



LATVIA COMMITS TO ZERO – BASED BUDGET

On March 31, 2009 the Cabinet of Ministers agreed on a schedule for developing amendments to the state budget 2009. Zero-based budgeting will be introduced by carrying out extensive structural reforms of the public administration system. The aim is to reduce the budget deficit to 3% of GDP by 2011, which will correspond to the Maastricht criteria.

By April 17, 2009 Latvia's ministries will draw up optimization scenarios within their respective sectors. This includes reorganization of subordinated institutions, decreasing the number of employees, a re-evaluation of budgetary programs and the establishment of centralized accounting and human resource management functions. Exempt from the budget cuts will be regular payments into the EC budget, state debt servicing costs, reciprocal budgetary transfers and co-financing of the European Union Structural Funds.

“Line ministries must approach budget revision with the utmost sense of duty and in the light of the need to continue receiving regular payments of international loans,” said Einars Repše, Minister of Finance.

Between April 22 and May 5 the Ministry of Finance will consult with concerned parties and carry out a joint evaluation of the information and opinions received. Simultaneously, the Ministry of Finance will develop a centralized system of the state property management.

It is expected that the Ministry of Finance will inform the Cabinet of Ministers on the revised state budget project on May 12. **The Parliament (Saeima) will approve the budget in the beginning of June.**

Following conditions for drafting the budget will be taken into account: 12% drop of GDP, 3,3% inflation rate, 7,5% decrease of average gross earnings in national economy, 7,3% decline of current account balance of payments against GDP, and 22,6% fall of tax revenues in comparison with 2008.

THE LATVIAN INSTITUTE

The Latvian Institute (Latvijas institūts) was established by the Latvian state to provide a wide range of information about Latvia, its society, culture and history.

Contacts:

Kaļķu iela 7 (4th & 6th floor)
Rīga, LV 1050, LATVIA
Phone: +371 67503663
Fax: +371 67503669
e-mail: info@li.lv