



Budgetary Dialogue between Local Authorities and the Center: Experience of Latvia

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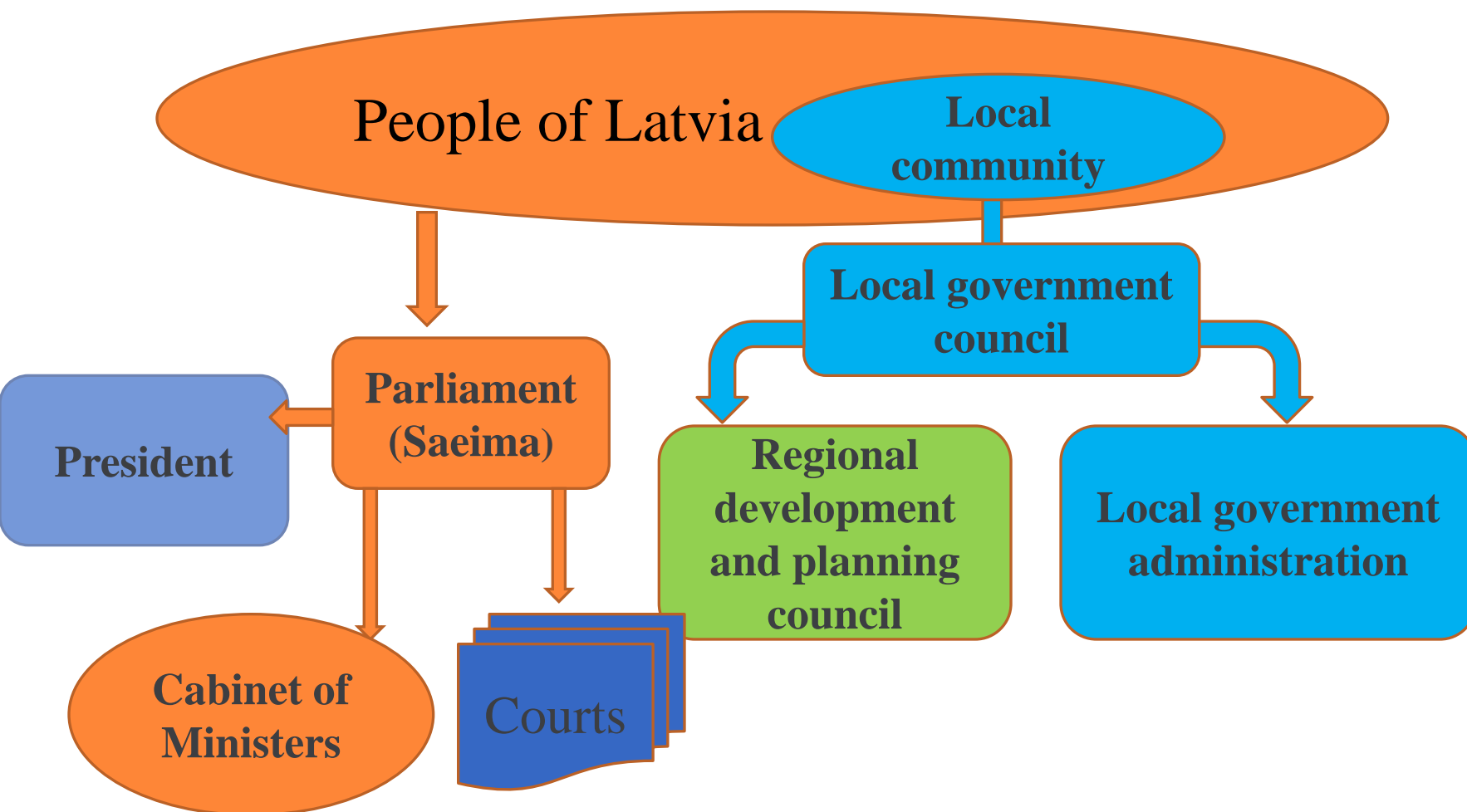


The Government of Latvia

- Latvia is an independent democratic republic.
- The sovereign power of Latvia belongs to the people of Latvia.
- The Parliament (Saeima) consists of one hundred representatives of the people. The Saeima is elected for four years by universal, equal, direct, secret and proportional elections.
- The head of state is the President, elected by a simple majority of the Saeima by closed voting for four years.
- The government of Latvia is the Cabinet of Ministers, which is drawn up by a person chosen by the president of the state and approved by the Saeima. (13)



Structure of Public Administration





Local Governments of Latvia

After 1990, 602 local governments:

- Local governments – 495 volosts, 68 cities
- Regional governments – 26 districts
- Combining local and regional functions of 7 national cities and 6 districts of Riga

After 2009, 119 local governments:

- 110 municipalities (*novads*)
- 9 (republican) cities

After 2021, 43 local governments:

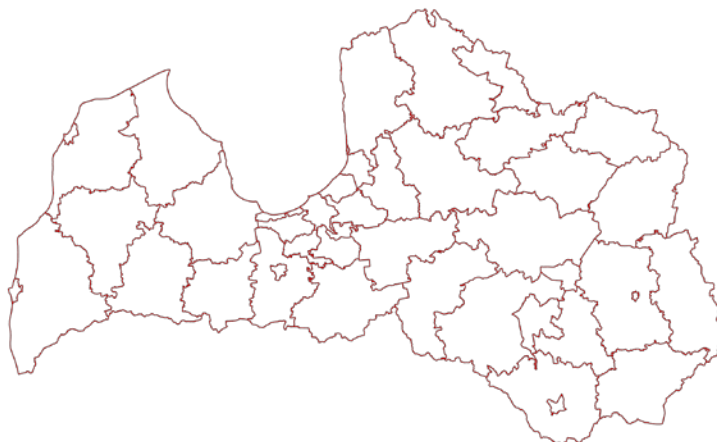
- 33 municipalities (*novads*)
- 10 state cities (4 with rural territories)



Local Governments of Latvia



119



43



Local government elections

- Every four years
- Voting is direct, general, secret, proportional with a 5% threshold, equal
- Voter may add "+" or remove a candidate from the list.
- Latvian and EU citizens who have reached the age of 18 have the right to vote
- Number of deputies is determined depending on the number of the municipality population



Number of Deputies

In municipalities

- *up to 30,000 residents - 15 deputies;*
- *from 30,001 to 60,000 residents - 19 deputies;*
- *more than 60,000 residents - 23 deputies.*

In state cities (6)

- *up to 50,000 residents - 13 deputies;*
- *more than 50,000 residents - 15 deputies.*
- **Riga** - *60 deputies.*



Local Government Functions (1)

- Provide community services to residents
- Responsible for cleanliness and sanitation
- Determine the manner in which publicly owned forests and waters are used
- Responsible for education (pre-school and secondary)
- Take care of culture, promoting preservation of traditional cultural values and development of folk art
- Guarantee availability of primary medical care, and promote healthy lifestyles and sports



Local Government Functions (2)

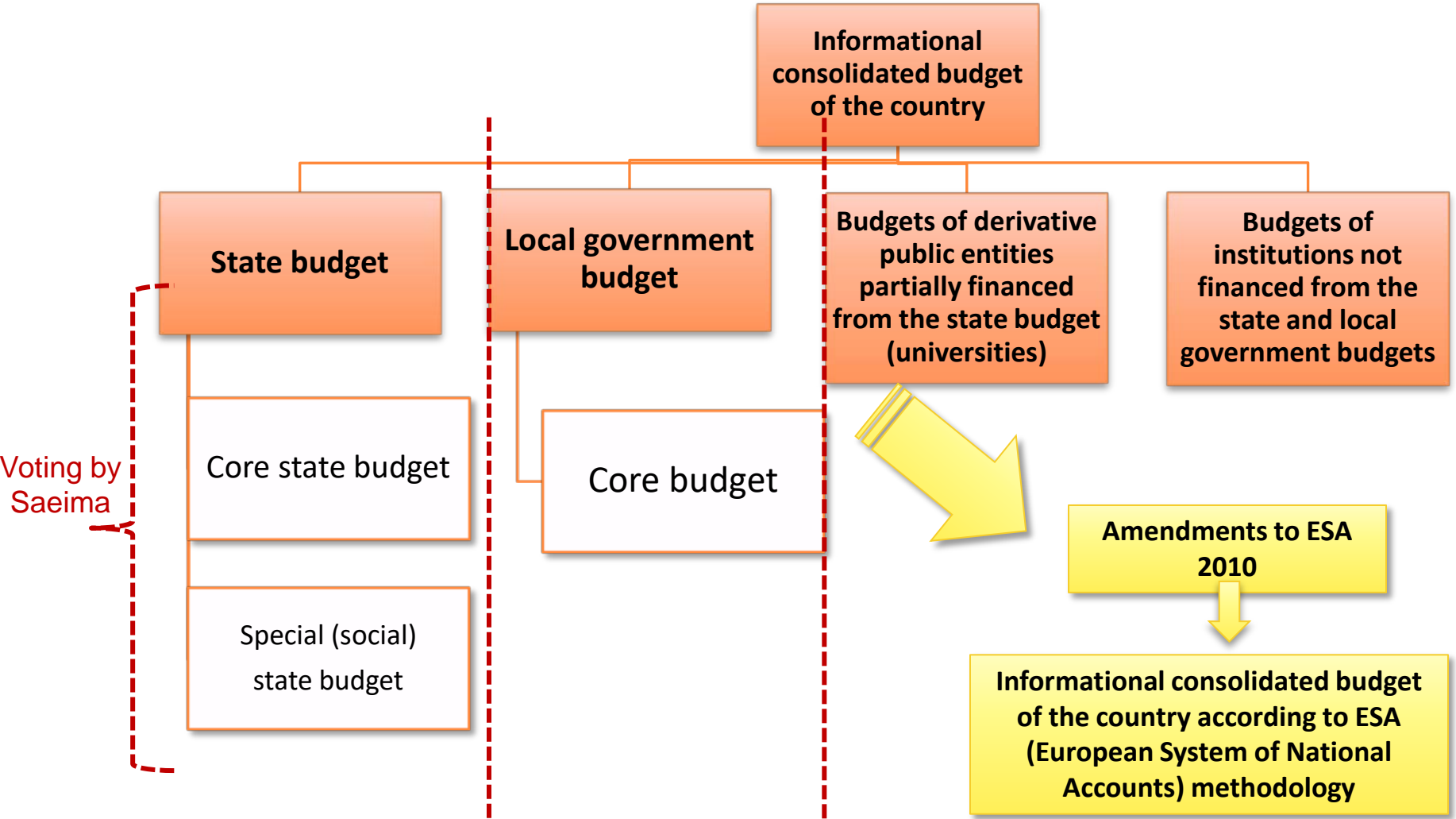
- Social support for residents (social assistance for low-income families and socially unprotected persons, providing elderly people with places in boarding houses, providing orphans and children left without parental care with places in educational and foster care institutions; providing homeless people with overnight accommodation)
- Care of guardianship, adoption of children and protection of their personal and property rights and interests
- Help residents solve housing problems
- Help with economic activities in respective administrative territory, taking care of the unemployment reduction



Local Government Functions (3)

- Issue permits and licenses for commercial activities
- Participate in ensuring public order, fight against drunkenness and moral turpitude
- In accordance with the territory planning of the corresponding local government, establish the procedure for land use and its development
- Register the civil status acts
- Take part in civil defense activities
- Provide public transportation services etc.

Budget System of Latvia





Local Government Budget Planning

- Local governments develop, approve and execute their budgets independently, observing the laws and regulations of the Cabinet of Ministers.
- The local governments budgets consist of the basic budget, donations and grants.
- The state administration authorities must not interfere with the development and implementation of the local government budget, unless it is provided for by law.
- Local governments must adopt their budget no later than two months after the publication of the law on the annual state budget.
- Auditing firms, sworn auditors and the National Audit Office participate in the financial audit of the local governments' annual report.



Local Government Budgets

Local governments make a budget based on:

- Local Governments Act
- Local Government Budget Law
- Budget and Financial Management Act
- Act on the Equalization of the Local Governments Finances



Local Government Budgets

(Revenues)

The revenue side of local governments in the consolidated budget is 25-27%.

- Taxes
- State and local government fees
- Earmarked grants
- Equalization fund grants
- State budget investments
- Loans
- Donations
- Payments for services
- Income from local government assets
- Part of the profit from local government enterprises



Local Government Taxes

There is not a single tax in Latvia established by law as a local government tax. It is possible to lower the rates for property tax.

- Personal income tax - share of 75%;
- Immovable property tax - share of 100%;
- Share of gambling tax;
- Share of tax on natural resources.



Latvian Association of Local and Regional Governments

Legal status

- Voluntary public organization since 1991
- Recognized by more than 10 laws as a representative of the general opinion of local governments
- Criterion - must represent more than half of all types (currently 2 types, cities and municipalities)



- Recognition by law as a partner in negotiations with the Cabinet of Ministers
- Members of the Association - local municipalities and cities
- Rights to appoint representatives to the CLRAE and the EU Committee of the Regions



The Law on Budget and Financial Management

Protocol of “Agreement and Disagreement of the Cabinet of Ministers and the Latvian Association of Local and Regional Governments” is a mandatory part of the State Budget Package.



Issues for Negotiation

- Size of the total state subsidy and targeted subsidies
- Order of the financial equalization
- Sources of financing of new autonomous functions
- Bills and draft regulations of the Cabinet of Ministers
- Other issues



Negotiation Schedule

- By April 1 to identify issues
- By August 1 the negotiations between the LALRG and ministries
- By September 1 to draft the protocol
- By October 1 to review the protocol by the CoM and the LALRG Council and signature



PROTOCOL OF AGREEMENT AND DISAGREEMENT

- Prepared draft is approved by the CoM and authorizes the prime minister to sign
- Prepared draft is approved by the LALRG Council and authorizes the chairperson to sign
- Government sends the protocol to the Parliament together with draft state budget





Negotiations with the Parliament

Ongoing:

- Work with factions
- Work with commissions



Latvian Association of Local and Regional Governments



Thank you!

