

# Medium Term Budget Planning

Published: 03.12.2020.

Updated: 22.11.2022.

On November 3, 2022, amendments to the [Law on Budget and Financial Management](#) (hereinafter - LBFM) entered into force, providing that from now on the Law on the Medium Term Budget Framework and the Law on the Annual State Budget will be elaborated as a single law (Law on the State Budget for the Current Year and on the Medium Term Budget Framework) starting with the [Law on the State Budget for 2023 and the Budget Framework for 2023, 2024 and 2025](#).

Pending the amendments concerned pursuant to transitional provision No 98 of LBFM the law on the medium term budget framework (and its draft law) and the annual state budget law (and its draft law) shall also be understood as the law on the state budget for the current year and the medium-term budget framework (and its draft law).

In accordance with the provisions of Section 18.<sup>1</sup> paragraph one of the LBFM the minister of Finance shall ensure that the draft law on the state budget is drawn up every year and submit it to the Cabinet of Ministers in accordance with the budget preparation schedule.

According to the LBFM, medium term state budget planning is a process in which the resources available for the medium term are determined and the use of these resources is ensured in conformity with the priorities determined by the government (in accordance with the planning documents). Medium term is a three-year period formed by the financial year for which the state budget is planned and the subsequent two financial years.

Medium term budget planning and financial management in Latvia is implemented in accordance with fiscal policy principles set out in [Fiscal Discipline Law](#) (FDL) (in force since 06.03.2013.) and in compliance with the EU provision to budgetary frameworks of Member States, ensuring transparent and responsible fiscal policy.

Law on the State Budget for the Current Year and the Medium Term Budget Framework specifies medium-term budget objectives and priority development areas, as well as sets out fiscal policy objectives, gross domestic product forecasts, state budget revenue forecasts, state budget financial balance (maximum level of deficit and/or minimum level of surplus), maximum allowable expenditure levels for the whole budget and for particular ministries and other central state institutions.

The Part of explanations related to the Budget Framework for the Medium Term contain information about the medium term forecasted macroeconomic development and its risk assessment, fiscal policy objectives and measures necessary for its implementation, tax and non-tax revenue forecasts, information on general government debt developments, fiscal indicator calculation methods and explanations, as well as other essential information.

Data and information in the Medium Term Budget Framework and explanations to be provided in accordance with Section 5 third and fourth paragraph of FDL and Section 18.<sup>1</sup> third paragraph of the LBFV.

Cabinet of Ministers annually approves schedule for preparation and submission of draft Law on the State Budget for the Current Year and the Budget Framework for the Medium Term.

Find more details about budget procedures and medium term budget planning in our [Stability Programme](#).

## History

Medium term budget planning system was introduced in Latvia starting from 2008, and it was implemented in accordance with Concept on Implementation of Strategic Planning and Budget Planning in State Administration. Medium term budget planning implied approval of State budget law for one year, and determination of maximally allowable expenditure levels for the subsequent two years. Until 2012 main medium term budget planning document was Medium-term Macroeconomic development and Fiscal Policy Framework (hereinafter – the Framework), which included medium-term national macroeconomic analysis,

government's fiscal policy objectives for medium term, state budget revenue projections and state budget expenditure ceilings for each ministry and other central government institutions for medium term. This Framework was accepted by the Cabinet of Ministers.

Amendments to the LBFM, which entered into force on January 1, 2012, provided that Framework, approved by the Cabinet of Ministers, shall be developed in a form of a law as the Medium Term Budget Framework Law (hereinafter -Framework Law), to be approved by the Saeima, thus ensuring that financial indicators included in the Framework Law and to be achieved are legally binding and they should underpin the annual state budget law.

The first [Framework Law](#) was prepared in 2012 and was submitted to the Saeima in one legislative package with State budget law for 2013. Framework Law was linked to development planning documents, thus ensuring allocation of available financial resources in accordance with government policy priorities for the medium term.

<https://www.fm.gov.lv/en/medium-term-budget-planning>