

Developing potential budget reform for Latvia: Shifting from conventional to contemporary budgeting

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Abstract. Modern changes in politics and economics around the world are occurring so rapidly and frequently that outdated budget planning principles no longer have time to respond to these challenges. That is why the development of ideas for modernizing the principles of budgeting in the Republic of Latvia is very relevant. The purpose of this paper is to develop recommendations for changes in approaches to state budgeting. In the course of the study, the methods of statistical analysis, synthesis, and structuring were used. Using the methods of retrospective and comparative analysis, the changes in the budget legislation of Latvia that have taken place over the three decades of restored independence were also studied. The study analysed the existing procedure for creating and approving the budget and confirmed the sufficient balance of different branches of government in this process. In addition, the study identified weaknesses in the current system of approving and executing the expenditure side of the budget, problems in the amendment procedure and difficulties in processing the necessary allocations during the year. Based on the current experience of other European countries, ideas were proposed to correct the identified problems and improve the budget system – both at the stage of formation and at the stage of control over the actual distribution of expenditures. In particular, potential reforms included the creation of documents based on medium-term timeframes, automation of the system of reallocation of funds during the financial year, and steps to improve communication between the government and civil society. The practical significance of the study lies in the creation of a potential reform programme that may be of interest to the Cabinet of Ministers of Latvia and the Budget Committee of the Saeima

Keywords: Financing programme; allocations; expenditure planning; European experience; fiscal policy

Introduction

Against the backdrop of the aggressive war of aggression that is currently taking place not far from the borders of the Republic of Latvia, the issue of closer European integration of the country is more relevant than ever. The unification of the state budget planning and execution processes in line with the European Union (EU) standards is an essential component of the formation of a common European economic front.

The structure of the state budget and approaches to its formation have already been analysed in articles by leading Latvian and foreign scholars. For example, I. Reinholde (2022), assessing economic and social changes over the 30 years of Latvia's independence, states that the transformation process was complex, as political, economic and administrative reforms were carried out simultaneously, which required significant coordination and management efforts. Nevertheless, the country managed to overcome the post-Soviet bureaucracy and secure a worthy and full-fledged place in both the EU and North Atlantic Treaty Organization (NATO). It was the timely adaptation of budgeting processes to economic and military standards that

ensured the Republic of Latvia's relative safety from the aggressor's actions in the early 2020s. The impact of the former occupation on state budgeting was also considered by American experts. N. Ermasova *et al.* (2021) believed that the legacy of Soviet planning traditions is still rooted in the political elites of former Soviet countries. The authors' analysis showed that in some places, budget outcomes are still shaped by the principles of public administration that have remained since the Soviet era.

Speaking about national budgets, it is important not to ignore the issue of local budgeting, in particular, of cities (Pashaeva *et al.*, 2020). Having considered the financing of cities as a tool for their sustainability, F. Oprea and L. Cojocariu (2023), using a comparative approach, have shown that fiscal variables should be considered as key in times of crisis. As the pandemic experience has shown, local government revenues are largely affected by social stresses, with development expenditures being sequestered first. M. Andžāns (2021) devoted his study to the military expenditures of the Republic's budget as a guarantee of

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security. According to the author, Latvia's membership in the so-called "2% Club", which includes countries that budget at least 2% of gross domestic product (GDP) for defence spending within NATO, helps to preserve its sovereignty.

The importance of another strategic budget item, education, was studied by a group of Riga-based researchers led by J. Titko *et al.* (2021). Applying the social return on investment methodology, the authors proved that the existing budget expenditures for the development of intellectual capital in Latvia have delayed but powerful financial and non-financial effects, the beneficiaries of which are not only individual sectors of the economy but also the country as a whole. Certain shortcomings in the formation of the social component of the state budget were emphasized by Z. Tsaurkubule (2021), who drew attention to a certain contradiction between the growth of economic development in Latvia and the standard of living of its citizens. Having analysed the problems of poverty and social inequality in the country using various methods, the author concluded that it is necessary to include more social expenditures in the budget in order to reduce the economic stratification of society.

Some priorities identified by the relevant ministries themselves require regular budget reallocations. As K. Ketners (2022) affirmed in his study, there is an objective need to improve the procedure for reviewing annual expenditures to ensure the flow of funds not only within line ministries but also between different sectors. The COVID-19 coronavirus pandemic has become a kind of stress test for the stress resistance of the entire public administration system in Latvia in general and the elasticity of the Republic's budgeting principles in particular (Çera, 2022). As noted by E. Vitols and S. Jekabsons (2021), despite the objective growth of public debt, the temporary stupor of the economy caused by quarantine restrictions did not lead to negative structural changes, and the state budget deficit did not exceed 2.2% of GDP. This has once again confirmed the hypothesis that Latvia's budget reforms are on the right track.

However, despite several decades of positive changes, the principles of budgeting in Latvia require further improvement. The purpose of this study is to provide recommendations for improving state budget planning and its thorough implementation, taking into account the strengthening of reporting and legal aspects.

Materials and methods

In the process of conducting the study, such methods as statistical analysis and analysis of data on budget management methods were used. The comparison method was also used to compare the expenditure plan for the annual budgets from 2019 to 2023 with the level of their actual implementation, and the literature review method identified a number of sources by foreign authors that also studied the experience of budget reforms in other European countries. In addition, the comparative analysis was used to study the basic plan of budget expenditures and its implementation by economic classification codes in the period from 2019 to 2023.

Within the framework of the theoretical study, the amendments to the Law "On Budget and Financial Management" (2003) were evaluated and the process of improving treasury accounting, budget execution, as well as making these processes transparent by identifying the actual financial position of central government agencies in Latvia was studied by means of analysis. In addition, using the method

of retrospective analysis, the paper analyses key events in the economic and budgetary sectors of the Republic of Latvia over the thirty years of independence. In particular, the impact on the state's budgeting of joining the EU, NATO, the Organization for Economic Co-operation and Development (OECD) was studied. The materials used for this study included, in addition to the above, the Law "On Budget and Financial Management" (2003), which contains fiscal conditions, the procedure for approving the medium-term framework budget for three years, the historical context of the Saeima and the Cabinet of Ministers' participation in administrative and economic functions, data on foreign subsidies to the country's budget, and the Constitution of the Republic of Latvia (1922).

Separately, the conditions for the emergence of the appropriation procedure in 2009 were analysed as a system of the Saeima-approved permission to use funds for specific purposes and budget items. In particular, the allocations in the budget programmes of the ministries in such areas as wages and salaries, goods and services, subsidies and grants, interest expenses, accumulation of fixed assets, social benefits and payments, transfers of current expenditures, and transfers of capital expenditures were studied. The structural method was also used to study the breakdown of state budget items into programmes and subprogrammes, which are divided into about 1,100 classification codes that show expenditures at a detailed level. As part of the study of the appropriation procedure, the number of amendment orders issued by the Minister of Finance in the period from 2019 to 2023 and the impact of the COVID-19 coronavirus pandemic and subsequent quarantine restrictions on these statistics were also compared using statistical analysis. The modelling method was used to build a hierarchical model for the Annual Budget Law in the format of a flowchart, which schematically depicts the links and levels of subordination between programmes and subprogrammes of individual budget areas.

Results

Throughout the years of its renewed independence, the Republic of Latvia has been constantly improving its budget legislation in order to respond to current challenges in a timely manner and to comply with the legislative framework of the EU. Immediately after the liquidation of the Union of Soviet Socialist Republics occupation authorities, Latvia inherited a traditional approach to budgeting based on the outdated principles of cash flow and expenditure. A systematic approach to new budget management was initiated by the adoption of the Budget and Financial Management Act by the Saeima in 1994, which remains in force today, albeit with annual amendments. At the same time, Latvia has been trying to adopt the experience of leading European countries in financial management and adapt its own legislation to the new standards as soon as possible.

Although a new system of programme budgeting and performance indicators was introduced in 1997 to ensure budget transparency, this reform did not solve most of the professional problems, as programmes were created according to administrative allocations and investments in specific institutions and did not outline the goals and results to be achieved. Despite being relatively more structured and transparent, these innovations did not guarantee compliance with the key principle of budgeting, which is to accurately declare the purposes for which taxpayers' money is spent. A

significant part of the difficulties in structuring programmes at that time was the lack of an overall picture of the planning system in local administrations and the lack of connection between local initiatives and national budget planning. There was also a minimal understanding of how the policies of individual sectors and relevant ministries should be defined; how they should communicate within joint projects; which regulations to use; how to distribute responsibilities; and how to secure adequate funding for the successful implementation of such programmes.

In order to address these fundamental issues, several innovations were introduced in the planning of the 2000 state budget, which allowed for more accurate accounting of financial assistance provided by the EU and made the budget more transparent. In particular, Article 1 of the Law of the Republic of Latvia No. 2013/36.1 (2003) introduced a separate term for long-term commitments of state and external financial assistance planned for several years ahead. In line with this innovation, a pilot project to link the institutional strategy of some ministries to budget programmes was launched in 2003. Since the early 2000s, Latvia has introduced another fundamental innovation – medium-term budget planning (Article 16), which declares available resources for three years and ensures their use in accordance with the priorities set by the government.

It is noteworthy that while in 2016-2017, the priorities of control over budget expenditures were the assessment and analysis of the functional sectors of healthcare and education, in 2018-2020, the main areas of focus were the improvement of the efficiency of budget processes and the review of the organization of information and communication technologies in public institutions (Lebedeva *et al.*, 2023). In general, as of 2024, the institutional and legislative framework for state budgeting and public financial management

in Latvia is largely in line with the standards and principles of the OECD (2015). As for the procedure of creating and adopting the state budget, according to Article 66 of the Constitution of the Republic of Latvia (1922), the Cabinet of Ministers annually prepares its plan in the format of a draft law and submits it to the Saeima for approval by 15 October, and at the end of the financial year the Cabinet of Ministers also sends a report on actual expenditures to the Parliament. If the Saeima adopts decisions on expenditures that were not provided for in the budget, the Treasury allocates additional funds to cover them. This mechanism separates the powers of the executive and legislative branches and prevents abuse.

In early 2013, the Saeima adopted the “Fiscal Discipline Law” (2013), which was intended to establish the principles of correlation of the annual budget with medium-term three-year plans and to declare fiscal rules and exceptions to them. However, as it soon became apparent, many of the provisions of this law were largely formal and had nothing to do with the actual implementation of fiscal discipline. Thus, over the next decade, the document underwent significant amendments. In addition, the procedure of budget allocations – i.e., Saeima-approved permits for state institutions to use funds for specific purposes – was created, formalized and implemented – Article 26 of the Law of the Republic of Latvia No. 2013/36.1 (2003). This elasticity in the approach to expenditure has had a positive impact on the development of many public institutions in Latvia, as until then, adjustments to the annual budget could only be made by way of amendments, which made the process very complex and slow. The implementation of the budget appropriations procedure has radically changed this approach and proved to be effective. The difference between the actual execution of the state budget and the baseline indicators and its dynamics over the past few years are shown in Figure 1.

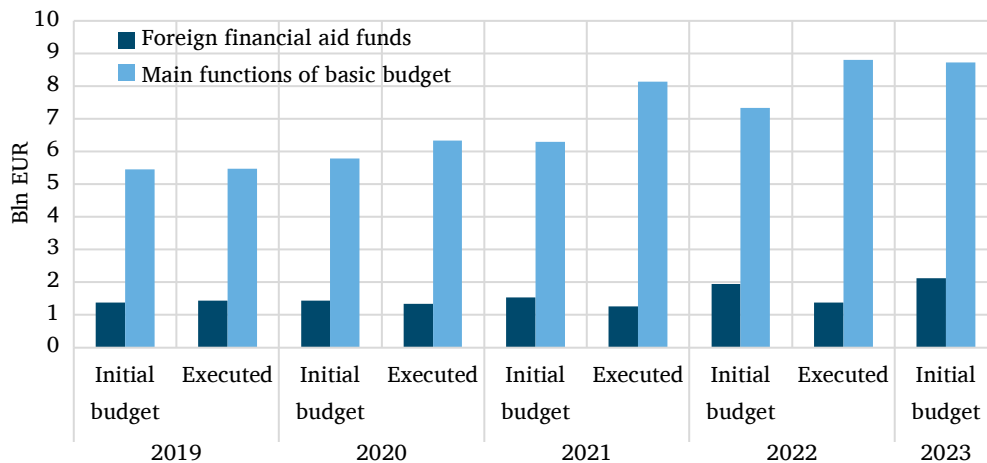


Figure 1. Budget expenditure plan and its actual implementation by year

Source: developed by the author according to the portal Treasury of the Republic of Latvian (2023)

As can be seen from the diagram, the implemented possibility of changes during the fiscal year adds the necessary elasticity and variability to the economy. According to the Ministry of Finance (2023) of Latvia, there were 199 orders of the Minister of Finance amending the appropriations in 2019, 389 in 2020, 665 in 2021, 650 in 2022, and 184 in the first eight months of 2023. Many of the allocations in 2020-2021 were related to the COVID-19

pandemic and subsequent quarantine restrictions, which led to a number of fundamental operational changes in the budgets of these years. At the same time, Figure 1 shows that the size of the Latvian state budget has been growing almost linearly in recent years, while the share of foreign aid in the total amount has been decreasing. Accordingly, the state's dependence on external subsidies is also gradually decreasing.

For a more complete understanding of these processes, it is worth paying attention not only to the division of sources of budget revenues by the principle of external/domestic, but also to consider the issue of budget expenditures in the context of economic classification codes. An overly detailed classification of mandatory appropriations

contradicts the original idea of the procedure and hinders the flexible use of resources. However, although this excessive precision leads to growing dissatisfaction among public managers, it allows for greater control over the re-allocation of funds. Budget planning and execution in eight key areas is shown in Figure 2.

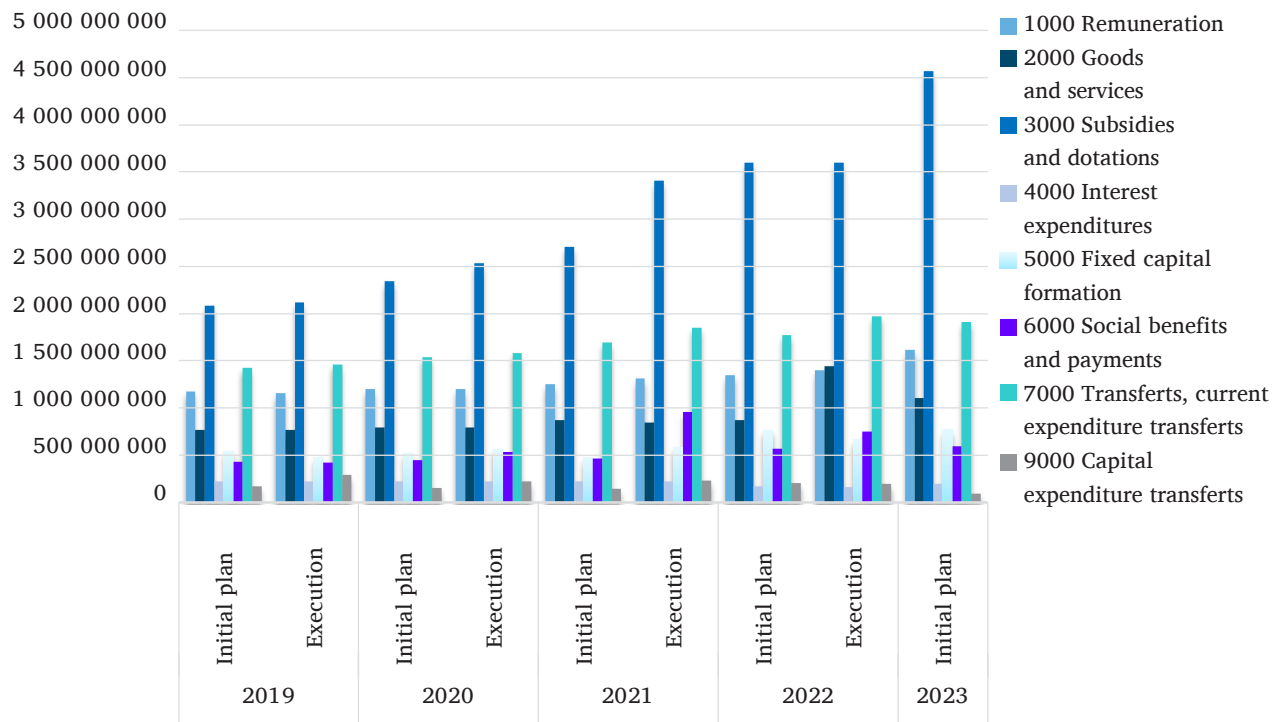


Figure 2. The basic plan of budget expenditures and its implementation according to economic classification codes
Source: developed by the author according to the portal Treasury of the Republic of Latvia (2023)

As shown in the graph above, changes in subsidies and grants in 2023 reflect an increase in European funds and other investments in the commercial sector of the economy and various projects. Changes in social payments in 2021, in turn, reflected subsidies to individuals due to the impact of the COVID-19 pandemic. All of this shows that the system of detailed line-item budgeting is quite burdensome for line ministries and the Minister of Finance personally, who approves changes in allocations. At the same time, the link between the resources provided to budgetary institutions and the results may be lost without additional changes to the annual budget law.

In order to resolve this contradiction, reduce the administrative burden and increase the efficiency of the system, some reform of the allocation procedure is needed. In particular, this could be done by introducing a mechanism for automatically balancing the budget throughout the year, abandoning the current practice of “manual management”. Increasing the rights of line ministers and other budget units and their “budgetary flexibility” also requires strengthening the monitoring of budgetary efficiency. One of the leading solutions is annual expenditure reviews, which are carried out as part of the budget planning process. Latvia has made considerable efforts to improve its tools and processes for prioritizing resources and allocative

efficiency and launched an annual expenditure review process in 2016, with the intention of improving policy effectiveness and aligning spending with government priorities (Annual State Budget..., 2016). However, in addition to the measures taken, regular performance evaluation, i.e. an analysis of the ratio of resources spent to results achieved, is also needed.

Among other urgent innovations that could be included in the new budget reform, the current article-by-article approval of the document by the Saeima should be replaced by a higher overall level of approval. In this case, it would be more appropriate for the state to use the principles of financing individual institutions and budget units, to limit the use of individual indicators and, instead, to encourage greater focus on productivity by employees. The human resource freed from unnecessary painstaking work with uninformative indicators should be involved in analytical work. As for the budget savings, the Ministry of Finance should become the arbiter of their assessment, with the responsibility to make sure that such savings are real and not just a simple transfer of expenses to the next year. In addition, the proposed reform will not allow financing excessive staffing costs, salaries, and bonuses. In general, the hierarchy of different programmes and sub-programmes, which should be approved by the relevant law, is shown in Figure 3.

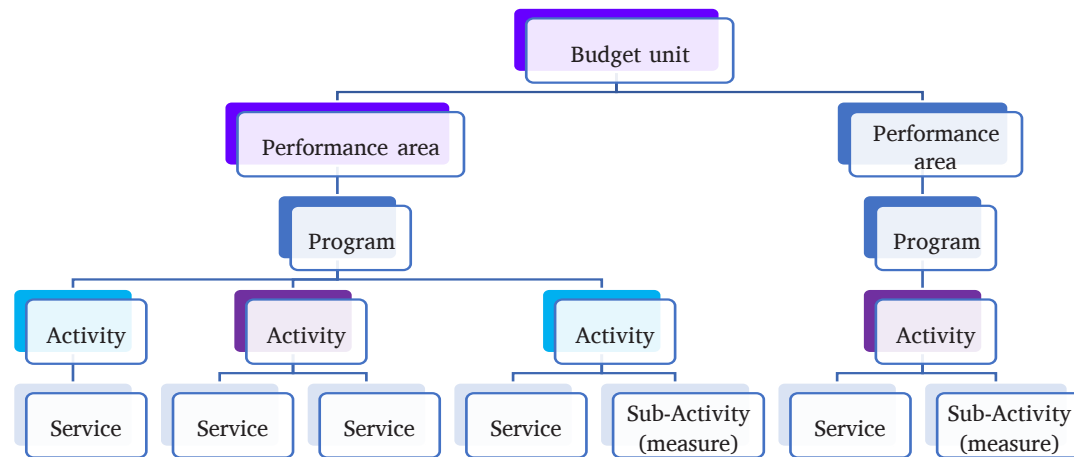


Figure 3. Proposed hierarchy of budget programs

Source: developed by the author

The reform of budget planning should provide for a final transition from the traditional line-item budgeting system to one based on results achieved through the use of public funds. To this end, it is crucial to strengthen the legal framework governing budgeting. Improvements can be achieved by adopting an organic budget law that clearly defines the roles and responsibilities of the various participants in the budget process, including the President of the Republic, the executive, the Saeima, budget units and the Ministry of Finance of Latvia. The law should also establish clear guidelines for the preparation, execution and reporting of expenditures, strengthening the role of line ministers in defining target results and the resources needed to achieve them. The programme of actions and measures should be prepared for a three-year period, which is already common in Latvian politics. To ensure greater autonomy of line ministries, each minister should personally approve the professional budget programme and control the allocation of resources in accordance with the planned objectives in his/her department. The resources of such programme policy should be consistent with medium-term budget planning and current annual budget expenditures. In the event that additional resources are requested during the approval of the annual budget, the performance and quality indicators in the area that generated the request should be reviewed.

Another aspect of the proposed reforms is to improve the planning skills of those in charge. The Ministry of Finance should be given more powers and autonomy to conduct technical analysis and provide recommendations on the allocation of budget funds. These changes will require reducing the influence of politics on the budget process and ensuring that decisions are based on sound economic and fiscal principles rather than on short-term opportunism. The key to such “economy-centricity” should be a demonstrable increase in the autonomy of the Ministry of Finance to re-allocate items during the budget year. In addition, more attention should be paid to the link between programme documents and available budget resources to avoid the influence of the gradual budgeting tradition. In their strategies, ministries and other central government agencies should be guid-

ed by performance indicators for the use of budget resources available in the medium term.

To increase transparency, it is also crucial to ensure that communities have access to reports on budget execution. Ministries and central government agencies should be instructed to provide explanations for any deviations in the values of prepared and planned performance indicators and to report them to the relevant parliamentary committee and to the public. A functioning public feedback system in the budgeting system will ensure that rejections of irrational requests are properly justified and that corrective actions can be taken in a timely manner if necessary. Thus, in order to solve the current problems of budgeting in the Republic of Latvia and finally get rid of the remnants of the outdated traditional system, it is necessary to promptly introduce a modern approach with a special emphasis on performance-based budgeting, modernization of the allocation system, and a transparent performance evaluation system.

Discussion

In today’s rapidly changing world, it is important to abandon outdated traditional habits in a timely manner and opt for modern and effective innovations. This applies, not least, to public administration and economic approaches, as this study has clearly demonstrated. The budgeting of the Republic of Latvia has almost moved away from outdated principles and, in line with the European trend, focuses on achieving certain goals rather than processes. Examples of structuring in budget programmes have been repeatedly noted in the global scientific literature.

For example, M. Foglia *et al.* (2021) proved in their article that budget execution efficiency and reduction of administrative burden can be achieved by introducing a structured regime of automatic levelling of indicators throughout the year. As noted above, the appropriation procedure introduced in Latvia, which was intended to add some elasticity to the budgeting process, also contributes to the levelling of indicators. In addition, the authors developed a re-hedging strategy by analysing finite correlations, which demonstrated the link between multifactor strategies and macroeconomic variables.

Another group of researchers, A. Srithongrung *et al.* (2021), studying public capital management and the budget process, concluded that traditional methods were based solely on results. This approach, which is based on the idea of rational spending in terms of economy, efficiency and effectiveness, has already lost its relevance. Instead, as the results of this paper have shown, a more promising policy is control policy, which, on the contrary, approaches the relationship between resources and goals from the point of view of the alleged social expediency.

As noted by L. Bartocci *et al.* (2023), in the public sector, the practice of participatory budgeting has been gaining increasing recognition among scholars, practitioners, and policymakers in recent years. In some countries, participatory budgeting can already be described as a budget practice based on the active participation of citizens in budget decision-making in order to influence the allocation of resources. The authors place a special emphasis on mechanisms of participation and public influence, in particular, through social media forums and electronic voting. The topic of budgeting transparency and the need for citizens to have access to relevant materials at the planning stage was also mentioned in this study. Given the availability of modern technological solutions, the impact of the community on the discussion of local or national budgets using smartphones is quite real (Lemishovska, 2023).

Performance management, public budgeting and accounting in emerging economies are also the main topics of the study by J. van Helden *et al.* (2021). The authors analysed budget reforms in a number of countries and noted that managers do not always manage to achieve the desired impact on the efficiency of spending and reporting. In most cases, this is due to the local context, which usually includes political instability, poor governance, and a lack of social lifts. In line with the experience of the Republic of Latvia, described above, it can be stated that any reform makes sense only when both society and the governing circuit are ready for it.

F. Citro *et al.* (2021) focused on the relationship between budget transparency and political factors. As a result, it was proved that both the characteristics of individual governments and the characteristics of electoral systems in general directly affect the level of budget transparency. Accordingly, using an international comparative approach, it is possible to predict the degree of transparency of the budgets formed depending on the political system in the country. Returning to the retrospective of budget reforms in Latvia, which was presented above, it can also be stated that with the increasing separation from the former occupation authorities and the formation of an independent policy, economic factors are only improving.

The crucial role of communication in the work of the modern public administration system were noted by S. Mauro *et al.* (2021). Their analysis demonstrated that the mismatch of values and goals between actors and a false preliminary assessment of the actual possibilities of feedback threaten the successful implementation of performance-based budgeting reform. In this case, even the existence of a formally compatible organization of actors excludes the ability of the participants to bring the budgetary or any other state system to the desired changes. In further reforming the budget system in Latvia, these risks should be taken into account and participants who do not share modern European values should be excluded from decision-making.

The COVID-19 pandemic and its impact on budgetary indicators were the subject of a study by K. Dzigbede *et al.* (2023). In the context of the coronavirus crisis and subsequent quarantine restrictions, the authors examined the extent to which the effectiveness of national budgetary financial management systems reduce the tax burden and contribute to economic recovery. The elasticity of budgeting principles was also mentioned in this paper in connection with COVID-19, as the unpredictable impact of the pandemic on the economy forced the Latvian government to make a number of fundamental budgetary changes, which were implemented through appropriations.

The natural budget cuts after the pandemic and the future of economic processes were also discussed by A. Kentikelenis and T. Stubbs (2021), who suggested that the consequences of the crisis should not be budget cuts, but a redistribution of finances towards investment in employment and human capital formation. Accordingly, a partial abandonment of austerity in the short term will lead to an increase in capitalization in the future, and well-thought-out budget reforms should facilitate this flow of resources. In this context, the Republic of Latvia is taking a responsible stance and ensuring that investments in both human capital and sustainable development goals are growing (Nakipova *et al.*, 2023).

Another study on the balance between austerity and budget execution was conducted by R. Raudla and J. Douglas (2022). They tested the theory that a period of crisis and austerity provokes changes in budget execution in one of two key directions – either towards greater control or greater flexibility. As a result, the authors, based on the experience of budgetary institutions in Portugal and Austria, have shown that fiscal crises and austerity tend to lead to increased government control and loss of flexibility in budget execution. At this stage, it is very important for Latvia to strike this balance – and not to allow the government to return to command-and-control practices in implementing budget reforms, even in the face of possible crises.

A. Jethon and C. Reichard (2022), in turn, have demonstrated on the example of German municipal budgets that due to the large volume and detail of documents, the speed of their processing and performance evaluation suffers. A similar observation about unnecessary painstaking work with numerous insignificant indicators, but in relation to Latvian realities, was formulated in this paper. The authors of the German study conclude that municipal politicians perceive information on budget execution as not very useful, as it does not focus sufficiently on results and does not help them in their local political struggle.

The Republic of Latvia, which regained its independence only three decades ago, should take into account the experience of the “Old Europe” in creating the state budget in order not to repeat their mistakes. G. Dabbicco and G. Mattei (2021), drawing parallels between the budgeting systems of Italy and the United Kingdom, state that despite the principles of new public administration that are common to both countries, there are currently different results of reforms and different approaches to communication between parliaments and society. Further European integration, which remains quite relevant for Latvia, and budget monitoring in the EU countries were discussed by F. Terpan and S. Saurugger (2021). Despite the fact that the crises led to increased regulatory pressure from the EU leadership, its subsequent actions did not always translate into additional obligations for individual

countries. As this study has also observed, even a series of crises in 2020-2023 did not reduce partner investments in the budget of the Republic of Latvia. In general, the global experience underlines the need to reform the budget system in accordance with more modern, result-oriented principles and confirms the correctness of the path chosen by Latvia.

Conclusions

Over the previous decades, the Republic of Latvia has made significant progress in applying the best international practices of budget management, expenditure control and elasticity in the prompt reallocation of funds. The traditional methods of budgeting, which were based on the no longer relevant principles of cash turnover, are a thing of the past.

During the years of independence, Latvia has been actively working to modernize and improve its budget and fiscal legislation, taking into account the challenges and needs of the modern world. Each iteration of the legislation brought the country closer to the balanced economic policy and standards of the EU, increasing its competitiveness and attractiveness for investors. The clear positive dynamics in budget planning and execution reflected in the statistical data demonstrates the effectiveness of the chosen strategies and careful financial management. Even in a changing environment and with reduced financial support from partners, Latvia continues to develop, maintaining its economic and social resilience. The growth of social expenditures in the budget is an important indicator of the state's social responsibility and support for socially oriented programmes aimed at improving the quality of life of citizens.

The study shows that in the future, the state should work to improve financial relations between the state and society, in particular, by improving budget planning, linking programme documents to the medium-term budget framework, and encouraging more realistic planning. The inefficiency of budget execution and the inflexibility of the redistribution system can be eliminated by introducing an automatic system of allocations and increasing the elasticity of line ministries' budgets. Aligning budget requests with the fiscal space and setting limits on medium-term growth of budget expenditures are crucial steps to integrate the country's legislation with the European legal system. In such a system, line ministers would be held accountable for current budget allocations to reduce additional budgetary movements that negatively affect financial management. Improving performance budgeting, introducing savings targets and consensually identifying areas for savings are also important aspects of budget reform.

Thus, the introduction of the necessary legislative amendments to support reforms in the state budget planning process in Latvia is critical. A legal assessment of such initiatives and a roadmap for implementing the relevant legislative changes could be the subject of further research on the current budget reform.

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Conflict of interest

None.

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Розробка потенційної бюджетної реформи для Латвії: перехід від традиційного до сучасного бюджетування

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Анотація. Сучасні зміни в політиці та економіці в усьому світі відбуваються настільки швидко і часто, що застарілі принципи бюджетного планування вже не встигають реагувати на ці виклики. Саме тому розробка ідей щодо модернізації принципів бюджетного планування в Латвійській Республіці є дуже актуальною. Метою даної роботи була розробка рекомендацій щодо змін у підходах до формування державного бюджету. У ході дослідження було використано методи статистичного аналізу, синтезу та структурування. За допомогою методів ретроспективного та порівняльного аналізу вивчалися зміни в бюджетному законодавстві Латвії, що відбулися за три десятиліття відновленої незалежності. Дослідження проаналізувало існуючу процедуру формування та затвердження бюджету і підтвердило достатню збалансованість різних гілок влади в цьому процесі. Крім того, дослідження виявило слабкі місця в існуючій системі затвердження та виконання видаткової частини бюджету, проблеми в процедурі внесення змін та складнощі в оформленні необхідних асигнувань протягом року. На основі актуального досвіду інших європейських країн були запропоновані ідеї щодо виправлення виявлених проблем та вдосконалення бюджетної системи – як на етапі формування, так і на етапі контролю за фактичним розподілом видатків. Зокрема, потенційні реформи включали створення документів на основі середньострокових часових рамок, автоматизацію системи перерозподілу коштів протягом фінансового року, а також кроки, спрямовані на покращення комунікації між урядом та громадянським суспільством. Практичне значення дослідження полягає у створенні потенційної програми реформ, яка може бути цікавою для Кабінету Міністрів Латвії та Бюджетного комітету Саейму.

Ключові слова: фінансова програма; асигнування; планування видатків; європейський досвід; фіскальна політика