors are transit, finance, the power industry, commerce, the food industry, manufacture of timber products, publishing, the furniture industry and production of metalwork.

In the last years there has been a rapid increase in the importance of Riga as a transport hub. There has been notable growth in the transportation of passengers with air and ferry traffic. In 2003 the Riga Passenger Port processed 278 000 passengers. The turnover of cargo at the Port of Riga also increased, reaching 21.7 million tones in 2003. Judging by the volume of freight handled, the freeport is the fifth largest port on the eastern shore of the Baltic Sea and the second largest port in Latvia.

Riga is a center of tourism in Latvia and contains valuable monuments of town planning, architecture, art and history. Over the centuries Riga has developed into one of Europe's most beautiful cities, and in 2001 celebrated its 800th birthday. One of Riga's characteristic traits is the silhouette of the Old Town and the Old Town itself, which contains buildings preserved from the 13th century. Riga is recognized throughout the world as being the art nouveau capital. At the turn of the 20th century art nouveau unfurled in the center of Riga in all of its splendid diversity. This architecture has been preserved from the time when Riga, as the largest Russian port, was a major transit point on the road from the east to west and also one of the wealthiest cities in Europe. Riga's historic center including its art nouveau heritage was included on the UNESCO world heritage list in 1997.



Riga is located on both banks of the Daugava River

Riga City: Review and Development

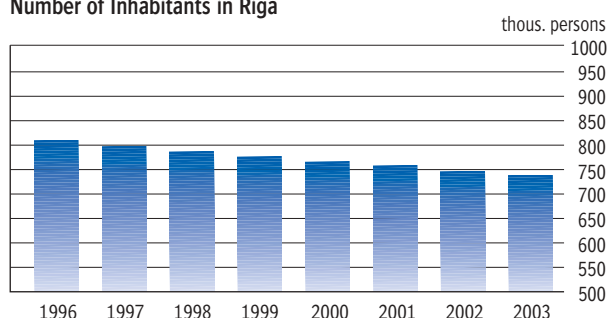
Inhabitants

The inhabitants of Riga are the City's most important economic, social and cultural development potential.

Number of Inhabitants

In early 2003, there were 739 000 inhabitants in Riga, which comprises around 32% of the Latvian population overall. Since the early 1990s the population of Riga has been reduced by 170 000, although in recent years changes to the demographic situation have occurred, with a reduction in the negative balance and an improvement in the birth rate.

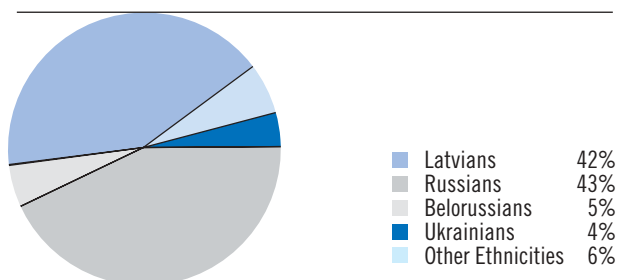
Number of Inhabitants in Riga



Ethnic Composition

Riga has always been a multinational city. In the 20th century the proportion of indigenous inhabitants has fluctuated from around two-thirds in 1935, to slightly under one-third in 1989. In the last years the proportion of Latvians within the total amount of inhabitants has gradually grown, although Riga nevertheless maintains its status as an ethnically diverse city.

Ethnic composition of Riga's inhabitants



Education Level

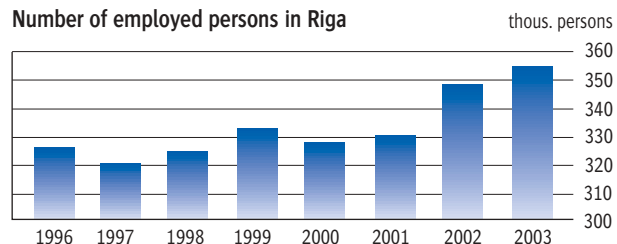
The education level of Riga's inhabitants is notably higher than the average level in Latvia overall. In 2000, according to the census data, 19% of Riga's inhabitants were university educated. The national percentage for this level of education was 13%. Since 1990, student numbers at general and vocational education institutions in Riga have dropped, while university and college student numbers have increased 2.7 times.

Employment

Over 350 000 people are employed in Riga's various economic, cultural and government spheres, which comprises 40% of Latvia's total

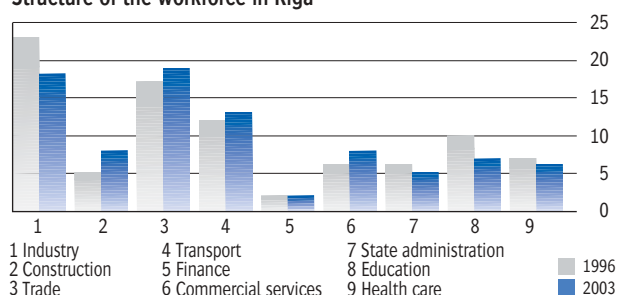
employment figure. Many Latvians from other regions have found work in Riga. A relatively rapid growth in employment numbers can be observed in the City's economy since 2000. In the last year the number of employed persons in Riga increased by 6500.

Number of employed persons in Riga



An analysis of changes to the structure of the workforce demonstrates that in 2003 in Riga, the number of employed persons in the industrial, transport and public (education, health care and governmental authorities) sectors fell, while the number in construction, trade and commercial services rose. 68% of employed persons in Riga work in the private sector, which is the highest indicator in the country and is considerably higher than the average – 61.5%.

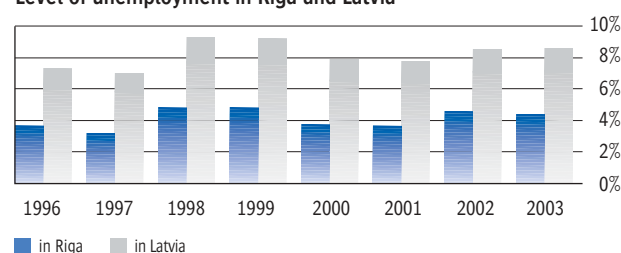
Structure of the workforce in Riga



Unemployment

The dynamic and diverse development of Riga's economy offers people wider work opportunities in various fields; as a result the City has maintained its markedly lower unemployment level than the average for the country. Unemployment in Riga at the end of 2003 comprised 4.4%, which is approximately half of the national average. The absolute indicators of unemployed figures in Riga have also fallen. If in the late 1990s there were 23 000 unemployed in Riga per annum, then currently this number has shrunk to under 17000. Riga has a notably lower indicator for long-term unemployed (unemployed for over one year) – 6.8% of the total number of unemployed at the beginning of 2003, while the overall indicator nationally was 26%.

Level of unemployment in Riga and Latvia

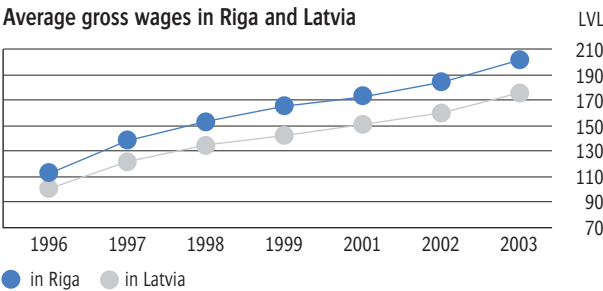


Riga City: Review and Development

Wages

The increase of the average wage in Riga since the mid 1990s has been marginally more rapid than in the nation overall – employed persons in Riga receive a higher wage by 14% on average. This can be explained by the fact that those working in Riga are involved in activities that are highly economically productive.

Average gross wages in Riga and Latvia

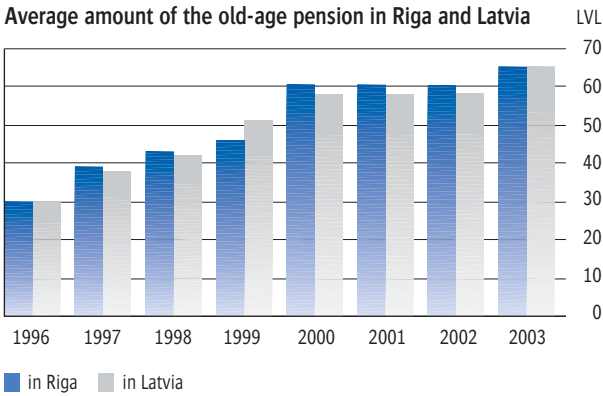


Work productivity in the City exceeds the average national indicator by more than 40%, and by even more than 50% in the fields of commercial services, finance, trade and construction.

Pensions

Unlike the statistics for wages, the average pension levels in Riga and Latvia are not significantly different. It is predicted, however, that along with a gradual development of the pension system, the difference in wages in Riga and the rest of Latvia will eventually be reflected by a difference in pension levels.

Average amount of the old-age pension in Riga and Latvia



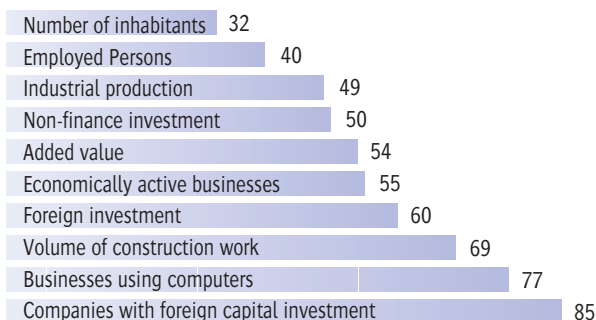
32% of Latvia's population lives in Riga

Riga City: Review and Development

Description of the Economy of the City

The proportion of Riga's economic potential within Latvia's economy is considerably larger compared with the proportion of Riga's inhabitants within the total population of the nation. This is particularly visible in the fields of foreign investment and enterprise.

Riga's share in Latvia's economy (percent)



Since the mid 1990s Riga has increased its influence in the state economy, with strong development in the fields of commercial services, trade, transport and communication. The gross domestic product per inhabitant in Riga exceeds the average indicator for the rest of Latvia by 2.5.

Riga's largest branches of industry are currently electrical energy production, gas and water supply, the food industry and manufacture of timber products. During the last few years the City's industrial production increased by 13-14% per year. Development in other sub-branches of industry can also be observed, for example, in machine building.

With the development of commercial infrastructure, and the size of large shopping centers and commercial areas exceeding one million square meters, the volume of commercial services in Riga has rapidly grown. Wholesale turnover in Riga currently comprises over 4/5 of the national turnover, and retail business — more than 2/3. This indicates that Riga provides commercial services not just for the City's inhabitants and businesses, but also for a large number of clients from other regions of Latvia and visitors to the city.

In the field of transport the Port of Riga is rapidly and dynamically

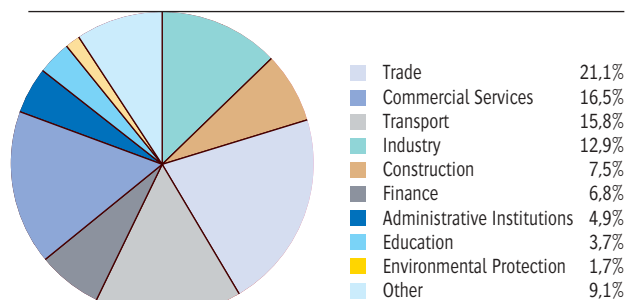
developing. In the last few years the cargo turnover increased by 20% per annum and reached 40% of the total turnover in Latvian ports. If this trend continues, Riga could become the largest port in Latvia in the next few years. Since 2001 the passenger turnover in the Port of Riga has also increased. A particularly rapid growth was observed in 2003, with passenger turnover in the Port of Riga reaching 278 000 passengers.

The turnover of passengers and freight through the Riga International Airport is also increasing, assisting Riga to develop its reputation as a multimodal transport hub.

With improved transport connections to Riga, the number of tourists visiting the city is also growing, with the number of clients served by hotels and other tourist accommodation reaching 340 000 people per year. In the last five years the number of hotels in Riga has increased by 50%.

Nevertheless, the most rapidly growing economic sector in Riga is the field of commercial services, which has reached 16.5% of the economy of the City and continues to increase. This field includes rapidly growing real estate services, as well as various consulting firms and computer services. This field creates an added value for the City of more than 400 million LVL per annum.

Added value of economic sectors in Riga 2003 (percent)*



* estimation

Rapid economic development in Riga, for which there will be new opportunities following Latvia's accession to the European Union, creates the basis for the further increase of the material welfare of the inhabitants of Riga, and improvements to their built and social environments.

Riga City: Review and Development

Education and Sport

Education was the most heavily financed field in Riga in 2003 being apportioned 83.5 million LVL. The amount of expenditure on education from the Riga budget per head of inhabitant was 114 LVL.

The largest part of resources allocated to education - 47.5 million LVL (57% of the total finance for education) was used to fund general education – primary, lower secondary and secondary schools.

Statistics for general educational institutions in Riga 2003

Number of teachers		
Number of pupils		
Pre-schools 146, of these 135 general and 11 specialized	21 040	2778
General education schools 147, of these 13 primary, 25 lower secondary, 109 secondary schools	93 696	8282
Special interest and sport educational institutions 17 special interest educational institutions, 15 sport educational institutions	34 198	939

Over the 2002/2003 school year, 30 universities were operational in Riga (over 4/5 of all higher educational institutions in all of Latvia), with a total number of 93 300 students (78% of Latvia's student population). The number of students studying in Riga has doubled over the last seven years.

In 2003, 7.6 million LVL from investments were used in the field of education.

Taking into account the wear and tear of the buildings of educational institutions, Riga's schools have been systematically renovated over the last few years. In 2003 the Polish Secondary School underwent major renovations at a cost of 1.6 million LVL, as did the Teika Secondary School and the Agenskalns Pre-school –each for the cost of 400 000 LVL.



Students at the renovated Polish Secondary School

In 2003 the amount of funding for pre-school educational institutions was also increased, which comprised 16.4 million LVL (13.5 million LVL in 2002). In December 2003 a new kindergarten, "Priedite", was opened. After reorganization, another pre-school educational institution, "Mara", began operation in the Latgale suburb. In 2003 under the program "Provision of Facilities for Pre-school Educational Institutions", 10 new playgrounds were installed and 13 premises were renovated, creating 260 extra places for children.

In 2003 the first skate park in Riga was opened near the Children's and Youth Center "Kurzeme". Children attending the center were involved in the construction of the park. Another skate park was opened in Grizinkalns with the support of the Riga City Council. In 2004 it is envisaged to build a skate park in each of Riga's regions.



In 2003 the first skate park in Riga was opened

One of the most important issues for general education in 2003 was the preparation for the transition to studies being conducted mostly in the Latvian language in the 10th grade of minority schools. As part of a focused reform, an action plan was developed for the transition of schools to studies in Latvian. A number of seminars for school principals were organized and teachers were provided with methodological training.

In 2003 a Riga City Council yearbook was published for the first time ever, listing achievements, problems and future challenges in the field of education.

Support was provided for the Sampeteris elementary school for its initiative in organizing the Fourth Riga City Gathering of Minority Schools. The aim of this meeting was to encourage the learning of the Latvian language and the integration of students and teachers in the contemporary multicultural society of Latvia and Europe.

The traditions of awarding the "Golden Scholarship" and "Golden Pen" were continued, with scholarships awarded to the 18 best students, and cash prizes to their teachers. The best special interest students, collectives and teachers were also nominated for awards.



"Golden Pen" awarding ceremony in Riga City Council

In 2003 the Riga City Council organized an international conference "Children's Free Time and its Organization", an international calisthenics competition "Baltijas Aplis" (Baltic Ring), a sailing regatta, Riga's cycling marathon, the Pardaugava sport competition and a street relay race.

Riga City: Review and Development

Social Assistance and Services

In 2003, 14.4 million LVL from the total budget of Riga City was allocated to financing social welfare initiatives.

During the last years, the amount of social sector funding per head of inhabitant in Riga has gradually increased. In the period from 1999 to 2003 this figure doubled, totaling 20 LVL for each resident of Riga. These resources have been mainly utilized to provide material aid for low-income inhabitants (48%), children's and aged care institutions (14% and 13% respectively), and to support the function of social assistance services (12%).

Renovations were undertaken in 13 social services buildings, 8 children's and 3 aged care institutions, and 4 social living houses. Water meters were installed for low-income inhabitants.

In 2003, the day center, "Ozolaine", was established with the collaboration of Swedish specialists, in which people with minor behavioral and memory disturbances can spend the day in a valuable and constructive way.

Twelve share apartments for the mentally handicapped were established, in which the services of specialized social workers are available.

The Center District Social Service Mobile Team began operation, with the purpose of helping street children who wander late at night alone outside the home.

The Family Support Center "Pirmais stāvs" (First Floor) began operation in the Vidzeme administrative district, where social workers form and lead support groups for parents, children and teenagers. A day care center for children, "Skudrupūznis" (Anthill) was opened in the Kurzeme administrative district.

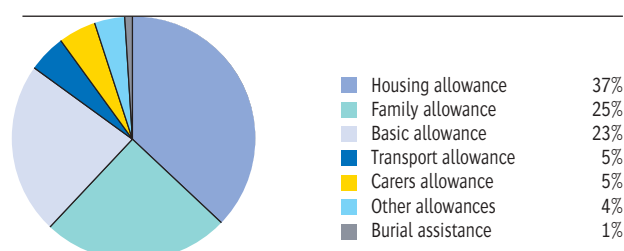
In collaboration with the Riga Samaritan Association Home Emergency Call Service the "trauksmes poga" (emergency button) service was introduced, which provides clients with additional security when finding themselves at home without carers.

Three social services began use of the social assistance administration system "SOPA", which contains information about the individual requiring assistance, their immediate family, assets and income.

In late 2003 accessibility to the services of night shelters was notably improved, with the provision of 128 extra beds in the Riga Shelter.

In 2003, 6.65 million LVL was spent on social welfare payments in Riga, which is a 0.06 million LVL increase from 2002. In turn, the number of recipients of social welfare payments decreased from 89 500 recipients in 2002 to 85 573 in 2003. The trend of a yearly decrease in the number of recipients of local Municipality material aid is a positive one, as it indicates a more professional level of social work, an increase in the living standards of inhabitants, and a larger understanding in the community about the role of local municipalities within the state social security system.

Structure of expenditure of social assistance benefits (percent)



Underprivileged and low-income families (individuals) received regular payments of the Basic and Housing Allowances, while the Family allowance and other municipal allowances were mostly one-off payments.

Total social benefits per recipient per annum (LVL)

Basic allowance	53,82
Housing allowance	52,34
Carers allowance	121,29
Burial assistance	84,39
Family allowance	28,88
Transport allowance	33,00
Other benefits	31,76



In the period from 1999 to 2003 funding in the social sector doubled, totaling 20 LVL for each resident of Riga

Riga City: Review and Development

Housing and Municipal Services, Environmental Protection

In 2003, 29 million LVL was invested in the fields of housing and municipal services and environmental protection.

In 2003, part of the basic budget resources of Riga City dedicated to this field were utilized to implement the Riga City Housing Program. The Riga City Council utilized 710 000 LVL of the municipal housing fund on renovation work: the renovation of dwelling houses and apartments, repairs to roofs and elevators and the modernization of boiler rooms. In order to provide the disadvantaged residents of the City with housing, the Municipality undertook the renovation of vacant apartments to a total of 170 000 LVL in 2003.

A large part of the basic budget funds of Riga City allocated to this area were used in the maintenance and repair of bridges, streets, roads, pedestrian tunnels and lighting systems.

In 2003, 3.7 million LVL from the Riga City special budget Road Fund were used to finance the municipal services management program, and 3.5 million LVL was allocated to renewing road surfaces.

Repair work was carried out in over 100 streets, with 408 000 square meters of carriageway and 71 000 square meters of footpath resurfaced. 44 000 square meters of lawn were renewed. 2200 manholes and storm

water drains were replaced, and 66 000 tones of asphalt were laid.

The largest road works in 2003 were undertaken with the reconstruction of Mazā Nometņu Street. Important repairs were also made in Gogola, S. Eizensteina, Liliņas, Daugavgrīvas, Krustpils, Strīnu and Gaujas Streets.

A total of 10.5 million LVL was used to finance investment projects in 2003. This figure included investment in the field of housing and municipal services, which totaled 4.7 million LVL: 3.8 million LVL on traffic infrastructure and 1.5 million LVL on environmental protection.

Among the most significant investment projects in the field of housing and municipal services were the purchase of four dwelling houses containing 203 apartments, the development of plans for a tenement house containing 95 apartments, the installation of individual heating systems and heating networks in 40 buildings, a complete overhaul of city street lighting and repairs to traffic lights at four crossroads. The road resurfacing program of 2003 was completed, with the construction, reconstruction and resurfacing of street surfaces in over 8 sites.

The most important investments in environmental protection were the major renovation of the water bird enclosure at the Riga National Zoological Gardens, the municipal solid waste project at Getlini and reconstruction work in Dzegužkalns Park.



Repair work was carried out in over 100 of Riga's streets, with 408 000 square meters of carriageway and 71 000 square meters of footpath resurfaced

Riga City: Review and Development

Culture

In 2003 the Riga Municipality spent 14.1 million LVL on funding and investing in the field of cultural and sporting activities. Compared to 2002, the total volume of funding spent in this area increased by 36%.

In 2003 the resources allocated to culture and sport were used to provide for the libraries of Riga (1.6 million LVL), the activities of cultural centers and recreation centers (1.0 million LVL), and the financing of cultural activities (0.8 million LVL).

Additional support was provided for cultural activities particularly significant to the City: 0.6 million LVL was dedicated to the program

accompanying the Eurovision Song Contest, which gained approval at an international level, and 0.3 million LVL was dedicated to the International Sailing Regatta. The Regatta was not only a celebration within Riga and Latvia, but throughout the whole Baltic Sea region. Over 1.2 million spectators inspected first-hand the hundred yachts moored on the banks of the Daugava. Traditional sporting competitions and a diverse cultural program were organized to coincide with the Regatta.

3.4 million LVL was invested in the reconstruction of the Latvian National Theatre. 2.4 million LVL was invested in sporting halls: 1.2 million LVL in the major renovations of the Daugava Sports Hall and the Sporting Complex "Arkadija".



Eurovision was one of the cultural activities supported by the Riga City Council

Riga City: Review and Development

Transport and Communications

In 2003 the Riga Municipality dedicated 20.1 million LVL in the provision of public transport services, which is a 31% increase from 2002.

Funding for the provision of public transport services is allocated to transport companies established by the Riga Municipality: "Riga Streetbus and Trolleybus Office" Ltd. and "Riga Traffic" Ltd. (which was founded after the merger of the private enterprises "Talava" and "Imanta Bus Park").

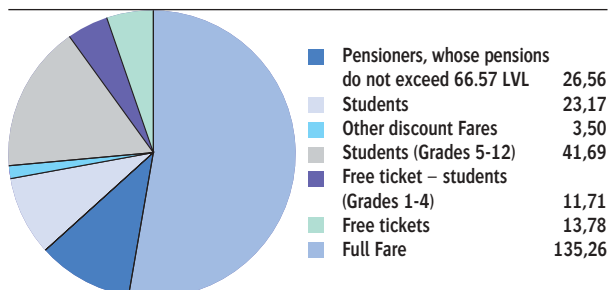
The City's public transport system (buses, trams and trolleybuses) transported a total of 255.7 million passengers in 2003, which amounts to over 700 000 passengers (or 95% of Riga's inhabitants) daily.

Number of Public Transport Routes

Buses	58	Trams	10
Trolleybuses	21	Maxi-taxis	40

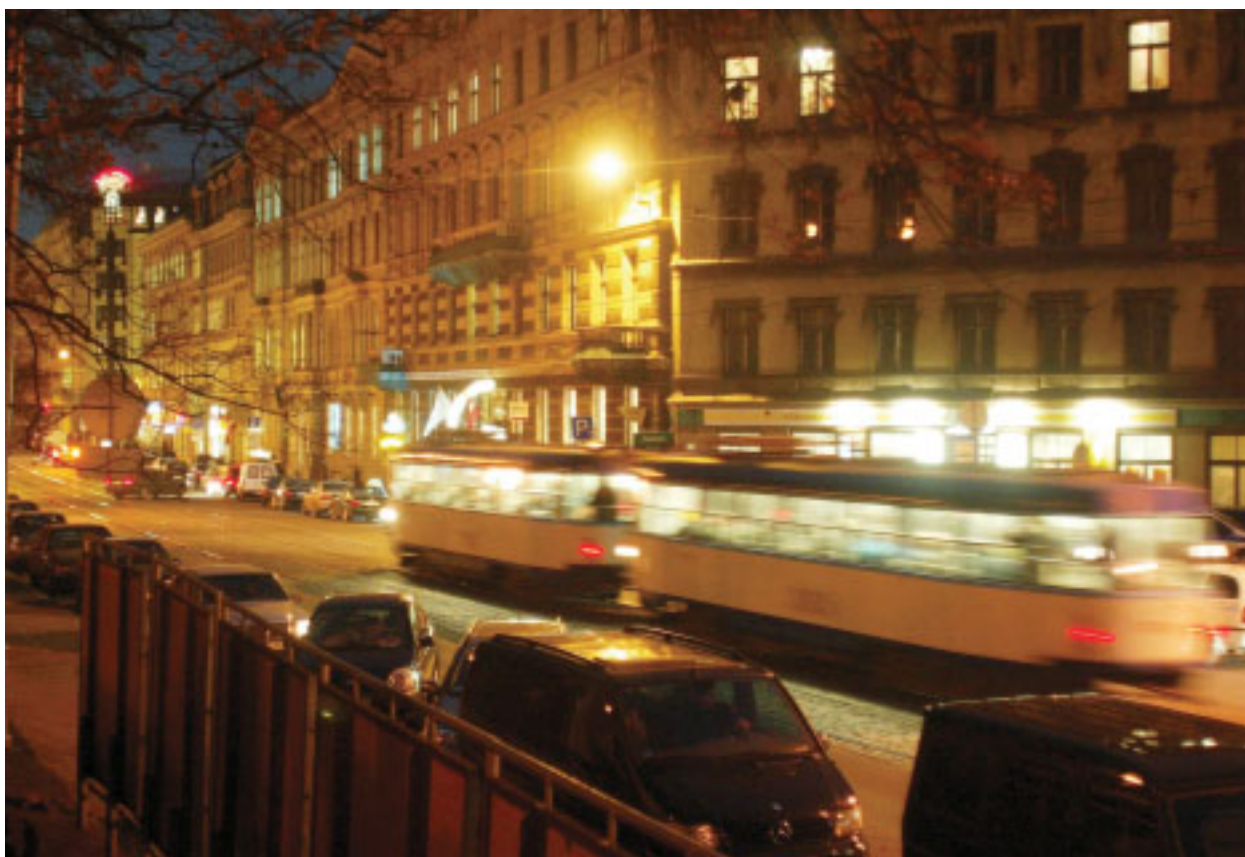
Only 53% of these passengers were charged the full fare, the remainder (approximately 330 000 passengers) were subsidized by the Riga City budget.

Passenger transportation via Riga Public Transport (million, 2003)



There were various initiatives directed at the improvement of traffic safety in the field of traffic organization in 2003. 300 new traffic signs were erected and 550 were replaced, 1200 meters of pedestrian barriers were renewed, 55.7 square kilometers of road markings were painted and maintained and 6 new speed bumps were installed.

In 2003, 4.3 million LVL was invested in the field of public transport. The largest investments were made through the purchase of 39 new minibuses and a tow-truck, and the construction of entry and exit points.



In 2003 the City's public transport network transported 255.7 million passengers, of which 47% were subsidized from the Riga City budget

Riga City: Review and Development

Health Care

In 2003 the Riga Municipality allocated a significant amount of budget resources to improve the health care system and develop its infrastructure - 1.3 million LVL. These resources were utilized in the renovation and reconstruction of Riga's hospitals and emergency medical assistance stations, for the purchase of medical equipment and the health insurance of employees in the field of medicine in Riga.

450 Rigans received short-term social care in Riga's hospitals in 2003 (200 in 2002), costing a total of 65 660 LVL, subsidized by the Riga Municipality from funds allocated for social security. This care was received by patients with chronic illness, who for various social reasons could not be guaranteed treatment in their own homes. The necessity for concurrent health and social services such as this is constantly growing, and as a result the Municipality has designated 192 780 LVL for this aim in 2004.



In 2003 a major renovation of Riga's Emergency Medical Assistance Station was funded from the Riga Municipality budget

Order and Security

3.7 million LVL was spent on providing social order and security in 2003. With an increase in the numbers of international and local events being organized in the City, there is a growing need to secure appropriate social order during these events. In 2003 the Riga Order Maintenance Fund was established to this aim.

The Riga City Council Security and Order committee was actively involved

in organizing the event "Children's Safety - Our Future" in 2003 as well as fighting the spread of drug abuse in Riga in partnership with the Drug Abuse Prevention Center. Particular attention was paid to the issue of banning children's games in Internet cafés at nighttime. Other significant activities of the Council include the gradual installation of video surveillance systems in the City and the use of police workers in school safety initiatives.



3.7 million LVL was spent on ensuring security and order in Riga in 2003

Riga City: Review and Development

Implementation of the City Development Plan and Community Consultation

A development plan for a city creates a normative foundation and prescribes strategic and tactical initiatives for the long-term development of a city. This foundation document is the Riga Development Plan 1995-2005.

Over the last ten years Latvia has undergone the transition to a market economy, and there have been significant changes to city life. A new plan for Riga City is currently being prepared, which conforms to contemporary realities, takes into account prognoses for future economic growth and offers short-term and long-term suggestions for the development of an optimum model for urban development. The plan will address issues related to creating and maintaining an environment of competitive enterprise and investment, the preservation of environmental and cultural heritage values, the revitalization of old industrial areas, transport infrastructure and its suitability for the growing number of cars, the effectiveness of public transport, housing and social security and other issues.

One of the main aims of the new Riga Development Plan 2006 - 2018 is to create an effective operation tool for the Municipality. Before the development of the plan, obligatory components of the development plan must be established (in accordance with the legislation of the Republic of Latvia) —the development program, territorial planning and building regulations. Therefore a long-term development strategy for Riga until 2025 is incorporated in the framework of the Riga Development Plan. The aim of this is to create the preconditions for the balanced, enduring and harmonious development of Riga City. The long-term development strategy is a component of the Riga Development Plan and used as a basis for other documents and actions.

The following components will be included in the Riga Development Plan:

- 1) A long-term development strategy until 2025 with a city development vision, which defines the interests of the city, the development priorities and aims and includes a model for monitoring implementation of the strategy. The strategy is being developed in collaboration with the World Bank "City Alliance" program. In 2003 the first version of the Riga long-term development strategy was prepared, which was sent to community, state and municipal organizations for evaluation and feedback.
- 2) A territorial plan and building regulations for 2006 - 2018, which define the approved uses for land (real estate), the allowable density and height of permitted construction, environmental protection and car parking requirements etc., and which also notes the outline of Riga's spatial development.

- 3) The City development program 2005-2011 outlines the social and economic spheres of each particular territory, the trends in environmental development and the required funding for reaching the projected development goals over a 7 year period. In order to develop this program, the work tasks were prepared and research was begun in 2003, under the framework of the Riga Development Plan. A survey of the general problems of economic development and a future projection for Riga was undertaken. A territorial analysis of the economy of Riga City was begun, as well as an analysis of the development of the real estate market and its influence on the territorial development of Riga.

It is planned to complete all three sections of the City's Development Plan by March 2005. In 2003 two detail plans were approved and 27 more were begun.

Work continued on the Preservation and Development Plan for the Riga historic center. The City Development Department of the Riga Council regularly informs the community about the progress of the plan and about planned events.

The aims of the plan are to foster the cultural and archaeological heritage, natural values and preservation of the traditional environment in Riga's historic center, while developing this area as an active and contemporary venue for business transactions, tourism, trade, state administration and relaxation.

In order to actively involve the community in the creation of the Riga Development Plan 2006-2018, a community consultation campaign, "I'm Making Riga" was planned in 2003.

Various seminars and plein air discussions were organized in 2003, to consider suggestions from professionals, businesspersons, scientists and students regarding the development of Riga's future. The most significant were:

- 1) International architect's plein air discussion, "Development Concepts for Kipsala" (12 - 16 June 2003)
- 2) Seminar "The Basic Principles Underlying Visions of Riga's Historic Center" (14 March 2003)
- 3) Seminar "The Role of the Historic Center of Riga in the Overall Development of the City" (03 - 5 September 2003)
- 4) Seminar "Post-War Architectural Heritage: impressions of the detail plan of the Riga Town Square area" (20 November 2003).
- 5) International architect's plein air discussion "Proposals for the Conceptual Development of the Banks of the Daugava "
- 6) International young architects competition "European 7", in which Riga participated for the first time with two sites: The Old Town and Kipsala.

Riga City: Review and Development

Initiatives Promoting the Awareness of the Community and their Involvement in Public Debate

The Riga City Council is turning more and more attention to the creation of direct links between the Council and the community. It is important to survey the opinions of local residents in this linking process. The Council organizes surveys of community opinion or public debates related to the most important questions of the life of the City, and utilizes these results in further work. Community opinions influence Council decisions as well as the creation and future directions of projects in development.

Taking into account the growing demands for access to information, the Riga Municipality has a new home page on the Internet www.riga.lv, which is a logical progression from the former web page (www.rcc.lv). The new portal is constantly being improved and updated, making it ever more informative and useful. The portal contains practically all of the most important information about the City and Municipality: laws and regulations; agendas of the meetings of the Riga Council, its Presidium and committees and documents for review; the resolutions passed by the Council and its draft resolutions, information about events held in the City and surrounding Municipality. The web page offers information about the structure of the Municipality, its organizations and the competence of its officials. Visitors to the web page can find information about the consultation hours of officials and deputies of the Council. The page also contains complete information about the City's budget and its implementation, municipal investment projects and purchases. Visitors are given the opportunity to comment on projects that have been submitted for public debate.

The customer reception center, the "One-Stop Agency" has been established to provide an effective method of providing information for locals. The number of customers to the center is growing constantly, currently totaling 15 - 16 000 customers per month. These visitor service centers operate not just in the Council's central building, but also in the offices of the district Executive Boards, offering people the opportunity to receive information either personally or via the telephone. The "One-Stop Agency" also offers free legal consultations. Residents also have access to the Riga City Council free information service (8000800), the free phone line of the Council's Welfare Department (8005055) and the free 24-hour confidence phone of the Riga City Chairman (8003008).

To make information more accessible to inhabitants, the Riga City Council collaborates with the mass media. The following programs are regularly produced and broadcast: "Rigas Zinas" (LNT), "Galva. Pils. Seta" (Latvian

TV), "Riga Online" (TV5). Interviews with officials and explanations about relevant issues are aired by Radio SWH, Latvian Radio 1 and 2, Radio Star FM and Mix FM. The Riga Municipality ensures the publication of information related to the law and other important information in the newspapers "Rigas Balss", "Neatkarīga Rīga Avīze" etc.

The Riga City Council publishes and distributes its own informative publication "Rigas Vestis" which is available free of charge to any interested party. The number of distribution points of the publication "Rigas Vestis" is increasing.

A number of conceptual documents have been developed, which together constitute a basis for the further implementation of the Riga City Council e-City project and the targeted improvement of the services of the Riga Municipality. These include an audit of all of the Riga Municipality Services, the development of the architecture of the Riga City Council Information System, a conceptual proposal for a unified user identification and authentication, a proposal for a unified financial accounting and management system, and the development of the Riga City Council e-City strategy.

Other projects that have produced practical results have also been implemented alongside conceptual documents. Five modernized municipal services have been introduced (the improvement of the payment procedure of child birth allowance; viewing of the account balance of the real estate tax account through the "Hansabank" Internet bank; the ability to send real estate tax declarations electronically, an expenses calculator for building permit receipts; the possibility to lodge an electronic application for statements regarding permissible forms of use of areas of land in accordance with the City's Development Plan).

The range of information services has also significantly expanded – the Riga Municipality portal publishes laws and regulations that regulate the work of the Riga Municipality and its structural units, and prescribe the provision of local council services. All of the Riga City Council resolutions that do not contain data about private individuals have been published. In 2003 two versions of the portal have been completed - the pilot version and the first completed version.

Work has begun to improve the infrastructure necessary for the operation of the Riga City Council within the framework of the e-City project. The first version of the Riga City Council data center has been developed, and actions to ensure the security of the information system have also been undertaken.

Riga City: Review and Development

Participation in International Collaborative Projects

The Riga Municipality continued to develop its collaboration with international organizations and Riga's twin cities in the field of public relations in 2003, implementing multifaceted exchange programs in the fields of culture, sport and various fields of urban management. The Riga City Council supported participation in international projects, promoted the development of new project ideas and the establishment of international contacts.

Ties were strengthened with the local governments of capital cities of European Union candidate countries. The Riga Municipality maintains links with international organizations, including the Council of Europe's Congress of Local and Regional Authorities of Europe, the Union of the Baltic Cities, the organization European Cities Against Drugs, the Baltic Cultural Center, the Association of Hanseatic Cities and the International Council for Local Environmental Initiatives.

Similarly to 2002, the event "Riga's Forum" was also held in Riga in 2003, which involved participation of officials from Riga's twin cities. The framework of this forum also included: The "Mayor's Round Table Discussions", the international conference "Central and Eastern European Water Forum", a youth conference and essay competition "Ecocity" as well as a virtual exhibition.



The international conference during "Riga's Forum"

In response to the accession of the Republic of Latvia to the European Union, the Riga Council City Development Department established an International Project Unit in late 2003, which distributes information to Riga City Council structural units about European Union programs and funds and also coordinates the development and implementation of European Union state and other foreign investment projects.

Work continues on the model for Riga City Council project development, which determines the procedures through which projects are prepared in the Riga City Council, the division of responsibility amongst structural units, the procedure for securing co-financing and the circulation of documents. A new section was added to the portal of the Riga Region Development Agency www.rigaregion.lv, "EU Programs and Funds", providing the opportunity to search for new project funding competitions

and various European Commission programs. Discussions with Latvia's intermediary bodies occurred regarding the linking of information systems, so that relevant news and calls for projects would be automatically redirected to the relevant project coordinators in terms of their sphere of operation and current projects.

It is important for the Riga City Council, as the largest municipality in Latvia, to collaborate with other regional municipalities, as well as successfully collaborate with other cities in the Baltic Sea region and in Europe. Good contacts have been established with EU project coordinators in Tallinn, Vilnius, Stockholm, Helsinki, Pori, Liverpool and Copenhagen. The International Project Unit collaborates with cities of the network of Baltic metropolises. These collaborations make it easier to attract the necessary project partners for securing of co-financing, and to agree on the priorities of each city in a timely fashion.

The International Project Unit of the Riga City Council actively collaborates with first and second level intermediary bodies responsible for the administration of EU structural funds. An effective collaborative partnership has been established with the Central Finance and Contract Agency, responsible for PHARE programs and the administration of the European Regional Development Fund.

Successful collaborative partnerships have been established with the largest universities in Riga – the University of Latvia, The Riga Stradins University, the Banking Institution of Higher Education, Latvian Academy of Art and the Riga Technical University. A dialogue has been initiated regarding partnerships with the Business University "Turība" and the Latvian Police Academy. These collaborations have resulted in the identification of individual projects that, following the securing of EU funding, the Riga City Council will be able to implement in collaboration with the universities. It is envisaged that university representatives will be involved in the evaluation of Municipality projects.

Participation in EU Programs and Projects

In the recent years, the Riga City Council has been actively involved in various EU projects both as a leading partner, and a project partner. Currently a number of projects are being implemented:

- 1) Instruments of regional development and spatial planning and the exchange of experience in an expanded EU.

The aim of the project is to share experience in issues of regional development and spatial planning. The project will be oriented towards assistance in regional planning questions in the Baltic States.

- 2) The establishment of a system for the facilitation of EU project development II.

The project envisages collaboration between the Riga City Council, the Riga Region Development Agency and the Riga regional municipalities. The main target audience is the staff of Riga regional municipalities and the Riga Region Development Agency.

The project will assist with the implementation of the priorities of the Riga Regional Development Strategy, adopted in 2000:

- To increase the international role and influence of the Riga region in Europe and the Baltic Sea region, through the creation of an international collaborative network, the exchange of experience, attraction of investment and other financial resources to the region;
- To stimulate effective and coordinated collaboration between the municipalities of the region.

Riga City: Review and Development

- 3) Virtual Partnership - a business support system for linking small and medium sized enterprises.

The purpose of this project is to explore the idea of a virtual support mechanism for enterprise – the Virtual Partnership. The main aim is to explore the possibility of combining partner search databases from various Chambers of Commerce into one unified partner searching program with an IT basis.

- 4) Hansa Passage.

This project under the regional framework program will encourage the exchange of information and experience between Hanseatic cities, as well as the development and implementation of unified strategies. The Riga City Council not only represents the Riga region in the Steering Committee and Supervisory Council, but has also gained the right to be the leader of the "Social and Economic Planning Subprogram". Under this program every Euro invested by Riga attracts 3 Euros of EU funding.

- 5) The development of a coordinated mechanism for development of project ideas in the Baltic Sea region.

The project aim is to ensure that all municipalities involved in the project – Riga, Vilnius, Pori and Denmark's Randers Councils, as well as the City of Stockholm Competence Development Fund – operates within a coordinated project development system and uses a unified database, in this way stimulating collaboration, development and the exchange of experience in the Baltic Sea region.

- 6) The Baltic metropolis joint project to develop and apply a coordinated investment management approach in the Baltic Sea region (BaltMet Invest).

The aim of the project is to develop an investment strategy for the cities of Riga, Vilnius and Tallinn, based on the competitive advantages of each metropolis. A coordinated approach to securing investment will strengthen the growth of the Baltic metropolises, which in turn will encourage the overall economic growth in the entire Baltic Sea region.

Initiatives to Improve Management of Municipal Organizations and Enterprises

The following initiatives were undertaken by the Riga Municipality in 2003 to improve the management of the Municipal organizations:

- 1) A Riga Tourism Center was opened in Warsaw.
- 2) A Riga City and Region Office was established in Brussels.
- 3) A number of municipal enterprises were reorganized according to the requirements of the commerce law.
- 4) Branches of the customer's reception center "One-Stop Agency" began operating in the Riga City district Executive Boards.
- 5) An International Project Unit was established under the City Development Department of the Riga Council, which undertakes work with EU programs and funds, coordinates the development and implementation of EU state and other foreign investment projects in Riga.
- 6) The Riga City Council Finance Department was restructured.
- 7) The General Service Section of the Riga Council was restructured and renamed the General Service Directorate.
- 8) The Riga Order Maintenance Fund was established.
- 9) The project e-City continued.
- 10) The Legal Office was restructured and renamed the Riga City Council Legal Directorate. Residents of Riga were offered the opportunity to receive free legal advice.
- 11) The document circulation control system was improved.

60% of all foreign investment in Latvia have been focused in Riga. This corresponds to the proportion of Riga's economic potencial within economy of Latvia.

s pašvaldības 2003. gada publiskais pārskats sagatavots ar
ki sniegt vispusīgu informāciju par Rīgas pašvaldības paveikto
ētas ekonomiskās un sociālās attīstības nodrošināšanā.
kats sniedz informāciju par Rīgas pašvaldības finanšu politiku
lsētas budžetu, svarīgākajām aktivitātēm pašvaldības funkciju
dē.

dokumentā Jūs atradīsiet informāciju par Rīgas pašreizējo
omisko situāciju, pilsētas saimniecisko potenciālu, dažādu
tas ekonomikas nozaru attīstību. Pārskatā aplūkotas izmaiņas
s iedzīvotāju nodarbinātības struktūrā un tendences labklājības

8. gadā Rīgas pašvaldība uzsāka īstenot ilgtermiņa finanšu
litātes politiku, ievērojami samazinot pilsētas budžeta deficītu
zlabojot piesaistīto kredītresursu nosacījumus. Šīs politikas
kīs ir jau tuvākajos gados sasniegt bezdeficīta budžetu un
peniski samazināt pilsētas parāda apjomu, vienlaikus nodrošinot
eciešamos investīciju resursus pašvaldības ekonomisko un
lo programmu īstenošanai.

jo četru gadu laikā pašvaldība ir īstenojusi aktīvu investīciju
iku, pilsētas attīstībā ieguldot vairāk nekā 120 miljonus latu,
pojot pilsētas infrastruktūras kvalitāti un nodrošinot labvēlīgus
akļus biznesa attīstībai. Šie ieguldījumi ir veicinājuši pašmāju
valstu investoru piesaisti pilsētai – Rīgā ir ieguldīti vairāk nekā
no visām ārvalstu investīcijām Latvijā, šeit atrodas ap 85% no
mumiem ar ārvalstu kapitālu Latvijā.

ieguldījumu politikas rezultātā ir radīts labs pamats tālākai
stīciju piesaistei no dažādiem avotiem – valsts, pašmāju un
stu privātā sektora, izmantojot tās iespējas, ko paver mūsu
s iestāšanās Eiropas Savienībā.

s ekonomisko attīstību šobrīd raksturo dinamiski izaugsmes
pi, pakalpojumu sektora, it īpaši būvniecības, tirdzniecības un
nerc pakalpojumu jomas straujā attīstība. Rezultātā ir
linājusies darbaspējīgo Rīgas iedzīvotāju iespēja ieņemt jaunas,
k apmaksātas darba vietas un uzlabot savu materiālo situāciju.



The Economic Development of the City of Riga

Since the second half of the 90-ties, Latvia's national economy resumed its growth. Riga has an increasingly important role within country's economic and social processes, given the tendency that the economic potential of Riga has been increasing at a greater pace than that of the rest of Latvia.

Branch industry structure

Over the last several years significant changes in Riga branch industry structure have taken place. The share of manufacturing within the value added to the City has dropped from 22.7% in 1996 to 12.7% in 2001.

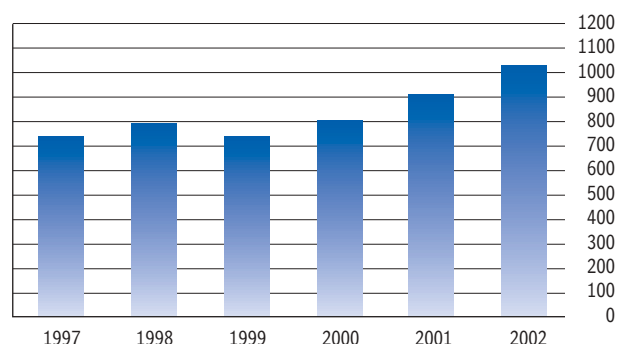
The highest growth in Riga during the last years has been observed in the commercial services sector: its proportion within the branch industry structure has increased from 5.3% in 1996 to 17.4% in 2001, becoming the second largest sector within Riga economy.

Manufacturing

After 2000, a significant growth has been observed in the manufacturing industry of Riga. The manufacturing output has been increasing by 13-14% per annum.

The proportion of Riga manufacturing output to the total output in Latvia has a tendency to increase: from 47% in 1997 to 50% in 2002.

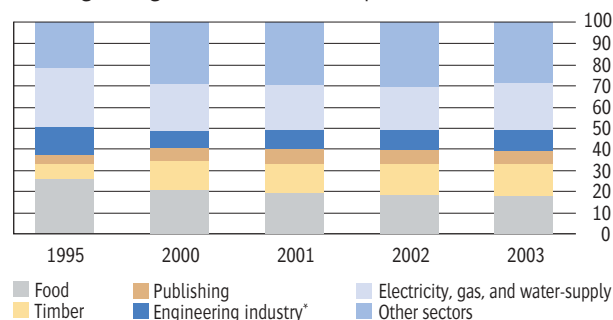
The manufacturing output in Riga (at year 1997 prices, million lats)



The highest share within the manufacturing sector has been occupied by the following industries in the rank of significance: electricity, gas and water-supply industry, food industry, and timber production.

Compared to 1995, the weight of timber production in the manufacturing sector of Riga has increased considerably from 6.8% to 14.5%. The engineering industry has, in turn, significantly decreased its proportion from 1995 through 2000, followed by a slight growth over the last years, caused by higher activity within the production of electrical appliances and equipment. Apart from that, an insignificant growth of proportion (from 0.8% to 1.3%) in 2003 has been observed also within the production of radio, television, and communications equipment.

The largest Riga industrial sectors (percent)



* Engineering industry: machinery and equipment, electrical machinery and equipment, radio, television, and communications equipment, motor vehicles, other vehicles.

Trade

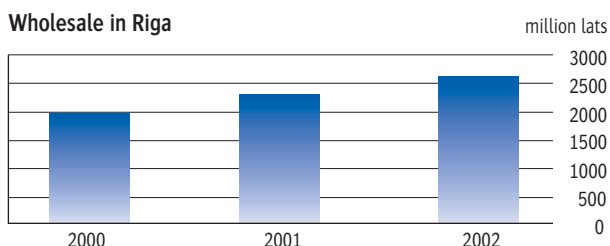
Trade is one of the largest economic sectors of Riga, contributing around one fifth of City's aggregate product and giving employment to 21% of Riga working population.

The highest share within the value added of Riga trade sector constitutes the wholesale sub-sector (53%), whereas the retail sub-sector forms 37% and motor vehicles and fuel sales sub-sector gives 10%.

Riga has become a considerable wholesale center, serving not only cities, but also retail and business activities of other regions in Latvia.

Lately, the wholesale turnover in Riga has been growing at a remarkable pace. Also Riga's share within the total country's wholesale turnover has been increasing, already reaching 4/5.

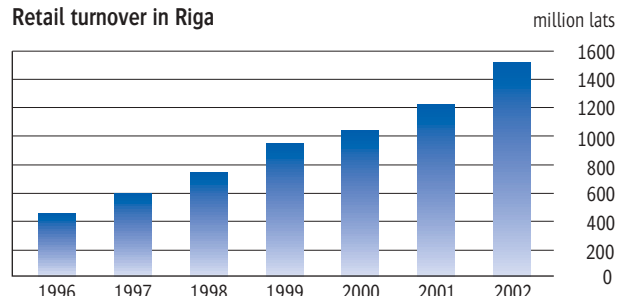
Wholesale in Riga



Retail turnover in Riga constitutes 64% of country's total retail turnover, two times exceeding the proportion of Riga population in country's total population structure. This means that as a result of rapid development within the trade infrastructure, Riga has strengthened its position of retail services center. Since 1995 the amount of shops has almost doubled in Riga: from 3623 to 7065, and the trade area has grown by 55% exceeding 1 million square meters.

The Economic Development of the City of Riga

Retail turnover in Riga



Transport and communications

Riga port

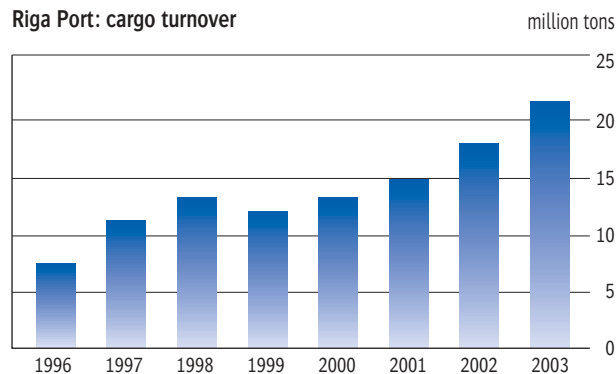
Over the last four years the cargo turnover in Riga Port has grown by 80%. As a result of dynamic development, the turnover proportion of Riga Port in the total turnover of all the ports in the country has grown from 18% in 1993 to 40% in 2003. This means that Riga Port might soon become the largest port in Latvia in terms of cargo turnover.

Similar to other ports in Latvia, Riga Port has been specialized in cargo loading. In 2003 the total cargo turnover in Riga Port reached 21.7 million tons, 19.4 million tons being loaded cargo.

The highest proportion within the loaded cargo is formed by coal, mineral fertilizers, oil products, and timber. Since the middle of 90-ties, the loaded volumes of timber, mineral fertilizers, and especially, oil products have considerably increased. In 1995 the oil products formed only 2% of all loaded cargo, but in 2003 its proportion had grown to 24%. Around one fourth of Latvia's oil product transit is exported through Riga Port.

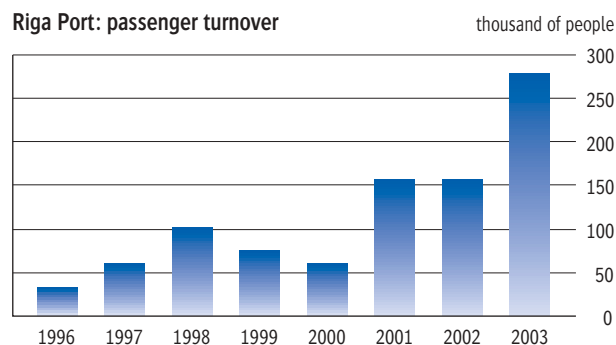
Also passenger turnover in Riga Port has been growing since 2001. The highest growth was observed in 2003, when passenger turnover reached 278 thousand people. While the passenger turnover in Riga International Airport during the previous years considerably exceeded

Riga Port: cargo turnover



that of Riga Port, and the airport was considered almost the only gate from Riga to the rest of the world, in 2003 the passenger turnover in Riga Port reached 40% of those in the airport.

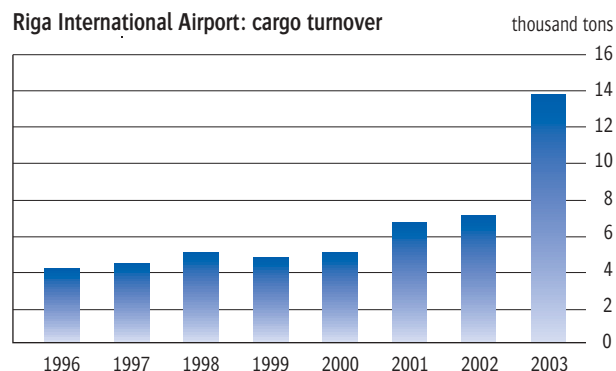
Riga Port: passenger turnover



Airport

Riga International Airport lately has been developing as a major focal point of the multimodal transportation, also increasing activities within cargo transportation area. In 2003 the cargo turnover has more than doubled in Riga International Airport, reaching 13.5 thousand tons.

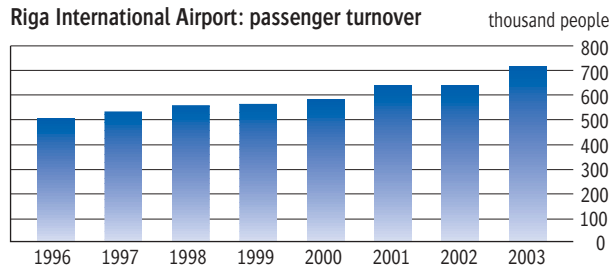
Riga International Airport: cargo turnover



Riga has been specialized in cargo loading

The Economic Development of the City of Riga

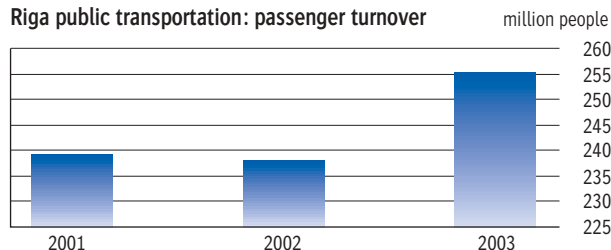
Riga International Airport: passenger turnover



Public transport

In 2003 Riga public transport (bus, tram, and trolley-bus) carried 255.7 million passengers, which is by 8% more than in 2002.

Riga public transportation: passenger turnover



Commercial services

Over the last years, one of the higher-growing economic activities in the City has been the commercial services sector, comprising also real-estate operations, as well as various business services, incl. information technologies services. More than 4/5 of this sector's value added to the country is created in Riga. Every 12th employee in Riga is occupied within the field of commercial services, whereas in the rest of Latvia it is only every 50th employee.

Tourism

A significant proportion of City's economy is formed by tourism services. The importance of tourism has increased over the last several years. The amount of hotels in Riga has grown by 50% during the last five years.

Riga is the main object of tourism in Latvia. In 2002 the number of bed-space in Riga hotels reached 5638, constituting 58% of the whole bed-space in Latvia. Riga welcomed 277 thousand foreign visitors, which was 77% of all foreign visitors to Latvia. A large part of tourists who came to Latvia, chose Riga as the only point of destination within the country. For instance, 90% of all tourists coming from Finland and the UK and 80% of German and Swedish tourists visited only Riga.

The Economic Development of the City of Riga

City of Riga Financial and Budget Policy

To ensure that City of Riga financial sector is in line with its long term development plans, simultaneously maintaining its financial stability at the required level, the execution of City's long term financial policy was commenced:

- **Balancing the budget:** gradually reducing the budget deficit and achieving the balance of revenues and expenditures by 2008, at the same time keeping the amount of maintenance costs and investments at the required level.
- **Improvement of resource management:** refinancing, attracting less expensive credit resources. As a result of refinancing activities in 2003, annual budget savings of 2.7 million lats were achieved. Also the application of financial derivatives was begun, reducing currency and interest rate risks associated with the credit resources. The resource management system has been upgraded, preparing Riga Municipality structural units for the further consolidation of finances.
- **Implementation of structural changes.** During the further execution of the financial policy, the refinement in the structure of budget revenues and expenditures as well as the improvement of conditions for the attraction of non-budget financial resources for investment project financing is planned. The improvement of the efficiency of municipal enterprises, increase in their economic and financial independence.

Budget policy

In 2003 persistent budget deficit reduction policy was executed.

Results of budget stabilization policy. Primary budget deficit

In percent of revenues	
2001–2002 (actual)	15,0 %
2003 (initially planned)	17,0 %
2003 (after budget modification)	13,5 %
2003 (actual)	5,0 %
2004 (budgeted)	4,0 %

On the ground of the long-term budget stabilization program, the budget of 2004 was prepared, based on the following underlying principles:

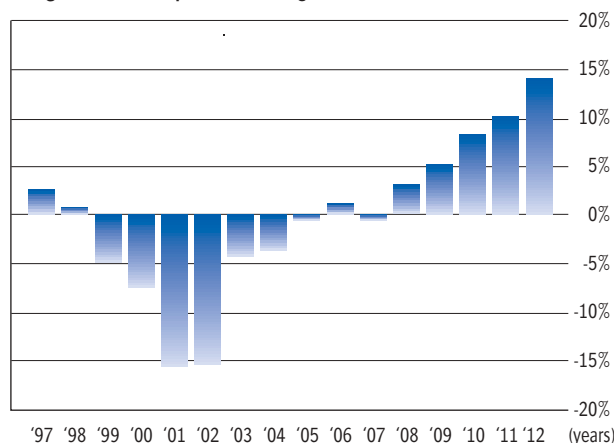
- 1) Gradual reduction of the budget deficit. The deficit in the budget of 2004 is planned in the amount of 8.2 million lats, constituting 4% of the budget revenues planned. As a result of ongoing budget stabilization policy, the revenue side of the budget will be stabilized with its expenditures by 2008.
- 2) Provision of the budget maintenance costs. During the coming budget stabilization stages, it is necessary to evaluate maintenance costs for the municipal structural units in line with their operations and the institutional capacity.

- 3) Balancing investments with the financial resources of municipalities. The amount of investments in the budget of 2004 was determined according to the long term budget stabilization program: 16.8 million lats, excluding growth at the expense of budget deficit.

Long term plans for the budget

Based on the macromodel of budget revenues and expenditures, budget long-term forecast has been prepared. As a result of economic growth, increasing tax and other budget revenues, as well as the implementation of expenditures reduction policy, it is planned to gradually reduce the budget deficit and from 2008 on, ensure even budget surplus.

Budget deficit/surplus (% of budget revenues)

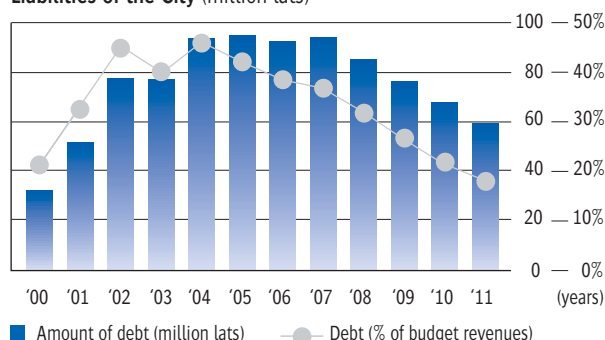


It will be possible to divert the potential budget surplus to the current year's investment resources or the reduction of liabilities.

Debt dynamics

As a result of budget reduction and lower credit servicing costs, gradual reduction in the City's debt will be achieved.

Liabilities of the City (million lats)



The Economic Development of the City of Riga

However, the “zero debt level” is not considered to be the aim of the financial policy. It is of utmost importance to ensure the optimal debt level in line with the financial position, expenditure needs, and the potential of municipal loan repayment.

Credit rating

On August 28, 2003 the credit rating agency “Standard & Pools”, which has been evaluating Riga since 1997, granted the City with the rating of BBB/Stable/A-3.

While executing the long term financial policy, the trend in budget deficit and debt reduction has been observed, allowing to expect even higher credit rating over the years to come.

The credit rating history of the City of Riga

Rating for liabilities in foreign currency			
Rating for liabilities in domestic currency			
Date of granting the credit rating			
16.04.1997.	BBB-/Positive/A-3	BBB-/Positive/A-3	
13.09.1999.	BBB/Stable/A-3	BBB/Stable/A-3	
26.10.2001.	BBB/Positive/A-3	BBB/Positive/A-3	
28.08.2003.	BBB-/Stable/A-3	BBB-/Stable/A-3	

The Economic Development of the City of Riga

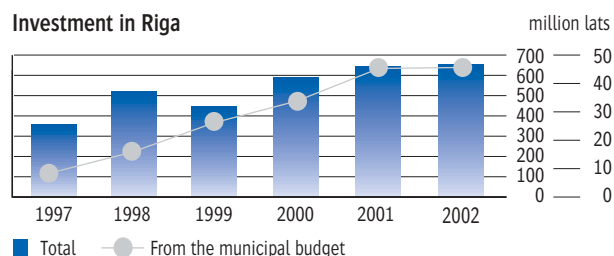
Investment profile

Given the increase of social welfare and the quality of life in the City of Riga, there are also higher needs as to the infrastructure of the city environment.

Given the increase of economic activity in Riga and the growing amount of private sector's and foreign direct investment, there is also an increasing need for investment into the economic, transportation, and social infrastructure: sectors historically financed primarily from the state and municipal resources.

Investment in the City of Riga lately constitutes 60% of the total investment in Latvia, which corresponds to the proportion of Riga's economic potential within Latvia.

Investment in Riga



As the investment attraction, using the State and Private Partnership, concession mechanism for the financing of infrastructure objects, currently is not widely used, the infrastructure (except for communications and energy) has been financed by the Municipality.

Major investment projects carried out by Riga City Council from 1997 to 2003 (million lats)

Sector	Projects carried out	1997	1998	1999	2000	2001	2002	2003	Total
	General administration body		0,04	0,93	1,70	2,40	3,37	3,45	11,88
	Information technologies program					0,86	3,04	3,33	7,23
	Office building on 4 Amatu Street				0,33	0,56			0,90
	City hall			0,50	0,70				1,20
Education		1,57	0,76	2,97	3,12	5,85	12,84	7,60	34,70
incl.	Hanza Secondary School				0,79				0,79
	Data network in schools			1,09	1,08	0,76	0,21		3,14
	Riga State Gymnasium No.1					1,01	0,91	0,01	1,93
	Windows, doors for educational institutions						2,97	1,74	4,71
	Riga Secondary School No.49					0,73	1,39		2,12
	Teika Secondary School					0,34	1,51	0,41	2,25
	Mežciems Elementary School					0,78	1,10		1,88
	Swimming pool "Ziepniekkalns"						0,91		0,91
	Āgenskalns State Gymnasium				0,59	1,58	0,53	0,02	2,72
	Lithuanian Secondary School					0,50		0,55	1,05
	Āgenskalns primary school						0,71	0,44	1,15
	Polish Secondary School						0,63	1,56	2,19
	Āgenskalns Night-Gymnasium		0,09	0,93					1,02
	Riga Secondary School No.55		0,04	0,50					0,54
	Riga Secondary School No.88							0,41	0,41
	Pļavnieki School	1,57							1,57
Environmental protection		1,43	2,10	2,27	1,53	2,79	1,27	0,12	11,52
incl.	Hospital "Gaiļezers"	0,10	0,51	1,14	0,60	1,05	0,26		3,65
	EMA* clinical hospital			1,05					1,05
	EMA* hospital on 8 Dunties Street	0,53	0,77						1,30
	EMA* hospital on 5 Brūņinieku Street	0,33	0,83						1,16
	9th children's health centre	0,47							0,47

* EMA – Emergency Medical Assistance

The Economic Development of the City of Riga

Major investment projects carried out by Riga City Council from 1997 to 2003

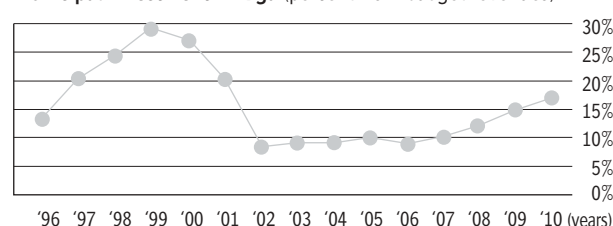
Sector	Projects carried out	1997	1998	1999	2000	2001	2002	2003	Total
Social security			1,11	0,84	1,10	1,97	1,71	0,56	7,29
incl.	Old people's homes							0,28	0,28
	Social residential buildings		0,40		0,60	1,16		0,03	2,193
	Social aid agencies							0,15	0,15
	Children care centers						1,14	0,10	1,24
	Purchase of water-meters		0,72						0,72
Housing facilities and public utilities		0,34	0,35	0,36	1,39	7,98	0,59	4,68	15,70
incl.	Rehabilitation of heat supply	0,34	0,35		1,16	7,20		0,61	9,66
	Acquisition of residential houses							3,70	3,70
Traffic infrastructure		5,32	10,60	11,35	11,04	11,60	14,28	3,80	67,99
incl.	Street lighting	0,23	0,38	0,30	0,39	0,54	0,30	0,21	2,35
	Traffic control		0,22	0,74	0,45	0,18	0,21	0,13	1,94
	Bridges, crossovers	0,59	3,27	3,99	2,98	3,00	6,69	0,19	20,71
	Street surfacing	1,17	6,72	6,32	5,34	6,48	6,43	3,09	35,54
	Crossover on Vairogu Street	2,01							2,01
Public transport		0,34	0,79	2,96	5,61	5,91	4,97	4,25	24,82
incl.	Acquisition of trams			1,04	2,40	2,60	1,25		7,29
	Acquisition of buses		0,47	1,04	1,83	0,97	0,66	3,18	8,15
	Reconstruction of the m/e "Imanta"			0,24	1,21	1,52	2,59	0,67	6,23
	Reconstruction of the m/e "Tālava"			0,10		0,79	0,28	0,31	1,48
	Execution of public transport projects		0,33						0,33
Environment			0,39	1,66	4,83	2,12	2,43	1,47	12,89
incl.	Riga canal			0,55	4,05	1,48	0,37		6,45
	Getliņi solid waste dump		0,02	0,06		0,19	1,52	1,14	2,92
Leisure and sports		0,12	0,82	3,60	4,58	5,20	4,60	6,42	25,34
incl.	House of Blackheads	0,11	0,82	1,75	1,00	0,19			3,86
	Latvian National Opera			0,66	1,60	2,02			4,28
	Conference House			1,73	1,54				3,26
	City Hall					2,51	1,74	0,31	4,56
	Daugava Sports Center						1,50	1,17	2,67
	National Theater						0,83	3,37	4,20
	Sports Center "Arkādija"							1,23	1,23
	Other							0,43	0,43
	Total	9,11	16,95	26,94	34,91	45,82	46,06	32,79	212,57

The Economic Development of the City of Riga

From now on, the provision of the necessary investment resources will be performed by evaluating City's financial capabilities in the long term precluding any increase in the debt.

After the budget stabilization is achieved, the potential surplus can be utilized in order to increase investment resources.

Municipal investment in Riga (percent from budget revenues)



Given that over the coming years the need for investment into city infrastructure will remain at a high level, considerable sources of financial capital will be additionally attracted. For instance, structural and other funds of the European Union, diverse forms of private equity attraction (state and private partnership, concession).

Riga Municipality budget investment program for 2004 (the main investment sectors)

Amount of investment (lats)	
General administration body	1 384 653
Public order and security, protection of rights	141 792
Education	3 901 705
Health care	903 707
Social security	961 903
Housing facilities and public utilities	1 363 835
Traffic infrastructure	3 164 153
Environmental protection	827 273
Mapping of the territorial development	50 00
Leisure, sports, culture and religion	2 806 346
Public transport	1 275 639
Total	16 781 006

Property profile

Property book value

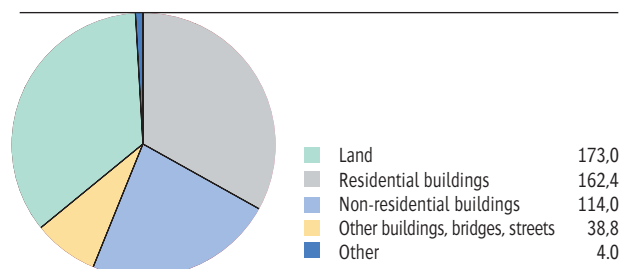
The book value of the City of Riga land, buildings, premises and perennial plantation at year 2003 end constituted 492,2 million lats, share in associated and linked enterprises formed another 112,3 million lats.

The total amount of assets, incl. other long-term investment categories amount to 675,6 million lats, growing by 13% per annum.

The major part of property (land, buildings, premises, and perennial

plantation) book value is formed by the value of land and residential houses, as well as non-residential buildings.

Riga property book value as at December 31, 2003 (million lats)



Objects of transport infrastructure

There are 1510 streets with the total length of 1068 kilometers and crossovers with the total length of 9.1 kilometers in the possession of Riga City Council Traffic Department. In 2003 expenses incurred from investment into streets, bridges, as well as sewerage and lighting systems worth a total of 38.5 million lats were capitalized. There are 56.7 thousand hectares of suburban forests worth 7.2 million lats in the possession of Riga Forest Agency.

Riga city canal and its greenery worth 4.3 million lats (reconstruction value for the canal) is in the possession of Riga City Council Environmental Department.

Land

17 801 hectares of land in the City of Riga is owned by different individual and legal persons. According to the data of State Land Agency, Riga Municipality owns 8196 hectares of land. The major part of this land is formed by forest land (3.2 thousand hectares) and land under the objects of public importance (2.5 thousand hectares), constituting 70% of the land in the municipal ownership. Riga municipality also owns 12% of the building plot for single-family and double-family residential houses, as well as 26% of commercial building land.

Riga Municipality land, by type of utilization (hectares)

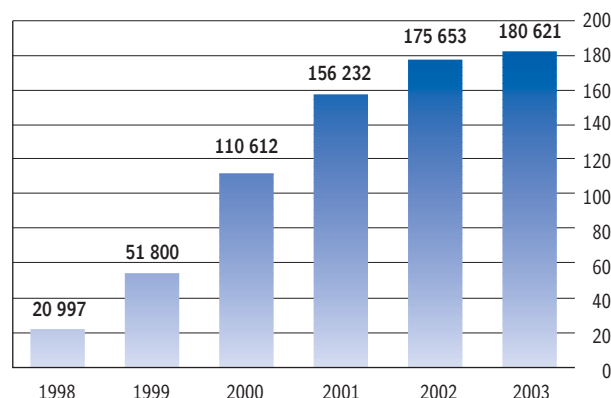
Forestry	3205,5
Objects of public importance	2539,0
Industrial objects	553,3
Apartment houses	675,7
Single-family and double-family houses	341,6
Commercial buildings	341,2
Agriculture	328,5
Traffic infrastructure	89,3
Water-supply	58,4
Port infrastructure	46,4
Engineering networks	16,7

The Economic Development of the City of Riga

Residential houses

During the last years, rapid privatization process of residential houses and apartments has taken place in the City of Riga.

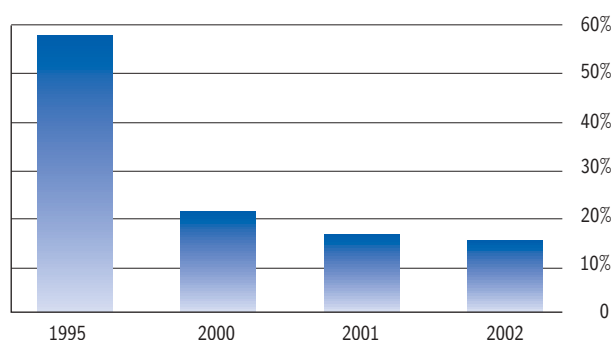
Number of privatized apartments in Riga (beginning of the year) thous



As the result of this, the share of municipal housing fund within the total housing fund of the City has declined.

According the information, as at January 1, 2004 Riga Municipality owned 5572 residential houses. All the buildings undergoing "accelerated" privatization, as well as the major part of residential buildings submitted for the planned privatization, currently are still included in the aggregated balance sheet of Riga Municipality. When privatized, this property will be excluded from Riga City Council balance sheet.

The proportion of municipal housing fund within the total housing fund of the City



Share in municipal enterprises

The co-ownership of linked and associated enterprises, amounting to 112.3 million lats has a major share in Riga Municipality assets, which constituted 17% of the total assets value at year 2003 end. As at December 31, 2003, Riga Municipality had shares in 97 enterprises.

Riga Municipality has invested its capital into municipal enterprises, operating in diverse fields. The largest capital share owned by Riga Municipality in 2003 was within the public transportation enterprises, forming 38% of the total co-ownership in the equity capital of municipal enterprises. 28% and 20% of the total co-ownership was allocated within the water-supply and heat-supply sectors.

Indicators of Riga municipal enterprises in 2003* (thousand lats)

Turnover			
The proportion of equity capital owned by Riga Municipality			
Equity capital owned by Riga Municipality			
Riga Municipality non-profit LLC „Tramvaju un trolejbusu pārvalde”	36 183	100%	19 155
Riga Municipality m/e “Rigas ūdens”	32 472	100%	18 263
JSC “Rigas siltums”	23 062	49%	61 685
To be liquidated m/e “Rigas viesnīcas”	7 018	100%	309
LLC “Rigas satiksme”	7 332	100%	6 660
Insurance JSC “Rigas Slimokase”	2 000	100%	6 348
Riga Municipality JSC “Rigas centrāltirgus”	1 591	100%	3 618
Riga Municipality non-profit LLC “Riga National Zoo”	1 287	100%	1 194
JSC “Ceļu pārvalde”	1 249	89%	7 718
Riga Municipality non-profit LLC “Rigas domes autobāze”	903	100%	881
LLC “Rigas pilsēt būvnieks”	875	100%	181
Non-profit LLC “Getliņi EKO”	584	80%	1 437
Riga Municipality non-profit LLC “Rigas nami”	26	100%	1 196

* – data before audit.

Privatization

According to the legislation of Latvia and the policy regulated by Riga City Council, the privatization of the Riga Municipality property is currently in the process, involving most part of residential buildings and a significant portion of non-residential buildings and land under the ownership of Riga Municipality.

In 2003, 246 privatization proposals and propositions on the expropriation of the real estate property have been received.

Results of privatization in the City of Riga in 2003

Number of institutional activities	
Type of activity	
Rulings on real estate expropriation	17
Objects submitted for privatization	43
Accepted terms of land privatization	44
Privatization projects received	21
Rulings on the conclusion of privatization	124

A total of 105 agreements on the privatization of 79 objects have been signed in 2003. The total sum agreed by contracts amounted to 2643770 lats, whereof 61% to be paid in lats.

The economic growth of the City of Riga and the successful financial policy of Riga Municipality have secured the basic budget of the City of Riga and the special purposes budget with revenues comprising 192.1 million lats and 17.4 million lats respectively.

as pašvaldības 2003. gada publiskais pārskats sagatavots ar
ki sniegt vispusīgu informāciju par Rīgas pašvaldības paveikto
ētas ekonomiskās un sociālās attīstības nodrošināšanā.
skats sniedz informāciju par Rīgas pašvaldības finanšu politiku
pilsētas budžetu, svarīgākajām aktivitātēm pašvaldības funkciju
dē.

dokumentā Jūs atradīsiet informāciju par Rīgas pašreizējo
nomisko situāciju, pilsētas saimniecisko potenciālu, dažādu
ētas ekonomikas nozaru attīstību. Pārskatā aplūkotas izmaiņas
s iedzīvotāju nodarbinātības struktūrā un tendences labklājības
ā.

3. gadā Rīgas pašvaldība uzsāka īstenot ilgtermiņa finanšu
ilitātes politiku, ievērojami samazinot pilsētas budžeta deficītu
uzlabojot piesaistīto kredītresursu nosacījumus. Šīs politikas
ķis ir jau tuvākajos gados sasniegt bezdeficīta budžetu un
āpeniski samazināt pilsētas parāda apjomu, vienlaikus nodrošinot
ieciešamos investīciju resursus pašvaldības ekonomisko un
ālo programmu īstenošanai.

ējo četru gadu laikā pašvaldība ir īstenojusi aktīvu investīciju
tiku, pilsētas attīstībā ieguldot vairāk nekā 120 miljonus latu,
bojot pilsētas infrastruktūras kvalitāti un nodrošinot labvēlīgus
āklus biznesa attīstībai. Šie ieguldījumi ir veicinājuši pašmāju
rvalstu investoru piesaisti pilsētai – Rīgā ir ieguldīti vairāk nekā
no visām ārvalstu investīcijām Latvijā, šeit atrodas ap 85% no
ēmumiem ar ārvalstu kapitālu Latvijā.

Ieguldījumu politikas rezultātā ir radīts labs pamats tālākai
stīciju piesaistei no dažādiem avotiem – valsts, pašmāju un
lstu privātā sektora, izmantojot tās iespējas, ko paver mūsu
ts iestāšanās Eiropas Savienībā.

as ekonomisko attīstību šobrīd raksturo dinamiski izaugsmes
pi, pakalpojumu sektora, it īpaši būvniecības, tirdzniecības un
mercpakalpojumu jomas straujā attīstība. Rezultātā ir
elinājušies darbaspējīgo Rīgas iedzīvotāju iespēja ieņemt jaunas,
k apmaksātas darba vietas un uzlabot savu materiālo situāciju.



Auditors Report



1. We have audited the aggregated financial statements of Riga City Council for 2003, reflected on pages 34 through 42. These financial statements have been prepared from the aggregation of the financial statements of the different departments of the Riga City Council. Except as discussed in paragraphs 2 to 5, we conducted our audit in accordance with International Standards of Auditing issued by International Federation of Auditors. In our opinion, except for the effect of adjustments, if any, which might have been determined to be necessary had we been able to quantify the effect of the uncertainties referred to in paragraphs 2 to 5 above, and except for the effect of the adjustments described in paragraphs 6 to 9, the aggregated financial statements give a true and fair view of the financial position of Riga City Council as of 31 December 2003 and results of its operations and cash flows for the year then ended in accordance with the instruction No 3 "Instruction on the preparation of semi-annual, 9 month and annual financial statements of the State budget institutions and annual financial statements of the municipal budget institutions" issued by the Republic of Latvia State Treasury on 25 September, 2002 and the specific Riga City Council accounting policies as disclosed in the notes to these aggregated financial statements.

2. The privatization of the Riga City residential buildings is currently in the process. The management of Riga City Council does not possess the information allowing it to accurately determine the number and balance sheet value of the residential buildings or their respective parts that are subject to the privatization process. The assets of Riga City Council include residential buildings with the balance sheet value of Ls 162.4 million as at 31 December 2003. During the privatization process these buildings will be excluded from the aggregated Riga City Council balance sheet decreasing the amount of the fixed assets as well as fixed asset fund and revaluation reserve. We are not able to determine whether all buildings or their respective parts that are subject to privatization process as at 31 December 2003 were excluded from the aggregated balance sheet of Riga City Council. These circumstances were present also as at 31 December 2002, therefore our audit opinion on the aggregated financial statements of Riga City Council for the year ended 31 December 2002 was qualified in this respect.

3. The Property Department of Riga City Council continues to perform inventory of the real estate and the registration of ownership rights in

the Land Book. As a result of this process adjustments to the balance sheet value of the real estate are made and property rights confirmed for the properties where owners were not clearly defined. This process was only partly completed with respect to the real estate belonging to the City of Riga and the land plots situated within the administrative borders of the City of Riga. Therefore it is likely that the carrying value of real estate as at 31 December 2003 will be further adjusted in subsequent periods. We were not able to determine the number or estimated amount of corrections, which would be related to the real estate as at 31 December 2003. These circumstances were present also as at 31 December 2002, therefore our audit opinion on the aggregated financial statements of Riga City Council for the year ended 31 December 2002 was qualified in this respect.

4. No unified methodology for valuation of street infrastructure items has been developed for the City of Riga. The City of Riga street infrastructure is the responsibility of Riga City Council. However, prior to 2001 these assets had not been included in the books of Riga City Council. Included in the balance sheet item "Land, buildings, constructions, perennials" as 31 December 2003 are capitalized street construction costs in the amount of 38.5 million lats (as at 31 December 2002 capitalized street construction costs were included in "Assets under construction" in the amount of 30.9 million lats). No depreciation has been charged on these assets though the majority of the projects are completed. Depreciation for such assets will commence only starting from 2004, as amendments to the Republic of Latvia Cabinet of Ministers regulations No 96 "On fixed assets depreciation rates and application for budget establishments", which come into force on 1 January 2004, stipulate that 10% depreciation per annum should be charged to streets, motor ways and street infrastructure. Due to the lack of policies we were not able to ascertain if those capitalized street infrastructure costs had been appropriately accounted as at 31 December 2002 as well as we were not able to ascertain what would be the carrying amount of those assets as at 31 December 2003 and 31 December 2002 if the depreciation charge was applied from the moment when those assets were put into use. Our audit opinion on the aggregated financial statements of Riga City Council for the year ended 31 December 2002 was qualified in this respect.

Auditors Report

5. Prior to 2002 Riga City Council did not have a procedure to recognize all liabilities on an accruals basis. Our audit opinion on the financial statements for the year ended 31 December 2002 was qualified with respect to completeness of creditors balances as at 31 December 2001 that enter into the determination of the results of operations for 2002. As we were unable to determine the extent of the adjustments required as at 31 December 2001 we had been unable to determine the effect of this on the results of operations in 2002.

6. Included in assets under construction as at 31 December 2002 and other income for the year ended 31 December 2002 were capitalized channel and channel embankment reconstruction costs in the total amount of 6.7 million lats. These costs arose primarily in 1999-2001 and initially were written off as expenses in those years. Our audit opinion on the aggregate financial statements of Riga City Council for the year ended 31 December 2002 was qualified in respect of the situation that not all channel and channel embankment reconstruction costs were of capital nature. In 2003, following experts' opinion, the amount of capitalized channel and channel embankment reconstruction costs was reduced by 2.4 million lats, from which 1.9 million from the amount recognize as income in 2002 were included in the current year's expenses. If the value of the capitalized channel and channel embankment reconstruction costs was fairly stated at the moment of completing the project, the result for 2003 would be by 1.9 million lats higher, result for 2002 would be by 6.7 million lower, total value of assets as at 31 December 2002 would be by 2.4 million lats lower and equity as at 31 December 2001 would be by 4.3 million lats higher.

7. In March 2004, Riga Regional court ruled that Riga City Council should compensate 680 thousand lats to a company, which has submitted a

claim against Riga City Council. Riga City Council will appeal against the ruling as it considers that it is not liable for expenses incurred by the company. No provision was made for these potential losses in the aggregated financial statements of the Riga City Council as at 31 December 2003. If such provision was made, the financial result of Riga City Council as at 31 December 2003 would be by 680 thousand lower and liabilities as at 31 December 2003, by the same amount higher.

8. Our audit opinion on the aggregated financial statements of Riga City Council for the year ended 31 December 2002 was qualified in respect of depreciation that was not charged on fixed assets that were completed prior to 2002. If this depreciation was charged, both the assets and equity as at 31 December 2002 as well as result for 2002 would be by 0.8 million lats lower.

9. As at 31 December 2002 the debtors in the balance sheet were disclosed at their nominal amount not taking into account the probability of their recovery. This issue arose prior to 2001 and caused us to qualify our audit opinions on the financial statements for the years ended 31 December 2002 and 31 December 2001. In 2003, written off as bad were debts in the amount of 1.1 million lats and provided were also doubtful debts in the amount of 5.6 million lats. In our opinion, expenses for at least 6.3 million lats had to be recognized already in previous years. If a provision against all bad and doubtful debts had been made in the balance sheet when doubt over their recoverability arose then both balance sheet value of the debt and the accumulated result as at 31 December 2002 would be by at least 6.3 million lats lower and financial result for 2003 would be by at least 6.3 million lats higher.

PricewaterhouseCoopers SIA
Audit company licence No. 5



Juris Lapše,
Member of the Board



Lolita Čapkeviča,
Certified auditor,
Certificate No. 120

Riga,
15 September 2004

Condensed Annual Accounts (KLV L)

Balance Sheet

	31.12.2003.	31.12.2002.
Assets	711 296,2	626 107,2
Long-term assets	675 636,1	597 938,6
Intangible assets	2 626,4	2 435,9
Tangible fixed assets	526 029,9	450 058,3
Investment	146 979,8	145 444,4
Current assets	35 660,1	28 168,6
Inventories	9 537,5	10 768,9
Current receivables	11 582,9	16 795,9
Prepaid expenses	374,3	431,4
Cash and bank balance	14 165,4	172,4
Equity and Liabilities	711 296,2	626 107,2
Equity	599 189,5	539 778,2
Equity capital and long term provisions	483 489,6	427 007,3
Equity at 1 January	112 770,9	91 475,6
Change in equity in accordance with income statement	2 929,0	21 295,3
Liabilities	112 106,7	86 329,0
Long term liabilities	101 123,0	77 102,9
Accounts payable	1 822,8	4 757,2
Deferred taxes	3 064,6	2 156,8
Other liabilities	6 096,3	2 312,1

Cash Flow Statement (LVL)

	2003	2002
Total income	210 173 283	186 326 046
Total expenditures	-218 275 498	-213 199 863
Change in deposits	-13 549 972	26 283 308
Change in long-term liabilities	35 645 206	-12 361 168
Net change in cash and cash equivalents	13 993 019	-12 951 677
Cash and cash equivalents, beginning of period	172 395	13 124 072
Cash and cash equivalents, end of period	14 165 414	172 395

Income Statement (Basic Budget) (KLVL)

(Accumulation Method)

	2003	2002
Revenues		
Total tax revenues	140 408,1	120 270,9
Personal income tax	117 610,1	102 821,6
Property taxes	21 553,4	16 299,1
Real estate tax on land	7 846,5	4 207,7
Real estate tax on buildings and premises	13 706,9	12 091,4
Revenues from paid services and other tax revenues	1 244,6	1 150,2
Total non-tax revenues	88 564,0	45 718,5
Government and municipality fees, transferred to municipal budget	822,7	731,7
Revenues from paid services provided by public authorities	11 511,9	11 723,9
Revenues from paid services and other non-tax revenues	76 229,4	33 262,9
Total tax and non-tax revenues	228 972,1	165 989,4
Payments from state budget	36 249,2	30 151,0
Earmarked subsidies	34 330,6	30 122,9
Earmarked subsidies for education and culture	32 977,5	29 899,6
Earmarked subsidies for investments	955,1	170,0
Other earmarked subsidies	398,0	53,3
Other payments from state budget	1 918,6	28,1
Total revenues	265 211,3	196 140,4
Expenses		
Expenses by government function	244 325,3	162 077,2
General governmental agencies	104 135,9	35 853,6
Public order and security	3 224,9	2 632,6
Education	75 492,8	76 061,4
Health care	358,3	497,1
Social security	14 721,4	14 418,5
Housing facilities and public utilities, environmental protection	15 449,6	12 142,8
Leisure, sports, culture, and religion	7 024,9	7 079,3
Forestry	–	1 179,4
Transportation, communications	16 499,6	8 878,6
Other economic operations and agencies	198,9	224,7
Other expenses	7 219,0	3 109,2
Deposits to municipal cohesion fund	23 045,6	20 963,6
Total expenses	267 370,9	183 040,8
Budget surplus or deficit	-2 149,6	13 099,6

Income Statement (Special Purpose Budget) (KLVĻ)

(Accumulation Method)

	2003	2002
Revenues		
Riga Municipality Property Privatization Fund	5 418,5	12 973,5
Revenues from privatization of state and municipality property	4 293,5	11 404,4
Revenues from privatization of apartments and valuation of uninhabitable housing resources	1 125,0	1 569,1
State Road Fund	5 026,5	4 280,8
Motor vehicle duty and excise tax	4 419,1	3 866,2
Earmarked subsidies for regular bus traffic	497,4	414,6
Other incoming state budget transfers	110,0	–
Natural resources tax	285,7	277,8
Municipality revenues stated in the Law on Natural Resources Tax	285,7	277,8
Other Revenues	7 106,0	8 324,7
Riga City Development Fund (revenues from lease of land, expropriation, and other revenues)	3 102,2	2 511,0
Revenues from sales of forest resources	2 815,2	152,3
Other special purpose budget revenues	1 188,6	5 661,4
Total Revenues	17 836,7	25 856,8
Expenses		
General governmental agencies	1 062,6	2 368,6
Public order and security	30,7	131,0
Education	3 462,0	3 361,7
Health care	1 973,9	642,7
Social security	39,8	311,1
Housing facilities and public utilities, environmental protection	2 282,0	6 779,3
Leisure, sports, culture, and religion	1 976,7	228,8
Forestry	1 801,9	14,1
Transportation, communications	497,4	4 046,6
Total expenses	13 127,2	17 883,9
Budget surplus or deficit	4 709,5	7 972,9

Investment

Given that according to the law the property of municipal enterprises is being classified as a separate unit of Riga municipality property (the real estate is being registered as the property of the municipality, etc), however Riga municipality only holds shares in limited liability and stock companies, and given the specific character of the reorganization processes, the annual accounts statement comprises also reports on "The long-term investments of Riga municipality into the equity capital of the municipal enterprises" and "The long-term investments of Riga municipality into the equity capital of the linked enterprises".

Devaluation of Investment

As of December 31, 2003 the value of investments into the equity capital of linked enterprises amounts to LVL 88 587 042, and the value of own equity capital forms LVL 158 247 589 compared to LVL 156 148 192 on December 31, 2002. Other institutions constitute LVL 73 852.

As of December 31, 2003 the balance sheet of Riga City Council Property

Department reflects investments into 77 linked enterprises, including 34 municipal enterprises, 35 municipal capital companies, 5 commercial companies and 5 capital companies with a partial ownership by Riga Municipality. 50 enterprises and business entities, including 19 house-manager's offices, hold the status of non-profit organization.

As of December 31, 2003 the balance sheet of Riga City Council Property Department comprises investments into the equity capital of 8 associated companies. 97.9% of these investments went to joint stock company „Rīgas siltums”.

As of December 31, 2003 the balance sheet of Riga City Council Property Department encompasses investments into the equity capital of 7 enterprises, with no more than 20% ownership by Riga Municipality. Given the completion of the privatization of „Valdemāra centrs Ltd.” and the conclusion of the insolvency process of the joint stock company „Pļavnieki – JSTS”, the amount of other investments declined by LVL 636 890 and LVL 183 800 respectively.

Investment (LVL)

	Value of investments		Value of equity capital	
	31.12.2003.	31.12.2002.	31.12.2003. Operational data	31.12.2002. Audited data
Investments in the equity capital of municipal enterprises	40 440 828	42 990 617	73 965 065	76 578 557
Investment in associated enterprises				
JSC "Rīgas siltums"	23 062 100	23 062 100	23 968 350	23 463 271
Other investments	508 540	559 084	–	194 701
Total investment in associated enterprises	23 570 640	23 621 184	23 968 350	23 657 972
Other investments				
Other investments in the equity capital: Riga City Council Property Department	104 730	925 420	–	–
Riga Forest Agency	66 528	–	–	–
Executive Board of Vidzeme Suburb	1 500	1 500	–	–
Executive Board of Central District	–	1 500	–	–
Total other investments	172 758	928 420	–	–

Lending to Associated Enterprises (LVL)

Enterprise	Balance as of 31.12.2002.	Change	Balance as of 31.12.2003.
LLC "Rīgas satiksme"	2 636 330	4 252 392	6 888 722
Municipal company "Rīgas Tramvaju un trolejbusu pārvalde"	1 250 000	–	1 250 000
Municipal company "Rīgas ūdens"	142 965	–	142 965
LLC "Getliņi EKO"	1 517 690	1 101 475	2 619 165
Non-profit LLC "Gaiļezers"	256 520	226 697	483 216
Non-profit LLC "Rīgas 1. slimnīca"	193 655	90 483	284 138
Non-profit LLC "Rīgas 2. slimnīca"	80 353	118 552	198 905
LLC "Rīgas gaisma"	321 638	48 446	370 084
Non-profit LLC "Rīga National Zoo"	219 679	13 855	358 220
Non-profit LLC "Rīgas nami"	1 785 971	340 567	2 126 539
Non-profit LLC "Rīgas pilsētas dzemdību nams"	122 888	–	122 888
Non-profit LLC "Rīgas dārzi un parki"	83 990	28 131	112 121
JSC "Rīgas siltums"	–	600 411	600 411
LLC "Rīgas pilsētbūvnieks"	–	984 344	984 344
Non-profit LLC "Kinoteātris "Rīga" "	–	160 321	160 321
JSC "Mežaparks"	–	35 569	35 569
Non-profit LLC "Rīgas Ātrās medicīniskās palīdzības stacija"	–	155 599	155 599
LLC "Ādas un STS"	–	3 386	3 386
Total investments:	8 611 678	8 284 915	16 896 593
Liabilities of municipal enterprises on loans issued by the international financial institutions	19 063 198	-1 384 647	17 678 551
Total lending to linked enterprises	27 674 876	6 900 268	34 575 144

Receivables (LVL)

	31.12.2003.	31.12.2002.
Deferred payments for redemption agreements and lending entered into the liabilities of the Property and the Business Directorates of the Property Department	789 542	3 862 986
Interest payments on loans issued	269 012	–
Debt of house manager's offices	1 954 220	1 826 439
Financial derivatives	899 561	–
Uncollected taxes accounted for by the Tax Department	4 985 276	9 831 503
Public utility payments en route	198 002	200 586
Rental debts of the City development department	697 562	–
Other receivables	1 789 721	1 074 424
Total	11 582 896	16 795 938

Cash (LVL)

	31.12.2003.	31.12.2002.
Rīga City Council cash in the credit institutions	13 371 880	172 395
State Treasury (Special purpose programmes: National Theatre, PHARE/TACIS)	789 359	–
Cash balance	4 175	–
Total	14 165 414	172 395

Liabilities (LVL)

	31.12.2003.	31.12.2002.
Debt to the State Treasury for the investment project financing	5 000 000	7 000 000
Debt to the State Treasury for the refinanced loan from IBRD	7 939 332	–
Debt to NUTEK for the construction of a steam-shop	144 577	182 714
Debt to the World Bank and the European Investment Bank for the loans issued to municipal enterprises to provide financing for projects in areas of public transportation, household waste, environmental protection, as well as projects by "Rīgas ūdens"	10 492 638	19 063 198
Debt to Nordea Bank Finland Pcl and Nordic Investment Bank	53 195 995	–
Liabilities to municipal enterprises, house-manager's offices and other organizations	24 350 447	36 872 090
Loans to Unibanka and Parex banka	–	13 984 855
Other liabilities	10 983 663	9 226 107
including: deferred income	3 579 899	14 515
– trade payables	2 108 120	5 067 630
– wages	2 040 302	1 810 005
– deferred taxes	3 064 571	2 156 792
– advance payments	190 771	177 165
Total	112 106 652	86 328 964

Derivatives (LVL)

	31.12.2003.	31.12.2002.
Financial derivatives with positive fair value	899 561	–
Financial derivatives with negative fair value	(44 144)	–
Change in fair value (net gain)	855 417	–

Income Statement (Basic Budget) (KLVL)**Cash Flow Method**

	2003 Budgeted	2003 Actual	2002 Actual
Total revenues			
Total tax revenues	138 553,9	142 537,2	125 283,9
Personal income tax	114 851,2	117 842,2	103 193,0
Property taxes	22 562,7	23 450,4	20 940,7
Real estate tax on land	9 381,0	9 633,0	8 717,7
Real estate tax on buildings and premises	13 109,0	13 743,2	11 970,1
Other tax revenues	1 212,7	1 244,6	1 403,1
Total non-tax revenues	13 723,9	13 650,7	13 843,9
Government and municipality fees, transferred to municipal budget	733,1	831,0	782,6
Revenues from paid services provided by public authorities	11 917,2	11 678,9	11 688,4
Other non-tax revenues	1 073,6	1 140,9	1 372,9
Total tax and non-tax revenues	152 277,8	156 187,9	139 127,8
Payments received	34 228,9	35 937,1	30 152,5
Payments from state budget	34 075,8	34 075,8	30 152,5
Earmarked subsidies for education and culture	32 756,1	32 756,1	29 925,8
Earmarked subsidies for investments	921,7	921,7	170,0
Other earmarked subsidies	398,0	398,0	56,7
Payments from state budget to municipal institutions	–	1 708,2	–
Payments from other budgets	153,0	153,0	–
Total revenues	186 506,7	192 125,0	169 280,4

Income Statement (Basic Budget) (KLVL). Continuation

(Cash Flow Method)

	2003 Budgeted	2003 Actual	2002 Actual
Expenses			
Total Expenses by government function	188 563,6	177 702,3	174 740,7
General governmental agencies	21 789,4	19 328,1	17 892,2
Public order and security	3 997,8	3 647,1	2 766,1
Education	84 217,7	83 449,1	81 309,4
Health care	726,8	515,0	1 990,7
Social security	14 843,3	14 406,2	14 621,4
Housing facilities and public utilities, environmental protection	26 155,7	22 673,9	31 397,6
Leisure, sports, culture, and religion	15 466,3	13 343,2	9 974,9
Forestry	–	–	1 206,5
Transportation, communications	16 775,2	15 903,8	11 023,7
Other economic operations and agencies	211,5	203,3	143,3
Other expenses	4 380,0	4 232,6	2 414,9
Deposits to municipal cohesion fund	23 045,6	23 045,6	20 963,6
Total expenses	211 609,2	200 747,9	195 704,3
Budget surplus or deficit	-25 102,5	-8 622,8	-26 423,9
Financing			
Internal financing	25 156,5	9 373,7	24 615,2
From other state administration organizations	-2 000,0	-2 000,0	–
Change in budget resources	4 165,6	-3 155,8	-438,1
Budget resources, beginning of period	4 165,6	4 165,6	4 228,1
Budget resources, end of period	–	7 281,4	4 666,2
From commercial banks	–	53 196,0	–
Other internal financing	22 990,9	-38 706,4	25 056,3
External financing	-54,0	-750,9	1 808,7
Financing with mediation of State Treasury	–	-696,9	1 858,7
Other external financing	-54,0	-54,0	-50,0
Total financing	25 102,5	8 622,8	26 423,9

Income Statement (Special Purpose Budget) (KLV)

(Cash Flow Method)

	2003 Budgeted	2003 Actual	2002 Actual
Revenues			
Riga Municipality Property Privatization Fund	3 325,5	4 860,7	6 566,2
Revenues from privatization of state and municipality property	2 200,5	3 634,6	4 996,6
Revenues from privatization of apartments and valuation of uninhabitable housing resources	1 125,0	1 226,0	1 569,6
State Road Fund	4 885,3	5 026,5	4 280,8
Motor vehicle duty and excise tax	4 428,3	4 419,1	3 866,2
Earmarked subsidies for regular bus traffic	457,0	497,4	414,6
Other incoming state budget transfers	–	110,0	–
Natural resources tax	300,0	283,3	275,1
Municipality revenues stated in the Law on Natural Resources Tax	300,0	283,3	275,1
Other Revenues	5 553,9	7 240,6	4 111,4
Riga City Development Fund (revenues from lease of land, expropriation, and other revenues)	1 943,6	3 409,0	2 584,3
Revenues from sales of forest resources	1 986,5	2 319,5	0,2
Other special purpose budget revenues	1 623,8	1 512,1	1 526,9
Total Revenues	14 064,7	17 411,1	15 233,5
Expenses by government function			
General governmental agencies	3 659,3	2 644,4	2446,4
Public order and security	40,0	1,2	175,6
Education	950,2	600,4	3 315,9
Health care	1 197,2	825,9	642,7
Social security	17,7	7,5	299,5
Housing facilities and public utilities, environmental protection	8 378,2	6 222,3	5 944,5
Leisure, sports, culture, and religion	859,5	767,6	374,8
Forestry	2 506,3	2 029,9	16,8
Transportation, communications	4 437,9	4 222,5	4 317,9
Total expenses	22 046,3	17 321,7	17 534,1
Financing			
Budget surplus or deficit	-7 981,6	89,4	-2 300,6
Cash and cash equivalents, beginning of period	11 176,6	11 176,6	12 976,5
Cash and cash equivalents, end of period	3 195,0	11 266,0	10 675,9

Income Statement on Donations and Endowments (KLVL)

(Cash Flow Method)

	2003 Budgeted	2003 Actual	2002 Actual
Revenues			
Donations and endowments by domestic legal entities and individuals	321,3	283,6	305,9
Donations and endowments to education	274,3	227,7	229,8
Donations and endowments to social aid	19,8	9,6	15,0
Other donations by domestic legal entities	27,2	46,3	61,1
Donations and endowments by foreign legal entities and individuals	343,3	339,4	1 506,2
Global Environment Facility endowment to the development of landfill project in "Getliqi", and "Phare" project resources	331,7	327,3	1 500,4
Other donations by foreign legal entities	11,6	12,1	5,8
Total revenues	664,6	623,0	1 812,1
Expenditures			
Expenditures by government function	793,4	536,9	1 820,2
General governmental agencies	35,6	33,4	4,5
Education	355,9	229,3	267,2
Health care	7,4	4,7	-
Social security	19,0	6,3	15,9
Housing facilities and public utilities, environmental protection	346,2	243,8	1 519,5
Leisure, sports, culture, and religion	29,3	19,4	13,1
Other economic operations and agencies	-	-	-
Financing			
Budget surplus or deficit	-128,7	86,1	-8,1
Budget balance, beginning of period	153,4	153,4	161,5
Budget balance, end of period	24,6	239,5	153,4

Terms for the Composition of Annual Accounts

The annual report 2003 has been prepared in accrual with the principles of accumulation and the going concern in accordance with the financial policy of Riga City Council on the laws and regulations of the Republic of Latvia. This report provides information on the financial activities of the Municipality in 2003 as well as the registration of liabilities and expenditures, and can be utilized to develop the financial policy and assist in the decision-making process during the planning and actualization of the primary budget and the secondary budget revenues and expenditures according to the cash flow approach and the principle of accrual.

The report does not reflect detailed information regarding the financial position of municipal enterprises, as the regulations "On company annual reports" describe different procedure on the submission of annual reports.

City of Riga institutions and special purpose programs are being financed from the resources accumulated in the Riga Municipality budget (basic and special purpose budget), as well as donations and endowments of special purpose and the foreign government aid (Phare/Tacis) in accordance with the laws and regulations of the Republic of Latvia, decisions of Riga City Council and instructions of the Chairperson of the Riga City Council.

Municipality budget revenues and expenditures

Budget revenues are formed of tax payments in accordance with the state tax legislation, government and municipality fees as well as other payments to the budget, revenues from paid services provided by municipality budget institutions, other own revenues, revenues of special purpose, net revenues from the sales of assets, interest payments received, dividends, foreign financial aid, donations and endowments both in cash and in kind (accounted for in cash) (Law "On the budget and the financial management").

Expenditures reflected in the expenditures section of the annual report are based on the annual reports of the budget institutions of the Riga City Council.

Fixed assets are recorded in the balance sheet of Riga Municipality based on signed agreements, property registration documents and other documents certifying property rights. Fixed assets are accounted for based on the economic substance defining that the fixed asset is assigned to an institution or enterprise utilizing the asset in question in order to ensure its operations, provision of services and products, renting or other administrative purposes, and incurring expenses associated with the maintenance of this asset, as well as facing long term risks related to this asset.

Intangible assets position contains software and their respective licenses.

Fixed assets comprise also costs related to the reconstruction of objects, construction of crossovers and the reconstruction and construction of buildings that have not been put into operation yet.

The real estate of Riga Municipality reflected in the financial statements is accounted for in several departments of the Riga City Council according to the activities performed by the specific department. Only land that has been registered in the Land Register as the property of the City of Riga has been accounted for.

In accordance with the policy of Riga City Council and the laws and regulations of the Republic of Latvia, the privatization of the property of the

City of Riga is currently in the process. According to the current plans, most part of the residential buildings and a significant portion of nonresidential buildings and land belonging to the City of Riga are under privatization. Upon the conclusion of the privatization process the property in question will be excluded from the accounts.

The fixed assets reflected in the balance sheet are shown at their book value, subtracting the accumulated depreciation (amortization) and all accumulated losses from the decrease in their value.

The depreciation of the fixed assets was calculated on all fixed tangible assets and intangible assets, using the following standards of depreciation defined by the Cabinet of Ministers Regulations No.96 as of May 3, 2001 "Regulations on standards and application of the depreciation of fixed assets in the budget institutions":

Computer equipment, printing devices, information systems, software, communication equipment, photocopiers, etc.	35%
Other fixed assets: furniture, motor vehicles, household inventory, etc.	20%
Buildings and premises	5%

In accordance with the conclusion of experts, The Department of Environment accounts for the depreciation of the reconstruction of the embankment at the rate of 8% per annum.

Investment

Riga Municipality financial statements include information on all equity capital shares and investments in the equity capital of enterprises belonging to Riga Municipality and registered in the Republic of Latvia Enterprise Register as at December 31, 2003.

The balance sheet does not include investments in the equity capital of enterprises and business entities registered in the Republic of Latvia Enterprise Register, but having discontinued their operations, as well as enterprises still under privatization.

At the moment of investment, the property recorded in the balance sheet of Riga City Council Property Department is being revalued in accordance with the regulations of the Commercial Law and the Law "On the equity shares of the state and municipalities, and the business entities".

Investments in linked, associated and other enterprises reflected in the aggregated statements of the Riga City Council are shown at their acquisition value, i.e. corresponding to the share of equity belonging to Riga City Council.

Co-ownership of linked enterprises in 2003 has been accounted for using the cost approach. In accordance with the accounting policy chosen in the previous year, the co-ownership investments of municipal institutions in the equity capital of enterprises, at the beginning of the year have been reflected in correspondence to their nominal value: the equity value recorded in the Republic of Latvia Enterprise Register. The accounting value of investments can be changed at the moment when the capital share is

Terms for the Composition of Annual Accounts

acquired or sold, or it is changed as a result of the restructurization of the enterprise. The resulting changes are recorded in the income statement of the current period.

The accounting value of investments has been changed in cases when Riga City Council decided to increase the equity capital, however Riga City Council departments decided to finance the investment from the resources allocated for the renewal of investments and own capital and the financing of losses, as well as in cases of material investment.

Lending to associated enterprises consists of amounts that have been invested in municipality enterprises and their liabilities to Riga Municipality for loans issued by international financial institutions with the mediation of Riga City Council.

Inventory acquired and utilized to ensure the functioning of the executive body is valued using the weighted average price approach. Inventories are accounted for based on their acquisition value and by grouping them according to the economic substance. Upon the utilization of inventory, it is excluded from the accounts and entered into the costs for the current period. Those are household materials and stationary, as well as souvenirs.

Accounts receivable

This item comprises debt on the buy-out of objects under privatization, deferred payments for the buy-outs, buy-out payments of objects under privatization and deferred payments for the privatization buy-outs, as well as taxes accounted for but not collected, creating a special accrual for doubtful debts. Accruals have been created based on the following criteria:

- debtor is liquidated or excluded from the Enterprise Register,
- court decision on insolvency to pay is available,
- the real estate is in need of tax recalculation resulting in the decrease of debt;
- reliable sources have provided information that the insolvent enterprise does not possess any financial or other resources to cover the debt.

Deferred expenses comprise prepayments for the press and postal expenses, utilization of the public transportation, insurance of motor vehicles held by the Municipal Police and other budget institutions, as well as employee health insurance payments, referring to the next year, etc.

Cash and bank includes all financial resources of Riga City Council or Riga City Council Finance Department available at banks.

Own capital comprises Fixed Assets Fund accounting for the fixed assets acquired before January 1, 2001, the equity capital or co-ownership capital of budget institutions, as well as provisions for the revaluation of fixed assets.

Credit policy and the limitation of the currency risk has been changed in 2003. The optimization of resource management has been performed by refinancing current liabilities into long-term liabilities in the amount of 51 million lats (in accordance with the Law "On state budget for the year 2003"), thus reducing costs of debt. In order to refinance the existing current liabilities in lats, in October and December 2003 Riga City Council borrowed 78.9 million euro with the maturity of 10 years. Given that the loan was taken in euro, financial derivatives were applied in order to minimize the currency and the interest rate risks (cross-currency swap and foreign exchange forward), thus minimizing the currency risk of every individual principal amount of the loan until the moment when the lat will be pegged against the euro. The currency risk management policy of the Riga City Council is aimed at increasing the revenues and profitability by incurring lower risks. The aim of this policy is to ensure that Riga City Council is provided with an opportunity to perform currency operations that minimize the effect of currency fluctuations on the budget result. In 2003 budget savings of 2.7 million lats were achieved as a result of the refinancing of liabilities. For the same reason in December 2003 a decision was made to refinance the International Bank for Reconstruction and Development loan, changing its currency from the equivalent of USD in SDR to lats.

Derivatives, incl. currency exchange and interest rate swap agreements, initially are accounted for based on their acquisition value and later are revalued to their fair value. The fair value is determined from prices quoted in the market and the discounted cash flow models. All the derivatives are accounted for as assets if their fair value is positive and as liabilities if their fair value is negative. Changes in their fair value are included in the income statements.

Possible payment liabilities that could affect the financial position of the Riga Municipality have not been identified. Riga City Council has not signed any contracts of pledge, nor has it provided any guarantees. Riga City Council has not received any other loans, but those mentioned in this financial statement.

Budget Performance, year 2003

The economic growth of Riga and the results of the financial policy of Riga Municipality in 2003 is characterized by the level of budget revenues their appropriate utilization on the provision of municipality operations in correspondence with the priorities set by Riga City Council. Budget is the financial means of Riga Municipality economic policy fulfillment. Budget priorities have remained the same for the last five years: education, social security, housing facilities and public utilities, as well as investments in city infrastructure.

The City of Riga budget consists of the basic budget and the special purposes budget. The City of Riga basic budget forms the major part of the budget and comprises municipality revenues, intended for the financing of expenditures. The City of Riga special purposes budget encompasses revenues from sources of special purpose.

The City of Riga budget is structured according to the cash flow principle, simultaneously ensuring accounting according to the accumulation approach.

The City of Riga revenues

The City of Riga budget revenues consist of the basic budget revenues and the special purposes budget revenues, incl. revenues from donations and endowments to Riga Municipality.

The City of Riga basic budget revenues

In accordance with the legislation and the mandatory regulations of the Riga City Council, Riga Municipality performs the administration of the individual income tax, property tax, natural resource tax and the municipality charges, as well as controls the collection of the gambling tax and state tax with and consecutive debiting to the budget of the City of Riga.

Basic budget revenues comprise:

- **Tax revenues:**
 - personal income tax
 - property tax on land, buildings, and premises
 - gambling tax
- **Non-tax revenues:**
 - revenues from paid services provided by public authorities
 - charges for the utilization of municipality capital
 - municipality fees
 - state fees for legal and other services
 - other revenues (fines and assents, sale of property, etc.).

Riga economic growth and activities lately performed by Riga City Council in order to improve the tax administration, in 2003 has secured steady increase of basic budget revenues, reaching the level of 192.1 million lats, which is 22.8 million lats more compared to 2002.

The number one source of City of Riga basic budget revenues are the individual income tax payments of Riga inhabitants. In 2003 the proportion of the individual income tax in the City of Riga basic budget formed 61.3%, showing an increase of 14.6 million lats compared to 2002.

The second largest source of the City of Riga budget revenues are the property tax payments, forming 12.2% of the basic budget revenues, incl. property tax on land (5.0%) and property tax on buildings and premises (7.2%). The proportion of the property tax has remained at the same level as in 2002.

In 2003 a total of 11.7 million lats or 6% of the City of Riga basic budget revenues came from the charges for services provided by public authorities and other own revenues.

Earmarked subsidies and payments from the state budget institutions are the state budget resources intended for municipalities to finance special purpose projects. The earmarked subsidies received by the Riga Municipality in 2003 amounted to 34.1 million lats, incl. 32.7 million lats on education (remuneration and social security payments for the staff of elementary schools, high-schools, music academies and art schools, as well as special pre-school educational institutions and boarding schools), 0.1 million lats on culture (remuneration and social security payments for the curators of folk art amateur groups) and 0.9 million lats on investments. Compared to 2002, the total amount of earmarked subsidies has increased by 4.0 million lats. Payments from state budget institutions (Ministry of Education and Science and Ministry of Culture) to municipalities formed 1.7 million lats in 2003. These resources have been utilized on the remuneration and social security payments for the staff of vocational education institutions.

The City of Riga special purposes budget revenues









The City of Riga special purposes budget revenues are formed of income not associated with the basic budget. The City of Riga special purposes budget comprises:

- Riga Municipality Property Privatization Fund
- resources of Road (street) Fund
- natural income tax
- resources of Riga City Development Fund
- other revenues of the special purposes, incl. donations and endowments.

In 2003 the revenues of the City of Riga special purposes budget constituted 17.4 million lats, incl. 4.9 million lats or 27.9% contributed by the Riga Municipality Property Privatization Fund, 5.0 million lats or 28.9% contributed by the Road (street) Fund, and 3.4 million lats or 19.6% contributed by the Riga City Development Fund.

Budget Performance, year 2003

Revenue composition of Riga City basic budget 2003 (KLVĻ)







Total tax revenues	142 537,2		
Personal income tax	117 842,2		61,4%
Property taxes	23 450,4		12,2%
Other tax revenues	1 244,6		0,7%
Total non-tax revenues	13 650,7		
Government and municipality fees, transferred to municipal budget	831,0		0,4%
Revenues from paid services provided by public authorities	11 678,9		6,1%
Other non-tax revenues	1 140,9		0,6%
Payments received	35 937,1		18,6%
Total revenues	192 125,0		100,0%

In year 2003 donations and endowments to Riga Municipality amounted to 0.6 million lats.

Riga Municipality Property Privatization Fund receives financial resources obtained as a result of the privatization of state owned and municipal property located in Riga administrative area. These resources are being utilized as follows:

- support of entrepreneurship;
- establishment, operation, and development of business support infrastructure;
- managerial and legal services for the privatization process of municipal property, as well as expenses related to resource administration of the Property Privatization Fund.

Revenue composition of Riga City special purpose budget 2003 (KLVĻ)

Riga Municipality Property Privatization Fund	4 860,7		27,9%
State Road Fund	5 026,5		28,9%
Natural resources tax	283,3		1,6%
Riga City Development Fund*	3 409,0		19,6%
Other revenues	3 831,6		22,0%
Total Revenues	17 411,1		100,0%

* – revenues from lease of land, expropriation and other revenues.

Budget Performance, year 2003

Budget expenditures of the City of Riga

The revenues of the City of Riga basic budget of 2003 and special purposes budget of 2003 as well as the surplus of the previous budgets have been utilized to support the municipal operations and financing of the special purpose activities in compliance with the "Law on Municipalities" of the Republic of Latvia. In the statement, the budget expenditures are reflected according to the classification of government functions or sectors: institutions of the executive authority, education, social security, housing facilities and public utilities, environmental protection, transportation and communications, culture and sports, public order and security, etc.

Basic budget expenditures of the City of Riga

Total basic budget expenditures of the City of Riga (incl. financing of investment projects from liabilities) have increased from 181.0 million lats in 2001 and 195.7 million lats in 2002 to 201.0 million lats in 2003, which comprises also financing of investment projects in the amount of 33.4 million lats.













In 2003 23.1 million lats of the basic budget revenues of the City of Riga (comprising 192.1 million lats) have been diverted as deposits into the

municipal cohesion fund. In 2002, 21.0 million lats of the basic budget revenues (169.3 million lats) were diverted as deposits to municipal cohesion fund and in 2001 they amounted to 19.3 million lats compared to the revenues of 156.4 million lats. Other resources have been utilized as follows: maintenance of the executive authority institutions, financing of municipal orders, financing of investments, subsidies to municipal enterprises and business entities to ensure the provision of the municipality duties in the areas of public transportation, city transportation infrastructure (illumination), improvement of the territory, etc.

In 2001 through 2003 the budget expenditure priority fields comprised education, social security, housing facilities and public utilities, as well as transportation infrastructure. These fields have remained priorities also in year 2003 budget, forming the major share of expenditures.

The prioritization of the sectors of Riga Municipality investment programs is connected to the provision of the regular functions of the municipality, defined in the "Law on Municipalities" of the Republic of Latvia: public utilities, development of city infrastructure and surrounding environment, culture, education, health care and social aid.

Expenditures composition of Riga City basic budget 2003 (KLVL)

Total expenditures by government function	177 702,3		
General governmental agencies	19 328,1		9,6%
Public order and security	3 647,1		1,8%
Education	83 449,1		41,6%
Health care	515,0		0,3%
Social security	14 406,2		7,2%
Housing facilities and public utilities, environmental protection	22 673,9		11,3%
Leisure, sports, culture, and religion	13 343,2		6,6%
Transportation, communications	15 903,8		7,9%
Other economic operations and agencies	203,3		0,1%
Other expenses	4 232,6		2,1%
Deposits to municipal cohesion fund	23 045,6		11,5%
Total expenditures	200 747,9		100,0%

Revenue composition of Riga City special purpose budget 2003–2004 (million LVL)

Priorities by government function	2001 Actual	2002 Actual	2003 Actual	2004 Budget
Education	67,0	81,3	83,5	86,7
Social security	13,2	14,6	14,4	16,1
Housing facilities and public utilities, environmental protection	33,5	31,4	22,7	23,1
Transportation, communications	10,1	11,0	15,9	16,1

Budget Performance, year 2003

Special budget expenditures of the City of Riga

Special budget expenditures of the City of Riga are directly dependent upon the revenues, that have been received in order to finance special purpose programs. In 2003, 17.3 million lats of special purpose expenditures have been allocated from the City of Riga budget. In 2002 these expenditures amounted to 17.5 million lats, an increase of 5.7 million lats compared to 2001 (11.8 million lats). In 2004 these expenditures have been planned in the amount of 22.8 million lats.

The special purpose budget is a part of the consolidated budget and has been formed in order to ensure operations vital to both the government and the municipality, by allocating special purpose revenues as the resources for financing. In the same way, special purpose budget comprises also revenues from paid services and other own revenues, foreign financial aid, as well as all kind of donations and endowments.

There are three dominating directions in the special budget expenditures of the City of Riga, classified according to the government function:

- housing facilities and public utilities, environmental protection with 6.2 million lats;
- transportation with 4.2 million lats (utilization of motor vehicle duty and excise tax revenues in order to maintain the city roads);
- forestry and fishery with 2.0 million lats.

The major part of the special budget of the City of Riga, 2003 comprises:











- Resources in the Riga City Development Fund formed of the revenues from non-recurring payment for city infrastructure development, the lease of the land, as well as expropriation of the real estate belonging to the city (land, buildings and premises). These resources are utilized on city development projects, rehabilitation and registration of the city

rights for real estate ownership in the Land Register, as well as development of the projects in the fields of culture, education and sports;

- Tunnel maintenance program: revenues consist of the rent of trade areas located in tunnels. These revenues are utilized to maintain and develop tunnels.
- Fees on transportation in special regime areas: revenues consist of fees on transportation in special regime area in the Old Town. These revenues are allocated to the reconstruction of the roads and lighting facilities within the Old City area;
- Road (street) Fund resources comprise revenues from the State Road Fund earmarked subsidies and are utilized on the upkeep and reconstruction of road surfacing, as well as overhaul of the lighting facilities, etc.;
- Riga Municipality Property Privatization Fund resources are formed of revenues from the privatization of municipal property units and are allocated to the maintenance works and acquisition of medical equipment for Riga Municipality stationary and emergency hospitals, incl. Non-profit LLC "Rīgas Ātrās medicīniskās palīdzības stacija", Non-profit LLC "Kliniskā slimnīca "Gaiļezers"", Non-profit LLC "Rīgas 1. slimnīca", Non-profit LLC "Rīgas 2. slimnīca", Non-profit LLC "Bolderājas poliklīnika", etc.
- Riga Environment Protection Fund resources comprise revenues from natural resource tax and are diverted to the financing of projects, programs, and activities related to the efficient utilization, research and regeneration of natural resources;
- Riga municipal agency "Rīgas mežu aģentūra" revenues are generated from the sales of forest resources, and are utilized on the administration and maintenance of forests owned by the City of Riga, as well as education on matters related to forests and their protection.

Expenditures composition of Riga City special purpose budget 2003 (KLVL)

Expenditures by government function

General governmental agencies	2 644,4		15,3%
Public order and security	1,2		0,01%
Education	600,4		3,5%
Health care	825,9		4,8%
Social security	7,5		0,06%
Housing facilities and public utilities, environmental protection	6 222,3		35,9%
Leisure, sports, culture, and religion	767,6		4,4%
Forestry and fishery	2 029,9		11,7%
Transportation, communications	4 222,5		24,4%
Total expenditures	17 321,7		100,0%








Budget Performance, year 2003

Expenditure of donations and endowments received by Riga Municipality

In 2003 donations and endowments to Riga Municipality complemented the budget revenues of the City of Riga by 0.6 million lats. These resources comprise revenues from domestic legal entities and individuals (46%) diverted to education and social care, and donations and endowments by the foreign governments (54%), incl. financing for the development of solid waste dump project in "Getlīņi", and "Phare" project resources.

Hence, the majority of donations and endowments received by Riga Municipality are diverted to the financing of educational institutions (amounting to 0.2 million lats) and housing facilities, public utilities, and environmental protection (also amounting to 0.2 million lats). However, financial aid of a foreign origin contributes to the development of Riga cultural environment, cooperation within the framework of regional cooperation and the enhancement of the capacity in the acquisition of European Union funds.

Expenditure of donations and endowments received by Riga Municipality in 2003 (KLVL)

Expenditure by government function	536,9		100,0%
General governmental agencies	33,4		6,2%
Education	229,3		42,7%
Health care	4,7		0,9%
Social security	6,3		1,2%
Housing facilities and public utilities, environmental protection	243,8		45,4%
Leisure, sports, culture, and religion	19,4		3,6%

Basic and special purposes budget expenditure on the performance of municipality functions

Education

In 2003 the proportion of the financing allocated to the field of education constituted 47% of the City of Riga basic budget expenditures, and 3.5% of the special purposes budget expenditures. There is a constant growth in the financing for education in the basic budget. In 2003 basic budget total financing to education and investment projects constituted 83.5 million lats, which is an increase of 2.2 million lats compared to 2002 (81.3 million lats). This increase was diverted as perquisites to the remuneration of the educators in the educational institutions of the City of Riga, the maintenance of the educational institutions and the renovation and construction of the educational premises.

The major part of resources allocated to education (57%) have been utilized on financing of general education in primary schools, elementary schools as well as high schools. In 2003 there was an increase in the financing of pre-school educational institutions, amounting to 16.4 million lats compared to 13.5 million lats in 2002.

There is also an ongoing process of renovation of the educational premises in Riga. Given the technical condition of buildings, depreciation of the communications, as well as the need to improve the network of the educational institutions, Riga Municipality performs the reconstruction of the educational premises within the borders of the City.

In 2003 the investments on education amounted to 7.6 million lats.

The main areas of investment, incl. major projects (both new and those commenced earlier):

- accomplished renovation and reconstruction of educational institutions, incl. renovation of Riga Lithuanian Secondary School on 42A Prūšu street, reconstruction of the roof and the construction of the attic of Riga K.Videnieks Secondary School No.77 on 44 Avotu street, as well as the acquisition of furniture for the building on 4/6 Kandavas street, completion of the renovation of Riga State Gymnasium No.1, designing and examination of Riga Boarding School for the Deaf in Jugla, purchase of furniture and reconstruction of Riga Ita Kozakēviča Polish Secondary School, reconstruction of the swimming pool of Riga Secondary School No.72 on 6 Ikšķiles street;
- accomplished the replacement of windows and doors in 21 educational institutions;
- accomplished the replacement of water and sewerage systems in 8 pre-school educational institutions;
- accomplished the construction of ventilation systems in gyms of 7 educational institutions;
- accomplished repairs of school gyms (replacement of flooring, repairs of locker-rooms and showers, replacement of lighting systems, acquisition of inventory), for several schools constructed substandard sports grounds, equipped standard sports halls, etc.;
- accomplished construction, incl. the construction sports facilities of Riga Secondary School No.49 on 65 Kr.Valdemāra street, construction of Mežciems Elementary School, construction of the swimming pool in Ziepniekkalns, as well as construction of the new block of Āgenskalns Gymnasium on 21 Āgenskalns street.

Budget Performance, year 2003

Expenditure allocated to education (KLVĻ)

	2003	2003	2002	2001
	Budget	Actual	Actual	Actual
Administration and management of educational institutions	1 292,6	1 266,2	562,5	505,1
Pre-school educational institutions	17 018,9	16 358,0	13 497,6	11 766,7
Special pre-school educational institutions	1 713,4	1 686,1	1 403,3	1 264,7
Primary schools, elementary schools, and high schools	48 624,1	47 715,1	50 390,7	40 355,8
Boarding schools and sanatorium-boarding schools	1 292,2	1 271,5	1 172,7	1 135,5
Special boarding schools	3 114,1	3 103,2	2 774,7	2 604,2
Music academies and art schools	1 048,1	1 811,3	1 562,8	1 379,0
Other voluntary education	9 649,2	9 493,9	8 986,6	7 045,6
Auxiliary services for educational institutions	–	–	613,4	599,4
Purchase of educational text-books	231,0	229,9	229,3	228,2
Methodological work and other educational activities	–	315,4	115,8	97,1
Primary budget expenditure, incl.	84 217,7	83 449,1	81 309,4	66 981,3
Investments	8 326,8	7 692,5	13 008,5	6 130,2
Special purpose budget expenditure	950,2	600,4	3 315,9	2 011,0
Total	85 167,9	84 049,5	84 625,3	68 992,3

Health care

Lately, Riga Municipality has been allocating considerable financial resources to the improvement of the health care system. In 2003 the total amount of health care program financing coming from the basic budget, the special purposes budget, as well as investment resources amounted to 1.3 million lats. These resources have been utilized on the acquisition of medical equipment and the reconstruction of hospitals and the emergency station. Furthermore, 0.8 million lats have been diverted to the insurance of nurses in Riga Municipality hospitals and the employees of the emergency station and municipal hospitals. Hence, given the personal interest of residents in receiving quality medical services, Riga Municipality significantly contributes to financing of the health care system, even though the health care financing should be covered from the state budget.

The major investments:

- accomplished the reconstruction of the ventilation and air-conditioning system in Riga Municipality non-profit LLC "Rigas 2. slimnīca" surgery room and the reconstruction of the ventilation system on floors 3 and 4;
- purchased 3 dental equipment sets for Riga Municipality non-profit LLC "Bērnu zobārstniecības poliklīnika";
- purchased medical equipment for Riga Municipality non-profit LLC "Veselības centrs "Imanta"";
- accomplished the overhaul of Riga Emergency Medicine Station.

Expenditure allocated to health care (KLVĻ)

	2003	2003	2002	2001
	Budget	Actual	Actual	Actual
Hospitals	193,2	104,4	1 216,2	2 865,5
Outpatient treatment institutions	268,0	183,4	162,5	36,0
Financial management	265,6	227,1	612,0	191,1
Basic budget expenditure, incl.	726,8	515,0	1 990,7	3 092,6
Investments	211,6	123,8	1 270,1	2 787,3
Special purpose budget expenditure	1 197,2	825,9	642,7	634,7
Total	1 924,0	1 340,9	2 633,4	3 727,3

Budget Performance, year 2003

Social security

In 2003 Riga Municipality utilized 14.4 million lats on matters related to social security, including investments amounting to 0.6 million lats. These resources came from the basic budget, the special purposes budget as well as investment resources. Total resources spent on social security in 2003 formed 8.1% of the total expenditures of the basic budget.

In 2003 Riga Municipality continued with the matters started in 2002: focusing on the problems of the population of moderate needs. Thus, more resources have been diverted to old people's homes, social care agencies and the custody court. Municipality allowances (incl. social aid to the population of moderate

needs) amounted to 7.5 million lats, which is 4.2% of the total expenditure of the basic budget of the City of Riga.

The major investments:

- accomplished repairs of social care agencies and community centers (13 facilities in total);
- accomplished repairs and reconstruction of 8 day-care institutions, 3 old people's homes and 4 social dwelling houses;
- accomplished installation of water-meters in the residence places of low-income population.

Expenditure allocated to social security (KLV)

	2003	2003	2002	2001
	Budget	Actual	Actual	Actual
Municipality allowances (incl. social aid to population of moderate means, etc.)	7 535,5	7 491,9	7 457,1	6 660,7
Children's care centers	2 088,9	2 021,6	2 881,4	1 473,3
Old people's homes	2 148,5	2 012,2	1 774,7	1 525,4
Other institutions of social care	545,2	451,4	384,0	1 400,1
Agencies of social care, etc.	1 787,1	1 763,5	1 537,9	1 658,3
Other institutions for social care and related services, etc.	153,8	148,5	150,6	102,2
Custody court and parish courts	227,5	165,6	139,3	96,4
Financial management	356,7	351,6	296,4	235,8
Basic budget expenditure, incl.	14 843,3	14 406,2	14 621,4	13 152,2
Investments	780,3	560,2	1 706,4	1 967,8
Special purpose budget expenditure	17,7	7,5	299,5	122,8
Total	14 861,0	14 413,7	14 920,9	13 275,0

Housing facilities, public utilities, and environmental protection

In 2003, 29 million lats or 12.8% of the City of Riga basic budget expenditures and 36% of the special budget resources were allocated to housing facilities and public utilities sectors.

In 2003 these resources have been utilized mainly on the implementation of the housing program of the City of Riga, the maintenance and renovation of bridges, streets, roads, pedestrian tunnels and lighting systems, as well as the upkeep of cemeteries. Hereof:

- maintenance of the lighting system: 2.4 million lats
- maintenance of streets and roads: 2.5 million lats
- maintenance of regional streets and roads within the city: 0.8 million lats
- maintenance of bridges, crossovers, pedestrian tunnels, fixed embankments and metal barriers: 0.9 million lats;
- upkeep of cemeteries: 0.3 million lats;
- Riga Municipality non-profit LLC "Riga National Zoo": 0.5 million lats;
- Riga Municipality non-profit organization "Rīgas dārzi un parki": 0.6 million lats.

In order to finance the public utilities programs in 2003, additional resources from the special purposes budget (i.e. the Road (street) Fund) were attracted, amounting to 6.2 million lats. The major part of this financing has been utilized on the renovation of street surfacing as well as the maintenance and overhaul of traffic control devices.

In 2003, 10.5 million lats have been used on investment project financing, incl. 4.7 million lats on the housing facilities and public utilities sectors, 3.8 million lats on traffic infrastructure, 1.5 million lats on the environmental protection, etc.

The major investments

Housing facilities and public utilities:

- According to the City of Riga housing program, the following buildings have been acquired:
 - 6 Biešu street: 45 apartments, incl. apartments for youth with insanity derangement in a light form on the first floor;
 - 22b Goba street: social house with 46 apartments;
 - 46 Zaubes street: tenement house of 40 apartments for population of moderate needs;
 - 20 Attekas street, Ādazi: tenement house of 72 apartments;
 - Planning accomplished for the tenement house of 95 apartments on 45/50 Lubānas street;
- Planning and construction of individual heat supply systems as a result of the solid fuel steam shop abolition in the institutions of school-board and social care (40 facilities in total);
- Planning of the reconstruction of steam shops in schools and kindergartens, modernization of heat supply systems;
- Digital land survey of Riga cemeteries;

Budget Performance, year 2003

- Repair of city lighting systems, incl.:
 - overhaul of street lighting systems on Daugavgrīvas (Ūdens-Tvaikoņu) street, Ezermalas street, Antonijas street (span from Dzirnau street to E.Melngaila street), Kalpaka Blvd. (span from Elizabetes street to Antonijas street), A.Čaka street (span from Ģertrūdes street to Matisa street), Kalnciema street (span from Margietas street to Ventpils street), etc.
- continued repairs of street lighting systems;
- overhaul of high-power street lighting power units registering the consumed energy resources on Lubānas street, 260 Maskavas street, Zaļenieku street, Kr.Barona street, 26 Madonas street, etc.;
- provision with the road traffic control, incl. repairs of traffic lights on the intersections of Brīvības street and Dzirnau street, Brīvības street and Lāčplēša street and Brīvības street and Bruņinieku street;
- construction, reconstruction and renovation of the road surfacing, incl. fully completed street renovation program of 2003:
 - Kanāla street, span from Jaunciema Avenue to the boarder of the city, total area of 7500 square meters;
 - Ieroču street, span from Hospitāļu street to Miera street, total area of 2600 square meters, incl. 1040 square meters of pavement;
 - Buļļu street, span from Kleistu street to the overpass, total area of 8325 square meters;
- Reconstruction of the intersection of Uzvaras Blvd. and Valguma street, total area of 2370 square meters;
- Abrenes street, span from Dzirnau street to Lāčplēša street, total area of 6273 square meters, incl. 1601 square meters of pavement, etc.; from the resources of previous years;
- Reconstruction of Ilzenes street and Rankas street, total area of 8730 square meters, incl. 2655 square meters of pavement;
- Construction of Rietumu street and reconstruction of Āzenes street, total area of 18236 square meters, incl. 7343 square meters of pavement;
- Reconstruction of Parādes street, span from Flotes street to Birzes street, etc.;

Environmental protection:

- accomplished the reconstruction of Riga Municipality non-profit LLC "Riga National Zoo" bird dwelling;
- continued Getliņi solid waste project;
- commenced reconstruction of Dzegužkalns park: improvement of the territory, renovation of road surfacing, fences and greenery, etc.;
- reconstruction of public conveniences in Esplanāde;
- acquisition of special purpose municipal equipment for the municipal enterprise "Rīgas dārzi un parki".

Expenditure allocated to public utilities and environmental protection (KLVL)

	2003	2003	2002	2001
	Budget	Actual	Actual	Actual
Housing facilities and public utilities	1 903,0	1 698,2	1 663,1	1 335,8
Water supplies	—	—	—	603,9
Sanitary activities, incl. arrangements for environmental protection	150,0	48,9	2 148,6	284,9
Illumination of streets	2 828,5	2 671,0	2 663,9	2 343,0
Other expenditures related to public utilities and environmental protection	21 274,2	18 255,8	24 922,0	28 908,1
Basic budget expenditure, incl.	26 155,7	22 673,9	31 397,6	33 475,7
Investments	12 840,5	10 531,2	17 297,3	22 306,2
Special purpose budget expenditure	8 378,2	6 222,3	5 942,9	3 449,4
Total	34 533,9	28 896,3	37 340,5	36 925,1

Budget Performance, year 2003

Culture and Sports

In 2003 Riga Municipality utilized 14.1 million lats on financing of cultural and sports events as well as investments in this area. This spending formed 7.5% and 4.4% of the basic budget and special purposes budget expenditures respectively. In comparison to 2002, the amount of spending increased by 3.4 million lats, which was mainly allocated to finance cultural events and institutions of the highest priority.

In 2003 the resources allocated to the culture and sports sector were utilized as follows:

- operation of Riga city libraries: 1.6 million lats;
- operation of recreation centers: 1.1 million lats;
- financing of cultural events: 0.8 million lats;
- remuneration of the curators of folk arts amateur groups: 0.6 million lats;
- Eurovision Song Contest: 0.6 million lats;
- Arts Theater of Latvia support program: 0.7 million lats;
- XXIII General Song and Dance Festival: 0.2 million lats;

- sports events: 0.5 million lats;
- non-profit LLC "Sporta klubs "Rīga"": 0.6 million lats;
- International regatta participation fee and the financing of the event: 0.3 million lats.

In 2003 total investment in culture and sports sector comprised 6.4 million lats.

The major projects:

- In 2003: accomplished flooring repairs in the hall and the balcony and replaced seating for the auditorium of Cinema "Rīga";
- accomplished the second stage of the reconstruction of Daugavas Sporta Nams;
- continued reconstruction of Latvia National Theater;
- planning of the project for the preservation and development of Riga historical center;
- commenced the reconstruction of buildings on 10 Uzvaras Blvd. and the sports complex on 2 Ojāra Vācieša street.

Expenditure allocated to culture and sports (KLVL)

	2003	2003	2002	2001
	Budget	Actual	Actual	Actual
Administration and management of sports and culture related matters	215,2	208,5	207,6	178,5
Sports events	508,5	508,5	379,2	1 084,5
Other sports institutions	3 835,9	3 388,7	2 130,9	–
Libraries	1 619,7	1 566,6	1 465,3	1 372,7
Museums and exhibitions	52,9	46,4	–	0,8
Culture palaces, houses, and clubs	1 198,7	1 051,6	849,7	803,2
Activities related to theaters, shows, and concerts	4 403,3	3 432,3	887,6	–
Cultural events and acquisition of art objects	953,8	767,6	662,8	–
Remuneration and social security payments for curator of folk arts amateur groups	561,3	561,0	533,2	–
Other cultural institutions	1 159,6	959,0	2 531,8	11 311,7
Financial and other administrative management, auxiliary services	–	–	52,7	50,9
Other events related to leisure, sports, culture, and religion	957,5	853,1	274,0	–
Basic budget expenditure, incl.	15 466,3	13 343,2	9 974,9	14 802,3
Investments	8 032,1	6 421,8	4 600,1	5 20,6
Special purpose budget expenditure	859,5	767,6	376,4	36,9
Total	16 325,8	14 110,8	10 351,3	15 167,2

Budget Performance, year 2003

Transport and communications

In 2003 Riga Municipality allocated 20.1 million lats to the provision of the public transport services, which forms 9% and 24.4% of basic and special purposes budget expenditures respectively.

The financing mainly goes to Riga Municipality transport companies: non-profit LLC "Tramvaju un trolejbusu pārvalde", municipal enterprise "Tālava" and non-profit enterprise "Imanta" (in 2003 the municipal enterprise "Tālava" and non-profit enterprise "Imanta" have been merged to form LLC "Rīgas Satiksme").

In 2003 the public transport companies have been allocated 15.9 million lats from the basic budget. These have been utilized as follows:

- provision of public transport services (motor vehicles): 8.4 million lats;
- provision of public transport services (trams and trolley-buses): 3.8 million lats;

- investments: 4.3 million lats;
- Repayment of the World Bank loan: 0.6 million lats;

In 2003 investments in the public transport sector comprised 4.3 million lats.

The major investments:

- acquired 39 new midi-buses to be exploited by LLC "Rīgas Satiksme";
- continued the construction of the point of entry/exit on 28 Kleistu street and the stage 2-2 of the reconstruction of non-profit enterprise "Tālava" repair shop;
- acquisition of the evacuator to be exploited by the municipal enterprise "Autobusu parks "Imanta"";
- commenced the implementation of GPS systems on the city buses.

Expenditure allocated to transportation and communications (KLVL)

	2003	2003	2002	2001
	Budget	Actual	Actual	Actual
Motor vehicles	12 973,7	12 698,0	6 226,4	7 930,3
Water transport	–	–	331,8	–
Other services related to transportation and communications	3 801,5	3 205,7	2 761,6	3 897,1
Basic budget expenditure, incl.	16 775,2	15 903,8	11 023,7	10 123,5
Investments	4 528,0	4 252,4	4 974,2	5 905,9
Special purpose budget expenditure	4 437,9	4 222,5	4 317,9	2 808,2
Total	21 213,1	20 126,3	15 341,6	12 931,7

Public order and security

In 2003 Riga Municipality allocated 3.7 million lats or 2.1% of the basic budget expenditures to the public order and security related matters and activities. Hereof 0.3 million lats can be classified as investments.

Lately, the City of Riga has come to the front with diverse events of an international character, attracting an increasing amount of tourists and providing the population of Riga and the whole Latvia with new opportunities for leisure

activities within the city environment. To ensure public order and security during the arrangements of this kind, Riga Fund for Public Order has been established.

The major investments:

- commenced the reconstruction of the building on 17 Viestura Avenue and the acquisition of furniture, with the purpose to establish the Directorate of the Northern District of Riga Municipal Police.

Expenditure allocated to public order and security (KLVL)

	2003	2003	2002	2001
	Budget	Actual	Actual	Actual
Priorities by government function				
Public order and security matters, unclassified earlier (Municipal Police)	3 997,4	3 646,7	2 766,1	2 846,9
Other services related to public order and security, unclassified earlier	0,4	0,4	–	–
Basic budget expenditure, incl.	3 997,8	3 647,1	2 766,1	2 846,9
Investments	475,3	333,5	8,9	558,0
Special purpose budget expenditure	40,0	1,2	175,6	121,9
Total	4 037,8	3 648,3	2 941,7	2 968,8

Riga Municipality Budget, year 2004 (Riga City Council regulations No.55, effect. May 25, 2004)

	2004 Budget, LVL
Total revenues	217 290 058
Basic budget revenues	203 043 650
Tax revenues	151 212 708
Personal income tax	127 043 989
Real estate tax on land	9 416 758
Real estate tax on buildings and premises	13 611 961
Gambling tax	1 140 000
Non-tax revenues	14 832 301
Payments for utilization of municipal funds	180 000
Government and municipality fees and payments	733 131
Revenues from paid services provided by public authorities and other own revenues	12 422 301
Fines	258 269
Other non-tax revenues	1 238 600
Payments received	36 998 641
Earmarked subsidies	34 839 112
Subsidies from state budget	2 159 529
Basic budget revenues	14 246 408
Revenues from sources of funds designated to special purposes	13 499 353
Revenues from sources of funds designated to special purposes	747 055
Total expenditures	234 51 433
Basic budget	211 228 290
Maintenance costs	190 400 010
Recurrent expenses	121 331 695
Payments on loans	5 111 354
Subsidies, incl.:	63 956 961
deposits to municipal cohesion fund	24 627 088
Expenditure on capital investments	19 652 922
Expenditure on acquisition and overhaul	1 971 075
Earmarked subsidies for investments	900 841
Investments	16 781 006
Acquisition of land	1 175 358
Special purpose budget	22 823 143
Maintenance costs	9 694 570
Recurrent expenses	8 694 643
Subsidy	999 927
Expenditure on capital investments	13 128 573
Expenditure on acquisition and overhaul	13 128 573

Riga Municipality Budget, year 2004 (Riga City Council regulations No.55, effect. May 25, 2004)

	2004 Budget, LVL
Fiscal balance	-16 761 375
Basic budget	-8 184 640
Special purpose budget	-8 576 735
Financing	16 761 375
Basic budget	8 184 640
From other state administration institutions	-5 000 000
Budget surplus, beginning of year, incl.:	7 281 421
in the budget executor accounts	5 885 693
Other internal financing	5 960 034
External financing	-56 815
Special purpose budget	8 576 735
Change in budget resources	8 576 735
Budget balance, beginning of period	11 505 525
Budget balance, end of period	2 928 790