



LATVIJAS REPUBLIKAS FISKĀLĀS DISCIPLĪNAS PADOME

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Minutes of the meeting of the Council No Nr. 7 (75)

Riga

16th of December 2024

The meeting is chaired by:

Chairwoman of the Fiscal Discipline Council - I.Šteinbuka

Participants of the meeting:

Member of the Fiscal Discipline Council	J.Priede
Member of the Fiscal Discipline Council	A.Jakobsons
Member of the Fiscal Discipline Council	U.Kaasik
Member of the Fiscal Discipline Council	I.Golsts
<i>Secretariat –</i>	
Fiscal Discipline Council secretary	N.Malnačs
Fiscal Discipline Council macroeconomics expert	V.Zaremba
Fiscal Discipline Council fiscal risk expert	I.Verpakovska
Fiscal Discipline Council lawyer	I.Jansone

Taking minutes:

Fiscal Discipline Council lawyer

I.Jansone

16th of December 2024 meeting starts at 12:00

Opening of the meeting – I.Šteinbuka

The Chair of the Fiscal Discipline Council (hereinafter – the Council), I. Šteinbuka, opens the meeting and announces the agenda. Council members agree to the announced agenda.

1. Verification of compliance with the conditions of Article 11 of the FDL

V.Zaremba

V. Zaremba reported that, on November 28, the Ministry of Finance (MoF) submitted calculations to the Council regarding the difference between the actual structural balance of the general government budget and the minimum planned structural balance as stipulated in the Medium-Term Budget Framework Law (MTBF).

V. Zaremba presented the draft opinion, calculations, and main conclusions concerning the implementation of Article 11 of the Fiscal Discipline Law (FDL). She informed the Council that, based on the structural balance values calculated by the Ministry of Finance, no corrective measures were deemed necessary.

However, it was noted that the minimum planned structural balance values for 2021 and 2022 in the calculations provided by the Ministry of Finance differed from those initially set for these years in the Medium-Term Budget Law. For example, for 2021, Article 4 of the MTBF for 2021, 2022, and 2023 specified a structural balance target of -2.1% of GDP. In contrast, Article 4 of the MTBF for 2022, 2023, and 2024 established a structural balance target of -4.7% of GDP for 2022.

The Ministry of Finance proposed adjusted structural balance values in its calculations: -1.6% of

GDP for 2021 and -4.0% of GDP for 2022. These adjustments were derived by deducting the amounts of discretionary support measures planned for these years from the structural balance targets previously set by the MTBF. Specifically, for 2021, the Ministry of Finance deducted support measures totaling 149.8 million euros, which improved the structural balance to -1.6% of GDP (compared to the original target of -2.1% of GDP). Similarly, for 2022, the Ministry deducted planned support measures amounting to 263.2 million euros, resulting in an improved structural balance of -4.0% of GDP (compared to the initial target of -4.7% of GDP).

Discussion

Those present engaged in a discussion regarding the assessment of the implementation of Article 11 of the FDL.

Council's Position

The Council took note of the calculations submitted by the Ministry of Finance. However, it opted to base its own calculations on the structural balance values as originally set by the MTBF for all reporting years.

Decision:

1.1. The Council's opinion on the fulfillment of the conditions outlined in Article 11 of the Fiscal Discipline Law (FDL) shall be supplemented to emphasize that the Council's approach is to compare the actual structural balance with the structural balance values specified in the Medium-Term Budget Framework Law (MTBF) for all reporting years.

1.2. Considering that the accumulated structural balance deviations in 2023 amount to 4.8% of GDP and significantly exceed the minimum permissible deviation threshold set by the FDL (-0.5% of GDP), the corrective mechanism stipulated in Article 11 of the FDL shall not be applied.

I.Šteinbuka – votes for;
 J.Priede – votes for;
 A.Jakobsons – votes for;
 I.Golsts – votes for;
 U. Kaasik – votes for.

2. Fiscal Discipline Council 2025 Work Plan and Other Administrative Issues

N. Malnačš

N. Malnačš presented the Council's financing plan for 2025, highlighting its main changes, the procurement plan, the Council meeting plan, and the procedure for remuneration payments in December. Regarding the business trip plan and the procurement plan, it was recommended to make amendments where necessary.

Work Plan for 2025

Before introducing the Council's work plan for 2025, N. Malnačš provided an overview of the implementation of the 2024 work plan. After reviewing the information presented, the Council members confirmed that the tasks outlined in the 2024 work plan had been completed.

N. Malnačš presents the Council members the work plan for 2025, highlighting the following tasks: the execution of regular activities, including surveillance reports, monitoring reports, the accounting of fiscal statistics other relevant publications, and the Council's opinions on macroeconomic forecasts. Additionally, If the Council considers it essential for compliance with the FDL, opinions on fiscal policy issues will be provided as well. Furthermore, in the coming year, work will continue in cooperation with EC consultants on the development of an improved methodology for the Fiscal Sustainability Model, and the Council's strategy for 2026–2031 will be formulated. The project is planned to span three years. At present, the Secretariat has submitted an official request for modeling data to the Ministry of Climate and Energy, but a response has not yet been received.

I. Šteinbuka informs that the total costs of Latvia's transition to climate neutrality by 2050 were calculated in the LU think thank LV PEAK study in collaboration with the Ministry of Economics. The study assessed the costs of transitioning to climate neutrality by 2050 and the economic impact of implementing NECP measures. She suggests sending an official letter to the

think tank requesting detailed information.

N. Malnačs continues discussing the planned work for 2025, noting that, in connection with the EU's new fiscal regulatory framework, the Council will need to submit an interim report in the spring on the progress of the Fiscal Structural Plan. The plan also foresees addressing, to the extent possible, fiscal aspects related to the absorption of EU funds, education, healthcare, and the execution of the Social Budget.

Inna Šteinbuka recommends enhancing the work plan by including monitoring reports, which would be published regularly twice a year moving forward. Additionally, she suggests incorporating one seminar into the work plan to present either the initial results of fiscal sustainability modeling or address another relevant topic.

Decision:

2.1. Approve the 2025 Council work plan, supplemented with two monitoring reports and one seminar.

2.2. Adjust the Business Trip Plan and Procurement Plan for 2024 as necessary, delegating the task to the Council Secretary.

2.3. Take note of and approve the Council meeting plan.

2.4. Take note of the information regarding the Council's financing plan for 2025.

2.5. Ensure that December 2024 remunerations are paid by the end of the 2024 financial year.

I.Šteinbuka – votes for;

J.Priede – votes for;

A.Jakobsons – votes for;

I.Golsts – votes for;

U. Kaasik – votes for.

3. Election of the Deputy Chairperson of the Fiscal Discipline Council

I.Šteinbuka

Inna Šteinbuka reminds those present of the necessity to elect a Deputy Chairperson, as Mārtiņš Āboliņš, the former Deputy Chairperson of the Council, was relieved of his duties as a member of the Fiscal Discipline Council on 19 September 2024 following his election to the State Audit Office Council. As a result, the members of the Council are required to elect a Deputy Chairperson from among themselves through open voting by a simple majority, for a term of three years. Considering this, she recommends electing Jānis Priedas as the Deputy Chairperson of the Council for the term spanning from 16 December 2024 to 15 December 2027.

Discussion among those present regarding the proposed candidate.

Decision:

3.1. To elect Jānis Priedis as Deputy Chairman of the Council..

I.Šteinbuka – Votes for;

J.Priede – Abstains from voting;

I.Golsts – Votes for;

A.Jakobsons – Votes for;

U. Kaasik – Votes for.

4. Fiscal security reserve adequacy assessment working group issues

I.Šteinbuka

I. Šteinbuka recalls that A. Jakobsons and I. Golsts are currently serving in the working group tasked with assessing the adequacy of the fiscal provision reserve. She notes that Mārtiņš Āboliņš, who previously served as the head of the working group, was relieved of his duties as a member of the Fiscal Discipline Council on September 19, 2024, following his election to the State Audit Office Council. As a result, the working group must nominate a new head from among its members.

After deliberations among the Council members, Andrejs Jakobsons is nominated as the head of

the working group on the assessment of the adequacy of the fiscal provision reserve.

Decision:

4.1. Andrejs Jakobsons is appointed as the head of the working group tasked with assessing the adequacy of the fiscal security reserve.

I.Šteinbuka – Votes for;
 J.Priede – Votes for;
 A.Jakobsons – Abstains from voting;
 I.Golsts – Votes for;
 U. Kaasik – Votes for.

5. Other issues

N. Malnačs informs the Council that an e-mail has been received from the Hungarian Embassy, requesting a meeting with Council representatives to discuss issues related to the new fiscal framework and compliance with the deficit limit. N. Malnačs invites Council members to agree on who will represent the Council during the meeting.

I. Šteinbuka suggests that, given the workload of the Council members, to ask the Embassy to submit its questions in writing, allowing the Council to prepare responses collectively.

At the conclusion of the meeting, an informal discussion is held among those present regarding the economic consequences of the past year, lessons learned, and future challenges.

The meeting closed at 13:00, 16th of December 2024

Chairwoman of the Fiscal Discipline Council	I.Šteinbuka
Secretary of the meeting	I.Jansone
Fiscal Discipline Council secretary <i>visa</i> :	N.Malnačs

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