

Ministry of Finance  
Republic of Latvia

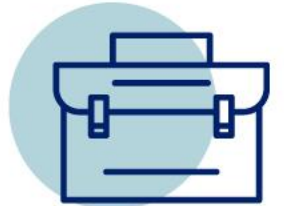
# Budget Process in Latvia



# 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



# Hierarchy of Legal Acts





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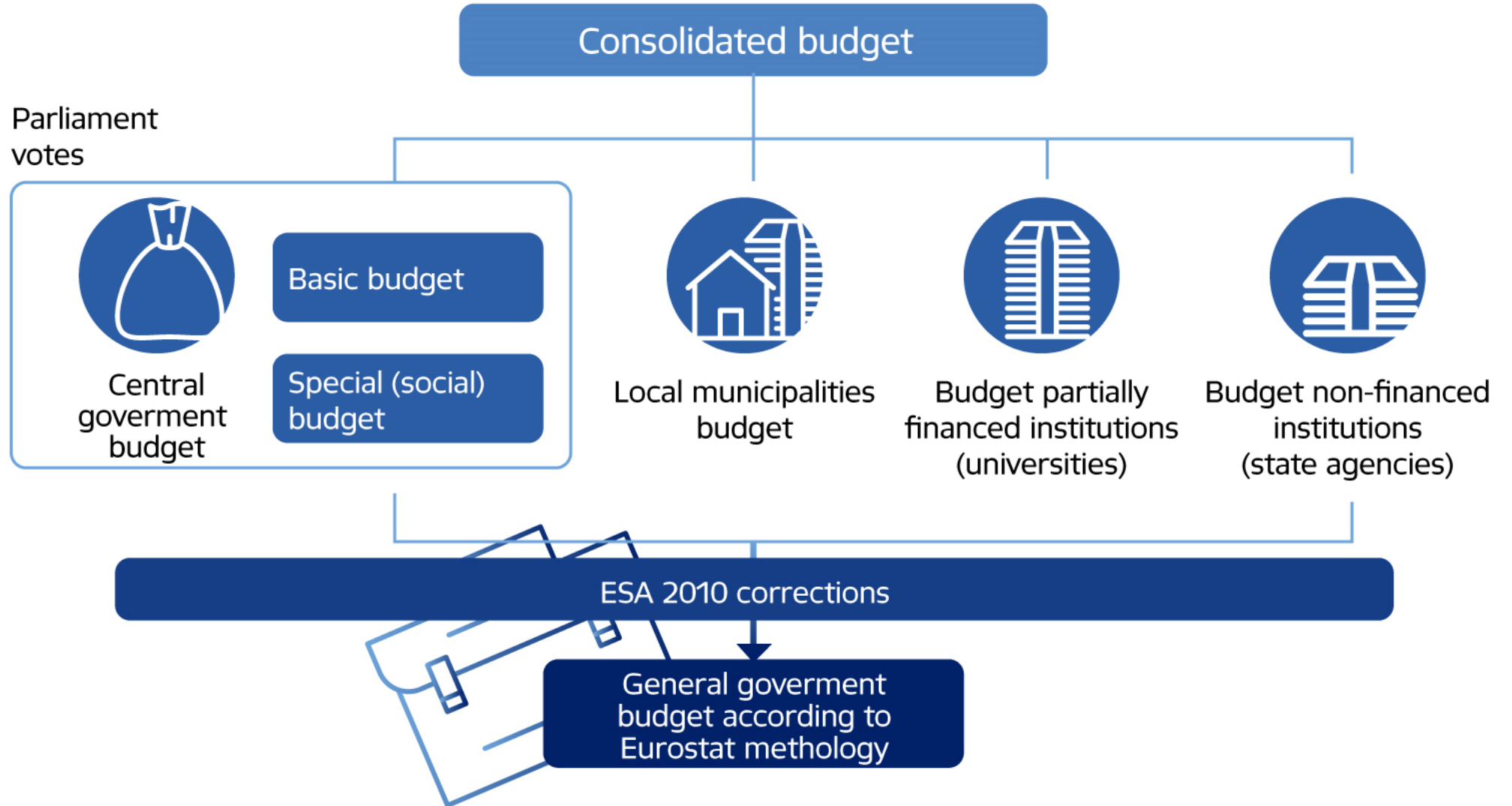
# Legislative Framework

**Law on Budget and Financial Management** determines the procedures for:





# Budget System in Latvia





# 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 till 2022)



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



Ensured 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**

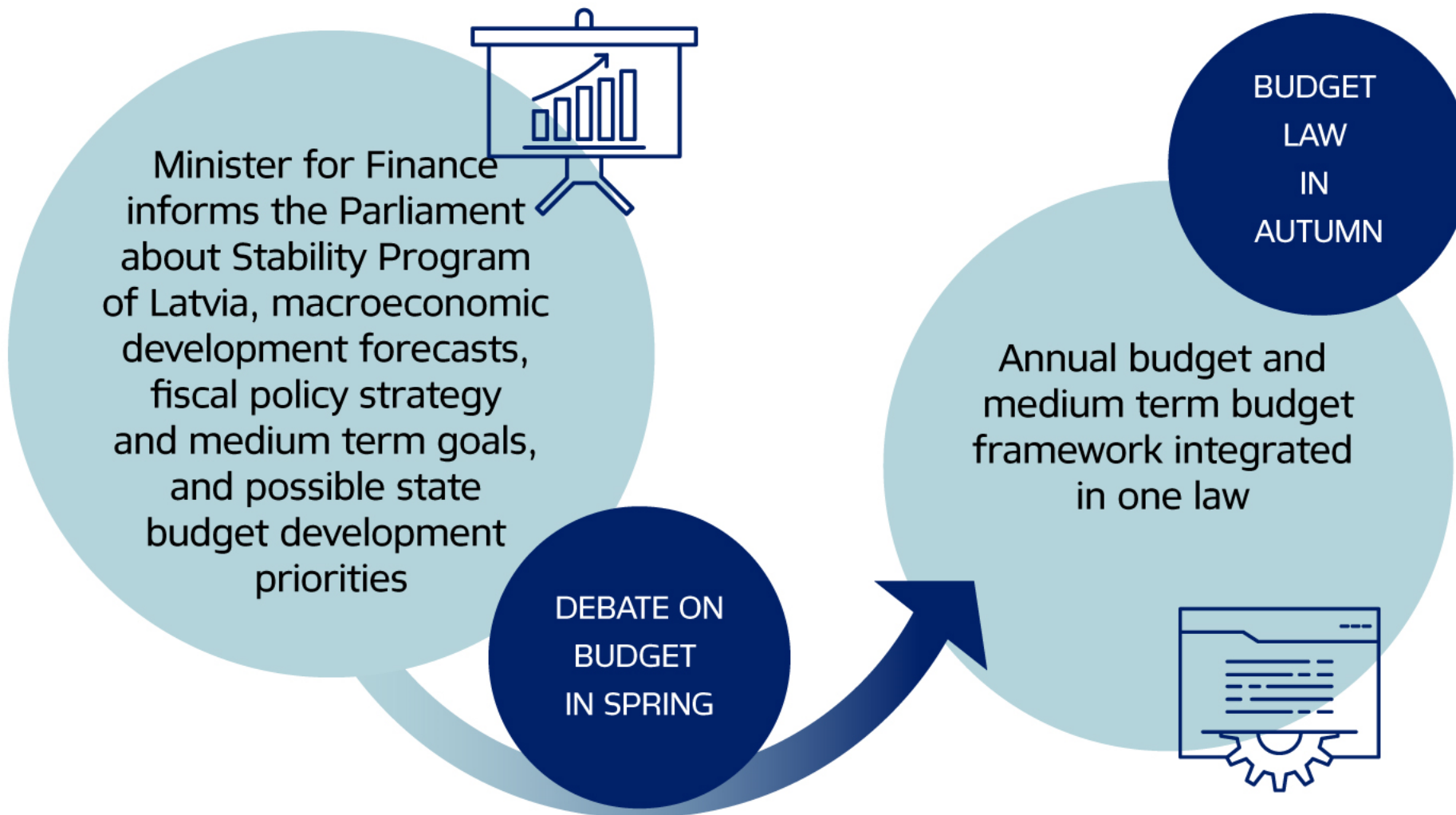


Served as a basis for preparation of **Annual Budget Law**



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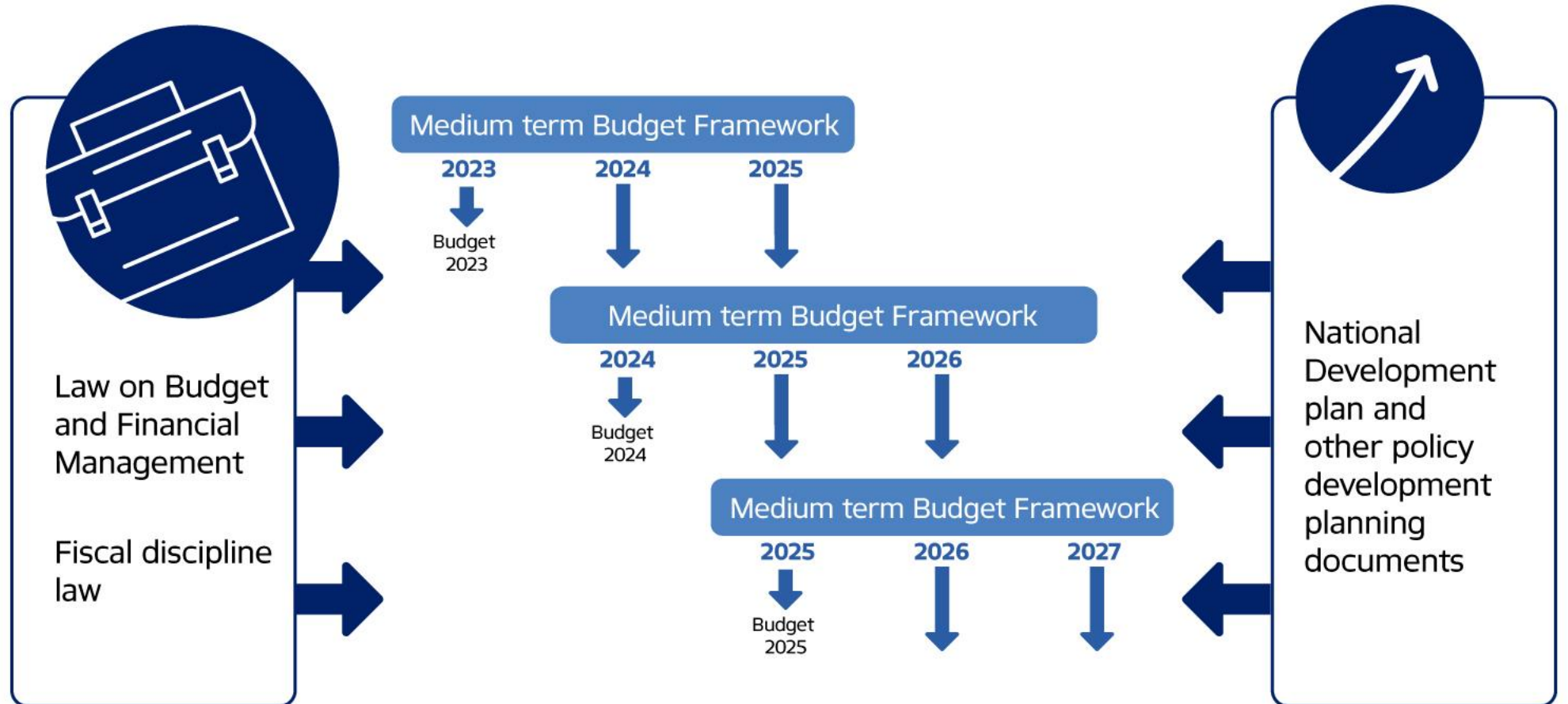
# Integrated Law on Annual Budget and Medium Term Budget Framework (from 2023)







# Medium Term Budget Planning System





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# 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 budget framework in force to **new budget framework**

limitations on **amendments to Budget Law**

limitations on **budget execution** with respect to requirements of Budget 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



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 long-term development



**principle of generation mutual responsibility**

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



**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



# 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 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



# 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 to Parliament



**Discussions** in the Budget Committee.

Parliamentarians formulate **propositions** to draft budget

Parliament **approves** Law on Annual Budget and Medium

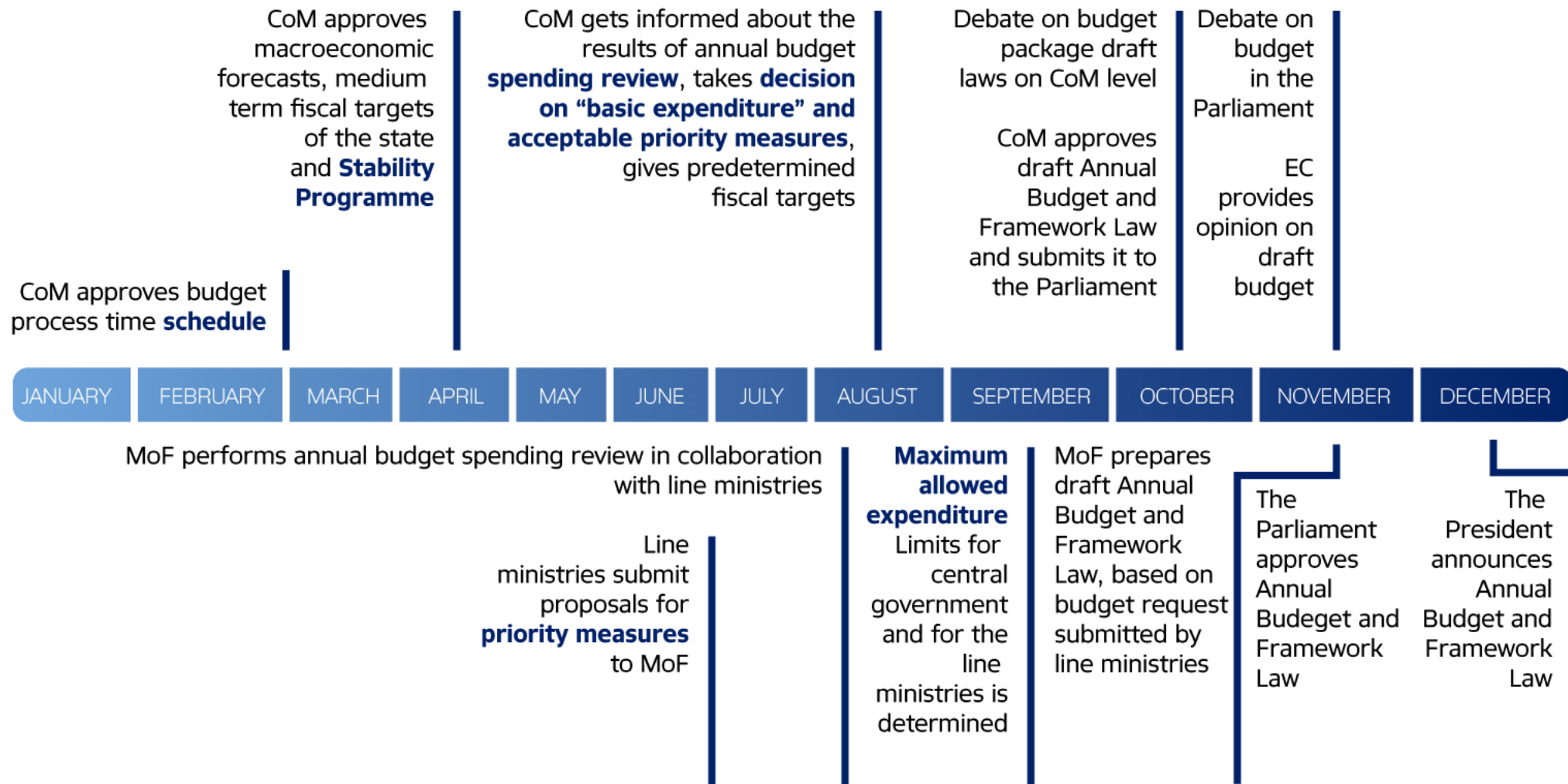
Term Budget Framework in two readings



President of the Republic of Latvia **announces** the budget law



# Preparation of Draft Annual Budget and Framework Law in Latvia



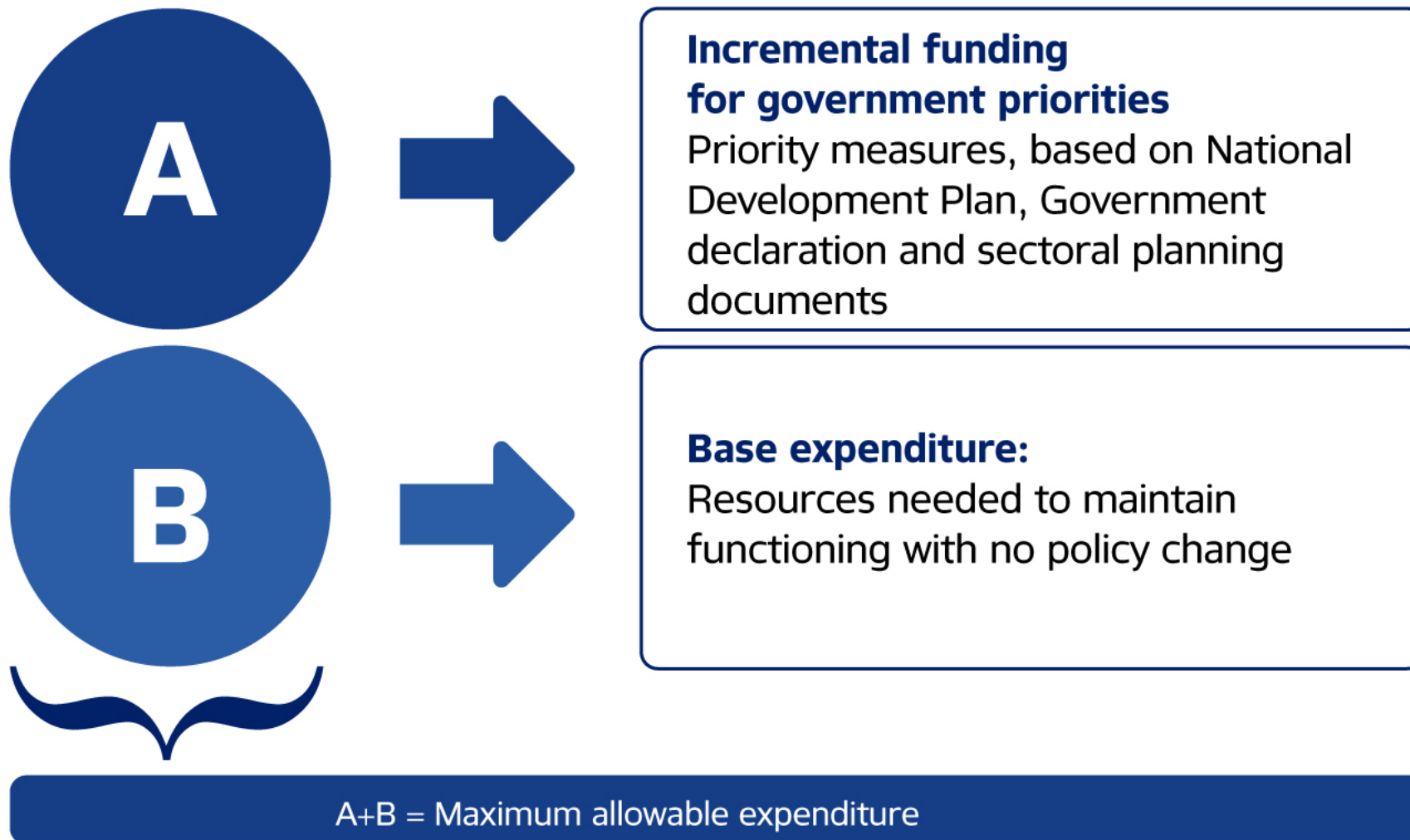


# Planning System





# Central government budget maximum allowable expenditure







# Calculation of Base Expenditure

**YEAR OF  
BASE  
EXPENDITURE**

**INITIAL DATA  
BUDGET  
FRAMEWORK**

**n+1**

**n+2**

**n+3**

Approved maximal allowable expenditure  
for the ministry for the respective year

Approved maximal allowable expenditure  
for the ministry for the previous (n+2) year

**CORRECTIONS**

With respect to **n+1, n+2, n+3**



Decisions of  
CoM



Maintenance  
expenditure for  
finished project



Long-term  
liabilities (inc.  
international)



Forecasts of  
pension, social and  
other benefits  
recipients



Payed services

With respect to **n+3**



Decrease in one-off  
activities from n+2,  
if CoM has not  
decided on  
continuation



Increase if financing  
in n+2 was planned  
not for the whole  
year

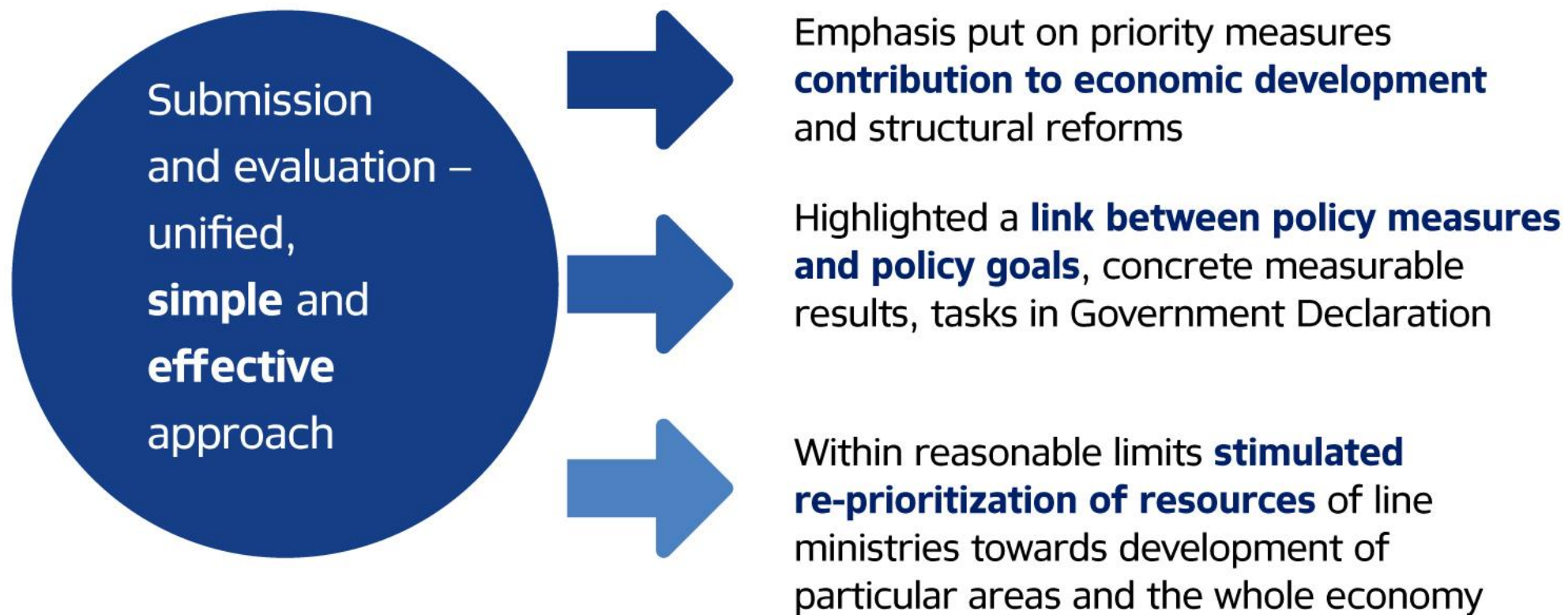


Increase for  
organisation of  
Parliamentary and  
local government  
elections



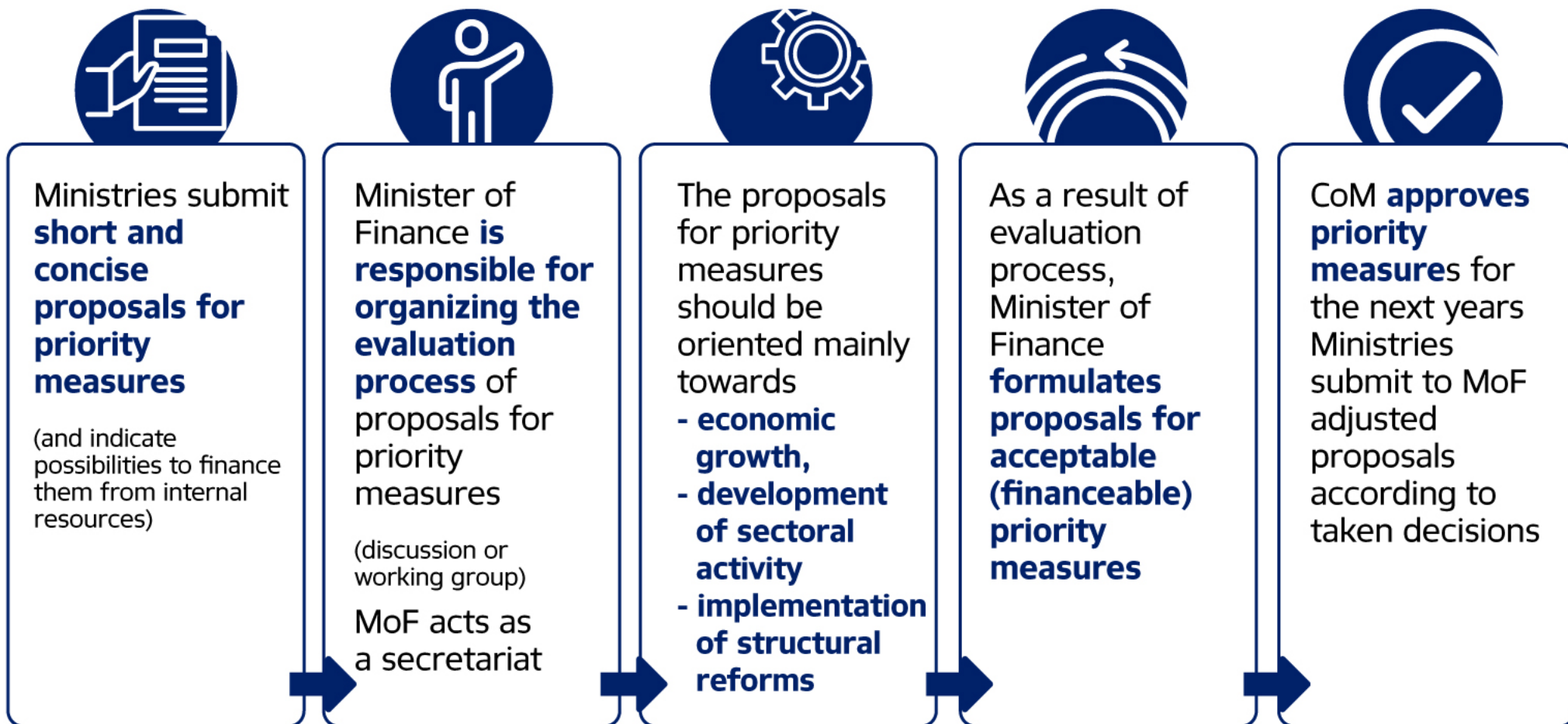
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# Incremental funding – priority measures





# 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



**Goal**  
and description



Expected **operational performance** indicators  
(outputs)



Correspondence to  
**Government declaration**



Required **funding**



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



Available funding within  
ministries' budget



Impact on **economic development**  
and **structural reform**



Other important  
information



Related **policy performance** indicators  
(outcomes)



# 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



Information on **resources, goals and multi-level indicators** is available in one place, providing better possibility to perform analysis later on



The **link** between strategic planning documents and budgetary resources is revealed



Additional funding for priority measures is supplemented by separate **operating indicators** (with an aim later on to monitor factual execution of these)



Orientation towards **achievement of political goals**



Structure and **content of budget explanations is optimal** and ensures fair administrative burden



# 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):



which is planned to be achieved in a particular activity area



which are derived from policy planning documents and characterize to what extent the goal is achieved



- expenditure
- number of employees
- infrastructure, tangible and intangible assets, which are significant for the achievement of goal



the most inclusive and concise



Intangible evaluation of activity area (quality, satisfaction surveys)



# 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.**



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

- Intensive public communication, emphasis on visualizations
- Interactive budget – as of 2017
- Easy-to-understand info graphs about spending and public benefits (outcomes & outputs – as of 2016)

## AFTER PARLIAMENTARY ADOPTION

## BUDGETARY REQUESTS & PARLIAMENT

- **Policy and resource management scorecards** – as of 2016
- Shifting performance analytics from budget programs to policy areas– as of 2016



- Previous spending measures – actual outputs, outcomes & costs VS planned – as of 2016
- Relevance & topicality of historical spending measures– as of 2017

## ANNUAL SPENDING REVIEWS

## NEW SPENDING MEASURES & INITIATIVES

- Specific & measurable objectives
- Estimated effects on policy outcomes & expected outputs
- Framework revised in 2017





# Structure of Budget Law

## LAW



- 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



- 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

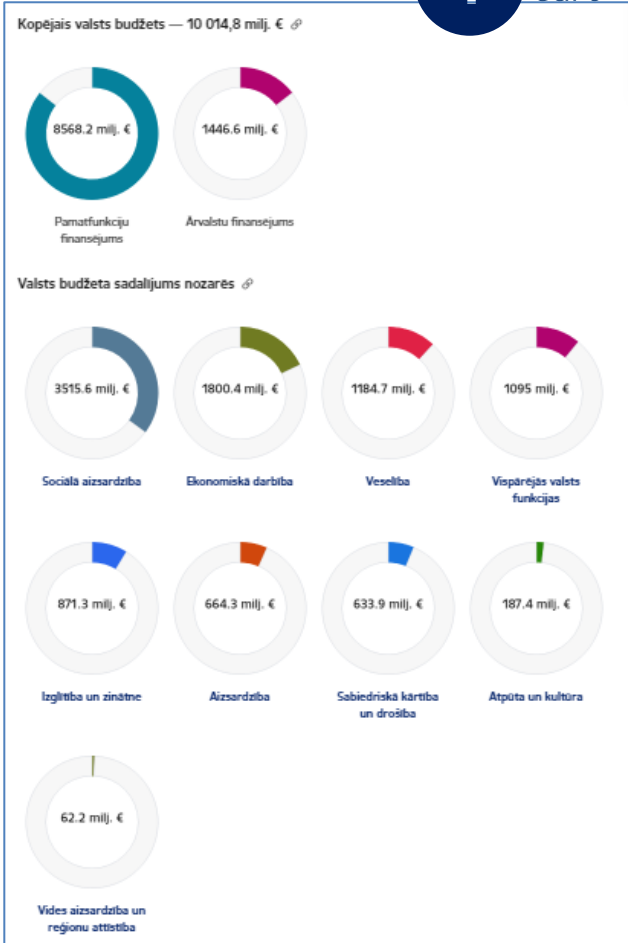


- Information concerning the economic situation and a description of the macroeconomic strategy
- Revenues analysis
- Explanations on expenditures and new measures
- Results and performance indicators of budget programs
- Summary of budget expenditure by administrative and functional classification
-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

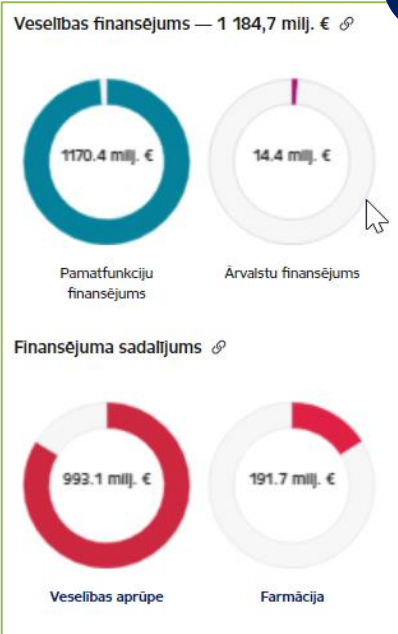


# Interactive Citizen`s Budget from 2017 – Presenting Numerical Annexes of Budget & Public Benefites (Outcomes)

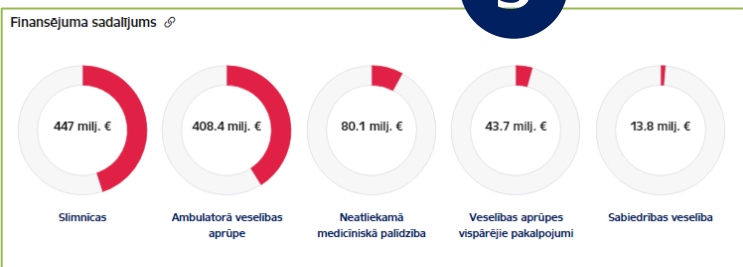
1 euro



2 euro



3 euro



4 Outcomes

Kādi rezultāti?

**Iekšlietu ministrija**

Veselības stāvokļa dēļ atvaļināto ipatsvars (%) no kopējā atvaļināto amatpersonu skaita

- 2018 17,4
- 2020 20,0

Veselības aprūpes izdevumu kompensāciju saņēmušo amatpersonu ipatsvars (% no kopējā amatpersonu skaita)

- 2018 71,6
- 2020 70,0

**Veselības ministrija**

Jaunatklāts hronisks C hepatīts (skaits uz 100 000 iedzīvotājiem)

- 2018 74,2
- 2020 100,0

Jaundzimušo vidējais paredzamais mūža ilgums (sievietēm gados)

- 2018 79,6
- 2020 80

Jaundzimušo vidējais paredzamais mūža ilgums (vīriešiem gados)

- 2018 70,0
- 2020 72

Perinatālā mirstība (skaits uz 1000 dzīvi un nedzīvi dzimušajiem)

- 2018 6,6
- 2020 6,9

Priekšlaicīgas mirstības no ārējiem nāves cēloņiem vecumā līdz 64 gadiem (skaits uz 100 000 iedzīvotājiem)

- 2018 69
- 2020 60



# Structured Budget Explanations from 2017 (I)

1

Sākums > Ministriju #Budžets > 2022. gada valsts budžeta strukturētie paskaidrojumi

## Valsts budžets

Fiskālā politika

Pašvaldību finanšu uzraudzība

Nodokļu un nodevu politika

Muitas politika

Ēnu ekonomika

Azartspēļu un izložu  
organizēšanas politika

Dārgmetālu un dārgakmeņu  
izstrādājumu izmantošanas joma

Sabiedriskā labuma organizāciju  
politika

Grāmatvedības politika

Revīzijas politika un uzraudzība

Tautsaimniecības analīze

Starptautiskā sadarbība

Finanšu tirgus politika

Noziedzīgi iegūtu līdzekļu  
legalizācijas un terorisma  
finansēšanas novēršana

Komerccdarbības atbalsta kontrole

ES un ES budžets

ES un cits atbalsts

## 2022. gada valsts budžeta strukturētie paskaidrojumi

Publicēts: 10.03.2022.

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

Line Ministries



# Structured Budget Explanations from 2017 (II)

## Politikas un resursu vadības kartes

2

29. Veselības ministrija

[Plānotie izdevumi 2022. gadā](#) - 1 505,5 milj. eiro

- [Veselības aprūpe](#) (1 251,4 milj. eiro jeb 83,1%)  
Uzlabot veselības aprūpes kvalitāti un pieejamību, mazināt hronisko slimību un ārējo nāves cēloņu riska faktoru izplatību sabiedrībā
- [Sabiedrības veselība](#) (6,5 milj. eiro jeb 0,4%)  
Veicināt veselīgu dzīvesveidu, mazināt hronisko slimību un ārējo nāves cēloņu riska faktoru izplatību sabiedrībā
- [Farmācija](#) (220,7 milj. eiro jeb 14,7%)  
Uzlabot veselības aprūpes kvalitāti un pieejamību, nodrošinot kvalitatīvu un efektīvu zāļu un medicīnisko ierīču pieejamību iedzīvotājiem
- [Nozaru vadība un politikas plānošana](#) (26,9 milj. eiro jeb 1,8%)  
Uzlabot plānošanu un koordinēšanu veselības aprūpes sistēmā, tādā veidā sekmējot iedzīvotāju veselības saglabāšanu un uzlabošanu, kas ir pamats ilgam un produktīvam darba mūžam

3

Politikas mērķis: uzlabot plānošanu un koordinēšanu veselības aprūpes sistēmā, tādā veidā sekmējot iedzīvotāju veselības saglabāšanu un uzlabošanu, kas ir pamats ilgam un produktīvam darba mūžam/Latvijas Nacionālais attīstības plāns 2021. – 2027. gadam

Politikas rezultatīvie rādītāji	Attīstības plānošanas dokumenti vai normatīvie akti	Faktiskā vērtība	Plānotā vērtība
Jaundzimušo vidējais paredzamais mūža ilgums (vīriešiem) (gadi)	Sabiedrības veselības pamatnostādņu projekts 2021. – 2027. gadam	70,4	71,7
Jaundzimušo vidējais paredzamais mūža ilgums (sievietēm) (gadi)	Sabiedrības veselības pamatnostādņu projekts 2021. – 2027. gadam	79,5 (2020)	80,4 (2024)
Veselīgi nodzīvoti mūža gadi vīriešiem (vidējie gadi)	Latvijas Nacionālais attīstības plāns 2021. – 2027. gadam	52,2	53
Veselīgi nodzīvoti mūža gadi sievietēm (vidējie gadi)[59]	Latvijas Nacionālais attīstības plāns 2021. – 2027. gadam	54,1 (2019)	55 (2024)
Praktizējoši ārsti uz 100 000 iedzīvotājiem (skaits) <sup>1</sup>	Sabiedrības veselības pamatnostādņu projekts 2021. – 2027. gadam	335,2	342
Praktizējošas māsas uz 100 000 iedzīvotājiem (skaits) <sup>1</sup>	Sabiedrības veselības pamatnostādņu projekts 2021. – 2027. gadam	419,2 (2020)	440 (2024)
Medicīnas studiju absolventu īpatsvars, kas uzsāk darbu Latvijas veselības aprūpes sistēmā (%) <sup>1</sup>	Sabiedrības veselības pamatnostādņu projekts 2021. – 2027. gadam	64 (2019)	67 (2024)



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# Structured Budget Explanations from 2017 (III)

Detalizēta informācija par ieguldījumiem katrā programmā

4

## 97.00.00 Nozaru vadība un politikas plānošana

Atskaņot tekstu

Publicēts: 07.04.2022.

### Programmas mērķis:

nodrošināt saskaņotu un nepārtrauktu Veselības ministrijas darbību, pilnveidot iekšējā darba organizāciju, uzlabot veselības aprūpes pakalpojuma kvalitāti, lai nodrošinātu efektīvu ārstēšanas procesu un optimizētu veselības aprūpes pakalpojumu sniedzēju skaitu un izvietojumu, kā arī sekmēt un veicināt iedzīvotāju un vides veselību, nodrošinot efektīvas politikas izstrādi un ieviešanu ar politikas dokumentu un normatīvo aktu palīdzību, sekmīgu Latvijas interešu aizstāvību ES institūcijās un starptautiskajās organizācijās, kā arī regulāru un efektīvu saikni ar sabiedrību.

### Galvenās aktivitātes:

tiek izstrādāta veselības politika sabiedrības veselības, veselības aprūpes un farmācijas jomā, nodrošināta normatīvo aktu izstrāde, iesaistot politikas izstrādē nevalstiskās organizācijas, kuras pārstāv gan ārstniecības personu, gan pacientu intereses, tiek organizēta un koordinēta veselības politikas īstenošana.

Programmas izpildītājs: Veselības ministrija.

Finansiālie rādītāji no 2020. līdz 2024. gadam

	2020. gads (izpilde)	2021. gada plāns	2022. gada plāns	2023. gada plāns	2024. gada plāns
Kopējie izdevumi, <i>euro</i>	4 079 319	4 020 951	5 022 263	5 022 263	5 022 263
Kopējo izdevumu izmaiņas, <i>euro (+/-)</i> pret iepriekšējo gadu	x	-58 368	1 001 312	-	-





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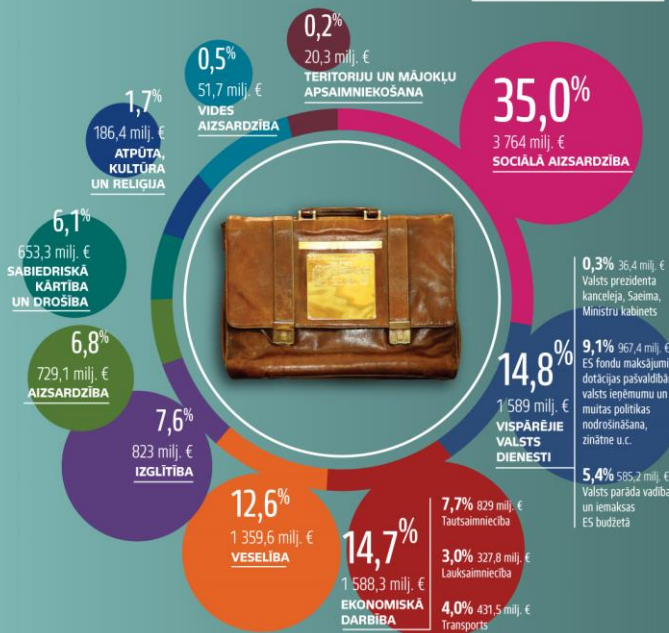
# Way of Speaking Simple & Short – Infographics & Visualisations

## 2021. gada valsts budžets 10,765 miljardi €



Finanšu ministrija

#budžets2021



Vairāk informācijas: [www.fm.gov.lv](http://www.fm.gov.lv)

@FinMin FinanšuMinistrija FinanšuMinistrija FinanšuMinistrija

Saeimā apstiprinātais 2021. gada budžets (pēc 2. lasījuma)



Finanšu ministrija

## Cik tiek novirzīts nozārēm no viena nodokļos iemaksātā eiro?

#budžets2022



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Vairāk informācijas [www.fm.gov.lv](http://www.fm.gov.lv)

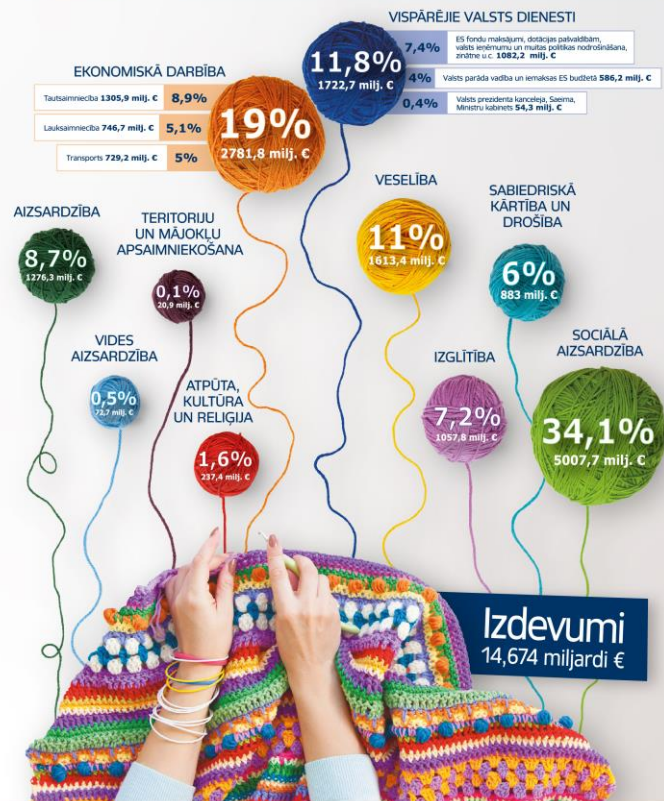


Finanšu ministrija

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## 2023. GADA VALSTS BUDŽETS

Sadarbojamies, lai attīstītos #budžets2023



Saskaņā ar likumu par valsts budžetu 2023. gadam un budžeta atvēršanu 2023., 2024. un 2025. gadam

VAIRĀK INFORMĀCIJAS: [www.fm.gov.lv](http://www.fm.gov.lv)



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# Being Everywhere – Social media, city environment, media etc.



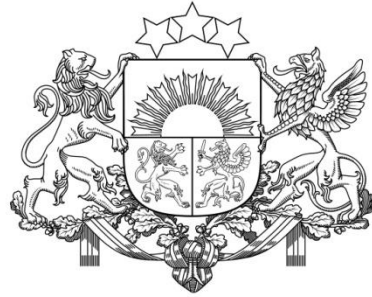


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# Involving and Speaking to Youth – «Shadow days», «Open doors» and other events







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