

## President of Latvia approves budget package with serious reservations

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Today, President of Latvia Egils Levits enacted the Law on the State Budget for 2021 and the Law on the Medium-Term Budget Framework for 2021, 2022 and 2023, together with other related laws. He also issued a separate statement on the composition of the budget and its adoption process with detailed comments on various aspects of both.

Parliament, the Saeima, had decided to fast-track the whole package of related laws, therefore, according to Satversme (Constitution), President of Latvia had no right to request the parliament to reconsider the adopted laws and he had to promulgate them.

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President of Latvia has closely followed the parliamentary debate on the budget, made numerous recommendations to the government and discussed specific programmes with social partners. Here are the main concerns about the process from the judicial system perspective:

there was no apparent reason to exclude the President from budget planning process in this particular case by deciding to fast-track the legislative package in the Saeima

adoption of the budget package should not become a kind of post-modern version of Article 81 of Satversme – an excuse for forcefully and quickly pushing proposals of executive branch through parliament without proper consideration of impact, legal standards and purpose of the reforms

legislature should also give sufficient transition time between the adoption and coming into force of the law for implementation of reforms to allow the public to familiarise with the new legal framework and adapt for it

## II

According to the President, one of the concerns with regard to the budget law is proposed changes in the Law on State Social Insurance. The new framework introduces minimum level of mandatory social contributions. 'Although there were a lot of expectations towards these rules and it took a long time to produce them, legal mistakes were made. [...] I am not entirely certain that the rush with which these mistakes were corrected between the readings contributed to better outcomes and more accurate risk management. Some of these proposals are still very controversial.'

Egils Levits is confident that we should continue to prioritise fight against shadow economy and undeclared work. This is one of the most significant social issues. But President also thinks the law should not reinforce existing stereotypes, i.e. suspect everyone who earns below national minimum of doing undeclared work and contributing to shadow economy.

President also finds the proposed requirement to explain competent authorities why you are earning less than national minimum inappropriate. 'Any formalistic, bureaucratic, biased and subjective or discriminatory treatment of such individuals, their living conditions and skills or competencies is inappropriate,' underlined the President.

As far as economic impact of COVID-19 on various sectors is concerned, Egils Levits reminds that, as a socially responsible state, Latvia should ensure minimum social protection to all of its residents and treat them with dignity. 'Helping those who are struggling should be the priority for the government and the society, no one should be left behind, humiliated or deprived of statutory protection,' pointed out Egils Levits.

Talking about the strengths of the budget package, President of Latvia praised government and parliament for keeping several of its promises to health and education sectors. 'Resilience of healthcare system is crucial for growth and development of any state. Teacher salaries need to go up to make our education system stronger overall. It shows our appreciation of teachers' hard work and encourages young, talented people to become teachers and pursue a career in teaching,' believes Egils Levits.

## III

President of Latvia also thinks that decision to increase the minimum wage to 500 euro from 1 January 2021 is a step in the right direction. He also welcomes the reduction of the level of mandatory social contributions by one percentage point from 35.9% to 34.9%.

Egils Levits also complimented the decision to allocate 2021 budget funding for strengthening of Latvia's information space and providing support to mass media.

He also praised the decision to provide financial support to judicial and law enforcement system organisations looking to boost their institutional capacity and work efficiency.

President Levits also said, '2021 budget is the biggest Latvia has ever had. I am happy about the growing expenditure foreseen in the plan'. He urges the Saeima and Cabinet of Ministers to remain vigilant and leave enough room for manoeuvre in terms of budget implementation. He also encouraged to react immediately as soon as any additional ad hoc changes in the budget are required.

## IV

President Levits expressed hope that future budgets will be more focused on improving people's skills, digital transformation and green innovations through meaningful investment initiatives. Government must consistently invest in transformation of the economy. 'Future competitiveness of Latvia depends on availability of qualified and skilled labour. I invite the government to start addressing the future employment needs with efficient tools as soon as possible,' claims the President. Egils Levits also indicates that we should keep firm sight on the trends elsewhere in Europe and the world – national investment programmes should be geared towards maximising 'economic and social benefits of transition to a more innovative, greener and digitally advanced economy'.

Egils Levits also reminds that, as a modern and sustainable democracy, Latvia should have a more transparent framework for planning and management of necessary reforms, a system based on close dialogue with society.

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