



LATVIJAS REPUBLIKAS FISKĀLĀS DISCIPLĪNAS PADOME

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Council meeting minutes No 6 (19)

Riga

6 December 2016

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.Hansen
Member of Fiscal discipline council (teleconference mode)	Ū.Kaasik
Member of Fiscal discipline council	M.Kazāks
Member of Fiscal discipline council	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

Invited persons paragraph 2 of the agenda:

Ministry of Finance Fiscal policy department director	N.Sakss
Ministry of Finance Fiscal policy department deputy director, Head of Fiscal management division	G.Trupovnieks
Ministry of Finance Economic analysis department director	I.Vasaraudze

Invited persons paragraph 3 of the agenda:

Ministry of Finance Tax analysis department director	K.Bāra
Ministry of Finance Tax analysis department deputy director, Head of Revenue analysis and forecasting division	I.Dzenīte

Invited persons paragraph 4 of the agenda:

Ministry of Health State secretary	K.Ketners
Ministry of Finance Deputy state secretary on budget issues	J.Plūme
Ministry of Finance Budget department director	T.Trubača

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

Reporter: J.Platais

Decision:

1.1 Approve 5 October 2016 Council meeting minutes.

I.Eriņš votes for;
 M.Hansen vote for;
 Ü.Kaasik vote for;
 M.Kazāks votes for;
 J.Platais votes for;
 A.Ūbelis votes for.

2 Verification of compliance with Article 11 of the Fiscal discipline law (FDL)

Reporter: N.Sakss

N.Sakss reports about the Ministry of Finance's (MoF) calculations of a difference between actual structural balance of the general government budget and minimum planned structural balance of the general government budget for each financial year. N.Sakss informs that due to the volatility of the cyclical component that has been affected both by the potential gross domestic product (GDP) revision and regular data methodology changes of the Central Statistical Bureau, there are significant changes in accumulated results. According to the MoF estimate of structural balances adjustment does not apply, as accumulated deviations of actual structural balance from the planned balance are above Article 11 of the FDL threshold (-0.5% of GDP). The total accumulated difference between the balances at the end of 2016 amounted to 1.85% of GDP.

J.Platais notes that in addition to what is provided in Article 11 of the FDL, there is an option to assess the budget performance in accordance with the expenditure growth rule that unfortunately proves that the government expenditure growth exceeds the 10 year average potential GDP growth rate.

Discussion about the compliance with Article 11 of the FDL and expenditure rule ex post assessment.

Decision:

2.1 Take note on the information provided by the MoF of Article 11 of the FDL in respect of 2013-2015.

2.2. Approve expenditure growth rule ex post calculations as necessary supplementary option to assess the budget overall performance.

I.Eriņš votes for;
 M.Hansen vote for;
 Ü.Kaasik vote for;
 M.Kazāks votes for;
 J.Platais votes for;
 A.Ūbelis votes for.

3 Tax revenue forecasts

Reporters: K.Bāra, I.Dzenīte

K.Bāra reports on tax revenue of 2016 execution factors and the procedure for tax revenue forecasts for 2017.

M.Kazāks asks how it comes that tax revenue forecasts are fulfilling with such a punctuality despite of slower growth of Latvian GDP in comparison to earlier forecasts.

K.Bāra informs, that the punctuality might be applied concerning to the overall tax revenue performance, and there are still need to be assessed execution of each of tax and its macro-economic base.

Discussion on tax revenue forecasts.

Decision:

3.1 Take note on the information provided by the MoF about the tax revenue forecasts.

I.Eriņš votes for;

M.Hansen vote for;

Ü.Kaasik vote for;

M.Kazāks votes for;

J.Platais votes for;

A.Ūbelis votes for.

4 Non-conformity report regarding the reallocation of appropriations from the Ministry of Finance's budget sub-programme "Payments to the budget of the European Community"

Discussion on the non-conformity report.

Decision:

4.1 Continue the discussion with the MoF aiming to precise the law that the deviations from the expenditure forecasts could be assessed symmetrically particularly regarding protected budget expenditure positions.

I.Eriņš votes for;

M.Hansen vote for;

Ü.Kaasik vote for;

M.Kazāks votes for;

J.Platais votes for;

A.Ūbelis votes for.

5 Budget law for 2017 and Law on Medium-term budget framework for 2017, 2018 and 2019

Reporter: J.Platais

J.Platais reports that European Commission is of the opinion that the Draft Budgetary Plan of Latvia is broadly compliant with the provisions of the Stability and Growth. On 24 November 2016 the Saeima adopted 2017 Budget law and the 2017-2019 budget framework law.

A.Ūbelis notes that this time budget laws were for historically first time adopted with the fiscal safety reserve and this result has to be assessed positively.

Discussion on annual budget and medium term budget framework.

Decision:

5.1 Take note the fiscal safety reserve inclusion in Latvian budget laws as significant improvement in the field of fiscal discipline.

I.Eriņš votes for;
M.Hansen vote for;
Ü.Kaasik vote for;
M.Kazāks votes for;
J.Platais votes for;
A.Ūbelis votes for.

6 European Union Budget for 2017

Discussion on European Union budget for 2017.

Decision:

6.1 Take note on the information of the European Union budget for 2017 fiscal discipline aspects.

I.Eriņš votes for;
M.Hansen vote for;
Ü.Kaasik vote for;
M.Kazāks votes for;
J.Platais votes for;
A.Ūbelis votes for.

7 Fiscal sustainability report concept

Reporter: J.Platais

J.Platais informs in the 2017 there is plan to commence work on a fiscal sustainability report in 2017, following international practices and addressing issues explored in other countries' fiscal sustainability reports. During the year Council members are invited to participate in discussion in each of the section results. To prepare the section on fiscal policy forecasts it might be needed outsourced support for the Council secretariat.

M.Hansen notes, that in view of Latvia's demographic situation and current trends, it is very important that issues pertaining to fiscal sustainability are considered and analysed. It is important to launch the research to answer if we will be able to continue servicing our public debt, without reducing the range of public services.

Discussion on the fiscal sustainability report concept.

Decision:

7.1 Approve fiscal sustainability report concept.

7.2 Support the necessity for the Council secretariat to organise outsourced research consultations during the production of the sustainability report

I.Eriņš votes for;

M.Hansen vote for;
 Ü.Kaasik vote for;
 M.Kazāks votes for;
 J.Platais votes for;
 A.Ūbelis votes for.

8 Statement of fiscal risks

Reporter: E.Ķīlis

E.Ķīlis reports the next year there will be continued discussions and work that the symmetry principle is employed consistently as well as regarding the quantification (were possible) and improved management of fiscal risks associated with state-owned enterprises.

Decision:

8.1 Take note two central research fields to improve fiscal risks assessment in 2017.

I.Eriņš votes for;
 M.Hansen vote for;
 Ü.Kaasik vote for;
 M.Kazāks votes for;
 J.Platais votes for;
 A.Ūbelis votes for.

9 Fiscal rules ex post assessment

Reporter: D.Kalsone

D.Kalsone reports on the fiscal rules ex post assessment and input data challenges. In the budget performance appraisal additional revenue measures are not separated from the actual revenue performance simplifying the calculations.

Discussion on the fiscal rules ex post assessment input data.

Decision:

9.1 Take note about the scenario of the fiscal rules ex post assessment.

I.Eriņš votes for;
 M.Hansen vote for;
 Ü.Kaasik vote for;
 M.Kazāks votes for;
 J.Platais votes for;
 A.Ūbelis votes for.

10 Council research on Latvian public debt: deficit and ageing

Reporter: E.Ķīlis

E.Ķīlis reports that in co-operation with Council macroeconomics expert E.Veide has been prepared the research about Latvian public debt. Already in December 2015 the Council experts commenced working on the question of government debt. This year's report on public debt argues that, while the current level of public debt is still below the threshold specified in the FDL and the Maastricht Treaty, the persistence of deficit spending and a contracting labour

force may create sustainability issues in the long term.

M.Hansen notes that the experts has prepared an excellent research by explaining the problem in easy language and highlighting how the public debt relates to each inhabitant.

Decision:

10.1 Take note about on 1 December 2016 published research on Latvian public debt: deficit and ageing in Latvian and English.

I.Eriņš votes for;
M.Hansen vote for;
Ü.Kaasik vote for;
M.Kazāks votes for;
J.Platais votes for;
A.Ūbelis votes for.

11 Research procurement plans for 2017

Reporter: J.Platais

Discussion on the research procurement plans of 2017 in relation to the yearly public survey and support during the production of the sustainability report.

Decision:

11.1 Take note on the research procurement plan for 2017.

I.Eriņš votes for;
M.Hansen vote for;
Ü.Kaasik vote for;
M.Kazāks votes for;
J.Platais votes for;
A.Ūbelis votes for.

12 Technical support issues

Reporters: J.Platais, D.Kalsone

12.1 Council meetings calendar 2017.

Decision:

12.1.1 Approve the Council meetings calendar for 2017.

I.Eriņš votes for;
M.Hansen vote for;
Ü.Kaasik vote for;
M.Kazāks votes for;
J.Platais votes for;
A.Ūbelis votes for.

12.2 Business trip plan for 2017.

Decision:

12.2.1 Approve the business trip plan for 2017.

I.Eriņš votes for;
 M.Hansen vote for;
 Ü.Kaasik vote for;
 M.Kazāks votes for;
 J.Platais votes for;
 A.Ūbelis votes for.

12.3 Council's budget execution for 11 month 2016.

D.Kalsone informs of the Council's Budget for 11months execution in the amount of 92.1% of the year resources. In December there is need to finalise the finance year therefore the remuneration for December 2016 will be paid in December 2016.

Decision:

12.3.1 Take note of information on the Council's budget for the 11 months of 2016.

12.3.2 Consider remuneration payments of the Council for December 2016 till the end of year.

I.Eriņš votes for;
 M.Hansen vote for;
 Ü.Kaasik vote for;
 M.Kazāks votes for;
 J.Platais votes for;
 A.Ūbelis votes for.

12.4 Council's Budget for 2017-2019.

Decision:

12.4.1 Take note on the *Council's budget resources for 2017-2019.*

I.Eriņš votes for;
 M.Hansen vote for;
 Ü.Kaasik vote for;
 M.Kazāks votes for;
 J.Platais 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

06.12.2016. 17:26

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E.Lucka

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