



Treasury
Republic of Latvia

2023 Treasury's Public Report



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2023

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EUR – euro, official currency of the European Union

BI Business intelligence

Covid-19 Disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)

EFQM European Foundation for Quality Management Excellence model

ERDF European Regional Development Fund

EU European Union

EUROSTAT Statistical Office of the European Union

ESF European Social Fund

GDP Gross domestic product

ICT Information and communication technologies

CF Cohesion Fund

LOC Latvian Olympic Committee

AML/CFTP Anti-Money Laundering and Combating Financing of Terrorism and Proliferation

IPSAS International Public Sector Accounting Standard

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The Treasurer's Statement

2023



A focus on development and innovation, a clear vision for the future and focused action based on sustainability principles, modern services, technology and digital transformation of processes are the driving forces behind the Treasury team. In 2023, we have embarked on a new strategic cycle in which we will continue to implement both our own development projects and the European Union's Recovery and Resilience Facility investments, meeting the changing requirements of the industry's environment for services, technology and information security.

The move in cooperation with the State Chancellery towards the implementation of the unified service centre for the further centralisation of the support functions of the direct State administration is the most significant of the current projects, which opens up the possibility for standardised and unified accounting, personnel record-keeping, financial management and human resources management processes throughout the State administration, facilitating efficiency, digitisation and optimal allocation of public funds. This means change, developing competencies and skills, as well as being open to innovative trends and new challenges for everyone – our employees and our customers.

In addition to incoming instant payments having been ensured for two years already in the settlements of the public with the State (payments to the State budget within seconds, 24 hours a day), when the Treasury joined the instant payments infrastructure maintained by the Bank of Latvia, in 2023 we took steps to provide outgoing instant payments in April this year, thus making the settlements of the State budget institutions and other clients of the Treasury with citizens and businesses lightning-fast as well.

Substantial efforts have been made to plan processes to ensure that ministries, central authorities and local governments submit their reports for 2023 to the Treasury a month earlier than in previous years. This provides more timely and comprehensive information for decision-making on budgetary execution, government assets and liabilities in the preceding period for the needs of the 2025 State budget planning.

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In 2023, we successfully completed the optimisation of the central government debt and cash management process by transforming it digitally, creating business intelligence solutions for processing and accessing analytical information and operational data for financial management decision-making in the field of central government debt and cash management, significantly reducing the manual workload of information collection and processing, as well as ensuring the competence development of the involved Treasury experts to ensure the sustainability and further development of business intelligence solutions.

Within the context of still present geopolitical tension, increased volatility of the financial market and under circumstances of uncertainty, we have raised the necessary resources on optimal terms to finance the government budget deficit, secure State loans and meet central government debt obligations, adapting flexibly to the prevailing financial market situation. In 2023, we made three Eurobond issues on international financial markets worth EUR 2.1 billion, and actively used the capacity and support of the domestic market, raising EUR 1.1 billion through auctions of additional Eurobond issues.

In 2023, a record EUR 253 million of savings bonds held by citizens was reached. Beneficial interest rates meeting the financial market trends, the ease of acquisition on the modernised website www.krajobligacijas.lv, as well as the State guaranteed investment safety and tax-free interest, have stimulated the interest and demand for savings bonds among the population. We are truly pleased to see that people's confidence in this investment instrument is growing and that the pool of savings bond investors is steadily widening.

Always striving for the highest quality standards in our services, development challenges and daily responsibilities, I am truly proud of my team's performance and express my gratitude to each and every employee for their work, clients and business partners for understanding and supporting our efforts!

Kaspars Āboliņš
Treasurer

Rīga, May 7, 2024

Activities of the Treasury in 2023

2023

Basic information

Legal Status

The Treasury is a direct administrative authority under the Ministry of Finance designed to effectively implement the functions of public administration in the area of public financial management. The legal status, functions, tasks, competence and rights of the Treasury are stipulated by Cabinet Regulation No. 677 of 3 August 2004 "Regulation of the Treasury".

Main functions

- 1) organising implementation and financial accounting of the central government budget;
- 2) granting allocations and effecting payments from the central government budget revenue;
- 3) central government debt and cash management;
- 4) financial management of the EU funds and other foreign financial assistance mechanisms.

The operational strategy for 2023–2026 focuses on:

- 1) principles of sustainable development;
- 2) modern services and technologies;
- 3) further digital transformation of processes.



Figure 1. Operational Strategy Framework of the Treasury

Development framework and strategic priorities

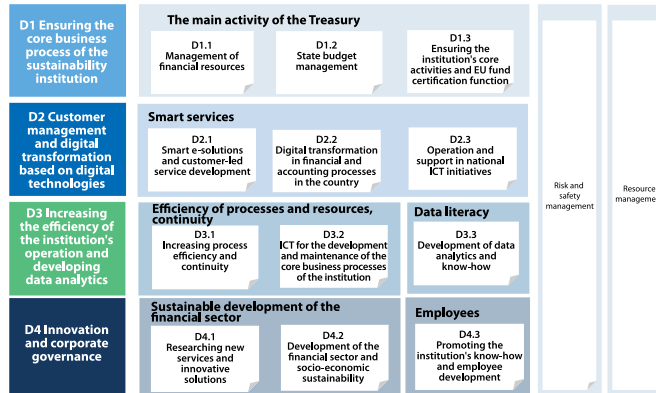


Figure 2. Treasury Development Framework

Sustainability

Based on the UN Sustainable Development Goals, when planning the development of services and functions, the Treasury puts a special emphasis on sustainability aspects, determining the sustainable development goals in the management of financial resources, the management of the State budget, and the management of the institution's support processes and EU Funds.

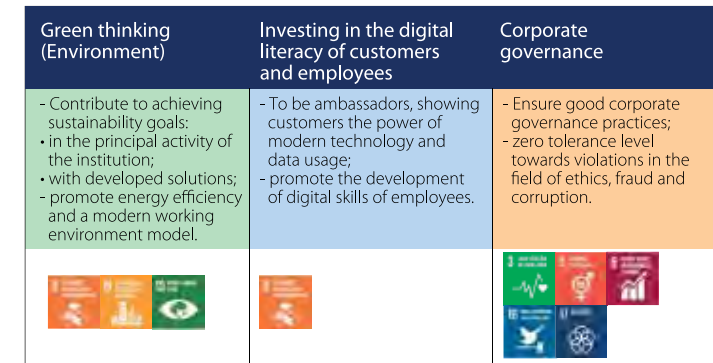
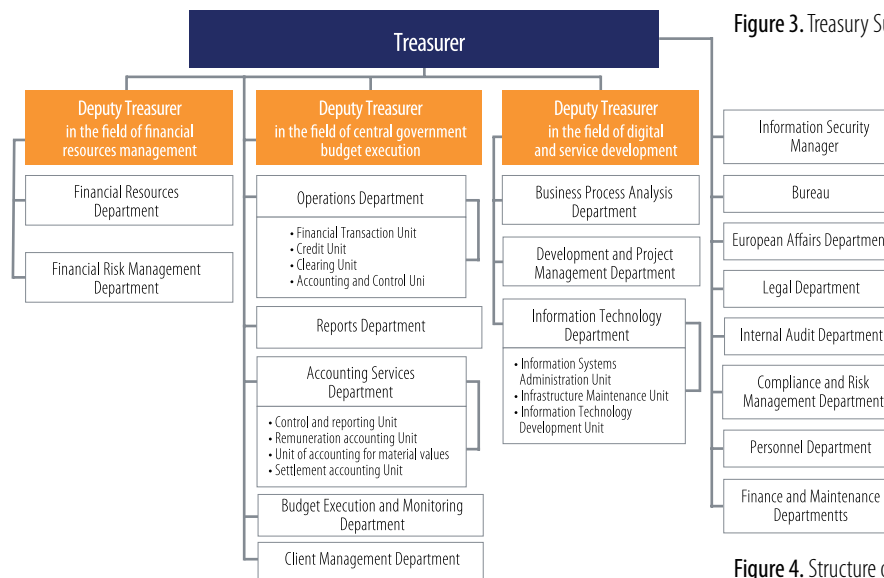


Figure 3. Treasury Sustainability Framework



Structure

No changes were introduced in the structure of the Treasury in 2023. For the successful fulfilment of functions and tasks and adoption of a single decision, the following committees continued their operation in 2023:

- 1) Audit Committee;
- 2) Credit Committee;
- 3) Crisis Management Committee;
- 4) Quality and Risk Management Committee;
- 5) Debt and Funds Management Committee;
- 6) Resource Liquidity Committee;
- 7) Management Committee;
- 8) Central Government Budget Accounting Committee.

Figure 4. Structure of the Treasury at the end of 2023

1. Progress Achieved in the Implementation of the Central Government Budget

Goal of the Operational Direction

To ensure the effective and economic implementation of the central government budget and conformity of the services provided by the Treasury to financial management best practice.

1.1. Organisation of the Implementation of the Central Government Budget

Within the framework of the State financial management cycle, the Treasury organises the implementation of the central government budget, sets the requirements for the accounting and bookkeeping of the general government and performs the financial accounting of the central government budget. The execution of the central government budget is organised within a single funds account, which is recognised in global practice as the most effective financial management method.

The Treasury provides budget execution services to customers in the form of electronic services: it awards assignments and grants from the general revenue, provides payment services, prepares State and municipal budget execution reports, as well as provides information to institutions administering budget payments on taxes, fees paid and other State budget revenue..

Granting and Execution of Assignations

In 2023, to ensure the execution of the State budget implementation, the Treasury granted assignments in the amount of EUR 15 398.3 million: EUR 11 004.1 million for the basic budget and EUR 4 394.2 million for the special budget. Assignations were granted to 170 central government budget institutions.

The Treasury opened 2 383 basic budget expenditure accounts. Compared to 2022, the number of accounts decreased by 89, along with the reduction of assignments from funds for unforeseen events for containment measures regarding the spread of the COVID-19 infection, as well as, along with the closure of the EU structural funds programming period of 2014–2020, the involvement of central government budget authorities in the implementation of EU and foreign financial assistance projects decreased.

Customer and Counterparty Analysis

In the provision of financial services it is important to receive and analyse information

on customers and counterparties, their activity and implemented transactions, while identifying and managing the risks related to financial crime. The Treasury controls the provided financial services by improving the institutions' internal control system in the field of international and national sanctions and AML/CFTP, as well as fraud and corruption, and it also carries out monitoring of the liabilities and transactions of customers and partners.

With the aim of achieving a high reputation and the implementation of safe State financial management, the possibility is ensured to prevent service provision to sanctioned persons or beneficial owners thereof and, within the competence of the institution, to detect signs of suspicious and unusual transactions in which proceeds of crime or funds related to terrorism financing might be involved: an automated payment screening tool implemented online ensures the screening of incoming and outgoing payments against sanction lists, preventing circumvention of the set sanctions, inter alia, providing enhanced payment due diligence for high-risk countries.

The amount and scope of the sanctions set by the European Commission and the USA materially increased the number of enhanced payment due diligence checks at the Treasury in order to comply with the provisions of the Regulations and to prevent possible attempts to circumvent the sanctions. As a result of the significant increase in cyber security threats in Europe due to Russian military aggression, the Treasury improved its business continuity plan and conducted business continuity tests.

1.2. Accounting and Reporting

By using central government budget implementation data and summarising accounting data of central and local government budget institutions, the Treasury prepares monthly and quarterly budget implementation reports, as well as a financial year report on the implementation of the central government budget and on local government budgets, which is audited by the State Audit Office whose opinion certifies the completeness and reliability of the information contained in the reports to users. The reports prepared by the Treasury and those received from authorities are available on the Treasury's website.

By way of ensuring the compliance of the financial reports of the public sector of Latvia with internationally recognised best practice and promoting the credibility and comparability of Latvian financial data with other countries whose financial reports are prepared in accordance with IPSAS, an assessment of the compliance of Latvian laws and

regulations on accounting and annual reporting with the 2022 version of IPSAS has been carried out. In order to maintain compliance with IPSAS, a contract has been concluded with SIA Ernst & Young Baltic for a consultancy service on the application of IPSAS in certain areas for the preparation of amendments to laws and regulations.

In 2023, Cabinet Regulation No. 652 "Procedures for Preparing Annual Financial Statements" came into force. The Regulation provides for significant changes in the reconciliation of account balances and transactions and the establishment of a single standardised environment for the reconciliation process between the state and local government public sector customers of *ePārskati* (excluding capital companies) for ensuring the inventory process and checking data quality. A single standardised environment for the comparison process between general government entities has been created, assessing the information necessary for the customers and enhancing the process:

- 1) the possibility has been created for the customers to import data of debit and credit transactions and balances into reconciliation forms (up to now it was only possible for debit transactions and balances);
- 2) the possibility has been created for the customers to start reconciliations in *ePārskati* one month earlier (essential during the intensive annual reporting period);
- 3) the section on "Reconciliation of Account Balances and Transactions" in the guidelines for preparing the annual statement has been prepared and published, thus reducing the workload of the employees of the Treasury in providing individual advice.

Process improvements allow for saving time in certain steps of the process, support customers in preparing their annual statement in a shorter timeframe and ensure the quality of data of the annual report statement.

In preparing the Annual Report for 2023 one month earlier than in other years, a substantial effort of accountants of budget institutions has been exerted in process planning, timely ensuring the 2025 budget planning cycle with comprehensive information on budget execution, public assets and obligations in the previous period relevant to decision-making. Ministries, central authorities and local governments have prepared and submitted their annual statement for 2023 to the Treasury one month earlier than in other years, in line with amendments to the Law on Budget and Financial Management.

1. Progress Achieved in the Implementation of the Central Government Budget

On the initiative of the Treasury, Cabinet Regulation No. 598 of 24 October 2023 “Procedures for Preparing Quarterly Financial Report” has been drafted – to improve the regulatory framework for quarterly reporting procedures, consolidate laws and regulations, reduce the administrative burden for the State and local government capital companies, and improve the quality of central government statistical data. The purpose of the Regulation is to establish procedures for preparing and submitting the quarterly financial report of the budget institution, derived public entity partially financed from the State budget and institution non-financed from the budget, ministry, other central public institution and local government, as well as the procedure under which the ministries, other central public institutions and local governments compile and submit the financial reports and financial information of capital companies where the capital shares are held by the State and local governments. The procedure for completing the reports is henceforth prescribed by the Guidelines.

1.3. Services of the Treasury

The Treasury’s *E-services Portal* ensures easy user authentication with electronic identification means supported by *Latvija.lv*, uniform navigation between e-services and a modern design meeting the requirements of usability. Replacement and modernisation of the authorisation system of the Treasury *eServices Portal* was launched in 2023.

Institutional Reports (ePārskati)

The service *ePārskati* (eReports) is provided for managing financial and budget execution data of budget authorities. The submitters sign the budget institution monthly, quarterly and annual reports, as well as information to other sectors for supervising the central government budget funds or compiling of information electronically online in the *ePārskati* system, thus ensuring mutual administrative and time saving. In 2023, 3 601 users were registered in *ePārskati*. In 2023, the State Audit Office joined *ePārskati* with a new process to make information on contracts concluded with certified auditors or commercial firms of certified auditors for audits of annual statements available to stakeholders in one place.

Plans and Estimates (ePlāni (ePlans) and eTāmes (eEstimates))

Ministries or their subordinate bodies use the service *ePlāni* to prepare, approve and

submit financing plan projects to the Treasury, based on which the Treasury issues allocations and grants from the general revenue. In 2023, 724 users were registered, and 2,403 basic budget and special budget financing plans were processed in *ePlāni*.

The service *eTāmes* ensures a single, centralised environment for all central government budget institutions for entering and signing the estimates of the budgetary programmes, sub-programmes and events. In 2023, 911 users were registered, and 2,403 basic budget and special budget estimates were processed in *eTāmes*.

Borrowings (eAizņēmumi (eBorrowings))

The service *eAizņēmumi* provides for the possibility to apply remotely for receiving a State loan, electronically process a loan application, submit a loan disbursement application within the framework of the concluded State loan agreement, remotely manage the loan, apply for early loan repayment, as well as electronically generate and sign the agreement. In 2023, 564 users were registered in *eAizņēmumi*; the functionality of the service was improved by introducing the generation and signing of standard form loan agreements using the data available in the system. Thus, the time needed to prepare and sign the agreements is reduced and the risk of human error is eliminated.

Payments (eKase (eTreasury))

The Treasury ensures the State budget payments by using the service *Payments* and its online data exchange module. Within the framework of the service, the Treasury provides customers with the possibility to execute payment orders, see payment order execution results, as well as receive financial information: account position (balance), account turnover extracts and a summary on revenue and expenditure or resources for covering expenditure.

In 2023, 7,589 users were registered in eKase, and developments were finalised for the Treasury to continue providing payment services in EUR currency as a direct participant in the consolidated Target system (within the scope of the project for the transition of the European Central Bank’s *Target2* and *Target2-Securities* systems to the ISO 20022 standard format for payment data processing). The Treasury started operating in the consolidated TARGET system and continues to provide payment

services in EUR currency. The necessary system upgrades and preparatory works have been carried out within the scope of the project: Adaptation of the Single State Budget Planning and Implementation Information System (SSBPIS) to the SWIFT ISO 20022 standard format and modernisation of the SWIFT connection, selecting SWIFT cloud service SWIFT Alliance Cloud as the ESMIG network service provider. During project implementation, the Treasury ensured participation in the mandatory external tests and regularly informed the Bank of Latvia on the progress made within the project.

The online data exchange module of *Payments* ensures automated information exchange on payment data (payment status statement and account statement) between the Treasury and the customer.

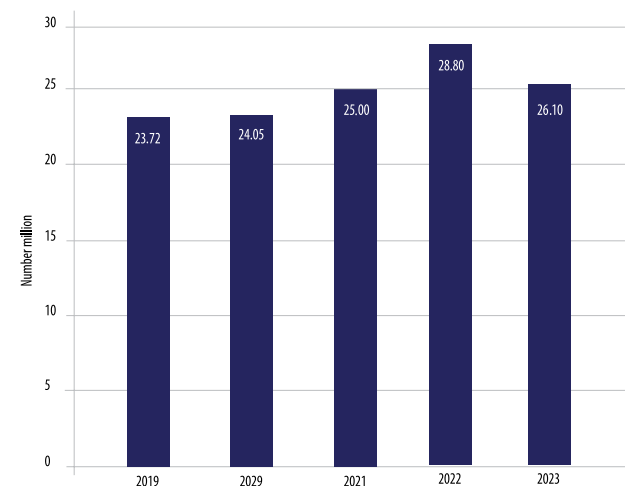


Figure 5. Number of payments processed by the Treasury (2019–2023)

Facilitating the digital development of the financial sector and the state administration, ensuring innovative and swift settlements for public service recipients, in 2022, the Treasury joined the instant payment infrastructure maintained by the Bank of Latvia with incoming payments. Thereby, the settlement of accounts between the public and the State has become instant – payments to the central government budget are ensured within seconds 24 hours a day, on weekends and public holidays as well. In 2023, 45% (~2.9 million) of the payments coming into the central government budget will be transferred as instant payments.

1. Progress Achieved in the Implementation of the Central Government Budget

As part of the development works in 2023, on 5 April 2024 the Treasury joined the instant payments infrastructure maintained by the Bank of Latvia with outgoing instant payments, so that benefits, pensions, tax refunds will reach citizens and businesses within seconds, and this will be a great benefit for society as a whole. By evening out the workload of the systems around the clock, the Treasury staff will at the same time reduce the workload in processing outgoing payments and sending them to the bank for execution.

Payment cards tied to the Treasury's accounts

In cooperation with AS Citadele Banka, the Treasury provides the possibility for State and municipal authorities to make payments with the payment cards tied to the Treasury's accounts. The payment card service is intended for performing official travels, business trips of employees and operating expenses. In 2023, 115 authorities used the service of payment cards tied to the accounts of the Treasury, and 887 cards were issued in total.

Acceptance of payment cards when collecting central government budget payments

The Treasury, via AS Citadele banka, ensures an acceptance service of payment cards to State and municipal authorities by providing for the possibility to pay for the services provided by it using VISA Electron, MasterCard and Maestro payment cards in a payment card acceptance terminal or another alternative system. In 2023, the service provided by the Treasury was used by 86 customers. In 2023, in 1 103 payment card terminals installed in State and municipal authorities, 1 079 242 transactions were performed for a total amount of EUR 28 295 489.

¹ In accordance with the requirements of documents governing the Treasury's quality management system, customer satisfaction surveys are carried out at least once per three years. Both comprehensive customer surveys and surveys aimed at identifying satisfaction with a certain service, or satisfaction and needs of a particular customer segment are carried out as necessary.

1.4. Performance Indicators of Operational Targets

The target and indicators of the operational direction are achieved.

Table 1.

Performance indicators of operational targets in the implementation of the central government budget

Result	Performance indicator	Numerical values of the performance indicator in 2023	
		Planned	Implemented
1. Uniform principles for the preparation of accounting and financial statements of budget institutions developed and approved, and an assessment from Eurostat received.	1.1. Compliance of the laws and regulations in the field of accounting records and annual reporting with IPSAS guidelines (%).	9.1	90.1
<p><i>The indicator is met. The Treasury ensured 90.1% compliance of the laws and regulations with the 2015 version of the IPSAS. By way of continuing work on ensuring compliance, an assessment has been made of the compliance of Latvian laws and regulations in the field of accounting and annual reporting with the 2022 version of IPSAS. The assessment of the requirements of individual standards is still in progress. assessment has been made of the compliance of Latvian laws and regulations in the field of accounting and annual reporting with the 2022 version of IPSAS. The assessment of the requirements of individual standards is still in progress.</i></p>			
2. The usability and availability of the Treasury's eServices – eKase, ePlāni, ePārskati, eTāmes, eAizņēmumi – has been modernised.	2.1. Satisfaction with the quality of the eServices received is not lower than 85% (% of customers surveyed ¹).	85.0	0
<p><i>Was not measured. The survey was carried out in 2022, achieving a customer satisfaction rate of 94%. In 2023, the automation and digitisation of the process of providing and servicing State loans was completed in order to speed up and simplify the process of obtaining State loan service and improve cooperation between local governments and the Treasury, as well as to reduce the amount of work contributed by the human resources of the Treasury in the provision of State loans; we have created the functionality of eAizņēmumi service for generating the Standard Loan Agreements and concluding them with customers. This functionality significantly reduces the time needed from the approval of the Board for the Control and Supervision of Local Government Borrowings and Guarantees in the local government till the signing of the loan agreement of both parties.</i></p>			
3. The Treasury's customer expectations have been identified, and the provided services have been improved accordingly. The usability and availability of the Treasury's eServices – eKase, ePlāni, ePārskati, eTāmes, ePieteikumi, eAizņēmumi – has been modernised.	3.1. Electronic service/function of the Treasury has been improved/upgraded.	1	1

1. Progress Achieved in the Implementation of the Central Government Budget

Result	Performance indicator	Numerical values of the performance indicator in 2023	
		Planned	Implemented
<p>The indicator is met. <i>Changes have been made to the reconciliation of account balances and transactions in accordance with Cabinet Regulation No. 423 of 8 August 2023 "Amendments to Cabinet Regulation No. 652 of 28 September 2021 "Procedures for Preparing Annual Financial Statements"". The eService ePārskati has been enhanced by assessing the information required from customers and improving the process of inventory of claims and liabilities, as well as the data quality check:</i></p> <ul style="list-style-type: none"> 1) the possibility has been created for the customers to import data of debit and credit transactions and balances into reconciliation forms (up to now it was only possible for debit transactions and balances); 2) the possibility has been created for customers to start reconciliations in ePārskati one month earlier (essential during the intensive annual reporting period); 3) the section on "Reconciliation of Account Balances and Transactions" in the guidelines for preparing the annual statement has been prepared and published, thus reducing the workload of the employees of the Treasury in providing individual advice. 4) the process will also improve the quality of the annual statement data. 			
4. Improved internal control system of the institution.	4.1. Payment controls in line with the direct sanctions match.	100	100
<p>The indicator is met. <i>The Treasury carries out the supervision of customers and transactions in line with sanctions requirements. An automated payment screening tool is in place in the Treasury, ensuring the screening of all incoming and outgoing payments in accordance with the requirements of the Law on International Sanctions and National Sanctions of the Republic of Latvia.</i></p>			
5. Digital literacy workshops/events organised for customers regarding the services provided by the Treasury.	5.1. The number of digital literacy workshops/events for customers is not less than the indicated value.	1	1
<p>The indicator is met. <i>Workshops "Latest Trends in Accounting Records and Preparing Annual Statements" (29 November 2023) and "Latest Trends In Preparing Annual Statement for 2023" (28 June 2023) were organised.</i></p>			
6. Measures identified for migrating the ICT infrastructure of the Treasury to the State-federate cloud services, taking into account the service and security level of the State-federated cloud.	6.1. The plan of the Treasury approved for migrating ICT infrastructure to the State-federated cloud services.	1	1
<p>The indicator is met. <i>The plan of the Treasury for migrating ICT infrastructure to the State-federated cloud services prepared and submitted to the Ministry of Environmental Protection and Regional Development.</i></p>			

1.5. Steps Planned for 2024

The Treasury will continue the developments in introducing e-applications, which will enable customers to apply for services in the eServices portal of the Treasury, significantly streamlining the data processing process and materially reducing the staff workload in processing these data, as well as materially reducing the time for handling applications and the number of incorrectly submitted service applications.

By way of preserving compliance with IPSAS at a high level, the Treasury will continue to assess the latest IPSAS requirements (2022 version) for their application in the laws and regulations of Latvia in the field of accounting records and reporting by budget institutions.

In accordance with the changes proposed by the State Audit Office in the process of auditing consolidated annual statements of ministries and State central authorities and preparing the report on these audits, as well as in connection with the establishment of the Single Service Centre for Public Administration at the Treasury, which will henceforth provide accounting services to direct public administration institutions, it is planned to introduce amendments to the Law on Budget and Financial Management regarding the submission of consolidated annual statements of ministries and other State central authorities to the Treasury, as well as submission of the consolidated annual statement and audit report of the Republic of Latvia to the Cabinet.

By carrying out a customer needs study, it is planned to improve data structures prepared by the Treasury and made available in the open data portal.

2. Accomplishments in Central Government Debt and Cash Management

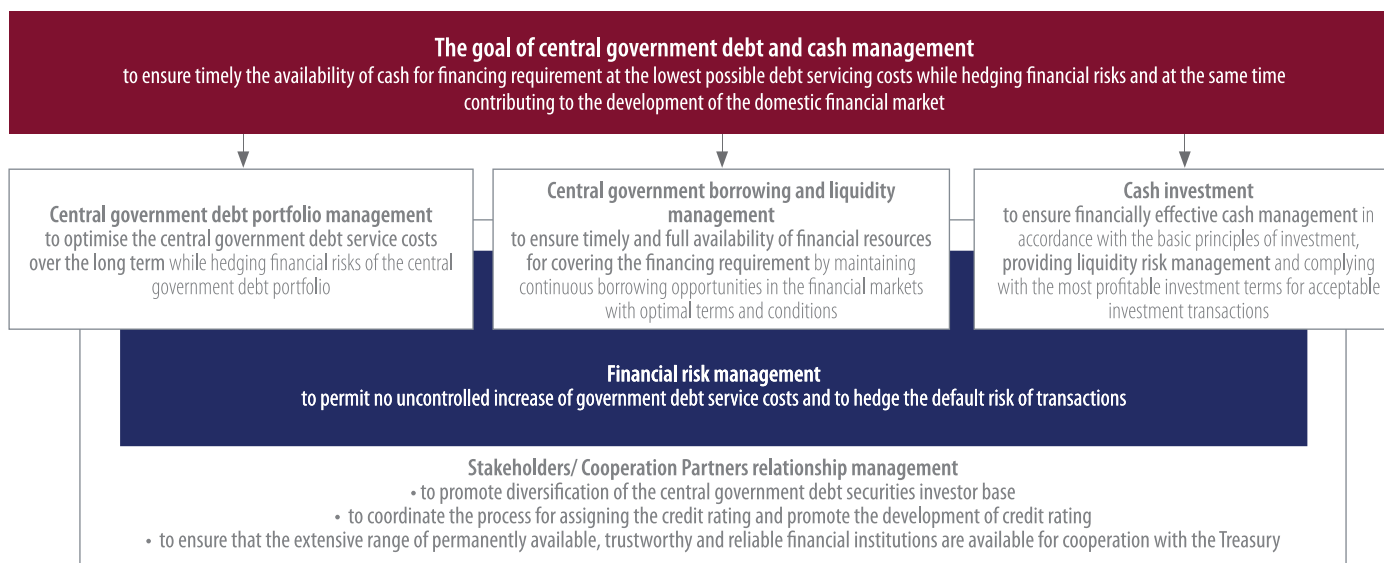
Goal of the Operational Direction

To ensure the timely availability of cash for financing requirements at the lowest possible debt servicing cost, while hedging financial risks and at the same time contributing to the development of the domestic financial market.

2.1. Operational Principles and Development Trends

In 2023, the activities of the Treasury in the field of central government debt and cash management were determined by the Central Government Debt and Cash Management Strategy approved by the Minister for Finance (see Figure 6).

Figure 6. Central Government Debt and Cash Management Strategy



The Treasury takes measures in the field of central government debt and cash management in accordance with the following priorities:

- 1) ensure borrowing in the international financial markets with public issues of medium-term and long-term government debt securities by retaining flexibility in relation to choosing the time and instruments of loans in order to ensure the raising of resources on favourable terms;
- 2) promote the development of the domestic market and liquidity of sovereign debt securities by providing support from primary dealers for appropriate investment opportunities (continuous and regular offer of government securities) for participants of the domestic financial market, in order to make better use of the borrowing potential of the domestic market and facilitate its functioning and development;

- 3) maintain a regular supply of savings bonds and take measures to stimulate private demand for savings bonds and other central government debt securities;
- 4) ensure safe and financially effective cash management;
- 5) ensure the diversification and expansion of the range of government security investors through regular and continuous dialogue and long-term work with the investor community and counterparties, facilitating the active participation and competition of investors from various global regions in the primary placement of external government debt securities;
- 6) coordinate the process of determining the credit rating of the country, by providing the credit rating agencies with an objective and consistent view of the situation in Latvia in cooperation with the involved institutions, as well as maintaining active communication with the credit rating agencies in order to promote the positive development of Latvia's credit rating;
- 7) maintain and develop long-term cooperation with the existing and new counterparties, ensuring a sufficient range of counterparties for the performance of financial transactions.

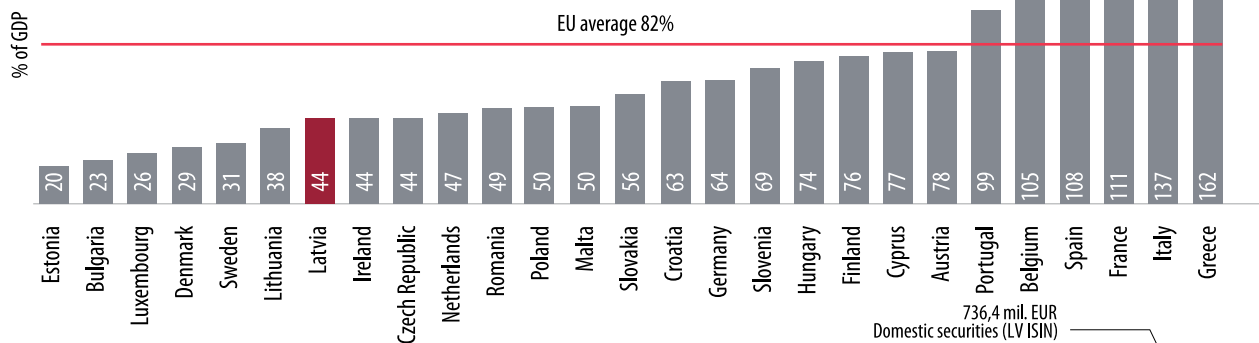
In 2023, the central government debt and cash management process has been considerably optimised by transforming it digitally, *inter alia*, creating business intelligence (BI) solutions for processing and accessing analytical information and operational data for financial management decision-making in the field of central government debt and cash management, significantly reducing the manual workload of information collection and processing, as well as ensuring the competence development of the involved Treasury experts to ensure the sustainability and further development of BI solutions. An independent assessment of the technological maturity level of the central government debt and cash management process has been received, which confirms the added value of the measures taken to ensure the digital transformation of the central government debt and cash management process in achieving a higher degree of digitisation of the process, which is one of the goals set out in the *Operational Strategy of the Treasury for 2023–2026*. The received assessment and recommendations allow the setting of new goals for the digital transformation of the central government debt and cash management process, with a view to further optimising this process to reach an even higher level of digital maturity in the medium term.

2. Accomplishments in Central Government Debt and Cash Management

2.2. Central Government Debt Indicators

At the end of 2023, Latvian general government debt⁴ accounted for 43.6% of GDP. Latvian general government debt is still one of the lowest of the EU member states, and also well below the average indicator in the EU (see Figure 7).

Figure 7.
General government debt as of the end of 2023
(% of GDP) according to the ESA 2010 methodology²
(Source: EUROSTAT)



The level of general government debt is mainly affected by central government debt³, which, at the end of 2023, according to the operational data of the Treasury, comprised EUR 17.7 billion at nominal value, growing by EUR 0.9 billion since the end of 2022. Eurobonds issued in financial markets account for the largest share (83% of total central government debt) in the composition of central government debt (see Figure 8).

2.3. Borrowing Measures in 2023

Since February 2022, Russia's military aggression in Ukraine still causes high uncertainty and volatility in the financial markets, increasing the credit risk level of the Baltic states, thus investors have become more cautious regarding new investment transactions, and the geopolitical uncertainty has also adversely affected the new borrowing possibilities and conditions for the borrowers of the Baltic states.

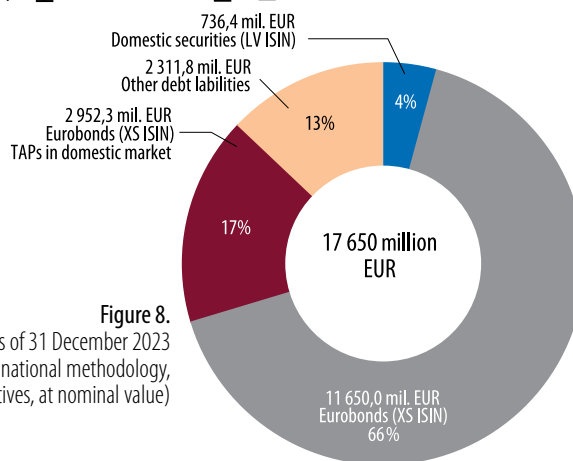
In addition, European countries faced energy security challenges in the second half of 2022, which were later reflected in a rapid increase in inflation, for the purposes of limiting whereof the European Central Bank, since the middle of 2022, has repeatedly raised the base interest rates, thus also causing a steep increase in market rates, and also an inevitable increase in the interest rates of the borrowings made in 2023.

Flexibly adapting to the current financial market situation, in 2023, the Treasury diversified its borrowing instruments and raised resources from domestic and international financial markets, as well as from the European Investment Bank for covering its total financing need, including for the financing of the central government budget deficit, provision of State loans and fulfilment of sovereign debt commitments.

By using the capacity and support of the internal market, in 2023, the Treasury held regular auctions on the internal market, offering investors additional tranches of outstanding Eurobonds originally issued on international financial markets, maturing between 2026 and 2033. The Treasury concentrated its securities offerings in auctions on such maturities of securities that provided the strongest investor demand and the most favourable borrowing conditions under the relevant financial market circumstances. Primary dealers – credit institutions that have entered into a primary dealer agreement with the Treasury (AS Citadele banka, Luminor Bank AB, AS SEB bankas, AS Swedbank and Erste Group Bank AG) are taking part in government security auctions.

In 2023, a total of EUR 1 095 billion of resources has been raised through auctions, similar to the amount of funding raised through domestic auctions in 2022. Investor demand for Latvian securities at auctions was consistently high, exceeding the volume of government securities sold at auctions several times. With demand for liquid government securities remaining strong and interest rates at auction reflecting the upward trend in market rates, fixed yields at auction ranged between 3.519% and 4.161% (depending on maturity and market conditions). Regular auctions, within the context of rapidly changing financial market conditions, allowed one to smooth the borrowing costs within the year and absorb the risks of changing investor demand, as well as provide the necessary flexibility in the timing of Eurobond issuance in international financial markets.

Figure 8.
Central Government Debt Structure as of 31 December 2023
(million EUR and % of the total amount based on national methodology, excluding derivatives, at nominal value)



² The general government debt is evaluated according to the common methodology of the European System of Accounts (ESA 2010), and it includes central and local government consolidated debt, debt liabilities of companies classified in the general government sector and other liabilities according to ESA 2010 methodology requirements.

³ The central government debt, based on national methodology, is comprised of the debts of public bodies, incorporating State-issued debt securities, borrowings, savings bonds, customer deposits and balances of current accounts placed in the Treasury.

2. Accomplishments in Central Government Debt and Cash Management

Under the circumstances of uncertainty of the global financial market or rapidly changing situation, the timing of borrowing for issuers is largely determined by the use of particular, often quite short-term, most beneficial moments when financial markets have stabilised and investors become better disposed towards making new investments. The Treasury's activities in international markets in recent years have been aimed at taking advantage of such favourable borrowing moments in order to raise resources on the most favourable possible terms to cover its total financing need. In 2023, similarly to 2022, with volatility and uncertainty still persisting in international financial markets, as much flexibility as possible was maintained in borrowing transactions by diversifying the timing of borrowing within 2023 and using the most favourable moment to issue Eurobonds.

A total of three Eurobond issues amounting to EUR 2.1 billion were made in 2023. The issue of Eurobonds maturing in 2028 carried out in January 2023 raised EUR 750 million (a yield of 3.693%), the issue of Eurobonds maturing in 2033 carried out in July raised EUR 750 million (a yield of 3.910%) and the issue of Eurobonds maturing in 2029 carried out in November raised EUR 600 million (a yield of 3.902%). Investor demand exceeded the actual issued volume issued in all issues, but the highest investor interest since 2015 was achieved in the January 2023 transaction, with investor demand amounting to EUR 3.7 billion. As before, the investor base for the issues of Latvian government securities in 2023 consisted mainly of banks, international financial institutions and asset managers from various European countries – Germany, Austria, the UK, Ireland and France. For borrowing in international financial markets, since 2014, the Treasury has been using the legal framework of external government securities (Eurobonds) documentation GMTN (Global Medium Term Note programme), which allows the Treasury to efficiently exploit favourable conditions in international financial markets, as well as issue government securities in different currencies.

In addition to borrowing in capital markets, a 15-year loan of EUR 200 million from the European Investment Bank was made in 2023 on financially favourable terms under an existing contract, which was available for ensuring the State budget co-financing for the projects under the 2014–2020 programming period of EU funds.

2.4. Savings Bonds

Savings bonds are government securities with a fixed interest rate available only to citizens of Latvia (private individuals), which have already been issued by the

Treasury on behalf of the Republic of Latvia since 2013. The availability of savings bonds as a low-risk and fixed-income investment alternative for private individuals diversifies the range of investment products in the financial market, promotes financial literacy and increases the practical investment experience of the residents, as well as generally contributes to the development of the Latvian capital market.

In 2023, demand for savings bonds from Latvian residents increased substantially, leading to a record-high volume of issued savings bonds at the end of the year – EUR 253 million. In 2024, both the level of investment by citizens and the number of investors continue to increase, with investors who have purchased 12-month savings bonds in 2023 reinvesting after the savings bonds are redeemed.

The increased interest and demand for savings bonds in 2023 was driven by a broad public information campaign on the opportunities and advantages of purchasing savings bonds, as well as by the competitive terms of savings bonds – attractive interest rates in line with financial market trends, the possibility to receive a tax-free fixed interest income until the end of the investment term, the security of investments guaranteed by the State regardless of the investment amount and the convenience of purchasing savings bonds online at www.krajobligacijas.lv through internet banking. In 2023, in cooperation with Nasdaq CSD, a complete redesign of the savings bond buying website www.krajobligacijas.lv was carried out, ensuring its ease of use on mobile devices and improving its functionality.

Figure 9. Savings bond rates in 2023 (%)

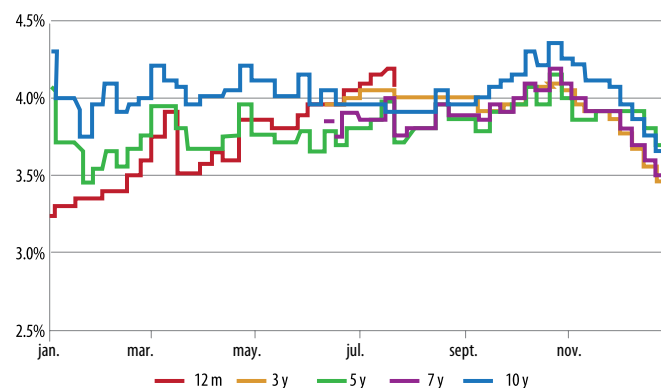
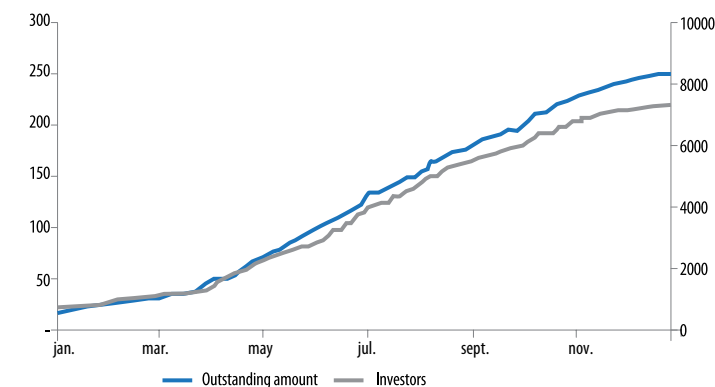


Figure 10. The volume of savings bonds owned by private individuals in 2023 (million EUR)



In 2023, the savings bond offer was adapted to the overall borrowing strategy and new investment maturities of 3 and 7 years were added, so that savings bonds with maturities of 1, 3, 5, 7 and 10 years are now available to citizens. While 12-month savings bonds have been the most popular in 2023, since mid-2023 there has also been an increasing demand for longer-term savings bonds as they offer investors the possibility to lock in favourable interest rates over the long term. It is necessary to maintain the offer of savings bonds of several terms, in order to retain various options for investors in relation to the term and profitability in changing market conditions.

In order to provide the necessary advisory support to savings bond investors and to ensure the prompt resolution of problematic situations, the Treasury maintains customer support by phone, e-mail and by answering questions on the savings bond website.

2.5. Credit Rating of the Country and Counterparty Relationship Management

The aim of relationship management with collaborating financial institutions is to regularly ensure the widest, safest and most reliable range of partners possible for collaboration with the Treasury, which would ensure competitive terms for the performance of financial transactions. Therefore, the Treasury organises the regular preparation of analytical materials and operational provision of information to counterparties by implementing a set of targeted and structured communication measures.

2. Accomplishments in Central Government Debt and Cash Management

In 2023, the Treasury together with counterparties, credit rating agencies and investors continued to communicate both remotely and via on-site meetings by providing the most up-to-date information about the situation in the Latvian economy, financial market, public finances, as well as the national borrowing strategy, thereby also ensuring the dissemination and explanation of information to the investor community, which decides on investments into government securities.

The national credit rating is a critical aspect in organising borrowing transactions, and a significant factor for the availability of financial resources, as it has an influence on the price of the borrowed resources. Based on the available information, including the country's credit rating, investors evaluate the prospects of investing in Latvia, e.g., in government securities.

Within the scope of central government debt management, the Treasury organises the credit rating assessment of the Republic of Latvia, using the three largest international credit rating agencies: *Fitch Ratings*, *S&P Global* and *Moody's Investors Service*, as well as the Japanese rating agency *R&I*. Credit rating agencies not only review the credit rating of the Republic of Latvia and its outlook every year, but also assign a credit rating to government securities. Once a year, the inter-agency working group led by the Treasury informs the Cabinet of the national credit rating of the Republic of Latvia and the factors affecting it.

In 2023, the Treasury provided regular, proactive, comprehensive information to the credit rating agencies on the situation in the country, to facilitate the agencies to make objective decisions on the credit rating of the Republic of Latvia and the future development thereof. In 2023, the credit rating of Latvia steadily remained at a high, investment-safe position in the "A" group: *Moody's Investors Services*, *S&P Global* and *Fitch Ratings* maintained the credit rating of Latvia at the previous levels. *Moody's* maintained an unchanged (stable) credit rating outlook. On 28 July 2023, *Fitch Ratings* changed the credit rating outlook from stable to positive, justifying its decision by resilience to external shocks demonstrated by Latvia as a small and open economy, strong fiscal performance in the first half of 2023, and an expected decline in inflation. *S&P Global* also maintained an unchanged (negative) credit rating outlook for 2023, after changing it from stable to negative in December 2022. In 2023, the Japanese credit rating agency *R&I* maintained Latvia's credit rating and its outlook (stable) without changes.

Latvia's credit rating in group "A" is maintained by:

- 1) security guarantees of NATO membership, as well as membership of the European Union and the euro area;
- 2) flexibility, resilience and adaptability of the Latvian economy to rapid changes and external factors;
- 3) comparatively low central government debt to GDP and moderate debt servicing costs as compared to the average indicators of the countries with the credit rating level "A";
- 4) reliability of the implemented policy and the capacity of the government.

2.6. Central Government Debt Portfolio Management

The goal of central government debt portfolio management is to optimise the central government debt servicing costs over the long term while hedging financial risks of the central government debt portfolio. The Treasury assesses the debt portfolio structure parameters, as well as the need to change them on a regular basis. Based on the assessment of the Treasury's experts, financial market forecasts, as well as the results of modelling costs and interest rate risk, the weighted average fixed-period interest rate and fixed-rate ratio values that ensure an optimum balance between the costs and the interest rate risk (see Figure 11) are determined.

Whereas for currency risk management, an optimal currency structure of net debt is determined and monitored by considering the financial market forecasts and the assessment of the Treasury's experts, and it allows compliance with the balance of assets and liabilities in foreign currencies, thus avoiding the impact caused by exchange rate fluctuations.

In 2023, all the indicators of the debt structure as defined in the Central Government Debt and Cash Management Strategy have been complied with (see Table 2).

In previous years, during the period of historically lowest interest rates, borrowing was carried out with longer-term financial instruments, fixing low interest rates for the long term. This contributed to an increase in the weighted average fixed period (duration) and a decrease in the weighted average interest rate of the debt portfolio. In 2023, as interest rates in the financial markets continued to increase in accordance with the principle defined in the Central Government Debt and Cash Management Strategy, the terms of the issued securities were relatively short (about six years on average), as a result of which the average weighted fixed duration stayed at the level of the previous year, but the average weighted rate of the central government debt portfolio increased.

Debt-servicing costs are increasing in response to the upward trend in interest rates in financial markets, influenced by monetary policy measures to contain inflation, but the increase in interest expenditure has been gradual due to borrowings carried out during the low interest rate period with low long-term fixed interest rates.

Figure 11. Basic principles of central government debt portfolio management

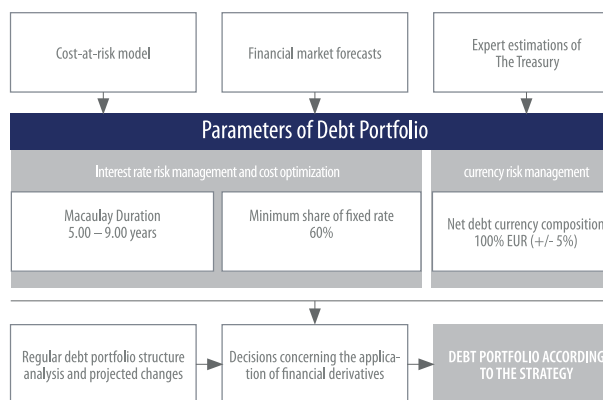


Table 2. Compliance of the parameters of the central government debt structure with the parameters of the central government debt portfolio structure defined in the Central Government Debt and Cash Management Strategy

Debt portfolio parameters	Strategy		31.12.2023	
	≤ 1 year	≤ 3 years	≤ 1 year	≤ 3 years
Maturity profile (%) of central government debt portfolio	≤ 25%	≤ 50%	16.00%	38.20%
Share of fixed interest rate in the central government debt portfolio	≥ 60%		83.70%	
Weighted average fixed duration of the interest rates in years	5.00-9.00		5.90	
Net debt currency composition	100% (+/- 5%)		100.06%	

2. Accomplishments in Central Government Debt and Cash Management

2.7. Cash Management

In 2023, the Treasury ensured cash management in accordance with the applicable Central Government Debt and Cash Management Strategy approved by the Minister of Finance, ensuring liquidity risk management and considering the most favourable conditions for permissible investment transactions.

Cash management in 2023 has been implemented within the context of high uncertainty, mainly due to geopolitical factors. In response to rising inflation, the European Central Bank continued the restrictive monetary policy launched in 2022 (base interest rate increase), as a result of which base interest rates increased by 2.0% until the end of 2023, reaching the highest level over the last 20 years – 4.0%. In 2023, the Treasury maintained the reserve of resources in accounts in the Bank of Latvia and the European Central Bank, and the temporarily available funds were deposited into short-term term deposits, limiting financial risks as much as possible and ensuring the operative availability of liquid resources to cover the financing need.

2.8. Performance Indicators of Operational Targets

The target and indicators of the operational direction are achieved.

Table 3.

Performance indicators of the operational targets for central government debt and cash management

Result	Performance indicator	Numerical values of the performance indicator in 2023	
		Planned	Implemented
1. Availability of financial resources to cover the financing need at possibly lower debt servicing costs in the long term while ensuring the hedging of financial risks.	1.1. The indirect interest rate of Latvian general government debt ⁴ does not exceed the average of euro area countries with a similar and one grade higher credit rating for the year concerned (the minimum positive deviation of the Latvian indicator from the euro area average, in basis points).	0	-51
<i>The indicator is met. The indirect interest rate of Latvian general government debt was 1.6% in 2023, which is 51 basis points lower than the average of euro area countries with a similar and one grade higher credit rating for the year concerned.</i>			
2. Availability of financial resources to cover the financing need at low debt servicing costs in the long term while ensuring the hedging of financial risks.	2.1. Interest expense of the current year to the preceding year's central government debt ratio (permissible positive deviation from the preceding year in basis points). ⁶	50	24
<i>The indicator is met. The Treasury provided the financial cover for covering the total financing need in 2023 by borrowing EUR 3 650 billion with financially favourable conditions. Additional tranches of EUR 1 095 billion of Eurobonds in circulation in the internal financial market have been performed (with maturities from 2026 to 2033 and a yield from 3.519% to 4.161%, depending on the maturity and the market situation), and savings bonds in the amount of EUR 0.255 billion were issued as well. Resources in the amount of EUR 2 100 billion were raised in international financial markets through three Eurobond issues maturing in 2028, 2029 and March 2033. In addition to borrowings in the financial markets, a 15-year loan of EUR 200 million from the European Investment Bank was obtained on financially favourable terms to co-finance the projects of the EUR Funds Programming Period 2014–2020.</i>			
3. The regular offer of government securities in the internal financial market has been maintained.	3.1. Outstanding amount of government securities, which at the initial placement were issued in the domestic financial market at the end of the five-year period, is not less than the amount at the beginning of the five-year period (minimum difference between the outstanding amount of securities at the end of the relevant year and beginning of 2020, EUR million). ⁷	0	2 170

⁴ Main interest rate of refinancing operations, interest rate of overnight loan facilities, interest rate of overnight deposit facilities.

⁵ In accordance with the Stability Programme methodology, the indicator is determined by dividing the debt servicing interest expense of the general government debt for the current year in the relevant country by the preceding year's amount of general government debt (using EUROSTAT data on the basis of ESA 2010).

⁶ The value of the performance indicator is the difference between the ratio value of the current and preceding year in basis points, determined in accordance with the calculation methodology referenced in footnote 3 of the Operational Strategy of the Treasury. Overrun of the performance indicator in the current year is only permissible if transactions resulting in reduced interest expense in the medium and long term are effected within the central government debt management during the year concerned.

⁷ During the five-year period (2020–2024), negative numerical values of the performance indicator are allowed in certain years, provided that the performance indicator is fulfilled at the end of the five-year period, i.e., at the end of 2024.

2. Accomplishments in Central Government Debt and Cash Management

Result	Performance indicator	Numerical values of the performance indicator in 2023	
		Planned	Implemented
<p>The indicator is met. In the domestic financial market, additional tranches of EUR 1 095 billion Eurobonds in circulation originally issued in international markets were made in 2023. The amount of government securities in circulation at the end of 2023 compared to the beginning of 2020 has increased by EUR 2 170 billion (performance indicator is met)</p>			
4. Digital transformation of the government debt and cash management process has been ensured.	4.1. At the end of 2026, the level of technological maturity of the central government debt and cash management process is at least one degree higher compared to the assessment at the end of 2023 (level at the end of the year ⁸).	3	3
<p>The indicator is met. The project of the Treasury "Digital Transformation of the Central Government Debt and Cash Management Process" has been completed, within the scope whereof the optimisation of the central government debt and cash management process was ensured, by transforming it digitally, creating BI solutions for processing and accessing analytical information and operational data for financial management decision-making in the field of central government debt and cash management, reducing the workload of information collection and processing by about 90%, as well as ensuring the competence development of the involved Treasury experts to ensure the sustainability and further development of business intelligence solutions. According to the independent external assessment, the level of technological maturity (3) of the central government debt and cash management process achieved at the end of 2023 is one degree higher compared to the end of 2019.</p>			
5. The volume of savings bonds owned by private individuals increased.	5.1. The volume of savings bonds owned by private individuals at the end of the relevant year, EUR million.	200	253
<p>The indicator is met. Efforts have been made to improve the savings bond offer, enabling citizens to buy savings bonds quickly, securely and easily on the website www.krajobligacijas.lv that meets modern requirements and is also adapted for use on mobile devices. By widely informing the public about the possibilities and advantages of purchasing savings bonds, the demand for this State-ensured investment instrument has been stimulated, resulting in private investment in savings bonds reaching EUR 253 million in 2023.</p>			

⁸ In accordance with the technological maturity evaluation model according to which the level of technological maturity of the Treasury e central government debt and debt and cash management process was assessed within the framework of the project "Digital Transformation of the Central Government Debt and Cash Management Process in the Treasury of the Republic of Latvia" implemented with the support of the European Commission Structural Reform Support Programme in 2020 or according to similar methodology.

2.9. Steps Planned for 2024

In December 2021, Latvia was the first of the Baltic and Scandinavian countries to issue sovereign sustainable bonds, demonstrating its commitment to achieving the goals set for mitigating climate change consequences and ensuring climate neutrality, as well as in achieving social goals. In view of the development of sustainable financial instruments and the growing interest of investors, the Operational Strategy of the Treasury for 2023–2026 prescribes the task to introduce sustainable, social or green government debt securities as a regular borrowing instrument, as part of an overall borrowing strategy (to the extent possible within an appropriate level of State budget expenditure). Within the scope of the inter-ministerial working group, in 2024, the updating of the framework of sustainable government securities of Latvia will commence.

In order to contribute to the achievement of the medium-term objectives for the volume of savings bonds owned by private individuals set out in the Operational Strategy of the Treasury for 2023–2026, measures will be continued to develop and maintain savings bonds as a service provided to private individuals by ensuring the management of the public offering of savings bonds in line with the overall borrowing strategy, a convenient and secure option for purchasing savings bonds in line with modern digital service provision requirements, and taking regular measures to stimulate and promote demand for savings bonds.

In the medium term, the Treasury will continue its digital transformation of central government debt and cash management, streamlining it with the help of information technologies and achieving an even higher level of digital maturity of the process for the more efficient, rational and effective use of time, human and information technology resources.

3. Accomplishments in State Loan and Guarantee Management

3.1. Description of the Situation and Development Trends

Goal of the Operational Direction

To ensure the availability of financial resources (incl. long term) for candidates for State loans in the form of a State loan on financially favourable terms through quality service, and to ensure the State guarantee supervision process, while limiting the credit risks of the State loans and guarantees.

Section 36 of the Law on Budget and Financial Management defines the range of subjects and purposes eligible for a State loan, while the legal provisions of Section 37 regulate the provision of a State guarantee, inter alia, state the obligations for which a State guarantee may be provided. It is important for the Treasury to ensure the availability of financial resources for the implementation of economically significant investment projects co-financed by the EU on financially favourable terms, thus reducing the non-implementation of projects or freezing risks (e.g., due to insufficient financial flows), and availability and quality risks of the services provided to citizens.

The Treasury grants and services State loans, inter alia, supervises the due fulfilment of the obligations according to Cabinet Regulation No. 888 of 21 December 2021 “Procedure by which Sectoral Ministries or Other Central Government Institutions Include State Loan Requests in the Annual State Budget Draft Law, and Procedure According to which State Loans are Granted and Serviced”. According to the procedure prescribed by the Cabinet, the Treasury takes part in the provision of State-issued guarantees, as well as regularly analyses and monitors the financial position of State-guaranteed project implementers.

In 2023, the timely and proper assessment of credit quality and adequacy of the provisions to cover potential losses built on that basis has been ensured. The determination and accounting of the value of security (collateral) has been significantly revised, facilitating the process of monitoring the borrowers and reducing the number of cases when it is necessary to submit an updated assessment by a certified appraiser, thus reducing the administrative and cost burden for the borrower during the term of the loan agreement.

During the period of the Operational Strategy of the Treasury for 2023–2026, it is planned to issue sustainable State loans, promoting the development of the

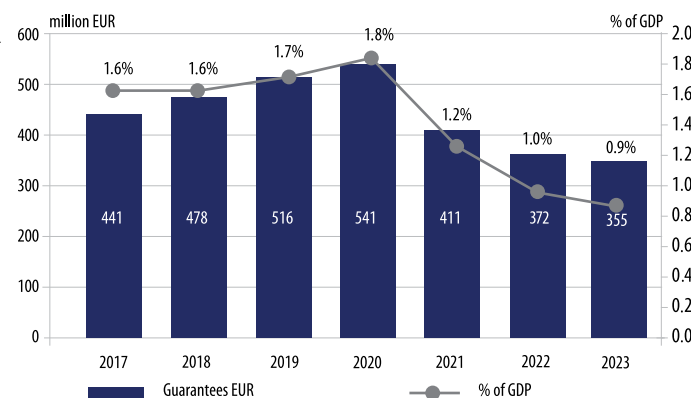
sustainable financial market segment and moving towards climate neutrality (for them to account for at least 5% of all State loans issued in the current year under the general procedure in 2025), and to achieve this, in 2023, a study on the conditions and technical challenges of implementing a “green loan” solution was carried out.

3.2. State-Issued Guarantees

The Law on the State Budget for 2023 and Budgetary Framework for 2023, 2024 and 2025 did not provide for granting new State-issued guarantees; however, it prescribed that, in line with the law On Agriculture and Rural Development and Development Financial Institution Law, the State, in the amount of EUR 250.0 million, shall be liable for the guarantees issued by AS Attīstības finanšu institūcija Altum.

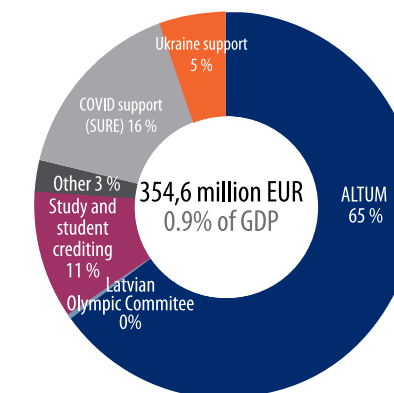
At the end of 2023, the amount of State-issued guarantees was EUR 541.9 million, comprised of the disbursed but not yet repaid part of the State-issued guarantee in the amount of EUR 354.6 million and not yet disbursed but still available part of the State-issued guarantee in the amount of EUR 187.3 million. The total balance of the State-issued guarantees at the end of 2023 was EUR 354.6 million or 0.9% of GDP.

Figure 12.
Balance of State-issued guarantees as at 31 December 2023 (million EUR)



The State issued guarantee portfolio is comprised of guarantees to AS Attīstības finanšu institūcija Altum for the guarantees issued by it to credit institutions for farmers’ borrowings (over-guarantees), guarantees to the European Investment Bank for loans issued by AS Attīstības finanšu institūcija Altum within the framework of the business competitiveness improvement support programme and crediting the development of small and medium enterprises of Latvia (EUR 230.0 million), guarantees for the crediting of studies and students (EUR 38.4 million), as well as, on the basis of the Law on Measures for the Prevention and Suppression of Threat to the State and Its Consequences Due to the Spread of Covid-19, a guarantee to the European Commission in the amount of EUR 57.1 million for Latvia’s participation in SURE, and, on the basis of the Law on Assistance to Ukrainian Civilians, guarantees to the World Bank and the European commission for support to Ukraine in the amount of EUR 18.1 million and to LOK in the amount of EUR 1.2 million. In the future, it is expected that an increasingly larger share in the State-issued guarantee portfolio will be comprised of support to small and medium enterprises and implementation of other State support programmes.

Figure 13.
State-issued guarantee portfolio, by borrower on 31.12.2023



Despite the full-scale Russian invasion of Ukraine, the rise in global energy prices and the European Central Bank’s multiple interest rate hikes, these factors have not had a significant impact on the fulfilment of the State-issued guarantees.

3. Accomplishments in State Loan and Guarantee Management

3.3. State Loans

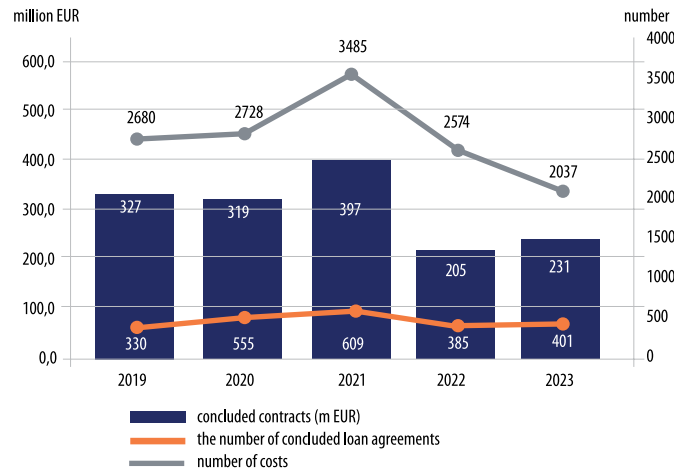
The Law on State Budget for 2023 and Budgetary Framework for 2023, 2024 and 2025 prescribed the total increase of the State budget loans in the amount of EUR 334.5 million, including the total increase of the local governments' borrowings by EUR 178.1 million. In turn, the total State loan portfolio as at 31 December 2023 was EUR 2 261.0 million – which is EUR 136.7 million more than in 2022.

In the State loan credit portfolio, the largest share is still made up of loans to local governments in the amount of EUR 1 808.0 million, which have increased by EUR 73.5 million compared to 2022.

3.3.1. State Loans to Local Governments and Entities Managed and Funded by Local Government Bodies

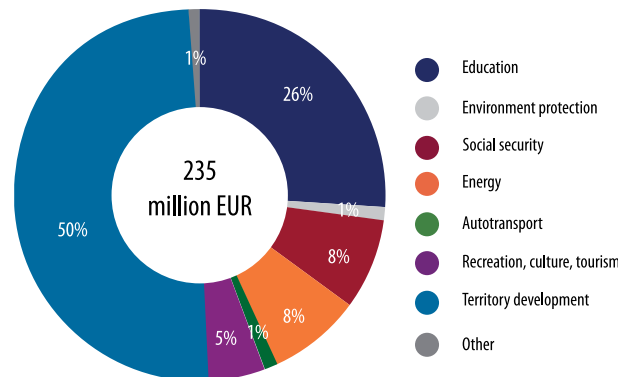
In 2023, 401 State loan agreements were concluded for a total amount of EUR 231.0 million, of which 370 loan agreements were concluded for a total amount of EUR 199.0 million for the implementation of EU projects, 31 loan agreements for a total amount of EUR 32.0 million – for the implementation of priority investment projects of each local government.

Figure 14. Dynamics of State loans to local governments (2019–2023)



State loans in the amount of EUR 244.4 million or 76% of the total amount of State loans were issued to local government bodies, incl. EUR 234.6 million for local governments.

Figure 15. State loans issued to local governments in 2023, by purpose



3.3.2. State Loans to Central Government Bodies

State loans in the amount of EUR 29.1 million or 9% of the total volume of State loans have been granted to economic operators controlled and financed by public bodies²³, of which EUR 28.7 million was issued to the AS Attīstības finanšu institūcija Altum for the implementation of State aid (small and medium-sized enterprises, agriculture, start-ups, etc.) and EUR 0.4 million – to scientific institutes and universities for the implementation of projects co-financed by the EU (development of research infrastructure, improvement of energy efficiency in buildings, etc.).

3.3.3. State Loans to Non-Financial Corporations⁹

State loans in the amount of EUR 47.1 million or 15% of the total volume of State loans were granted to non-financial corporations, incl. State loans in the amount of EUR 41.5 million for local government capital companies for the implementation of projects co-financed by the EU, in order to ensure the provision of services of economic interest (implementation of heat supply, water supply and sewerage projects, etc.).

⁹ Institutional units which are independent legal entities and market producers whose main activity is the production of goods and the provision of non-financial services.

3. Accomplishments in State Loan and Guarantee Management

3.4. Performance Indicators of Operational Targets

The target and indicators of the operational direction are achieved.

Table 4.
Performance indicators of the operational targets for State loan and guarantee management

Result	Performance indicator	Numerical values of the performance indicator in 2023	
		Planned	Implemented
1. A customer-orientated central government lending and monitoring process on financially favourable terms ensured.	1.1. The amount of loans of local governments and their capital companies guaranteed by local governments from the Treasury out of the total amount of borrowings by local governments and their capital companies guaranteed by local governments.	85	100
<i>The indicator is met. The Treasury ensures a high-quality State loan granting and servicing process and provides State loans on favourable financial terms. The Treasury regularly assesses the State loan service, defining precise requirements for the quality thereof. Simplified process for obtaining the State loan, by reducing the administrative burden and automating the loan servicing process.</i>			
2. A customer-orientated central government lending and monitoring process on financially favourable terms ensured.	2.1. Satisfaction with the quality of services received through the implementation of the central government lending process is not lower than 85% (% of customers surveyed ¹⁰).	85	0
<i>The survey was carried out in 2022, achieving a customer satisfaction rate of 94%. In accordance with the requirements of documents governing the Treasury's quality management system, customer satisfaction surveys must be carried out at least once per three years. The next survey will be carried out in 2025.</i>			
3. Timely and proper assessment of credit quality and adequacy of the provisions to cover potential losses built on such basis ensured.	3.1. For a borrower who has not made a regular payment of principal or interest provided for in a State loan or government guaranteed loan agreement, provisions have been made in advance for at least the amount of the outstanding payment (% of all cases)	100	100
<i>The indicator is met. The Treasury ensures a high-quality process for monitoring the creditworthiness of State loan borrowers, ensuring the timely and accurate assessment of credit quality and the adequacy of the underlying provisions to cover potential losses. The Treasury regularly reviews its policy for monitoring the creditworthiness of State loan borrowers and regularly monitors the creditworthiness of its customers and the fulfilment of loan conditions.</i>			

3.5. Steps Planned for 2024

The Treasury will continue enhancements of *eAizņēmumi* and State loan granting, facilitating even more efficient State loan granting and servicing, further developing and improving the functionality of the *eAizņēmumi* system to provide a more convenient and transparent environment for customers. At the same time, the automatic generation of conditions of the loan agreement concluded in the *eAizņēmumi* system in SAP ERP will be launched.

In order to promote the sustainable development of the financial market segment in Latvia and to move towards climate neutrality, the Treasury will continue to improve the regulatory framework to ensure the implementation of the objective set out in its strategy – to grant sustainable State loans for projects aimed at mitigating the negative impacts of climate change (to account for at least 5% of all State loans issued in the current year under general procedure in 2025).

¹⁰ In accordance with the requirements of documents governing the Treasury's quality management system, customer satisfaction surveys must be carried out at least once per three years. Both comprehensive customer surveys and surveys aimed at identifying satisfaction with a certain service, or satisfaction and needs of a particular customer segment are carried out as necessary.

4. Accomplishments in the Implementation of the Functions of the Certifying Authority of EU Funds and Foreign Financial Assistance

Goal of the Operational Direction

To organise and standardise the fulfilment of the functions of the Certifying Authority in a manner that ensures compliance with the requirements of the Granting Authorities and regulatory enactments of the Republic of Latvia, the timely receipt of funds from the Granting Authorities, and minimises the risk of ineligible expenditure being declared.

4.1. Description of the Situation and Development Trends

The Treasury is involved in the management of a number of programmes financed by foreign financial assistance (hereinafter – programmes), performing the following functions:

- 1) Functions of the Certifying Authority in the 2014–2020 Programming Period;
- 2) Functions of the Certifying Authority of the European Economic Area Financial Mechanism and the Norwegian Financial Mechanism;
- 3) Functions of the Accounting Authority of EU Funds in the 2021–2027 Programming Period;
- 4) Functions of the Paying Authority of the Swiss Cooperation Programme.

In fulfilling the referred-to functions, the Treasury ensures accounting of the resources received and spent, prepares and submits statements about the expenditures incurred within the scope of the assistance to the Granting Authority, and performs other duties related to financial management. Depending on the type of assistance, the Treasury also carries out inspections prescribed by laws and regulations, analyses information in its possession and the possible effect on the eligibility of the expenditures to be declared, and adjusts the expenditures to be declared, if necessary. In carrying out its functions, the Treasury worked closely with the other institutions involved in programme management, including the Managing Authority, the Audit Authority, the Cooperation Authority and the Programme Operators.

To minimise manual operations, and to use data available in the management information system of the Cohesion Policy funds as far as possible, it is important to create and pursue new solutions for preparing reports, *inter alia*, by accumulating information in the system about the process of preparing and verifying the report.

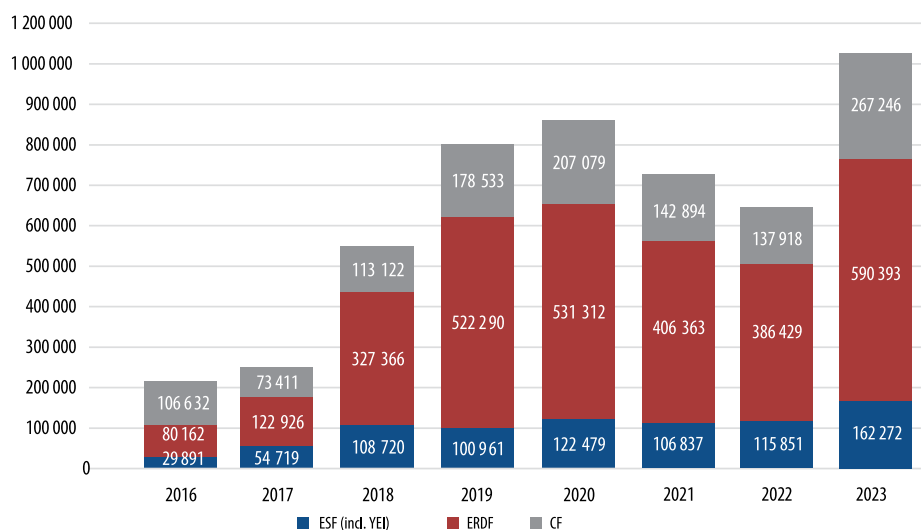
4.2. Functions of the Certifying Authority in the 2014–2020 Programming Period

In 2023, the Treasury continued submitting regular payment applications to the European Commission and receiving payments. The amount of expenditure to be declared in 2023 has increased compared to 2022 (see Figure 16), given that 2023 is the final year in which the beneficiary can make project expenditure.

implements six programmes, as well as the Technical Assistance Project and the Bilateral Cooperation Fund. Mid-term financial reports were submitted to the Financial Instrument Office, requiring EUR 12 820 thousand from the donor states. Repayments have been received in full for the submitted reports. The project eligibility period ended on 30 April 2024, so programme closure reports will have to be submitted in the first quarter of 2025 upon the closure of the programmes.

Figure 16.

Amount of expenditures declared to the European Commission (thousand EUR)



In line with the amendments to the European Commission's legislation, the deadline for the submission of closure documentation has been extended by one year to 15 February 2026, thus allowing Member States to resolve any issues related to the implementation of the projects, thereby reducing the risk of losing the programme allocation.

4.3. Functions of the Certifying Authority for the European Economic Area Financial Mechanism and the Norwegian Financial Mechanism 2014–2021

The financing available to Latvia is EUR 94.4 million (incl. EUR 9.0 million to be administered by the Financial Instrument Office and Innovation Norway). Latvia

4.4. Functions of the Accounting Authority in the EU Funds 2021–2027 Programming Period

Within the scope of the 2021–2027 programming period of the European Union Funds, EU Funds investments in the amount of EUR 4.24 million are planned. For Latvia to be able to receive and administer the financing available in the EU Funds programming period, to implement the programming period and to ensure compliance with the principle of sound financial governance, in 2023, the Treasury continued to support the Ministry of Finance in developing the legal framework, and established the Treasury Management and Control System for the preparation and submission of payment applications to the European Commission.

4. Accomplishments in the Implementation of the Functions of the Certifying Authority of EU Funds and Foreign Financial Assistance

4.5. Functions of the Paying Authority for the Swiss Cooperation Programme

With the conclusion of the Memorandum of Understanding between the EU and the Swiss Confederation on the Swiss Confederation's contribution to reducing economic and social disparities and cooperation in the field of migration in the European Union on 30 June 2022 and the signing of the Framework Agreement on 19 July 2023, Latvia has access to funding of 40 400 thousand Swiss francs (EUR 42 420 thousand indicative) for the second period of the contribution (2019–2029). In 2023, the Treasury provided the necessary support to the Ministry of Finance in the preparation of the Framework Agreement and the development of the draft law.

4.6. Performance indicators of operational targets

The target and indicator of the operational direction is achieved.

Table 5.
Performance Indicators of Operational Targets for the implementation of the functions of the Certifying Authority of EU Funds and Foreign Financial Assistance

Result formulation	Performance indicator	Numerical values of the performance indicator in 2023	
		Planned	Implemented
1. A positive rating ¹¹ of the Certifying Authority's management and control system by external auditors.	1.1. Assessment of the Certifying Authority's management and control system by external auditors is not below "2".	2	1

The indicator is met (exceeded). *The assessment of external auditors (Audit Authority) regarding the management and control system of the Certifying Authority of EU Funds and EEA/Norwegian Financial Mechanisms is "1" (works well, no or minor weaknesses identified), which exceeds the planned indicator value. The established management and control system of the Certifying Authority for the preparation of payment applications, account closure and financial statements complies with the requirements of the regulatory enactments, ensuring that all information necessary for the declaration of expenditure is taken into account.*

¹¹Rating categories in compliance with the laws and regulations governing the management of EU Funds ("1" – works well, no or minor weaknesses identified; "2" – works, but certain improvements are needed; "3" – works partially and substantial improvements are needed; "4" – not working, major weaknesses identified).

Activities of the Treasury in 2023

2023

5. Accomplishments in the Accounting and Bookkeeping Service

Goal of the Operational Direction

In line with the best practice of EU Member States and decision of the Cabinet, to create a shared service centre, over the medium term, for the provision of standardised accounting and bookkeeping services to the State direct administration institutions by means of a shared solution, thus ensuring the effective and rational use of the resources and credible, high-quality and reusable data.

5.1. Service Provision and Development Trends

In line with the move towards a small and efficient public administration, *inter alia*, by centralising support functions, the Treasury continues providing and developing the accounting and bookkeeping service for a number of central government budget institutions, providing them with equalised bookkeeping of accounting transactions, the preparation of financial statements in accordance with uniform basic principles, as well as maintains an information system of accounting and personnel records and the operational exchange of information. In 2023, the Treasury provided the accounting and bookkeeping service to 11 central government budget institutions; the State Chancellery, School of Public Administration, National Electronic Mass Media Council, Ministry of Finance, Procurement Monitoring Bureau, Lotteries and Gambling Supervisory Inspection, the Treasury, State Revenue Service, Central Finance and Contracting Agency, Fiscal Discipline Council and Public Electronic Mass Media Council.

The long-term development goal of the service is, in line with the best practice of the EU Member States, to create a shared service centre for the provision of standardised accounting and bookkeeping to the State direct administration institutions by means of shared personnel records and an accounting and bookkeeping solution, thus ensuring the effective and rational use of the resources and credible, high-quality and reusable data. By the end of 2026, the Shared Service Centre is expected to serve 80% of the public administration workforce.

The strategic vision of centralising the accounting and bookkeeping service covers about 175 State direct administration institutions – ministries, subordinate bodies and independent bodies. The decision on the scope of the institutions, the centralisation model and its implementation is based on the results of the analysis of the EU Technical

Assistance Mechanism project “Development of a Shared Service Centre for Public Administration in Latvia”.

In 2023, the creation of a centralised platform for accounting, personnel records, budget planning and financial management and the creation of a shared service was launched within the framework of the European Union Recovery and Resilience Facility Plan investment 2.1.2.1.i. “Centralised Platforms and Systems for Administration” project No. 2.1.2.1.i.0/1/23/1/VARAM/009 “Shared planning of state financial resources and provision of administrative accounting services for public administration, implementation of unified resource management” was launched.

5.2. Performance Indicators of Operational Targets

The target and indicators of the operational direction are achieved.

Table 6.

Performance Indicators of Operational Targets for the provision of accounting services

Result formulation	Performance indicator	Numerical values of the performance indicator in 2023	
		Planned	Implemented
1. Accounting service to central government budget institutions provided.	1.1. Central government budget institutions receiving the accounting service provided by the Treasury (number) ¹² .	11	11
<i>The indicator is met. Service provided in accordance with the agreements, cooperation contracts and internal rules of the Ministry of Finance.</i>			
2. The Treasury's customer expectations have been identified, and the provided services have been improved accordingly.	2.1. Satisfaction with the quality of the accounting and bookkeeping service received is not lower than the determined numerical value (%) ¹³ .	70	0
<i>The survey was carried out in 2022, achieving a customer satisfaction rate of 84%. In accordance with the requirements of documents governing the Treasury's quality management system, customer satisfaction surveys must be carried out at least once per three years.</i>			
3. Unified use of information systems' self-service portal modules.	3.1. Usability of information systems' self-service portal modules (% of total number of modules attributable to the institution).	97	100

¹² Numerical value of the performance indicator may be specified according to the decisions taken on the further development of the service.

¹³ In accordance with the requirements of documents governing the Treasury's quality management system, customer satisfaction surveys are carried out at least once per three years. Both comprehensive customer surveys and surveys aimed at identifying satisfaction with a certain service, or satisfaction and needs of a particular customer segment are carried out as necessary.

5.3. Steps Planned for 2024

In 2024, voluminous works are planned for implementing shared solutions, ranging from the definition of standardised processes, development of design concept, creation of configurations, architectural planning and user management. Significant data migrations from current solutions are also planned for the end of the year.

In order to start providing the service to the institutions of the Ministry of Health, Ministry of Economy, Ministry of Environmental Protection and Regional Development, Ministry of Climate and Energy, and Ministry of Agriculture, it is planned to develop the legal framework, including the cooperation and responsibilities of the shared service centre and the institutions.

Significant work is also planned in change management, as according to the Payroll Accounting System data, there are currently more than 100 accounting specialists working in these institutions and, in line with the Cabinet decision, from 1 January 2025, accounting specialists will work in a shared service centre, providing a centralised service.

6. Accomplishments Under the Governance of the Institution

Goal of the Operational Direction

To shape a modern public administration institution with professional, innovative, self-development and cooperation-orientated employees in a supportive working environment for achieving the strategic objectives of the Treasury.

6.1. Funding of the Treasury and the Spending Thereof

In 2023, resources for covering expenditure in the budget of the Treasury were comprised of a grant from the general revenue.

In 2023, the Treasury (within the institutional sector of the Ministry of Finance) implemented the following basic budget programmes and sub-programmes:

- 1) Programme 31.00.00 "Central Government Budget Implementation and Central Government Debt Management":
 - 31.01.00 Sub-Programme "Budget Implementation";
 - 31.02.00 Sub-Programme "Central Government Debt Management";
- 2) Sub-Programme 41.03.00 "Contributions to International Organisations";
- 3) Sub-Programme 63.20.00 "Technical Assistance for the Absorption of the European Social Fund (ESF) (2014–2020)";
- 4) Sub-Programme 70.50.00 "Technical Assistance for the Absorption of ERDF, ESF+, CF, JTF Funding (2021–2027)";
- 5) Sub-Programme 71.05.00 "Technical Assistance for the Absorption of the European Economic Area Financial Mechanism and the Norwegian Government Bilateral Financial Mechanism (2018–2025)";
- 6) Sub-Programme 72.05.00 "Technical Assistance for the Absorption of the Latvian-Swiss Cooperation Programme. Technical Assistance of the Latvian-Swiss Cooperation Programme for 2023–2029";
- 7) Sub-Programme 74.06.00 "Projects and Activities of the Recovery and Resilience Facility (RRF) for 2021–2026".

The objective of the Sub-Programme "Budget Implementation" is to ensure efficient and economical central government general budget implementation and supervision, and the compliance of the services provided by the Treasury with the best financial management practice.

The objective of the Sub-Programme "Central Government Debt Management" is to ensure, in a timely manner, the availability of financial resources for covering the funding needs of the central government debt at optimal service costs in the long term, while hedging financial risks and at the same time contributing to the development of the domestic financial market.

The objective of the Sub-Programme "Contributions to International Organisations" is to ensure the fulfilment of the financial obligations of the Republic of Latvia, by performing, in a timely manner and to a full extent, the annual membership fees to the international financial organisations, as well as performing the payments into the capital and/or reserves of such international financial institutions, where the Republic of Latvia is the holder of the capital shares, ensuring the fulfilment of the assumed obligations, inter alia, Latvia's participation in the financing mechanism of the International Monetary Fund "Financial Transactions Plan".

The objective of the Sub-Programme "Technical Assistance for the Absorption of the European Social Fund (ESF) (2014–2020)" is to ensure funding for the implementation of the project financed by the ESF. The objective of the project is to build the capacity of the Treasury in order to ensure the quality and efficient performance of the functions of the Certifying Authority of EU Funds, as well as to raise the qualification of the employees of the Certifying Authority, by attending training, conferences, seminars and other events.

The objective of the Sub-Programme "Technical Assistance for the Absorption of ERDF, ESF+, CF, JTF Funding (2021–2027)" is to further build the capacity of the Treasury for ensuring the effective fulfilment of the functions of the Certifying Authority for EU Funds.

The objective of the Sub-Programme "Technical Assistance for the Absorption of the European Economic Area Financial Mechanism and the Norwegian Government Bilateral Financial Mechanism (2018–2025)" is to ensure funding for the implementation of the project financed by the European Economic Area Financial Mechanism and the Norwegian Government Bilateral Financial Mechanism.

The objective of the Sub-Programme "Technical Assistance for the Absorption of the Latvian-Swiss Cooperation Programme for 2023–2029" is to contribute to the efficient and effective implementation of the Swiss-Latvian cooperation programme by covering the costs incurred by the Latvian national structures.

The objective of the Sub-Programme "Projects and Activities of the Recovery and Resilience Facility (RRF) for 2021–2026" is to create a centralised platform in the field of accounting, personnel records, budgeting and financial management for direct public administration authorities to promote efficiency, digital transformation and optimisation of the State funds.

In 2023, the Treasury did not carry out any research and development work.

6. Accomplishments Under the Governance of the Institution

Table 7.
Central government basic budget financing and the spending thereof
(summary by all (MoF institutional) programmes, EUR)

No. personal ID No	Financial indicators	In the previous year (actual implementation)	In the reporting year	
			approved by amendments to the law	actual implementation
1.	Financial resources for covering expenditures (total)	213 490 710	247 884 964	242 056 626
1.1.	Grant from the general revenue	213 490 710	247 884 964	242 056 626
1.2.	Chargeable services and other own revenue	0	0	0
1.3.	Foreign financial assistance	0	0	0
1.4.	Donations and gifts	0	0	0
2.	Expenditure (total)	213 490 710	247 884 964	242 056 626
2.1.	Maintenance costs (total)	212 635 751	247 109 206	241 331 720
2.1.1.	Running costs	11 382 414	13 130 692	12 914 646
2.1.2.	Interest expense	164 128 135	199 054 772	194 020 989
2.1.3.	Subsidies, grants and social benefits	0	0	0
2.1.4.	Regular payments into the European Community budget and international cooperation	5 098 032	23 712 450	23 544 793
2.1.5.	Maintenance cost transfers			
2.2.	Expenditure for capital investments	854 959	775 758	724 906
3.	Financial balance	32 027 170	11 211 292	10 851 292
4.	Financing	-32 027 170	-11 211 292	-10 851 292
4.2.	Shares and other holdings in the equity of economic operators	-32 027 170	-11 211 292	-10 851 292

6. Accomplishments Under the Governance of the Institution

Table 8.
Central government basic budget financing and the spending thereof
for the Basic Budget Programme
“Budget Implementation and Central Government Debt
Management” (EUR)

No. personal ID No.	Financial indicators	In the previous year (actual implementation)	In the reporting year	
			approved by amendments to the law	actual implementation
1.	Financial resources for covering expenditures (total)	176 146 834	212 246 983	206 970 275
1.1.	Grant from the general revenue	176 146 834	212 246 983	206 970 275
1.2.	Chargeable services and other own revenue	0	0	0
1.3.	Foreign financial assistance	0	0	0
1.4.	Donations and gifts	0	0	0
2.	Expenditure (total)	176 146 834	212 246 983	206 970 275
2.1.	Maintenance costs (total)	175 291 875	211 471 225	206 245 369
2.1.1.	Running costs	11 163 740	12 416 453	12 224 380
2.1.2.	Interest expense	164 128 135	199 054 772	194 020 989
2.1.3.	Subsidies, grants and social benefits	0	0	0
2.1.4.	Regular payments into the European Community budget and international cooperation	0	0	0
2.1.5.	Maintenance cost transfers	0	0	0
2.2.	Expenditure for capital investments	854 959	775 758	724 906
3.	Financial balance	0	0	0
4.	Financing	0	0	0

6. Accomplishments Under the Governance of the Institution

Table 9.
Central government basic budget financing and the spending thereof
for the Basic Budget Programme "Budget Implementation" (EUR)

No. personal ID No.	Financial indicators	In the previous year (actual implementation)	In the reporting year	
			approved by amendments to the law	actual implementation
1.	Financial resources for covering expenditures (total)	9 324 998	10 615 811	10 404 009
1.1.	Grant from the general revenue	9 324 998	10 615 811	10 404 009
1.2.	Chargeable services and other own revenue	0	0	0
1.3.	Foreign financial assistance	0	0	0
1.4.	Donations and gifts	0	0	0
2.	Expenditure (total)	9 324 998	10 615 811	10 404 009
2.1.	Maintenance costs (total)	8 470 039	9 840 053	9 679 103
2.1.1.	Running costs	8 470 039	9 840 053	9 679 103
2.1.2.	Interest expense	0	0	0
2.1.3.	Subsidies, grants and social benefits	0	0	0
2.1.4.	Regular payments into the European Community budget and international cooperation	0	0	0
2.1.5.	Maintenance cost transfers	0	0	0
2.2.	Expenditure for capital investments	854 959	775 758	724 906
3.	Financial balance	0	0	0
4.	Financing	0	0	0
4.1.	Increase (-) or decrease (+) in the change of balances of funds from chargeable services and other own revenues	0	0	0
	revenues			

6. Accomplishments Under the Governance of the Institution

Table 10.
Central government basic budget financing and the spending thereof
for the Basic Budget Sub-Programme
“Central Government Debt Management” (EUR)

No. personal ID No.	Financial indicators	In the previous year (actual implementation)	In the reporting year	
			approved by amendments to the law	actual implementation
1.	Financial resources for covering expenditures (total)	166 821 836	201 631 172	196 566 266
1.1.	Grant from the general revenue	166 821 836	201 631 172	196 566 266
1.2.	Chargeable services and other own revenue	0	0	0
1.3.	Foreign financial assistance	0	0	0
1.4.	Donations and gifts	0	0	0
2.	Expenditure (total)	166 821 836	201 631 172	196 566 266
2.1.	Maintenance costs (total)	166 821 836	201 631 172	196 566 266
2.1.1.	Running costs	2 693 701	2 576 400	2 545 277
2.1.2.	Interest expense	164 128 135	199 054 772	194 020 989
2.1.3.	Subsidies, grants and social benefits	0	0	0
2.1.4.	Regular payments into the European Community budget and international cooperation	0	0	0
2.1.5.	Maintenance cost transfers	0	0	0
2.2.	Expenditure for capital investments	0	0	0

6. Accomplishments Under the Governance of the Institution

Table 11.
Central government basic budget financing and the spending thereof
for the Basic Budget Sub-Programme
“Contributions to International Organisations” (EUR)

No. personal ID No.	Financial indicators	In the previous year (actual implementation)	In the reporting year	
			approved by amendments to the law	actual implementation
1.	Financial resources for covering expenditures (total)	32 125 202	34 923 742	34 396 085
1.1.	Grant from the general revenue	32 125 202	34 923 742	34 396 085
1.2.	Chargeable services and other own revenue	0	0	0
1.3.	Foreign financial assistance	0	0	0
1.4.	Donations and gifts	0	0	0
2.	Expenditure (total)	98 032	23 712 450	23 544 793
2.1.	Maintenance costs (total)	0	0	0
2.1.1.	Running costs	0	0	0
2.1.2.	Interest expense	0	0	0
2.1.3.	Subsidies, grants and social benefits	0	0	0
2.1.4.	Regular payments into the European Community budget and international cooperation	98 032	23 712 450	23 544 793
2.1.5.	Maintenance cost transfers	0	0	0
2.2.	Expenditure for capital investments	0	0	0
3.	Financial balance	32 027 170	11 211 292	10 851 292
4.	Financing	-32 027 170	-11 211 292	-10 851 292
4.1.	Shares and other holdings in the equity of economic operators	-32 027 170	-11 211 292	-10 851 292

6. Accomplishments Under the Governance of the Institution

Table 12.
Central government basic budget financing and the spending thereof
for the basic budget sub-programme
“Technical Assistance for the Absorption of the European Social Fund
(ESF) (2014–2020)” (EUR)

No. personal ID No.	Financial indicators	In the previous year (actual implementation)	In the reporting year	
			approved by amendments to the law	actual implementation
1.	Financial resources for covering expenditures (total)	196 755	66 234	66 228
1.1.	Grant from the general revenue	196 755	66 234	66 228
1.2.	Chargeable services and other own revenue	0	0	0
1.3.	Foreign financial assistance	0	0	0
1.4.	Donations and gifts	0	0	0
2.	Expenditure (total)	196 755	66 234	66 228
2.1.	Maintenance costs (total)	196 755	66 234	66 228
2.1.1.	Running costs	196 755	66 234	66 228
2.1.2.	Interest expense	0	0	0
2.1.3.	Subsidies, grants and social benefits	0	0	0
2.1.4.	Regular payments into the European Community budget and international cooperation	0	0	0
2.1.5.	Maintenance cost transfers	0	0	0
2.2.	Expenditure for capital investments	0	0	0

6. Accomplishments Under the Governance of the Institution

Table 13.
Central government basic budget financing and the spending thereof
for the basic budget sub-programme
"Technical Assistance for the Absorption of ERDF, ESF+, CF, JTF
Funding (2021–2027)" (EUR)

No. personal ID No.	Financial indicators	In the previous year (actual implementation)	In the reporting year	
			approved by amendments to the law	actual implementation
1.	Financial resources for covering expenditures (total)	0	209 393	207 335
1.1.	Grant from the general revenue	0	209 393	207 335
1.2.	Chargeable services and other own revenue	0	0	0
1.3.	Foreign financial assistance	0	0	0
1.4.	Donations and gifts	0	0	0
2.	Expenditure (total)	0	209 393	207 335
2.1.	Maintenance costs (total)	0	209 393	207 335
2.1.1.	Running costs	0	209 393	207 335
2.1.2.	Interest expense	0	0	0
2.1.3.	Subsidies, grants and social benefits	0	0	0
2.1.4.	Regular payments into the European Community budget and international cooperation	0	0	0
2.1.5.	Maintenance cost transfers	0	0	0
2.2.	Expenditure for capital investments	0	0	0

6. Accomplishments Under the Governance of the Institution

Table 14.
Central government basic budget financing and the spending thereof
for the basic budget sub-programme
“Technical Assistance for the Absorption of the European Economic
Area and the Norwegian Financial Mechanism” (EUR)

No. personal ID No.	Financial indicators	In the previous year (actual implementation)	In the reporting year	
			approved by amendments to the law	actual implementation
1.	Financial resources for covering expenditures (total)	21 919	29 129	29 126
1.1.	Grant from the general revenue	21 919	29 129	29 126
1.2.	Chargeable services and other own revenue	0	0	0
1.3.	Foreign financial assistance	0	0	0
1.4.	Donations and gifts	0	0	0
2.	Expenditure (total)	21 919	29 129	29 126
2.1.	Maintenance costs (total)	21 919	29 129	29 126
2.1.1.	Running costs	21 919	29 129	29 126
2.1.2.	Interest expense	0	0	0
2.1.3.	Subsidies, grants and social benefits	0	0	0
2.1.4.	Regular payments into the European Community budget and international cooperation	0	0	0
2.1.5.	Maintenance cost transfers	0	0	0
2.2.	Expenditure for capital investments	0	0	0

6. Accomplishments Under the Governance of the Institution

Table 15.
Central government basic budget financing and the spending thereof
for the basic budget sub-programme
“Technical Assistance for the Absorption of the Latvian-Swiss
Cooperation Programme for 2023–2029” (EUR)

No. personal ID No.	Financial indicators	In the previous year (actual implementation)	In the reporting year	
			approved by amendments to the law	actual implementation
1.	Financial resources for covering expenditures (total)	0	3 500	2 442
1.1.	Grant from the general revenue	0	3 500	2 442
1.2.	Chargeable services and other own revenue	0	0	0
1.3.	Foreign financial assistance	0	0	0
1.4.	Donations and gifts	0	0	0
2.	Expenditure (total)	0	3 500	2 442
2.1.	Maintenance costs (total)	0	3 500	2 442
2.1.1.	Running costs	0	3 500	2 442
2.1.2.	Interest expense	0	0	0
2.1.3.	Subsidies, grants and social benefits	0	0	0
2.1.4.	Regular payments into the European Community budget and international cooperation	0	0	0
2.1.5.	Maintenance cost transfers	0	0	0
2.2.	Expenditure for capital investments	0	0	0

6. Accomplishments Under the Governance of the Institution

Table 16.
Central government basic budget financing and the spending thereof
for the basic budget sub-programme
“Projects and Activities of the Recovery and Resilience Facility (RRF)
for 2021–2026” (EUR)

No. personal ID No.	Financial indicators	In the previous year (actual implementation)	In the reporting year	
			approved by amendments to the law	actual implementation
1.	Financial resources for covering expenditures (total)	0	405 983	385 135
1.1.	Grant from the general revenue	0	405 983	385 135
1.2.	Chargeable services and other own revenue	0	0	0
1.3.	Foreign financial assistance	0	0	0
1.4.	Donations and gifts	0	0	0
2.	Expenditure (total)	0	405 983	385 135
2.1.	Maintenance costs (total)	0	405 983	385 135
2.1.1.	Running costs	0	405 983	385 135
2.1.2.	Interest expense	0	0	0
2.1.3.	Subsidies, grants and social benefits	0	0	0
2.1.4.	Regular payments into the European Community budget and international cooperation	0	0	0
2.1.5.	Maintenance cost transfers	0	0	0
2.2.	Expenditure for capital investments	0	0	0

In 2023, the central government budget funds have been used for achieving the operational directions and performance indicators set by the Treasury, as evidenced by the implementation indicators published in the Report, including the development of uniform principles for accounting and financial reporting of budgetary institutions, modernisation of *eServices – eKase, ePlāni, ePārskati, eTāmes, eAizņēmumi*, prescribing the measures for the transition of the Treasury’s ICT infrastructure to the State-federated cloud services, ensuring the digital transformation of the central government debt and cash management process, ensuring measures to increase the volume of savings bonds held by private individuals, maintaining the supply of government securities on the financial market, ensuring a customer-orientated process for issuing and monitoring State loans, ensuring the exercise of the functions of the Certifying Authority of the EU funds and foreign financial assistance, providing accounting services to central government budget institutions, etc. The Treasury’s move towards uniform accounting, personnel records, financial management and human resources management processes in the public administration is contributing to the digitisation and efficient use of State funds.

Within the scope of the horizontal measure of the State Chancellery to strengthen the capacity of the public administration by ensuring the remuneration for the groups of strategically important positions “Increasing the remuneration of employees in the direct public administration”, in 2023, EUR 51.6 thousand has been granted to the Treasury. The funding was used to establish equivalent and legally compliant remuneration for employees, including to achieve the lowest thresholds of monthly salaries.

Under the programmes implemented by foreign investments, the Treasury performs the functions of the certifying and paying authority (see tables for allocation and Chapter 4 of this Report for more details on the

6. Accomplishments Under the Governance of the Institution

State Procurements

The Treasury undertakes procurements in accordance with the Public Procurement Law by applying an open tender, negotiated procedure and a procurement procedure pursuant to Section 9 and Section 10 of the Public Procurement Law. For undertaking the procurement, the Treasurer establishes, based on its order, a procurement committee that is competent within the field of procurement in respect of which the contract is being awarded. Procurements are registered and the performance of contracts is monitored in the Centralised Resource Management System *Horizon*. In 2023, the Treasury undertook eight procurements (excluding procurements valued under EUR 10 000 and procurements undertaken via the electronic Procurement System sub-system “e-orders”) and, as a result thereof, awarded contracts worth EUR 709 990, excluding VAT.

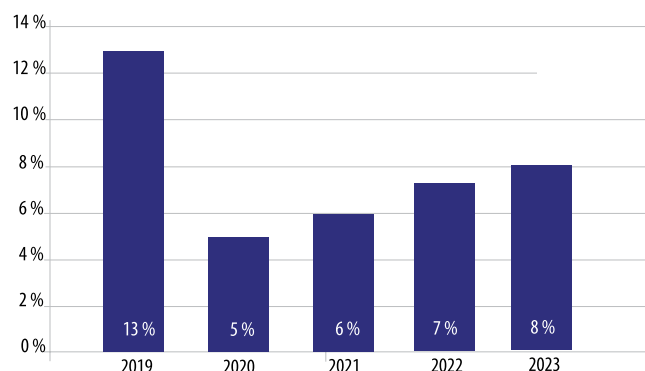
6.2. Work Environment

In 2023, the employees of the Treasury continued fulfilling the functions and tasks in a hybrid model (on-site and remotely) by ensuring the fulfilment of the functions of the Treasury and the continuity of services, which has made it possible to save financial resources (administrative and work premises maintenance expenses), promote digital transformation, sustainability, incl. by attracting specialists from Latvia’s regions to work in the Treasury, as well as to balance work and private life for employees by shaping a modern, inclusive, efficient and flexible work organisation model and culture.

6.3. Personnel and Personnel Management

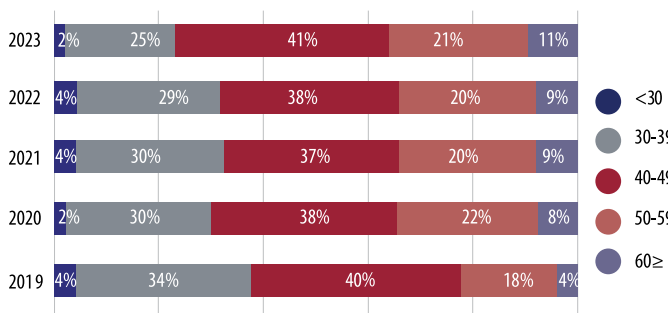
The Treasury is characterised by experienced and knowledgeable employees demonstrating loyalty and striving for the highest quality standards on a daily basis. In general, the conservative culture of cooperation transforms into a focused, purposeful and development-orientated environment. The main driver of change is the influx of new ideas through employee turnover, openness to development and new trends, as well as a clear vision of the future.

Figure 17.
Percentage of dismissed personnel of actually working employees (2019–2023) (%)



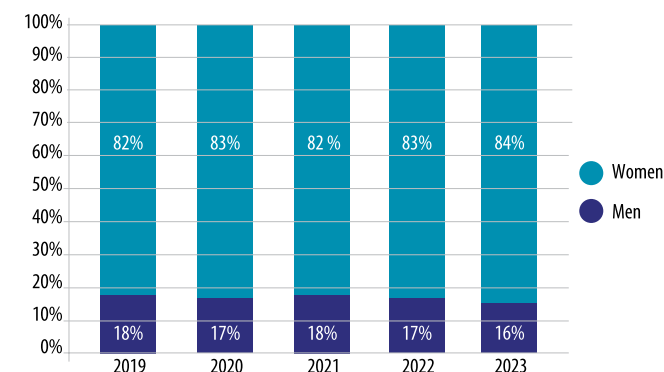
The Treasury, taking care of the well-being and welfare of employees, ascertains how often they encounter encouraging or troublesome feelings in their day-to-day work on a semi-annual basis. The emotional climate index study clearly shows that the employees experience encouraging feelings (independent, informed, appreciated, productive and happy), on average, significantly more often than troublesome ones (exhausted, worried, stressed, distracted, unfair).

Figure 18.
Breakdown of Treasury personnel by age (2019–2023) (%)



In 2023, the number of positions in the State Treasury remained unchanged (213). In 2023, the average number of employees, including civil servants and employees on a long-term leave of absence, comprised 208, incl. 163 civil servants and 45 employees. 95% of employees have attended at least two organised training or development sessions during the last year. The focus of competence development is on digital skills, which are directly correlated with the assessment of work quality, and leadership, where a team leader development programme continues in 2023 to strengthen the role of the leader as a driving force in the development of competencies and the achievement of goals.

Figure 19.
Breakdown of Treasury personnel by gender (2019–2023) (%)



6.4. Quality, Risk and Information Security Management

The quality management system and information security management established in the Treasury ensures the stable operation of the institution, its continuity and prompt response in crisis situations. The implementation of the principles of the European Quality Management Foundation’s Excellence Model has been identified as the next level of quality for the development of the Treasury’s activities and the move towards a sustainable quality culture. The process measurement system is being reviewed and developed to ensure that day-to-day processes can be monitored, decisions can be made on the basis of data and data are available for process improvement and service delivery.

6. Accomplishments Under the Governance of the Institution

As part of the continued improvement of governance of project and development measures, including resource planning, records of spent time and performance reporting, in 2023, the Treasury's quality management system documents were migrated to the open-source project management tool *Redmine*. The Treasury uses the *Redmine* tool not only to manage projects and development measures but also to generate reports on fulfilment and performance indicators using Business Intelligence tools. This provides management with structured data and analysis of data at different cross-sections.

In order to ensure that the services provided by the Treasury are of high quality and secure by giving special attention to the operational stability and reliability of information processing systems, information security management is one of the Treasury's constant priorities. The audit of the Treasury Security Management System monitoring in accordance with ISO 27001:2013 was successfully completed.

Risk management is an essential part of the Treasury's management processes, which facilitates the achievement of objectives and the efficient management of processes and projects. Risk management is directed towards the identification of risks and the reduction thereof to an acceptable level, the use of potential opportunities and the facilitating of conformity with good management principles. In order to develop and implement a Treasury Risk Management Standard and a single risk management tool, to ensure effective risk management and to reduce manual work, measures to improve risk management were taken in 2023: *The Risk register* was created in the *Redmine* tool by gradually including therein the identified and assessed risks related to ensuring the services and management processes.

6.5. Internal Control System

The internal control system of the Treasury has been established on the basis of broad key constituents of the internal control system: the control environment, job performance appraisal, risk management, control activities, monitoring, efficient flow of information and mutual communication.

The Treasury has established a control environment culture by ensuring that its operations comply with the quality management system and the code of ethics, facilitating the engagement of employees in the improvement of the internal control system. The Treasury has such an organisational structure in place that clearly defines

responsibilities and powers, the segregation of duties and reporting procedures. Risk management and quality management systems in the Treasury are embedded in the daily operations and project management, shifting the control activities of the Treasury from corrective to preventive. The processes of the Treasury and the controls applied in implementing them have been set out in the internal documents governing the quality management system.

The Treasury monitors the internal control system by applying the process management approach, measuring the process performance indicators, using the strategic management process, analysing the Treasury's performance, carrying out internal audits, and by implementing the recommendations provided within the scope of internal audits and other assessments with a view to improving the performance of the internal control system.

Digital internal audit file created in the *Redmine* system. Such audit file records enable the effective monitoring of both the progress of the audit and the time spent by the auditors, as well as streamlining the follow-up of recommendations. Structured audit reports are also generated in the *Redmine* system that are linked to all projects already managed in the *Redmine* system, risks, quality management system documents and audit recommendations.

The results of internal audits performed in 2023, as well as the process of implementation of audit recommendations, attested to the fact that the Treasury's internal control system is functioning and the assessed controls are generally adequate, sufficient and efficient, providing sufficient assurance that the Treasury's risks are being managed and the institutional objectives are being met. The internal control system ensures the execution of the defined institutional goals in accordance with the strategic objectives and in compliance with the requirements laid down in the external and internal regulatory enactments and documents.

The Treasury has been continuously improving its processes by adhering to the examples of best practice and the experience of organisations in the financial sector.

6.6. Public Communication

The Treasury's image is built by professional teamwork, jointly developing a trusted and appreciated institution.

Considering the functions delegated to the Treasury, its communication focuses primarily on rendering inter-institutional services, informing customers and other stakeholders¹⁴, as well as the targeted management of counterparty relations – provision of information to foreign and international financial institutions, credit rating agencies, and securities investors who use the information provided by the Treasury on public debt management, performance indicators and future trends, and current developments in the Latvian financial sector.

The Treasury regularly informs the mass media about the matters falling within its scope of competence: it prepares and distributes press releases, provides interviews, and replies to questions of interest to the mass media.

On the website of the Treasury www.kase.gov.lv information about the institution and its functions is available, information on the latest developments at the Treasury is posted and updated on the website on a regular basis, and it is also possible to ask questions and file submissions in electronic form. Visitors to the website can receive prompt answers to their enquiries, whereas the Treasury has the opportunity to familiarise itself with the issues that are of interest to the customers and stakeholders, and, if necessary, prepare more in-depth information to be posted on the website and distributed to the customers and stakeholders, as well as identify potential problems and prevent them.

In order to build two-way communication with the general public, counterparties and other stakeholders more actively, thus promoting awareness of the competencies of the Treasury, the Treasury also communicates through its profile on the social networks *Facebook*, *LinkedIn*, *Twitter* and *YouTube*.

A secure investment opportunity has been opened up for Latvian residents – savings bonds, the purpose of which is to provide an opportunity for every Latvian resident to purchase government securities wisely, easily and profitably, thus temporarily entrusting their money to the State. The website www.krajobligacijas.lv was created and upgraded in 2023 for making purchases of savings bonds, and it provides all of the necessary information and explanations for purchasing savings bonds. In order to promote the benefits of savings bonds to the public and to foster financial literacy among the population, a social information campaign "Latvian Government Securities – Savings Bonds" was organised in cooperation with the Ministry of Finance.

¹⁴ A person or a group of persons that can have a direct or indirect influence or be influenced as a result of a decision or action of the Treasury.

6. Accomplishments Under the Governance of the Institution

6.7. Performance Indicators of Operational Targets

The target and indicator of the operational direction are achieved.

Table 17.

Performance indicators of the governance of the institution

Result	Performance indicator	Numerical values of the performance indicator in 2023	
		Plānotais	Izpilde
1. The activity of the Treasury has become more efficient.	1.1. The processes of the Treasury have been revised and optimised using efficiency methods.	5	5
<i>The indicator is met. The Treasury continues to review and digitise its processes to improve the quality of the provided services and the speed of provision thereof. Factors that have contributed to process optimisation include the development of digital and systems analysis skills among staff, the use of business intelligence tools and the application of the LEAN method.</i>			
2. Professional, proactive head of the structural unit.	2.1. Share of the working time spent by the head of the structural unit in organised training or self-study, in hours.	100	59
<i>The indicator is partially met. Regular and targeted development is an essential part of a learning organisation. To meet this indicator, the Treasury aims to change its culture so that employees take every opportunity to improve their competencies independently of the training offered by the institution. There are positive changes compared to previous years.</i>			
3. Regular staff emotional climate index study conducted (at the level of structural units).	3.1. The emotional climate index score does not exceed 0.9 (the total difference between the current and optimal frequency of feeling).	≤0.9	0.7
<i>The indicator is met. The Treasury continues to study the well-being of employees, which has a direct positive impact on productivity in the performance of daily tasks, as well as on attitudes towards the employer. Communication between management and each and every employee has been significantly improved, and the need for clearer priorities and stress-reduction activities has been identified.</i>			

6.8. Steps Planned for 2024

The Treasury will continue its movement towards the EFQM model launched in 2023, with data being one of the cornerstones thereof: the possibility of the data-based supervision of day-to-day process performance, the availability of data for decision-making on process improvement and service provision.

The office premises of the Treasury at Smilšu iela 1, Riga have already been partially adapted to the new model of the working environment of the institution (furniture, technical inventory, purpose of use of working space). Given the state of the existing workspaces, utilities and equipment, a long-term plan has been drawn up and will be implemented in 2023, and building renovation works are underway in 2024.

In 2024, the Treasury will continue to move towards simpler and more understandable HR management processes, using the capabilities of the existing information system as well as the necessary additional e-learning and video-based training. Employees will also have access to modern on-site development methods, such as supervision, which were previously only available to executive staff.

To improve accountability, regular internal communication cycles will be launched on the expected changes in the centralisation of support functions in public administration. A detailed plan is being developed to welcome and integrate the new employees who will implement the centralised service into the working environment and culture of the Treasury.



Treasury
Republic of Latvia

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