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**LATVIJAS REPUBLIKAS FISKĀLĀS DISCIPLĪNAS PADOME**


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Reģ.nr. 90010248231, Smiļšu ielā 1-512, Rīgā, LV-1919

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**Council meeting minutes No 5**

Riga

1 December 2015

**Chairman:**

Chairman of Fiscal Discipline Council – J. Platais

**Participants of the meeting:**

Deputy Chairman of Fiscal Discipline Council	I.Eriņš
Member of Fiscal Discipline Council	M.Kazāks
Member of Fiscal Discipline Council (teleconference mode)	Ū.Kaasik
Member of Fiscal Discipline Council (teleconference mode)	A.Ūbelis
<i>Secretariat –</i>	
Fiscal Discipline Council secretary	D.Kalsone
Fiscal Discipline Council fiscal risks expert	E.Ķīlis
Fiscal Discipline Council economist	E.Lucka
Fiscal Discipline Council macroeconomics expert	E.Veide

**Invited participant to the meeting agenda #2**

European Commission Representation in Latvian economic advisor	M.Zemītis
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**Invited participant to the meeting agenda #3**

Ministry of Finance Head of Fiscal analysis and forecasts division Economic analysis department	J.Kekļa
Ministry of Finance Deputy Head of Fiscal discipline monitoring division Fiscal policy department	L.Ozoliņa
Ministry of Finance Head of Economic analysis department	I.Vasaraudze

**Taking minutes:**

Fiscal Discipline Council economist

E. Lucka

Meeting starts at 15:00

**J. Platais opens the meeting**

Fiscal Discipline Council (Council) chairman J.Platais opens the meeting and announces the agenda (annexed, incl. meeting presentation).

**1 Approval of the minutes of the previous meeting.**


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**Reporter:** J.Platais

**Decision:**

1.1 Approve 18 September 2015 Council meeting minutes.

J.Platais votes for;  
I.Eriņš votes for;  
M.Kazāks votes for;  
Ū.Kaasik votes for;  
A.Ūbelis votes for.

**2 European law in the field of fiscal policy**

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**Reporter:** M.Zemītis

M.Zemītis reports on the Stability and Growth Pact and in particular the latest developments on the EU Fiscal board establishment.

*Discussion about the European Law and current issues of fiscal policy and fiscal discipline.*

**Decision:**

2.1 Take note of the information provided by the European Commission Representation in Latvia.

J.Platais votes for;  
I.Eriņš votes for;  
M.Kazāks votes for;  
Ū.Kaasik votes for;  
A.Ūbelis votes for.

**3 Fiscal Discipline Law Article 11 examination**

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**Reporters:** I.Vasaraudze, J.Kekļa. L.Ozoliņa

I.Vasaraudze informs that the Ministry of Finance updates macroeconomic forecasts twice a year – (1) during the preparation of the Stability programme in February, and (2) during the preparation of the Annual state budget and the Framework Law in June. Therefore, at moment, when the Fiscal Discipline Law (FDL) Article 11 is opened for yearly evaluation on 1 December there are used the MoF summer forecasts. However, the Council should note substantial changes to the historical rows of data on the GDP related to the revisions related to the transition to ESA 2010 methodology, which may impact the GDP values and the cyclical component for the past years.

L.Ozoliņa informs that for the evaluation of the compliance with the Article 11 of FDL (tables annexed) has been based on the difference between the structural balance targets set in the Medium-term Budget Framework Law and the actual performance by taking into account the Central Statistical Bureau's 26 October 2015 notifications including the cyclical component calculated by the MOF.

J.Platais notes that based on the MoF data and estimates the accrued deviation for end of 2015 would come dangerously close to the triggering of the correction mechanism according to the Article 11 of FDL 11, which would require upward adjustment of the general government budget balance by 0.5% of GDP in 2020.

*Discussion about the correction mechanism of the FDL Article 11.*

**Decision:**

3.1 Take note on the information provided by the Ministry of Finance of the FDL Article 11 in respect of 2013 and 2014.

3.2 Take note of the Council on the 2015-2017 projections of the Article 11 of the FDL data.

3.3 Ask the Council secretary after the meeting to add to the press release information about potential enforcement of the correction mechanism with regard to 2020.

J.Platais votes for;

I.Eriņš votes for;

M.Kazāks votes for;

Ū.Kaasik votes for;

A.Ūbelis votes for.

#### **4 2016 budget law and the 2016-2018 budget framework law adoption process**

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**Reporter:** J.Platais

J.Platais reports that on 30 November 2015 the Saeima adopted 2016 budget law and the 2016-2018 budget framework law. J.Platais drew attention to the Council's staff assessment of already existing deviations from the budget execution plans that cumulatively formed from (1) the cancelled fiscal safety reserve – in the amount of 26.1 million euro; (2) the Ministry of Health remuneration compensation – in the amount of 10 million euro; (3) the VAT exemption re-instatement for the cultural sector – in the amount of 3.1 million euro, as well as (4) the planned cancellation of amendments micro-enterprise tax law – aggregative representing about 0.2% of GDP. J.Platais invites already now to focus the public's attention to this gap.

*Discussion on the 2016 budget law and the 2016-2018 framework law adoption process and the possible deviation.*

**Decision:**

4.1 Take note of information on the 2016 budget law and the 2016-2018 budget framework law making progress.

4.2 Take note of the Council's projection of deviations from the plans in the amount of 0.2% of GDP.

4.3 Ask the Council secretary after the meeting to add to the press release information about potentially very possible 0.2% deviation from the 2016 Budget Law.

J.Platais votes for;

I.Eriņš votes for;

M.Kazāks votes for;

Ū.Kaasik votes for;

A.Ūbelis votes for.

#### **5 Memorandum of Understanding content discussion**

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**Reporter:** J.Platais

J.Platais reports it would be necessary from the Memorandum of Understanding (annexed) to remove the full legal texts, while keep the references to the articles, as well as shifting to the annex the necessary detail. In the text it is important not to forget to highlight FDL Article 28 Part 9(2) and the Council certain rights at any time to request and receive data from the public authorities. J.Platais calls to discuss the MoU content.

D.Kalsone adds that the additional duties mentioned in the MoU will be also reported to the MoF in upcoming regular reports.

*Discussion on the MoU content.*

**Decision:**

5.1 Ask the Council secretary to update the MoU with comments received in the meeting.

5.2 To approve the draft version of the MoU and to ask the Council secretary to send to the Ministry of Finance in mid-December for preparing for negotiations in early January 2016.

J.Platais votes for;

I.Eriņš votes for;

M.Kazāks votes for;

Ū.Kaasik votes for;

A.Ūbelis votes for.

## **6 Council Procedure new edition**

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**Reporter:** J.Platais

J.Platais reports on prepared by Council Procedure new edition (annexed), that mainly refers to the work organisation of the Council employees side, as well as to the fact that it is necessary to amend Council members total number of hours spent in the Council meetings and Council working group meetings, as well as in the preparation to them from 48 to 72 hours. This is also because there was not taken account the work of the Council members in the working groups. J.Platais invites the Council to discuss amendments to the Procedure.

*Discussion on the Council Procedure new edition.*

**Decision:**

6.1 To approve the Council Procedure new edition.

6.2 Ask the Council secretary to publish a new edition of the Council Procedure at the Council website.

J.Platais votes for;

I.Eriņš votes for;

M.Kazāks votes for;

Ū.Kaasik votes for;

A.Ūbelis votes for.

## **7 The Council's strategy for 2016-2018th year, including research issues**

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**Reporter:** J.Platais

J.Platais reports that the Council's strategy for the next three years is planning to enlarge its competence in implementing the main tasks of the Council – work on macroeconomic forecasts, the budget plan execution monitoring, including a quarterly analytical report and the numerical evaluation of the condition, as well as self-evaluation activities by using the core principles of the Council for Economic Cooperation and Development Organisation and also in the second half of 2016 make peer-to-peer evaluation by other independent fiscal institution. J.Platais takes the note that in the longer term strategy to aims to ensure the Council mandate as policy forward looking institution with pro-active work, even if the experience of other countries show a relatively passive mandates.

J.Platais reports that the research themes by the Council working group discussions for 2016 are as follows:

- 1 Output gap assessments. Proposed researcher: E.Veide.
- 2 Tax policy scenario evaluations. Proposed researcher: E.Ķīlis.
- 3 Debt sustainability assessments. Proposed researcher: E.Ķīlis. The calculation part E.Veide.
- 4 Expenditure benchmark assessment. Proposed researcher: D.Kalsone.
- 5 The general government budget ECC and ESA comparison. Proposed researcher: D.Kalsone.
- 6 Fiscal risk assessment methodology. Proposes researcher: D.Kalsone, incl. 6.1 one-off history in Latvia. Proposed researcher: E.Ķīlis and 6.2 permanent appropriations assessment in accordance with the Law on Budget and Financial Management. Proposed researcher: E.Lucka.

For research work there is planned also expert consultations procurements (please see below part 9.3) for topics No 1, 2 and 6.

J.Platais invites the audience to comment on the Council's secretariat developed strategy for 2016-2018, including research issues. According to the Council the strategy has been developed 2016 the Council Secretariat work plan (annexed).

*Discussion on the Council's strategy for 2016.-2018, including research issues.*

**Decision:**

- 7.1 To approve the Council's research plan for 2016.
- 7.2 To approve the Council's strategy for 2016.-2018 by adding research plan for 2016.
- 7.3 To take note on the Council Secretariat work plan for 2016.
- 7.4 Ask the secretary of the Council to ensure publication of the strategy on the Council website.

J.Platais votes for;  
I.Eriņš votes for;  
M.Kazāks votes for;  
Ū.Kaasik votes for;  
A.Ūbelis votes for.

## **8 Non-conformity ceiling discussion**

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Agenda part put forward to the next Council meeting.

## **9 Technical support issues**

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**Reporter:** J.Platais, D.Kalsone

### *9.1 Council meetings calendar 2016.*

J.Platais reports on Council meetings and Council working groups meetings calendar for 2016 (annexed). J.Platais propose that the macro-economic forecasts and fiscal rules enforcement issues are taking place in the Council meetings. 2016 is designed for one off-site meeting.

D.Kalsone notes that the meetings calendar as usual will be available on the Council's website.

*Discussion on the Council's meetings calendar 2016.*

**Decision:**

- 9.1.1 To approve the Council meetings calendar 2016.

J.Platais votes for;  
 I.Eriņš votes for;  
 M.Kazāks votes for;  
 Ū.Kaasik votes for;  
 A.Ūbelis votes for.

### *9.2 Business trip plan 2016.*

J.Platais reports for the business trips plan 2016 (annexed) is divided in following main groups – the European Commission organised independent fiscal authorities' meetings (the seminars) and Baltic independent fiscal institutions seminar in Vilnius, study visits of the Secretariat, as well as the offsite meeting and ad hoc meeting which participation is approved by the Chairman of the Council. First ad hoc seminar is planned on 27 January 2016 at the European Central Bank among independent fiscal institutions and the central banks, and proposes to delegate to attend this seminar Council secretary D.Kalsone.

### *Discussion on the Council's business trip calendar 2016.*

#### **Decision:**

9.2.1 To approve Business trip plan 2016.

9.2.2 To ask the secretary of the Council to update the Business trip plan, when the information is received on specific seminars and other event dates.

9.2.3 To approve D.Kalsone participation at the ECB seminar on 27 January 2016.

J.Platais votes for;  
 I.Eriņš votes for;  
 M.Kazāks votes for;  
 Ū.Kaasik votes for;  
 A.Ūbelis votes for.

### *9.3 Procurement plan for 2016.*

D.Kalsone reports that the procurement plan (annexed) that includes expert consultations procurements in accordance with the Public Procurement Law (PPL). D.Kalsone calls to approve I.Jermacāne candidacy for the work at the Procurement Committee as the legal counsel. Procurement plan is also planned communication strategy in accordance with the PPL procurement category, as well as procurement, which is below the threshold of PPL – on risk methodology assessment, a press conference and room 511 repairing. D.Kalsone informs that thanks to the State Joint Stock Company "Valsts nekustamie īpašumi" (VNĪ) assistance was organised for a price tender and the service provider will be SIA "ProDev" in the amount of 3570 euros (including VAT). For the help with the price tender VNĪ Council will pay for three hours for project manager (82.01. EUR/hour).

J.Platais reports that in the internal rules on procurement organisation have amendments (annexed), which provides the right to approve the revised procurement plan by the Chairman of the Council, but it is necessary for the Council involvement if the amendment amounts are more than 4000 euros (without VAT).

### *Discussion on the Council's procurement plan for 2016.*

#### **Decision:**

### 9.3.1 To approve the procurement plan for 2016.

J.Platais votes for;  
 I.Eriņš votes for;  
 M.Kazāks votes for;  
 Ū.Kaasik votes for;  
 A.Ūbelis votes for.

### 9.4 Council budget execution, 2015 11 months

D.Kalsone reports that within 11 month of 2015 there was used 76% of the available financial resources. In December there is need to finalise the finance year therefore the remuneration for December 2015 will be paid in December 2015. In December 2015 there is plan to implement the second part of the purchase on macroeconomic indicators forecasts, which together with the first part exceed the PPL specified limits. Consequently, it was organised in open tender ending 2 December 2015 10:00 a.m. On 9-10 December will take place one business trip to the regular meeting of the EU Network of Independent fiscal institutions that will attend the Chairman of the Council J.Platais and Secretary D.Kalsone. From the maintenance procurements there is still plans to obtain room video recording equipment for room 511 and the price tender was performed at the end of November.

*Discussion about the Council's budget for the 11 months of 2015.*

#### **Decision:**

9.4.1 To take note of information on the Council's budget for the 11 months of 2015.

9.4.2 To consider remuneration payments of the Council for December 2015 till the end of year.

J.Platais votes for;  
 I.Eriņš votes for;  
 M.Kazāks votes for;  
 Ū.Kaasik votes for;  
 A.Ūbelis votes for.

### 9.5 Council's internal rules of the new version

D.Kalsone reports that taking into account that next year the Council Secretariat will start its work in full membership, it was necessary to review a number of internal rules – the working organisation, time recording and remuneration (annexed). It was also urgent to strengthen the procedure for procurements organisation and the amount of the authorization in the contracting organisation rules (annexed). By the content of the most important amendment is an opportunity for the Council staff to have time to be spend in the library (amendment in the working organisation rules) for research purposes with the employer consent.

*Discussion on the Council's internal rules new versions.*

#### **Decision:**

9.5.1 Take note of the Council's internal rules – working organisation, timing recording, remuneration rules, procurements organisation rules and contracting organisation rules – the new versions.

J.Platais votes for;  
 I.Eriņš votes for;  
 M.Kazāks votes for;  
 Ū.Kaasik votes for;

A.Ūbelis votes for.

#### 9.6 Council's 2016 budget financial plan by months

D.Kalsone reports that pursuant to the request of the Ministry of Finance the Council have prepared a financial plan for 2016 by month (annexed) and with an explanation (annexed) on capital expenditure in the beginning of 2016. D.Kalsone informs that the capital expenditures (6350 euros) at the beginning of the year is related to the need to set working room 511 for the Council staff and equip it with computers and network, etc. At the same time D.Kalsone informs that it has to be purchased macroeconomic data analysis tools early in 2016, which also include capital spending amount.

*Discussion on the Council's budget for 2016 financial plan.*

#### **Decision:**

9.6.1 Take note of the Council's budget for 2016 financial plan by months.

J.Platais votes for;  
I.Eriņš votes for;  
M.Kazāks votes for;  
Ū.Kaasik votes for;  
A.Ūbelis votes for.

The meeting was adjourned at 17:00.

Council Chairman

J. Platais

Meeting Secretary

E. Lucka

Visa: Council Secretary

D. Kalsone

01.12.2015. 17:59  
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