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*Tulkošanas un terminoloģijas centra tulkojums.*

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5 February 1997;

15 November 2001.

If a whole or part of a section has been amended, the date of the amending law appears in square brackets at the end of the section. If a whole section, paragraph or clause has been deleted, the date of the deletion appears in square brackets beside the deleted section, paragraph or clause.

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The Saeima has adopted and the President  
has proclaimed the following Law:

## **On Prevention of Squandering of the Financial Resources and Property of the State and Local Governments**

### **Section 1. Purpose of the Law**

The purpose of this Law is to ensure that the financial resources and property of the State and local governments is utilised lawfully and in conformity with the public interest, to prevent the squandering and ineffective utilisation of such financial resources and property, as well as to restrict corruption of State officials.

### **Section 2. Duty to Administer Lawfully the Financial Resources and Property of the State and Local Governments**

(1) Any action with State and local government financial resources and property must be lawful, that is, financial resources and property shall be administered only in accordance with the objectives and procedures specified in laws, Cabinet regulations, by-laws and other regulatory enactments, as well as in binding regulations adopted by local government city councils (district and parish councils) and other regulatory enactments adopted by local government city councils (district and parish councils).

(2) State and local governments, as well as State and local government institutions shall keep the financial resources thereof in credit institutions of the Republic of Latvia. This provision does not apply to such State institutions as, in accordance with the laws of Latvia, are located in foreign states.

*[5 February 1997]*

### **Section 3. Duty to Administer Rationally the Financial Resources and Property of the State and Local Governments**

Local governments, State and local government institutions, undertakings and incorporated companies, as well as companies, in which the State or local government share of the equity capital separately or combined exceeds 50 percent, shall administer the financial resources and property rationally, that is:

1) actions shall be such as to achieve objectives with the minimum use of financial resources and property;

2) property shall be alienated or transferred to the ownership or possession of another person at the highest price possible; and

3) the ownership or possession of property shall be acquired for the lowest price possible.

#### **Section 4. Restrictions on Granting of Credits, Issuing of Loans, Provision of Suretyship and Guarantees**

(1) Local governments, State and local government institutions, undertakings, incorporated companies and companies may grant credits in accordance with procedures prescribed by the Credit Institution Law and other laws.

(2) Local governments, State and local government institutions, undertakings, incorporated companies, and companies in which the State or local government share of the equity capital separately or combined exceeds 50 percent, except in the cases provided for in Paragraphs three, four and five of this Section and by other laws, are prohibited from issuing any kind of loan or providing suretyships or guarantees.

(3) Provisions of Paragraph two of this Section do not apply to:

1) companies in which the State or local government share of the fixed capital separately or combined exceeds 50 percent and which have previously received written permission from the holder of the State or local government capital shares; and

2) cases where a State or local government incorporated company issues loans and provides suretyships and guarantees having received beforehand written permission from the State authority or local government which supervises the relevant incorporated company.

(4) If the incorporated company referred to in Paragraph two of this Section has been privatised or if the State or local government capital shares in a company have been privatised or alienated, the permission referred to shall be received from the authority which performs the alienation of the State or local government property.

(5) The authority which supervises the incorporated company, a holder of the State or local government capital shares in a company, and the authority which performs privatisation or alienation, shall establish a guarantee register, as well as keep one original of every suretyship or guarantee. Suretyships and guarantees are not valid unless they are registered in the relevant register.

(6) If a State undertaking or an incorporated company is transferred for privatisation or alienation, the authority which supervises the object intended for privatisation or alienation shall transfer the relevant register to the authority which performs alienation of the State property.

(7) It is permitted to issue loans, provide suretyships and guarantees in accordance with the procedures specified in this Section only when the lender or the provider of suretyships or guarantees has paid all State or the local government taxes and wages to employees, and there are no claims in court proceedings against it regarding recovery of a debt.

*[5 February 1997; 15 November 2001]*

#### **Section 5. Prohibition to Transfer State and Local Government Property for Use without Compensation**

(1) Local governments, State and local government institutions, undertakings and incorporated companies, as well as companies, in which the State or local government share of the equity capital separately or combined exceeds 50 percent, are prohibited to transfer State or local government property to other persons for use without compensation.

(2) The provisions of this Section do not apply to cases where:

- 1) the State property is transferred for use to a local government;
- 2) a State institution transfers State property for use or possession to another State institution;
- 3) a local government transfers the property of one of its institutions for use by another institution of the local government;
- 4) a local government transfers its property for use by another local government; and
- 5) in other laws or Cabinet regulations it is permitted to transfer State or local government property for use without compensation.

#### **Section 6. Prohibition to Transfer State and Local Government Property for Use through the Intermediation of Third Persons**

Local governments, State and local government institutions, undertakings and incorporated companies, as well as companies in which the State or local government share of the fixed capital separately or combined exceeds 50 percent, are prohibited to transfer State or local government property for use to other local governments, State or local government institutions, undertakings and incorporated companies, as well as companies in which the State or local government share of the fixed capital separately or combined exceeds 50 percent, through the intermediation of a third person. These provisions do not apply to cases when a lessee has acquired the right to lease the State or local government property in a public auction.

#### **Section 7. Prohibition to Alienate State and Local Government Property for a Reduced Price**

(1) Local governments, the State and local government institutions, undertakings and incorporated companies, as well as companies, in which the State or local government share of the fixed capital separately or combined exceeds 50 percent, are prohibited to alienate State or local government property for an evidently reduced price.

- (2) Provisions of Paragraph one of this Section do not apply to cases where:
- 1) a State or local government property is alienated in a public auction;
  - 2) a State property is alienated in favour of a local government;
  - 3) a State institution alienates State property in favour of another State institution;
- and
- 4) in other laws or Cabinet regulations it is permitted to alienate State or local government property for an evidently reduced price.

### **Section 8. Prohibition to Acquire Property in Ownership or for Use, or Utilise Services or Work for an Increased Price**

Local governments, the State and local government institutions, undertakings and incorporated companies, as well as companies in which the State or local government share of the fixed capital exceeds 50 percent, are prohibited to acquire a property in ownership or for use, or to order services or work for an evidently increased price.

### **Section 9. Restrictions to Pledge State and Local Government Property**

- (1) It is prohibited to pledge a property in the possession of a State institution.
- (2) A State undertaking, incorporated company or company in which the State share of equity capital exceeds 50 percent or the State or local government share of equity capital combined exceeds 50 percent is permitted to pledge only with the permission of the Minister for Finance.
- (3) Local governments are permitted to pledge only such property as is not necessary for the performance of the local government regular functions or the pledging of which is not prohibited by law or Cabinet regulations.
- (4) Property of a local government may be pledged only in accordance with a decision of the relevant local government city council (district and parish council).

### **Section 10. Restrictions on Giving Financial Resources and Property as a Gift (Donating)**

- (1) State and local government institutions are prohibited to give as a gift (donate) financial resources and property, except cases specially provided for in laws or Cabinet regulations.
- (2) State and local government undertakings, incorporated companies, as well as companies in which the State or local government share of equity capital separately or combined exceeds 50 percent, in accordance with the procedures specified in Sections 11 and 12 of this Law, may give as a gift (donate) financial resources or property only for the promotion of culture, art, science, education, sport, or health protection, as well as for the promotion of social assistance. Giving as a gift (donation) is permitted only if at the moment of the giving (donation) the relevant undertaking, incorporated company or company has paid all State or local government taxes, salaries to the employees and there are no claims in court proceedings against the undertaking or company regarding recovery of a debt.

(3) Within the meaning of this Law a gift (donation) is the transfer of financial resources or property to the ownership of other natural or legal persons without compensation.

*[5 February 1997]*

### **Section 11. Provisions for Giving as a Gift (Donation)**

(1) If the amount of a individual gift (donation) does not exceed 500 lati, the decision regarding granting thereof may be taken by the head of the relevant State or local government undertaking, or the head of a collegial decision-making institution of an incorporated company or company.

(2) If the amount of an individual gift exceeds 500 lati, it may be granted only with:

1) the permission of the Minister for Finance, if the gift (donation) is to be granted by a State undertaking, incorporated company or company in which the State share of equity capital exceeds 50 percent;

2) the permission of the relevant local government city council (district and parish council), if the gift (donation) is to be granted by a local government undertaking, incorporated company or company in which the local government share of equity capital exceeds 50 percent; and

3) the permission of the Minister for Finance and the relevant local government city council (district and parish council) if the State and local government share in equity capital of an undertaking does not exceed 50 percent, but the amount of capital shares owned by them exceeds 50 percent.

### **Section 12. Contract of Gift (Donation)**

(1) If the amount of a gift (donation) exceeds 500 lati, the gift (donation) may be given only by entering into a written contract with the recipient of the gift (donation) where the purpose of the gift (donation) and the rights of the giver (donor) to recover financial resources from the recipient of the gift (donation), in the case if the gift (donation) is not utilised for the purposes provided for in the contract or other conditions of the contract have been violated, are specified.

(2) The contract of gift (donation) shall be entered into on the basis of a type-contract approved by the Cabinet.

(3) A copy of the contract of gift (donation) entered into by a State undertaking, incorporated company or company shall be sent to the State Audit Office within 10 days from entering into of the contract.

(4) A copy of the gift (donation) contract entered into by a local government undertaking, incorporated company or company shall be sent to the audit commission of the relevant local government within 10 days of the entering into of the contract.

### **Section 13. The Control of Utilisation of Donated Financial Resources or Gifted Property**

(1) The State Audit Office has the right to examine the utilisation of the financial resources or property given (donated) to natural or legal persons by State undertakings, incorporated companies and companies having a State capital share.

(2) The audit commission of the relevant local government city council (district and parish council) has the right to examine the utilisation of the financial resources or property given (donated) to a natural or legal persons by local government undertakings, incorporated companies and companies having a local government capital share.

#### **Section 14. Public Access to the Granting of Gifts (Donations)**

Any inhabitant of Latvia or mass media journalist has the right to become acquainted with the contracts for a gift (donation) entered into by State or local government authorities, as well as to become acquainted with information regarding the gifts (donations) given in accordance with the procedures prescribed by Section 10 of this Law.

#### **Section 15. Liability for Fulfilment of the Provisions of this Law**

The chairperson of the relevant local government city council (district and parish council), the head of a State or local government institution or undertaking or the head of a collegial decision-making institution of a company shall be liable for fulfilment of the provisions specified in Sections 2 – 12 of this Law.

### **Transitional Provisions**

*[5 February 1997]*

1. Authorities, which supervise State and local government undertakings and incorporated companies, as well as the holders of the State or local government capital shares in companies in which the State or local government share of equity capital separately or combined exceeds 50 percent, and an authority performing privatisation shall establish a register of pledges, suretyships and guarantees until 1 May 1996, including therein the pledges, suretyships and guarantees entered into or issued up to the day Cabinet Regulation No. 136 of 10 April 1996, Amendments to the Law On Prevention of Squandering of the Financial Resources and Property of the State and Local Governments, comes into force.

2. With the coming into force of this Law, Cabinet Regulations No. 86 and No. 136, Amendments to the Law On Prevention of Squandering of the Financial Resources and Property of the State and Local Governments, issued in accordance with Article 81 of the Constitution (*Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, 1996, No. 10, 11), are repealed.

3. The functions referred to in Section 4 of this Law regarding State undertakings and companies shall be performed by the non-profit-making organisation State stock company “*Privatizācijas aģentūra*” [Privatisation Agency] up to the moment the Cabinet

has issued an order regarding the authority performing the alienation of State property and these functions are transferred to the relevant authority.

*[15 November 2001]*

This Law has been adopted by the *Saeima* on 19 July 1995.

Acting for the President, the Chairperson of the Saeima  
Rīga, 2 August 1995

A. Gorbunovs