Report on Central Government Debt Management

2021

Treasury
Republic of Latvia

Latvia on the green and sustainability path

	Moody´s	S&P Global Ratings	Fitch Ratings
Latvia	A3/Stable	A+/Stable	A-/Stable

- Latvia, as a Eurozone country, is a regular issuer in the domestic and international capital markets.
- The goal of Latvia's sustainability bond issue is to reaffirm Latvia's strong commitment to achieving the goals of mitigating the effects of climate change and ensuring climate neutrality, as well as reducing income and opportunity inequalities.

Sustainability Bond issuance date	13th December 2021
Bond Maturity	8 years
Amount	EUR 600 million
Coupon	0.250%
Yield	0.263 %
Joint lead managers	Barclays, BNP Paribas and Credit Agricole CIB
Second Party Opinion	ISS ESG - complies with the principles of ICMA green, social and sustainability bonds

This is the first government Sustainability Bonds in the history of Latvia. Latvia is the first of the Baltic and Scandinavian countries that has issued the Sustainability Bond.

In the context of the established Sustainability Bond framework, Latvia may issue green, social and sustainability bonds.

Breakdown of identified budget expenditure

Social expenditures - 29%

Access to essential services: social inclusion

Other social expenditures

Clean Transportation

Land Use and Living Natural Resources

Terrestrial and Aquatic Biodiversity Conservation

Other green expenditures

Green expenditures - 71%

Source: kase.gov.lv

Latvenergo

	Moody´s
Latvenergo	Baa2/Stable

- One of the largest power suppliers in the Baltics
- Engaged in the electricity and thermal energy generation and trade, as well as the natural gas trade
- The Republic of Latvia is the sole shareholder

Green Bond issuance date	17th May 2021
Bond Maturity	7 years
Amount	EUR 50 million
Coupon	0.5%
Yield	0.543%
Joint lead manager	Luminor Bank AS and Swedbank AB
Second Party Opinion	CICERO Shades of Green – Dark Green; complies with the green bond principles

The green bonds issued in May 2021 are part of the EUR 200 million program of Latvenergo. By issuing the first green bonds in 2015-2016, Latvenergo became the first state-owned and investment grade green bond issuer in Eastern Europe.

Latvenergo has historically developed as one of the most environmentally friendly electricity producers in the European Union, and, thanks to targeted investments, a very significant part of electricity is generated in an environmentally friendly way by hydropower plants. Latvenergo's strategy envisages doubling electricity production by 2030, giving priority to energy production from renewable resources.

The proceeds from the bond issue will be used for the implementation of environmentally friendly generation and distribution projects.

Eligible green project categories

Renewable energy and related infrastructure

Energy efficiency

Environmentally sustainable management of living natural resources and land use

Source: Latvenergo.lv

AST

	S&P Global Ratings
AST	A-/Stable

- The only electricity transmission system operator in Latvia
- Main shareholder of the gas transmission network and storage system operator in Latvia
- The Republic of Latvia is the sole shareholder

Green Bond issuance date	20th October 2021
Bond Maturity	5.25 years
Amount	EUR 100 million
Coupon	0.5%
Yield	0.527%
Joint lead manager	Luminor Bank AS
Second Party Opinion	Standard & Poor's Financial Services LLC – complies with the principles of the ICMA green bonds

To ensure security of energy supply in the Baltics, AST, in cooperation with the Estonian, Lithuanian and Polish electricity transmission system operators, is implementing the largest energy project in history, worth around EUR 2 billion, to ensure the synchronization of the Baltic electricity system with the continental European energy system by 2025.

AST is the first electricity transmission system operator in the Baltics that issued green bonds.

Use of proceeds

Infrastructure projects of renewable energy

Investments in modernization of the transmission network

To ensure continued, reliable and sustainably effective power transmission throughout Latvia

Source: AST.lv

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Abbreviations

BoL	Bank of Latvia
Covid-19	The severe acute respiratory syndrome coronavirus-2 (SARS-CoV-2) caused disease
EK SURE	European Commission instrument for temporary support to mitigate unemployment risks in an emergency following the Covid-19 outbreak
ECB	European Central bank
EU	European Union
EUR	Euro, official currency of the EU
Fitch	International credit rating agency *Fitch Ratings*
GDP	Gross domestic product
ICMA	The International Capital Market Association
MoF	Ministry of Finance
Moody's	International credit rating agency *Moody's Investors Service*
R&I	Japanese credit rating agency *Rating and Investment Information, Inc.*
S&P	International credit rating agency *S&P Global*

Note

Figures may not sum due rounding. "0" – indicator is below 0.5 but over 0, or the result of the computation of the indicator, is 0.

The data included in this publication may be clarified in subsequent publications. The Treasury bears no responsibility for losses incurred as a result of using this publication.

Year in Numbers

	Indicator	2020	2021
Macroeconomic indicators	GDP (actual prices), million EUR	**29 511**[1]	**31 364**[2]
	Increase in actual prices, %	**-3.6**	**6.9**[2]
	Increase in comparable prices, %	**-3.5**	**3.7**[2]
	GDP per capita (actual prices), EUR	**15 525**[1]	**-**
	Consumer price changes (December on December), %	**-0.5**	**7.9**
	Consumer price changes (year on year), %	**0.2**	**3.3**[2]
	Registered unemployment level (December), %	**7.7**	**6.7**
	Balance of payments current account, million EUR	**845**	**-1 158** (in 9 months)
	% of GDP	**2.9**	**-3.7**[3]
Public finance	Consolidated budget financial balance, million EUR	**-1 127.1**	**-1 760.4**
	% of GDP	**-4.0**	**-5.6**
	General government debt, million EUR	**12 754.3**	**15 299.7**[4]
	% of GDP	**43.2**	**47.3**[4]
	Government debt, million EUR[5]	**12 458.7**	**15 259.1**
	% of GDP	**44.2**	**48.7**
	Gross borrowing in government domestic securities auctions, million EUR	**679.5**	**622.3**
	Borrowing in international markets, million EUR	**1 550.0**	**2 350.0**
	Issued state budget loans, million EUR	**340.1**	**357.5**
	Outstanding state guarantees, million EUR	**541.4**	**411.1**

[1] Central Statistical Bureau data on 16.12.2021
[2] Estimation by MoF on June 2021 for Draft Budget Law 2022
[3] BoL data on 09.12.2021.
[4] Estimation by the Treasury on 25.01.2022.
[5] According to national methodology

Source:
Central Statistical Bureau, Employment State Agency, BoL, MoF, the Treasury, EUROSTAT

Foreword by The Treasurer

© Photo: Valts Kleins (portrait)

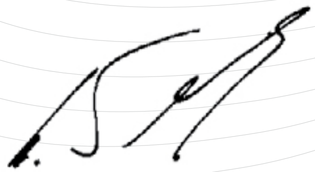
As the Covid-19 pandemic continued and related risks remained also in 2021, the financial markets experienced strong volatility and uncertainty that was inflated by inflation pressure and rapidly increased energy prices particularly in the second half of the year. The package of measures to support the economy due to spread of the Covid-19 was enlarged significantly in 2021, accordingly affecting the financing requirement and thereby borrowings in the capital markets.

Despite protracted volatility in the financial markets, the Treasury used available issuance windows to raise funds through the issue of new bonds on particularly favourable terms, thus covering total financing needs, incl. to finance the mitigation of spread of Covid-19 and to support the economy. Similarly as in previous years, the Treasury maintained a flexibility on timing and conditions of borrowing. As the result of such a strategy in 2021 the funding was raised by fixing very low government debt servicing costs without putting additional long-term expenditure burden on the state budget and marking several significant achievements simultaneously.

n the beginning of March, the Treasury issued new 10 year EUR denominated Eurobonds in amount of EUR 1.25 billion, at a yield of 0.105% and fixing historically lowest coupon – 0.000%, which was the lowest coupon ever achieved by Latvia in its Eurobond transactions. This transaction also marked the highest investor demand in terms of both number and volume. In addition, at the end of June, new 7 year EUR denominated Eurobonds were issued with the final size of EUR 500 million, at a yield of 0.003% and a coupon of 0.000%.

On December 6, 2021, the Treasury priced 8 year (long) inaugural Sustainability Bond with the final size of EUR 600 million, at a yield of 0.263% and a coupon of 0.250%. Sustainable finances are gaining global importance and the supply of sustainable financial instruments in Europe and globally is increasing each year. Latvia was the first from Baltic and Scandinavian sovereigns that came to the international capital markets with a sustainability bond offering, demonstrating strong commitment to implement a set of clear environmental and social policies that support carbon-neutral economy and reduction of poverty and inequality of opportunities. The net proceeds are intended to be allocated to the state budget expenditures under eligible categories, for example, clean transportation, terrestrial and aquatic biodiversity conservation, social inclusion and several other expenditures with the aim to achieve sustainable development goals. Latvian debut Sustainability Bond issuance attracted broad interest from financial market participants and received positive feedback from investors and the Treasury's cooperation partners as well. The Sustainability Bond Framework was established in close collaboration with line ministries and it will allow the Treasury to issue sustainability, green or social bonds, expanding the investor base and raising financial resources on favourable terms in the future.

Latvia's credit rating was maintained in A level group in 2021, as credit rating agencies expect that, despite the emergency support measures to mitigate the negative impact of the Covid-19 pandemic, the principles of sustainable fiscal policy will be respected and the government debt will remain at a moderate level. The flexibility of the Latvian economy and its resilience to the adverse effects of the Covid-19 pandemic and external shocks is one of the key Latvia's strengths that will facilitate fast and stable recovery and stabilization of fiscal indicators in the medium term.



Treasrer
Kaspars Āboliņš

Rīga, February 4, 2022

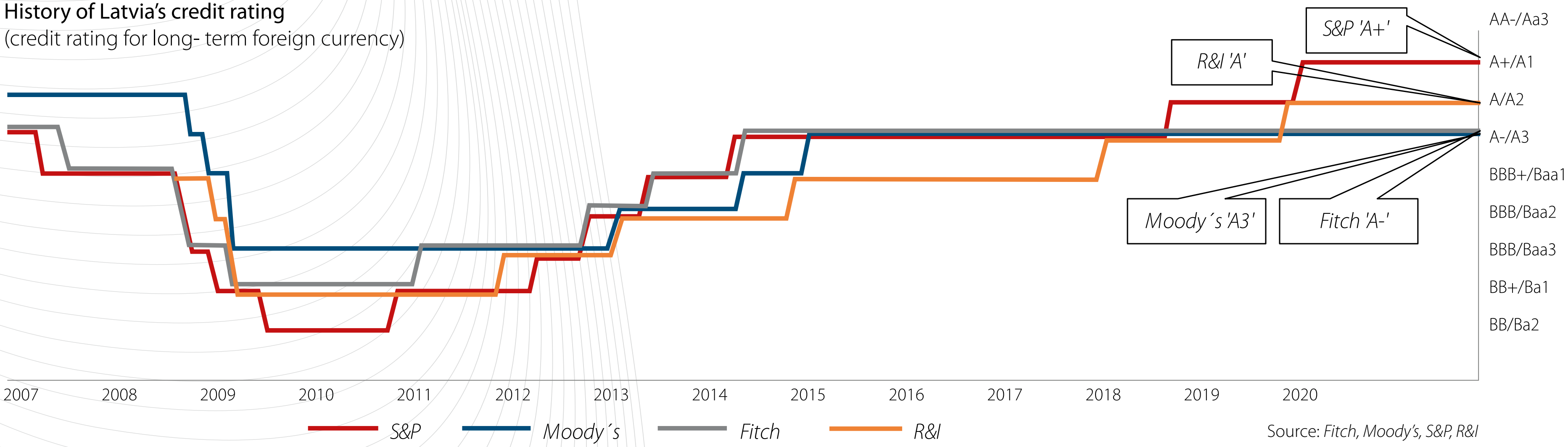
Credit rating of the Republic of Latvia

In 2021, all three major international credit rating agencies (Moody's, S&P and Fitch) affirmed Latvia's credit rating at the current levels and affirmed stable credit rating outlooks. The Japanese credit rating agency R&I also affirmed Latvia's credit rating and credit rating outlook.

The main factors that keep Latvia's credit rating stable in "A" level group are:

- a flexible economy that has shown resilience to the adverse effects of the Covid-19 pandemic and external shocks;
- agencies' forecasted economic growth rates following the mitigation of the Covid-19 pandemic;
- government debt levels below the median of 'A' rated peers and the relatively low debt service burden;
- after 2008-2009 financial crisis, track record of fiscal consolidation and implementation of structural reforms;
- institutional strength, membership of EU and Eurozone;
- the government's efforts to reduce the risks in financial sector.

History of Latvia's credit rating
(credit rating for long- term foreign currency)



Source: *Fitch, Moody's, S&P, R&I*

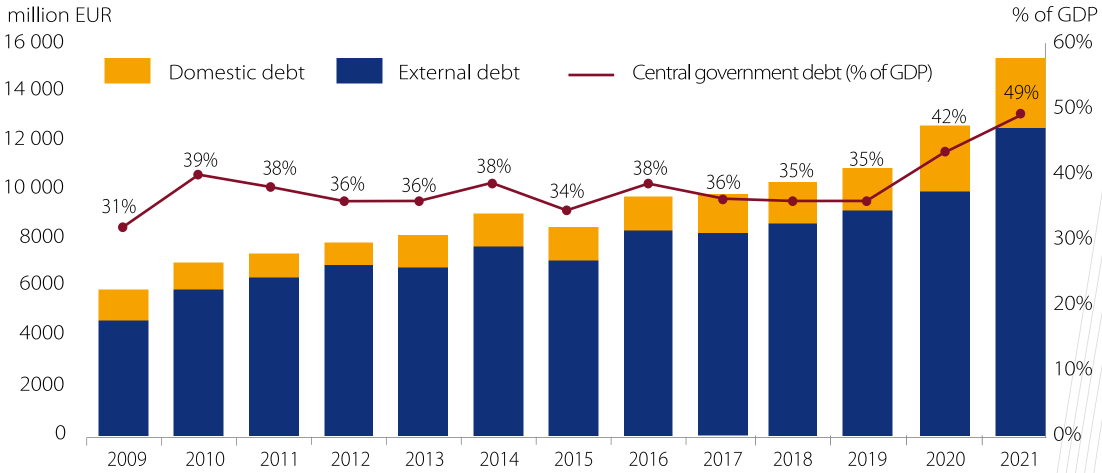
Central government debt

According to the operational data of the Treasury, at the end of 2021 the central government debt reached EUR 15.3 billion in nominal value. In 2021 the central government debt increased by EUR 2.8 billion.

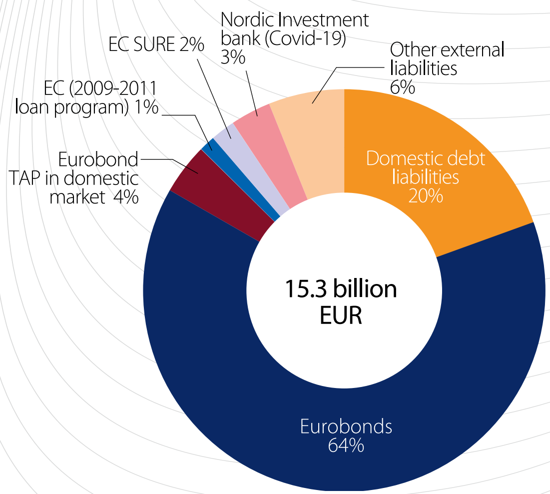
The significant increase of the central government debt was driven by the need to promptly provide funds to cover total financing requirement incl. measures to mitigate the spread of the Covid-19 and to support the economy. The total amount of Covid-19 support measures in 2020 was EUR 1.3 billion or 4.4% of GDP and EUR 2.3 billion or 7.2% of projected GDP (operational estimation on 10.01.2022.) in 2021. Support for the health and transport sector, downtime allowance and one-off benefits for the population (including families with children, seniors and the low-income people), as well as support for companies in the form of loans, guarantees and grants accounted for the largest share in the volume of support measures.

The external debt account for the largest share in the structure of the central government debt, reaching 81% of total central government debt. Eurobonds issued in the capital markets reached 68% of the total central government debt.

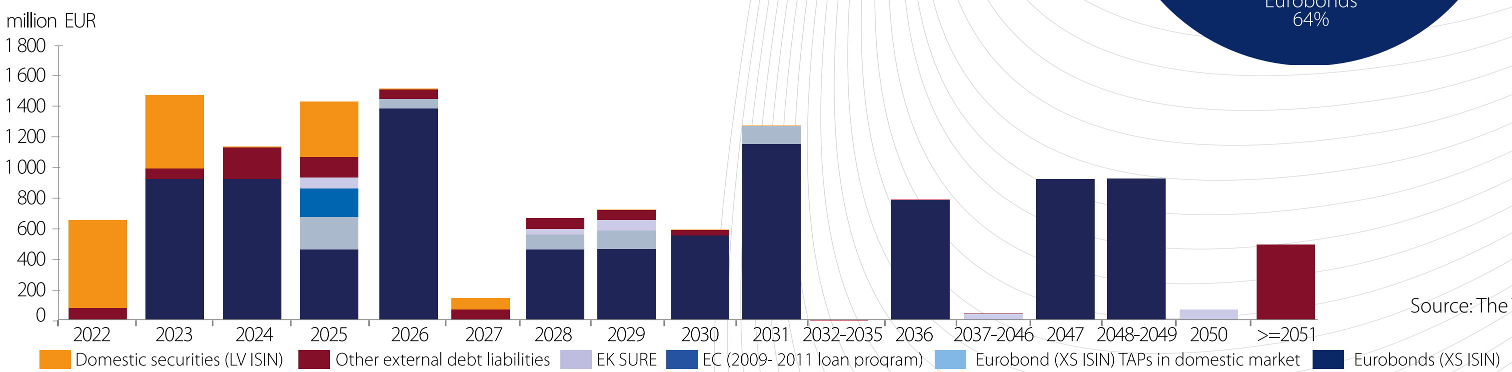
Central government debt 2009 – 2021
(according to national methodology, excl. derivatives)



Structure of central government debt at the end of 2021
(according to national methodology, excl. derivatives)



Central government debt redemption profile at the end of 2021
(in nominal value, excl. derivatives)



Source: The Treasury

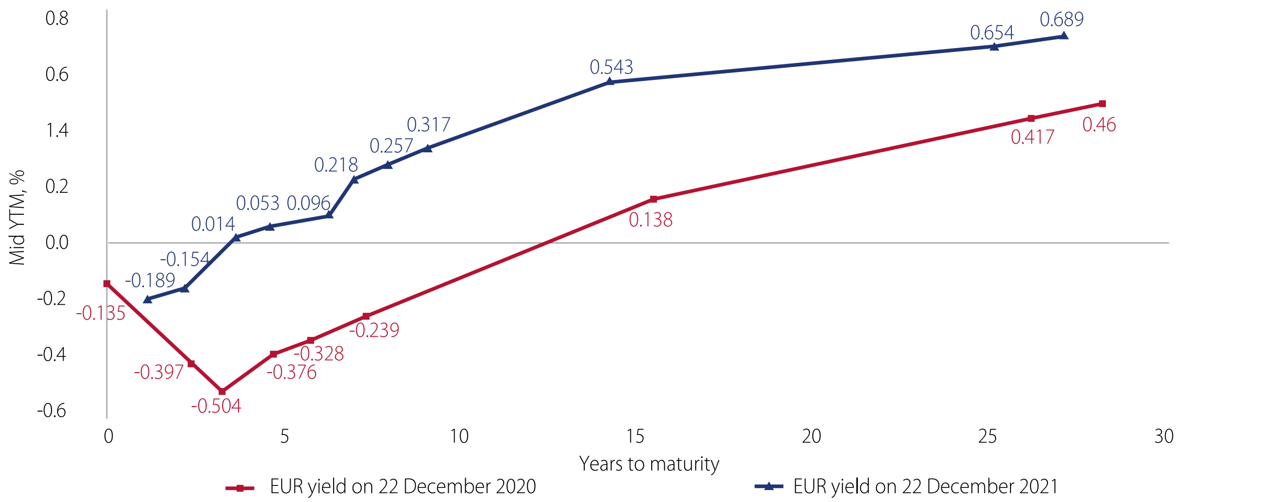
Conventional Bonds

By issuing two new Eurobonds with maturities of 7 (long) and 10 years and long 8 years (long) inaugural Sustainability Bond in 2021, the total amount of funds raised in the international capital markets was EUR 2.972 billion.

Every new Covid-19 wave during 2021 was the source of significant uncertainty, which affected not only economies around the world, but also global financial markets. The volatility and uncertainty in financial markets throughout 2021, particularly in the second half of the year, was inflated by rapid increase of the inflation and energy prices. Despite of prolonged volatility in financial markets, Latvia took advantage of the issuance windows to offer new bonds, including a new financial instrument that was elaborated as part of the financial sector development plan. The transactions ensured that total financing needs, including those to mitigate the impact of the Covid-19 and to support the economy, are covered with funds borrowed on favourable financial terms.

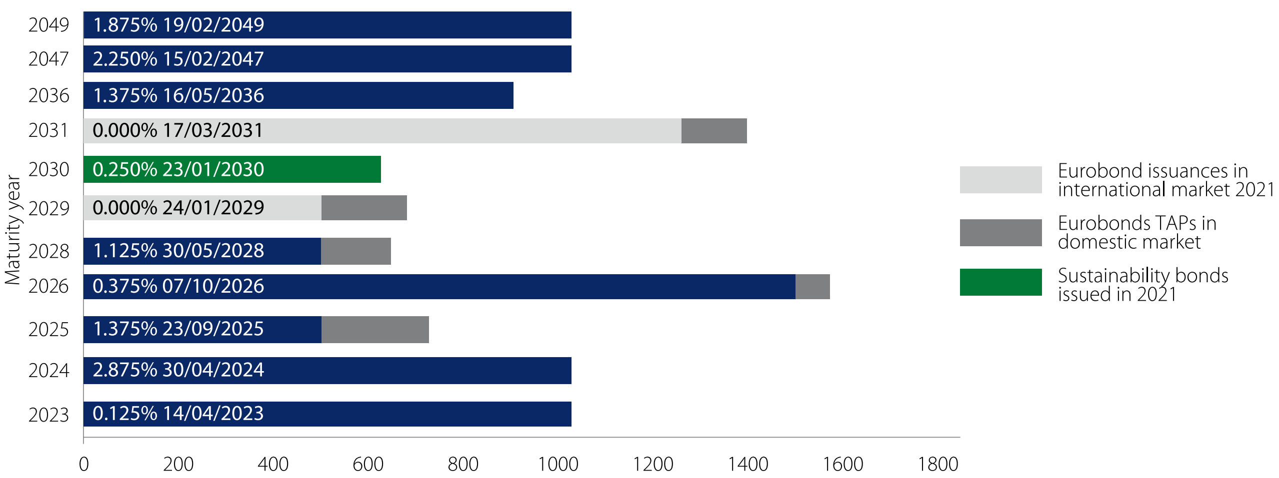
Taking into account larger than before financial requirement, there were several transactions in 2021. In the beginning of March Latvia issued a new 10 year EUR denominated Eurobond in amount of EUR 1.25 billion with yield of 0.105% and historically lowest coupon – 0.000%, which was the lowest coupon achieved by the Republic of Latvia in its Eurobond transactions at that time. With this issuance Latvia reached the highest investor demand in terms of both number and volume – more than 100 investors showed interest with a total demand of EUR 2.8 billion. Taking advantage of stabilization in the financial markets, at the end of June, a new 7 year EUR denominated Eurobonds were issued with the final size of EUR 500 million and a yield of 0.003% and a coupon rate of 0.000%

Latvia EUR bond MID yield to maturity in 2020 and 2021



Source: *Bloomberg*

Eurobonds outstanding (millions EUR)



Source: The Treasury

Sustainability Bonds

Green and social bond markets have been soaring in preceding years and becomes more important in financial management. Sustainability aspects are integrating into financial market supervision and monetary policies. In order to support development of financial market and to demonstrate strong commitment to implementing a set of clear environmental and social policies that support carbon-neutral economy and reduction of poverty and inequality of opportunities, on 6 December 2021 Latvia issued long 8 year inaugural Sustainability Bonds with the final size of EUR 600 million, a yield of 0.263% and a coupon rate of 0.250%. More than 120 investors showed interest (mainly from European countries) in the offering and orders were in excess of EUR 2.5 billion. Latvia is the first from Baltic and Scandinavian sovereigns that come to the international capital markets with a sustainability offering.

Before the announcement, Latvia presented the Sustainability Bond Framework. The Framework was elaborated by the inter-ministerial working group chaired by the Ministry of Finance and aside the Treasury the group was represented by several ministries (Ministry for Environmental Protection and Regional Development, Ministry of Economics, Ministry of Agriculture, Ministry of Transport, Ministry of Welfare, Ministry of the Interior, Ministry of Education and Science) and the Cross Sectoral Coordination Centre.

Latvia's Sustainability Bond Framework has been reviewed by ISS ESG and has been found to follow best market practices, i.e. is in line with the ICMA Green Bond Principles 2021, Social Bond Principles 2021 and Sustainability Bond Guidelines 2021.

Overview of Latvia`s Sustainability Bond Framework

Principles for drafting the Framework	ICMA Green Bond Principles 2021, Social Bond Principles 2021 and Sustainability Bond Guidelines 2021
Second Party Opinion provider	ISS ESG
Bonds available under the Framework	Latvia may issue Green, Social and/or Sustainability Bonds
Eligible Expenditures	Eligible Expenditures may include state budget investment expenditures and operational expenditures (for example current expenditures, transfers, subsidies and grants). There are certain exclusion criteria as well.
Allocation principles	Net proceeds will be allocated to finance or refinance Eligible Expenditures incurred: in two budget years preceding the bond issuance date in same budget year as the bond issuance date expected in two budget years following the bond issuance date
Management of Proceeds	An Inter-ministerial Working Group has been established to oversee the implementation of the Framework, identify Eligible expenditures and approving reports
Coordinating body	The Treasury is primarily responsible for all operational tasks related to the Sustainable Bond, including the coordination of the Woking group meetings, preparing the reports, ensuring full allocation of bond proceeds
Reporting	Latvia intends to produce and publish an Allocation Report and Impact Report

Note: Latvia`s Sustainability Bond Framework and Second Party opinion is available in the Treasury website.

Sustainability Bond Framework

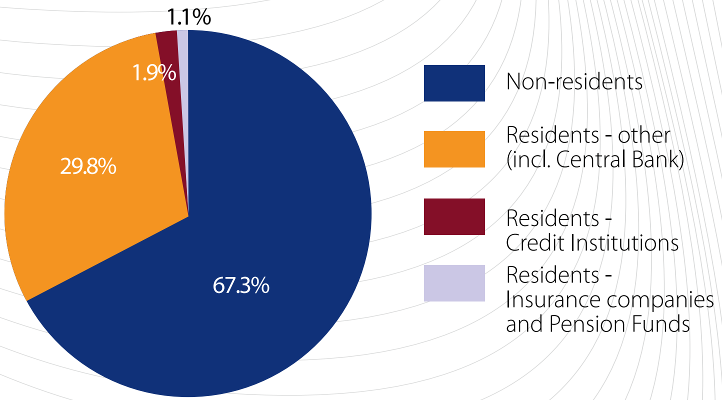
Second Party opinion

For the inaugural Sustainability Bond, Latvia has identified eligible expenditures in the 2020, 2021 and 2022 budget years in the categories for example, but no only, clean transportation, terrestrial and aquatic biodiversity conservation, social inclusion, affordable basic infrastructure and other climate and social categories set in the Framework. An Inter-ministerial Working Group chaired by the Ministry of Finance will approve the Allocation Report and Impact Report.

If the sustainability development goals will require long-term solutions and long term financing, the framework defines the opportunity for Latvia to issue Green, Social and/or Sustainability Bonds going further thus attracting new investors, while the investors demand is important factor to envisage favourable financial terms in future bond issuances.

The year 2021 can be highlighted by the total demand of investor initial placement of Eurobonds, which reached the historically highest level. Asset managers, banks and central banks were the main investors by type in issuances in 2021. As before, the largest demand was mainly from investors in Germany and Austria, Nordics, France, the United Kingdom and Ireland. However, as the graph below shows, the proportion of these investors slightly varies by their geographical location and total allocated amount in each individual transaction, depending on the maturity and type of securities offered.

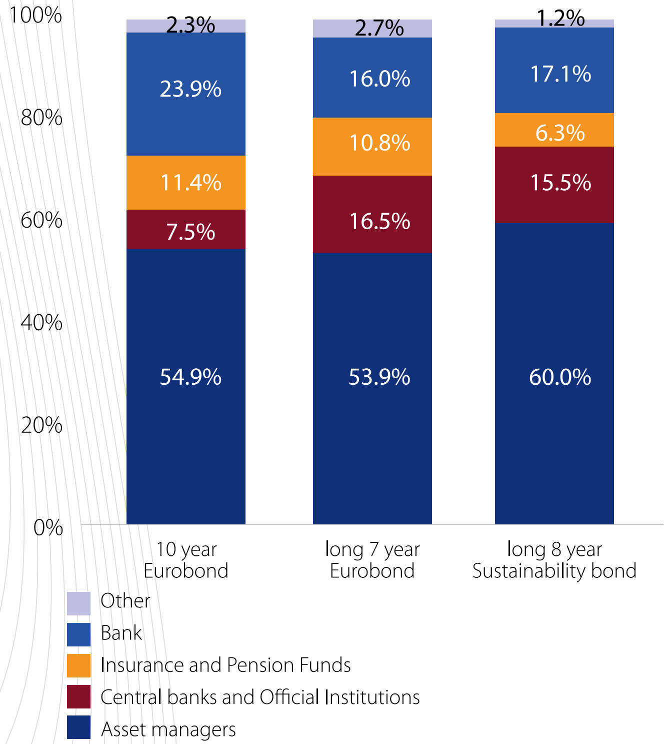
Eurobonds outstanding by type of investor in secondary market at the end of 2021



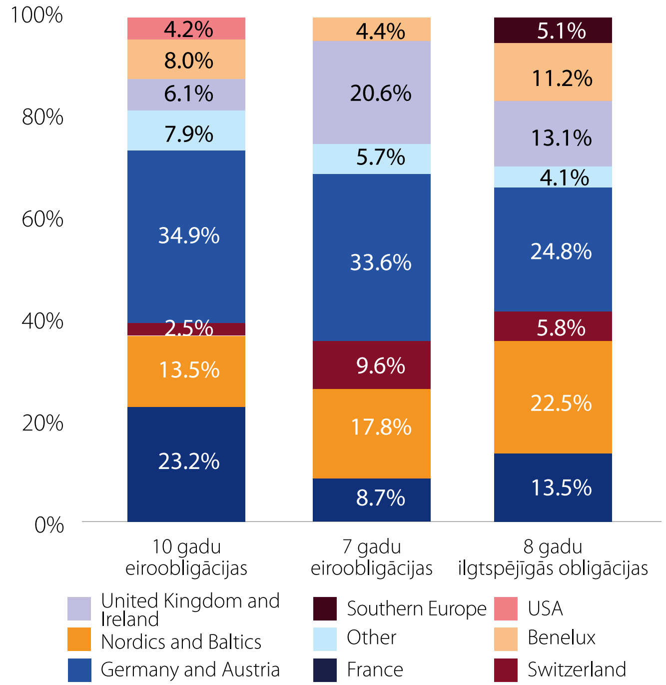
Source: BoL

Investor allocation of Eurobond issues in 2021 in primary placement
(% from allocated amount)

by investor type

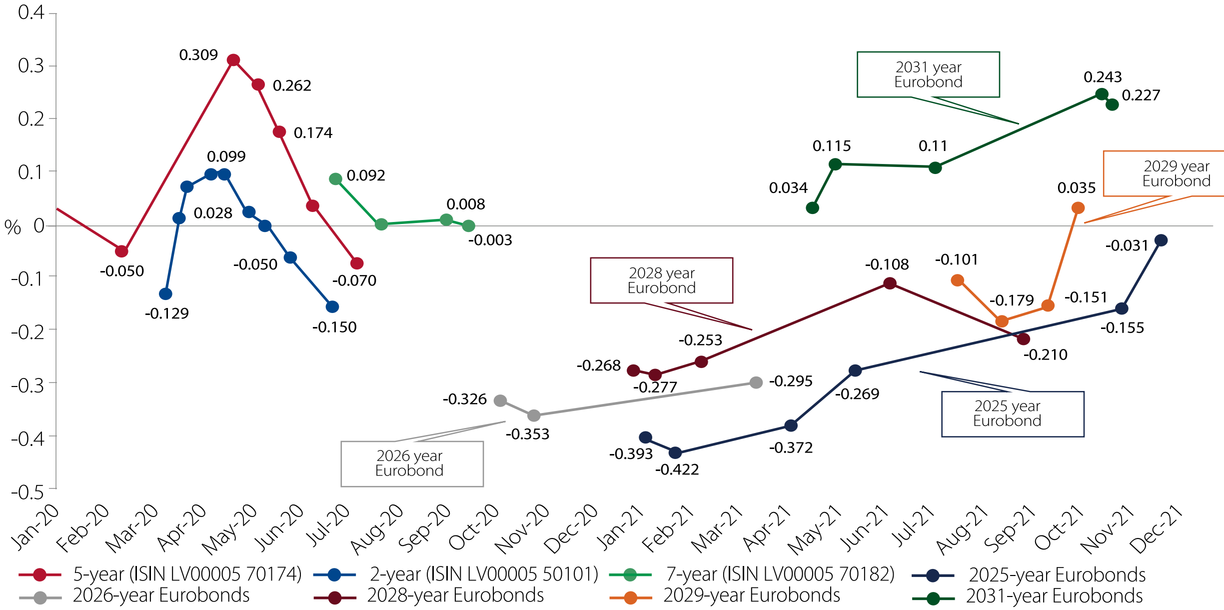


by geography

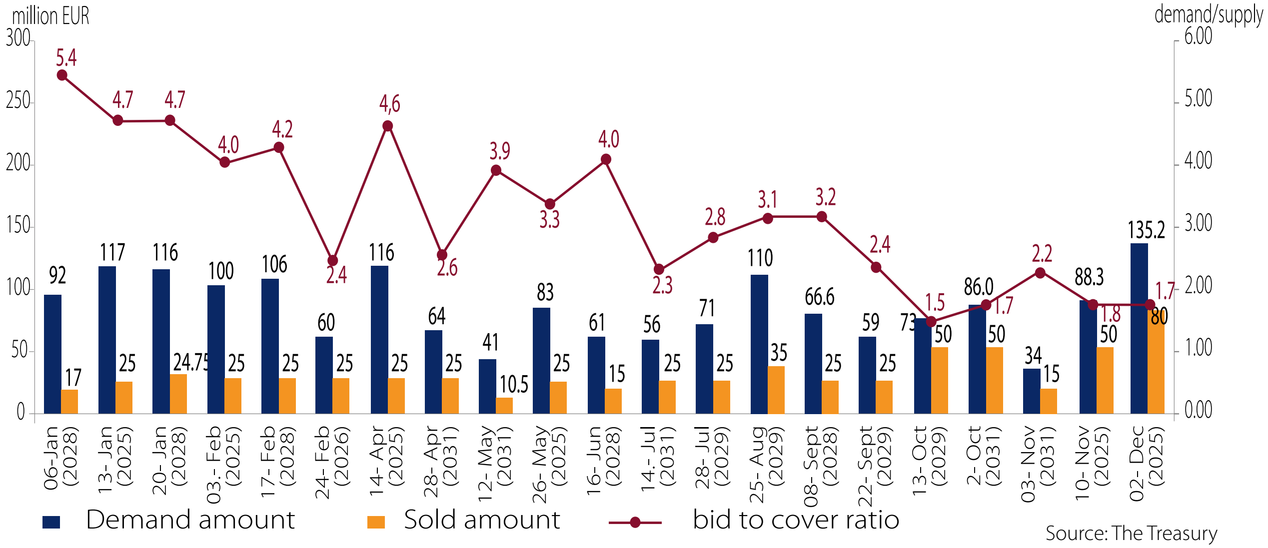


Source: The Treasury

Average weighted interest rates at the competitive auctions of government domestic securities in 2020 – 2021



Trading activity in the primary market for government securities' in the competitive multi-price auctions in 2021



Source: The Treasury

Borrowing in domestic market

In 2021 the gross issuance of EUR 0.622 billion was made via reopenings of the previously issued Eurobonds under the GMTN programme and by offering them in auctions in domestic market only.

In 2021 for raising funds in the domestic market, the Treasury organized auctions via Primary Dealers system, and offered only TAPs of outstanding Eurobonds (further – Eurobond domestic TAPs). The new instrument – Eurobonds domestic TAPs introduced in October 2020 – allows domestic market investors to get access to highly liquid instrument that previously issued only in international markets. In the same time, Eurobond TAPs in domestic auctions allows the Treasury to act more flexible to design the offer of longer-term debt securities in the domestic market via Primary Dealers system.

During 2021 the Treasury offered Eurobond domestic TAP`s with different maturities – due on 2025, 2026, 2028, 2029 and 2030. In total, the Treasury hold 21 competitive multi-price auctions and the total gross issue amount reached EUR 622.25 million. Although the weighted average yields slightly increased in actions reflecting the overall rate trends in the *euro* market in 2021, a high investor demand for government securities in auctions (average bid to cover ratio in 2021 is 3.2 times), made possible to borrow funds on favourable conditions. For example, in February auction when 2025 Eurobonds were reopened in domestic market, the Treasury fixed historically lowest yield ever, i.e. -0.422%. Additional demand for Latvia's government bonds came from the new Primary dealer as well. On 19 January 2021, the *ERSTE Group Bank AG* received Primary dealer's status.

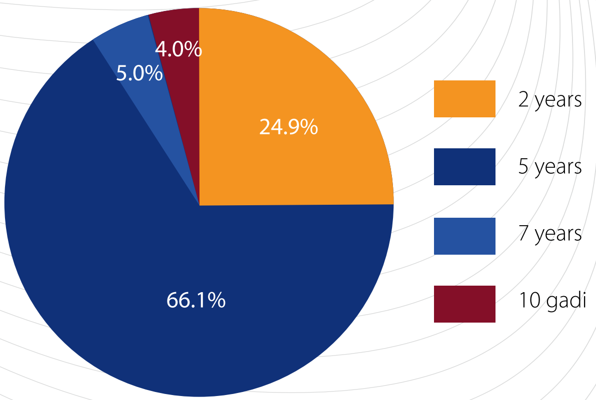
In this period Latvia's Eurobonds domestic TAPs via auctions in domestic market only ensured possibility to attract finance resources on more favourable conditions in comparison to equal tenor domestic bonds (LV ISIN bonds). In the same time LV ISIN bonds still are hold as potential borrowing instrument for additional offer in domestic market auctions or for short-term liquidity management purposes.

Taking into account that medium term bonds have been offered in primary market during the last years (5 year T-bond programs and new 2 and 7 year programs in 2020), that explains why mostly domestic bonds with remaining maturity of 1-5 year (90.2%) are outstanding and available in secondary market.

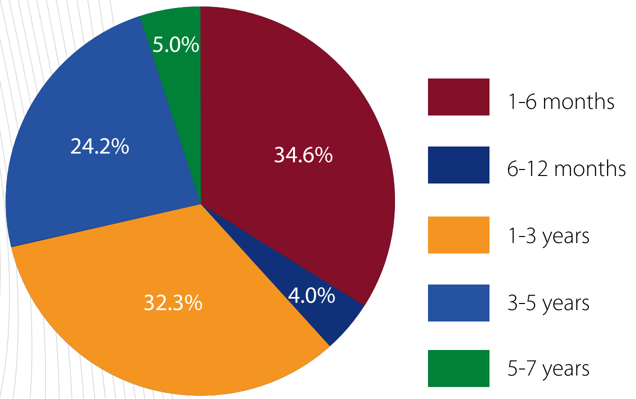
Domestic government securities mainly are hold by credit institutions, financial auxiliaries and central banks that constitute 95% of total holdings at the end of 2021. From total amount outstanding 66% are hold by residents.

Government domestic securities outstanding at the end of 2021 (% of total)

by original maturity

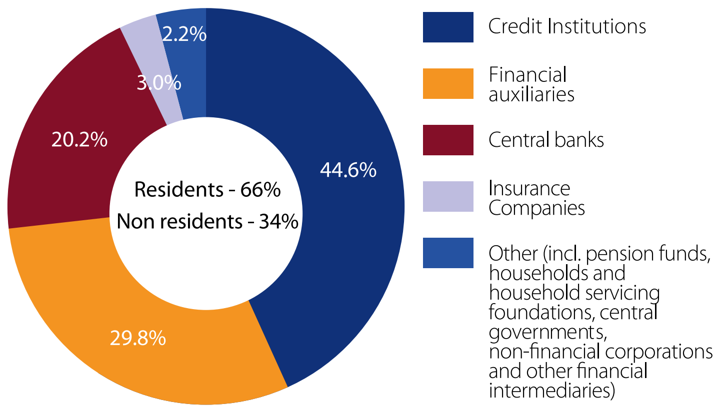


by remaining maturity



Source: The Treasury

Government domestic securities holders structure at the end of 2021 (except saving bonds and interest-free bonds)



Source: BoL

Borrowing from international financial institutions

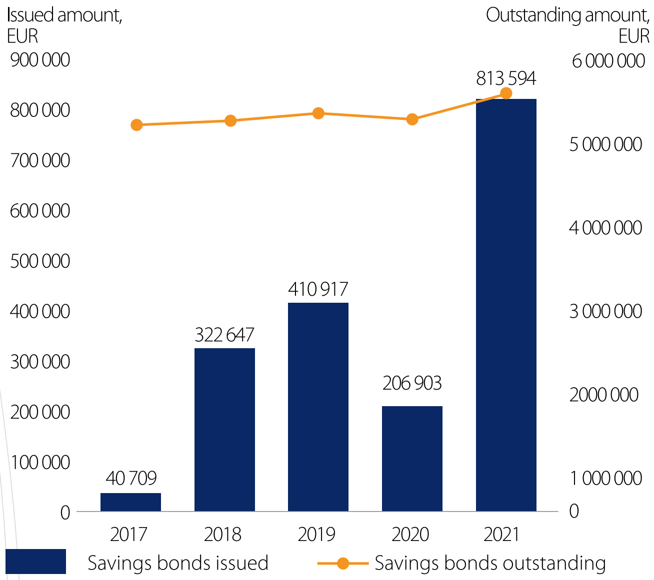
In addition to borrowing in international and domestic capital markets, borrowing opportunity from international financial institutions was utilized. On 8 April 2020 the loan agreement with the Nordic Investment Bank was signed in amount of EUR 500 million for the funding of government expenditure in order to mitigate the impact of the Covid-19. In 2020 EUR 250 million were received, but remaining EUR 250 million were withdrawn at the beginning of 2021. The borrowing opportunity from the European Investment Bank for the co-financing of EU funds projects in the amount of EUR 200 million within the existing contract was maintained by extending the availability date.

Taking into account the coordinated European response to the Covid-19 pandemic an EC SURE loan of EUR 305.2 million was granted to Latvia in accordance with Council Implementing Decision (EU) No 2020/1351 in 25 September 2020, amended by Council Implementing Decision (EU) 2021/677 in 23 April 2021, granting temporary aid to the Republic of Latvia to reduce unemployment risks in an emergency situation following the outbreak of Covid-19 EUR, of which EUR 120 million were received in 2020 and remaining EUR 185 million received in 2021.

Regular supply of savings bonds throughout the year

Since 2013, private individuals have opportunity to invest in savings bonds with maturities of 6 months, 12 months, 5 years and 10 years. Compared to previous years, the amount of issued savings bonds in 2021 increased. Private individuals preferred long-term investments –10 year savings bonds comprised 88% of all saving bonds outstanding amount at the end of 2021. The outstanding amount of savings bonds has not changed significantly in recent years and at the end of 2021 amounted to EUR 5.5 million.

Outstanding amounts and issuance of savings bonds 2017 – 2021 (nominal value)



Source: The Treasury

Execution of the central government debt portfolio parameters

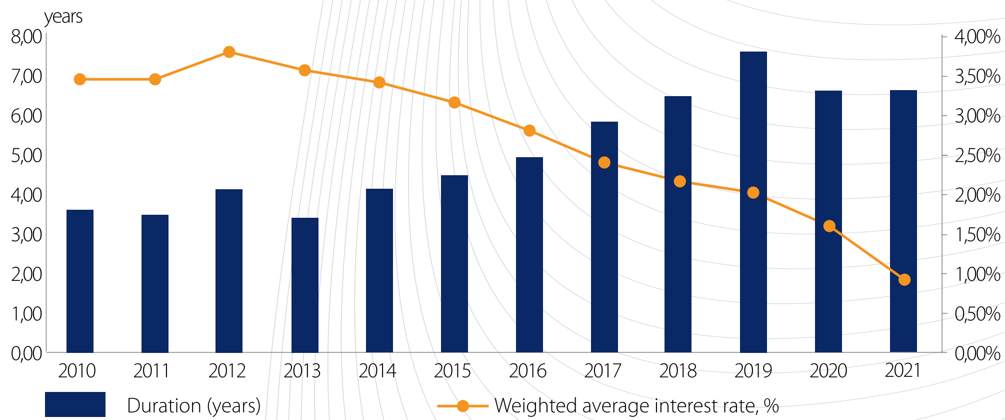
In 2021, the conformity of the government debt portfolio parameters with the Strategy was met. According to Strategy, during the period of low interest rates, in recent years Eurobonds with maturities longer than 10 years have been issued, hedging the risk of debt servicing cost increase over the long term. As a result, the weighted average fixed period (duration) has increased, but at the same time it allowed to reduce portfolio's weighted average interest rate. In 2020 and 2021 providing resources to cover financing requirement, incl. measures to mitigate the spread of the Covid-19 and to support the economy, in conditions of high uncertainty borrowing instruments with relatively shorter maturities have been used in order to reduce the impact of interest payments on the state budget. Therefore at the end of 2021 duration decreased compared to previous years and weighted average interest rate continued to decline reaching 0.87% at the end of 2021.

Parameters of the central government debt portfolio structure

PARAMETERS	PARAMETERS AS OF 31.12.2020		PARAMETERS AS OF 31.12.2021		STRATEGY	
Outstanding amount of central government securities sold in initial placement in the domestic market at the end of the year	1 739.30 milj. EUR		2 274.47 milj. EUR		At the end of the five-year period is not less than the outstanding amount at the beginning of the five-year period[1]	
Maturity profile (%) of central government debt	≤ 1 year	≤ 3 years	≤ 1 year	≤ 3 years	≤ 1 year	≤ 3 years
	18.8 %	37.2 %	13.4 %	32.0 %	≤ 25 %	≤ 50 %
Minimum share of fixed rate	82.1%		80 4 %		≥ 60 %	
Macaulay duration (years)	6.62		6.55		5.00 – 9.00	
Net debt currency composition	EUR 100.10 %		EUR 100.24 %		EUR 100 % (+/- 5 %)	

[1] Outstanding amount of central government securities sold in initial placement in the domestic financial market at the end of 2019 was EUR 1 172.24 million EUR.

Metrics of Central Government debt 2010 –2021



Source: The Treasury

State loans

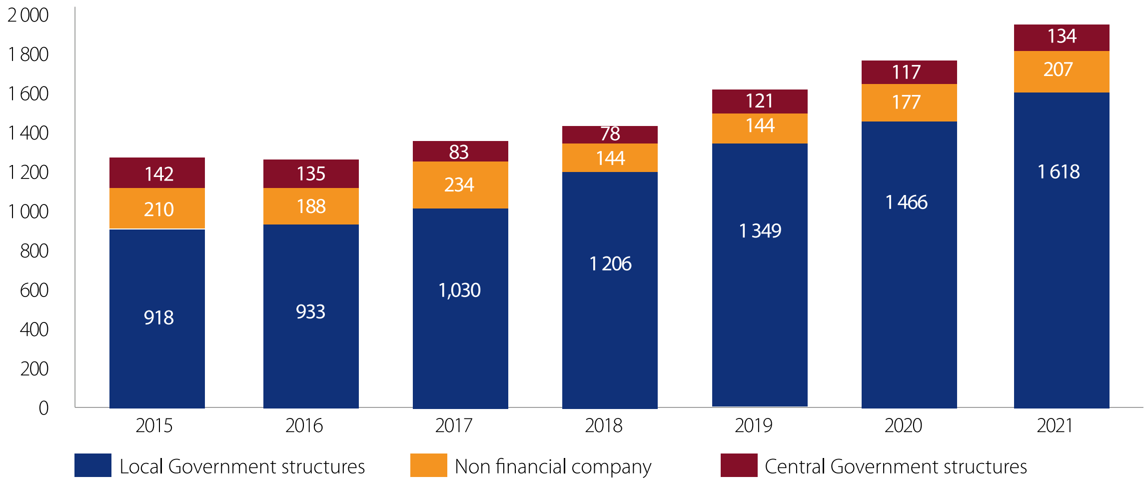
The Law on Budget and Financial Management defines the objectives for issuance of state loans, as well as the entities that are entitled to apply for state loans. However, on the basis of the Law on the Suppression of Consequences of the Spread of Covid-19 infection, the Cabinet of Ministers may decide on the issue of State loans for the mitigation and prevention of the consequences of the impact of Covid-19 pandemic and for the support to the national economy. In addition, the Cabinet of Ministers has the right to increase the total amount of State budget loans specified in the law on the State Budget for the current year.

The total increase in the outstanding State budget loans determined by the Budget Law for 2021 amounts to EUR 484.5 million.

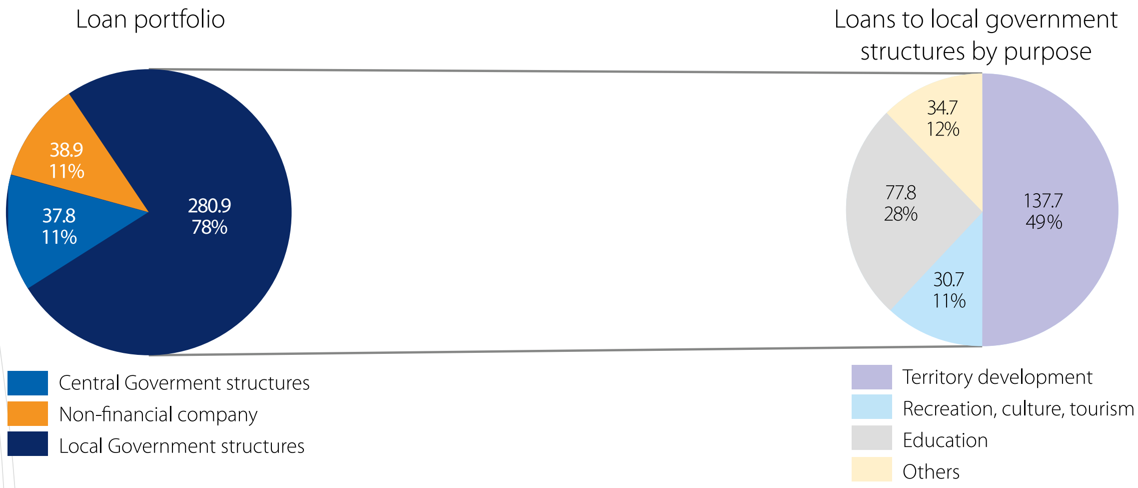
The total government loan portfolio as on 31 December 2021 was EUR 1 958.6 million, which increased by EUR 198.9 million compared to 2020. Loans made by local governments dominate in the state loan portfolio and amounted to EUR 1 617.9 million (increased by EUR 151.5 million compared to 2020).

More than 235 loan agreements for the total amount of EUR 72.9 million were also concluded in 2021, for the mitigation and prevention of the effects of the emergency in local governments related to the spread of Covid-19.

State loan portfolio dynamics in 2015 – 2021 (million EUR)



Recipients of state budget loans granted in 2021 (million EUR and % of total amount)



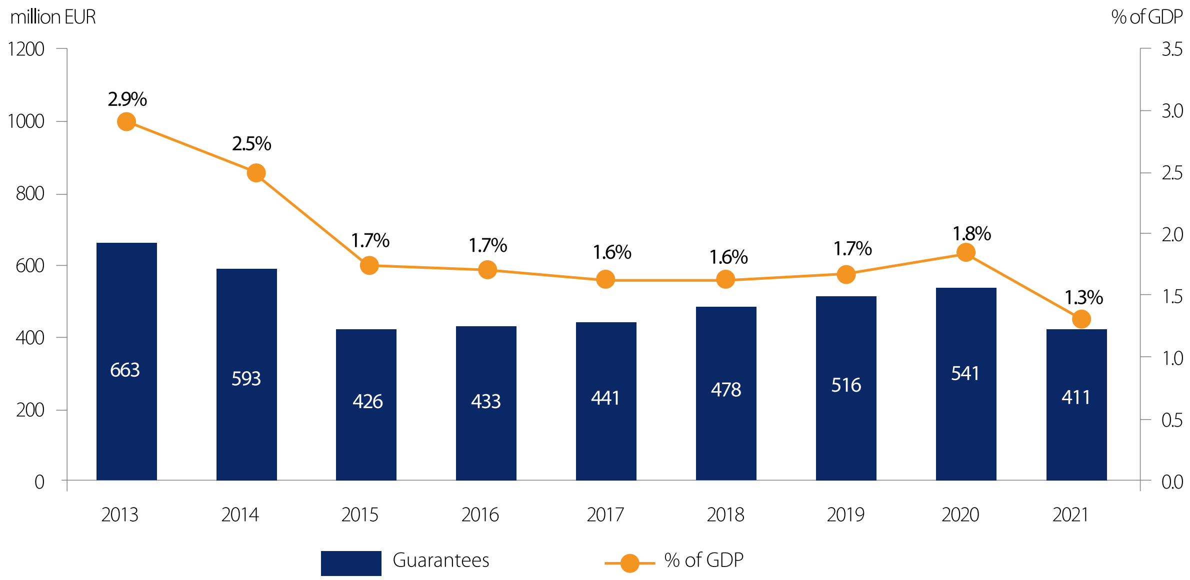
Source: The Treasury

State guarantees

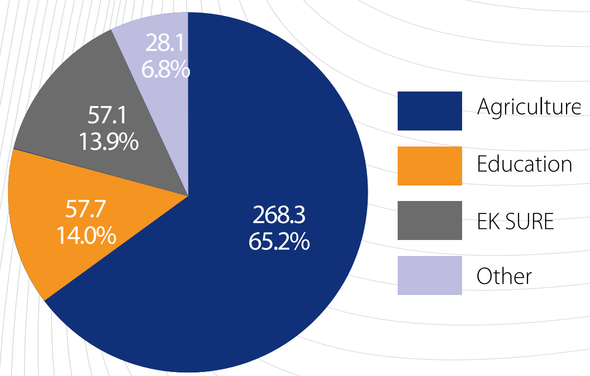
At the end of 2021, the total amount of state guaranteed debt outstanding was EUR 411.3 million, which is EUR 134.3 million less, compared to the end of 2020. Reduction of state guaranteed debt outstanding was only due to fact that the state guaranteed debt of medical institutions was by the state and repaid in full amount (EUR 128,7 million). Thereby, guarantees outstanding reduced by 1.3 % of GDP.

Similar to previous years, in 2021 the largest amount of outstanding guarantees has been issued for ALTUM commitments to ensure the implementation of State aid programmes (Small and medium-sized enterprises, agriculture, start-ups and others).

State guaranteed debt outstanding, 2013 – 2021



State guaranteed loans by industry, 2021
(million EUR and % of total amount)



Source: The Treasury

Cash Management

Cash management includes management of all Treasury's resources and securing necessary liquidity. The goal of cash investment is to ensure financially effective cash management in accordance with the basic principles of investment, providing liquidity risk management and complying with the most effective investment terms for acceptable investment transactions. Cash management shall be performed only by the Treasury and the transfer of funds for management by another manager is not allowed.

The cash and liquidity management process in 2021 was managed in still highly volatile market conditions related to long – standing global Covid-19 pandemic. ECB continued its economy stimulation measures to combat the negative impact of the Covid-19 pandemic by keeping deposit facility rate at -0.5% and increasing bond buying programs, as a result in 2021 EUR money market rates became even lower.

To ensure accessibility of financial coverage to support measures to mitigate the consequences of the Covid-19 pandemic being in the presence of uncertainty and risks related with the negative effects of the Covid-19 pandemic, also in 2021 Treasury concentrated all resources in the accounts in the Bank of Latvia and ECB, by doing that financial risks are mitigated and the availability of liquid resources is ensured to cover financing needs.

Useful information

- The Treasury (debt management reports, auction results, credit rating reports)
  www.kase.gov.lv

- Information for investors
  https://www.kase.gov.lv/en/investor-relations

- Ministry of Finance (detailed information about the State budget)
  www.fm.gov.lv

- Central Statistical Bureau
  www.csb.gov.lv

- Bank of Latvia
  www.bank.lv

- Macroeconomic reviews
  www.makroekonomika.lv

- Eurostat database
  http://ec.europa.eu/eurostat

- State Employment Agency
  www.nva.gov.lv