

# Financial Supervision of Local Governments

Published: 02.09.2020.

## Local government borrowing objectives for 2018

### I Borrowing objectives with withdrawal option only in 2018:

Fuel acquisition. *Maximum borrowing repayment term is 1 year.*

Exercising pre-emptive rights.

Implementation of the priority investment projects set by a local government:

In the amount of 250 000 *EUR* for local governments of republic cities and local governments of development centres of regional importance (21 municipality local government).

In the amount of 400 000 *EUR* for the remaining 89 municipal local governments.

### II With borrowing withdrawal options in the medium term:

Implementation of the projects co-financed by the European Union and other foreign financial assistance, including increase of the share capital of capital companies aimed at ensuring the co-financing of local governments for the implementation of these projects.

Implementation of the projects co-financed by the mechanism for auctioning emission allowances.

Implementation of the investment projects of educational institutions.

Implementation of the investment projects of social institutions.

Investment projects for improvement of the energy efficiency of the local governments boiler houses (*with capacity of up to 3 MW*).

Development projects of the sports, security infrastructure of national importance, subject to the state budget co-financing.

Investments for immediate contingency of emergencies (breakdowns).

Acquisition of transport necessary for performance of autonomous functions of the local governments. *Maximum borrowing repayment term is 7 years.*

Performance of investments into architectural monuments of national importance.

Acquisition of real estate, located in the administrative territory of another local government, necessary for performance of autonomous functions of the local governments.

Drafting the documentation of investment projects. *Maximum borrowing repayment term is 5 years.*

Mezaparks Grand Stage reconstruction.

Investment projects of roads and the system thereof\*, including for the reconstruction and construction of the heating mains, water main and sewerage networks planned within the scope of these projects, with the actual contribution (co-financing) of local government budget in 2018 in the amount of at least 25% of the total local government costs.

*\*Definition of the roads and the system thereof is provided in Section 1, Part three of the Road Traffic Law.*

Investment projects of the cultural institutions with the actual contribution (co-financing) of local government budget in 2018 in the amount of at least 40% of the total local government costs.

New objectives (from 2018)

Pre-financing of the projects of the restricted calls for project proposals of the European Union funds, taking into account the following conditions:

the borrowing is applicable to the local governments applying for granting of the European Union funds financing in the restricted calls for project proposals, set as beneficiaries in the particular specific aid objective by the Cabinet regulations, and the project idea whereof is coordinated in the Regional Development Coordination Council or under another procedure, as the one envisaged by the Cabinet regulations on the implementation of the specific aid objective;

the scope of the borrowing conforms to the financial resources necessary for the commencement of the project till the conclusion of the contract with the cooperation authority (CFLA).

2. Completion of the State budget co-financed investment projects of the cultural institutions, with the actual contribution (co-financing) of local government budget in 2018 in the amount of at least 25% of the total local government costs.

### Local government guarantees for 2018

In 2018, the local governments are entitled to provide guarantees:

For the debt liabilities assumed by the local government capital company for the implementation of the investment projects.

For the debt liabilities assumed by the students for the receipt of the study loans and student loans from the credit institution.

### Conditions for assuming long-term liabilities of local governments for 2018

In 2018, the local governments are entitled to assume long-term liabilities in accordance with Section 22 of the *Law on Local Government Budgets*, only:

Up to 5 years, for the services, acquisition of computer hardware, communications and other office equipment necessary for ensuring autonomous functions of local governments.

For the services for ensuring long-term social care and social rehabilitation services.

For the implementation of the investment projects mentioned in Section 14, Part one, Clauses 1, 2, 3, 4, 5, 6, 7 and 8 of the *Law On the State Budget of 2018*

For the implementation of the public and private partnership projects accepted under the procedure prescribed by the *Law on Public and Private Partnership*.

Within the meaning of Section 22 of the *Law On Local Government Budgets*, the long-term liabilities of the local governments are the liabilities assumed by the local government, when concluding the contracts on purchase or rent of goods or receipt of services, or performance of construction works for the needs of the commissioning authority and the contracts, providing for the participation of the local government budget in the implementation of particular projects, but the local government does not perform the total payment for the relevant transaction over the period of 12 months from the moment of contract conclusion.

<https://www.fm.gov.lv/en/financial-supervision-local-governments>