Text consolidated by Valsts valodas centrs (State Language Centre) with amending laws of:

25 November 1996 [shall come into force on 20 December 1996];

1 October 1997 [shall come into force on 9 October 1997];

1 April 1998 [shall come into force on 17 April 1998];

25 November 1999 [shall come into force on 1 January 2000];

23 November 2000 [shall come into force on 1 January 2001];

31 October 2002 [shall come into force on 1 January 2003];

19 December 2002 [shall come into force on 1 January 2003];

30 October 2003 [shall come into force on 1 January 2004];

20 December 2004 [shall come into force on 1 January 2005];

20 October 2005 [shall come into force on 1 January 2006];

19 December 2006 [shall come into force on 1 January 2007];

8 November 2007 [shall come into force on 1 January 2008];

14 November 2008 [shall come into force on 1 January 2009];

28 May 2009 [shall come into force on 10 June 2009];

12 June 2009 [shall come into force on 1 July 2009];

10 September 2009 [shall come into force on 19 September 2009];

1 December 2009 [shall come into force on 1 January 2010];

28 October 2010 [shall come into force on 24 November 2010];

25 November 2010 Constitutional Court judgement [shall come into force on 30 November 2010];

20 December 2010 [shall come into force on 1 January 2011];

16 June 2011 [shall come into force on 7 July 2011];

14 July 2011 [shall come into force on 29 July 2011];

17 November 2011 [shall come into force on 24 November 2011];

15 December 2011 [shall come into force on 1 January 2012];

15 November 2012 [shall come into force on 1 January 2013];

4 April 2013 [shall come into force on 26 April 2013];

19 September 2013 [shall come into force on 4 October 2013];

6 November 2013 [shall come into force on 1 January 2014];

30 January 2014 [shall come into force on 14 February 2014];

30 October 2014 [shall come into force on 1 January 2015];

30 November 2015 [shall come into force on 1 January 2016];

21 January 2016 [shall come into force on 27 January 2016];

21 April 2016 [shall come into force on 11 May 2016];

23 November 2016 [shall come into force on 1 January 2017];

23 November 2017 [shall come into force on 1 January 2018];

6 December 2018 [shall come into force on 13 December 2018];

7 February 2019 [shall come into force on 9 February 2019];

3 April 2019 [shall come into force on 13 April 2019];

17 October 2019 [shall come into force on 19 November 2019];

23 November 2020 [shall come into force on 1 January 2021];

3 December 2020 [shall come into force on 1 January 2021];

10 December 2020 [shall come into force on 1 January 2021].

If a whole or part of a section has been amended, the date of the amending law appears in square brackets at the end of the section. If a whole section, paragraph or clause has been deleted, the date of the deletion appears in square brackets beside the deleted section, paragraph or clause.

The *Saeima* 1 has adopted

and the President has proclaimed the following law:

**On Budget and Financial Management**

[*19 December 2002*]

This Law prescribes the procedures for the formulation, approval and implementation of the State budget and local government budgets and the responsibility in the budget process. Within the meaning of this Law, financial management shall apply to the funds of the State budget and local government budgets. The provisions of this Law shall apply to the financial activities of economic operators and organizations in cases when funds from the State budget or local government budgets have been allocated thereto, a share of capital has been invested therein by the State or local governments, or it is specially so provided by a law or Cabinet regulations. The provisions of this Law shall also apply to the State and local government agencies and to public foundations.

[*1 April 1998; 25 November 1999; 23 November 2000; 31 October 2002; 19 December 2002; 20 December 2004*]

**I. TERMS USED IN THIS LAW**

**Loans** – budgetary funds transferred to local governments and other legal persons with which these persons have the right to act and which they have an obligation to repay, and also loans for fulfilling the obligations taken if the taker of the loan has remained in debt to the State or a local government.

**Repayments of loans** – loans repaid to the State or a local government.

**Set of assets** – all fixed assets (immovable property, movable property) and current assets (receivables, raw materials, inventory) owned by the applicant for a State loan or guarantee which such applicant for a State loan or guarantee is entitled to pledge.

**Appropriation** – an authorisation granted by the State budget law in a specific amount allowing the Treasury to assign and make payments for specific purposes from the revenues of the State budget, or a decision by a local government council to make payments for local government purposes from the local government budget revenues.

**Appropriation reserve** – a part of appropriation determined in the annual State budget law which the Cabinet allocates in conformity with the conditions laid down in this Law and the annual State budget law.

**Foreign financial assistance** – financial assistance received from the European Union, foreign governments, international organisations or other providers of foreign assistance.

**Assignation** – an authorisation to assume short-term liabilities or make payments for a specific purpose from the State budget funds on the basis of an appropriation.

**Delay in assignations** – restriction of the assignations of the State budget in a specific amount without changing the total amount of assignations for the financial year.

**Reduction in assignations** – restriction of the assignations of the State budget in a specific amount reducing the total amount of assignations for the financial year.

**High security** – a pledge intended for the securing of a State loan or guarantee the forced sale value of which determined by a certified evaluator for fixed assets (immovable property, movable property) or current assets (receivables, raw materials, inventory) or the forced sale value of which determined by the Treasury for current assets (receivables, raw materials, inventory) or another pledge is equal to or exceeds the amount of the planned State loan or guarantee.

**Bodies financed from the budget** – budget institutions, derived public entities partially financed from the State budget, all economic operators, associations or foundations financed fully or partially directly from the State budget.

**Institutions non-financed from the budget** – institutions of direct State administration subordinated to a member of the Cabinet performing certain State administration functions or tasks and whose activities are fully, except in the case provided for in this Law, financed from the revenues thereof for the paid services provided and other own revenue, gifts, donations and foreign financial assistance.

**Budget institution** – a State or local government institution, a derived public entity fully financed from the State or local government budget, and also a State or local government agency.

**Persons implementing the budget** – managers of the bodies financed from the budget authorised by an assignation to make budget expenditures or to assume short-term liabilities, or entitled to assume long-term liabilities with respect to the budget.

**Package of draft budget laws** – a package of draft laws consisting of the draft annual State budget law or draft amendments to the annual State budget law, and draft laws determining or amending the State budget.

**Budget programme** – an aggregate of mutually related measures or services oriented to a common purpose planned, implemented, recorded and controlled at the bodies financed from the budget in accordance with this Law and for the implementation of which the persons implementing the budget are liable. The budget programme may be divided into subprograms.

**Budget unit** – a ministry, other central State institution or an individual aggregate of resources and expenditures separated from budgets of ministries or other State central institutions for which budgetary funds are directly provided for in the annual State budget law in accordance with the appropriation procedure.

**Budget preparation schedule** – a schedule for the development and submission of the draft medium term budget framework law and a draft annual State budget law which has been approved by the Cabinet.

**Budget investments** – budget expenditures for fixed capital formation as a result of which a new fixed asset, investment property, or intangible investment is created or which improve the condition of the relevant fixed asset, investment property, or intangible investment (rebuilding, restoration, or renewal of an asset) during the useful life thereof or which significantly change the properties of the existing asset in comparison with its previous indicators.

**Central State institution** – a State budget institution for which budgetary funds are directly provided for in the annual State budget law in accordance with the appropriation procedure.

**Dividends** – revenue from the use of the State capital, not counting interest payments.

**Grants** – budgetary funds allocated to other budgets, economic operators, associations and foundations and other authorities according to the procedures laid down in laws and regulations in order to ensure the performance of the State or local government functions.

**Grants from general revenues** – funds received by the State budget authorities or local governments, with or without a designated (earmarked) purpose, from taxes, fees and other payments paid into the revenues of the State budget in accordance with centralised procedure.

**European Union own resources** – resources determined in the European Union legislation that are provided for ensuring the financing of the European Union budget.

**European Union policy instruments** – the European Union structural funds, the Cohesion fund, the financial resources of the Common Agricultural Policy and other financial resources of the European Union directed by the European Commission for the implementation of its policies in a Member State to achieve the purposes determined in the Treaty on European Union.

**Financial plan** – a breakdown of expenditures and financing for the covering of the expenditure of the resources of a budget institution or a measure financed from the State budget allowing to receive an assignation from the Treasury.

**Revenues** – payments of the taxes, the State and local government fees and other payments collected or received into the budgets in accordance with tax laws, and also the revenues of the budget institutions from the paid services provided thereby and other own revenues, the revenues ear-marked for specific purposes, the net revenues from realisation of assets, interest payments received and dividends, foreign financial assistance, donations and monetary gifts or gifts in kind (accounted for monetarily), and also the revenues from the transfers received.

**Package of draft framework laws** – a package of draft laws which consists of a draft medium term budget framework law or draft amendments to a medium term budget framework law and draft laws affecting the State budget in medium term.

**Maximum permissible amount of the State budget long-term liabilities** – an authorisation granted to a ministry or other central State institution within the limits determined in the annual State budget law to enter into contracts for ensuring implementation of the measures, projects or liabilities undertaken internationally of national importance paid in the subsequent financial years of the financial year.

**Short-term liabilities** – contracts entered into for ensuring the functions of the State or local governments, including contracts for the received services which are paid by the body financed from the budget within the financial year.

**Expenditures** – all payments from the budget, except for the payments for the repayment of the principal amount of debts and the payments made in accordance with those financial transactions that are accounted in conformity with the classification of financing approved by the Cabinet.

**Consolidated general budget** – the sum of the State budget, the local government budgets, the budgets of derived public entities partially financed from the State budget and the budgets of the institutions non-financed from the budget from which transfers have been deducted.

**Paid service** – an aggregate of measures which a State budget institution performs for payment in order to ensure the needs of the society in the cases provided for by external laws and regulations.

**Earmarked grants** – the State budget funds allocated to other budgets for financing of a specific purpose.

**Funds not received from the State budget** – funds of local governments, derived public entities financed partly from the State budget, institutions non-financed from the budget, and capital companies in which a State or local government capital share has been invested, that have not been received from the State budget as a State loan or a State budget grant on the basis of an agreement or in accordance with the delegation procedure of laws and regulations as a funding security for the performance of a specific State administration task or for the implementation of a specific purpose (project or measure).

**Security** – a commercial pledge, mortgage, financial pledge or guarantee intended to secure a State loan or guarantee.

**Basic budget** – a part of the budget formed of a grant from the general revenues, a grant for specific purposes, the revenues from the paid services and other own revenues, transfers, foreign financial assistance, expenditure provided for to be covered from these revenues, and also the State budget loans and repayments of the State budget loans.

**Economic operator, association and foundation financed directly from the budget** – a commercial company, association, foundation, trade union, religious organisation and its institution which, in accordance with the appropriation determined in the annual State budget law, receive a grant or an earmarked grant from the person implementing the budget on the basis of an agreement or in accordance with the delegation procedure of laws and regulations as a funding security for the performance of a specific State administration task or for the implementation of a specific purpose (project or measure).

**Transfer** – a transfer of funds specially earmarked in the budget which may be made within the scope of one budget or between various budgets. The recipient of the transfer may use the transfer of the budget funds received both for covering expenditure and for transferring further to another recipient of the transfer.

**State budget long-term liabilities** – contracts entered into for ensuring the performance of the State functions, the measures, projects or liabilities undertaken internationally of national significance, including the contracts for the services to be received, in accordance with the provisions of which a body financed from the budget shall make payments in the subsequent financial years of the financial year.

**National debt** – the total of the liabilities attributable to the State budget and expressed in monetary terms in the categories for the classification of budgetary debt instruments.

**Medium term State budget planning** – a process in which the resources accessible for the medium term are determined and the use of these resources is ensured in conformity with the priorities determined by the government.

**Medium term** – a three-year period formed by the financial year for which the State budget is planned and the subsequent two financial years.

[*25 November 1996; 1 October 1997; 1 April 1998; 25 November 1999; 23 November 2000; 31 October 2002; 19 December 2002; 30 October 2003; 20 December 2004; 20 October 2005; 19 December 2006; 8 November 2007; 14 November 2008; 1 December 2009; 20 December 2010; 16 June 2011; 15 December 2011; 15 November 2012; 23 November 2016; 23 November 2017; 3 April 2019; 23 November 2020*]

**II. General Provisions**

**Section 1. Budget and the Purpose Thereof**

(1) A budget is a means for implementation of the State policy through financial methods. The budget is the foundation for financial activities and management of the government.

(2) The purpose of the budget is to determine and substantiate the means required for the government, other State authorities and local governments to fulfil the State obligations whose financing is determined by legislative acts, ensuring that within the period for which these funds are provided for the expenditures are covered by corresponding revenues. When formulating the budget, the necessity of ensuring an overall economic balance shall be taken into account.

**Section 2. Financial Management**

(1) Financial management shall encompass all administrative measures necessary for ensuring the budget formulation and implementation process, including the control and responsibility measures. Financial management shall be implemented in conformity with the fiscal policy principles laid down in the Fiscal Discipline Law.

(2) The Cabinet shall ensure the formulation and implementation of the State budget, as well as determine the procedures for financial activities of local governments and institutions non-financed from the budget.

(3) The Cabinet shall issue orders, instructions and recommendations for the detailed application of this Law.

(4) [20 October 2005]

(5) [8 November 2007]

[*23 November 2000; 31 October 2002; 19 December 2002, 20 December 2004; 20 October 2005; 8 November 2007; 1 December 2009; 4 April 2013*]

**Section 3. Division of the Budgets**

(1) Budgets are classified as the State budget and local government budgets, budgets of derived public entities partially financed from the State budget and budgets of the institutions non-financed from the budget.

(2) The State budget shall consist of a basic budget, special budget, donations and gifts.

(21) The local government budgets shall consist of a basic budget, donations and gifts.

(3) A consolidated general budget shall be made for informational purposes.

[*1 April 1998; 1 December 2009; 15 December 2011; 3 April 2019 /* *The new wording of Paragraph two and Paragraph 2.1 shall come into force on 1 January 2020.* *See Paragraph 88 of Transitional Provisions*]

**Section 4. Financial Year**

A financial year shall begin on 1 January and end on 31 December.

**Section 5. State Budget**

(1) All payments which in accordance with a law or other regulatory enactment or a contract are to be included in the State budget revenues are the State budget funds which in accordance with the appropriation determined in the annual State budget law may be appropriated for the State purposes.

(2) The payments for the use of the State capital made by the State undertakings each year, as well as of the companies having a share of the State capital are also the State budget funds. The Cabinet shall determine the amount of and the procedures by which payments for the use of the State capital shall be made and included in the State budget.

(3) The State budget funds may be allocated or received only according to the appropriation provided for in the annual State budget law.

(4) The State budget expenditures consist of appropriations determined for specific State needs in accordance with the annual State budget law.

(5) The financial balance of the State budget is the difference between the revenues and expenditures of the State budget. The State budget has a financial surplus if the financial balance of the State budget is positive or the State budget revenues exceed the expenditures. The State budget has a financial deficit if the financial balance of the State budget is negative or the State budget expenditures exceed the revenues.

(6) The State budget loans are the State budget funds which have been transferred to legal persons and create the right to deal with them and the obligation to return the loan received, as well as the loans from the State budget for fulfilling the liabilities taken in accordance with State guarantees issued.

(7) Repayments of the State budget loans are formed of all the loans repaid.

(8) [19 December 2006]

(9) The Cabinet shall issue regulations regarding the approval of the price lists for the paid services provided by the institutions of direct State administration.

(10) The Cabinet shall determine the procedures by which ministries and other central State institutions shall plan, implement, supervise and account for the results of the State budget programme (sub-programme) and the indicators thereof, as well as provide reports on them.

(11) The Cabinet shall determine the types, the price and the procedures for the paid services provided by the courts.

(12) The Cabinet shall determine the procedures by which income from the paid services provided by the State budget institutions and the expenditures related to the provision of these services are planned and accounted, as well as the methodology for determination of pricing for the paid services.

(121) Upon determining the price of a paid service, a condition shall be taken into account that payment for a service may not exceed the costs related to the provision of the service.

(13) The Cabinet shall determine the procedures by which a body financed from the budget shall participate in the implementation of programmes financed from the European Union and international institutions in another country and plan and account the project financing.

(14) The Cabinet shall regulate the procedures by which State budget institutions shall allocate funding from the State budget to private individuals for the performance of State administration tasks and supervise the use of the allocated funding.

(15) The term “private individual” in Paragraph fourteen of this Section is used within the meaning of the State Administration Structure Law.

[*23 November 2000; 31 October 2002; 20 December 2004; 20 October 2005; 19 December 2006; 8 November 2007; 12 June 2009; 20 December 2010; 15 November 2012; 4 April 2013*]

**Section 6. Local Government Budgets**

(1) Local government budgets for each financial year shall include all the revenues collected or received by local governments (local government authorities) and borrowings appropriated by local governments for local government purposes. Local government budgets shall have a revenue part, an expenditure part and a financing part.

(2) Funds provided for in a local government budget may be allocated or received by local government authorities in conformity with the purposes and in the amount provided for in the budget approved by the council.

(3) The distribution of revenues between the State budget and local government budgets, as well as the equalisation of the State budget grants to be allocated to local governments and of the economic opportunities in territories shall be determined in laws on which these revenues are based, in special laws or in the annual State budget law.

(4) [23 November 2000]

[*25 November 1996, 23 November 2000; 31 October 2002, 14 November 2008 / Amendment to this Law with regard to the deletion of the word “(district and parish councils)” in brackets shall come into force on 1 July 2009. / See Transitional Provisions*]

**Section 6.1 Budgets of the Institutions Non-financed from the Budget**

(1) The revenues of the institutions non-financed from the budget shall include the revenues from the paid services provided by such institutions and other own revenues, gifts, and donations, as well as foreign financial assistance.

(2) If, when adopting a law or taking a Cabinet decision, an administrative task is determined for an institution non-financed from the budget for whose financing revenues from the paid services provided or other own revenues are not provided for, the institution non-financed from the budget may receive a grant from the general revenues for ensuring the performance of this task in accordance with the annual State budget law.

(3) Institutions non-financed from the budget may participate in projects of the European Union policy instruments and in projects of other foreign financial assistance without receipt of the State budget co-financing.

(4) Institutions non-financed from the budget may assume long-term liabilities if these liabilities are confirmed by the ministry (a supervisory body). A performance deadline of long-term liabilities may not exceed 10 years and the maximum permissible amount of long-term liabilities for which a performance deadline has occurred in the relevant financial year may not exceed 20 per cent of the planned revenues for a current financial year of the institution non-financed from the budget.

(5) A surplus from funds of a current year of the institutions non-financed from the budget may be used in the following year for covering the expenditures.

[*1 December 2009*]

**Section 7. Basic Budget**

(1) A basic budget is a part of the budget that includes the following:

1) all the State or local government revenues provided for covering the expenditures, except for the revenues of the special budget, gifts and donations;

2) appropriations for all the State and local government expenditures provided for to be covered from the funds of the basic budget;

3) local government budget borrowings and repayment of borrowings.

(2) The State budget loans, repayments of the State budget loans, expenditures for meeting the liabilities regarding the guarantees issued on behalf of the State to be covered from the State budget funds shall be applicable only to the basic budget unless otherwise provided for by law.

[*1 April 1998; 23 November 2000; 14 November 2008; 3 April 2019 /* *Amendment to Paragraph one, Clause 1 regarding exclusion of the words “earmarked for special purposes” shall come into force on 1 January 2020.* *See Paragraph 88 of Transitional Provisions*]

**Section 8. Special Budget**

(1) The special budget is a part of the State budget intended for the State social insurance that includes the following:

1) the covering of the State budget expenditures provided for in the Law from sources of revenues earmarked for special purposes;

2) [3 April 2019 / See Paragraph 88 of Transitional Provisions];

3) borrowings from the State basic budget and repayment to the State basic budget;

31) [16 June 2011];

4) [3 April 2019 / See Paragraph 88 of Transitional Provisions]*.*

(2) [23 November 2000]

(3) Transfers from the basic budget account to the special budget account shall only be permitted according to an appropriation.

[*25 November 1996; 1 April 1998; 23 November 2000; 19 December 2006; 14 November 2008; 20 December 2010; 16 June 2011; 3 April 2019 /* *Amendment regarding supplementation of the introductory part of Paragraph one with the words “the State budget intended for the State social insurance” after the words “The special budget is”, and regarding exclusion of Paragraph one, Clauses 2 and 4 shall come into force on 1 January 2020.* *See Paragraph 88 of Transitional Provisions*]

**Section 8.1 Long-term Stabilisation Reserve**

(1) The long-term stabilisation reserve is a fiscal policy instrument whose purpose is the following:

1) to reduce general economic risks;

2) [14 November 2008];

3) to avoid socio-economic crises or to reduce the impact thereof;

4) to ensure the availability of financial resources in the case of emergency situation.

(2) The procedures for establishing and using the long-term stabilisation reserve shall be laid down in the Law on Long-Term Stabilisation Reserve and the Fiscal Discipline Law.

(3) [14 November 2008]

[*8 November 2007; 14 November 2008; 4 April 2013*]

**Section 9. Appropriations**

(1) The State budget appropriations shall be determined by the annual State budget law. Local government budget funds shall be appropriated in accordance with the procedures laid down in this Law and other laws.

(2) Any amendment referring to the amount, purposes or terms of an appropriation shall be made in accordance with the provisions of this Law.

(3) The special budget shall have an appropriation permitting only the expenditures that do not exceed the amounts of actual revenues in the financial year and the surpluses of the funds at the beginning of the financial year and the borrowing from the State basic budget.

(4) All the appropriations shall cease to be in effect at the end of the financial year.

(5) [1 December 2009]

(6) [1 December 2009]

(7) [1 December 2009]

(8) [1 December 2009]

(9) [1 December 2009]

(10) [1 December 2009]

(11) [1 December 2009]

(12) [1 December 2009]

(13) The Minister for Finance has the right to perform the following reallocations of the appropriations in accordance with the procedures stipulated by the Cabinet informing the *Saeima* thereof:

1) for a ministry or other central State institution within the appropriation determined in the annual State budget law among the programmes, sub-programmes and expenditure codes in conformity with economic categories;

2) from the appropriation planned in a separate budget programme for undivided financing for the implementation of the European Union policy instruments and other foreign financial assistance projects and measures which is not being planned in a ministry or other central State institution budget to ministries and other central State institutions, as well as appropriations from ministries and other central State institutions for the implementation of the European Union policy instruments and other foreign financial assistance projects and measure to the separate budget programme in which appropriations for undivided financing for implementation of the European Union policy instruments and other foreign financial assistance projects and measures are planned.

(131) The Minister for Finance has the right to perform the following changes of the appropriations informing the *Saeima* thereof:

1) among ministries and other central State institutions for making of transfers during the implementation process of the annual State budget, as well as for transfers to be received by the State budget from the local government budgets, the budgets of derived public entities partially financed from the State budget and the budgets of the institutions non-financed from the budget;

2) for the use of foreign financial assistance funds granted to the State budget institutions and for the use of the surplus of foreign financial assistance funds at the beginning of a financial year;

3) for the use of the revenues of the State budget institutions for the paid services provided and other own revenues;

4) for the use of the surplus of the revenues of the State budget institutions for the paid services provided and other own revenues at the beginning of a financial year if the sum total of amount of the surpluses to be used within the framework of the programme (or sub-programme if the programme has sub-programmes) during a financial year does not concurrently exceed five per cent of the total expenditures planned for the programme (sub-programme) in the State budget law for the current year and the value of EUR 100 000;

5) for the use of the of the revenues of the State Social Insurance Agency from the administration of the State funded pension scheme at the beginning of a financial year.

(132) The Minister for Finance has the right to make reallocations of the appropriations referred to in Paragraph thirteen, Clause 1 of this Section between the programmes, sub-programmes and budget expenditure codes according to economic categories in conformity with the following conditions:

1) the total amount of reallocation between the basic budget programmes (sub-programmes) may not create an increase in each individual programme (sub-programme) which would concurrently exceed five per cent of the amount of annual appropriation approved for the programme (sub-programme) and value of EUR 100 000;

2) appropriation may be reallocated from capital expenditure to current expenditure only when it does not affect the maximum permissible amount of expenditures determined for a ministry or another central State institution for the subsequent years;

3) transfers to local governments, derived public entities partly financed from the State budget and institutions non-financed from the budget are only secured by means of transfers;

4) reallocation of appropriation may not be made for increasing the remuneration if it affects the maximum permissible amount of expenditures determined for a ministry or another central State institution for the subsequent years;

5) appropriation may not be reallocated from the expenditures for social benefits and pensions (including service pensions) to other expenditures;

6) appropriation may not be reallocated from the expenditures for the implementation of the projects and measures of the European Union policy instruments and other foreign financial assistance, emission allowance auctioning instrument to other expenditures;

7) changes which increase the total amount of expenditures and the maximum permissible amount of long-term liabilities of a ministry for the subsequent years may not be made in appropriation for the implementation of the State basic functions;

8) appropriation may not be reallocated between the basic budget and the special budget approved in the annual State budget law;

9) appropriation may not be reallocated for an increase in the appropriation for the special budget of the State Social Insurance Agency.

(133) Conditions of Paragraph 13.2 of this Section shall not be applicable to the following:

1) the reallocation of appropriation between programmes, sub-programmes and budget expenditure codes according to economic categories within the appropriation of the basic budget determined for a budget unit in the annual State budget law if the reallocation is made to the expenditures for social benefits and pensions (including service pensions);

2) the reallocation of appropriation between programmes, sub-programmes and budget expenditure codes according to economic categories within the appropriation of the basic budget determined for a budget unit in the annual State budget law if the reallocation is made from the expenditures for social benefits planned for the budget unit for the following;

a) the disbursement of scholarships for students studying in professional and higher education programmes accredited by the State;

b) the disbursement of benefits in case of the death of an official (employee);

c) the disbursement of benefits in case of the disability of an official (employee) who has been in an employment (service) relationship or the disbursement of part of this benefit if health condition of an official (employee) has deteriorated and another disability group has been determined thereto within five years from the day of the accident;

d) the compensations for the coverage of burial expenses of an officer (employee), the health care expenditures of a retired official with special service rank of the Ministry of the Interior or the Latvian Prison Administration;

e) the disbursement of benefits to soldiers;

f) the disbursement of State compensations to persons who have been recognised as victims in accordance with the procedures laid down in the Criminal Procedure Law;

3) the reallocation of appropriation between programmes, sub-programmes and budget expenditure codes according to economic categories within the appropriation of the basic budget determined for a budget unit in the annual State budget law, provided that the Cabinet decision to reallocate the appropriation has been taken. Such reallocation of appropriation may be performed if the Budget and Finance (Tax) Commission of the *Saeima* has not objected to the reallocation of the appropriation within five working days from the day of receipt of the relevant information;

4) the reallocation of appropriation for the implementation of European Union policy instrument and other foreign financial assistance co-financed projects and measures, as well as for the implementation of measures of emission allowance auctioning instrument within the appropriation determined for a budget unit in the annual State budget law between programmes, sub-programmes and budget expenditure codes according to economic categories;

5) the reallocation of appropriation between measures of emission allowance auctioning instrument and Climate Change Financial Instrument;

(6) the reallocations of appropriations referred to in Paragraph fifteen of this Section.

(134) The annual State budget law may include conditions which the Minister for Finance takes into account when deciding on the reallocation of appropriation.

(14) The Minister for Finance has the right to increase the appropriation determined in the annual State budget law if the Budget and Finance (Tax) Commission of the *Saeima* has examined it and has not objected to the increase in the appropriation within five working days from the receipt of the relevant information only for the following purposes:

1) for the use of the surplus of the revenues of the State budget institutions for the paid services provided and other own revenues at the beginning of a financial year, except for the case referred to in Paragraph 13.1, Clause 4 of this Section;

2) for the increase in the own resources of the European Union and accounting with the European Union;

3) for the implementation of international court and Constitutional Court judgments;

4) [6 November 2013];

5) for the implementation of the European Union policy instruments and other foreign financial assistance projects and measures;

6) for the covering of special budget expenditure determined in laws and regulations;

7) for the payment of the guaranteed reimbursements determined in the Law for ensuring resources missing in the Deposit Guarantee Fund;

8) for the contributions into the registered capital of the European Stability Mechanism, without exceeding the amount of the paid-in capital and total callable capital to be requested, if a Cabinet decision has been taken on increasing the appropriation.

(15) The Minister for Finance has the right to reallocate the appropriation among ministries and other central State institutions including in cases of function reallocation or structural reforms if the Cabinet decision has been taken and the *Saeima* has agreed with such reallocation by a separate decision.

(16) The Minister for Finance has the right to increase the appropriation determined in the annual State budget law for the fulfilment of the liabilities of the national debt and to extend the permissible limits of government actions if the Budget and Finance (Tax) Commission of the *Saeima* has not objected against increase in appropriation and extending of the permissible limits of government actions within five working days from receipt of the relevant information.

(17) Changes in the appropriation among budget units shall be ensured as a transfer payment if it does not result in change in the purpose of use, except for the reallocation of appropriation between the budget unit “Financing to be reallocated during the implementation process of the annual State budget” and other budget units and the reallocation referred to in Paragraph fifteen of this Section.

(18) The Minister for Finance has the right to reallocate the appropriation from the budget expenditure codes according to economic categories to the financing classification category codes within the appropriation determined for a ministry or another central State institution in the annual State budget Law, provided that the relevant Cabinet decision has been taken and the reallocation of the appropriation does not have a negative impact on the balance sheet of the general government budget in nominal terms in accordance with the methodology of the European system of national and regional accounts in the European Union.

(19) The Minister for Finance has the right to, by informing the *Saeima* thereof, increase an appropriation for the financing classification category codes for a ministry or another central State institution that is a holder of capital shares in a relevant capital company in order to make a financial contribution in the fixed capital of capital companies under decisive influence of the State for ensuring important national functions or promoting development of national economy. Such an increase in appropriation may be made, if the relevant Cabinet decision has been taken and the increase in the appropriation does not have a negative impact on the balance sheet of the general government budget in nominal terms in accordance with the methodology of the European system of national and regional accounts in the European Union.

[*31 October 2002; 19 December 2002; 30 October 2003; 20 December 2004; 19 December 2006; 8 November 2007; 14 November 2008; 12 June 2009; 1 December 2009; 20 December 2010; 16 June 2011; 15 December 2011; 4 April 2013; 6 November 2013; 30 January 2014; 23 November 2017; 3 April 2019; 23 November 2020*]

**Section 9.1 Appropriation Reserve**

(1) In the annual State budget law, the budget programme “Appropriation Reserve” shall be planned separately from the budgets of the ministries or other central State institutions. Such funds for the project maintenance appropriation reserve and for the reserve of the unused assignations shall be planned in this budget programme which are requested and used by the ministries and other central State institutions in accordance with the procedures stipulated by the Cabinet, taking into account the provisions laid down in this Section.

(2) The Minister for Finance has the right to reallocate the project maintenance appropriation reserve to the ministries and other central State institutions by programmes, sub-programmes, and budget expenditure codes according to economic categories so that the ministries and other central State institutions could ensure the maintenance of the completed European Union policy instruments and other foreign financial assistance co-financed projects in conformity with the following conditions:

1) a project or a stage thereof has been fully completed, put into operation, a final settlement payment has been made for it, and it shall be further financed from the Sate budget funds;

2) an appropriation has not been allocated for the maintenance of a project in the annual State budget law;

3) information and communication technology projects are maintained according to the concluded contracts, other supporting documents and calculations of maintenance expenses necessary for the information systems by appending an opinion of the Ministry of Environmental Protection and Regional Development.

(3) The Minister for Finance has the right to reallocate the reserve of the unused assignations to the ministries and other central State institutions by programmes, sub-programmes, and budget expenditure codes according to economic categories, taking into account the assignations of the relevant budget unit not used in the previous financial year for the implementation of the basic State functions the resource for covering the expenditures of which was a grant from general revenues in the following expenditure categories:

1) expenditures for fixed capital formation;

2) expenditures for subsidies, grants, and international co-operation;

3) expenditures for remuneration, goods, and services;

4) expenditure transfers from the State basic budget to the State special budget for financing the operation of the State Social Insurance Agency.

(4) Ministries and other central State institutions shall not request funds from the reserve of the unused assignations for such unused assignations which result from the financing allocated to one-time priority measures and from the implementation of fixed-term one-time measures of the previous financial year the objective of which has been achieved already in the previous financial year. Ministries and other central State institutions shall not request funds and they shall not be reallocated for measures having an impact on the subsequent financial years.

(5) If the funds reallocated from the reserve of the unused assignations are used for increasing the remuneration expenditures in the current financial year, the increase shall not exceed five per cent of the amount of the appropriation of the current financial year approved for the budget unit in this expenditure category.

(6) The Minister for Finance has the right to increase the appropriation determined in the budget programme “Appropriation Reserve” in the annual State budget law, taking into account the provisions laid down in Paragraphs two, three, four, and five of this Section, if the Cabinet has taken the decision and the Budget and Finance (Taxation) Committee of the *Saeima* has examined it and has not objected to the increase in the appropriation within five working days from the day of receipt of the relevant information.

(7) In addition to the conditions referred to in this Section, the annual State budget law may lay down provisions for the use of the budget programme “Appropriation Reserve”.

[*23 November 2020*]

**Section 10. Amendments to Budgetary Revenues and Expenditures**

(1) The Minister for Finance shall provide an opinion regarding draft laws which provide for additional expenditures or changes in the revenues and which are not submitted by the Cabinet not later than within two weeks from the date of receipt of the relevant draft law.

(2) If, following the coming into force of the State budget law, the *Saeima* adopts laws or the Cabinet takes decisions causing an increase in local government expenditures or a decrease in their revenues in the current financial year, the State budget funds from which the increase in the local government expenditures or the decrease in their revenues will be covered shall be specified in these laws or decisions.

(3) If, following the approval of the State budget, the *Saeima* adopts laws or the Cabinet takes decisions allowing the budgetary expenditures of local governments to be decreased or their revenues to be increased, such surplus of funds may, in accordance with the procedure regarding State budget appropriation, be directed for the needs of the State or local governments.

(4) If local governments, exceeding their competence, take decisions as a result of which the revenues of the State budget decrease or expenditures increase, the amounts required to cover losses shall be paid from the local government budgets into the State budget.

[*25 November 1996; 1 October 1997; 19 December 2002; 16 June 2011*]

**Section 11. Classification**

In order to ensure the control of the use of the budget funds and provide an opportunity to perform necessary analysis in conformity with the administrative, functional and economic categories, the Cabinet shall determine:

1) budgetary (State budget and local government budgets) revenue, expenditure and financing classification;

2) [1 January 2006. See Transitional Provisions];

3) classification of budgetary debt instruments and institutional sectors.

[*20 December 2004; 23 November 2020*]

**Section 12. Funds for Unforeseen Events**

(1) Funds for unforeseen events and measures of particular national importance shall be determined in a separate budget programme “Funds for Unforeseen Events” in the annual State budget law planned separately from the budgets of the ministries or other central State institutions.

(2) The procedures by which the ministries, other central State institutions and local governments prepare a request the funds provided for in the separate budget programme “Funds for Unforeseen Events”, the procedure for review of this request, the criteria for granting the funds, the procedure for the use, accounting, control and reporting on these funds, as well as special conditions for the local governments shall be regulated by the Cabinet.

(3) The Minister for Finance has the right to reallocate the appropriation related to the funds for unforeseen events determined in the annual State budget law to the ministries and other central State institutions in conformity with the decision on the allocation of funds.

(31) The Minister for Finance has the right to increase the appropriation determined in the annual State budget law for the funds for unforeseen events to prevent emergency situations. An increase in the appropriation may not exceed 0.05 % per cent of the amount of the forecast of gross domestic product determined in the annual State budget law. The appropriation may be increased for the specific purpose, provided that the Cabinet has taken a decision and the Budget and Finance (Tax) Commission of the *Saeima* has, within five working days from the day of receipt of the relevant information, examined it and not objected to the increase in the appropriation.

(4) The Minister for Finance shall provide a quarterly report to the *Saeima* on the reallocation of the appropriation related to the funds for unforeseen events determined in the annual State budget law.

[*14 November 2008; 1 December 2009; 3 April 2019*]

**Section 13. Official Secrets (Secret Expenditures)**

(1) Secret expenditures provided for specific national security measures shall be approved in the annual State budget law without being described.

(2) The Minister for Finance shall submit a description of the secret expenditures in the State budget to a special commission of the *Saeima*, which shall provide a separate report thereof to the Budget and Finance (Tax) Commission prior to the approval of the State budget unless the *Saeima* has decided otherwise.

(3) [20 October 2005]

[*1 April 1998; 19 December 2002; 20 October 2005; 16 June 2011*]

**Section 14. Availability to the Information Regarding the Budget**

(1) Information regarding the State budget shall be regularly published in a form that is fully comprehensive and the public can easily understand. All the main reports on the State budget shall be accessible to the public.

(2) Ministries and other central State institutions shall, within a month following the proclamation of the annual State budget law, publish the resources approved for them in the State basic budget for covering the expenditures and the expenditures and also the explanations thereof on their websites. A local government budget shall be available to the general public at every relevant local government.

(3) In order to inform the public of the objectives and results of the the institutionʼs activities and also of the use of State budget funds allocated in the previous year, the ministries and other central State institutions, all the bodies financed from the budget subordinated thereof, the institutions non-financed from the budget and local governments shall, by 1 July of the year following the financial year, prepare annual public financial statements and within a month after their preparation shall publish them on their websites. Local governments shall submit annual public financial statements to the Ministry of Environmental Protection and Regional Development for publishing on its website. The local government annual public financial statement shall be available to the public at every relevant local government. The Cabinet shall determine the content and procedures for the preparation of the annual public report.

[*23 November 2000; 20 December 2004; 20 October 2005; 1 December 2009; 20 December 2010; 23 November 2020*]

**Section 15. Making the State Budget Expenditures, Issue of Loans and the Maximum Increase in the National Debt if the Annual State Budget Law has not Come into Force**

(1) If the annual State budget law has not come into force at the beginning of a financial year, the Minister for Finance shall approve the State budget expenditures, loan and borrowing limits necessary for the activities of the State, provided that:

1) the expenditures do not exceed the maximum permissible amount of the total State budget expenditures determined for the relevant year in the medium term budget framework law for each ministry and another central State institution by making the following adjustments:

a) the services (payment orders) which have not been provided in the previous financial year are not paid for, and the investments which have not been realised in the previous financial year are not made;

b) in the items referred to in Section 16.2, Paragraph six, Clauses 1, 2, 3, 4, 5, 6, 6.1 and 7 of this Law;

c) the financing of the measures commenced in the previous financial year is continued;

d) the enforcement of the existing laws and regulations is ensured in the fields of pensions, benefits and remuneration;

2) the implementation of the budget policies and conditions determined in the State budget law of the previous financial year is ensured at a constant level, except for fixed-term measures;

3) in order to ensure stable financing for local governments necessary for the performance of functions thereof, the following shall be approved:

a) the distribution of the financing for earmarked grants and grants;

b) the borrowing limit on condition that it is only intended for projects financed from funds of the European Union and other foreign financial assistance, as well as for projects commenced in the previous years to which the borrowing has been granted for use in the medium term budget framework period, and on the condition that the total amount of such borrowings does not exceed the level determined in the medium term budget framework law;

c) the guarantee limit on the condition that it is only intended for projects financed from funds of the European Union and other foreign financial assistance;

4) the assignation of the foreign financial assistance, the European Union policy instruments and the State budget co-financing funds for new measures (projects) financed within the scope of the foreign financial assistance and the European Union policy instruments is ensured;

5) the expenditures for the fulfilment of national debt liabilities are ensured under terms and conditions of the existing contracts;

6) the transfer of the European Union own resources to the European Union budget is ensured.

(2) The Ministry of Finance shall, within five working days, publish on its website the State budget expenditures, loan and borrowing limits necessary for the activities of the State and approved by the Minister for Finance and send them to the Budget and Finance (Tax) Commission of the *Saeima*.

(3) Conditions for the implementation of the budget determined in the Law shall be applicable to the financing allocated in accordance with this Section. The authorisations granted in accordance with Paragraph one of this Section shall expire as the annual State budget law comes into force, and all the expenditures from the beginning of the financial year shall be registered in accordance with the new annual State budget law.

[*6 December 2018; 23 November 2020*]

**Section 15.1 Functioning of the European Union Own Resource System, the Disclosure in the State Budget Law and the Transfer of the Own Resources to the European Union Budget**

(1) The system and amount of European Union own resources shall be determined by the European Union institutions in conformity with the legal norms of the European Union. The decision of the Council of the European Union on the system of own resources of the European Union laid down in Article 311 of the Treaty on the Functioning of the European Union shall approved by the Cabinet, if such decision complies with the national position of the Republic of Latvia. If up to the submission of the annual State budget law to the *Saeima* the European Union institutions have still not determined the amount of European Union own resources, the forecast of the Ministry of Finance shall be included in the State budget law.

(2) The *Saeima*, when adopting the annual State budget law, shall include the amount of European Union own resources determined by European Union institutions in the annual State budget law without amendment.

(3) The transfer of the European Union own resources to the European Union budget shall be made by the Ministry of Finance in conformity with the procedures determined by the European Commission.

(4) The procedures for the payment of the European Union own resources shall be determined by the European Union institutions in conformity with the legal norms of the European Union.

(5) The Cabinet shall determine the procedures for the functioning of the European Union own resource system.

[*31 October 2002; 19 December 2002; 14 November 2008; 15 November 2012; 21 April 2016*]

**III. DEVELOPMENT, SUBMISSION AND ADOPTION OF THE DRAFT MEDIUM TERM BUDGET FRAMEWORK LAW (THE PACKAGE OF DRAFT FRAMEWORK LAWS) AND THE DRAFT ANNUAL STATE BUDGET LAW (THE PACKAGE OF DRAFT BUDGET LAWS)**

[*15 December 2011; 15 November 2012 / Amendment to the title of the Chapter shall come into force on 4 November 2014. / See Paragraph 65 of Transitional Provisions*]

**Section 16. Responsibility for the Development of the Draft Medium Term Budget Framework Law (the Package of Draft Framework Laws) and Draft Annual State Budget Law (the Package of Draft Budget Laws)**

(1) The Minister for Finance shall be responsible for the development of the draft medium term budget framework law (the package of draft framework laws), the draft annual State budget law (the package of draft budget laws) and the explanations to be attached thereto.

(11) When reviewing the State budget expenditures and also preparing the draft medium term budget framework law (the package of the draft framework law) and the draft annual State budget law (the package of the draft budget law), the Ministry of Finance has the right to request and receive free of charge the information necessary for the fulfilment of the service tasks from State and local government institutions. The Ministry of Finance shall, when preparing the draft medium term budget framework law (the package of the draft framework law) and the draft annual State budget law (the package of the draft budget law), process taxpayer data, including perform taxpayer data profiling by using the information provided by the tax administration to ensure the drawing up of macroeconomic development and general government budget projections, the assessment of the impact on national economy, the implementation of revenue policy, and also the control of efficient and economic use of the State budget and local government budget revenues and expenditures.

(2) The Minister for Finance shall, by 15 December of the current year, submit to the Cabinet a draft schedule for the preparation of budget for the subsequent year.

[*15 November 2012; 23 November 2017; 23 November 2020*]

**Section 16.1 Medium Term Priority Measures**

(1) Ministries and other central State institutions shall only submit proposals for priority measures and financing necessary for their implementation (hereinafter – the proposals for priority measures) if funds are going to be available for the financing of priority measures in the subsequent financial years in conformity with the current forecasts of macroeconomic development. Taking into account the forecasts of the available funds, the Cabinet may specify conditions for the submission and evaluation of priority measures in addition to those referred to in Paragraph two of this Section.

(2) Ministries and other central State institutions shall submit proposals for priority measures by the deadline specified in the schedule for the preparation of budget. The proposals for priority measures shall be prepared on the basis of the priorities and objectives specified in the National Development Plan, the State Defence Concept, and other development planning documents, including taking into account the need to take measures for strengthening administrative capacity of budget institutions.

(3) The *Saeima*, the Chancery of the President, the Supreme Court, the Constitutional Court, the Ministry of Justice [on behalf of district (city) courts and regional courts, and the Data State Inspectorate], the State Audit Office, the National Electronic Mass Media Council, the Public Electronic Mass Media Council, the Ombudsman’s Office, the Public Utilities Commission, and the Office of the Prosecutor General have the right to submit proposals for priority measures regardless of the conditions referred to in Paragraph one of this Section.

(4) The Minister for Finance shall be responsible for the organisation of the process for evaluating priority measures, the evaluation of priority measures and for the submission of proposals to the Cabinet for priority measures to be supported and resources for their financing.

[*23 November 2017; 3 April 2019; 10 December 2020*]

**Section 16.2 Medium Term Budget Framework Law**

(1) The Minister for Finance shall ensure that each year the draft medium term budget framework law for the subsequent three financial years is developed, and submit it to the Cabinet according to the schedule for the preparation of budget.

(2) The indicators laid down in the Fiscal Discipline Law, as well as the following shall be specified for each year of the law period in the medium term budget framework law:

1) the medium term budget objectives and priority development directions for the achievement of the purposes and introduction of the priorities determined in the National Development Plan and National Defence Conception;

2) [4 April 2013];

3) [4 April 2013];

4) [4 April 2013];

5) the amount of the State budget financial balance (maximum deficit level or minimum surplus level) expressed in per cent from the gross domestic product of the relevant year;

6) the maximum permissible total amount of the State budget expenditures;

7) the maximum permissible total amount of the State budget expenditures for each ministry and other central State institution, as well as resources for covering such expenditures.

(3) [4 April 2013]

(4) The Cabinet shall regulate the procedures by which the maximum permissible total amount of the State budget expenditures and the maximum permissible total amount of the State budget expenditures for each ministry and other central State institutions shall be determined in the medium term.

(5) In the process of developing the draft medium term budget framework law as regards the first and second year of operation, the values referred to in Paragraph two, Clause 7 of this Section shall be updated in accordance with the conditions of Paragraph six of this Section and taking into account the changes forecasted in the macroeconomic situation.

(6) The values referred to in Paragraph five of this Section shall be corrected for the following items:

1) changes in the revenues and expenditures in relation to projects, measures financed from European Union policy instruments and other foreign financial assistance funds;

2) changes in the revenues from paid services and other own revenues and in expenditures corresponding thereto;

3) changes in the State budget interest expenditures;

4) changes in regular payments into the European Union budget and for international co-operation;

5) changes in the basic budget expenditures in relation to more current forecasts for the number of beneficiaries of State social benefits and pensions, as well as in relation to forecasted changes in the average amounts of service pensions;

6) changes in the special budget expenditures in relation to more current forecasts for the number of beneficiaries of social insurance services and the average amount thereof, as well as in relation to the current forecasts of medium term macroeconomic development and State social insurance contributions;

61) changes in the maintenance expenditures which arise from capital financial contributions made (including from investments made within the scope of European Union policy instruments and other foreign financial assistance funds) and which henceforward are to be financed from the funds from the State budget according to the agreements entered into, other supporting documents or calculations;

7) changes in the amount of long-term liabilities of the State budget of a budget unit, if a Cabinet decision has been taken in relation thereto;

8) increase in the maximum admissible amount of expenditures of one budget unit, if it is covered by reduction in the maximum admissible amount of expenditures of another budget unit.

(7) When developing the draft medium term budget framework law or making amendments to the medium term budget framework law, negotiations of the representative authorised by the Cabinet and the Latvian Association of Local and Regional Governments shall be organised regarding the issues concerning the interests of local governments related to the draft law. Results of the negotiations shall be drawn up in the form of minutes and attached to the draft law, when directing it to the *Saeima*.

(8) The Cabinet shall, when deciding on the draft medium term budget framework law or amendments to the medium term budget framework law, listen to the opinion of the Chancellery of the President, the Supreme Court, the Constitutional Court, the Council of Justice, the State Audit Office, the National Electronic Mass Media Council, the Public Electronic Mass Media Council, the Office of the Ombudsman, the Public Utilities Commission, the Office of the Prosecutor General, and the Data State Inspectorate regarding the maximum permissible total amount of the State budget expenditures for the relevant institution and ensure the inclusion of the opinion of the abovementioned institutions and substantiation of the Cabinet decision in the minutes of the Cabinet meeting attached to the draft law when directing it to the *Saeima*.

(9) The norms of the previous medium term budget framework law that apply to the second and third year of operation thereof are not applied from coming into force of the current medium term budget framework law.

(10) The Cabinet shall submit the draft medium term budget framework law for the subsequent three years (the package of draft framework laws) to the *Saeima* until 15 May of the current year.

[*15 December 2011; 15 November 2012; 4 April 2013; 6 November 2013; 23 November 2017; 3 April 2019; 10 December 2020*]

**Section 16.3 State Budget Spending Review**

(1) In order to implement the State policy in a more efficient and economic manner, and also to regularly optimise the budget expenditures and assess their conformity with the priorities and objectives laid down in development planning documents, the Cabinet shall ensure continuous and systematic State budget spending review.

(2) The Cabinet shall concurrently take a decision on the scope of the State budget spending review and approve the schedule for the preparation of budget. The Minister for Finance shall, within the deadline specified in the schedule for the preparation of budget, submit to the Cabinet the results of the State budget spending review and suggestions for the use of these results in the process of developing the draft medium term budget framework law and the draft annual State budget law.

[*30 November 2015; 23 November 2017*]

**Section 17. Basic Principles for the Development of the Budgetary Requests**

(1) The basic principles in accordance with which the ministries and other central State institutions shall develop and submit to the Ministry of Finance budgetary requests shall be determined by the Cabinet.

(2) The basic principles for the development of budgetary requests shall include:

1) within the draft medium term budget framework law, the indicated maximum permissible total amount of expenditure limits for the ministries and other central State institutions planned budget expenditure division by programmes (sub-programmes) and expenditures in conformity with economic and government function categories;

2) other financial restrictions which shall be taken into account in the budget calculations;

3) the procedure and time period for the development of the budgetary requests;

4) the indicators to be used in the budget calculations;

5) the budgetary request forms;

6) other information necessary for the development of the budgetary requests.

[*8 November 2007; 15 December 2011 / See Paragraph 63 of Transitional Provisions*]

**Section 18. Development of the Budgetary Requests**

(1) In accordance with the schedule for the development and submission of the draft medium term budget framework law and the draft annual State budget law, the ministries and other central State institutions shall develop and submit to the Ministry of Finance the State budgetary requests prepared in conformity with the basic principles for the development of the budgetary requests.

(11) Ministries and other central State institutions shall develop the State budgetary requests within the scope of the maximum permissible amount of the State budget expenditure specified in the medium term budget framework law for the relevant year. The maximum permissible amount of the State budget expenditures for each ministry and other central State institution may be exceeded only in the following cases:

1) if additional expenditures will be covered by additional revenues or surpluses from the paid services and other own revenues of the previous financial year;

2) if additional expenditures for the implementation of projects and measures co-financed by foreign financial assistance will be covered with additional foreign financial assistance revenues or surpluses of the previous financial year;

3) if previously unforeseen changes have occurred in the State budget interest expenditures;

4) if changes related to contributions into the European Union budget have occurred;

5) if changes in the basic budget expenditures are related to changes in the forecasts for the number of beneficiaries of State social benefits and pensions, as well as in relation to the forecasted changes in the average amounts of service pensions;

6) if changes in the special budget expenditures are related to changes in the forecasts for the number of beneficiaries of social insurance services and average amount thereof, as well as to the current forecasts of medium term macroeconomic development and State social insurance contributions;

7) if increase in the maximum admissible amount of expenditures of one budget unit is to be covered by reduction in the maximum admissible amount of expenditures of another budget unit;

8) according to decisions taken by the Cabinet.

(2) Authorisations relating to the maximum permissible amount of the State budget long-term liabilities shall be reflected in the annual State budget law separately from the appropriations for the fiscal year.

(3) Bodies financed from the budget, which receive the grants directly from the State budget, shall develop the State budgetary request in accordance with the basic principles for the development of the budgetary request.

[*25 November 1999; 23 November 2000; 31 October 2002; 19 December 2002; 30 October 2003; 20 October 2005; 19 December 2006; 14 November 2008; 15 December 2011; 15 November 2012; 4 April 2013; 23 November 2017*]

**Section 19. Inclusion of the Budgetary Requests in the Draft Annual State Budget Law**

(1) [19 December 2006]

(2) The Minister for Finance shall ensure the development of the draft annual State budget law on the basis of the medium term budget framework law and the budgetary requests submitted in conformity with the provisions of Sections 17 and 18 of this Law.

(3) The Minister for Finance may, at any stage of examination of the draft State budget law until submission thereof to the Cabinet, request the necessary additional information, express his or her point of view, add necessary opinions, and also results of separate audits in order to evaluate its conformity with the purposes provided for and the results to be achieved. On the basis of the results of such evaluation and the provided information, the Minister for Finance shall take the decision to include the budgetary requests in the draft annual State budget law.

(4) A budgetary request of the *Saeima* shall not be amended in the course of the examination of budgetary requests up to the submission of the draft budget law to the *Saeima* without the consent of the submitter of the request.

(5) The budgetary requests of the Chancellery of the President, the Supreme Court, the Constitutional Court, the State Audit Office, the National Electronic Mass Media Council, the Public Electronic Mass Media Council, the Office of the Ombudsman, and Public Utilities Commission shall not be amended until the submission of the draft annual budget law to the Cabinet without the consent of the submitter of the request, taking into account the condition that the budgetary request does not exceed the maximum permissible total amount of the State budget expenditures for the relevant institution approved in the medium term budget framework law and taking into account that provided for in Section 18, Paragraph 1.1 of this Law. If the Cabinet amends a budgetary request without the consent of the submitter, it shall be specified in the justification of the decision, how the decrease in the financing will affect ensuring of the activities of the relevant institutions determined in the laws and regulations.

(6) The budgetary requests of the district (city) courts, regional courts, Offices of the Prosecutor and the Data State Inspectorate may not be amended until the submission of the draft annual budget law to the Cabinet without the consent of the submitter of the request on condition that the budgetary request does not exceed the maximum permissible amount of the total State budget expenditures for the relevant institution approved in the medium term budget framework law and taking into account Section 18, Paragraph 1.1 of this Law. If the Cabinet amends a budgetary request without the consent of the submitter, it shall be specified in the justification of the decision, how the decrease in the financing will affect ensuring of the activities of the relevant institutions determined in the laws and regulations. The budgetary requests submitted by the district (city) courts, regional courts and the Data State Inspectorate shall be compiled and transferred to the Ministry of Finance by the Ministry of Justice, but the budgetary requests submitted by the Offices of the Prosecutor shall be compiled and forwarded by the Office of the Prosecutor General.

(7) The Cabinet has the right to include funds for unforeseen expenditures, appropriation reserve and undivided financing for the implementation of projects and measures of European Union policy instruments and other foreign financial assistance in the State budget without a budgetary request.

[*25 November 1996; 1 April 1998; 25 November 1999; 23 November 2000; 31 October 2002; 19 December 2002; 19 December 2006; 20 December 2010; 14 July 2011; 15 December 2011; 4 April 2013; 23 November 2017; 3 April 2019; 10 December 2020*]

**Section 19.1 Inclusion of the Guarantees Issued on Behalf of the State in the Draft Annual State Budget Law**

The procedures by which the ministries and other central State institutions shall include requests for guarantees to be issued on behalf of the State in the draft annual State budget law shall be determined by the Cabinet.

[*1 December 2009*]

**Section 19.2 Inclusion of the State Loans in the Draft Annual State Budget Law**

The procedures by which the ministries and other central State institutions shall include requests for the State loans in the draft annual State budget law shall be determined by the Cabinet.

[*15 December 2011*]

**Section 19.3 European Recovery and Resilience Facility**

(1) The Cabinet shall establish efficient, transparent supervision procedures which correspond to the principles of sound financial management for the implementation of the European Union budget programme European Recovery and Resilience Facility in order to promote the economic, social, and territorial cohesion of the European Union by strengthening resilience and adaptability skills of Member States with the aim to mitigate the social and economic impact caused by the COVID-19 crisis and to support transition to green and digital economy, to promote the economic growth potential of the European Union and employment creation, and also the achievement of climate objectives for 2030 and the achievement of climate neutrality objectives for 2050 of the European Union, and to receive the European Recovery and Resilience Facility funding both in the form of grants and loans in Latvia.

(2) The Cabinet shall determine the procedures for the introduction of the European Recovery and Resilience Facility and the procedures for the implementation and supervision of the national economic recovery and resilience plan, and the procedures for the creation and use of the required information system, and also the rights of the authorities involved in the introduction of the relevant facility to request and receive direct access to data in the State information systems to the extent necessary and provided for by the Cabinet for the fulfilment of the relevant duties.

[*23 November 2020 /* *Section shall come into force concurrently with the legal act of the European Commission which sets up the European Recovery and Resilience Facility.* *See Paragraph 90 of Transitional Provisions*]

**Section 20. Examination of the Draft Annual State Budget Law (the Package of Draft Budget Laws) by the Cabinet**

(1) [15 November 2012]

(2) [15 November 2012]

(3) The Minister for Finance shall submit the draft annual State budget law (the package of draft budget laws) and the explanations thereof to the Cabinet.

(4) The heads of the ministries and other central State institutions may refer the issues not settled during the process of the examination of budgetary requests to the Cabinet for the resolution thereof.

(41) The Cabinet shall listen to the opinions of the Chancellery of the President, the Supreme Court, the Constitutional Court, the Council of Justice, the State Audit Office, the National Electronic Mass Media Council, the Public Electronic Mass Media Council, the Office of the Ombudsman, the Public Utilities Commission, the Office of the Prosecutor General, and the Data State Inspectorate regarding the draft budgets of the relevant institutions by ensuring that the opinions of the specific institutions and substantiation of the Cabinet decision are included in the minutes of the Cabinet meeting.

(5) The Cabinet shall decide on the submission of the draft annual State budget law (the package of draft budget laws) to the *Saeima*.

(6) [15 December 2011]

[*1 October 1997; 23 November 2000; 19 December 2002; 19 December 2006; 14 November 2008; 14 July 2011; 15 December 2011; 15 November 2012; 3 April 2019; 10 December 2020*]

**Section 21. Submission of the Draft Annual State Budget Law (the Package of Draft Budget Laws) and Amendments to the Annual State Budget Law**

(1) By 15 October of the relevant year, the Cabinet shall submit to the *Saeima* a draft annual State budget law (the package of draft budget laws) for the next financial year, proposals for amendments to laws in order to ensure their conformity with the budgetary requests, and explanations of the draft annual State budget law (the package of draft budget laws).

(2) Explanations of the draft annual State budget law (the packages of draft budget laws) shall contain:

1) an introductory report from the Prime Minister;

2) a report from the Minister for Finance where the main explanations of the draft annual State budget law (the packages of draft budget laws) are provided;

3) information regarding the projections underlying the State budget (current scenarios) for the economic situation of the State;

4) revenue policy directions, the total amount and structure of revenues, the impact of tax reliefs (abatements) on subsequent years, and the amounts of tax debts;

5) information regarding expenditure policy directions, the total amount and structure of expenditures;

6) information regarding the planned principal State budget investment directions in the current financial year, the objectives thereof, and expected results;

7) information regarding the consolidated combined budget projection;

8) a summary of the national debt and financial obligations of guarantees in relation to the current financial year and in the medium term, specifying in these calculations the permissible limits of actions of the government to cover expenditures which may arise in the fulfilment of the debt obligations attributable to the State budget and the amounts of the State budget loans and repayments in accordance with the contracts entered into in previous financial years and the programmes supported by the Cabinet;

9) information regarding the amount and calculations of the fund for the equalisation of local government finances;

10) information regarding the opinions of the Chancellery of the President, the Supreme Court, the Constitutional Court, the Council of Justice, the State Audit Office, the National Electronic Mass Media Council, the Public Electronic Mass Media Council, the Office of the Ombudsman, the Public Utilities Commission, the Office of the Prosecutor General, and the Data State Inspectorate submitted in writing with regard to the draft budgets of the relevant institutions, the minutes of the Cabinet meeting referred to in Section 16.2, Paragraph eight and Section 20, Paragraph 4.1 of this Law, as well as the opinion of the Council of Justice provided in accordance with the procedures laid down in the law On Judicial Power if any has been submitted to the Cabinet.

(3) In the year when the *Saeima* is elected the draft annual State budget law (the package of draft budget laws) shall be submitted to the *Saeima* not later than four months after the day when the newly elected *Saeima* has given its vote of confidence to the new Cabinet.

(4) The Cabinet shall submit for adoption by the *Saeima*, amendments to the annual State budget law for the current financial year, recommendations regarding amendments to laws in order they conform to the amendments to the annual State budget law and the explanation of the amendments to the State budget law.

(5) The explanation of the amendments to the annual State budget law shall include:

1) information regarding changes in revenue policy directions, the amount and structure of revenues;

2) information regarding changes in expenditure policy directions, the amount and structure of expenditures;

3) substantiation of the expenditures related to new measures;

4) information regarding the changes in the State budget loans and repayments of the loans;

5) information regarding the changes in the amount of foreign financial assistance;

6) the relevant information referred to in Paragraph two, Clause 10 of this Section if amendments to the State budget law provide for changes in the expenditures of the Chancellery of the President, the Supreme Court, the Constitutional Court, the district (city) courts, regional courts, the Offices of the Prosecutor, the Data State Inspectorate, the State Audit Office, the National Electronic Mass Media Council, the Public Electronic Mass Media Council, and the Office of the Ombudsman, and also the Public Utilities Commission.

(6) Appropriations provided for the State budget financing for the implementation the European Union fund projects, in the amendments to the annual State budget law may be reallocated for other purposes only by a decision of the Cabinet taken prior to the examination of the draft amendments. The abovementioned condition relates to the procedures for the development of draft amendments at the Cabinet.

[*1 April 1998; 25 November 1999; 23 November 2000; 19 December 2002; 19 December 2006; 8 November 2007; 14 November 2008; 1 December 2009; 14 July 2011; 15 December 2011; 4 April 2013; 30 November 2015; 3 April 2019; 23 November 2020; 10 December 2020*]

**Section 22. Adoption of the Annual State Budget Law**

(1) The *Saeima* shall examine and approve the draft annual State budget law (the package of draft budget laws) submitted by the Cabinet in accordance with the legislative procedure.

(2) The annual State budget law shall contain:

1) the State budget financial balance and the maximum permissible amount of the national debt at the end of the financial year, as well as the forecasted amount for meeting the liabilities of the guarantees issued on behalf of the State in the national debt, and the amounts of guarantees to be issued anew in the financial year;

2) the amount of the funds which in the next financial year are, in accordance with the appropriation procedure, to be allocated to each expenditure category in accordance with the budget classification, specifying the purpose of use of the funds for each category;

3) [23 November 2016];

4) the maximum permissible amount of the State budget long-term liabilities in conformity with the budget expenditure classification;

5) the provisions to be attached to all or individual appropriations;

6) the total amount of the foreign financial assistance funds for the ministries and other central State institutions;

7) the rate of payments and the amount of payments to the State funded pension schemes.

(3) The provisions provided for in Section 10, Paragraph one of this Law are applicable to the examination of the draft annual State budget law (the package of draft budget laws).

(4) The annual State budget law (the package of budget laws) approved by the *Saeima* shall be proclaimed in accordance with the procedures laid down in the Constitution.

(5) [15 December 2011]

[*1 October 1997; 1 April 1998; 25 November 1999; 23 November 2000; 19 December 2002; 19 December 2006; 14 November 2008; 15 December 2011*]

**IV. Implementation of the Budget**

[*31 October 2002*]

**Section 23. The Treasury**

The Treasury is an institution of direct administration subordinated to the Ministry of Finance assigning and making payments from the State budget for specific purposes, performing the functions for the implementation and accounting of the State budget and for the management of the national debt, and the functions of the Paying Authority for the European Union policy instruments determined in the laws and regulations, as well as other functions determined in the laws and regulations.

[*8 November 2007*]

**Section 24. Expenditure Provided for by Law**

(1) Persons implementing the State budget may make the budget expenditures or assume short-term liabilities only within the limits of the assignations determined by financing plans issued by the Treasury.

(11) Diplomatic and consular representations of the Republic of Latvia may make expenditures from the State budget or undertake short-term liabilities from revenue received in the account opened in the credit institution in the country of representation for the provided paid services and other own revenue according to the appropriation determined in the State Budget Law.

(2) The Treasury shall grant assignations for expenditures in accordance with the appropriation determined in the annual State budget law and ensure the implementation thereof according to the procedure determined by the Cabinet. Persons implementing the budget shall prepare and approve estimates of the State budget programmes, sub-programmes and measures by ensuring that the State budget funds are used efficiently and rationally according to the intended purposes and results to be achieved.

(3) Budget institutions may assume the State budget long-term liabilities without exceeding the maximum permissible amounts of the State budget long-term liabilities determined in the State budget law for a financial year. Budget institutions may assume additional State budget long-term liabilities in the projects and measures co-financed by the European Union policy instruments and other foreign financial assistance only if a relevant decision has been taken by the Cabinet.

(4) [14 November 2008]

[*25 November 1996; 25 November 1999; 31 October 2002; 19 December 2002; 20 December 2004; 20 October 2005; 19 December 2006; 14 November 2008; 15 November 2012; 3 April 2019*]

**Section 25. Control of the Revenues and Expenditure**

(1) The Treasury shall, in co-operation with the State Revenue Service, ensure that all the revenues which are due to the State budget are received in due time and in appropriate amount and ensure that the State budget expenditures are made in accordance with the laws in force. Ministries and other central State institutions shall ensure that the revenues from the performed activities are transferred into the revenue accounts of the basic budget in the amount estimated in the annual State budget law.

(11) The Cabinet shall determine the procedure by which payments into the State budget are to be made, as well as the procedure by which the payments are to be recognised as received in the State budget and the requirements for the use of online payment services for accounting with the State budget.

(2) [28 May 2009]

(21) [28 May 2009]

(22) The Minister for Finance has the right to issue an order to the Treasury to delay or reduce assignations for a certain period of time if such an act is not in contradiction with the Constitution, laws and the Cabinet regulations and if at least one condition referred to in Clause 1 and the condition referred to in Clause 2 of this Paragraph exist:

1) if within the time period of three months the actual revenues from the State budget taxes and non-taxes in respect to the projected revenues in the relevant period decrease by more than 0.5 per cent from the forecast of gross domestic product determined in the annual State budget law or the actual accumulated State budget financial deficit within the time period of three months exceeds the State budget financial deficit projected for the relevant time period by more than 0.5 per cent from the forecast of gross domestic product determined in the annual State budget law, or the amount of funds in the budgetary accounts of the Treasury is not sufficient to cover payment commitments planned for the next month;

2) if the Minister for Finance has received a written notice on the setting in of the condition referred to in Clause 1 of this Paragraph.

(23) The Treasury shall, in accordance with the order referred to in Paragraph 2.2 of this Section and taking into account the conditions referred therein, determine the delay or reduction in assignations for a certain period of time and immediately notify the ministries and other central State institutions thereof.

(24) The Minister for Finance shall, within seven working days, inform the Cabinet and the Budget and Financial (Tax) Commission of the *Saeima* of the order referred to in Paragraph 2.2 of this Section. The Cabinet shall decide on the delay of or reduction in assignations and, if necessary, make amendments to the Cabinet Regulation or decide on the submission of the relevant draft laws to the *Saeima*.

(25) The delay of or reduction in assignations provided for in Paragraphs 2.2 and 2.4 of this Section may be determined for a period of time not longer than three months in total.

(26) If it is necessary to determine the delay of or reduction in assignations for a period longer than three months, the Cabinet shall, within a month, submit amendments to the annual State Budget Law and the draft laws determining or amending the State budget.

(27) The Minister for Finance has the right to delay or reduce the assignation for the authorities referred to in Section 19, Paragraphs five and six of this Law only upon the receipt of the consent from the relevant authority.

(28) The Cabinet has the right to delay or reduce the assignation for the *Saeima* only upon the receipt of the consent from the Presidium of the *Saeima*.

(29) The Cabinet has the right to determine additional conditions for the planning and implementation of the State and local government budgets in order to ensure measures for the reduction and prevention of impact of the increased fiscal, economic and social risks caused by macroeconomic processes and ensure implementation of the fiscal criteria determined in international commitments. This right shall be used by the Cabinet provided that the Budget and Finance (Tax) Committee of the *Saeima* has not objected to the determination of additional conditions within three working days from the receipt of the relevant information.

(3) [25 November 1999]

(4) The Treasury shall make assignations of the special budget so that the total expenditures for the purposes of this budget does not exceed the funds received for such purposes in the special budget and the surplus of funds at the beginning of the financial year and borrowing from the State basic budget.

(5) The Ministry of Finance has the right to perform examinations in the area of budget planning, accounting and reporting of the bodies financed from the State budget and local government budgets.

(6) Ministries and other central State institutions shall ensure that the revenues for the State fee and other non-tax revenue from the activities performed by the State institutions are transferred into the revenue accounts of the basic budget in the amount estimated in the annual State budget law.

[*25 November 1996; 1 April 1998; 25 November 1999; 31 October 2002; 19 December 2002; 19 December 2006; 14 November 2008; 21 May 2009; 12 June 2009; 1 December 2009; 20 December 2010; 16 June 2011; 3 April 2019*]

**Section 26. Amendments to the Appropriations**

(1) State budget appropriations, the amounts, purposes and time limits thereof may only be amended if it is determined in the annual State budget law and in the cases determined in Sections 9 and 9.1 of this Law.

(2) Expenditures for the purposes not included in the adopted appropriation may only be made if a law regarding amendment of the appropriation is adopted. Proposals for amendments to appropriations for such purposes shall be submitted and examined in accordance with the procedures laid down for budgetary requests.

[*25 November 1996; 1 April 1998; 31 October 2002; 19 December 2006*]

**Section 27. Opening, Closing of Accounts and Making Payments**

(1) State budget institutions for the receipt of assignations and for the making of expenditures from the State budget funds shall open the State basic budget and State special budget accounts only with the Treasury. Accounts for funds deposited by the State budget institution shall be opened only with the Treasury. Institutions non-financed from the budget shall open current accounts only with the Treasury. Bodies financed from the budget, except for the State budget institutions, for the receipt of the State budget funds and for the making of expenditures financed therefrom shall open current accounts only with the Treasury, unless provided for otherwise in other regulatory enactments. Bodies financed from the State budget, except for the State budget institutions, may receive repayment of the State budget funds for the made expenditures in the account of the credit institution. For the purpose of receipt of a State loan, and making and repayment of expenditures, the borrower shall only open an account with the Treasury, unless otherwise specified in laws and regulations.

(11) Diplomatic and consular representations of the Republic of Latvia for the receipt of the funds from the State budget and for the making of expenditures financed from them may open an account in a credit institution in the country of representation. At the end of the year the surplus of the funds in the account opened in the credit institution in the country of representation, which has occurred from the revenues for the provided paid services and other own revenues, may be used in the following economic year according to the appropriation determined in the State budget law.

(2) Each year on 31 December, the Treasury shall close all the State basic budget and State special budget accounts opened according to the State budget law of the current financial year. Budget accounts opened for the accounting of donations and gifts, accounts for deposited funds and current accounts shall be closed in accordance with the submission of a body financed from the budget.

(21) The surplus of funds remaining at the end of the year in the basic budget accounts arisen from the revenues from the paid services and other own revenues, the received transfers from the revenues of the State budget institutions for the paid services provided and other own revenues, foreign financial assistance funds or the received transfers from the State basic budget foreign financial assistance funds, shall be transferred by the Treasury to the accounts opened for the subsequent financial year, on the basis of a submission of a budget institution, and it may be used in the subsequent financial year in conformity with the assignations granted in the financial plan.

(22) The surplus of funds remaining at the end of the year in the special budget accounts shall be transferred by the Treasury to the special budget accounts opened for the subsequent year, and it may be used in the subsequent financial year in conformity with the assignations granted in the financial plan.

(23) The surplus of funds at the end of the year in the budget accounts opened for the accounting of donations and gifts, accounts for deposited funds and in the current accounts shall remain at the disposal of the bodies financed from the budget and it may be used in the subsequent year for the financing of expenditures, unless provided for otherwise in the Law.

(3) [14 November 2008]

(4) Local governments, derived public entities financed partly from the State budget, and capital companies in which a State or local government capital share has been invested, may open current accounts with the Treasury for the funds not received from the State budget. The Treasury shall not open a current account for a capital company in which a State or local government capital share has been invested, unless the agreement referred to in Section 34, Paragraph four of this Law has been entered into.

(5) The Cabinet shall determine the types of payment services and procedure by which the Treasury ensures the provision thereof to the bodies financed from the budget, local governments, institutions non-financed from the budget, sworn bailiffs and capital companies in which a State or local government capital share is invested.

(6) The Cabinet shall lay down the procedures for ensuring circulation of information through the e-services provided by the Treasury.

(7) The State budget institutions shall make payment of the disbursements of remuneration and official travel expenditures of institutions by using non-cash payments.

[*23 November 2000; 31 October 2002; 19 December 2002; 30 October 2003; 20 December 2004; 8 November 2007; 14 November 2008; 1 December 2009; 16 June 2011; 15 December 2011; 15 November 2012; 23 November 2016; 23 November 2017; 3 April 2019 /* *Amendment to Paragraph two regarding replacement of the words “Special budget accounts” with the words “Budget accounts”, as well as an amendment to Paragraph 2.3 regarding exclusion of the word “special” shall come into force on 1 January 2020.* *See Paragraphs 83 and 88 of Transitional Provisions*]

**Section 28. Stability Programme of Latvia**

According to the Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies the Cabinet shall submit the Stability programme of Latvia to the *Saeima* until 15 April of the current year.

[*30 November 2015*]

**Section 28.1 Co-operation with the Budget and Finance (Taxation) Committee of the *Saeima***

The Minister for Finance shall inform the Budget and Finance (Tax) Committee of the *Saeima* during the development of the draft annual State budget law or amendments thereof on the course of State budget planning, and also not less than once in a quarter – on the course of implementation of the State budget.

[*12 June 2009*]

**Section 28.2 Report on the Performed Anti-fraud Measures and Measures for the Protection of Financial Interests of the European Union**

(1) State administration institutions which ensure performance of the functions of the managing authority or fulfilment of the duties of the national responsible institution shall, by 1 February of the current year, submit a summary to the Ministry of Finance performing functions of the secretariat of the Council coordinating protection of financial interests of the European Union regarding the established expenditures made unduly during the previous calendar year within the framework of the European Union policy instruments administered thereby.

(2) The Office of the Prosecutor General, the Corruption Prevention and Combating Bureau, the State Police, and the State Revenue Service shall, by 1 February of the current year, submit information to the Ministry of Finance performing functions of the secretariat of the Council coordinating protection of financial interests of the European Union regarding submissions made during the previous calendar year for possible fraudulent or other unlawful activities within the framework of the European Union policy instruments.

(3) The Information Centre of the Ministry of the Interior shall, by 1 February of the current year, develop a statistical report on the criminal proceedings regarding threats to the European Union funds or other foreign financial instruments and submit to the Ministry of Finance performing functions of the secretariat of the Council coordinating the protection of financial interests of the European Union.

(4) The Ministry of Finance shall, within two months after coordination with the Council coordinating protection of financial interests of the European Union and other institutions that have provided information in accordance with Paragraphs one, two, and three of this Section is completed in accordance with the procedures laid down in laws and regulations, submit an informative report to the Cabinet on the performed anti-fraud measures and measures for the protection of financial interests of the European Union.

[*30 November 2015; 23 November 2017*]

**V. Accounting and Financial Statements**

[*19 December 2002*]

**Section 29. Accounting**

(1) The Treasury shall administer the State budget financial accounting.

(2) The State Revenue Service shall administer accounting of taxes, fees, and other payments attributable to the State budget which are administered by this Service.

(3) The Cabinet shall determine the procedures for the accounting records of the following:

1) the budget institutions, the derived public entities financed partly from the State budget, and the institutions non-financed from the budget;

2) the Treasury, in addition to the task referred to in Clause 1 of this Paragraph, also for financial accounting of the State budget;

3) the State Revenue Service, in addition to the task referred to in Clause 1 of this Paragraph, also for accounting of taxes, fees, and other payments attributable to the State budget which are administered by this Service.

[*23 November 2017 / See Paragraph 74 of Transitional Provisions*]

**Section 30. Financial Statements and Reports to the Treasury**

(1) Budget institutions, derived public entities financed partly from the State budget, and institutions non-financed from the budget shall prepare the annual financial statement. In addition to that referred to in the first sentence of this Paragraph, the Treasury shall also prepare an annual report on financial accounting of the State budget, and the State Revenue Service – also an annual report on taxes, fees, and other payments attributable to the State budget which are administered by this Service.

(11) The Cabinet shall determine the procedures by which:

1) budget institutions, derived public entities financed partly from the State budget, and institutions non-financed from the budget shall prepare the annual financial statement;

2) the Treasury, in addition to the accounts referred to in Clause 1 of this Paragraph, also prepares an annual report on financial accounting of the State budget;

3) the State Revenue Service, in addition to the accounts referred to in Clause 1 of this Paragraph, also prepares an annual report on taxes, fees, and other payments attributable to the State budget which are administered by this Service.

(2) [1 December 2009]

(3) Ministries and other central State institutions, as well as local governments shall submit the Treasury the consolidated financial statement by 1 May of the financial year following the reporting year in accordance with the procedures specified in laws and regulations regarding financial statements. Ministries and other central State institutions shall attach to the annual financial statement the opinion of the State Audit Office on the correctness of the preparation of the financial statement. Local governments shall attach a report of a sworn auditor to the annual financial statement. The State Audit Office shall attach a notification of a sworn auditor or a commercial company of sworn auditors to the annual financial statement.

(31) The Treasury shall prepare an annual report on financial accounting of the State budget by 1 May of the financial year following the reporting year.

(32) The State Revenue Service shall prepare and submit to the Treasury an annual report on taxes, fees, and other payments attributable to the State budget which are administered by this Service by 1 May of the financial year following the reporting year.

(4) The Cabinet shall determine the procedures and amount in which the ministries and other central State institutions, as well as local governments shall compile financial statements and financial information of those capital companies in which the State and local governments are the holders of the capital shares, and the procedures by which the relevant financial accounts and financial information shall be submitted to the Treasury. The Cabinet shall determine the capital companies, regarding which the relevant financial statements and financial information shall be aggregated.

(5) The provisions of this Section shall not apply to the *Saeima*, whose finances shall be examined in accordance with the procedures laid down in the Rules of Order of the *Saeima*.

(6) Budget institutions, derived public entities financed partly from the State budget and institutions non-financed form the budget shall prepare and submit monthly statements to the Treasury according to the procedures and in the amount stipulated by the Cabinet.

(7) Budget institutions, derived public entities financed partly from the State budget and institutions non-financed form the budget shall prepare and submit quarterly statements to the Treasury according to the procedures and in the amount stipulated by the Cabinet.

(8) Ministries and other central State institutions, as well as local governments shall submit a consolidated monthly and quarterly statement to the Treasury within the time period stipulated by the Cabinet.

(9) Ministries and other central State institutions shall submit consolidated statements to the Treasury on the derived public entities financed partly from the State budget that are subordinate to them and institutions non-financed from the budget.

(10) Budget institutions, derived public entities financed partly from the State budget, and institutions non-financed from the budget shall, upon reorganising or terminating their operation, prepare and submit a final statement of the institution operation in accordance with the procedures laid down in the laws and regulations regarding annual financial statements.

(11) When reorganising, as well as terminating the operation of the ministry or central State institution, the responsible authority specified in laws and regulations shall submit the relevant final statement on the operation to the Treasury and State Audit Office within three months from the reorganisation of the relevant ministry or other central State institution or the date of termination of the operation.

(12) Upon reorganising a local government, the responsible authority specified in laws and regulations shall submit the relevant final statement on the operation to the Treasury within three months after the reorganisation of the relevant local government.

[*25 November 1996; 1 April 1998; 25 November 1999; 31 October 2002; 19 December 2002; 20 December 2004; 20 October 2005; 14 November 2008; 1 December 2009; 20 December 2010; 15 December 2011; 15 November 2012; 23 November 2017; 3 December 2020 /* *The new wording of Paragraphs three, 3.1, and 3.2 shall come into force on 1 January 2023 and shall be included in the wording of this Law as of 1 January 2023.* *See Paragraphs 93, 94, and 95 of the Transitional Provisions*]

**Section 30.1 Informative Reports to the Cabinet**

[30 October 2014]

**Section 31. Report on the Financial Year**

(1) The Cabinet shall submit to the *Saeima* a report on the financial year concerning the implementation of the State budget and local government budgets together with the opinion of the State Audit Control by 15 October of the current financial year following the reporting year.

(2) The Cabinet shall determine the procedures and amount in which the Ministry of Finance shall prepare a report on the financial year, including a management report of the Ministry of Finance regarding a report on the financial year, the State consolidated accounting balance and annexes thereto, a report on the implementation of the consolidated general budget and annexes thereto and a report on the national consolidated debt and annexes thereto.

(3) The State Revenue Service shall, by 1 November of the financial year following the reporting year, prepare the information regarding the revenues, tax debts of the State and local governments, and also the amount of unreceived taxes which have arisen as a result of the application of tax rebates specified by law to taxpayers, and submit the aforementioned information to the Ministry of Finance for publishing on its website.

(4) [15 December 2011]

[*25 November 1999; 23 November 2000; 19 December 2002; 20 October 2005; 19 December 2006; 14 November 2008; 1 December 2009; 20 December 2010; 15 December 2011; 23 November 2020 /* *The new wording of the title of the Section, Paragraphs one and two shall come into force on 1 January 2023 and shall be included in the wording of this Law as of 1 January 2023.* *See Paragraphs 93, 96, and 97 of the Transitional Provisions*]

**Section 32. Audit Performed by the State Audit Office**

(1) The Minister for Finance shall submit to the State Audit Office a report on the financial year by 1 July of the year following the financial year.

(11) The State Audit Office shall submit to the Minister for Finance an opinion regarding a report on the financial year by 15 September of the current financial year following the reporting year.

(2) The Minister for Finance shall submit to the Cabinet a report on the financial year together with an opinion of the State Audit Office by 1 October of the current financial year following the reporting year.

(3) The Cabinet shall evaluate the recommendations of the audit performed by the State Audit Office and, if necessary, decide on further action for their introduction.

[*25 November 1996; 25 November 1999; 31 October 2002; 19 December 2002; 15 December 2011; 15 November 2012*]

**Section 32.1 Audit Performed by the State Audit Office in the Year of the *Saeima* Elections**

[*Section shall come into force on 1 January 2022 and shall be included in the wording of this Law as of 1 January 2022.* *See Paragraph 94 of Transitional Provisions*]

**VI. Bank Matters and Financial Contributions**

[*31 October 2002*]

**Section 33. Treasury Budget Accounts in Bank Institutions**

(1) The Treasury shall conduct all accounts of the State budget funds with banks and they shall be called Treasury budget accounts. Recovery proceedings may not be enforced to the funds which are located in the Treasury budget accounts and such accounts shall not be liable to attachment.

(2) The Minister for Finance may authorise the Treasury or any other legal person to open and use accounts or to open accounts for the funds entered in Treasury budget accounts.

[*19 December 2002; 15 December 2011*]

**Section 34. Investment of State Budget Funds**

(1) The Minister for Finance, within the framework of cash management may invest the funds present in the Treasury budget accounts in the form of fixed income securities or deposits, eliminate such financial contributions, in order to ensure the implementation of the State budget, as well as use within the scope of cash management derived financial instruments, also such derived financial instruments which intend financial security, including acceptance and placement of guarantee deposits. The Minister for Finance is entitled to make financial contributions in the form of deposits, fixed income securities or other assets for the implementation of the aims specified in Section 8.1 , Paragraph one of this Law only in accordance with the Cabinet decision.

(2) The budget implementers in relation to special budget and foreign financial assistance have the right to enter into agreement with the Treasury regarding the investment of surplus funds of special budget and foreign financial assistance in the form of deposits. The Treasury shall apply the interest rate for the deposits of special budget resources in compliance with the costs of resources of financial markets.

(3) The Treasury has the right to enter into agreements with local governments, derived public persons financed partly from the State budget, capital companies in which a State or local government capital share has been invested, and institutions non-financed from the budget regarding the investment of funds that have not been received from the State budget.

(4) Upon opening current accounts with the Treasury, the capital companies in which a State or local government capital share has been invested shall, in accordance with Section 27, Paragraph four of this Law, enter into an agreement with the Treasury regarding conditions for the investment of the surplus of funds in the account.

[*14 November 2008; 12 June 2009; 1 December 2009; 20 December 2010; 16 June 2011; 15 December 2011; 30 November 2015; 23 November 2016 / See Paragraph 73 of Transitional Provisions*]

**Section 34.1 Investment of State Budget Funds in the Financial Sector**

(1) Investment of the State budget funds in the financial sector, as well as in the capital companies under decisive influence of the Sate shall be made in accordance with the annual State budget law, except in the case determined in Section 9, Paragraph nineteen of this Law and Paragraph two of this Section.

(2) The Minister for Finance, on the basis of the Cabinet decision, is entitled to make financial contributions to the financial sector, as well as in the capital companies under decisive influence of the State, not intended in the annual State budget law for the implementation of the aims specified in Section 8.1, Paragraph one of this Law. The Minister for Finance may use such rights, if the following conditions are observed:

1) the total amount of financial contributions during the financial year does not exceed two per cent from the amount of gross domestic product specified in the annual State budget law in the financial year;

2) the *Saeima* has agreed with by a separate decision for a particular financial contribution.

[*17 November 2011; 3 April 2019*]

**VII. Borrowings and Loans**

**Section 35. Restrictions on Borrowings**

(1) The Minister for Finance may make borrowings on behalf of the State in an amount allowed by the annual State budget law or, if the annual State budget has not come into force, in the amount approved in accordance with the procedures specified in Section 15 of this Law. Funds from borrowings are State budget funds that shall only be used in accordance with the appropriation procedures. The Minister for Finance may make borrowings on behalf of the State only for the financing of a financial deficit in the State budget, refinancing of the national debt, and other purposes if provision is made therefor by the annual State budget law.

(2) For the sake of economy and efficiency, the Minister for Finance may select the lender, the type of borrowing and the currency.

(21) The Minister for Finance may make borrowing on behalf of the State the amount of which during the financial year exceeds 20 per cent from the amount of gross domestic product specified in the annual State Budget Law in the financial year, as well as the borrowing the receipt of which and conditions are to be recognised as important and significant matter for the life of the State and society and which concerns the implementation of tax policy, social protection system or other matter to be solved by legislation, only after the following:

1) the Prime Minister or Minister for Finance has provided a report regarding the relevant borrowing to the sitting of the *Saeima*;

2) the law regarding the relevant borrowing has been adopted and come into force.

(22) The necessity of the borrowing shall be especially substantiated in the report regarding the relevant borrowing of the Prime Minister or Minister for Finance referred to in Paragraph 2.1 of this Section, the amount, purpose of use, time period and repayment schedule thereof, as well as intended action of the government for the fulfilment of the conditions of the borrowing and repayment thereof shall be indicated.

(3) Borrowings may be made in Latvia or in foreign states by issuing securities, entering into loan agreements or by using other means of borrowing. The Cabinet shall approve regulations regarding the issue of State securities.

(4) The annual State budget law shall determine the maximum permissible amount of the national debt at the end of the financial year, taking into account the transactions in derivative financial instruments entered into for the purposes of financial risk management and attached to the borrowings and national debt securities administered by the Treasury, and the permissible limits of government actions. These limits are determined in euros according to the foreign exchange rate applied in preparing the Draft Annual State Budget Law.

(5) The Minister for Finance, on the basis of the decision of the Cabinet, has the right to decide upon the issue of securities or whether to issue a request for the receipt of monetary funds without applying the conditions specified in Paragraphs one and four of this Section in conformity with borrowing contracts for the implementation of the aims specified in Section 8.1, Paragraph one of this Law. The Minister for Finance may use this right if both of the following conditions are complied with:

1) the nominal value of the foreseeable securities to be issued for the implementation of the aims specified in Section 8.1, Paragraph one of this Law and the total amount of monetary funds to be requested in conformity with borrowing contracts during the financial year does not exceed 20 % from the amount of gross domestic product specified in the annual State budget law in the financial year;

2) the *Saeima* has agreed to the issue of securities or issue of the request for the receipt of monetary funds by a separate decision.

(6) [20 December 2010]

[*25 November 1996; 1 April 1998; 25 November 1999; 31 October 2002; 19 December 2002; 20 December 2004; 19 December 2006; 14 November 2008; 28 October 2010; 20 December 2010; 15 December 2011; 19 September 2013; 30 November 2015; 23 November 2020*]

**Section 36. Authorisation for Borrowings or Loans**

(1) The Minister for Finance shall deal with the matters of State borrowings or loans, transactions with derived financial instruments, also such derived financial instruments which intend financial security, including acceptance and placement of guarantee deposits, as well as with other transaction within the scope of the national debt management in accordance with the annual State budget law, the conditions of foreign financial institution loan contracts, as well as based upon the costs of financial market resources. The Minister for Finance shall:

1) represent the State in all agreements regarding borrowings, loans and loan security, or authorise another person to sign such agreements;

2) authorise the responsible authority to keep originals of documents and registers of all agreements regarding borrowings and loans entered into on behalf of the State and of guarantees issued on behalf of the State, as well as registers of debt liabilities caused by unforeseeable circumstances;

3) [20 December 2004];

4) periodically make known to the public the provisions of agreements entered into on behalf of the State regarding borrowings in the money or capital market;

5) in accordance with the procedures stipulated by the Cabinet, cancel State loans;

6) issue State loans for the ensuring of local government budget and financial management, as well as local government financial stabilisation process, covering of expenditures of the special budget, investments, implementation of commercial activity support programmes, implementation of the European Union co-financed projects and measures, implementation of the projects financed from foreign financial assistance, ensuring of purchase of heating fuel, as well as shall determine a list of the State borrowings and repayments.

(2) State budget institutions and institutions non-financed from the budget do not have the right to enter into financial leasing contracts and make borrowings.

(3) Persons implementing the State budget in relation to special budget may make State borrowing, if on the day of granting of the State borrowing the balance of such special budget resources is not invested in the Treasury in the form of deposit and it is made:

1) for short-term financial management purposes, ensuring the repayment of the borrowing within the financial year in which the borrowing was made;

2) for long-term coverage of the special budget expenditures.

(31) Short-term State borrowing for financial management purposes shall be repaid within the framework of the financial year in which the borrowing was made. Short-term borrowing for ensuring of purchase of heating fuel shall be repaid during a calendar year from the day of entering into the borrowing contract.

(32) State borrowings may be issued within three years from the day of entering into the borrowing contract.

(33) Paragraph 3.2 of this Section shall not be applied to State aid programmes the decision on the implementation of which has been taken by the Cabinet.

(4) The procedures for issuing and servicing State loans shall be determined by the Cabinet.

(5) State loans may be issued to local governments, persons implementing the special budget, capital companies where the State or local government share in the fixed capital, separately or combined, exceeds 50 % and to capital companies formed by several local governments where the local government share in the fixed capital exceeds 65 % in total, as well as the scientific institutes and higher education institutions which have been given the status of a derived public person.

(51) [1 January 2013 / See Paragraph 53 of Transitional Provisions]

(52) Local governments shall, in order to ensure fulfilment of the measures determined in the Law On Privatisation of State and Local Government Property Objects, have the right to issue borrowings from income obtained as a result of privatisation of local government property objects.

(53) State loans may be issued to port authorities for implementation of projects co-financed by the European Union and projects financed by foreign financial assistance.

(54) The Minister for Finance shall not issue a State loan if at least one of the following conditions exists:

1) the applicant for the State loan referred to in Paragraphs five and 5.3 of this Section should, in accordance with Article 2(18) of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (hereinafter – Regulation No 651/2014), be qualified as an undertaking in difficulty, except where it receives rescue, or restructuring or temporary restructuring aid in accordance with legal acts of the European Union in the field of aid for commercial activity;

2) a guarantee of a local government or of several local governments has not been provided in the amount of 100 % of the amount of the State loan with regard to liabilities resulting from the State loan for a capital company where the local governmentʼs share of the fixed capital, separately or combined, exceeds 50 %, and for a capital company formed by several local governments where the local government share of the fixed capital exceeds 65 % in total;

3) a capital company where the State share of the fixed capital exceeds 50 %, a scientific institute and a higher education institution which have been given the status of a derived public person, a port authority entail:

a) an increased risk of the repayment of the State loan;

b) a medium risk of the repayment of the State loan, except where the liquidity security is high or the State loan is intended or be used for the implementation of a project co-financed from the European Union fund or other foreign financial assistance, and a set of assets is provided as security;

c) a medium low risk of the repayment of the State loan, except where a set of assets is provided as security.

(6) The Minister for Finance, on the basis of the decision of the Cabinet, has the right, without applying the conditions laid down in Paragraphs one, four and five of this Section, to decide upon the provision of State loans for the implementation of the aims specified in Section 8.1, Paragraph one of this Law, as well as regarding the provision of the State borrowings for the payment of the guaranteed remuneration specified in the Law for ensuring the funds lacking in the Deposit Guarantee Fund. The Minister for Finance may use this right if both of the following conditions are complied with:

1) the total amount of foreseeable State loans for the implementation of the aims specified in Section 8.1, Paragraph one of the Law or for ensuring payment of the guaranteed remuneration specified in the Law from the Deposit Guarantee Fund does not exceed 10 % in the financial year from the amount of gross domestic product specified in the annual State budget law in the financial year;

2) the *Saeima* has agreed to the issue of State loans by a separate decision.

(7) If the total amount of foreseeable State loans for the implementation of aims specified in Section 8.1, Paragraph one of this Law or for ensuring payment of the guaranteed remuneration from the Deposit Guarantee Fund specified in the Law during the financial year exceeds 10 % from the amount of gross domestic product specified in the annual State budget law in the financial year, the Cabinet shall submit amendments to the annual State budget law.

(71) The Cabinet may, by a separate decision, assign the Minister for Finance to issue a State loan if the conditions referred to in Paragraph 5.4, Clause 2 or 3 of this Section exist or for significant investments to achieve the strategic objective of the State. The State loan shall be issued and serviced according to the Cabinet decision. The Minister for Finance may exercise this right if the *Saeima* has agreed to the provision of the State loan by a separate decision.

(8) [30 November 2015]

(9) The Minister for Finance is entitled to, on behalf of the Republic of Latvia, conclude a loan facility agreement between the Republic of Latvia acting as the creditor and the Single Resolution Board acting as the borrower and to issue State loan without exceeding the amount of loan stipulated by the law, in order to ensure pre-financing for the resolution of credit institutions if necessary.

(10) If the annual local government budget is not approved within the time period specified in Section 41, Paragraph 2.1 of this Law, the Minister for Finance has the right to suspend the disbursement of the State budget loan to a local government until the approval of the annual local government budget.

[*23 November 2000; 31 October 2002; 19 December 2002; 20 December 2004; 20 October 2005; 19 December 2006; 8 November 2007; 14 November 2008; 12 June 2009; 1 December 2009; 20 December 2010; 15 December 2011; 4 April 2013; 19 September 2013; 30 November 2015; 21 January 2016; 3 April 2019; 23 November 2020*]

**Section 36.1 Repayment of a State Loan**

The Treasury shall deduct the funds intended for the fulfilment of the obligations related to a State loan in accordance with the entered into contracts from the account of the borrower which has been opened with the Treasury in accordance with Section 27, Paragraph one of this Law.

[*23 November 2020 /* *See Paragraph 92 of Transitional Provisions*]

**Section 37. Guarantees**

(1) Guarantees on behalf of the State may be issued:

1) for liabilities which are undertaken by a capital company where the State share in the fixed capital exceeds 50 % and which has been included in the sector of non-financial economic operators according to the classification of institutional sectors for making investments;

2) for liabilities, which are undertaken in order to ensure financing for the commercial activity aid programmes approved by laws and regulations;

3) for the provision of study and student crediting.

(2) The guarantee shall not be granted if at least one of the following conditions exists:

1) the applicant for the State-guaranteed loan may, in accordance with Article 2(18) of Regulation No 651/2014, be qualified as an undertaking in difficulty, except when it receives rescue, or restructuring or temporary restructuring aid in accordance with legal acts of the European Union in the field of aid for commercial activity;

2) the applicant for guarantee, in respect of whose obligations already previously a guarantee on behalf of the State or State loan has been issued, has violated the specified procedures for the issuing and supervision of the guarantee or State loan;

3) the applicant for guarantee entails:

a) an increased risk of the repayment of the State-guaranteed loan;

b) a medium risk of the repayment of the State-guaranteed loan, except where the liquidity security is high or the State-guaranteed loan is intended to be used for the implementation of a project co-financed from the European Union fund or other foreign financial assistance, and a set of assets is provided as security;

c) a medium low risk of the repayment of the State-guaranteed loan, except where a set of assets is provided as security;

4) the applicant for guarantee has failed to submit all documents necessary for the receipt of the guarantee and the required additional information by 1 November of the current financial year, or the submitted information is incomplete or incorrect.

(3) A decision to provide or not provide a guarantee on behalf of the State according to the annual State budget law shall be taken by the Cabinet.

(4) If the Cabinet takes a decision to provide the guarantee included in the annual State budget law referred to in Paragraph one, Clauses 1 and 2 of this Section, the Minister for Finance shall provide guarantees according to the authorisation of the Cabinet.

(5) The Minister for Finance shall provide the guarantees referred to in Paragraph one, Clause 3 of this Section, which are included in the annual State budget law, without a separate Cabinet decision.

(6) The Cabinet shall determine the procedures for providing and supervising guarantees.

(7) If a loan already issued is being re-credited, for which a guarantee on behalf of the State has been issued and the amount of a guarantee is not increased, the guarantee issued on behalf of the State shall not be included in the annual State budget law.

(8) Expenditures arising due to carrying out the liabilities of guarantees provided on behalf of the State shall be attributed to the liabilities of the national debt.

(9) According to the procedures stipulated by the Cabinet, the Minister for Finance is entitled to decide, without applying the conditions of Paragraphs one, two, three, four, five and six of this Section, on the provision of a guarantee for the implementation of the aims specified in Section 8.1, Paragraph one of this Law. The Minister for Finance may use this right if both of the following conditions are complied with:

1) the total amount of foreseeable guarantees provided for the implementation of the aims specified in Section 8.1, Paragraph one of this Section within a financial year does not exceed 10 % from the amount of gross domestic product specified in the annual State budget law in the financial year;

2) the *Saeima* has agreed to the provision of a guarantee by a separate decision.

(10) If the total amount of foreseeable guarantees for the implementation of the aims specified in Section 8.1, Paragraph one of this Law in the financial year exceeds 10 % from the amount of gross domestic product specified in the annual State budget law in the financial year, the Cabinet shall submit amendments to the annual State budget law.

[*6 November 2013; 3 April 2019 /* *Paragraph two, Clause 3, Sub-clauses “b” and “c” shall apply from 1 January 2020.* *See Paragraph 87 of Transitional Provisions*]

**Section 37.1 Opinion on Rule of Law and Binding Nature of Borrowing or Loan and Guarantee Agreement**

The Minister for Justice shall, upon a request of the Minister for Finance, provide an opinion on the rule of law and binding nature of the entering into agreement of borrowing or loan and guarantee entered into by the Minister for Finance on behalf of the State or the agreement intended to enter into on behalf of the State and the provisions included in the agreement or draft agreement.

[*12 June 2009*]

**Section 38. Invariability of the Provisions of Borrowings**

(1) The government may not unilaterally change provisions of a borrowing and liabilities with respect to an unrepaid borrowing.

(2) The provisions stated in Paragraph one of this Section shall not exclude the possibility for the government offering early redemption of promissory notes regarding borrowing liabilities if the relevant agreements allow for such redemption.

**Section 39. Carrying out of the National Debt Liabilities**

Expenditures for the carrying out of national debt liabilities shall be made in accordance with the contractual provisions irrespective of the amount of funds provided for such purpose in the annual State budget and of the specified permissible limits of government actions. If the Minister for Finance determines that the expenditures for the carrying out of national debt liabilities exceeds the amount of funds provided for such purposes in the annual State budget, he or she shall, in accordance with Section 9, Paragraph sixteen of this Law, increase the appropriation specified for the carrying out of the national debt liabilities in the annual State budget law and expand the permissible limits of government actions.

[*6 November 2013; 23 November 2020*]

**Section 40. Loans to Local governments**

[23 November 2000]

**VIII. Budget Rights and Procedures of Derived Public Persons Financed Partly from the State Budget, Institutions Non-financed from the Budget and of Local governments**

[*1 December 2009*]

**Section 41. Budget Rights**

(1) Derived public persons financed partly from the State budget are entitled to independently develop and approve their budgets.

(11) Ministries (supervisory bodies) shall, by 1 September of the current year, submit drafts of the budgets for the next year of institutions non-financed from the budget to the Cabinet for approval and the Cabinet shall approve them by 15 September of the current year.

(12) Amendments to budgets made by institutions non-financed from the budget shall be submitted by ministries (supervisory bodies) to the Cabinet for approval.

(2) Local government budgets shall reflect local government administrative structures and conform to the requirements laid down in Section 11 of this Law.

(21) The annual local government budget must be approved at a local government council not later than within two months after the proclamation of the annual State budget law.

(3) The rights and limits (scope) of local government budgets shall be determined by special laws.

(4) If local governments act as representatives of the State, the State shall cover their expenditures in full. After adoption of the State budget, financial liabilities may not be imposed on local government budgets, if the sources of the funds allocated by the State for meeting such liabilities have not been stated.

(5) Local governments have the right to make borrowings and issue guarantees only in the allowed total increased amount provided for in the annual State budget law. If the specified local government borrowing or the total amount of guarantees is insufficient in order for the local government to ensure funding for the implementation of European Union co-financing projects and investment projects, the Minister for Finance shall inform the Cabinet and the *Saeima* without delay regarding the resulting situation. The Minister for Finance is entitled to increase the total increase in the borrowings or guarantees of the local government if the Budget and Finance (Taxes) Commission of the *Saeima* has not objected to it within five working days after receiving the relevant information in the *Saeima*. The receipt of borrowings and the issue of guarantees by local governments shall be conducted in accordance with the procedures stipulated by the Cabinet.

(6) [23 November 2017]

(7) [23 November 2020]

[*1 April 1998; 23 November 2000; 31 October 2002; 19 December 2002; 8 November 2007; 14 November 2008; 12 June 2009; 1 December 2009; 4 April 2013; 23 November 2017; 23 November 2020*]

**Section 41.1 Making the Local Government Budget Expenditures if the Annual Local Government Budget Law has not Come into Force by the Beginning of the Financial Year**

(1) If, at the beginning of a financial year, the annual local government budget has not come into force, the budget expenditures necessary for the operation of the local government shall be approved in accordance with the procedures stipulated by the local government council provided that:

1) the expenditures do not exceed the actual expenditures of the previous financial year of the local government by making the following adjustments:

a) the services (payment orders) which have not been provided in the previous financial year are not paid for, and the investments which have not been realised in the previous financial year are not made;

b) the financing of the measures commenced in the previous financial year is continued;

c) the enforcement of the existing laws and regulations is ensured;

2) the implementation of budget policies and conditions determined in the local government budget law of the previous financial year is ensured at a constant level, except for fixed-term measures;

3) the implementation of projects co-financed by the European Union and other foreign financial assistance is ensured;

4) the State budget earmarked grants and grants approved for the financial year are taken into account;

5) the financing for the fulfilment of the liabilities undertaken by the local government is provided for;

6) new borrowing and guarantee liabilities are not undertaken, except for liabilities for the implementation of the projects referred to in Paragraph one, Clause 3 of this Section.

(2) Conditions for the implementation of the budget determined in this Law shall be applicable to the financing allocated in accordance with this Section. The authorisations granted in accordance with Paragraph one of this Section shall expire upon coming into force of the annual local government budget law, which is drawn up and approved as the binding regulations of the local government, and all the expenditures from the beginning of the financial year shall be registered in accordance with the new annual local government budget law.

[*23 November 2020*]

**Section 42. Rights of Local Governments to Revenue**

(1) Local governments are entitled to budgetary revenue in accordance with laws, in order to ensure a stable and secure revenue base conforming to the requirements of macroeconomic stability.

(2) Local governments are entitled to impose local government fees in accordance with the procedures and in the amounts laid down in laws.

**Section 43. Financial Accounting of Derived Public Persons Financed Partly from the State Budget, Institutions Non-financed from the Budget and of Local Governments**

(1) The Cabinet shall determine a uniform classification for budgetary revenues, expenditures, financing and debt accounting, and provisions for the drawing up of budget accounts, with respect to local governments.

(2) All local government financial activities in conformity with Cabinet regulations shall be registered in the official financial accounting of local governments. The prepared reports shall be submitted in accordance with the procedures laid down in laws, and by Cabinet regulations.

(3) Derived public persons financed partly from the State budget and institutions non-financed from the budget shall ensure that the budget thereof and accounting of all transactions conform with the classifications specified in Section 11 of this Law.

[*25 November 1996; 19 December 2002; 20 December 2004; 14 November 2008; 1 December 2009*]

**Section 44. Grants and Earmarked Grants to Local Government Budgets**

(1) The structure of State budget grants and earmarked grants to be allocated to local government budgets shall be determined by special laws.

(2) The State budget grants, earmarked grants and transfers to be allocated to local government budgets from the State budget shall be determined in the annual State budget law.

(3) Grants, including grants related to general financial assistance and earmarked grants, may be allocated by the annual State budget law for the carrying out of such measures as the State and local governments have common interests in.

(4) If, after approval of the State budget and local government budgets, the *Saeima* adopts laws or the Cabinet adopts decisions as permit budgetary expenditures of local governments to be decreased or their revenue to be increased, amendments may be made to the amounts of grants or earmarked grants allocated to the local governments.

[*25 November 1996; 23 November 2000; 14 November 2008*]

**Section 45. Local Government Borrowings**

(1) In order to maintain a general economic balance and to ensure a uniform State financial policy, the amounts of total increase of local government borrowings and guarantees shall be separately prescribed in the annual State budget law.

(2) Local governments shall ensure a full accounting of borrowings and guarantees.

(3) The Treasury has the right to withhold the sums from the amount, which is due to the local government from personal income tax, or from a grant of equalisation fund of local government finances in the following cases and in the following amount:

1) if local government does not ensure timely fulfilment of the liabilities specified in State loan agreements – in the amount of sum not paid timely;

2) if local government does not ensure use of the State loan in compliance with the purpose specified in the loan agreement – according to the order of the Minister for Finance in the amount of the loan sum used in non-compliance with the purpose specified in the agreement.

[*25 November 1996; 25 November 1999; 20 December 2004; 14 November 2008; 20 December 2010*]

**IX. Responsibility and Sanctions**

**Section 46. Responsibility for the Implementation of the Budget**

(1) Heads of authorities financed from the budget, institutions non-financed from the budget and local governments, as well as of capital companies, in which a State or local government capital share has been invested, shall be responsible for the observance, implementation and control of the procedures and requirements laid down in this Law, as well as for the efficient and economic utilisation of budgetary funds in conformity with purposes intended.

(2) The Minister for Finance shall be responsible for the organisation and management of the State budget implementation process and shall supervise the operation of the Treasury in accordance with the requirements of this Law.

(3) The Treasury within the scope of its competence shall be responsible for financial management in accordance with the requirements of this Law.

(4) Liabilities entered into by managers of bodies financed from the budget with respect to State budget funds without an assignation, exceeding the assignation granted or authorisation for planned liabilities in the future, shall not be regarded as liabilities of the State.

(5) Ministries and other central State institutions shall be responsible for the establishment of a control system for the implementation of the appropriation determined in the annual State budget law and for the control of the use of the State budget funds according to the intended purposes.

(6) Ministries and other central State institutions, in performing functions and tasks specified in regulatory enactments, may compensate for services of vehicles from the budget resources. The Head of the ministry or other central State institution shall issue internal regulatory enactment determining the procedures for the use of service vehicles therein, number of vehicles and fuel consumption rates according to the functions to be performed by the institution and the result to be achieved. The internal regulatory enactment shall determine procedures by which a detailed report on the expenditures connected with the use of service vehicles is to be provided.

(7) Ministries and other central State institutions, in performing functions and tasks specified in regulatory enactments, may compensate for communication services used from the budget resources. The Head of the ministry or other central State institution shall issue internal regulatory enactment determining the procedures for the useful and justified use of means of communication therein, as well as the procedures by which a detailed report regarding use of these means shall be provided.

[*1 April 1998; 25 November 1999; 31 October 2002; 19 December 2002; 20 October 2005; 8 November 2007; 12 June 2009; 1 December 2009; 3 April 2019*]

**Section 47. Violations of this Law and Sanctions**

(1) For late and incomplete payment of the amount due to the State budget into Treasury budget accounts, the Treasury, unless this is under the competency of another State agency, shall recover the amount not paid into revenue of the basic budget and may recover late charges in the amount of 0.1 per cent of the amount not paid in time for each late day of payment unless provided otherwise by laws and Cabinet regulations.

(2) In order to cover losses caused to the budget, the Treasury may include amounts in the basic budget revenue and withdraw or suspend assignations, if:

1) the reports provided for in accordance with this Law on budget and financial management have not been submitted in good time or are incomplete;

2) the budgetary funds and transactions in such funds have not been registered in accordance with the procedures prescribed by law or notice has not been given regarding them;

3) the accounting does not comply with the prescribed procedures and, thus, funds due to the budget are concealed;

4) a manager of a body financed from the budget has violated the conditions of Section 24 of this Law and has undertaken liabilities exceeding the assignation allocated by the Treasury.

(3) If bodies financed from the budget, institutions non-financed from the budget and local governments, as well as capital companies, in which a State or local government capital share has been invested, have violated financial management provisions provided for in this Law the Minister for Finance, the administrator of the Treasury or the heads of ministries and other central State institutions may take the following measures in accordance with the competence thereof:

1) withdraw for a period of time an authorisation to assign or deal with budgetary revenues or expenditures;

2) determine limitations on the use of accounts;

3) withdraw or suspend the assignations in order that the illegally used funds be refunded or require refunding of the illegally used funds;

4) submit a civil claim to a court or provide materials to competent officials for deciding on the issue of initiation of criminal proceedings;

5) withdraw or suspend payments.

(4) [3 April 2019]

(41) The Cabinet shall determine the procedures by which an institution, which supervises the implementation of European Union policy instrument or foreign financial assistance projects shall take decisions regarding the suspension, restoration or revocation of assignations and the Treasury shall suspend, restore or revoke assignations to the recipient of European Union policy instrument or foreign financial assistance financing.

(5) For payments not made within the specified time periods regarding the utilisation of State capital, a late payment charge shall be calculated and collected in the amount specified in Paragraph one of this Section.

[*25 November 1996; 1 April 1998; 25 November 1999; 23 November 2000; 31 October 2002; 19 December 2002; 30 October 2003; 19 December 2006; 8 November 2007; 1 December 2009; 3 April 2019*]

**Section 48. Procedures for Examination of Violations of this Law**

(1) The Cabinet or the Minister for Finance may establish a commission for the examination of violations mentioned in this Law informing the State Audit Office thereof. On the basis of a decision of the commission, the Minister for Finance, within the scope of his or her competence, shall take appropriate measures for the elimination of the consequences of the violations.

(2) [31 October 2002]

(3) The Minister for Finance, the Treasury and persons implementing the budget shall inform the State Audit Office without delay of decisions that have been taken regarding violations of financial management provisions.

(4) If financial management provisions have been violated by the Minister for Finance, the person who has determined such violation shall inform the State Audit Office, the Cabinet and the *Saeima* thereof in writing, mentioning the particular facts characterising this violation.

[*31 October 2002; 19 December 2002*]

**X. ADMINISTRATIVE VIOLATIONS IN THE FIELD OF BUDGET AND FINANCIAL MANAGEMENT AND COMPETENCE IN THE ADMINISTRATIVE VIOLATION PROCEEDINGS**

[*17 October 2019 /* *Section shall come into force on 1 July 2020.* *See Paragraph 89 of Transitional Provisions*]

**Section 49. Failure to Submit a Financial Statement to the Treasury**

For failure to submit a financial statement to the Treasury within the time period specified in this Law, a warning or a fine from fourteen to seventy units of fine shall be imposed on the head of a body financed from the budget or the head of an institution non-financed from the budget.

[*17 October 2019 /* *Section shall come into force on 1 July 2020.* *See Paragraph 89 of Transitional Provisions*]

**Section 50. Competence in the Administrative Offence Proceedings**

Administrative offence proceedings for the administrative offences referred to in Section 49 of this Law shall be conducted by the Treasury.

[*17 October 2019 /* *Section shall come into force on 1 July 2020.* *See Paragraph 89 of Transitional Provisions*]

**Transitional Provisions**

1. [23 November 2000; 1 January 2001]

2. With the coming into force of this Law, Sections 1-18, 20 and 21 of the Law On the Rights of the Republic of Latvia Budget (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1990, No. 29; 1992, No. 29/31) are repealed.

Note. Other Sections of the Law On the Rights of the Republic of Latvia Budget shall become void when the Law On Local Governments Budgets comes into force.

3. Section 30, Paragraph three of this Law shall come into force on 1 January 2001.

[*25 November 1999*]

4. Section 22, Paragraph two, Clause 7 of this Law shall be in force until 1 January 2010.

[*23 November 2000*]

5. The medium term macroeconomic development and fiscal policy framework referred to in Section 20, Paragraphs three and six, and also Section 21, Paragraph one of this Law shall be prepared and approved in the Cabinet and submitted to the *Saeima* commencing from the 2002 draft State budget law (the package of draft budget laws).

[*23 November 2000*]

6. [20 October 2005]

7. The coming into force of Section 9, Paragraph five, Clause 2; Section 15, Clause 6 and Section 15.1 of this Law shall be determined by a special law.

[*31 October 2002*]

8. Until the day of the coming into force of the Cabinet regulations provided for in Section 2, Paragraph five of this Law, but no longer than until 1 June 2003, Cabinet Regulation No. 377 of 8 October 1996, Procedures for the Formulation, Financing and Implementation of the State Investment Programme, shall be applicable insofar as it is not in contradiction to this Law.

[*31 October 2002*]

9. Section 11, Clause 2 of this Law shall be in force until 31 December 2005.

[*20 December 2004*]

10. Section 11, Clause 3 of this Law shall come into force on 1 January 2006.

[*20 December 2004*]

11. Until the day of the coming into force of the Cabinet regulation provided for in Section 14, Paragraph three of this Law, but not later than 1 July 2005, Cabinet Regulation No. 231 of 6 November 2002, Regulations regarding the Content and Procedures for the Preparation of Annual Public Reports, shall be applied insofar as it is not in contradiction to this Law.

[*20 December 2004*]

12. Until the day of the coming into force of the Cabinet regulation provided for in Section 29, Paragraph two of this Law, but not later than 31 December 2005, Cabinet Regulation No. 96 of 6 March 2001, Regulations regarding Budget Institution Fixed Asset Depreciation Norms and Application Conditions, shall be applied insofar as it is not in contradiction to this Law.

[*20 December 2004*]

13. Until the day of the coming into force of the Cabinet regulations provided for in Section 30, Paragraphs one and two of this Law, but not later than 1 July 2005, Cabinet Regulation No. 999 of 30 November 2004, Procedures for the Preparation of State and Local Government Budget Institution Annual Financial Statements, shall be applied, insofar as it is not in contradiction to this Law.

[*20 December 2004*]

14. The regulations referred to in Section 5, Paragraph nine; Section 12; Section 24, Paragraphs two and three; Section 29, Paragraph two; Section 30, Paragraphs six and seven and Section 35, Paragraph three of this Law shall be issued by the Cabinet by 1 July 2005.

[*20 December 2004*]

15. Until the day of the coming into force of the Cabinet regulation provided for in Section 37, Paragraph two of this Law, but not later than 1 July 2005, Cabinet Regulation No. 179 of 30 April 2001, Procedures for Issuing Guarantees by the Minister for Finance on behalf of the State, shall be applied insofar as it is not in contradiction to this Law.

[*20 December 2004*]

16. The Cabinet regulations referred to in Section 5, Paragraph ten of this Law in relation to 2007, the Cabinet shall issue by 1 April 2007.

[*19 December 2006*]

17. The Cabinet shall issue the regulations referred to in Section 5, Paragraph twelve of this Law by 1 April 2011.

[*19 December 2006; 8 November 2007; 14 November 2008; 12 June 2009; 20 December 2010*]

18. The Cabinet shall issue the regulations referred to in Section 9, Paragraph nine of this Law by 1 September 2007.

[*19 December 2006*]

19. The Cabinet shall issue the regulations referred to in Section 9.1, Paragraph one of this Law by 1 September 2007.

[*19 December 2006*]

20. The Cabinet shall issue the regulations referred to in Section 16.2, Paragraph three of this Law by 1 March 2007.

[*19 December 2006*]

21. The Cabinet shall issue the regulations referred to in Section 31, Paragraph four of this Law by 30 June 2007.

[*19 December 2006*]

22. The Cabinet shall issue the regulations referred to in Section 36, Paragraph four of this Law by 1 June 2007.

[*19 December 2006*]

23. The Cabinet shall issue the regulations referred to in Section 47, Paragraph 41 of this Law by 30 June 2007.

[*19 December 2006*]

24. Section 9, Paragraphs seven, eight and nine of this Law shall come into force on 1 January 2008.

[*19 December 2006*]

25. Section 9.1 of this Law shall come into force on 1 January 2008.

[*19 December 2006*]

26. Up to the day of the coming into force of the Cabinet regulation provided for in Section 5, Paragraph twelve of this Law, but not longer than until 31 December 2010, Cabinet Instruction No. 4 of 6 May 1997, Procedures by which Bodies Financed from the State budget may Provide Paid Services, shall apply insofar as it is not in contradiction to this Law.

[*19 December 2006; 8 November 2007; 14 November 2008; 12 June 2009*]

27. The regulations referred to in Section 5, Paragraph ten of this Law shall be issued by the Cabinet by 1 March 2009.

[*8 November 2007; 14 November 2008*]

28. The Cabinet shall submit to the *Saeima* by 1 November 2008 the draft law referred to in Section 8.1 of this Law.

[*8 November 2007*]

29. The regulations referred to in Section 9, Paragraph ten of this Law shall be issued by the Cabinet by 1 June 2008.

[*8 November 2007*]

30. Up to the day of the coming into force of the Cabinet regulations provided for in Section 9, Paragraph ten of this Law, but not later than by 31 May 2008, the Cabinet Instruction No. 13 of 31 July 2007, Procedures by which the Ministry of Finance shall Prepare and Submit to the Cabinet Proposals for the Division of Funds for the Budget Sub-programme The Implementation of Financing of European Union Policy Instruments and of other Foreign Assistance Co-financing Projects and Measures, shall be applied insofar as it is not in contradiction with this Law.

[*8 November 2007*]

31. The regulations referred to in Section 17, Paragraph one of this Law shall be issued by the Cabinet by 1 May 2008.

[*8 November 2007*]

32. Up to the day of the coming into force of the Cabinet regulations provided for in Section 17, Paragraph one of this Law, but not later than by 30 April 2008, Cabinet Instruction No. 9 of 8 May 2007, Instructions regarding the Basic Principles of Development of Budget Requests, insofar as it is not in contradiction with this Law.

[*8 November 2007*]

33. State founded institutions of higher education, which have derived public person status, in relation to financing of scientific work within the meaning of this Law shall be deemed to be bodies financed from the budget, which are not budget institutions. In relation to other financing State founded institutions of higher education, which have derived public person status, shall be deemed to be bodies financed from the budget, which are not budget institutions within the meaning of this Law from 1 January 2009.

[*8 November 2007*]

34. The Cabinet shall by 1 November 2008 evaluate and, if necessary, submit to the *Saeima* a draft law regarding the budget independence of derive public law legal persons, the financial control of such persons and the financial stabilisation regulations, financing of budget institutions or of State budget financed institution status, as well as regarding other issues of the finance and budget management of such persons.

[*8 November 2007*]

35. Until the day when the Cabinet regulations referred to in Section 30, Paragraph eight of this Law come into force, but not later than until 1 January 2010, derived public persons financed partly from the State budget shall submit financial statements in accordance with the procedures specified in Cabinet Regulation No. 313 of 25 April 2006, Regulations Regarding Procedures for the Content, Preparation and Submission of the Monthly Local Government Financial Statements, Cabinet Regulation No. 811 of 25 October 2005, Procedures for the Preparation of Quarterly Financial Statements of State Budget Institutions and Local Governments and Cabinet Regulation No. 749 of 13 November 2007, Regulations regarding Procedures for the Preparation of Annual Financial Statements of State Budget Institutions and Local Governments.

[*14 November 2008*]

36. Amendment to this Law with regard to the deletion of the word “(district and parish councils)” in brackets shall come into force on 1 July 2009.

[*14 November 2008*]

37. [30 November 2015]

38. Until the date of the coming into force of the Cabinet regulations referred to in Section 9, Paragraph nine of this Law, but not later than until 20 October 2009, Cabinet Regulation No. 584 of 28 August 2007, Procedures by which Ministries and Other Central State Institutions Develop and the Ministry of Finance Evaluates Requests for Reallocation of Appropriations Among Programmes, Sub-programmes and Expenditure Economic Classification Codes, insofar as they are not in contradiction with this Law.

[*12 June 2009*]

39. The Cabinet shall not include long-term stabilisation reserve balance and annexes thereof referred to in Section 31, Paragraph two, Clause 8.2 of this Law in the financial year report for a period from 1 January 2010 until 31 December 2012.

[*12 June 2009*]

40. Until 31 October 2009 the Cabinet shall submit to the *Saeima* the draft annual State budget law (the package of draft budget laws) referred to in Section 21 of this Law for the next financial year, proposals for amendments to the laws to ensure the compliance thereof with the budgetary demands and the explanations of the draft State budget law (the package of draft budget laws), and also a medium term macroeconomic development and fiscal policy framework.

[*10 September 2009*]

41. Amendments to Section 1 of this Law in relation to the replacement of words “State or local government agency” with the words “local government agency” in the explanation of the term “budget institutions” shall come into force on 1 January 2013.

[*1 December 2009*]

42. Until the date of the coming into force of the Cabinet regulations referred to in Section 9, Paragraph thirteen, Clause 1 of this Law, but not later than until 1 June 2010, the Cabinet Regulation No. 584 of 28 August 2007, Procedures by which Ministries and Other Central State Institutions Develop and the Ministry of Finance Evaluates Requests for Reallocation of Appropriations Among Programmes, Sub-programmes and Expenditure Economic Classification Codes, shall be applied insofar as they are not in contradiction with this Law.

[*1 December 2009*]

43. Until the date of the coming into force of the Cabinet regulations referred to in Section 9, Paragraph thirteen, Clause 2 of this Law, but not later than until 1 June 2010, Cabinet Regulation No. 430 of 10 June 2008, Regulations Regarding Reallocation of Funds of the Ministry of Finance Budget Sub-programme Financing for the Implementation of Projects and Measures Co-financed from European Union Policy Instruments and Other Foreign Financial Assistance, shall be applied insofar as they are not in contradiction with this Law.

[*1 December 2009*]

44. Until the date of the coming into force of the Cabinet regulations referred to in Section 12, Paragraph two of this Law, but not later than until 1 June 2010, Cabinet Regulation No. 62 of 20 January 2009, Procedures by which the Funds Approved in Budget Sub-programme Funds for Unforeseen Events are Requested and Used, shall be applied insofar as they are not in contradiction with this Law.

[*1 December 2009*]

45. Until the date of the coming into force of the Cabinet regulations referred to in Section 14, Paragraph three of this Law, but not later than until 1 April 2010, Cabinet Regulation No. 69 of 19 February 2002, Regulations Regarding Annual Public Accounts of State Agency and Local Government Agency, and Cabinet Regulation No. 44 of 17 January 2006, Regulations Regarding Content of Annual Public Accounts and Procedures for Preparation Thereof, shall be applied insofar as they are not in contradiction with this Law.

[*1 December 2009*]

46. Within the meaning of this Law the State Agency Civil Aviation Agency, the State Railway Technical Inspectorate, the State Railway Administration, Transport Accident and Incident Investigation Bureau, the budgets of which are not planned within the State budget starting from 2010, shall start operate as the institutions non-financed from the budget from 1 January 2010.

[*1 December 2009*]

47. The regulations referred to in Section 19.1 of this Law shall be issued by the Cabinet by 1 June 2010.

[*1 December 2009*]

48. The regulations referred to in Section 25, Paragraph 1.1of this Law shall be issued by the Cabinet by 1 June 2010.

[*1 December 2009*]

49. Section 29, Paragraph four of this Law shall come into force on 1 January 2012.

[*1 December 2009; 20 December 2010*]

50. Until the day when the Cabinet regulations referred to in Section 30, Paragraph one of this Law come into force, but not later than until 1 December 2010, Cabinet Regulation No. 1193 of 20 October 2009, Procedures for the Preparation of Financial Statements, shall be applied, insofar as they are not in contradiction with this Law.

[*1 December 2009*]

51. Until the date of the coming into force of the Cabinet regulations referred to in Section 30, Paragraph seven and eight of this Law, but not later than until 1 January 2011, the institutions non-financed from the budget shall submit reports to the Treasury in accordance with the procedures provided for in Cabinet Regulation No. 1071 of 22 September 2009, Regulations Regarding the Amount of Monthly Reports, the Procedures for the Preparation and Submission Thereof.

[*1 December 2009*]

52. Until the date of the coming into force of the Cabinet regulations referred to in Section 30, Paragraph seven and eight of this Law, but not later than until 1 June 2010, the institutions non-financed from the budget shall submit reports to the Treasury in accordance with the procedures provided for in Cabinet Regulation No. 224 of 10 January 2009, Procedures by Which State Budget Institutions, Local Governments and Derived Public Persons Financed Partly From the State Budget Shall Prepare and Submit Quarterly Financial Reports.

[*1 December 2009*]

53. Section 36, Paragraph 5.1 of this Law shall be in force by 31 December 2012.

[*1 December 2009*]

54. In 2011 the informative report referred to in Section 30.1, Paragraph two of this Law shall be provided for preliminary implementation of the first half-year of 2011, including also the information regarding the plan for 2011 in the report.

[*20 December 2010*]

55. Amendments to the term “Special budget” of Chapter I, Section 8, Paragraph one, Clause 3, Section 9 and 25 of this Law regarding supplementing thereof with an indication to other special budget, as well as Section 8, Paragraph one, Clause 3.1 of this Law shall come into force on 1 January 2012.

[*20 December 2010*]

56. Amendment to Chapter 1 in relation to the explanation of the term “Special budget”, amendment to Section 8, Paragraph one, Clause 3 in relation to expression thereof in new version, as well as amendment to Section 9 and 25 of this Law regarding exclusion of other special budget and amendment regarding exclusion of Section 8, Paragraph one, Clause 3.1 of this Law shall come into force on 1 January 2012.

[*16 June 2011*]

57. The Cabinet shall ensure the fulfilment of the conditions of Section 16.2, Paragraph four of this Law, when approving the maximum permissible total amount of State budget expenditures for the institutions referred to in this Paragraph of the Section for 2012.

[*14 July 2011*]

58. The Cabinet shall issue the Regulation referred to in Section 16.2, Paragraph four of this Law until 1 October 2012. Until the date of coming into force of the relevant Regulation, but not later than until 1 October 2012 Cabinet Regulation No. 198 of 20 March 2007, Regulations Regarding Methodology for Determination of Maximum Permissible Total Amount of State Budget Expenditures and the Maximum Permissible Total Amount of State Budget Expenditures for Each Ministry and Other Central State Institutions in the Medium Term, shall be applied, insofar as it is not in contradiction with this Law.

[*15 December 2011*]

59. The Cabinet shall issue the Regulation referred to in Section 30, Paragraph four of this Law until 1 October 2012. Until the day of coming into force of the relevant Regulation, but not later than until 1 October 2012 Cabinet Regulation No. 111 of 21 March 2000, Regulations Regarding Financial Accounts and Financial Information of Undertakings (Companies) Supervised by Ministries and Central State Institutions, insofar as it is not in contradiction with this Law.

[*15 December 2011*]

60. The ministries shall, until 1 February 2012, ensure the implementation of Section 30.1, Paragraph three of this Law also in respect of informative reports submitted to the Cabinet until 1 September 2011 and 30 December 2011.

[*15 December 2011*]

61. The Cabinet shall issue the Regulation referred to in Section 19.2, Section 27, Paragraph five and six and Section 31, Paragraph two of this Law until 1 June 2012.

[*15 December 2011*]

62. The Cabinet shall submit the draft Medium Term Budget Framework Law for 2013-2015 to the *Saeima* together with the draft State Budget Law for 2013 (in package of budget laws). The explanations referred to in Section 16.2, Paragraph three of this Law for the Draft Medium Term Budget Framework Law for 2013-2015 shall not be submitted.

[*15 December 2011*]

63. Amendments to Section 16.2, 17, 18 and 19 of this Law, insofar as they concern relation of the maximum permissible amount of expenditures and budgetary requests with the relevant medium term budget framework law, shall be applicable from 1 January 2013.

[*15 December 2011*]

64. [4 April 2013]

65. Amendments to this Law regarding supplementation of Chapter I with the term “package of draft framework laws” and its explanation, amendments to the title of Chapter III, amendments to Section 16 regarding the rewording thereof, and also amendments to Section 16.2 in relation to the package of draft framework laws shall come into force concurrently with the relevant amendments to the Rule of Order of the *Saeima*.

[*15 November 2012*]

66. Section 16, Paragraph two of this Law shall apply from 1 January 2023. Until 31 December 2022 the Minister for Finance shall submit a draft schedule for the preparation of budget to the Cabinet by 1 March of the current year.

[*30 November 2015; 23 November 2017; 3 April 2019*]

67. Section 162, Paragraph ten of this Law shall be applicable from 1 January 2023. Until 31 December 2022 the Cabinet shall develop and submit the draft medium term budget framework law together with the draft annual State budget law (in a package of draft budget laws) to the *Saeima* in conformity with the following conditions:

1) ministries and other central State institutions in the relevant years shall develop State budget requests specified for them within the scope of the maximum permissible total amount of the State budget expenditures stipulated by the Cabinet, which have been calculated in accordance with the procedures laid down in Section 16.2, Paragraph four of this Law;

2) in determining the maximum permissible total amount of the State budget expenditures, the Cabinet shall ensure the conformity with the conditions included in Section 16.2, Paragraph eight and Section 19, Paragraphs five and six of this Law.

[*30 November 2015; 3 April 2019*]

68. Section 162, Paragraph seven of this Law shall be applicable from 1 January 2023. Until 31 December 2022 the negotiations of the representative authorised by the Cabinet and the Latvian Association of Local and Regional Governments regarding the issues concerning the interests of local governments related to the draft medium term budget framework law shall be organised concurrently with the negotiations referred to Section 13 of the Law On Local Governments Budgets. Results of such negotiations shall be drawn up in the form of a protocol and appended to the draft annual State budget law (the package of draft budget laws).

[*30 November 2015; 3 April 2019*]

69. [30 November 2015]

70. The Cabinet shall issue the regulations referred to in Section 5, Paragraph fourteen of this Law by 1 July 2014.

[*4 April 2013*]

71. Amendments to the second sentence of Section 35, Paragraph four and to Section 37, Paragraph one of this Law in relation to transition to euro shall come into force on 1 January 2014.

[*19 September 2013*]

72. The Cabinet shall issue the regulations referred to in Section 37, Paragraph six of this Law by 30 June 2014. Until the day of coming into force of this Regulation Cabinet Regulation No. 501 of 1 June 2010, Procedure by which the Requests for the Guarantees to be Issued on Behalf of the State shall be Included in the Draft annual State Budget Law, and the Procedure for the Issuance and Supervision of the Guarantees, shall be applied, insofar as they are not in contradiction with this Law.

[*6 November 2013*]

73. The capital companies in which a State or local government capital share has been invested and which have opened current accounts with the Treasury shall, in accordance with Section 27, Paragraph four of this Law, enter into an agreement with the Treasury by 1 April 2017 regarding conditions for the investment of the surplus of funds in the account, in accordance with Section 34, Paragraph four of this Law.

[*23 November 2016*]

74. The State Revenue Service shall start organising the accounting provided for in Section 29, Paragraph two of this Law starting from 1 January 2021.

[*23 November 2017*]

75. The Cabinet shall issue the regulations referred to in Section 29, Paragraph three of this Law by 1 July 2018. Budget institutions, derived public persons financed partly from the State budget, and institutions non-financed from the budget shall start applying these regulations from 1 January 2019.

[*23 November 2017*]

76. Until the day of coming into force of the regulations referred to in Section 29, Paragraph three of this Law, but not longer than until 31 December 2018 Cabinet Regulation No. 1486 of 15 December 2009, Procedures by which Budget Institutions Organise Accounting, shall apply, insofar as it is not in contradiction with this Law. This Regulation shall be applicable when organising accounting for the preparation of the annual financial statement for the year 2018.

[*23 November 2017*]

77. The subjects referred to in Section 29, Paragraph three, Clauses 2 and 3 of this Law shall start applying the Cabinet regulations issued on the basis of Section 29, Paragraph three of this Law and regarding financial accounting of the State budget and accounting of taxes, duties, and other payments attributable to the State budget which are administered by the State Revenue Service starting from 1 January 2021.

[*23 November 2017*]

78. The Treasury and the State Revenue Service shall start applying the annual report on financial accounting of the State budget and the annual report on accounting of taxes, duties, and other payments attributable to the State budget which are administered by the State Revenue Service that are referred to in Section 30, Paragraph one of this Law when preparing the relevant reports for the year 2021.

[*23 November 2017*]

79. The Cabinet shall, by 1 July 2018, issue the regulations referred to in Section 30, Paragraph 1.1of this Law, and budget institutions, derived public persons financed partly from the State budget, and institutions non-financed from the budget shall start applying them when preparing annual financial statements for the year 2019.

[*23 November 2017*]

80. Until the day when the regulations referred to in Section 30, Paragraph 1.1 of this Law come into force, but not longer than until 31 December 2018, Cabinet Regulation No. 1115 of 15 October 2013, Procedures for the Preparation of Annual Financial Statement, shall apply, insofar as it is not in contradiction with this Law. Budget institutions, derived public persons financed partly from the State budget, and institutions non-financed from the budget shall apply these regulations when preparing annual financial statement for the year 2018.

[*23 November 2017*]

81. When approving the State budget expenditures necessary for the activities of the State, the Minister for Finance shall allocate EUR 8 313 222 in 2019 for an increase in the work remuneration of emergency medical assistance staff.

[*6 December 2018*]

82. It shall be determined that in 2019 the draft medium term budget framework law shall be prepared only for years 2020, 2021 and 2022, and the Cabinet shall submit it to the *Saeima* concurrently with a draft law regarding the State budget for year 2020.

[*7 February 2019*]

83. A borrower shall repay a State loan from the account referred to in Section 27, Paragraph one of this Law starting from 1 January 2020.

[*3 April 2019*]

84. The Cabinet shall issue the regulations referred to in Section 27, Paragraph six of this Law by 1 September 2019. Until the day of coming into force of the relevant regulations, but not longer than until 1 September 2019, Cabinet Regulation No. 804 of 18 December 2018, Procedures by which the Treasury Ensures Electronic Exchange of Information, shall apply, insofar as it is not in contradiction with this Law.

[*3 April 2019*]

85. Section 36, Paragraph 5.4, Clause 3 of this Law shall apply from 1 September 2019.

[*3 April 2019*]

86. Amendments to Section 16.1, Paragraph three of this Law regarding exclusion of the words “Land Register offices”, Section 19, Paragraph six, first and third sentences regarding exclusion of the words “Land Register offices” and Section 21, Paragraph five, Clause 9 regarding exclusion of the words “Land Register offices” shall come into force on 1 June 2019.

[*3 April 2019*]

87. Section 37, Paragraph two, Clause 3, Sub-clauses “b” and “c” of this Law shall apply from 1 January 2020.

[*3 April 2019*]

88. Amendments to Chapter I of this Law regarding new wording of the term “Consolidated general budget”, exclusion of the term “Special budget”, new wording of the first sentence of the explanation of the term “Transfer”, and amendment to Section 3, Paragraph two, Section 3, Paragraph 2.1, amendment to Section 7, Paragraph one, Clause 1, Section 8, introductory part of Paragraph one, exclusion of Section 8, Paragraph one, Clauses 2 and 4, as well as amendment to Section 9, Paragraph fourteen, Clause 6, Section 27, Paragraphs two and 2.3, Section 36, Paragraphs one, three and five with regard to the special budget shall come into force on 1 January 2020.

[*3 April 2019*]

89. Chapter X of this Law shall come into force concurrently with the Law on Administrative Liability.

[*17 October 2019*]

90. Section 19.3 of this Law shall come into force concurrently with the legal act of the European Commission which sets up the European Recovery and Resilience Facility.

[*23 November 2020*]

91. Amendments to Section 21, Paragraphs two and five of this Law in relation to the explanations of the draft annual State budget law and the amendments to the annual State budget law shall come into force on 1 January 2021 and for the first time they shall be applied in 2021 upon preparing the explanations of the draft State budget law for 2022.

[*23 November 2020*]

92. In relation to such State loan contracts which have been entered into until the day of coming into force of Section 36.1 of this Law, the regulation included in the relevant Section shall be applicable from 1 January 2022.

[*23 November 2020*]

93. Amendments to Section 30, Paragraphs three, 3.1, and 3.2, Section 31, Paragraph one, and Section 32, Paragraphs one, 1.1, and two of this Law in relation to the time periods for the submission of the annual financial statement and the audit of the State Audit Office shall come into force on 1 January 2023.

[*3 December 2020 /* *The abovementioned amendments shall be included in the wording of the Law as of 1 January 2023.*]

94. Amendment regarding the supplementation of this Law with Section 32.1 in relation to the audit performed by the State Audit Office regarding the consolidated report on the financial year in the year of the elections of the *Saeima* shall come into force on 1 January 2022. In the year of the elections of the *Saeima* – in 2022 – the provisions laid down in Section 30, Paragraphs three, 3.1, and 3.2 and Section 32, Paragraph one of this Law regarding the time periods for the preparation of the annual financial statement in the wording of this Law which was in force on 31 December 2020 shall be applicable in relation to the consolidated report on the financial year for 2021.

[*3 December 2020 /* *Section shall be included in the wording of the Law as of 1 January 2022*]

95. The time limit for the submission of the financial statements specified in Section 30, Paragraphs three, 3.1, and 3.2 of this Law for the first time shall be applied in 2024 by submitting the annual financial statement or the consolidated financial statement for 2023.

[*3 December 2020*]

96. The time limit for the submission of the financial statements specified in Section 31, Paragraph one and Section 32, Paragraphs one, 1.1, and two of this Law for the first time shall be applied in 2024 upon submitting the consolidated report on the financial year for 2023.

[*3 December 2020*]

97. Amendments to this Law regarding the new wording of the title of Section 31 and Paragraph two of this Law shall come into force on 1 January 2023. Cabinet regulations which shall be issued on the basis of Section 31, Paragraph two of this Law shall be applied for the first time in 2024 upon preparing the consolidated report on the financial year for 2023. The Cabinet shall issue the abovementioned regulations until 1 January 2022.

[*3 December 2020 /* *The abovementioned amendments shall be included in the wording of the Law as of 1 January 2023.*]

This Law has been adopted by the *Saeima* on 24 March 1994.

President G. Ulmanis

Riga, 6 April 1994