

Ministry of Finance  
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# Budget Process in Latvia



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# Definition and Purpose of the Budget



Budget is a tool for implementation of the state policy through financial methods



The budget is the foundation for financial activities and management of the government



The purpose of the budget is to determine and substantiate the resources required for the central government and local governments to perform the state duties whose financing is determined by legislative acts

It is necessary to ensure that expenditure is covered by corresponding revenues

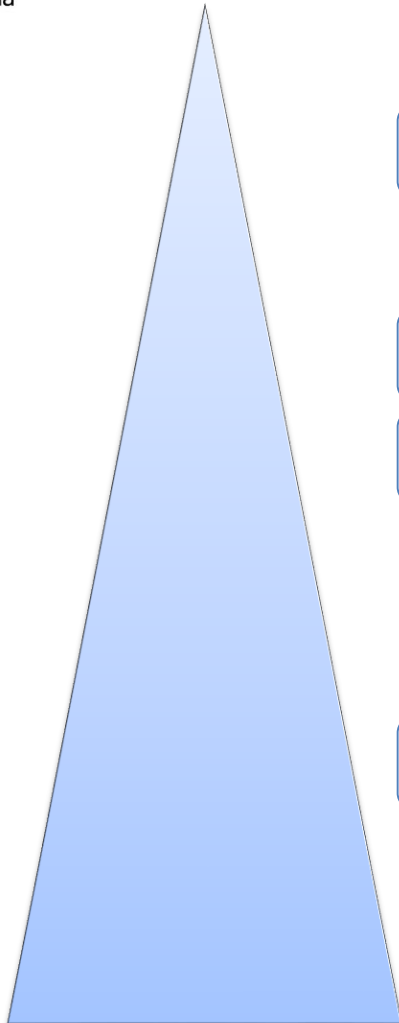


When formulating the budget, the necessity of ensuring an overall economic balance shall be taken into account



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# Hierarchy of Legal Acts



**Constitution**

*International legal acts*

**Fiscal Discipline Law**

**Law on Budget and Financial Management**

**Medium Term Budget Framework Law**

**Annual Budget Law**

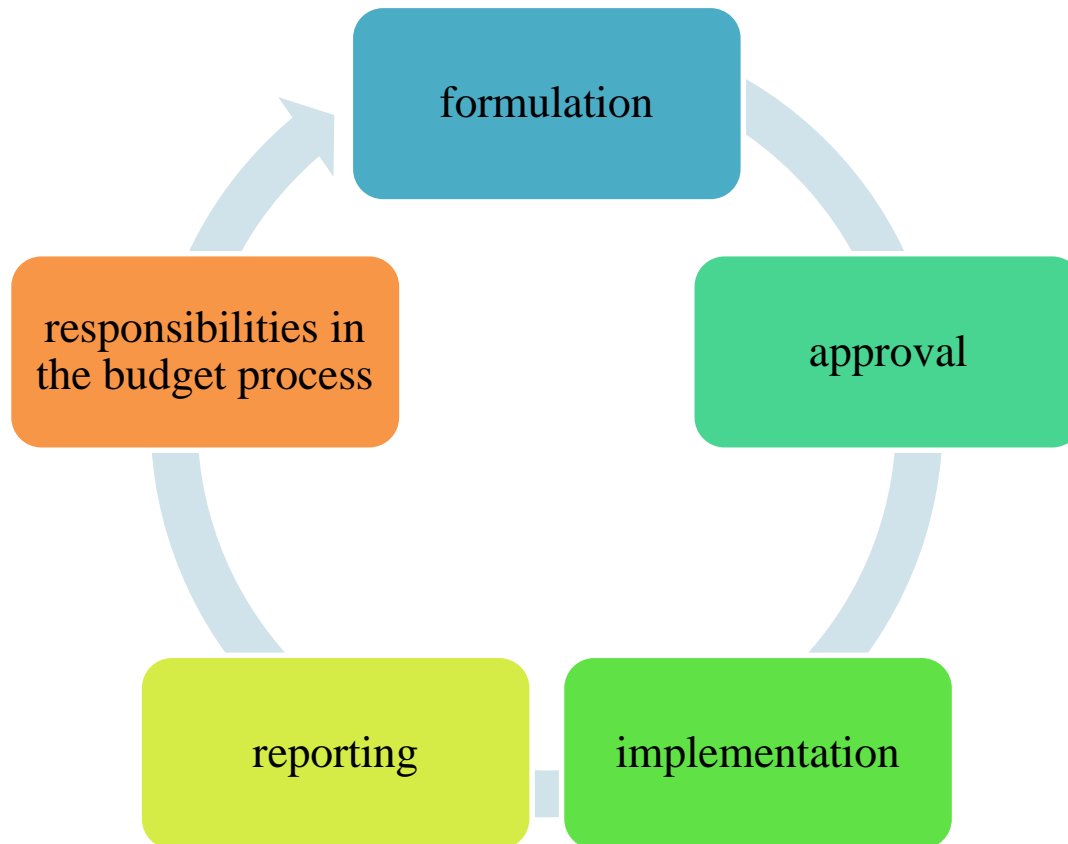
**Regulation of Cabinet of Ministers**

**Internal acts of institutions**



# Definition and Purpose of the Budget

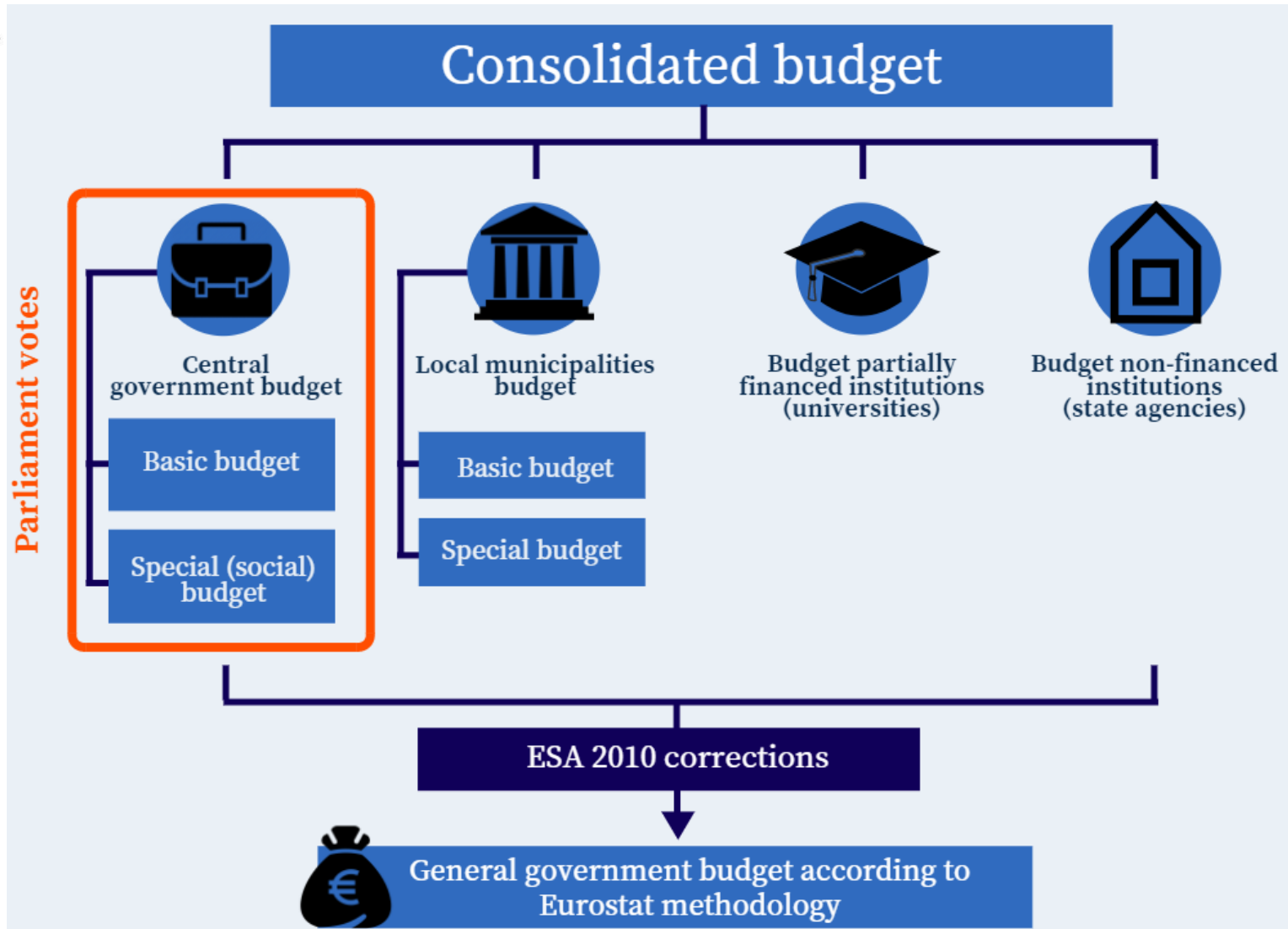
Law on Budget and Financial Management determines the procedures for:





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# Budget System in Latvia





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# Budget Structure

- **Budget program** – a program of such **mutually connected measures** or services that are oriented to a **common objective**, which is planned, implemented, recorded and controlled by bodies financed from the budget in accordance with the Law and regarding which implementation the **persons implementing the budget are liable**. The budget program may be divided into subprograms (approximately 500 budget programs and subprograms)
- **Budget classifications:**
  - **Revenues** classification,
  - **Expenditures** classifications:
    - Economic,
    - Functional (COFOG 10 functions),
    - Institutional
  - Classification of **sectors**;
  - **Financing** classification.



# Strengthening Medium Term Budget Planning by Introduction of Medium Term Budget Framework Law (from 2012)

Is prepared every year on  
«rolling» basis for the next  
**three year period** and  
approved by Parliament

Ensures strategic view and  
link between policies of  
the governments and  
budget resources available  
(top-down budgeting)

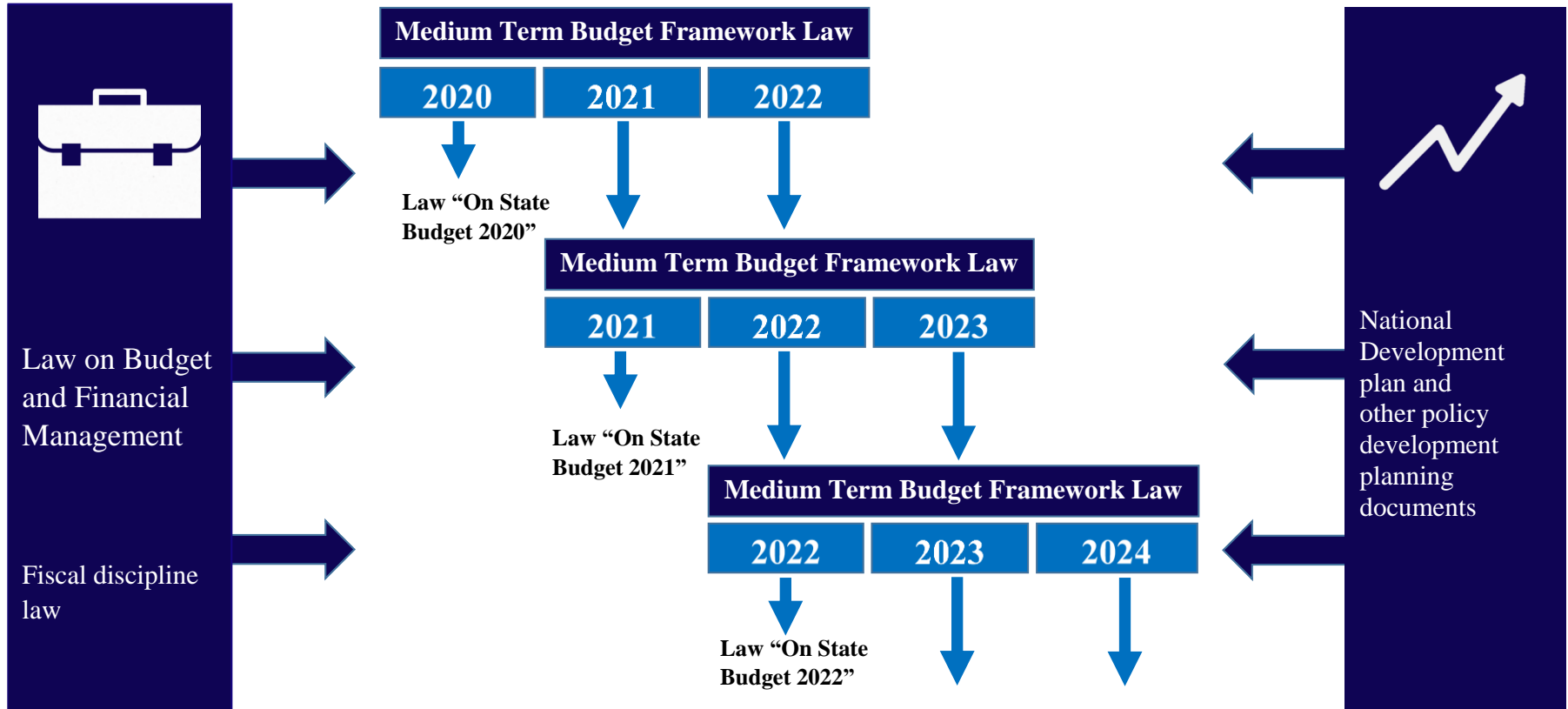
Is subject to Fiscal  
Discipline Law  
requirements, thus  
ensuring implementation  
of **responsible and  
sustainable fiscal policy**

Serves as a basis for  
preparation of Annual  
Budget Law



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# Medium Term Budget Planning System







# Fiscal rules and procedures imposed by Fiscal Discipline Law

## Rules:

- **budget balance rule – structural budget deficit** of general government can not exceed 0,5% of GDP. If it does (escape clauses, unforeseen events), the future balances have to be planned in such amounts, to adjust the deviations to normal level
- **expenditure rule** - general government real expenditure growth does not exceed average potential GDP growth
- **debt rule – general government debt** must not exceed 60% of GDP

## Procedures:

- inheritance principles getting from Framework Law in force to **new draft Framework Law**
- limitations on **amendments to Framework Law**
- limitations on **drafting Annual Budget Law** with respect to requirements of Framework Law
- limitations on **amending Annual Budget Law** with respect to requirements of Framework Law
- limitations on **budget execution** with respect to requirements of Framework Law
- limitations on **interim decisions** of the government with fiscal impact
- **escape clauses** for all aforementioned and mechanisms for getting “on road” in cyclical terms.



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# By adopting Fiscal Discipline Law (in 2013), the CoM and Parliament have committed themselves to the following principles

## principle of being economical

- fiscal policy shall be implemented allocating available resources reasonably and efficiently

## principle of making savings

- fiscal policy shall be implemented so that the budget is planned and implemented with surplus, if the economic situation allows, which allows covering future liabilities in case of worsening of the economic situation

## principle of counter- cyclical fiscal policy

- a counter-cyclical fiscal policy shall be implemented running counter to trends of the economic cycle

## principle of stability

- financial policy shall be implemented so that it contributes to the economic growth and financial stability and is foreseeable and successive in medium term

## principle of sustainable fiscal policy

- fiscal policy that focuses on the maintenance of the general government debt level which does not impose a disproportionate burden on the economy, but contributes to its long-term development.

## principle of generation mutual responsibility

- a fiscal policy takes into account the financial impact on the society now and on future generations

## principle of transparency

- information on fiscal policy objectives, methods for their achievement and results shall be publicly available

## principle of fiscal discipline solidarity

- institutions within general government assume the constraints derived from fiscal rules in solidarity manner



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# Budget Process and Parties Involved (I)



MoF prepares medium term **macro development forecasts**, calculates **fiscal restrictions**

In cooperation with line ministries performs **spending review and calculation of base expenditure**

**Evaluates** proposals for priority measures

**Aggregates** budget requests received from line ministries

**Prepared draft budget law** and medium term budget framework law and submits it to CoM



Line ministries participate in **calculation and review of base expenditures**

Prepare **proposals for priority measures**

Prepare and submit **budget requests** according to decisions taken by CoM

Take part in **debate** on the draft budget law in the CoM



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# Budget Process and Parties Involved (II)



CoM approves **fiscal goals** of the state and **the Stability Program**  
Takes decision on results of **spending review**  
Takes decision on **priority measures** that should receive additional financing in future years  
Submits draft budget law and medium term budget framework law to Parliament



**Discussions** in the Budget Committee.  
Parliamentarians formulate **propositions** to draft budget  
Parliament **approves** state budget law and medium term budget framework law in two readings

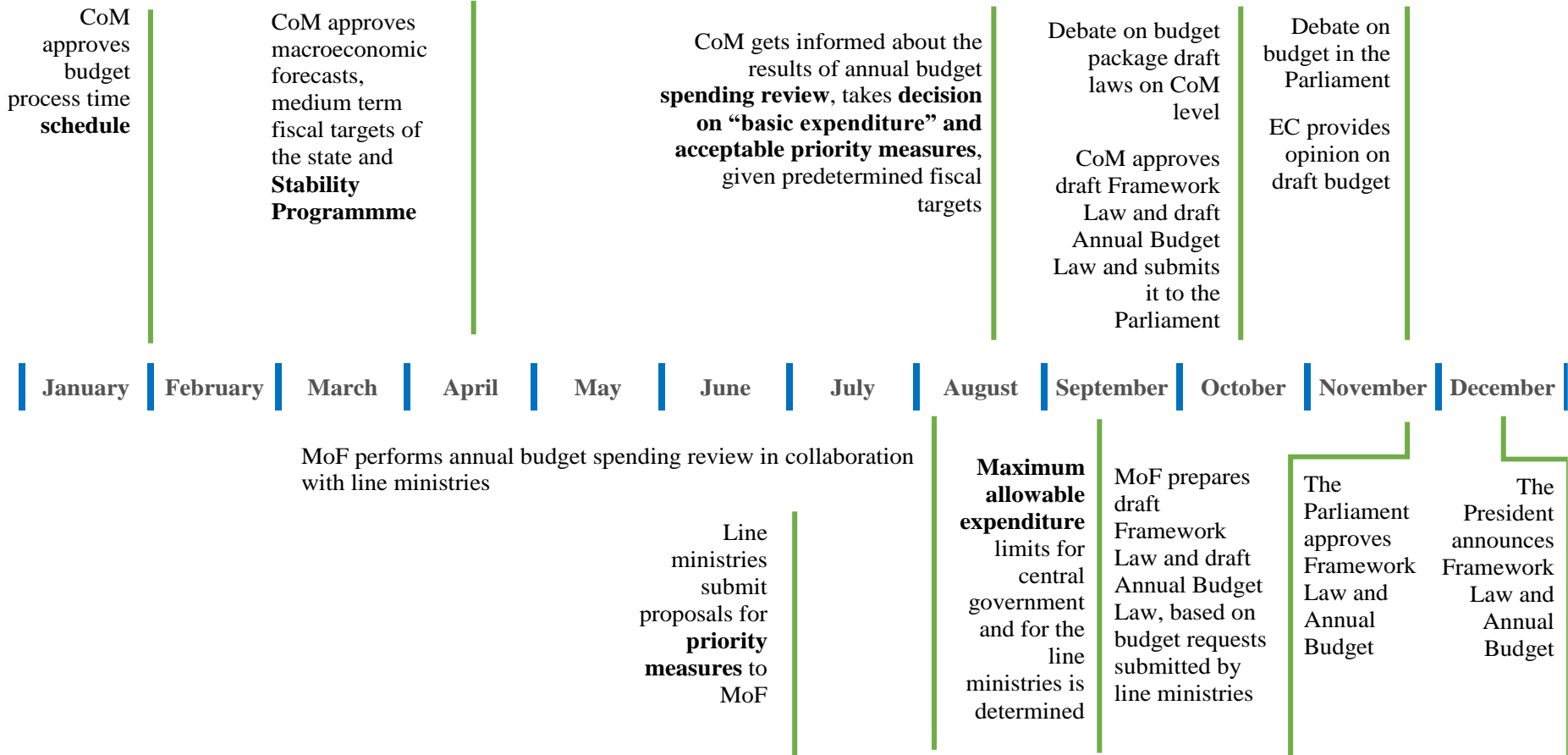


President of the Republic of Latvia **announces** the state budget law and the medium term budget framework law



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# Preparation of draft framework law and draft annual budget law in Latvia

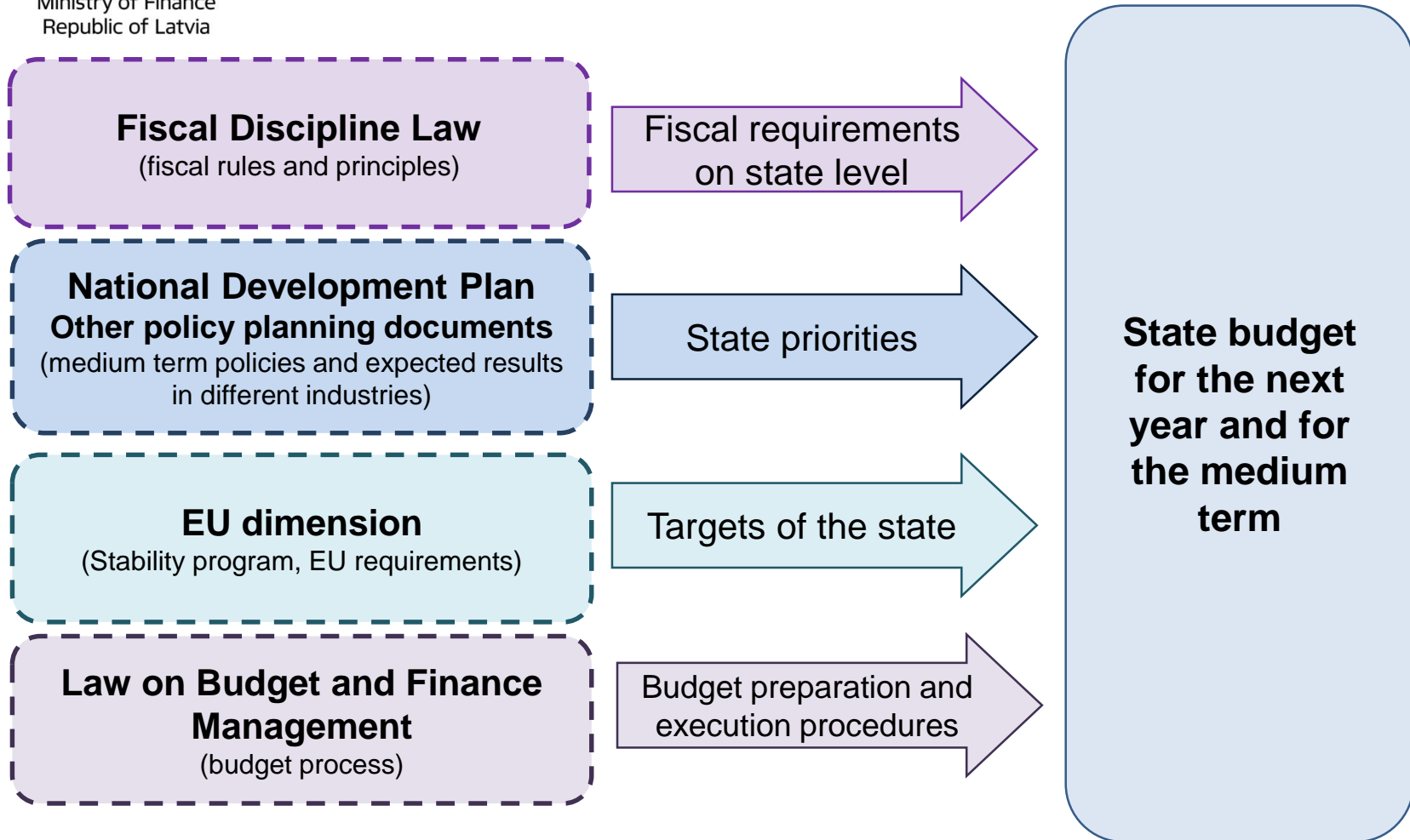


Abbreviations | CoM – Cabinet of Ministers | MoF – Ministry of Finance | EC – European Commission



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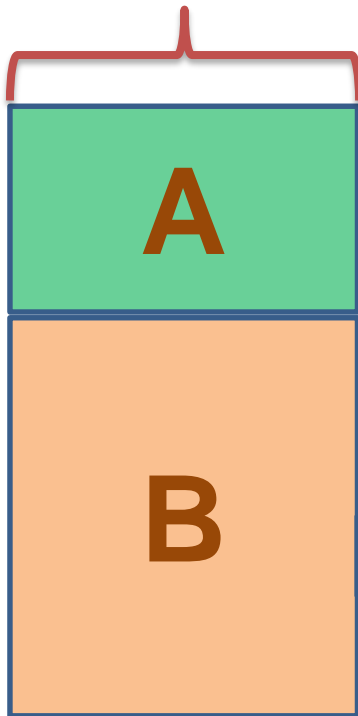
# Planning System





# Central government budget maximum allowable expenditure

**A+B = Maximum allowable expenditure**



## **Budget development part:**

- ❖ Priority measures, based on National Development Plan, Government declaration and sectoral planning documents

## **Base expenditure:**

- ❖ Resources needed to maintain functioning with no policy change



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# Budget development part – priority measures

Submission and  
evaluation –  
unified,  
simple and  
effective  
approach

Emphasis put on priority measures **contribution to economic development** and structural reforms

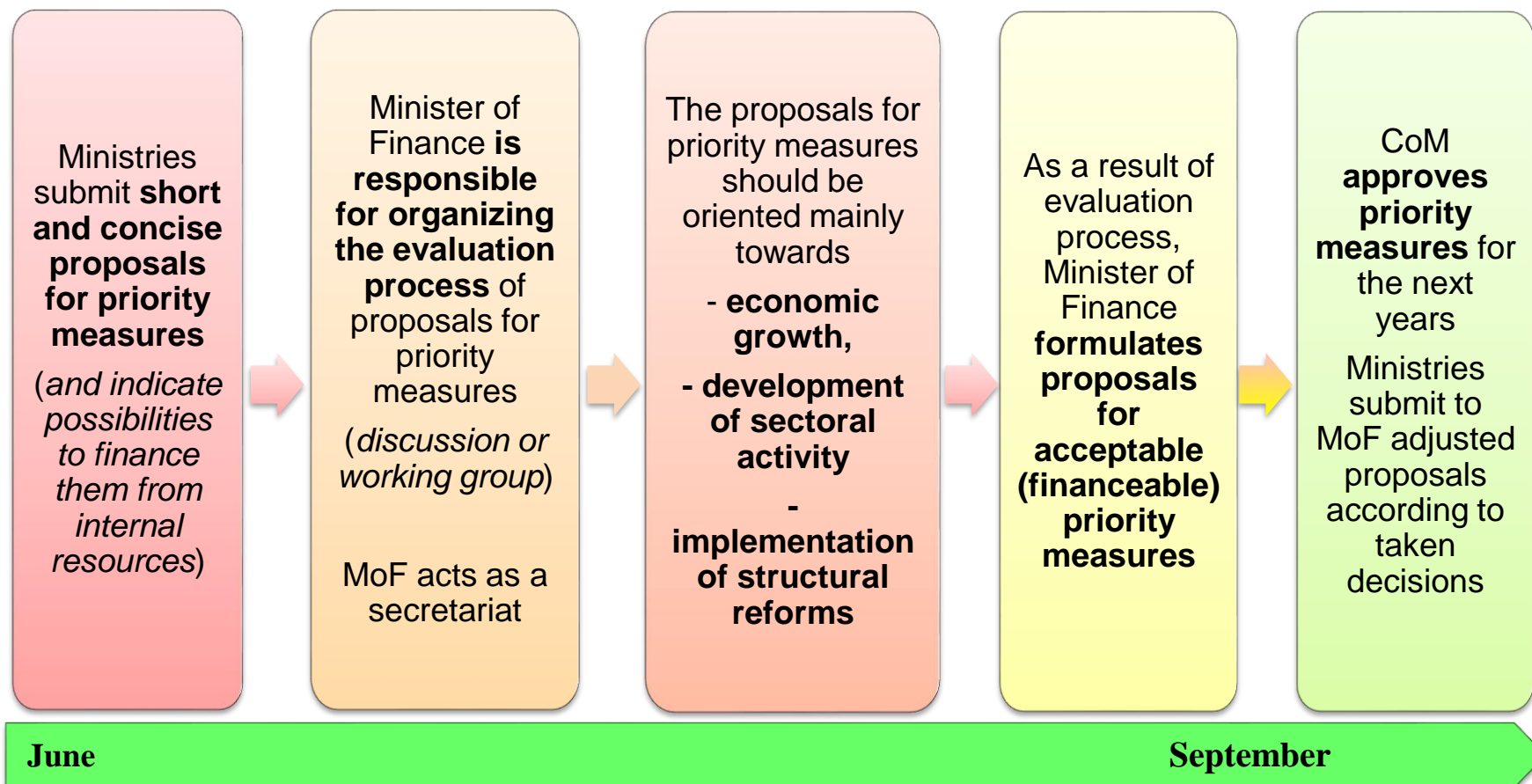
Highlighted a **link between policy measures and policy goals**, concrete measurable results, tasks in Government Declaration

Within reasonable limits **stimulated re-prioritization of resources** of line ministries towards development of particular areas and the whole economy





## Submission of proposals for priority measures – simple, effective and oriented towards restructuring internal resources towards development of the economy





# Content of proposal for priority measures

Proposal  
for  
priority  
measure



**Goal** and description

Correspondence to **Government declaration**

Correspondence to **medium term priorities** according to MTEF

Impact on **economic development** and **structural reforms**

Related **policy performance** indicators (*outcomes*)

Expected **operational performance** indicators (*outputs*)

Required **funding**

Available funding within ministries' budget

Other important information



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# Budget Explanations (I)

Aim of budget explanations– to provide information on **budget as a tool for realisation of government policy**



## Result

- ❖ Society is provided with **understandable and wholesome information** about planned budgetary resources
- ❖ The **link** between strategic planning documents and budgetary resources is revealed
- ❖ Orientation towards **achievement of political goals**
- ❖ Information on **resources, goals and multi-level indicators** is available in one place, providing better possibility to perform analysis later on
- ❖ Additional funding for priority measures is supplemented by separate **operating indicators** (with an aim later on to monitor factual execution of these)
- ❖ Structure and **content of budget explanations is optimal** and ensures fair administrative burden



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# Budget Explanations (II)

Key element of budget explanations – **Policy and resource management scorecard**



## Content of the Card for every activity areas

(plan for the medium term and fact for the previous year):

	<b>Goal</b>	which is planned to be achieved in a particular activity area
	<b>Policy performance indicators</b>	which are derived from policy planning documents and characterize to what extent the goal is achieved
	<b>Resources (inputs)</b>	expenditure number of employees infrastructure, tangible and intangible assets, which are significant for the achievement of goal
	<b>Operational performance indicators</b>	the most inclusive and concise
	<b>Quality indicators</b>	Intangible evaluation of activity area (quality, satisfaction surveys)

The idea about creation of Policy and resource management scorecards was **developed and tested during the first budget spending review process**



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# Annual Spending Reviews: Procedure Framework for Linking Budget with Policy Planning



## Legislation Driven Initiative

On 30 November 2015 amendments to Law on Budget and Financial Management approved by Parliament.

Entered into force as of 1 January 2016.

Law supplemented with new article 16.3 «State budget spending review» .



## Objectives

Accountability for policy outcomes and outputs.

Better policy outcome with less inputs.

Regularly (annually) and systematically reprioritize public spending.



## Role of the Government

Sets the scope and priorities of the spending review.

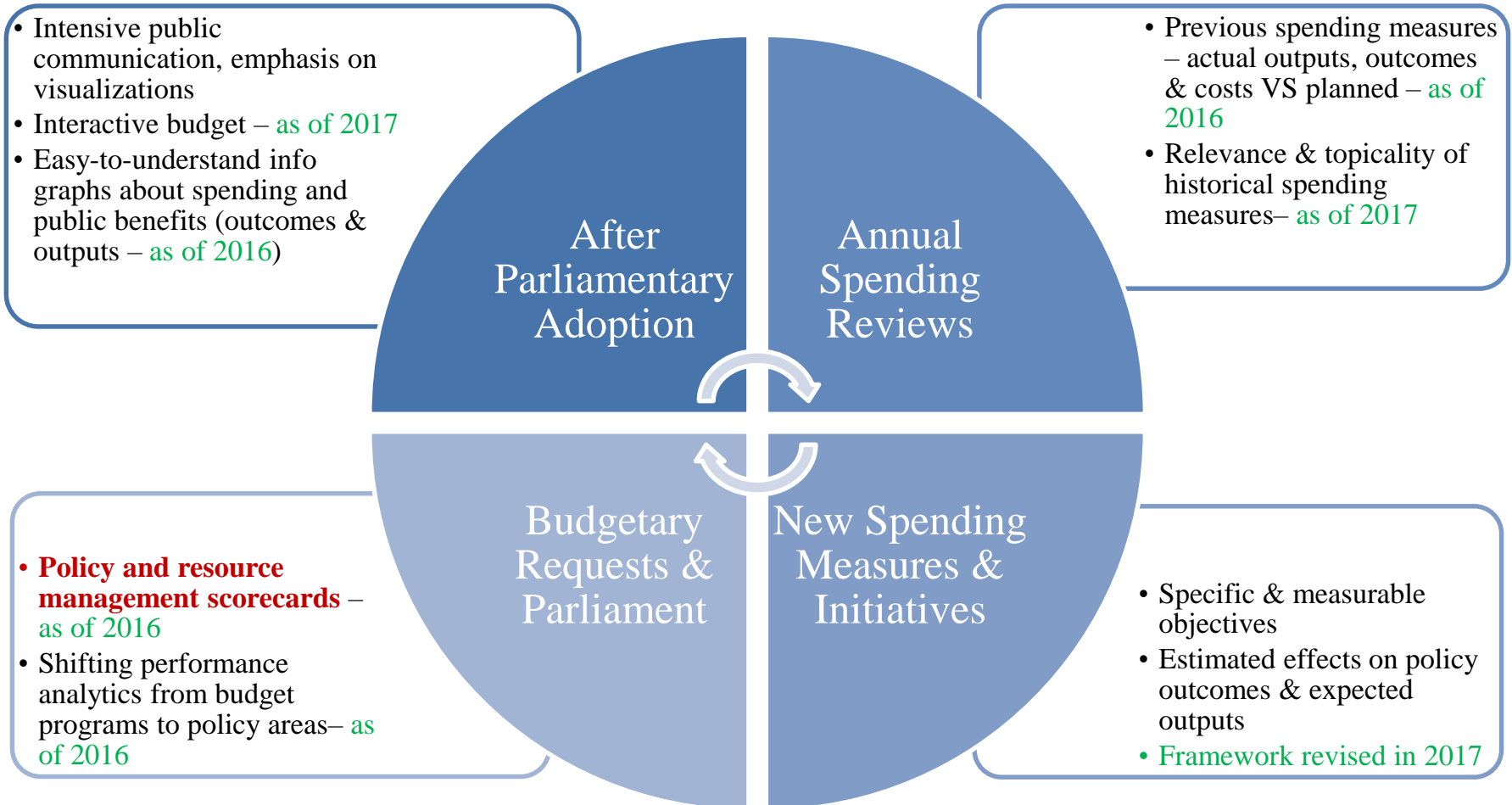
Process integrity is in line with the budget schedule.

Finance minister submits to the Government results of the review and implementation proposals.



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# Most Characteristic Examples of Using Performance Information at all Stage of Budgeting





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# Structure of State Budget Law

## Law (text)

- **Approx. 17 pages, 69 Articles**
- Budget financial **balance** and the maximum permissible amount of the national **debt**
- **GDP** forecasts
- Provisions to be attached to all or individual **appropriations**
- **Specific rights and duties** for particular budget institutions
- Provisions for **social insurance budget** revenue distributions
- **Other** specific regulations for particular year

## Law (Annexes)

- **14 annexes, approx. 362 pages, 526 budget programs**
- Summary of tax and non-tax **revenue** and **expenditure**
- Expenditures (**appropriations**) detailed by budget programs and economic classification codes
- Dotation to **local municipalities**
- Maximum permissible amount of **state guarantees**
- Central government budget **long term liabilities**

## Explanations

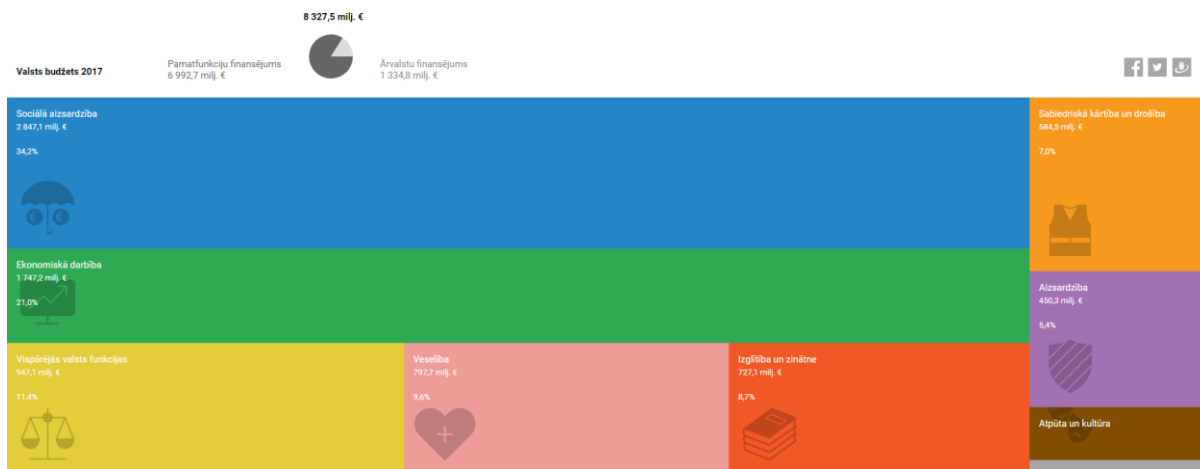
- **Approx. 1 000 pages**
- Information concerning the **economic situation** and a description of the **macroeconomic strategy**
- **Revenues analysis**
- **Explanations** on expenditures and **new measures**
- Results and **performance indicators** of budget programs
- Summary of budget **expenditure by administrative and functional classification**
- Information about **investment projects**
- Information about other laws included in **budget law package**



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# Interactive Budget as of 2017 – Presenting Numerical Annexes of Budget & Public Benefits (Outcomes)

Step 1: €



Step 2: €



Step 3: €



Step 4: Outcome

Kādi rezultāti?

Veselības mērītājs	2014	2017
Veselīgi nodzīvot mīļā gadā sievietēm (vārdi gadi)	55,3	58
Veselīgi nodzīvot mīļā gadā vīriešiem (vārdi gadi)	51,5	54
Juzardzinošu vīrdzēņu paredzamais mūža ilgums (sievietēm gados)	79,5	79,6
Juzardzinošu vīrdzēņu paredzamais mūža ilgums (vīriešiem gados)	69,7	71,1
Zoģu mirstība (skaita 1000 dzīv dzimulajiem)	4,1	4,1
Persnatā mirstība (skaita uz 1000 dzīv un nedzīv dzimulajiem)	6,5	4,5
Priekšlaicīgas mirstības no ārējiem iemesliem vecumā līdz 64 gadiem (skaita uz 100 000 iedzīvotājiem)	75,8	65
Priekšlaicīgas mirstības no ievainojumiem (sirds) vecumā līdz 64 gadiem (skaita uz 100 000 iedzīvotājiem)	104,3	102
Priekšlaicīgas mirstības no smēķēšanas slimībām vecumā līdz 64 gadiem (skaita uz 100 000 iedzīvotājiem)	144	142

<http://www.fm.gov.lv/valstsbudzets/>

(Google Chrome preferred)





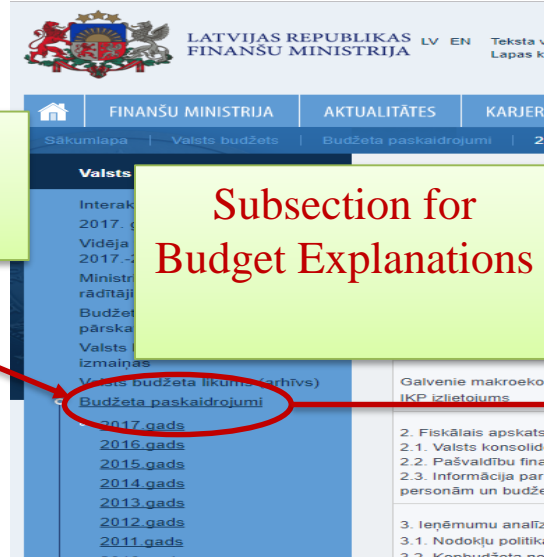
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# Budget Explanations Until 2016 – Two Volumes Printed and Published, Scarcely Read by Anybody

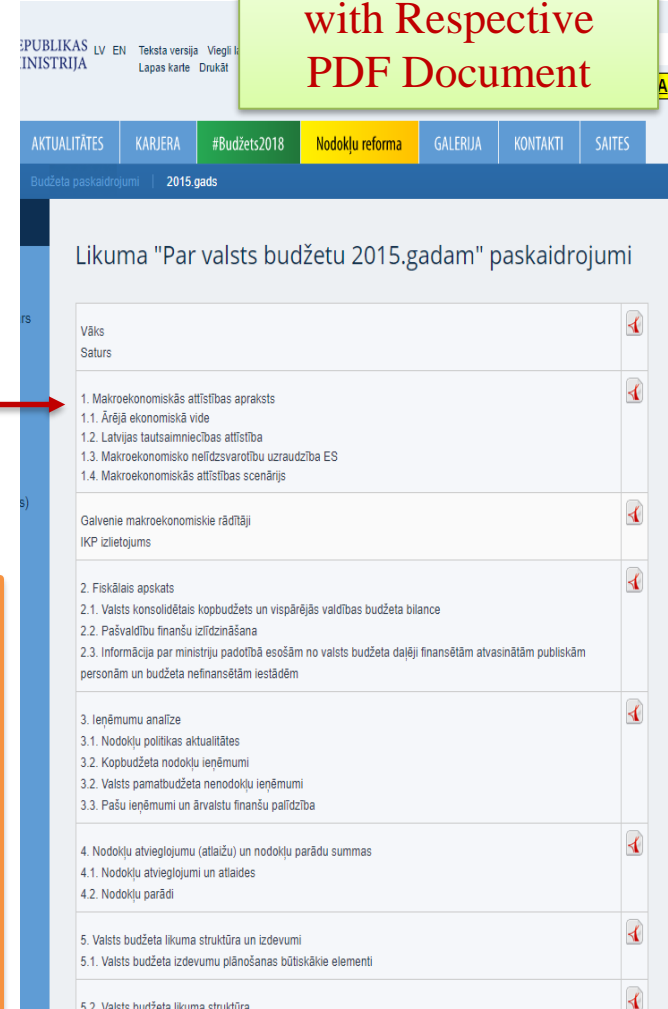
Table of Contents  
with Respective  
PDF Document



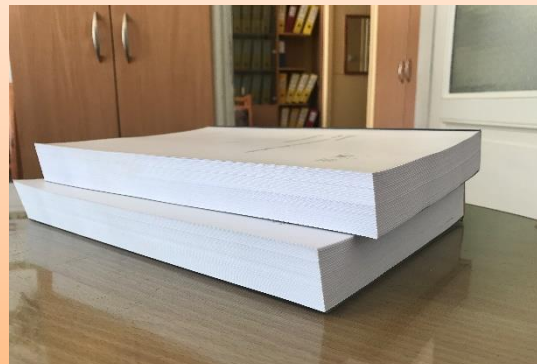
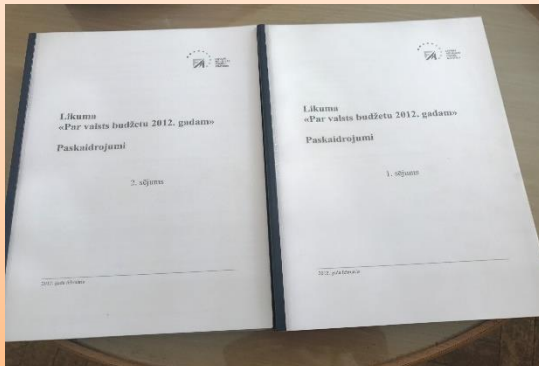
Section for  
Budget



Subsection for  
Budget Explanations



## Printed Version





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Step 1

# Budget Explanations as of 2017 (1)

The screenshot shows the website of the Ministry of Finance of Latvia. The main navigation bar includes 'FINANŠU MINISTRIJA', 'AKTUALITĀTES', 'KARJERA', '#Budžets2018', 'Nodokļu reforma', 'GALERIJA', 'KONTAKTI', and 'SAITES'. The current page is titled '2017. gada valsts budžeta vizualizācija'. A list of 21 items is displayed, with a green bracket on the right grouping items 1 through 15. A vertical green box labeled 'Line Ministries' is positioned next to this group.

Item Number	Item Name
1.	Valsts prezidenta kanceleja
2.	Saeima
3.	Ministru kabinets
4.	Korupcijas novēršanas un apkarošanas birojs
5.	Tiesībsarga birojs
8.	Sabiedrības integrācijas fonds
9.	Sabiedrisko pakalpojumu regulēšanas komisija
10.	Aizsardzības ministrija
11.	Ārlietu ministrija
12.	Ekonomikas ministrija
13.	Finanšu ministrija
14.	Iekšlietu ministrija
15.	Izglītības un zinātnes ministrija
16.	Zemkopības ministrija
17.	Satiksmes ministrija
18.	Labklājības ministrija
19.	Tieslietu ministrija
21.	Vides aizsardzības un reģionālās attīstības ministrija

Line Ministries



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# Budget Explanations as of 2017 (2)

## Detailed Info About Inputs for Each Program

### Step 2

29. Veselības ministrija ▲ Drukāt

**VESELĪBAS MINISTRIJA** plānotie izdevumi 2017.gadā - 786,2 miljoni euro

**2. Sabiedrības veselība**

636,8 milj. € jeb 81,0%

Uzlabot veselības aprūpes kvalitāti un pieejamību, mazināt hronisko slimību un ārējo nāves cēloņu riska faktoru izplatību sabiedrībā

4,2 milj. € jeb 0,5%

Veicināt veselīgu dzīvesveidu, mazināt hronisko slimību un ārējo nāves cēloņu riska faktoru izplatību sabiedrībā

**3. Farmācija**

141,5 milj. € jeb 18,0%

Uzlabot veselības aprūpes kvalitāti un pieejamību, nodrošināt kvalitatīvu un efektīvu zāļu un medicīnisko ierīču pieejamību iedzīvotājiem

**4. Nozaru vadība un politikas plānošana**

3,7 milj. € jeb 0,5%

Uzlabot plānošanu un koordinēšanu veselības aprūpes sistēmā, tādā veidā sekmējot iedzīvotāju veselības

**3. Dzelzceļš**

### Step 3

## Policy & Resource Management Scorecards

Politikas mērķis: nodrošināt Latvijas starptautisko sasniegumu / Latvijas Nacionālais attīstības plāns 2014.-2020.gadam, Transporta attīstības pamatnostādnes 2014.-2020.gadam

Indikatīvie rādītāji	APD vai normatīvie akti	Faktiskā vērtība (2015)	Plānotā vērtība (2017)
Transporta infrastruktūras kopējā sauszemes pārvadājumu apjoma (%)	Transporta attīstības pamatnostādnes 2014.-2020.gadam	47,1	67

	2015.gads (izpilde)	2016.gada plāns	2017.gada plāns	2018.gada plāns	2019.gada plāns
<b>Ieguldījumi</b>					
Izdevumi kopā, euro, t.sk.:	56 991 996	21 006 429	9 300 230	26 169 830	40 000 000
Vidējais amata vietu skaits kopā, t.sk.:	4	-	-	-	-
60.06.00 Eiropas transporta infrastruktūras projekti	3 644 507	5 576 153	-	-	-
	4	-	-	-	-
<b>Raksturojošākie darbības rezultatīvie rādītāji</b>					
Noslēgta līgumu par Starptautiskās lidostas "Rīga" stacijas un ar to saistītās infrastruktūras un mezgļa tehniskā projekta izstrādi (skaits)	-	-	1	-	-
<b>Kvalitātes rādītāji</b>					
Dzelzceļa līniju garums, kurā ir ātruma ierobežojums infrastruktūras stāvoķija dēļ (% no visa dzelzceļa tīkla garuma)	-	11,8	11,8	11,8	11,8

### Step 4

44.00.00 Lidzekļi aviācijas drošības pasākumu nodrošināšanai

Programmas mērķis: atbalstīt aktuālāko drošības pasākumu realizāciju. Saskaņā ar likuma „Par aviāciju” 27.panta piektajā daļā noteikto, Ministru kabineta dots deleģējums katru gadu noteikt, kādiem mērķiem valsts budžeta dotācija tiks izmantota.

Galvenās aktivitātes: kontrolēt izlidojošos pasažierus, reģistrēto bagāžu.

Programmas izpildītājs – Satiksmes ministrija, VAS „Starptautiskā lidosta „Rīga” un Ventspils lidosta

**Darbības rezultāti un to rezultatīvie rādītāji no 2015. līdz 2019.gadam**

	2015.gads (izpilde)	2016.gada plāns	2017.gada plāns	2018.gada prognoze	2019.gada prognoze
<b>Izlidojošo pasažieru kontrole lidostā "Rīga"</b>					
Apkalpoti pasažieri (milj.)	0,015	0,011	0,011	0,011	0,011
<b>Reģistrētās bagāžas kontrole lidostā "Rīga"</b>					
Skaits (milj.)	0,01	0,008	0,008	0,008	0,008
<b>Aļņauna lidlauka videonovērošanas sistēma Ventspils lidostā</b>					
Videonovērošanas sistēmas tehnika (skaits)	-	1	0	0	0
<b>Sabiedriski svarīgu funkciju veikšanas atbalsta līguma ietvaros nodrošināta aviācijas drošības speciālistu darbība Ventspils lidostā</b>					
Iesaistītie speciālisti (skaits)	-	2	3	3	3
<b>Nodrošināta rentgena iekārtu apdrošināšana Ventspils lidostā</b>					
Apdrošinātās iekārtas (skaits)	-	1	1	1	1
*Nosaka likuma "Par aviāciju" 27.2.panta trešā daļa un Ministru kabineta 2015.gada 28.jūlija noteikumi Nr.429 "Sabiedriskas nozīmes pakalpojumu sniegšanas saistību uzlikšanas kārtība valsts nozīmes civilās aviācijas lidlaukam", Aizsardzības ministrijas, Iekšlietu ministrijas, Satiksmes ministrijas, Ventspils pilsētas domes un SIA "Ventspils lidosta" 2015.gada 24.novembra Līgums par sabiedriski svarīgu funkciju veikšanas atbalsta saistību uzlikšanu sabiedrībai ar ierobežotu atbildību "Ventspils lidosta".					
<b>Finansiālie rādītāji no 2015. līdz 2019.gadam</b>					
	2015.gads (izpilde)	2016.gada plāns	2017.gada plāns	2018.gada plāns	2019.gada plāns
<b>Kopējie izdevumi, euro</b>	<b>82 418</b>	<b>79 945</b>	<b>82 418</b>	<b>82 418</b>	<b>82 418</b>
Kopējo izdevumu izmaiņas, euro (+/-) pret iepriekšējo gadu	x	-2 473	2 473	-	-
Kopējie izdevumi, % (+/-) pret iepriekšējo gadu	x	-3,0	3,0	-	-
<b>Izmaiņas izdevumos, salīdzinot 2017.gada plānu ar 2016.gada plānu</b>					
euro					
Pasākums	Samazinājums		Palielinājums		Izmaiņas







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# Being Everywhere – Social Networks, Streets, Newspapers, Television etc.



Prezidents @Vejonis ir izsludinājis likumu par #budzets2016. Uzzini, kur tiek novirzīti nodokļos samaksātie līdzekļi

Sektors	Procenti
SOCĀLA AIZSARDZĪBA (pēnijas, pabalsti)	36,5 centi
DOTĀCIJAS PASVALDĪBĀM, NODOKĻI PASVALDĪBĀM	17,7 centi
VESELĪBA	9,1 centi
VALSTS PARĀDA APKALPOŠANA, IEMAKSAS ES BUDŽETA	7,0 centi
ĒKONOMISKĀ DARBĪBA (satiksmes, lauksaimniecība u.c.)	5,8 centi
SABIEDRISKĀ MĀRTĪBA UN DROŠĪBA	5,7 centi
AIZSARDZĪBA	4,0 centi
PREZIDENTS, SAIMA, MINISTRU KABINĒTS, MINISTRIJAS	1,2 centi
VIDES AIZSARDZĪBA	0,5 centi
PĀRĒJIE LĪDZĒJUMI (vēstniecības, neaizskaitīti institūcijas u.c.)	3,0 centi

KOPĀ: 1 EIRO

**NŌmaksāt!**

www.fm.gov.lv  
www.nomaksat.lv

Finanšu ministrija  
Publicēja Fin Min [9] · 2015. gada 30. novembris ·

Aicinām iepazīties un uzzināt, cik un kurām nozārēm tiek novirzīti nodokļos samaksātie līdzekļi! #budzets2016 #Nomaksāt

KUR PALIEK NODOKĻOS SAMAKSĀTIE LĪDZKĻI 2016. GADĀ?

UZZINI, CIK TIEK NOVIRZĪTS NOZĀRĒM NO VIENA NODOKĻOS SAMAKSĀTĀ EIRO

Sektors	Procenti
SOCĀLA AIZSARDZĪBA (pēnijas, pabalsti)	36,5 centi
DOTĀCIJAS PASVALDĪBĀM, NODOKĻI PASVALDĪBĀM	17,7 centi
VESELĪBA	9,1 centi
VALSTS PARĀDA APKALPOŠANA, IEMAKSAS ES BUDŽETA	7,0 centi
ĒKONOMISKĀ DARBĪBA (satiksmes, lauksaimniecība u.c.)	5,8 centi
SABIEDRISKĀ MĀRTĪBA UN DROŠĪBA	5,7 centi
AIZSARDZĪBA	4,0 centi
PREZIDENTS, SAIMA, MINISTRU KABINĒTS, MINISTRIJAS	1,2 centi
VIDES AIZSARDZĪBA	0,5 centi
PĀRĒJIE LĪDZĒJUMI (vēstniecības, neaizskaitīti institūcijas u.c.)	3,0 centi

KOPĀ: 1 EIRO

**NŌmaksāt!**

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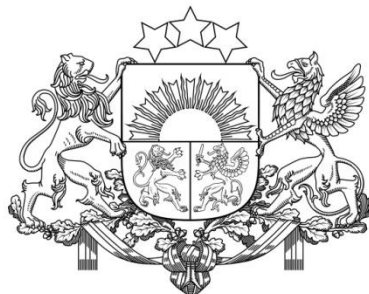




Ministry of Finance  
Republic of Latvia

# Involving and Speaking with Youth – «Shadow Days» and «Open Door Days»





Ministry of Finance  
Republic of Latvia

Thank you!

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