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- 1 October 1997 [shall come into force from 9 October 1997];
- 1 April 1998 [shall come into force from 17 April 1998];
- 25 November 1999 [shall come into force from 1 January 2000];
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- 14 November 2008 [shall come into force from 1 January 2009];
- 28 May 2009 [shall come into force from 10 June 2009];
- 12 June 2009 [shall come into force from 1 July 2009];
- 10 September 2009 [shall come into force from 19 September 2009];
- 1 December 2009 [shall come into force from 1 January 2010];
- 28 October 2010 [shall come into force from 24 November 2010];
- 25 November 2010 Constitutional Court judgement [shall come into force from 30 November 2010];
- 20 December 2010 [shall come into force from 1 January 2011];
- 16 June 2011 [shall come into force from 7 July 2011];
- 14 July 2011 [shall come into force from 29 July 2011];
- 17 November 2011 [shall come into force from 24 November 2011];
- 15 December 2011 [shall come into force from 1 January 2012];
- 15 November 2012 [shall come into force from 1 January 2013];
- 4 April 2013 [shall come into force from 26 April 2013];
- 19 September 2013 [shall come into force from 4 October 2013];
- 6 November 2013 [shall come into force from 1 January 2014];
- 30 January 2014 [shall come into force from 14 February 2014].

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*<sup>1</sup> has adopted and  
the President has proclaimed the following Law:

## **On Budget and Financial Management**

This Law determines the procedures for the formulation, approval and implementation of the State budget and local government budgets and the responsibility in the budget process. Financial management within the meaning of this Law 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 merchants and organizations in cases if they have been allocated funds of the State budget or local government budgets, a share of capital has been invested by the State or local governments in them, or it is specially so determined 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; and 20 December 2004]*

<sup>1</sup> The Parliament of the Republic of Latvia

## 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, as well as 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.

**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 included in 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.

**Assignment** – 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 assignments** – granting of the assignments of the State budget funds for the next month in a partial amount without changing the total amount of assignments.

**Reduction in assignments** – a reduction in assignments of the State budget funds until the end of a financial year by changing the financial plans of the relevant months.

**Bodies financed from the budget** – budget institutions, derived public persons partially financed from the State budget, all merchants, 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 the case provided for in this Law, financed from the revenues thereof for the paid services provided and other own revenues, gifts, donations and foreign financial assistance.

**Budget institution** – a State or local government institution, a derived public person fully financed from the State or local government budget, as well as a State or local government agency.

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

**Package of budget bills** – a package of bills consisting of a Draft annual State Budget Law or a Draft Annual State Budget Amendment Law, and bills 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 regarding whose implementation 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 expenditure 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.

**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** – revenues from utilisation of the State capital, not counting interest payments.

**Grants** – budgetary funds allocated to other budgets, merchants, associations and foundations and other institutions 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 the State budget authorities or local governments receive, 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 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 implementation of its policies in a Member State to achieve the purposes determined in the Treaty on European Union.

**Financial accounts** – [15 December 2011]

**Financial plan** – a breakdown of expenditure 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, as well as the revenues of the budget institutions from the paid services provided thereof 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), as well as the revenues from the transfers received.

**Framework draft law package** – a package of draft laws, which consists of a Medium Term Budget Framework Draft Law or draft amendments to the 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 the fulfilment of the measures, projects or liabilities undertaken internationally of national importance paid in the subsequent financial years of the financial year.

**Investments** – investments whose purpose is to promote development of the national economy, the increase in the level of the welfare of the society, the improvement of the infrastructure and the arrangement of the surrounding environment.

**Investment project** – an aggregate of successive activities having a specific implementation schedule where measures for acquisition or creation of material and immaterial values are provided for and for which the organisational structure for the implementation of an investment project and the justification for the necessary resources have been determined.

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

**Expenditure** – all payments from the budget, except the payments for repayment of the principal amount of the 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 total of the State basic budget, the State special budget, the local government basic budgets, the local government special budgets, the budgets of derived public persons 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 a State budget institution performs for payment in order to ensure the needs of the society in the cases provided for by external regulatory enactments.

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

**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, as well as the State budget loans and repayments of the State budget loans.

**Constant appropriation** – [1 December 2009]

**Liabilities** – [15 December 2012]

**Special budget** – a part of the budget formed of the revenues earmarked for specific purposes, the revenues from the paid services and other own revenues, transfers, foreign financial assistance, donations and monetary gifts or gifts in kind (accounted for monetarily), as well as expenditure provided for to be covered from these revenues or also from the borrowing from the State basic budget.

**Subsidies** – [19 December 2006]

**Net loan** – [19 December 2006]

**Merchant, association and foundation financed directly from the budget** – a commercial company, association, foundation, trade union, religious organisations and its institution, which in accordance with the appropriation determined in the annual State Budget Law receive a grant or an earmarked grant from a 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 budget funds specially earmarked in the annual State Budget Law which may be made within the scope of one level budget – the State basic budget, the State special budget, the local government basic budget, the local government special budget – or between various level 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.

**State investment programme** – [14 November 2008]

**National debt** – the total of the liabilities expressed in monetary terms covered from the State budget funds.

**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]*

## **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 perform the State duties the whose financing is determined by legislative acts, ensuring that within the period for which these funds are provided for the expenditure is 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 bodies 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 persons partially financed from the State budget and budgets of the institutions non-financed from the budget.

(2) The State budget and the local government budgets consist of a basic budget and a special budget.

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

*[1 April 1998; 1 December 2009; 15 December 2011]*

### **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 procedure according to which payments for the use of the State capital are 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 expenditure consists 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 expenditure 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 expenditure. The State budget has a financial deficit if the financial balance of the State budget is negative or the State budget expenditure exceeds 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 regarding 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 expenditure related to the provision of these services are planned and accounted, as well as the methodology for determination of pricing for the paid services.

(12<sup>1</sup>) 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 assign funding from the State budget to private individuals for the performance of State administration tasks and supervise the utilisation of the funding assigned.

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

*[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 city 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]

## **Section 6.<sup>1</sup> 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 these 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 expenditure.

[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 expenditure, except the revenues of the special budget earmarked for special purposes, gifts and donations;

2) appropriations for all the State and local government expenditure 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, expenditure 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.

[23 November 2000; 14 November 2008]

## **Section 8. Special Budget**

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

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

2) donations or gifts received by a State, local government or specific budget institution

with or without a designated purpose;

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

3<sup>1</sup>) [16 June 2011];

4) revenues from the local government special budget formed by the resources of the State Road Fund, revenues from the natural resources tax, revenues from the privatisation, port fees, revenues from other sources of revenues earmarked for special purposes and the expenditure related thereof, borrowings and the repayment thereof.

(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]

### **Section 8.<sup>1</sup> 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]

[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 expenditure that does 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 procedure 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. The annual State Budget Law shall include the conditions which the Minister for Finance shall observe in deciding on the reallocation of the appropriation;

2) from the appropriation planned in a separate budget programme for undivided financing for 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 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.

(13<sup>1</sup>) 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 persons 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 calculated in accordance with the procedures laid down in Section 27 of this Law.

(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 revenues of the State budget institutions for the paid services provided and other own revenues, as well as the surplus of the revenues for the paid services provided and other own revenues at the beginning of a financial year calculated in accordance with the procedures laid down in Section 27 of this Law;

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 social insurance 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 for carrying out the liabilities of the national debt in the annual State Budget Law and to extend the permissible limits of government actions in case of government liabilities caused by unforeseen circumstances, if the Budget and Finance (Tax) Commission of the *Saeima* has not objected against increase in appropriation and extending of the permissible limits of actions of the

government within five working days from receipt of the relevant information.

[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 2013]

### **Section 9.<sup>1</sup> Appropriation Reserve**

(1) The appropriation reserve which the ministries, other central State institutions and local governments request and use in accordance with the procedures stipulated by the Cabinet shall be determined in the annual State Budget Law.

(2) The main provisions for the use of the appropriation reserve shall be determined in the annual State Budget Law and this reserve shall be provided for as a separate State basic budget programme.

(3) [1 December 2009]

(4) Within the scope of the appropriation reserve, the Minister for Finance shall allocate to the ministries, other central State institutions and local governments appropriations, but not in a greater amount than the unused grants from the general revenues at the end of the previous year.

(5) The Minister for Finance shall approve the allocation of the appropriation reserve of the current year for the ministries, other central State institutions and local governments by programmes, sub-programmes and expenditure economic classification codes.

(6) If a ministry or other central State institution does not agree with the decision of the Minister for Finance on the amount of reallocation of appropriation reserve among programmes, sub-programmes and expenditure codes in conformity with economic categories, then, after the receipt of motivated objections, the Minister for Finance shall, within five working days, come to an agreement with the relevant ministry. If it is not possible to come to an agreement, the issue shall be passed on for consideration to the Cabinet.

[8 November 2007; 12 June 2009; 1 December 2009]

### **Section 10. Amendments to Budgetary Revenues and Expenditure**

(1) The Minister for Finance shall provide an opinion regarding draft laws which provide for additional expenditure 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 expenditure or a decrease in their revenues in the current financial year, the State budget funds from which the increase in the local government expenditure or the decrease in their revenue 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 expenditure 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 expenditure increases, 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];
- 3) general government debt and institutional sector classification.

## **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 for 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 regarding the allocation of funds.

(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.

[1 December 2009]

## **Section 13. Official Secrets (Secret Expenditure)**

(1) Secret expenditure 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 expenditure 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 as 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 expenditure and the expenditures, as well as 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 regarding the purposes and results of the activities of the institution, as well as regarding 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 reports and within a month following the preparation thereof shall publish them in their websites. Local governments shall submit annual public reports to the Ministry of Environmental Protection and Regional Development for publishing in its website. A local government annual public report shall be available to the public at every relevant local government. The Cabinet shall determine the content and preparation procedure of the annual public report.

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

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

If, prior to the beginning of a financial year, the annual State Budget Law has not come into force, the Minister for Finance shall approve the State budget expenditure, loans and borrowings required for the activities of the State, provided that:

1) services (tasks) which have not been provided in the previous financial year are not paid for and the investments which have not been made in the previous financial year are not made;

2) the monthly expenditure do not exceed one twelfth of the appropriation of the previous year;

3) the authorisations granted in accordance with this Section terminate when the annual State Budget Law comes into force and all the expenditure from the beginning of the financial year are registered in accordance with the new annual State Budget Law;

4) the financing of the measures commenced in the previous financial year are continued;

5) 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;

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

[25 November 1996; 25 November 1999; 31 October 2002; 19 December 2002; 30 October 2003; 15 November 2012]

### **Section 15.<sup>1</sup> 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**

[15 November 2012]

(1) The amount of European Union own resources shall be determined by the European Union institutions in conformity with the legal norms of the European Union. 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 procedure 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.

*[19 December 2002; 14 November 2008; 15 November 2012]*

### **III. Preparation, Submission and Adoption of the Draft Medium Term Budget Framework Law (Packages of Draft Framework Laws) and Draft Annual State Budget Law (Packages of Draft Budget Laws)**

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

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

The Minister for Finance shall be responsible for the development of the Draft Medium Term Budget Framework Law (the packages of draft framework laws), the Draft annual State Budget Law (the package of draft budget laws) and the explanations to be attached thereto.

*[15 November 2012]*

#### **Section 16.<sup>1</sup> Medium Term Purposes and Initiatives**

(1) The Minister for Finance shall, until 15 December of the current year, submit a Draft Schedule for the Development and Submission of the Draft Medium Term Budget Framework Law and the draft annual State Budget Law for the next year to the Cabinet.

(2) The ministries and other central State institutions shall submit proposals for new policy initiatives only if funds for financing new policy initiatives are going to be available in the relevant subsequent financial years in conformity with the most current macro-economic development forecasts. Proposals for new policy initiatives shall be submitted within the time period laid down in the schedule for drawing up and submitting the Draft Medium Term Budget Framework Law and the draft annual State Budget Law.

(2<sup>1</sup>) The *Saeima*, the Chancery of the President, the Supreme Court, the Constitutional Court, the State Audit Office, the National Electronic Mass Media Council, the Ombudsman's Office, the Public Utilities Commission and the Prosecutor General's Office have the right to submit proposals for new policy initiatives regardless of the forecasts referred to in Paragraph two of this Section.

(3) The ministries and other central State institutions shall prepare the new policy initiatives on the basis of the priorities and purposes determined in the National Development Plan and National Defence Conception.

(3<sup>1</sup>) The Cabinet may determine that, in preparing the new policy initiatives, ministries and other central State institutions shall repose also on the priorities and objectives laid down in other development planning documents, also taking into account the necessity to take measures for strengthening the administrative capacity of budget institutions.

(4) *[15 November 2012]*

*[15 November 2012; 4 April 2013]*

## **Section 16.<sup>2</sup> 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 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.

(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 expenditure;

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

(3) [4 April 2013]

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

(5) The values referred to in Paragraph two, Clause 7 of this Section in the process of developing the Draft Medium Term Budget Framework in respect of the first and second year of operation 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 revenue and expenditure in relation to projects, measures financed from European Union policy instruments and other foreign financial assistance funds;

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

3) changes in the State budget interest expenditure;

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

5) changes in the basic budget expenditure in relation to more current forecasts for the contingent of beneficiaries of the 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 expenditure in relation to more current forecasts for the contingent of beneficiaries of social insurance services and average amount thereof, as well as in relation to current forecasts of medium term macroeconomic development and State social insurance contributions;

6<sup>1</sup>) changes in the maintenance expenditure which arise from capital investments 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 corroborative 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 expenditure of one budget unit, if it is covered by reduction in the maximum admissible amount of expenditure 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 regarding 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 Office of the Ombudsman, the Public Utilities Commission and the Office of the Prosecutor General regarding the maximum permissible total amount of the State budget expenditure for the relevant institution and ensure 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 applying 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]

## **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 expenditure in conformity with economic and government function categories;

2) other financial restrictions which shall be observed 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.

[15 December 2011]

## **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.

(1<sup>1</sup>) 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 expenditure for each ministry and other central State institution may be exceeded only in the following cases:

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

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

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

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

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

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

7) if increase in the maximum admissible amount of expenditure of one budget unit is to be covered by reduction in the maximum admissible amount of expenditure 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.

*[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]*

## **Section 19. Analysis of the State Budgetary Requests**

(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 shall evaluate the budgetary requests on the basis of their conformity with the purposes provided for, the results to be achieved, the conformity with the budget purposes and priority development directions determined in the Medium Term Budget Framework Law, as well as economy and efficiency and, if necessary, request necessary additional information for the relevant evaluation. On the basis of the results of such evaluation and the information provided, the Minister for Finance shall take a decision to include the budgetary requests in the Draft State Budget Law up to its submission to the Cabinet. The Minister for Finance may, at any stage of the examination of the draft State Budget Law, express his or her point of view, add necessary opinions, as well as the results of separate audits.

(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 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 expenditure for the relevant institution approved in the Medium Term Budget Framework Law and taking into account the determined in Section 18, Paragraph 1.<sup>1</sup> 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 regulatory enactments.

(6) The budgetary requests of the Land Register offices, district (city) courts, regional courts and the Offices of the Prosecutor 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 expenditure for the relevant institution approved in the Medium Term Budget Framework Law and taking into account the determined in Section 18, Paragraph 1.<sup>1</sup> 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 Land Register offices, the district (city) courts and regional courts 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 expenditure, appropriation reserve and undivided financing for 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]

### **Section 19.<sup>1</sup> 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.<sup>2</sup> 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 20. Examination of the Draft Annual State Budget Law (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.

(4<sup>1</sup>) The Cabinet shall 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 Office of the Ombudsman, the Public Utilities Commission and the Office of the Prosecutor General regarding the draft budgets of the relevant institutions, ensuring inclusion of the opinion of the referred to institutions and substantiation of the Cabinet decision in the minutes of the Cabinet meeting.

(5) The Cabinet shall decide as to 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]

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

(1) By 1 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 they conform to 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 package 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 State Budget Law (the package of draft budget laws) are provided;
- 3) information concerning the economic situation of the State and a description of the macroeconomic strategy underlying the State budget and scenario of macroeconomic development and the evaluation of the risks thereof;
- 4) the total amount of revenues, calculations and an analysis according to the types of revenues;
- 5) the total amount of expenditure, the breakdown of funds according to the budget classification categories and the substantiation for the expenditure related to new measures;
- 6) a summary regarding the financing of investments and sources of financing, annual operational expenditure, as well as new investment projects exceeding the limits of the financial year, and a summary regarding the necessary expenditure for the completion of the investment projects in subsequent years;
- 7) [19 December 2006];
- 8) proposals for the amendments to be made in laws not included in the draft annual State Budget Law (the package of draft budget laws) in order these laws conform to the budgetary requests;
- 9) [19 December 2006];

- 10) the amounts of tax relief (abatements) and tax debts;
- 11) the draft consolidated general budget;
- 12) a summary of national debts and financial obligations of guarantees in respect of the current financial year and in the medium term, specifying in these calculations the permissible limits of actions of the government to cover expenditure which may arise fulfilling debt obligations attributable to the State budget;
- 13) calculations regarding equalisation of local government finances;
- 14) information regarding the maximum permissible amount of the State budget long-term liabilities;
- 15) amounts of the State budget loans and of repayments in accordance with the contracts entered into in previous financial years and the programmes supported by the Cabinet;
- 16) information regarding the derived public persons partially financed from the State budget subordinated to the ministries and regarding the institutions non-financed from the budget;
- 17) 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 Office of the Ombudsman, the Public Utilities Commission and the Office of the Prosecutor General submitted in writing concerning the draft budgets of the relevant institutions, the minutes of the Cabinet meeting referred to in Section 16.<sup>2</sup>, Paragraph eight and Section 20, Paragraph 4.<sup>1</sup> 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;

18) [4 April 2013].

(3) In a 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 following 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 the changes in the revenues and an analysis of those types of revenues for which changes are planned;
- 2) information regarding the changes in the expenditure;
- 3) substantiation of the expenditure related to new measures;
- 4) [14 November 2008];
- 5) information regarding the changes in the State budget loans and repayments of the loans;
- 6) information regarding the changes in the maximum permissible amount of the State budget long-term liabilities;
- 7) information regarding the changes in the amount of foreign financial assistance;
- 8) [19 December 2006];

9) the relevant information referred to in Paragraph two, Clause 17 of this Section if amendments to the State Budget Law provide for changes in the expenditure of the Chancellery of the President, the Supreme Court, the Constitutional Court, the Land Register offices, district (city) courts, regional courts and the Offices of the Prosecutor, the State Audit Office, the National Electronic Mass Media Council and the Office of the Ombudsman, as well as 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.

[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]

## **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 category of expenditure in accordance with the budget classification, specifying the purpose of use of the funds for each category;

3) [23 November 2000];

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 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 expenditure or assume short-term liabilities only within the limits of the assignments determined by financing plans issued by

the Treasury.

(1<sup>1</sup>) Diplomatic and consular representations of the Republic of Latvia may perform expenditure from the State budget or undertake short-term liabilities from revenue received in the account opened in the credit institution in the state 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 assignments for the expenditure 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.

(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 1999; 31 October 2002; 19 December 2002; 20 December 2004; 20 October 2005; 19 December 2006; 14 November 2008; 15 November 2012]

## **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 expenditure is made in accordance with the laws in force.

(1<sup>1</sup>) 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]

(2<sup>1</sup>) [28 May 2009]

(2<sup>2</sup>) The Minister for Finance has the right to issue an order to the Treasury to delay or reduce assignments 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 anticipated revenues in the relevant period decreases 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 anticipated 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 there is no sufficient amount of funds in the budgetary accounts of the Treasury to cover payment commitments planned for the next month;

2) if the Minister for Finance has received a notice in writing regarding the occurrence of the condition referred to in Clause 1 of this Paragraph.

(2<sup>3</sup>) The Treasury, in accordance with the order referred to in Paragraph 2.<sup>2</sup> of this Section, taking into account the conditions referred therein, shall determine the delay or reduction in assignments for a certain period of time and immediately notify the ministries and other central State institutions thereof.

(2<sup>4</sup>) The Minister for Finance shall, within seven working days, inform the Cabinet and the Budget and Financial (Tax) Commission of the *Saeima* regarding the order referred to in Paragraph 2.<sup>2</sup> of this Section. The Cabinet shall decide on delay or reduction in assignments and,

if necessary, make amendments to the Cabinet Regulation or decide on the submission of the relevant draft laws to the *Saeima*.

(2<sup>5</sup>) The delay or reduction in assignments provided for in Paragraphs 2.<sup>2</sup> and 2.<sup>4</sup> of this Section may be determined for a period of time not longer than three months in total.

(2<sup>6</sup>) If it is necessary to determine the delay or reduction in assignments 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.

(2<sup>7</sup>) The Minister for Finance has the right to delay or reduce the assignment 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.

(2<sup>8</sup>) The Cabinet has the right to delay or reduce the assignment for the *Saeima* only upon the receipt of the consent from the Presidium of the *Saeima*.

(2<sup>9</sup>) The Cabinet has the right to determine additional conditions for planning and implementation of the State and local government budgets in order to ensure measures for 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 assignments of the special budget so that the total expenditure 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 revenues from the activities performed by the State institutions are transferred into the revenue accounts of the basic budget in the amount planned 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]

## **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.<sup>1</sup> of this Law.

(2) Expenditure for purposes not included in an appropriation adopted may only be made if a law regarding amendment of the appropriation is adopted. Proposals regarding amendments to appropriations for such purposes shall be submitted and considered 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 Fulfilment of Payments**

(1) State budget institutions for the receipt of assignments and for the making of expenditure 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 expenditure 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 expenditure in the account of the credit institution.

(1<sup>1</sup>) Diplomatic and consular representations of the Republic of Latvia for the receipt of the funds from the State budget and for the performance of expenditure financed from them may open an account in a credit institution in the state of representation. At the end of the year the surplus of the funds in the account opened in the credit institution in the state of representation, which has occurred from the revenue for the provided paid services and other own revenue, 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. Special 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.

(2<sup>1</sup>) 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, from the 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 assignments granted in the financial plan.

(2<sup>2</sup>) 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 assignments granted in the financial plan.

(2<sup>3</sup>) The surplus of funds at the end of the year in the special 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 the expenditure, unless provided for otherwise in the Law.

(3) [14 November 2008]

(4) Local governments and derived public persons partially financed from the State budget, as well as capital companies in which a State or local government capital share is invested may open accounts with the Treasury.

(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 determine the procedure by which the Treasury shall ensure exchange of electronic information with the bodies financed from the budget, local governments, institutions non-financed from the budget, port and free port authorities, sworn bailiffs, sworn auditors or commercial companies of sworn auditors, capital companies in which a State or local government capital share is invested, as well as with persons who are not managers of the account but who have received a permission of the manager of the account for the receipt of information.

*[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]*

## **Section 28. Report on the Course of the Implementation of the State Budget**

(1) By 1 June of the current year the Cabinet shall submit to the *Saeima* a report on the financial situation of the State and simultaneously evaluate the macroeconomic development forecast and the assumptions used in approving the State budget of the financial year, and shall also take account of the economic situation of the relevant time period.

(2) Summaries of revenues, expenditure, the financial balance and loans in a report on the condition of the State budget shall be compared to the relevant levels approved in the State Budget Law, and explanations of the main amendments shall be provided.

*[8 November 2007; 14 November 2008]*

## **Section 28.<sup>1</sup> 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, as well as not less than once in a quarter – on the course of implementation of the State budget.

*[12 June 2009]*

## **Section 28.<sup>2</sup> Report Regarding the Determined Expenditure Made Improperly within the Framework of the European Union Policy Instruments, the European Union Initiatives, the Pre-Accession Funds and the Transition Period Assistance**

*[15 December 2011; 15 November 2012]*

(1) Ministries, which ensure the performance of the functions of the managing authority or fulfilment of duties of the national responsible official, shall, until 1 March of the current year, submit a summary to the Council co-ordinating the protection of financial interests of the European Union regarding the determined expenditure made improperly during the previous year within the framework of the European Union policy instruments, the European Union initiatives, the Pre-Accession Funds and the Transition Period Assistance which they administer.

(2) The Ministry of Finance shall, within two months following the co-ordination with the Council co-ordinating the protection of financial interests of the European Union, submit the informative report to the Cabinet regarding the determined expenditure made improperly within the framework of the European Union policy instruments, the European Union initiatives, the Pre-Accession Funds and the Transition Period Assistance.

*[15 December 2011; 15 November 2012]*

## **V. Accounting and Financial Accounts**

*[19 December 2002]*

## **Section 29. Accounting**

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

(2) Budget institutions according to the procedures specified by the Cabinet shall organise the accounting thereof, observing fixed asset depreciation norms and application conditions approved by the Cabinet.



(3) In accordance with the procedures laid down in Paragraph two of this Section, derived public persons financed partly from the State budget and institutions non-financed from the budget shall maintain accounting, observing the fixed asset depreciation norms and conditions for use.

(4) [15 December 2011]

[25 November 1996; 23 November 2000; 31 October 2002; 20 December 2004; 20 October 2005; 14 November 2008; 1 December 2009; 20 December 2010; 15 December 2011]

### **Section 30. Accounts and Reports to the Treasury**

(1) Budget institutions, derived public persons financed partly from the State budget and institutions non-financed from the budget shall prepare and submit annual accounts according to procedures and in the amount stipulated by the Cabinet.

(2) [1 December 2009]

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

(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 accounts 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 accounts 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 persons financed partly from the State budget and institutions non-financed from the budget shall prepare and submit monthly reports to the Treasury according to the procedures and in the amount stipulated by the Cabinet.

(7) Budget institutions, derived public persons financed partly from the State budget and institutions non-financed from the budget shall prepare and submit quarterly reports 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 report to the Treasury within the time period stipulated by the Cabinet.

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

(10) Budget institutions, derived public persons financed partly from the State budget and institutions non-financed from the budget shall prepare financial account for the beginning of operation in the beginning of the operation thereof. When reorganising the institution or terminating the operation thereof, final account of the institution operation.

(11) When reorganising, as well as terminating the operation of the ministry or central State institution, the Responsible Institution determined in the regulatory enactments shall submit the relevant final account of 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.

[25 November 1996; 1 April 1998; 25 November 1999; 31 October 2002; 20 December 2004; 20 October 2005; 14 November 2008; 1 December 2009; 20 December 2010; 15 December 2011; 15 November 2012]

### **Section 30.<sup>1</sup> Informative Reports to the Cabinet**

(1) Ministries and other institutions which have been appointed as holders of the State capital shares by the Cabinet shall, by 30 December of the current year, submit an informative report to the Cabinet regarding the State capital companies, including subsidiary companies, if any, under decisive influence thereof, as well as regarding those capital companies for which it is planned to grant the State budget subsidies or grants for the implementation of the State basic functions in the next financial year. The following data shall be included in the informative report:

1) financial indicators planned by the capital company for the next year, including the information regarding the planned profitability, including return of capital shares;

2) results of the operation forecasted by the capital company and planned result-based indicators;

3) the information regarding further directions of the development of the capital company and investment attraction;

4) other information regarding the planned use of the subsidy or grant granted for the implementation of the State capital and State basic functions.

(2) Ministries and other institutions which have been appointed as holders of the State capital shares by the Cabinet shall, by 1 September of the current year, submit an informative report to the Cabinet regarding the State capital companies, including subsidiary companies, if any, under decisive influence thereof, as well as regarding those capital companies for which the State budget subsidies or grants have been granted for the implementation of the State basic functions in the previous financial year. The following data shall be included in the informative report:

1) fulfilment of financial indicators of the financial year of the capital company, including the information regarding the profitability, including return of capital shares;

2) results of the operation achieved by the capital company and fulfilment of result-based indicators;

3) other information regarding the use of the subsidy or grant granted for the implementation of the State capital and State basic functions.

(3) The informative reports referred to in Paragraphs one and two of this Section shall be published on the website of the ministry of the relevant sector.

[1 December 2009; 20 December 2010; 15 December 2011]

### **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 revenue, tax debts of the State and local governments,

as well as the amount of unreceived taxes, which have occurred as a result of the application of tax rebates specified by law to taxpayers, and submit the referred to information to the Ministry of Finance for the publication on its website.

(4) [15 December 2011].

*[25 November 1999; 23 November 2000; 20 October 2005; 19 December 2006; 14 November 2008; 1 December 2009; 20 December 2010; 15 December 2011]*

### **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.

(1<sup>1</sup>) 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; 15 December 2011; 15 November 2012]*

## **VI. Bank Matters and Investments**

*[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.

*[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 investments, 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 investments in the form of deposits, fixed income securities or other assets for the implementation of the aims specified in Section 8.<sup>1</sup>, 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, as well as to invest such surplus funds in Latvian government securities. 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 make an agreement with local governments, State capital

companies, institutions non-financed from the budget and those scientific institutes and higher education establishments that have the status of derived public persons regarding the investment of their monetary funds that have not been acquired from the State budget.

[1 April 1998; 25 November 1999; 23 November 2000; 31 October 2002; 30 October 2003; 20 December 2004; 20 October 2005; 19 December 2006; 14 November 2008; 12 June 2009; 1 December 2009; 20 December 2010; 15 December 2011]

### **Section 34.<sup>1</sup> Investment of State Budget Funds in the Financial Sector**

(1) Investment of State budget funds in the financial sector, as well as in the capital companies under decisive influence of the State, shall be carried out in accordance with the annual State Budget Law.

(2) The Minister for Finance, on the basis of the Cabinet decision, is entitled to carry out investments in 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.<sup>1</sup>, Paragraph one of this Law. The Minister for Finance may use such rights, if the following conditions are observed:

1) the total amount of investments 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 investment.

[16 June 2011; 17 November 2011]

## **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. 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.

(2<sup>1</sup>) 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.

(2<sup>2</sup>) 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.<sup>1</sup> 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 permissible limit of undischarged national debt and of government actions in case government liabilities are caused by unforeseeable circumstances. 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.<sup>1</sup>, 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.<sup>1</sup>, 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; 20 December 2004; 19 December 2006; 14 November 2008; 28 October 2010; 20 December 2010; 15 December 2011; 19 September 2013]*

### **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 ensuring of local government budget and financial management, as well as local government financial stabilisation process, covering of expenditures of State social insurance special budget, investments, implementation of commercial activity support programmes, implementation of European Union co-financing projects and measures, implementation of projects and measures co-financed from the European Union, implementation of projects financed from foreign financial assistance, ensuring of purchase of heating fuel, as well as shall determine the State borrowings and repayment list.

(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 for covering of expenditures of State social insurance special budget.

(3<sup>1</sup>) 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.

(3<sup>2</sup>) State borrowings may be issued within three years from the day of entering into the borrowing contract.

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

(5) State loans may be issued to local governments, State special budget implementers, capital companies where the State or local government share of the fixed capital, separately or combined, exceeds 50% and to capital companies formed by several local governments, as well as those scientific institutes and higher education establishments to which the status of a derived public person has been determined.

(5<sup>1</sup>) State loans may be issued to port administration for the implementation of projects of the European Union Funds.

(5<sup>2</sup>) 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.

(5<sup>3</sup>) 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.

(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.<sup>1</sup>, 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.<sup>1</sup>, 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.<sup>1</sup>, 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.

(8) The Minister for Finance is entitled to issue State loan to the State stock company “*Latvijas Pasts*” in the amount of 10,500,000.00 lats in order to ensure the receipt of cash – euros – from the credit institution – stock company “*Citadele banka*” providing services to “*Latvijas Pasts*” from 10 December 2013 until 31 December 2013 for the changeover of lat cash to euro within the time period of changeover laid down in Section 8, Paragraph two of the Law on the Procedure

for Introduction of Euro. In relation to such loan the conditions of Section 36, Paragraph four of this Law are not applied and the following conditions shall be included in the loan agreement:

- 1) the time period for issuance of the State loan – until 10 December 2013;
- 2) the time period for repayment of the State loan – until the end of the time period of changeover referred to in Section 8, Paragraph two of the Law on the Procedure for Introduction of Euro;
- 3) the State loan interest rate is determined on the day of entering into the loan agreement according to the costs of attracting the financial resources of the government, and fee for the issuance and servicing of a State loan is applied;
- 4) risk interest rate is not applied to the State loan;
- 5) the State loan is issued without guarantee;
- 6) the utilisation and repayment of the State loan is supervised by the Ministry for Transport.

*[25 November 1996; 1 April 1998; 23 November 2000; 31 October 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]*

### **Section 37. Guarantees**

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

1) for liabilities, which are undertaken for the performance of investments by a capital company, in which the State or local government share in the equity capital individually or in total exceeds 50 per cent, and by a capital company established by several local governments, in which the local government share in the equity capital exceeds 65 per cent and which is included in the sector of non-financial merchants according to the classification of institutional sectors;

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) Guarantees shall not be issued, if at least one of the following conditions exists:

1) there is an aggravated risk in the repayment of the loan;

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) there is no security for the guarantee.

(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) Expenditure 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.<sup>1</sup>, Paragraph one of this Law. The Minister for Finance may exercise 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.<sup>1</sup>, 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.<sup>1</sup>, 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 / See Paragraph 37 of Transitional Provisions]*

### **Section 37.<sup>1</sup> 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 expenditure 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 carrying out of the national debt liabilities in the annual State Budget Law and expand the permissible limits of government actions in case of government liabilities caused by unforeseeable circumstances.

*[6 November 2013]*

### **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**

[14 November 2008; 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.

(1<sup>1</sup>) 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.

(1<sup>2</sup>) 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.

(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) In order to ensure the preparation of the summary of the consolidated general budget, local governments, not later than three months after the promulgation of the annual State Budget Law and not later than two months after the promulgation of amendments to the annual State Budget Law, if amendments to the annual State Budget Law affect local government budget, shall submit to the Ministry of Finance information regarding approved budgets.

(7) In order to ensure the preparation of the summary of a consolidated combined budget, ministries and other central State institutions shall, not later than within three months after proclamation of the annual State Budget Law, submit to the Ministry of Finance information regarding the approved budgets of derived public persons financed partly from the State budget that are subordinate to them.

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

### **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 revenue, 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; 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 are responsible for the establishment of implementation control systems for the appropriations specified in the annual State Budget Law and for the control of the utilisation of the State budget funds paid into Treasury current accounts in conformity with purposes intended.

(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 regarding expenditure 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; 20 October 2005; 8 November 2007; 12 June 2009; 1 December 2009]*

### **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 assignment 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 revenue or expenditures;

2) determine limitations on the use of accounts;

3) withdraw or suspend the assignments 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) The Treasury, in accordance with the Law On Equalisation of Local Government Finances is entitled, by uncontested procedure, to recover the amount of monies from local government budget funds which a relevant local government has not in good time or in full amount included in the local government finance equalisation fund, by writing off such amounts from the budget of the relevant local government.

(4<sup>1</sup>) 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 assignments and the Treasury shall suspend, restore or revoke assignments 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; 30 October 2003; 19 December 2006; 8 November 2007; 1 December 2009]*

#### **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.

## Transitional Provisions

1. [23 November 2000]
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.
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, as well as 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.<sup>1</sup> 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 regulation 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 Accounts, 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.<sup>1</sup>, Paragraph one of this Law by 1 September 2007.

*[19 December 2006]*

20. The Cabinet shall issue the regulations referred to in Section 16.<sup>2</sup>, 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 1 March 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 4<sup>1</sup> 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.<sup>1</sup> 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]*

28. The Cabinet shall submit to the *Saeima* by 1 November 2008 the draft law referred to in Section 8.<sup>1</sup> 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, 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”, 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 date of the coming into force of the Cabinet regulations referred to in Section 30, Paragraph eight of these Regulations, but not later than until 1 January 2010, derived public persons financed partly from the State budget shall submit accounts according to the procedures specified in Cabinet Regulation No. 313 of 25 April 2006, Regulations Regarding Procedures for the Content, Preparation and Submission of Local Government Accounts, Cabinet Regulation No. 811 of 25 October 2005, Procedures for the Preparation of Quarterly Financial Accounts of State Budget Institutions and Local Governments and Cabinet Regulation No. 749 of 13 November 2007, Regulations regarding Procedures for the Preparation of Annual Accounts 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. Section 35, Paragraphs five, Section 36, Paragraphs six and seven and Section 37, Paragraphs six and seven of this Law shall be in force until 31 December 2015.

*[14 November 2008; 1 December 2009; 20 December 2010; 15 November 2012]*

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.<sup>2</sup> of this Law in the financial year report for a period from 1 January 2010 until 31 December 2012.

*[12 June 2009]*

40. In 2009, the Cabinet shall, by 31 October, submit to the *Saeima* a 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 a draft State Budget Law (the package of draft budget laws), as well as 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 Utilised, 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.<sup>1</sup> of this Law shall be issued by the Cabinet by 1 June 2010.

*[1 December 2009]*

48. The regulations referred to in Section 21, Paragraph 1.<sup>1</sup> of 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 date of the coming into force of the Cabinet regulations referred to in Section 30, Paragraph one of this Law, but not later than until 1 December 2010, Cabinet Regulation No. 1193 of 20 October 2009, Procedures for Preparation of Annual Accounts, 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.<sup>1</sup> 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.<sup>1</sup>, 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.<sup>1</sup> 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.<sup>1</sup> 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.<sup>2</sup>, 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.<sup>2</sup>, 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.<sup>1</sup>, 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.<sup>2</sup>, 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 a 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 bills). The explanations referred to in Section 16.<sup>2</sup>, 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.<sup>2</sup>, 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 “the package of draft budget laws” and its explanation, amendments to the title of Chapter III, amendments to Section 16 regarding the rewording thereof, as well as amendments to Section 16.<sup>2</sup> in relation to the package of draft budget laws shall come into force concurrently with the relevant amendments to the Rule of Order of the *Saeima*.

[15 November 2012]

66. The Minister for Finance shall submit the Draft Schedule for the Development and Submission of the Draft Medium Term Budget Framework Law and the draft annual State Budget Law referred to in Section 16.<sup>1</sup>, Paragraph one of this Law for 2014 to the Cabinet by 1 March 2014, for 2015 – by 1 March 2015.

*[4 April 2013]*

67. In 2013, 2014 and 2015 the Cabinet shall submit the Draft Medium Term Budget Framework Law to the *Saeima* together with the draft annual State Budget Law (in the package of draft budget laws). 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 expenditure stipulated by the Cabinet, which has been calculated in accordance with the procedures laid down in Section 16.<sup>2</sup>, Paragraph four of this Law. In determining the maximum permissible total amount of the State budget expenditure, the Cabinet shall ensure the conformity with the conditions included in Section 16.<sup>2</sup>, Paragraph eight and Section 19, Paragraphs five and six of this Law.

*[4 April 2013]*

68. In 2013, 2014 and 2015 the negotiations referred to in Section 16.<sup>2</sup>, Paragraph seven of this Law are organised concurrently with the negotiations referred to in Section 13 of the Law On Local Governments Budgets. The results of such negotiations are drawn up in the form of a protocol and appended to the draft annual State Budget Law (the package of draft budget laws).

*[4 April 2013]*

69. Section 36, Paragraph 5.<sup>3</sup> of this Law shall be in force until 31 December 2015.

*[4 April 2013]*

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]*

Note.

The remaining Sections of the Law On the Rights of the Republic of Latvia Budget are repealed when the Law On Local Government Budgets comes into force.

Note.<sup>1</sup>

This Law shall come in force on the day following the proclamation thereof.

*[10 September 2009]*

Note.<sup>2</sup>

This Law shall come in force on 1 January 2010.

[1 December 2009]

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

President

G. Ulmanis

Rīga, 6 April 1994

## **Transitional Provisions Regarding Amendments to the Law On Budget and Financial Management**

### **Transitional Provisions**

(regarding amending law of 25 November 1996)

The amendments adopted in respect of Section 47 of the Law On Budget and Financial Management in relation to the rights provided for the Treasury to apply administrative sanctions shall come into force simultaneously with the relevant amendments to the Latvian Administrative Violation Code.

### **Transitional Provisions**

(regarding amending law of 23 November 2000)

This Law shall come into force on 1 January 2001.

### **Transitional Provisions**

(regarding amending law of 31 October 2002)

This Law shall come into force on 1 January 2003.

### **Transitional Provisions**

(regarding amending law of 19 December 2002)

This Law shall come into force on 1 January 2003.

### **Transitional Provisions**

(regarding amending law of 30 October 2003)

This Law shall come into force on 1 January 2004.

### **Transitional Provisions**

(regarding amending law of 20 December 2004)

This Law shall come into force on 1 January 2005.

### **Transitional Provisions**

(regarding amending law of 8 November 2007)

This Law shall come into force on 1 January 2008. Section 8.<sup>1</sup> of the Law On Budget and Financial Management shall come into force the next day after the proclamation of this Law.

### **Transitional Provisions**

(regarding amending law of 14 November 2008)

This Law shall come into force on 1 January 2009, but amendments with regard to supplementation of Section 9, Paragraph five with Clause 8, supplementation of Section 25 with Paragraph 2.<sup>1</sup>, expression of Section 34 in a new version, supplementation of Section 35 with Paragraphs five and six, supplementation of Section 36 with Paragraphs six and seven and supplementation of Section 37 with Paragraphs six and seven of the Law On Budget and Financial Management shall come into force on the next date after the proclamation of this Law.