



MINISTRY OF FINANCE
REPUBLIC OF LATVIA

BUDGET ACCESSIBILITY TO PARTICIPATION IN LATVIA

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Taisa Trubača

Ministry of Finance of the Republic of Latvia
Deputy Director of Budget Department

Budget Process and Parties Involved



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The MoF prepares medium-term macro development forecasts, calculates fiscal limitations. Together with line ministries determines base expenditure. Evaluates proposals for new policy initiatives and budget proposals. Prepares the draft budget law and submits it to CoM.



Line ministries participate in calculation of base expenditure, prepare proposals for new policy initiatives, submit budget requests. Take part in the debate on the draft budget law in the CoM.



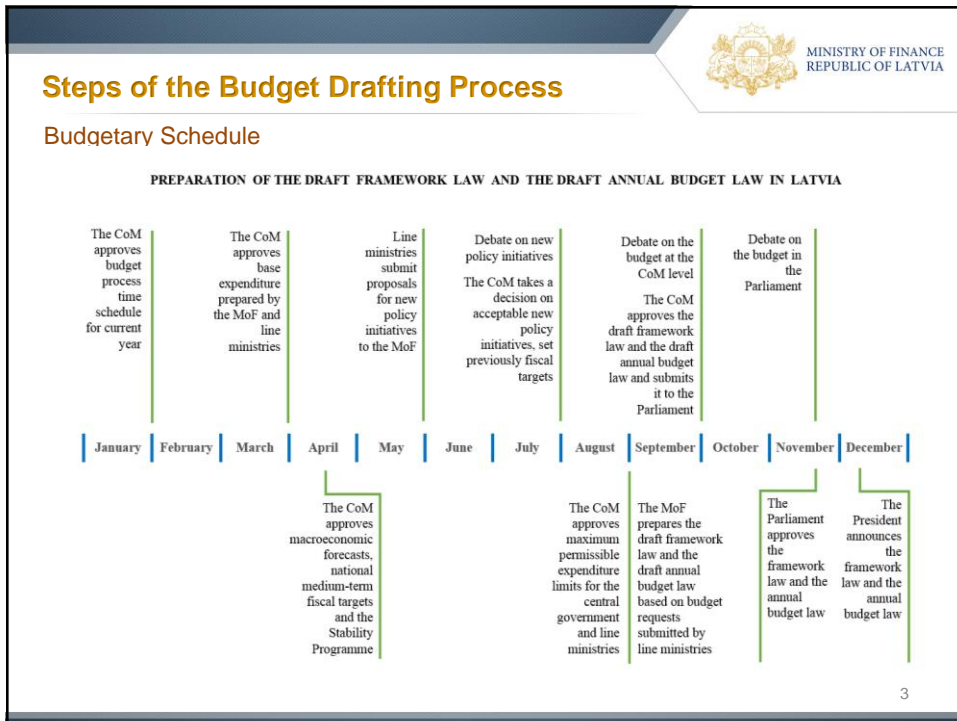
The CoM approves national fiscal goals and maximum permissible expenditure ceilings. Takes decisions on new policy initiatives. Submits the draft budget law to Saeima.



Saeima approves the state budget law in two readings.



The President of the Republic of Latvia promulgates the state budget law.




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Latvia's Stability Programme

Every April, EU Member States are required to deliver their fiscal plans for the next three years – prepare a Convergence Programme (CP)/Stability Programme and submit it to the European Commission.

- ✓ The Stability Programme contains a Medium-Term Objective, underlying economic assumptions about growth, employment, inflation and other important economic indicators, information covering several years including: one year of budgetary execution, current budgetary year, and plans for the three following years.
- ✓ Based on the Stability Programme, the European Commission (EC) evaluates national public financial health and compliance with the European Union (EU) fiscal discipline conditions.
- ✓ Submission of the Stability Programme in April allows Member States to take into account the opinion of the EC on the Stability Programme when drafting the medium-term budget framework law and the annual state budget law.

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Central Government Budget (Law) Structure and Content

Law (text)	Law (Annexes)	Explanations (~1 500 pages)
<ul style="list-style-type: none"> • approx. 20 pages, 70 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 of particular budget institutions • Provisions for social insurance budget revenue distributions • Other specific regulations for particular year 	<ul style="list-style-type: none"> • 10-15 annexes, approx. 200 pages, 550 budget programmes and subprogrammes • Summary of tax and non-tax revenue and expenditure • Expenditure (appropriations) detailed by budget programmes and economic classification codes • Dotation to local municipalities • Maximum permissible amount of state guarantees • Central government budget long-term liabilities 	<ul style="list-style-type: none"> • Information about the economic situation and a description of the macroeconomic strategy • Revenue analysis • Explanations on expenditure and new initiatives • Results and performance indicators of budget programmes • Summary of budget expenditure by administrative and functional classification • Information about investment projects • Information about other laws included in the budget law package

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Framework (Law) Structure and Content

<p>Content of the Framework Law (for 3 years)</p>	<p>Explanations of the Framework Law</p>
<ul style="list-style-type: none"> • Medium-term budgetary goals and prioritized development directions, in order to achieve aims and results stipulated in the national development plan and other policy planning documents • Formulation of state fiscal policy goals • GDP forecasts in constant and current prices, growth trends 	<ul style="list-style-type: none"> • Information about the forecasted macroeconomic development, its risk assessment for the medium term, as well as a comparison with the macroeconomic forecasts for the medium term set in previous year's framework law • Fiscal policy objectives for the medium term and measures necessary for its implementation, as well as a comparison with fiscal policy

Cooperation with Parliamentary Committees (I)




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The closest cooperation on budget issues is with the Parliamentary Budget and Finance (Taxation) Committee (PBFTC):

- During the **process of state budget planning** all budget legislative package is submitted to PBFTC and discussed in details, involving experts from the MoF, line ministries and interested parties. Other parliamentary committees cooperate with PBFTC within their competence (e.g., health, social issues, economic development, education and other issues that have impact on the next year's budget)
- At the stage of **budget execution**, the MoF provides to PBFTC at least **quarterly reports on the performance** of the state budget
- The Minister of Finance prior to exercising the rights to **increase the appropriation** stated in the annual state budget law, to increase the appropriation for national debt obligations, to extend the permissible limits of government actions in case if government obligations are caused by unforeseen circumstances, to increase the limits of the borrowings or guarantees of local governments, has to **verify if PBFTC has no objections**
- In addition, the Minister of Finance also informs PBFTC about issued instructions that grants the right to the Treasury to delay or reduce assignments for a certain period of time

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Cooperation with Parliamentary Committees (II)




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Cooperation between the Ministry of Finance and Parliamentary Public Expenditure and Audit Committee (PPEAC):

- The **report on the financial year** concerning the implementation of the state budget and local government budgets together with the opinion of the State Audit Office is considered and discussed in PPEAC
- The Minister of Finance or representatives of the Ministry of Finance are often invited to **participate** in the meetings of PPEAC, meet with the representatives of PPEAC to **discuss the matters** within the competence of PPEAC, as well as listen up to its recommendations and suggestions
- On regular basis PPEAC opens up **discussions** about different topics on public spending effectiveness and efficiency, which implies provision of additional information and analysis by the Ministry of Finance and line ministries

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Cooperation with social partners and local authorities

Cooperation with National Tri-partite Cooperation Council:

- Latvia has a well-established social partnership model which is institutionalised in the National Tri-partite Cooperation Council (NTCC).
- The NTCC brings together the government, trade unions and business leaders to discuss, among other subjects, the issues relating to the drafting and approval of the state budget.


Cooperation with associations and non-governmental institutions in respective areas:

- Line ministries cooperate closely with key associations in the industry (e.g., Employers' Confederation of Latvia, Free Trade Union Confederation of Latvia, Latvian Chamber of Commerce and Industry, Association of Banks of Latvia, Latvian Tax Consultant Association, etc.) to ensure that vital issues are considered in the decision making process.
- Cooperation with non-governmental institutions is stated as one of the priorities of the government and is mostly organized via the Council of the Memorandum of Understanding of NGOs and Cabinet of Ministers. Involvement of NGOs in the performance of state functions (delegation) is highly promoted .

Cooperation with local authorities

- Negotiations between the Cabinet of Ministers authorized representative and the Latvian Association of Local and Regional Governments should be held. The outcome of negotiations is presented in a form of a Protocol and added to the draft budget law.

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Public Participation in the Planning Process

- Through formal (for example, associations, foundations, trade unions, employers' organisations, religious organisations) and informal (unregistered initiative groups, interest associations) groups of the public, as well as individual natural persons
- Public participation is possible in different stages of the development planning process
- Public representatives may participate in the development planning process:
 - ✓ by participating in inter-institutional working groups and advisory councils;
 - ✓ by participating in public discussions;
 - ✓ by getting involved in public consultations;
 - ✓ by getting involved in discussion groups;
 - ✓ by preparing an opinion on the development planning document;
 - ✓ by setting objections and proposals;
 - ✓ by participating in the implementation of the policy.
- Public participation in the preparation of draft legal acts shall be reflected in the report on the initial impact assessment of the legal act (abstract)

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Openness and the media

- **Meetings of the Cabinet of Ministers can be viewed online** on the homepage of the CoM (and later available in the archive) so that every citizen can follow which decisions are taken and why
- **Hearings of the Parliament can be viewed online** on the homepage of the Parliament and are translated via the national radio
- Representatives of the government and experts of ministries are often invited to **participate in TV discussions** on different topics, give **interviews** on actual issues, appear in **the social media** (Twitter, Facebook)
- All letters received from citizens by the Parliament, Cabinet of Ministers or ministries as a rule must be answered, providing relevant information and feedback, thus ensuring **a dialogue with individuals**
- If necessary **other informative means** are used, for example lectures for students on national budget issues, distribution of attractive informative materials

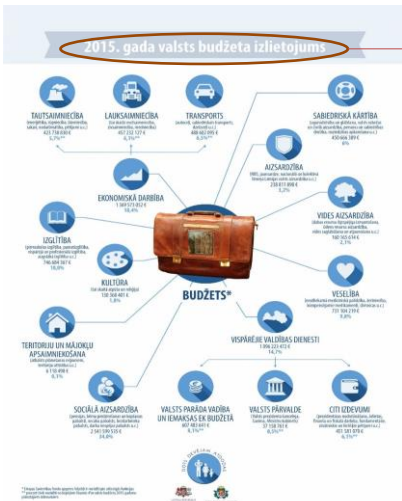
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Informing the society about the state budget 2015

Info graphics prepared for the public

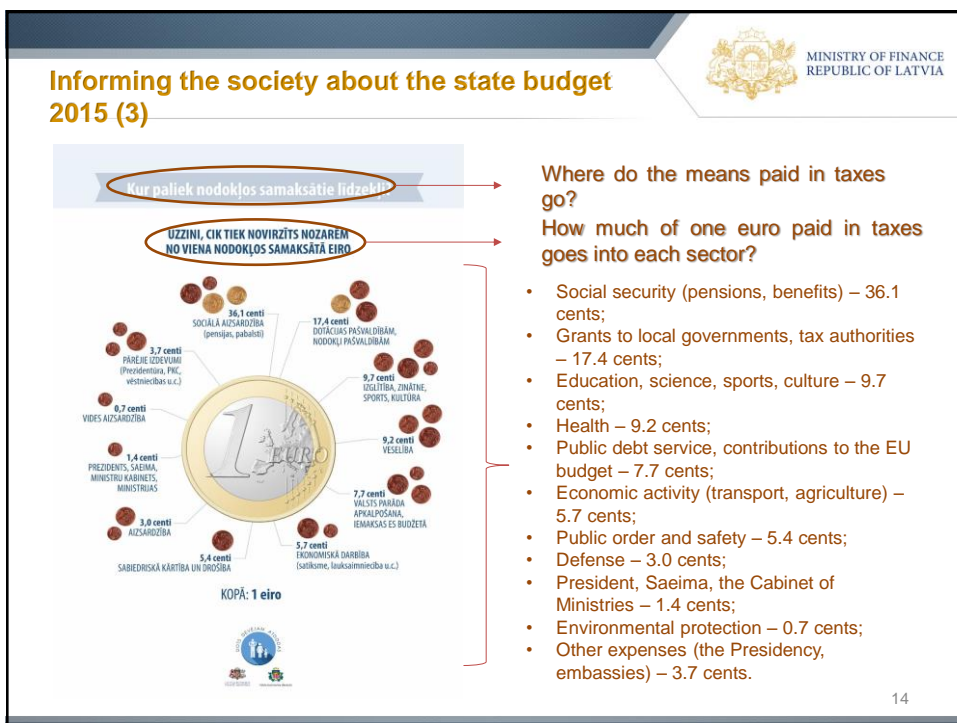
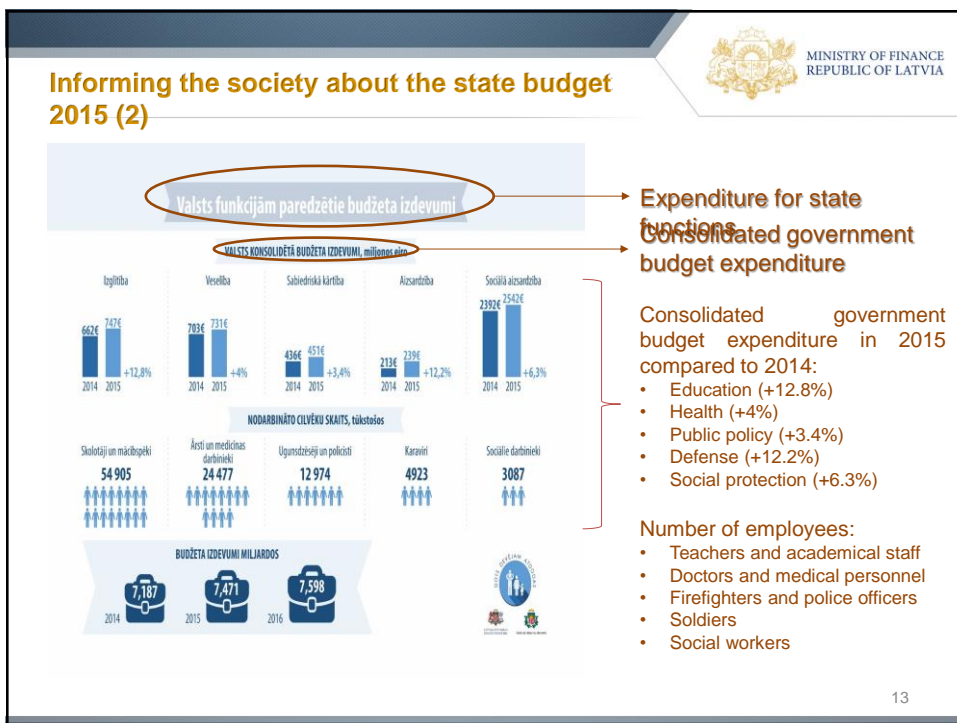


→ 2015 state budget spending

State budget expenditure functional breakdown:

- General government services
- Defense
- Public order and safety
- Economic activity
- Environmental protection
- Territory and housing management
- Health
- Recreation, culture and religion
- Education
- Social protection

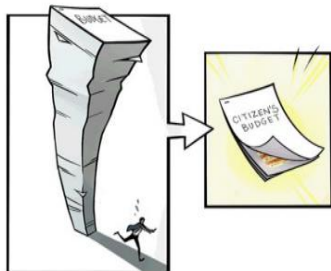
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Future perspectives

Over the past decade important legislation was developed, which provides the public with access to information and a possibility to participate in decision-making processes, and there still remain challenges for the future:



- Improve performance management system operation
- Further improve budget explanations to make them more understandable to citizens
- Continue preparation of info graphics to the public on the state budget (revenue/expenditure)
- Continue to hold budget-related discussions to inform citizens about pre- and post-budget preparation process, televised, round tables, etc.

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Thank you for attention!

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