



‘If One Gives, Take It’ or Municipal Practice of Borrowing Funding and Planning Infrastructure Development

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Audit Report

‘If One Gives, Take It’ or Municipal Practice of Borrowing Funding and Planning Infrastructure Development.

29 August 2019

Legality and Performance Audit “Compliance of Municipal Infrastructure Objects and Project Funding System, Process, and Criteria with Principles of Rational Use, Efficiency, and Sustainability of Finances”.

The audit was performed following Audit Schedule No 2.4.1-38/2018 of Auditing Department No 5 of the State Audit Office, Amendments to the Audit Schedule of 10 October 2018, 26 February 2019, and 15 July 2019.

The cover contains a photo from the archive of the auditors of the State Audit Office.



Dear Reader,

We conducted this audit with two motives. On one hand, it was devoted to identification of the practices for infrastructure development planning established in local governments and evaluation of the assessment procedure of project financing, implementation, and deliverables.

On the other hand, given the significant amount of government loans for infrastructure development issued to local governments, our attention was also paid to the fact whether the state-provided loan system ensured the targeted action of state and municipal authorities compliant with the common national objectives and whether it promoted a responsible approach by local governments to large investment planning.

Renovated school, built kindergarten, new stadium or swimming pool, concert hall suitable for convening large concerts - these and other municipal projects are significant and provide new or additional educational, active recreation, and cultural life opportunities for locals and the population of neighbouring regions and towns.

Nevertheless, those are often expensive projects at the same time, which usually require local governments to borrow from the state budget and thus undertake financial commitments not only for several years but also even for several decades.

It is therefore essential to carry out all necessary preparations in order to have full confidence that the proposed facility is necessary for the local population, that it is a priority now, and that its maintenance will not place an excessive burden on the municipal budget in the future. Engaging experts in the field, who can provide a helping hand in identifying the specific needs of the site, in the project in a timely manner and cooperating with neighbouring municipalities to prevent emergence of unnecessary competition among the local governments are as important.

We focused on all those aspects of project planning and implementation when assessing more than thirty projects implemented in the local governments. We have identified both best practices and weaknesses in project implementation that the local governments need to strengthen to ensure compliance of their future actions with the principles of efficiency and economy.

We expect that the audit results will be useful to both the audited local governments and other local governments, and that they will lead to a fruitful discussion on improving the loan-granting system to local governments.

We extend our gratitude to all the employees of fifteen local governments, the Ministry of Finance, the Ministry of Education and Science, the Latvian Swimming Federation, and the Latvian Football Federation for constructive cooperation in providing the information needed for the audit and discussing the audit results! Thanks also to the many people for their responsiveness and suggestions for the audit sites to be assessed!

Respectfully,
Mr Edgars Korčagins
Department Director

A stylized, handwritten signature in black ink, consisting of several fluid, overlapping strokes.

Summary

Motivation

The Law on State Budget provides for an annual increase in the total amount earmarked for loans to the local governments, where the annual borrowing limit available for the period under audit was 118 million euros¹. In its turn, the total amount of long-term borrowings by local governments reached² 1.29 billion euros in 2018. Moreover, the activity of local governments in submitting loan applications is very high because the amount of borrowings requested exceeded³ the budget-set limit already on 4 April 2019, only one day after the adoption of the Law on State Budget 2019.

Representatives of the Ministry of Finance note⁴, “In recent years, the number and volume of municipal borrowing requests have grown significantly and the plans for municipal investment projects have significantly exceeded the borrowing limit set by the state budget.” In addition, officials from the Municipal Financial Activity Supervision and Financing Department of the Ministry of Finance, which is responsible for municipal borrowing, have emphasised in the media⁵ that “if the municipal demand for a loan is properly drafted, there are no obstacles raised to implementation of such expensive projects even when the economic justification is not very convincing”.

Along with significant amount of its funding, construction of infrastructure facilities like sports facilities, cultural centres, etc. has often gained widespread resonance in the public and in the mass media. For example, the started or planned construction of nine swimming pools in Latvia, including those in Bauska, Eleja, and Ludza, has been the focus of much media and public attention over the past three years. The most ambitious swimming pool was planned in Eleja anticipating the cost of a sports facility and a swimming pool reach as much as 11 million euros⁶.

The Latvian Swimming Federation (hereinafter referred to as LSF) indicates in the media⁷, that the swimming pools most probably will not be profitable in the municipalities with less than 20,000 inhabitants. In his turn, when speaking about the construction of a 2.6 million euros worth swimming pool in the town, the Mayor of Ludza Regional Government admits⁸, “while building a swimming pool, we already know that it will be unprofitable and a burden on the municipal budget.”



The audit aims at assessing whether the planning, financing, and implementation of infrastructure development projects are legal and efficient.



As the municipal borrowing has an impact on the budget deficit of local governments and the general government, the State Audit Office conducted an audit in 2017⁹, which assessed fiscal discipline in the budgets of individual local governments and compliance with laws and regulations. The audit found¹⁰ that the local governments did not carry out systematic fiscal risk assessment except for the assessment of the possibility of additional commitments, and complied with the principles of fiscal discipline only partially, such as the principle of intergenerational responsibility and austerity.

In view of the above, there was an audit conducted to assess whether the current system of financing municipal infrastructure projects contributed to sustainable, economical, and efficient financing of infrastructure development projects in the local governments and whether the planning, implementation, and financing of municipal infrastructure development projects complied with the laws and regulations, aspects of economy and efficiency, and best practices in project management.

Main Conclusions

Introduction

During the audit, project assessment in 15 local governments has revealed a number of weaknesses in the planning, financing, and management phases of projects, which require improvements. As the construction of a house begins with laying the foundations, the realisation of the projects begins with comprehensive and careful planning. Planning that identifies the needs of population for one or another infrastructure site, assesses the priorities of those needs, determines a reasonable size, location, and layout of the sites to be developed, calculates the necessary finances for both construction and maintenance of the sites has been recognised as the largest stumbling block of local governments.

Unfortunately, the existing borrowing conditions in the Treasury for financing of municipal projects do not facilitate the implementation of population needs-based and targeted projects either. The analysis of the information collected in cooperation with the Ministry of Finance applications of local governments for borrowing from the state budget are mostly formal and do not require a comprehensive justification of the necessity of the borrowing and its compliance with the needs of the local population. Assessment procedure of those applications provides for controlling the total amount of debt of the respective local government and the compliance of the application with the



borrowing objectives stipulated by the Law on State Budget basically, hence, almost all applications are satisfied and loan is granted.

These identified shortcomings also have their consequences. Ambitious sites whose maintenance is expensive imposing a significant financial burden on municipal budgets even for decades restrict the implementation of the projects that the local population need in the future. At the same time, the audit also identified examples of best practice in infrastructure development planning, project management, and the assessment of deliverables.

When analysing the causes, the uncoordinated implementation of public policy crystallises as one of the crucial factors for the shortcomings discovered during the audit. Already in previous audits, for example, in the area of road network development, we have pointed out that the development of state and municipal infrastructure is planned often in isolation and thus does not ensure the best possible result for the population. In this audit, we paid attention to many sports infrastructure sites, and the examples of their implementation illustrate the consequences of the lack of a unified and coordinated national policy, where one region generates an abundance of sports facilities by creating unnecessary competition between local governments, whereas other regions lack such facilities.

Local governments plan infrastructure development imperfectly

Development planning is done for several rational reasons, including informing and consulting the public about the intentions of local governments to use public resources to coordinate both investments and timelines, and to make efficient use of investments already made, as infrastructure development projects can be implemented within one budget year rarely. However, local governments still face significant challenges in their development planning because the local governments underestimate the importance of planning to engage population in decision-making on the use and control of public funds.

Some local governments do not set specific infrastructure priorities based on the needs of population. In addition, in the category “for implementation of priority investment projects” of the Treasury loan system, where the loan authorisation totalling to 22.17 million euros¹¹ were granted in 2017 and 2018, such projects are submitted that are not prioritised or even not included in the development planning documents of the local governments. For instance, Carnikava Regional Government received a loan¹² of 98,285 euros for the purchase of office equipment, while Valka Regional Government borrowed¹³ 21,217 euros for the purchase of an event tent. Those projects are not prioritised in the development or budget planning documents of respective regional governments by illustrating in



addition that almost any project, including minor maintenance costs and office equipment purchases, can be applied as a priority for this loan objective.

Without setting specific infrastructure priorities arising from the needs of the population, local governments find it hard to implement the projects necessary for the development of their territory and to plan the municipal budget purposefully. For example, although the necessity to implement water management projects in municipal villages emphasised¹⁴ in the Rugāji Regional Development Program is hampered¹⁵ by the unavailability of the European Union (hereinafter referred to as the EU) funds, the regional government did not use all possibilities to obtain financing for this priority project and limited its financial assets even more by borrowing 703,863 euros¹⁶ for the construction of Rugāji Stadium.

In its turn, Salacgrīva Regional Government has not used the funding obtained from the sale of its real estate for more than a decade, which was intended for the renovation of outdated sports infrastructure.

[The local governments do not assess the economy and efficiency of the projects in full before they implement them](#)

While the private sector carries out careful calculations, drafts business plans and feasibility studies before implementing financially extensive projects and receiving loans, local governments follow such practice only when the rules for receiving co-financing from the EU funds envisage that.

When implementing projects, local governments often face differences between actual project results and initial intentions, including the need for additional funding for unscheduled work, inconsistencies in revenue and expenditure with the initial forecasts, and a lower number of visitors than expected.

For example, Kuldīga Regional Government granted additional funding of 695,879.64 euros¹⁷ for the project of a sports school reconstruction and swimming pool construction. The need for funding involved both extra work unveiled during construction (such as the need to adjust the parameters of swimming pool, to carry out archaeological research) and the realisation of additional wishes (for instance, salt room, swimming pool for children) that the original project did not envision. Although a part of the required funding is related to unforeseen circumstances, a part of the additional investment is related to the weaknesses in the project planning and feasibility phase directly.

Only seven local governments¹⁸ have estimated the expected maintenance costs of the infrastructure sites¹⁹ before the project was

implemented but the maintenance costs were well above the forecasts. For example, the maintenance costs of the Bauska regional swimming pool²⁰ were 18% higher in 2018 than planned²¹ before the construction of the facility, and the municipal grant for providing the operation of the swimming pool exceeded the planned one more than twice²².

The construction and maintenance costs of the swimming pools built by the local governments illustrate the need for a detailed financial flow analysis for the entire life cycle of the planned facility. The local governments have invested between three and twelve million euros in the construction of swimming pools, and ensuring the operation of these facilities requires a permanent municipal grant. At the same time, each local government will have spent at least two to three million euros on the maintenance of swimming pools after a 10-year period (the term for replacing equipment or making substantial investments in line with the useful service life defined by the accounting). Thus, the maintenance of those facilities will cost local governments just as much or even more as the construction of the facilities in the long run.

The practice of cooperating regarding the use or construction of infrastructure is also not widespread among local governments, and they even often compete unnecessarily with each other when building new infrastructure. The planned scope of infrastructure sites is not always proportionate with the actual situation and the necessity in the municipality. For instance,

- ☺ When planning the reconstruction of Carnikava Primary School Stadium, Carnikava Regional Government has planned a full-size football field with natural lawn (106 x 68 m), runway and sectors for triple jump, long jump, pole jump, high jump, discus and hammer throw, water pothole for steeplechase with the construction costs estimated²³ of at least 1.33 million euros. However, sports infrastructure of that scale is not necessarily required for the primary school curriculum and the plans of local government for the development of the sports facilities are related to the prospective establishment of a secondary school in Carnikava, although the Ministry of Education and Science (hereinafter referred to as MoES) does not support that;
- ☺ Jelgava Regional Government plans to build a swimming pool and sports centre in Eleja Rural District (1,943 residents) by estimating²⁴ the total cost of 11 million euros and envisaging to attract visitors from other rural districts of the region. At the same time, swimming pools are also available in the City of Jelgava 28 km away from Eleja (two

swimming pools), in the Town of Bauska 35 km away, and in the Town of Dobele 41 km away;

- ☑ In 2013, Rugāji Regional Government completed the construction project of Rugāji Stadium implemented since 2008 having invested 849,818 euros and envisaged such stadium parameters that were suitable for organising professional football competitions. Meanwhile, Balvi Region located only 18 kilometres away and having a long-standing tradition of football and a professional football team has planned²⁵ to build a stadium²⁶ with the option to organise national competitions already since 2011;
- ☑ While Jaunpils Regional Government, similar to Rugāji Region in terms of population, built the Jaunpils Secondary School Stadium twice as cheap (464,875 euros) in 2018, even with the increased construction cost²⁷, by incorporating a small football field (60x40 metres), athletics sector, beach volleyball court and other sports facilities in the stadium.

Although local governments have the opportunity to consult experts in the field upon their own incentive, such as sports federations on the specific requirements of sports facilities in a timely manner, only part of them do so. Thereby deficiencies are identified during construction and operation, resulting in additional costs due to changes in design and construction processes.

Without identifying the specific nature of the planned infrastructure in advance, the newly built infrastructure may prove inadequate for its intended purpose, for example, a stadium that will not be able to host competitions, or a swimming pool where swimming may be unsafe, for instance, due to insufficient depth or inadequate tiling, although available amount of funding allows developing appropriate infrastructure.

For example, LSF has posted²⁸ various technical requirements and recommendations for swimming pools on its website. They aim at disseminating good engineering practice to prevent errors in the design and construction process, thus making the pool, its tub or auxiliary facilities suitable for swimming training for children, adolescents, or adults, training, public visits or visits by people with impaired mobility, rehabilitation or competitions.

According to LSF²⁹, none of the local governments included in the audit sample has received an opinion on the compliance of the swimming pool not only with the requirements of the International Swimming Federation (hereinafter referred to as FINA) but also with the requirements of the LSF. As the most absurd examples in practice,

LSF mentions³⁰ an irrational choice of depth for a swimming pool bath, which increases the cost of maintaining a swimming pool after commissioning, purchasing and installing top-quality racing time controls on the site where it is not needed at all, as all other parameters of the swimming pool (number and width of lap lanes, existence of seating, etc.) do not meet even the minimum requirements for competitions, including the selection of a non-swimming pool tub and flooring that is slippery and presents a high risk of injury.

The borrowing system does not control whether financial resources are allocated to most necessary projects

The infrastructure project financing system of local governments with borrowings from the Treasury provides the granting of state budget funds of 118 million euros in loans to various municipal projects and activities each year.

Although the objectives for which local governments may borrow are set out in the Law on State Budget each year, the definition of those objectives is very broad and the number of objectives has been supplemented³¹ due to the lobby of the Latvian Association of Local and Regional Governments (hereinafter referred to as the LALRG) every year.

The requirements, criteria, and procedures that local governments must follow to obtain a government loan of 20,000 euros for the purchase of an event tent or 12 million euros for the construction of a multifunctional cultural centre are the same³².

For receiving a loan from the Treasury, local governments must obtain a decision of the Local Government Loan and Guarantee Control and Supervisory Council³³ (hereinafter referred to as the Council) established by the Minister of Finance. In their turn, local governments must submit several documents³⁴ to the Council, including the decision made by the Municipal Council to borrow and economic justification of the loan (information on project costs, purpose of the project, problems to be solved by the project, number of project phases, planned activities, work to date, and project deadlines). One has indicated specifically that the “Project description” section of the loan’s economic justification should be short, meaning that it may not be longer than one page!

At the same time, the information that the local governments provide in the economic justification does not always reflect the actual situation in the region impartially. For example, when applying³⁵ for a loan to build a swimming pool in March and October 2018, Ludza Regional Government also included information in the description of educational institutions and the number of students on two educational



The local governments indicate minimum information on the project in economic justification chapter of their loan applications that does not illustrate the assessment of project feasibility.



The Council acts within the competence specified in laws and regulations. However, borrowing arrangements do not ensure that local governments assess the cost-effectiveness and efficiency of a project before receiving a loan.



institutions whose liquidation and reorganization process had already begun or was completed³⁶.

Having assessed the requirements for the applicants, the loan granting process, the applications by local governments, and their economic justification, the auditors have concluded that this system is not functioning efficiently and is imperfect containing several major shortcomings. Hence, it does not result in constant control over whether 118 million euros annually allocated to the municipal loans is granted to projects whose priority and cost-effectiveness local governments have justified and which will contribute to the balanced development of regions and address the immediate challenges that the population faces.

The Council evaluates the loan applications local governments have drafted in accordance with the requirements of the valid laws and regulations by monitoring the permitted limits³⁷ of local government commitments and fiscal risks carefully. Within the scope of entrusted mandate, the Council evaluates the fulfilment of the existing commitments of local governments and their ability to assume new liabilities, as well as compliance of the loan with the borrowing conditions stipulated by the Law on State Budget requesting local governments to submit additional information by adjusting the loan amount or postponing the consideration of the issue.

However, the current borrowing arrangements do not ensure that local governments assess the cost-effectiveness and efficiency of the planned project, and compliance with the development planning documents approved by the local government before receiving the loan. For instance, the current borrowing arrangements do not oblige local governments to forecast changes in the number of infrastructure users, the impact of maintenance costs on the municipal budget, the long-term return on investment, etc.

Although one must supplement the loan application with a document entitled “Economic justification for the loan”, the legislation does not expressly require any entity to evaluate the genuineness and impartiality of the information and data contained in that document. In addition, the limit of information given for the project description, briefly on one page, is disproportionate to the purpose of the document.

Having reviewed the applications of local governments and their economic justifications, the auditors believe that they do not include impartial economic justification because the justification of necessity for the project, supporting data, calculations, desired deliverable, result indicators, and other relevant information are lacking.



In fact, the system does not provide the opportunity to reject projects whose priority, cost-effectiveness, efficiency, and sustainability a local government has not justified sufficiently in its loan application. The fact that 99% of loan applications are approved as part of the funding available illustrates that statement. Even if the local government has not assessed the need for the project carefully, it can obtain a loan.

The conditions when loans are available for a very wide range of objectives and most of the plans did not require municipal co-financing³⁸ until 2019 facilitate the situation as well. This does not encourage a responsible attitude towards loans only for priority projects.

The absence of representatives from all relevant areas on the Council when assessing loan applications can also be a deficiency in the borrowing system. For example, although 56.6 million euros or 16.3% of borrowing permits granted in 2018 are meant for investment projects of educational institutions, the representative of the Ministry of Education and Science is not sitting on the Council, and the MES has been systematically involved in evaluating applications only since 2019 by providing its opinion on the necessity and sustainability of the investment projects of educational institutions planned by local governments.

The case detected in Bauska Regional Government illustrates the need to involve representatives of the relevant field in the process of evaluating applications very well. A study commissioned by the municipality on the optimisation of the school network recommended³⁹ the closure of Mežotne Primary School by keeping only pre-school education in the building. However, Bauska Regional Government has both carried out the reconstruction of the building⁴⁰ by borrowing 642,766 euros from the State Treasury⁴¹ and identified⁴² the construction of a two-storey gym for that educational institution as one of the budget priorities for 2019.

Mandate of local governments includes assessment of cost-effectiveness and efficiency of project proposals and deciding on projects to be implemented. However, borrowing arrangements control only the amount of municipal debt and do not provide control over whether the loan application of local government reflects a project appraisal, do not eliminate the risk that the loan may be granted to projects that are economically unreasonable or proposed by individual interest groups instead of the projects corresponding the interests of popular majority.

The audit findings allow a conclusion that the process of preparing and evaluating loan applications requires several significant

improvements to ensure that already limited financial resources for municipal loans are allocated to prioritised and economically sound projects of local governments. The auditors consider that loan-regulating laws and regulations should also provide conditions allowing decision-makers to be confident that local governments have assessed the cost-effectiveness and efficiency of a planned project and that the loan application complies with the development planning documents approved by the local government.

Major Recommendations

Based on the findings of the legality and performance audit and our conclusion, there are recommendations made to 15 local governments to improve their project planning, implementation, financing, and monitoring processes, namely, to take action to:

- ☑ Promote purposeful development of infrastructure in accordance with priorities and the needs of the population in a local government;
- ☑ Improve the financial flow forecasts of a site prior to project implementation;
- ☑ Facilitate the evaluation of the project results and the necessary improvements in the operation of the facility.

Recommendations have also been made to the Ministry of Finance to improve the loan-granting system to local governments:

- ☑ Take steps to improve the requirements for assessing loan applications.

Recommendations are provided only to the local governments included in the audit sample, however, in the opinion of the State Audit Office, the issues assessed and recommendations provided are also relevant to other local governments and institutions involved in infrastructure development.



For public funds to be used for economically sound and efficient projects, the requirements for assessing loan applications as well as municipal development planning and project management processes must be improved.

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- ¹ Article 14 of the Law On State Budget for 2015, Article 15 of the Law on State Budget for 2016, Article 14 of the Law on State Budget for 2017, and Article 14 of the Law on State Budget for 2018.
- ² Local government general budget balance for 2018 (data of the State Treasury).
- ³ Komisāre Inta, “Local Government Investment Project Intents Exceed Borrowing Limit Significantly,” available at: <https://www.delfi.lv/news/versijas/inta-komisare-pasvaldibu-investiciju-projektu-ieceres-butiski-parsniedz-aiznemumu-limitu.d?id=51049425>. Viewed on 3 May 2019.
- ⁴ Komisāre Inta, “Local Government Investment Project Intents Exceed Borrowing Limit Significantly,” available at: <https://www.delfi.lv/news/versijas/inta-komisare-pasvaldibu-investiciju-projektu-ieceres-butiski-parsniedz-aiznemumu-limitu.d?id=51049425>. Viewed on 3 May 2019.
- ⁵ Available at: <https://www.lsm.lv/raksts/zinas/ekonomika/pasvaldibas-naski-aiznemas-naudu-investicijam.a289582/>. Reviewed on 7 Feb 2019.
- ⁶ Estimated contract price estimates for the construction project “Low-energy Consumption Building “Eleja Sports Hall and Swimming Pool”” by DG Baltic Ltd.
- ⁷ Available at: <http://www.delfi.lv/news/national/politics/pelbaseinu-bums-regionos-kur-gaidamas-verienigakas-buves.d?id=48703497>. Viewed on 31 Jan 2019.
- ⁸ Available at: <https://www.lsm.lv/raksts/zinas/latvija/pasvaldibas-latgale-aktivi-nem-kreditus-izdzivosanai-un-attistibai.a307655/>. Viewed on 31 Jan 2019.
- ⁹ Performance Audit No 2.4.1-7/2016 “Efficiency of the Budgetary Management System: Part 1 - Evaluating the Efficiency of the Budgeting Cycle” by the State Audit Office, 2017.
- ¹⁰ Performance Audit No 2.4.1-7/2016 “Efficiency of the Budgetary Management System: Part 1 - Evaluating the Efficiency of the Budgeting Cycle” by the State Audit Office, 2017, pp. 153, 142, 164.
- ¹¹ Summary of loans and guarantees granted in 2017 and 2018. Available at: https://www.fm.gov.lv/lv/sadalas/pasvaldibu_finansu_uzraudziba/pasvaldibu_aiznemumu_un_galvojumu_kontroles_un_parraudzibas_padome/2017_gada_izsniegtas_atlaujas/; https://www.fm.gov.lv/lv/sadalas/pasvaldibu_finansu_uzraudziba/pasvaldibu_aiznemumu_un_galvojumu_kontroles_un_parraudzibas_padome/2018_gada_izsniegtas_atlaujas/.
- ¹² Review on Carnikava Regional Government loans, data from State Treasury e-Reporting System (December 2018).
- ¹³ Review on Valka Regional Government loans, data from State Treasury e-Reporting System (December 2018).
- ¹⁴ Rugāji Regional Development Program 2013-2019 (Approved by Rugāji Regional Council session on 19 Aug 2013 (Minutes No 11, Item 14), pp. 34, 91, 94, and 99.
- ¹⁵ Minutes of the interview between the State Audit Office and Rugāji Regional Government on 22 Nov 2018.
- ¹⁶ Review of Rugāji Regional Government loans, data from State Treasury e-Reporting System (December 2018).
- ¹⁷ E-mail from the local government of 17 Dec 2018, presentation of Kuldīga Regional Government “Reconstruction of Sports School located at 6 Kalna Street, Kuldīga, Phases 1 and 3”.
- ¹⁸ Bauska, Carnikava, Jaunpils, Jelgava, Salacgrīva, Sigulda, and Stopiņi Regional Governments.
- ¹⁹ See Annex 2.
- ²⁰ Revenue and expense estimates of Bauska Regional Swimming Pool of Bauska Regional Children and Youth Sports School for 2019.
- ²¹ Annex 5 to the Explanatory Memorandum to the Bauska Regional Government Budget for 2016 “Construction costs and planned operating costs of the swimming pool of the Bauska Municipal Professional Orienteering Institution “Bauska Regional Children and Youth Sports School””.
- ²² Annex 5 to the Explanatory Memorandum to the Bauska Regional Government Budget for 2016 “Construction costs and planned operating costs of the swimming pool of the Bauska Municipal Professional Orienteering Institution “Bauska Regional Children and Youth Sports School””.
- ²³ E-mail of the Head of the Financial Management Department of the Carnikava Regional Council of 18 June 2019.
- ²⁴ Estimated contract price estimates for the construction project “Low-energy Consumption Building “Eleja Sports Hall and Swimming Pool”” by DG Baltic Ltd.
- ²⁵ Balvi Regional Development Program 2011-2017, 7th Investment Program 2011-2013, Project 91, p.57.
- ²⁶ The stadium was reconstructed in 2018.
- ²⁷ Compared to 2014.
- ²⁸ Available at: <http://swimming.lv/dokumenti/>. Viewed on 2 Apr 2019.

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- ²⁹ Letter No V-72-05/19 by LSF of 29 May 2019 “Referring Information Request in Audit No 2.4.1-38/2018”.
- ³⁰ Letter of 2 Jan 2017 by LSF “On Construction of New Swimming Pools in Latvian Municipalities”.
- ³¹ For example, when drafting the budget for 2017, under the agreement and disagreement protocol of the Cabinet of Ministers and the LALRG of 5 Oct 2016, the parties agreed to supplement the loan objectives set in 2016 with several new objectives, including development of investment project documentation (technical project); reconstruction of Mežaparks Large Stage.
- ³² Article 15 and 16 of Cabinet Regulation No.196 “Regulations on Local Government Loans and Guarantees” of 25 March 2008. If the loan is required for the implementation of an EU co-financed project, the agreement on implementation of the project and its annexes shall be presented in addition.
- ³³ Article 5 and 6 of Cabinet Regulation No.196 “Regulations on Local Government Loans and Guarantees” of 25 March 2008. The Council shall consist of one representative from the Ministry of Finance, CFLA, MEPRD, Ministry of Agriculture, the Bank of Latvia, LALRG, and the State Treasury, while the Council’s technical operation is provided³³ by employees of the Financial Supervision and Financing Department of Local Governments of the Ministry of Finance.
- ³⁴ Article 15 and 16 of Cabinet Regulation No.196 “Regulations on Local Government Loans and Guarantees” of 25 March 2008.
- ³⁵ Economic justification of the loan for the project “Construction of Swimming pool of Ludza Grammar School on 27 P. Migliniķis Street, Ludza” drafted by the local government on 19 Feb 2018 and 3 Oct 2018.
- ³⁶ Ludza Regional Council made a decision on 26 Oct 2017 (Minutes No 19, Item 40) on the dissolution of Istra Secondary School of Ludza Region on 5 July 2018. Ludza Regional Council made a decision on 28 March 2018 (Minutes No 5, Item 9) on the reorganisation of Nirza Primary School of Ludza region by merging with Pilda Primary School, with effect from 31 Aug 2018. List of Reorganised, Closed, and Founded Educational Institutions in 2018 of the Ministry of Education and Science, available at: <https://www.izm.gov.lv/lv/publikacijas-un-statistika/reorganizetas-slegtas-un-dibinatas-izglitiba-iestades/2018-gads>. Viewed on 12 June 2019.
- ³⁷ The Council shall ensure that the amount of debt repayable by the local government in the current year does not exceed 20% of the total amount of the municipal budget for the current financial year.
- ³⁸ See, for example, Article 14.1 of the Law on the State Budget for 2018.
- ³⁹ “Proposals and their Rationale for Development and Optimisation Plans of Bauska Regional Educational Institutions”, commissioned by Bauska Regional Council, contractor “Karšu izdevniecība Jāņa sēta” Ltd, 2016, pp. 31-33.
- ⁴⁰ The project included heat insulation of the building, reconstruction of heating, ventilation, water supply and sewerage systems (HVAC), as well as measures to promote environmental accessibility.
- ⁴¹ Review of Bauska Regional Government loans, data from State Treasury e-Reporting System (December 2018).
- ⁴² Decision “Defining Priorities for the Formation of Municipal Budget for 2018” of Bauska Regional Council Finance Committee of 23 Nov 2017.