



LATVIJAS REPUBLIKAS FISKĀLĀS DISCIPLĪNAS PADOME

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RĪGĀ

03.12.2018. _____ Nr. 1-08/1473 _____

Uz _____ Nr. _____

**Prime Minister
Republic of Latvia
Māris Kučinskis**
Brīvības bulvāris 36
Rīga, LV-1520

**Chairman of the Budget and Finance (Tax) Committee
Saeima of the Republic of Latvia
Mārtiņš Bondars**
Jēkaba iela 6/8
Rīga, LV-1811

**Minister of Finance
Republic of Latvia
Dana Reizniece-Ozola**
Smilšu ielā 1
Rīgā, LV-1919

Dear Messrs Kučinskis and Bondars,
Dear Madam Reizniece-Ozola,

Regarding the amendments to the Law on Budget and finance management

According to Part 7, Section 28 of the Fiscal discipline law, the Fiscal discipline council (hereafter – Council) shall prepare and submit to the Saeima and the Cabinet's attention its opinion on fiscal policy matters if the Council finds them important for compliance with the terms stipulated in the Fiscal discipline law.

The Saeima has started to consider amendments to the Law on Budget and Finance Management (hereinafter – LBFM), focusing mainly on mandates in connection with the interim State budget, in circumstances where no new state budget has been adopted before the start of the financial year.

Essential proposal the LBFM draft law abolishes the current limit allowing authorisations to make expenditure one-twelfth of the previous year's national budget appropriations per month. The new norm provides for the possibility of assigning mandates to the ministries and central

government authorities within the limits of the medium-term budgetary framework for the relevant year. The Council agrees with this amendment, given that the role of the medium-term budgetary framework in the fiscal governance of Latvia will be strengthened.

However, the Council notes the risk that, in the absence of a strictly defined mandate for the expenditure ceilings, it is possible to continue to raise expenditure beyond the maximum amount provided for in the medium-term budgetary framework. At the moment, the draft law does not establish a control mechanism for the implementation and execution of the interim budget. Accordingly, the Council proposes to supplement the LBFM draft law with the following provisions:

To add Article 15 (2) with a new subparagraph in the following wording:

"(e) the total expenditure of general government shall not exceed the expenditure fixed for the year in force for the medium-term budgetary framework."

To add Article 15 with a new paragraph in the following wording:

"7) The Minister of Finance within a week after the approval of the State budget expenditure, loans and borrowing limits within the meaning of this article publishes a summary of the specified financial management powers and, not later than 15 days after the end of the quarter, a summary of the changes in these mandates."

Kind regards,

Council Chairman

Jānis Platais