

Description of the methods, procedures and sources used for the compilation of deficit and debt data and the underlying government sector accounts according to ESA2010

1. General information

1.1. Legal and methodological basis of the general government budget deficit and debt notification preparation

General government deficit and debt notification preparation methodology and deadlines are regulated by the following legal acts and methodological materials:

1. European Parliament and Council regulation (EC) No 223/2009 of 11 March 2009 on European Statistics and which cancels European Parliament and Council regulation (EC, Euratom) No 1101/2008 on transmission of such statistical information to the Statistical Office of the European Communities to which confidentiality concerns, Council regulation (EC) No 322/97 on Community Statistics and decision of Council 89/382/EEC, Euratom which establishes Committee on the Statistical Programmes of the European Communities;
2. European Parliament and Council regulation (EU) No 549/2013 of 21 May 2013 on the European system of national and regional accounts in the European Union;
3. Council regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community;
4. Council regulation (ES) No 679/2010 of 26 July 2010 amending Regulation (EC) No 479/2009 as regards the quality of statistical data in the context of the excessive deficit procedure;
5. Commission regulation (EU) No 220/2014 of 7 March 2014 amending Council regulation (EC) No 479/2009 as regards the European system of national and regional accounts in the European Union;
6. Manual on government deficit and debt (Implementation of ESA 2010) issued by Statistical Office of the European Union Eurostat;
7. Regulations No.756 “Procedures for Preparing the Notification of General Government Deficit and Debt” of December 22, 2015 by the Cabinet of Ministers of the Republic of Latvia.

1.2. Order of general government sector composition determination

1. According to ESA 2010, general government sector (S.13) in Latvia consists of three subsectors:

central government sub-sector (S.1311);

local government sub-sector (S.1313);

social security fund sub-sector (S.1314);

2. As of 31 December 2025 the general government sector included 427 independent budgetary institutions, of which 220 institutions belonged to the central government sub-sector; 207 institutions belonged to the local government sub-sector, and 1 institution – to the social security fund sub-sector. Moreover, there were 146 capital corporations controlled and financed by the central and local governments, of which 61 capital corporations were controlled by the central, and 85 - by local governments and Deposit Guarantee fund.

3. The list of enterprises related to general government sector is prepared by the Central Statistical Bureau (CSB) by verifying enterprise compliance with the following criteria:
 - 1) whether it has institutional unit features (1st criterion);
 - 2) whether it belongs to the government sector (participation of central and local governments in the enterprise's equity capital exceeds 50%) (2nd criterion);
 - 3) whether it is a government-controlled unit (3rd criterion);
 - 4) whether it is considered an institutional unit of the non-market public sector (4th criterion).
4. It is assumed that theoretically any economically active enterprise recorded in the Statistical Business Register corresponds with the 1st criterion, as any legal unit, which has independent accounting and autonomy in decision making, is considered as an institutional unit.
5. While identifying correspondence with the 2nd criterion, entries of the Statistical Business Register having "10", "20", "82" and "83" as the first two digits of the Typological Classifier of Statistical Units are selected, which means that the state or local governments own 50 % or more of the share capital of the enterprise.
6. While determining correspondence with the 3rd criterion, it is analysed whether the general government secures control over the institutional unit being reviewed in accordance with the indicators set in Paragraphs 2.38 and 20.309 – 20.310 of ESA 2010.
7. When determining to what extent the units selected as a result of the procedure indicated in Paragraph 5 correspond with the 4th criterion, the following analysis is carried out:
 - 7.1. if the main function of a unit is participation in national income and treasure division and it has been assigned a code of the Classification of Economic Activities NACE Rev. 2 starting with "84", the unit is related to the general government sector;
 - 7.2. if the main function of the unit is financial intermediation and it has been assigned a code of the Statistical classification of economic activities NACE Rev. 2 starting with "64", "65" or "66", the unit is classified outside of the general government sector unless special methodological conditions foreseen in the Guidelines for the government deficit and debt are not related to it;
 - 7.3. the belonging of other selected units to the general government sector is determined by analysing the data on financial activity provided in the annual report. Data from reports of the previous five years ($n-6$ to $n-1$) are used for the analysis. If the unit's net turnover minus the received general or local government budget assignments has been less than 50% of the unit activity costs (including net interest payments) for at least the previous three years, the unit is related to the general government sector;
 - 7.4. an enterprise is related to the general government sector immediately, starting with the year n , if it is established in the calculation carried out according to the procedure prescribed in Paragraph 7.3 during the reference year $n-1$ that 50 % of the conditions have come into effect, and the total liabilities at the end of year $n-1$ indicated in the balance, excluding the equity capital and savings, exceed 0.01 % of the gross domestic product value of the year $n-1$ in current prices;
 - 7.5. in cases when more than a half of the net turnover of the unit is comprised by remuneration of units of other general government sectors for the services provided, the results obtained according to the procedures indicated in Paragraph 7.3 are not taken into account and the respective unit is related to the general government sector.
8. The CSB prepares a list of units corresponding with all criteria, providing information on each unit's:
 - register identifier (NMK);
 - full name;
 - ISC code.

9. The CSB groups the units by the sub-sectors of the general government sector (S.1311, S.1313, S.1314) and shares the information on the CSB website.
10. The CSB carries out a regular analysis of the list until the 20 December of every year.
11. Extraordinary changes may be introduced in the list of enterprises related to the general government sector in the following cases:
 - 11.1. if the enterprise included in the list has been liquidated in the Enterprise Register of the Republic of Latvia;
 - 11.2. new state or local government institutions formed according to the laws and regulations of the Cabinet of Ministers or decisions of local governments are added to the list by implementing regular changes in the list.

1.3. Relation between national methodology of general government budget calculation and European System of Accounts ESA 2010

In order to ensure transition from government budget deficit or surplus to net borrowing, net lending (B.9) according to ESA 2010, additional adjustments are made which are based on applying accrual principle in listing. Revenues and expenditure in the budget are listed according to cash flow principle, i.e., at the moment the money goes into the account, however, national account methodology requires recording flows at the moment they form.

Moreover, data on budget are adjusted on financial transactions, debts and liabilities, revenues from selling real estate, as well as supplemented with data on the results of activity of merchants controlled and financed by the central and local governments.

General government debt is gross debt at nominal value outstanding at the end of year of the whole general government sector. General government debt is comprised by general government sector liabilities in the following categories: Currency and deposits (AF.2); debt securities, (AF.3) and loans (AF.4) which are calculated according to ESA 2010 requirements.

1.4. Submission of notification on general government budget deficit and debt

Notification of government budget deficit and debts is regularly sent to EU institutions in accordance with the single form liable to all EU member countries in set terms (twice a year – before April 1 (provisional data) and before October 1 – (final data)).

The institution responsible for preparation of the notification is the CSB. Specialists from the Ministry of Finance and the Treasury, as well as from the Bank of Latvia are involved in the process of preparation of the notification. If necessary, additionally specialists from other institutions (the Ministry of Economy, the Ministry of Defence, the Ministry of Welfare, Riga City Council, etc.) are involved.

2. Tables of general government budget deficit and debt notification

(Reporting of Government Deficits and Debt Levels)

In Latvia notification of general government budget deficit and debt consist of 9 tables, which include the following information:

Table 1 – Reporting of government deficit/surplus and debt levels and provision of associated data;

Table 2A-2D – Provision of the data, which explain the transition between the public accounts budget balance and the every government sub-sector deficit/surplus (EDP B.9);

Table 3A-3E – Provision of the data, which explain contributions of the deficit/surplus and the other relevant factors to the variation in the debt level and the consolidation of debt (general government sector and subsectors);

Table 4 – Provision of other data in accordance with the statements contained in the Council minutes of November 22, 1993 (trade loans, amount outstanding in the government debt from the financing of public undertakings, national gross income, etc.).

When submitting current notification, information on four previous reference years and forecast on current reference year is indicated in tables. As, in accordance with Macroeconomics statistics department revision policy, submitting every next notification survey of previously prepared data is carried out due to data update or methodology changes, the data status for shown data must be indicated – either they are provisional, final or planned. Information in tables must be indicated in millions of national currency units.

3. Additional tables explaining notification

(Questionnaire related to the notification tables)

Additional tables include following information:

Changes in consolidated gross debt and general government sector net borrowing (-)/net lending (+)

Explanation of financial transactions included in the budget

Adjustments for sector delimitation in EDP tables

Taxes and social contributions: other accounts receivable/payable (F.8) of general government

Recording of EU flows and national co-financing

Military equipment expenditure (weapons and supporting equipment)

Central government claims, debt cancellation

Guarantees recording

Capital injections, superdividends and privatizations

Public-Private Partnerships (PPPs).

Additional explanatory notification tables are not publicly available because they contain confidential information.

4. Data sources used for the preparation of notification

Data sources	Responsible institution	General government		Central government		Local governments		Social security fund	
		S.13		S.1311		S.1313		S.1314	
		Apr	Oct	Apr	Oct	Apr	Oct	Apr	Oct
1. Budgetary reports									
Annual report on central government budget execution and on local governments budgets in year n-1	FM	-	X	-	X	-	X	-	X
Annual report on central government budget execution and on local governments budgets in year n-1	FM		X		X		X		X
Official monthly report on general government budget execution in January - December of year n-1	VK	X	-	X	-	X	-	X	-
2. Financial reports									
Accounting balance sheet of central government and local governments budgetary institutions at the end of year n-1	VK	-	X	-	X	-	X	-	X
Central government budget finance balance sheet at the end of year n-1	VK	-	X	-	X	-	X	-	X
Summary on financial assets and liabilities in year n-1	VK	X	X	X	X	X	X	X	X
Statistics survey 2-FAP “Financial assets and liabilities” for quarters of year n-1	CSP	X	-	X	-	X	-	X	-
Statistics survey 1-FAP “Financial assets and liabilities” in year n-1	CSP	-	X	-	X	-	X	-	X
3. Other data sources									
Data on year n-1 of of the information system of budget reports of ministries, central government institutions and local governments (e-Parskati)	VK	X	X	X	X	X	X	X	X
Forecast on Gross Domestic Product, Government Debt, gross fixed capital formation and interest rate paid in reference year n	FM	X	X	-	-	-	-	-	-
Forecast on budget deficit or surplus in reference year n	FM	X	X	X	X	X	X	X	X
Tax adjustments using time-adjusted cash method for year n-1	FM	X	X	X	X	X	X	X	X
Adjustments to contributions to the EU budget for year n-1	FM	-	-	X	X	-	-	-	-

year n – year when current notification is submitted

FM – the Ministry of Finance, VK – the Treasury, CSP – Central Statistical Bureau

4.1. Budgetary reviews

Budgetary reports are prepared in compliance with clause No. 87 „Accounting arrangements for budgetary institutions” by the Cabinet of Ministers of February 13, 2018 which determines order in which general and local governments’ budgetary institutions prepare accounting, providing united main accounting principle and use of book-keeping account plan in compliance with normative acts regulating accounting, legal provisions of the European Union, International Accounting Standards and International Public Sector Accounting Standards. Main data are prepared according to cash flow principle and they are not consolidated.

Provisional information is available in „Official monthly report of the Treasury on general government consolidated budget execution in January – December of year n-1”. For finalised data on year n-2 the „Annual Report on central government budget execution and local government budgets of the Republic of Latvia, year n-2, Ministry of Finance” is used. Annual report provides additional detailed information.

In time period between notifications of April and of October data revision in compliance with more detailed data sources, which became available after compilation of final data, for example, „Annual Report on central government budget execution and local government budgets of the Republic of Latvia in year n-1” of the Ministry of Finance is carried out.

4.2. Financial reports

General government finance balance sheet is a report on financial activity of general government, which shows financial assets and liabilities of general government, their changes in report period, as well as the results of finance activity of general government.

Laws “On accounting”, “Law on budget and finance management” determine draw up principles of finance balance sheet and normative acts in the accounting sphere.

Central government budget finance balance sheet includes financial assets and liabilities as at December 31 of year n-1, as well as provides comparative data as at December 31 of year n-2.

Central government budget accounting balance sheet is prepared in compliance with law „On accounting”, „Law on budget and finance management”, „Local Government Law”, „On budget of local governments”, „On general government budget for year n-2” and in compliance with articles determined in normative acts in the accounting sphere.

Consolidated accounting balance sheet includes financial assets and liabilities as at December 31 of year n-1, as well as provides comparative data as at December 31 of year n-2.

The Treasury summary on financial assets and liabilities includes information on general government sector and sub-sectors in breakdown by financial instruments of assets and liabilities according to ESA 2010 methodology.

Summaries of statistics surveys 1-FAP and 2-FAP „Financial assets and liabilities” contain information on breakdown of assets and liabilities financial indicators of enterprises’ balance by financial instruments according to ESA 2010 methodology which was transferred to general government sector.

4.3. Other data sources

Forecast used in notification are data, which the Ministry of Finance determines for the reference year. Determining these forecasts newest budget decisions, as well as economic development and its perspectives are taken into account.

Contributions to the EU budget. As their terms of payment do not coincide with budget calculation, in tables the adjustment is being done in order to transit to accumulation principle adaption.

Tax revenues in budget calculation are enumerated in compliance with cash accounting principles, although ESA 2010 requires to evaluate them according to accrual principle, therefore adjustment using deferred highlight method is being done.

The Central Finance and Contracting Agency information from the information management system of Cohesion policy funds.

The Ministry of Defence information regarding special military equipment.

The State Social Insurance Agency information regarding old-age pensions and survivor's pensions for the calculation of which the capital accumulated in the State funded pension scheme.