Text consolidated by Valsts valodas centrs (State Language Centre) with amending regulations of:

5 May 2009 [shall come into force from 1 July 2009];

13 August 2013 [shall come into force from 17 August 2013];

26 April 2016 [shall come into force from 29 April 2016].

If a whole or part of a paragraph has been amended, the date of the amending regulation appears in square brackets at the end of the paragraph. If a whole paragraph or sub-paragraph has been deleted, the date of the deletion appears in square brackets beside the deleted paragraph or sub-paragraph.

Republic of Latvia

Cabinet

Regulation No. 196

Adopted 25 March 2008

**Regulations regarding Local Government Borrowings and Guarantees**

*Issued pursuant to*

*Section 41, Paragraph five of the Law On Budget and Financial Management, and Section 26, Paragraph one of the Law On Local Government Budgets*

1. These Regulations prescribe the procedures, by which local governments may make borrowings and issue guarantees.

2. Local governments may make short-term or long-term borrowings and issue guarantees, concluding a loan agreement with the State Treasury or another lender.

3. In order to supervise the financial activity of local governments in the matters that are associated with borrowings that have been made, guarantees that have been issued and planned borrowings and guarantees, as well as, if necessary, make recommendations to local governments regarding further financial activity, the Minister for Finance shall establish a Local Government Borrowing and Guarantee Control and Supervision Council (hereinafter – the Council) and approve its rules of procedure.

*[26 April 2016]*

4. The Ministry of Finance shall ensure the work of the Council according to assignations from the State budget for the current year.

5. The Council shall consist of one representative from the Ministry of Finance, the Central Finance and Contracting Agency, the Ministry of Environmental Protection and Regional Development, the Ministry of Agriculture, the Bank of Latvia, the Latvian Association of Local and Regional Governments and the State Treasury.

*[13 August 2013; 26 April 2016]*

6. A local government may make a borrowing or issue a guarantee only after receiving the Council decision, if that approves the local government decision to make a borrowing or issue a guarantee, with the exception of the guarantee referred to in Paragraph 13 of these Regulations.

7. The Council decision shall be the basis for the concluding of a loan contract with the State Treasury or the concluding of a guarantee contract, in which the local government decision to make a borrowing or issue a guarantee has been approved.

8. Not later than five working days after the relevant meeting the Council shall issue its decision (in the form of a written extract from the minutes) to the respective local government and send the second copy of the meeting protocol to the State Treasury.

9. In order for a local government to receive an approval from the Minister for Finance for the right to conclude a loan contract with another lender, the local government after receiving the Council decision that approves the local government decision to make a borrowing, shall submit to the Ministry of Finance a submission addressed to the Minister for Finance and a draft loan contract.

10. The local government may conclude a loan contract with another lender after the Minister for Finance has approved the other lender.

11. The Council shall take decisions at Council meetings. Meetings of the Council shall take place not less than once a month.

12. All Council members shall be notified of the location, time and agenda of the Council meeting, no later than five working days prior to a regular meeting. Where appropriate, the Council Chairperson has the right to call an extraordinary meeting, informing thereof the members of the Council.

13. In giving guarantees for those debt liabilities, which a student assumes for receiving a study loan and a student loan from a credit institution, the local government shall provide information to the Council by sending to it:

13.1. the local government city council decision regarding the issuance of a guarantee, substantiating the need for the guarantee and its amount, as well as indicating the lender, the scheduled repayment time periods, the loan interest rate and the loan repayment guarantees; and

13.2. information regarding the local government borrowing, guarantee and the amount of long-term commitments.

14. If the local government does not comply with the requirements specified in Paragraphs 2, 6, 7, 10 and 13 of these Regulations, the Minister for Finance upon the recommendation of the Council shall propose that the Minister for Environmental Protection and Regional Development suspends the application of the relevant decision of the local government city council.

*[13 August 2013]*

15. The local government submission for receiving a borrowing shall be examined at a Council meeting, if the following documents have been submitted not later than 10 working days before the relevant Council meeting:

15.1. the local government city council decision to make a borrowing. The purpose and the forecast amount of the borrowing together with the lender – the State Treasury or other, the schedule for the borrowing drawing time period, not exceeding a three year time period, proposed repayment time periods, planned deferred payment of the principal amount and the borrowing repayment guarantees shall be specified in the decision;

15.2. a borrowing submission prepared in accordance with the decision of the local government city council which specifies the required borrowing amount in accordance with the result of the procurement procedure (Annex 1);

15.3. a statement of the local government regarding the creditor and debtor debts of the local government on the first day of the month when the documents are submitted;

15.4. economic substantiation of the borrowing (Annex 2);

15.5. attestation by the Chairperson of the local government city council (Annex 3):

15.5.1. that the local government on the day of submitting the documents does not have any tax debts and other State specified mandatory payment debts;

15.5.2. that the received borrowing shall be used in conformity with the purpose; and

15.5.3. that the local government has technical documents developed in accordance with the requirements of the regulatory enactments regulating construction (if the local government is implementing a construction project);

15.6. an estimate and/or request; and

15.7. the amount of the local government borrowings, guarantees and long-term commitments (Annex 4), including in it also the new planned borrowing.

*[13 August 2013]*

15.1 The local government has the right to submit a borrowing request only after, in accordance with the regulatory framework of the public procurement, the procurement procedure has been completed and the supplier with the right to conduct constructions works, supply goods or provide services has been selected, if necessary, providing for a possibility to conclude a contract with a supplier only after supporting of the borrowing request.

*[13 August 2013 / Paragraph shall come into force on 1 January 2014. See Paragraph 2 of the amendments]*

16. If the local government submits a submission for implementation of a project co-financed by the European Union, in addition to the documents referred to in Paragraph 15 of this Regulation, the contract concluded with a contracting party for implementation of the European Union Fund project (a copy thereof) to signature area shall be submitted, as well as a section of general terms of the said contract “Procedures for Submission and Examination of Payment Requests” and annexes to the relevant project submission “Schedule for the Project Implementation Time Period”, “Financing Plan”, and “Summary of the Project Budget”.

*[26 April 2016]*

17. The local government submission for issuing a guarantee shall be examined at a Council meeting, if the following documents have been submitted not later than 10 working days before the relevant Council meeting:

17.1. the local government city council decision to issue a guarantee. The decision shall specify the capital company, to which the guarantee is being issued, and the amount of local government capital shares in the relevant capital company (as a percentage), the amount and purpose of the borrowing, the scheduled repayment time periods and planned borrowing interest rates;

17.2. a submission for issuing the guarantee (Annex 5) prepared in accordance with the decision of the local government city council;

17.3. a statement of the local government regarding the creditor and debtor debts of the local government on the first day of the month when the documents are submitted;

17.4. attestation by the manager of the capital company that on the day of submitting the documents, the capital company does not have any tax debts and other State specified mandatory payment debts;

17.5. financial report (balance, profit and loss calculation), which characterises the capital company’s financial state for the previous economic year;

17.6. the amount of the local government borrowings, guarantees and long-term commitments (Annex 4), including in it also the new planned guarantee;

17.7. attestation by the Chairperson of the local government city council that on the day of submitting the documents the local government does not have any tax debts and other State specified mandatory payment debts;

17.8. economic substantiation of the guarantee.

*[13 August 2013]*

18. Local governments, which issue a guarantee to a capital companies established by several local governments, may authorise one local government to submit all the documents in accordance with Paragraph 17 of these Regulations.

19. The local government which, in accordance with Paragraph 18 of these Regulations, is authorised to submit documents, in addition to the documents referred to in Paragraph 17 of these Regulations, shall submit a summary of the submission for the guarantee (Annex 6).

20. The Council has the right to:

20.1. request and receive any additional information from a local government, if it is necessary for examining a specific submission;

20.2. if necessary, convene extraordinary Council visiting meeting at a specific local government, if the Council deems that resolution of a question is only possible, by examining the situation on the spot;

20.3. to inspect the financial activities of the local government in matters, which are associated with borrowings and guarantees, organise visiting meetings, in order to verify that the borrowings are being used for the purposes specified in the Council permit;

20.4. inspect the local government debt obligations, that are related to borrowings made by the local governments, guarantees and long-term commitments, evaluate possible risk factors and their direct influence on local government budgets; and

20.5 request the presence of a local government representative at a meeting, where the relevant local government submission is being examined.

21. The local government in order to implement the project may draw the borrowing in a medium-term that does not exceed three years. The local government city council shall indicate in the decision the subdivision of the borrowed amount drawing by years in compliance with the approved project implementation schedule.

22. The local government that has received the borrowing, where it is planned to draw it in the medium-term, shall up to 15 January each year, starting from the time the borrowing is received, submit to the Council information regarding the granted medium-term borrowing (Annex 7), indicating, in what amounts the granted medium-term borrowing has been drawn and used in the economic year. The local government may increase the granted borrowing amount in the following years by the borrowing portion not drawn in the economic year.

23. After completion of the project the local government shall submit to the Council the attestation by the Chairperson of the local government city council that implementation of the project has been completed, and information regarding the total borrowing amount used.

24. [13 August 2013]

25. A local government has the right, with the mediation of the Minister for Environmental Protection and Regional Development, to submit to the Cabinet proposals regarding re-evaluation of submissions not accepted by the Council.

*[13 August 2013]*

26. The State Treasury shall control the fulfilling of the financial obligations in accordance with the conditions of the concluded loan contract. If the conditions of the contract are not fulfilled, the State Treasury has the right within 10 working days on an uncontested basis to deduct the amounts not paid in due time from the amount of the personal income tax due to the respective local government or from the local government equalisation fund subsidy.

27. The State Treasury shall inform the Council of local governments, which are not fulfilling the conditions of loan contracts.

28. Within 10 working days of concluding the guarantee contract the local government shall send to the Procurement Monitoring Bureau for inclusion in the contracting authority register the following information about the borrower, which received a guarantee in accordance with Paragraph 17 of these Regulations:

28.1. borrower’s name;

28.2. registration number;

28.3. address; and

28.4. date when the guarantee contract was signed.

29. The local government has the duty to provide the State Treasury with the information requested by it on all local government borrowings and issued guarantees.

30. Cabinet Regulation No. 543 of 17 December 2002, Regulations on Local Government Borrowings and Guarantees (*Latvijas Vēstnesis*, 2002, No. 189, 2003, No. 86; 2004, No. 171) is repealed.

Prime Minister I. Godmanis

Minister for Finance A. Slakteris

**Annex 1**

Cabinet Regulation No. 196

25 March 2008

*[13 August 2013 / Amendments to the Annex shall come into force on 1 January 2014. See Paragraph 2 of the amendments]*

Sample of Borrowing Submission

|  |  |
| --- | --- |
|  | borrowing submission |
| (name of the local government) |  |

|  |  |
| --- | --- |
| Documents submitted to the Ministry of Finance |   |
|   | (shall be completed by an official of the Ministry of Finance) |
| Required borrowing amount (*euro*) |   |
| Date of drawing the borrowing (month) |   |
| Period of repayment of the borrowing (years) |   |
| The planned time period for starting repayment of the amount of the borrowing (month, year) |   |

|  |  |
| --- | --- |
| The purpose for which the borrowing is intended to be used | Amount (*euro*) |
| 1. |   |
| 2. |   |
| 3. |   |
|  |  |  |
| Signature of the Chairperson of the local government city council\*  |  | name in full\* |

Place for a seal\*

Date\*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Note. \*

The details of the documents “signature of the Chairperson of the local government city council”, “name in full”, “place for a stamp” and “date” shall not be completed if the electronic document has been prepared in accordance with the laws and regulations regarding drawing up of electronic documents.

Minister for Finance A.Slakteris

**Annex 2**

Cabinet Regulation No. 196

25 March 2008

*[13 August 2013 / Amendments to the Annex shall come into force on 1 January 2014. See Paragraph 2 of the amendments]*

Economic Substantiation of the Borrowing

1. Brief description of the project (purpose of the project, what problems will be solved with the implementation of the project, number of project stages, planned activities, previous work, and time periods for project implementation). (*shall not be longer than 1 page*)

|  |
| --- |
|    |

2. Information regarding total cost of the project and financing sources

|  |  |  |
| --- | --- | --- |
| Project title | Total costs of the project (*euro*) | Sources of Financing |
| Borrowing (*euro*) | Co-financing of the local government (*euro*) | Other (*euro*) | Notes\* |
| 1 | 2 | 3 | 4 | 5 | 6 |
|   |   |   |   |   |   |

3. Necessary financing breakdown by years (to be completed, if the local government is submitting a request in accordance with Paragraph 21 of Cabinet Regulation No. 196 of 25 March 2008, Regulations regarding Local Government Borrowings and Guarantees).

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | Total costs of the project(*euro*) | Borrowing (*euro*) | Co-financing of the local government (*euro*) | Other (*euro*) | Notes\*  |
|  | 2 | 3 | 4 | 5 | 6 |
| n\*\* |   |   |   |   |   |
| n+1 |   |   |   |   |   |
| n+2 |   |   |   |   |   |
| **Total:** |  |  |  |  |  |

4. Information regarding concluded contracts with a supplier or work performer (hereinafter-contract), and payments made (to be completed if the procurement procedure has been completed).

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Date of entering into the contract | The subject matter of the contract. | Contract price (*euro*) | Settlement time periods | Date and number of payments | Amount of payments (*euro*) | Notes |
|   |   |   |   |   |   |   |
|   |   |   |   |   |   |   |
| **Total:** |  |  |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Signature of the Chairperson of the local government city council\*\*\* |  | name in full\*\*\* |
| Date\*\*\*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |  | Place for a stamp \*\*\* |

Notes.

1. \* If column 5 is completed, the specific source of financing shall be indicated in column 6.

2. \*\* n – economic year.

3. \*\*\* The details of the documents “signature of the Chairperson of the local government city council”, “name in full”, “place for a stamp” and “date” shall not be completed if the electronic document has been prepared in accordance with the laws and regulations regarding drawing up of electronic documents.

Minister for Finance A. Slakteris

**Annex 3**

Cabinet Regulation No. 196

25 March 2008

**Attestation**

I certify that:

1) the local government on the day of submitting the documents does not have any tax debts and other State specified mandatory payment debts;

2) the received borrowing shall be used in conformity with the purpose; and

3) the local government has technical documents developed in accordance with the requirements of the regulatory enactments regulating construction (if the local government is implementing a construction project).

|  |  |  |
| --- | --- | --- |
| Signature of the Chairperson of the local government city council\* |  | name in full\* |
| Date\* |  |  | Place for a stamp\* |

Note. \* The details of the documents “signature of the Chairperson of the local government city council”, “name in full”, “place for a stamp” and “date” shall not be completed if the electronic document has been prepared in accordance with the laws and regulations regarding drawing up of electronic documents.

Minister for Finance A. Slakteris

**Annex 4**

Cabinet Regulation No. 196

25 March 2008

*[13 August 2013 / Amendments to the Annex shall come into force on 1 January 2014. See Paragraph 2 of the amendments]*

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Amount of Borrowings, Guarantees and Long-term Commitments for year**  | \_\_\_\_\_.\_\_\_\_\_.\_\_\_\_\_ | (*euro*) |
| (local government) |  | (Date) |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Commitment type | Borrowings \* | Guarantees \* | Long-term liabilities | Total commitments | Commitment amount as a % of the income of the base budget |
| Year / projects | Project No.1 | Project No.2 | Project No. 3 | Project No.4 | Project No.5 | Project No.6 | **Total** | Project No.1 | Project No.2 | Project No. 3 | Project No.4 | **Total** | Project No.1 | Project No.2 | **Total** |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 – 8 + 13 + 16 | 18 – 17/ % 14 |
| n |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| n+1 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| n+2 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| n+3 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| n+4 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total for subsequent years |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Total amount** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

Where n – economic year

***\* Total repayment sum (principal amount + interest payments)***

\*\* represent those commitments, which the local governments assume in accordance with Section 22 of the Law on Local Government Budgets

|  |  |
| --- | --- |
| Planned basic budget revenues of the local government without ear-marked grants and PFTF contributions in the n - year |  |
| Commitments as a % of the budget in the n -year  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | Date of entering into the contract |  | Lender |  | Project title |
| **Borrowings** | Project No. 1 |  |  |  |  |  |
|  | Project No. 2 |  |  |  |  |  |
|  | Project No. 3 |  |  |  |  |  |
|  | Project No. 4 |  |  |  |  |  |
|  | Project No. 5 |  |  |  |  |  |
|  | Project No. 6 |  |  |  |  |  |
| **Guarantees** | Project No. 1 |  |  |  |  |  |
|  | Project No. 2 |  |  |  |  |  |
|  | Project No. 3 |  |  |  |  |  |
|  | Project No. 4 |  |  |  |  |  |
| **Long-term liabilities:** |  |  |  |  |  |  |
|  | Project No. 1 |  |  |  |  |  |
|  | Project No. 2 |  |  |  |  |  |

Head of the local government city council: Head of the Finance Department:

|  |  |  |
| --- | --- | --- |
| Signature of the Chairperson of the local government city council\* |  | name in full\* |
| Signature of the Head of the Finance Department\* |  | name in full\* |

Place for a stamp\*

Date\*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Note. \* The details of the documents “signature of the Chairperson of the local government city council”, “name in full”, “place for a stamp” and “date” shall not be completed if the electronic document has been prepared in accordance with the laws and regulations regarding drawing up of electronic documents.

Minister for Finance A.Slakteris

**Annex 5**

Cabinet Regulation No. 196

25 March 2008

*[13 August 2013 / Amendments to the Annex shall come into force on 1 January 2014. See Paragraph 2 of the amendments]*

Sample Guarantee Submission

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_submission for the issuing of a guarantee

(name of the local government)

|  |  |
| --- | --- |
| Documents submitted to the Ministry of Finance |   |
|   | (shall be completed by an official of the Ministry of Finance) |
| Capital company, to which the guarantee is being issued |   |
|   |   |
| Amount of the local government capital shares in the relevant capital company (%) |   |
| Amount borrowed by the capital company (*euro*) |   |
| Planned lender |   |
| Interest rate for the borrowings |   |
| Time period of repayment of the capital company‘s borrowing (years) |   |
| including the planned date for drawing the borrowing (month) |   |
| the planned time period for starting the repayment of the principal amount of the borrowing (month, year) |   |
| time period of repayment of the borrowing (years) |  |
| The purpose for which the borrowing is intended to be used | Amount (*euro*) |
| 1. |   |
| 2. |   |
| 3. |   |
|  |
| Signature of the Chairperson of the local government city council\* |  | name in full\* |

Place for a stamp\*

Date\*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Note. \* The details of the documents “signature of the Chairperson of the local government city council”, “name in full”, “place for a stamp” and “date” shall not be completed if the electronic document has been prepared in accordance with the laws and regulations regarding drawing up of electronic documents.

Minister for Finance A. Slakteris

**Annex 6**

Cabinet Regulation No. 196

25 March 2008

*[13 August 2013 / Amendments to the Annex shall come into force on 1 January 2014. See Paragraph 2 of the amendments]*

Sample of the Summary of a Guarantee Submission

|  |
| --- |
| (the local government, which is submitting the guarantee submission summary) |

|  |  |
| --- | --- |
| Documents submitted to the Ministry of Finance |   |
|   | (shall be completed by an official of the Ministry of Finance) |
| Capital company, to which the guarantee is being issued |   |
| Local government, which is issuing the guarantee | 1. |
|   | 2. |
|   | ... |

|  |  |
| --- | --- |
| Amount of the local government capital shares in the relevant capital company (%) |   |
| Amount borrowed by the capital company (*euro*) |   |
| Planned lender |   |
| Interest rate for the borrowings |   |
| Time period of repayment of the capital company’s borrowing (years) |   |
| including the planned date for drawing the borrowing (month) |   |
| the planned time period for starting the repayment of the principal amount of the borrowing (month, year) |   |
| time period of repayment of the borrowing (years) |   |

|  |  |
| --- | --- |
| The purpose for which the borrowing is intended to be used | Amount (*euro*) |
| 1. |   |
| 2. |   |
| 3. |   |

|  |  |  |
| --- | --- | --- |
| Signature of the Chairperson of the local government city council\* |  | name in full\* |

Place for a stamp\*

Date\*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Note. \* The details of the documents “signature of the Chairperson of the local government city council”, “name in full”, “place for a stamp” and “date” shall not be completed if the electronic document has been prepared in accordance with the laws and regulations regarding drawing up of electronic documents.

Minister for Finance A. Slakteris

**Annex 7**

Cabinet Regulation No. 196

25 March 2008

*[13 August 2013 / Amendments to the Annex shall come into force on 1 January 2014. See Paragraph 2 of the amendments]*

Information regarding the Granted Medium-term Borrowing

|  |  |  |  |
| --- | --- | --- | --- |
| Granted borrowing (*euro*) | n\* | n+1 | n+2 |
| granted (*euro*) | drawn (*euro*) | used (e*uro*) | granted *(euro*) | drawn (*euro*) | used (*euro*) | granted *(euro*) | drawn (*euro*) | used (*euro*) |
|  |  |  |  |  |  |  |  |  |  |

If a smaller amount than the amount granted has been withdrawn and/or spent, changes to the implementation schedule shall be justified.

|  |  |  |
| --- | --- | --- |
| Signature of the Chairperson of the local government city council\*\* |  | name in full\*\* |

Place for a stamp\*\*

Date\*\*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Notes.

1. \* n – economic year.

2. \*\* The details of the documents “signature of the Chairperson of the local government city council”, “name in full”, “place for a stamp” and “date” shall not be completed if the electronic document has been prepared in accordance with the laws and regulations regarding drawing up of electronic documents.

Minister for Finance A. Slakteris