



LATVIJAS REPUBLIKAS FISKĀLĀS DISCIPLĪNAS PADOME

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FISCAL DISCIPLINE SURVEILLANCE INTERIM REPORT
ON LATVIA'S STABILITY PROGRAMME FOR 2018-2021

Riga, 2018

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EXECUTIVE SUMMARY

The proposed Latvia's Stability Program (SP) for 2018-2021 shows that the Government continues to implement responsible fiscal policy and in general respects the requirements of fiscal discipline. It provides both nominal and structural balance improvements from 2019 as compared to previous plans. SP requires to create a fiscal safety reserve in line with the minimum requirements of the FDL, although it is necessary to approve the reserve for all years of the medium-term budgetary framework law (MTBFL) to eliminate the FDL violation.

Meanwhile, the Council highlights a significant expansion of the fiscal policy plans compared to 2015 and 2016, which is not in line with the current favorable economic conditions and facilitates pro-cyclical directions. Plans should be made for a more effective reduction of sovereign debt against GDP, where currently the planning documents for the longer-term continuously aims to be revised upwards of the debt-to-GDP ratio.

The tax reform in 2018 and 2019 does not strengthen the revenue side of the state budget and departs from the government's target of 1/3 of tax-to-GDP. Strong economic growth undermines the negative effects of the tax reform, but in the medium term, the issue of revenues level will become more and more relevant with the decreasing share of EU funds. The upturn in the economic cycle also leads to a more critical assessment of the shadow economy reduction pace.

The Council underlines the Government's practice of redistributing savings to budget items used to determine the maximum amount of budget expenditure as stated by the FDL. In 2017, the Council issued six irregularity reports, with a total impact of 44.9 million euro and in 2018 – one irregularity report. Such redistribution without revision of spending ceilings violates FDL requirements. In addition, measures for the development of the electricity market worsened the budget balance by 140 million euro. Actual outcome of the structural balance for 2017 is estimated at -0.7% of GDP – better than approved in the budget law, but below the FDL ceiling of -0.5% of GDP.

The Council has reviewed the negative opinion on the additional deviation from the government's balance objective for the implementation of the health reform. The Council refrains from evaluating the quality of the content of the reform, but positively evaluates the performance indicators included in the Ministry of Health's progress reports.

The Council points to the need to improve the assessment of fiscal risks. Public-private partnership (PPP) projects, state and municipal owned enterprises and financial system risks need to be quantified and taken into account in determining the amount of fiscal risk safety reserve. An in-depth analysis of fiscal risks facilitates the development and implementation of an effective risk management strategy.

The Council points to a negative fiscal space in the calculation of SP in 2019 and 2020. Taking into account the Government's commitments not to increase the tax burden in the coming years at the time of the adoption of the tax reform, the Government will have at its disposal limited instruments for balancing MTBF.

The counter-cyclical fiscal policy is a guarantee of stable economic growth in the future. The Council agrees with the MoF forecasts that, at present, Latvia's economy is growing faster than potential and is in the upswing phase, based on high confidence indicators and employment, which also exerts pressure on rising wage inflation expectations. These conditions indicate that changes in the economy are not so much linked to structural change, but are cyclical in nature when considering and implementing fiscal policies.

The Council considers that further analysis is needed on the developments of the public sector and the adjustment of public service scope in line with long-term demographic projections. In the short term, it would be useful to reduce the number of employees in the public sector, especially in a situation where

the labor market is in the good condition for worker migration to the private sector. Relevant strategies should also be reflected in the long-term fiscal framework.

The Council notes a significant improvement in the macroeconomic scenario and its sensitivity analysis compared to the SP reports of previous years. First, it presents the changes in the GDP growth in each of the scenarios at the level of GDP components and it provides the forecast on the tax and other revenues by the type of tax/income. Secondly, it shows the effect on the government budget deficit and debt, if risks emerge. Finally, it includes both the forecast in absolute terms and in comparison to the base line scenario.

The Council invites the Government to use the updated fiscal and potential GDP estimates for the assessment of budget implementation and to adjust the maximum amount of budget expenditure in line with the requirements for ex post fiscal assessment set out in Directive 2011/85 / EU.

The Council considers it necessary to establish the implementation mechanism to the debt rule, despite the fact that in the near future there is no direct risk of violating the 60% of GDP debt level. There is a risk that interest payments will increase in the medium term.

ABBREVIATIONS

JSC	joint stock company
BoL	Bank of Latvia
Council	Fiscal Discipline Council
EC	European Commission
ESA	European system of accounts
EU	European Union
FDL	Fiscal discipline law
Surveillance report	Fiscal Discipline Surveillance Report 2017
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MTBF	Medium term budget framework
MTBFL 2018/20	Medium term budget framework law for 2018-2020
MTO	medium term objective
GDP	Gross domestic product
-	Not applicable / not available
OECD	Organization for Economic Cooperation and Development
PIT	Personal income tax
PPP	Public-private partnership
SGP	Stability and growth pact
SP	Latvia's Stability Programme
SP 2018/21	Latvia's Stability Programme for 2018-2021
SRS	State revenue service
VAT	Value added tax

MANDATE OF THE COUNCIL

According to the FDL (FDL Chapter III Fiscal Discipline Surveillance) the Council is an independent collegial institution which has been established to monitor compliance with the FDL. The Council's core competence is related to the assessment of fiscal discipline, and assess fiscal policy and issues related to macroeconomic developments.

Specifically the Council is responsible for:

- monitoring compliance with FDL provisions in the annual state budget law and the MTBFL during their preparation, execution, and amendment;
- verifying whether the fiscal balance and the expenditure growth provisions have been properly applied, including an independent assessment of the potential GDP and nominal GDP, and the calculation of the structural balance;
- supervising the observance of FDL provisions in the implementation of the annual state budget law, conformity of total fiscal indicators of the consolidated budget of local governments and budgets of derived public persons with the forecasted values.
- preparing opinions regarding major permitted departures from the balance condition during a severe economic downturn;
- preparing an opinion on whether the FSR is set at an appropriate level to counter extant fiscal risks
- preparing a surveillance report on fiscal discipline and, if necessary, a non-conformity report;
- preparing and submitting to the Saeima and the Government opinions regarding issues of fiscal policy and macroeconomic development if they pertain to compliance with the terms set out in the FDL;
- endorsing the MoF macroeconomic forecasts twice a year – while preparing the SP, and the annual state budget and while preparing the MTBF (according to the Memorandum of Understanding (hereafter – MoU)¹, signed on 8 February 2016);
- preparing interim report (opinion) on SP (according to the MoU);
- assessing and analysing the sustainability of fiscal policy for the purposes of preparing the reports stipulated by the FDL.

¹ Memorandum of Understanding, available:

http://fiscalcouncil.lv/files/uploaded/FDP_1_09_281_20160208_MoU_FDC_MoF.pdf, accessed on: 17/03/2018

1 FISCAL POLICY CHALLENGES

1.1 FISCAL STANCE

FDL violation

The decision not to create a fiscal reserve for 2019 in the MTBFL for 2018-2020 is a violation of FDL. The second paragraph of Article 17 of the FDL establishes a requirement to create a fiscal safety reserve for MTBFL of at least 0.1% of GDP.

Recommendation

The Council strongly recommends that the Government comes up with a comprehensive plan leading to achieving the tax revenue collection target at the level of 1/3 of GDP by 2020.

The Council welcomes the SP 2018/21 including the fiscal safety reserve for 2019 as part of the fiscal framework for 2019-2021. The SP 2018/21 includes fiscal safety reserve in the amount of 0.1% of GDP for 2019-2021 and the Council agrees that this is adequate taking into account currently estimated fiscal risks, while further assessment may indicate higher provision necessary for this purpose. Meanwhile, the SP 2018/21 does not yet amend the MTBFL 2018/20, which has not established fiscal reserve as part of the fiscal framework.

In 2017 the consolidated government budget balance was better than planned, i.e. instead of 301.4 mln. euro the year ended with 221.7 mln. euro budget deficit (see Table 1.1 below). However, other Government decisions on the reduction of liabilities of Riga's thermoelectric stations TEC-1 and TEC-2 in relation to the government support of cogeneration electricity production against one-off compensation would cause substantial deterioration in the general government balance according to the methodology of European System of Accounts for 2017. Government government budget balance was worsened by a series of decisions on the re-distribution of savings in some items of the budget (see Chapter 1.2 "Increasing irregularity reports").

	2013	2014	2015	2016	2017
Consolidated government budget balance (estimate at the moment of the state budget approval)	-160.0	-175.2	-286.6	-341.9	-301.4
Consolidated government budget balance (actual)	-127.6	-397.3	-373.5	-100.3	-221.7
<i>from these</i>					
Special budget balance (estimate at the moment of the state budget approval)	-56.3	132.4	162.9	104.6	65.3
Special budget balance (actual)	-57.9	100.4	91.1	47.8	113.8
Consolidated local government budget balance (estimate at the moment of the state budget approval)	-27.1	-22.3	-55.4	-52.7	0.0
Consolidated local government budget balance (plan in January of the appropriate year budget)	-135.4	-181.0	-124.3	-119.9	-209.7
Consolidated local government budget balance (actual)	-119.3	-85.0	-26.2	57.4	-14.4

Table 1.1. Budget plan outcomes 2013-2017, million euro (cash basis). Source: MoF and Treasury.

The local government consolidated budget balance was comparatively slightly worse than estimated by the MoF at the time of approval of the state budget, with a year ending at 14.4 million euro deficit, rather than the balance, as planned. In the planning of municipal budgets, it is possible to observe so called *years' beginning syndrom*, which for the period under review (2013-2017), without exception, is projected to be considerably weaker than it concludes by fact. Other general government budgets (for the state budget, the budgets of the derived institutions) do not have such planning fluctuations.

SP provides estimates that the local government consolidated budget balance in 2018 may reach 18.3 million euro deficit in comparison with projected at MTBF 2018/20 as 31.6 million euro

surplus. The compilation of the local government monthly data by the Treasury indicates (see Table 1.2 below) significant increase in the borrowing plans for 2018. The Council expects that the mechanisms governing the local government borrowing will not cause a significant deterioration of the fiscal balance, despite potential increases in local government borrowing in the near term.

Year	Consolidated local government budget, yearly borrowing estimates		Changes
	reported at the end of January	reported at the end of February	
2017	86.0	124.5	38.5
2018	159.3	222.0	62.7
Changes	73.3	97.5	24.2

Table 1.2. Local governments's borrowing estimates, million euro (cash basis). Source: Treasury.

Latvia's fiscal policy shows significant fiscal easing sharper than most other EU countries comparing changes to their primary balances. These policies are pro-cyclical despite the economy performing rather strongly (see Chapter 3 on fiscal rules). Comparing the plans for 2017-2019 with the outcomes of 2015-2016, the budget balance, unfortunately, is also becoming "loose" in the European Union as a whole (see Chart 1.1 below).

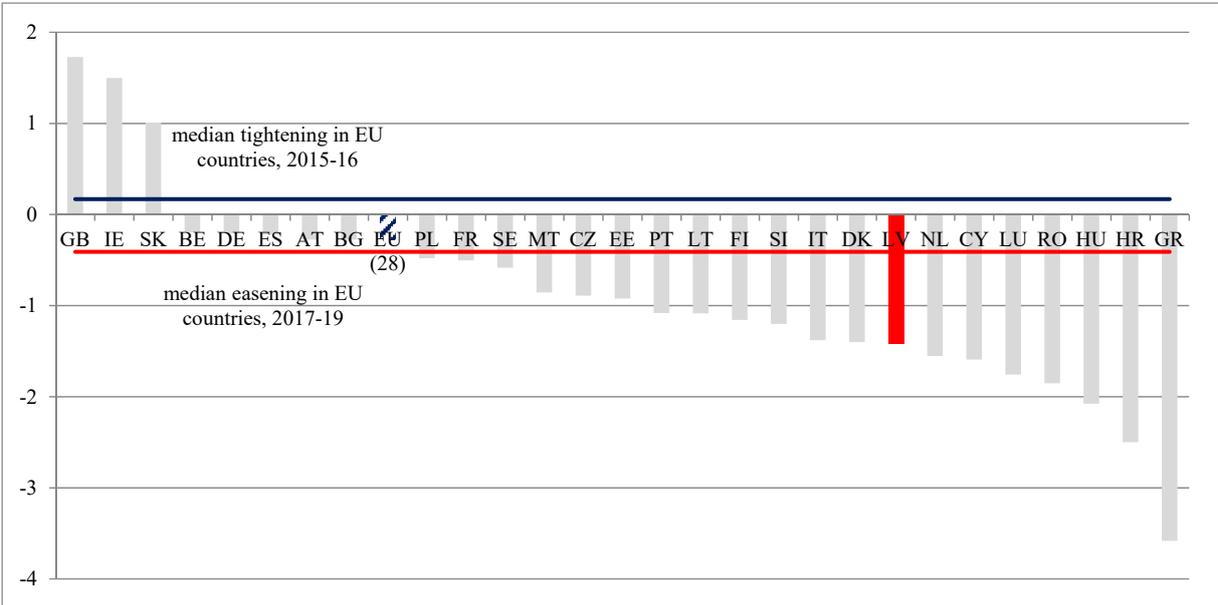


Chart 1.1 The fiscal stance in EU countries. Change between 2015 and 2019 in the underlying primary balance², in % of potential GDP. Source: Ameco, European Commission database.

The government should use the economic upturn to create a fiscal space through reduced debt levels for the downturn phase in the economic cycle. Previous periods also indicate a counter-cyclical effect of government fiscal discipline (see Chart 1.2 below) for 2009-2010 years, as well as particular pro-cyclical fiscal expansion in 2006-2008 years. After the entry into force of the FDL pro-cyclical fiscal expansion decreased but still remained.

The Council welcomes the 2018 priority spending reviews in real estate, information technology, appropriation changes and public servants optimisation issues, and expects the Government ensures significant efficiency improvements in these areas as fiscally, as well as legally grounded. Also in 2017, the Government continued the expenditure review and made a saving to the state budget

² Organisation of economic co-operation and development January 2018 macroeconomic outlook, p.47.

of 77.1 miln euro. however, the development of more substantial improvements has been postponed for some two years³.

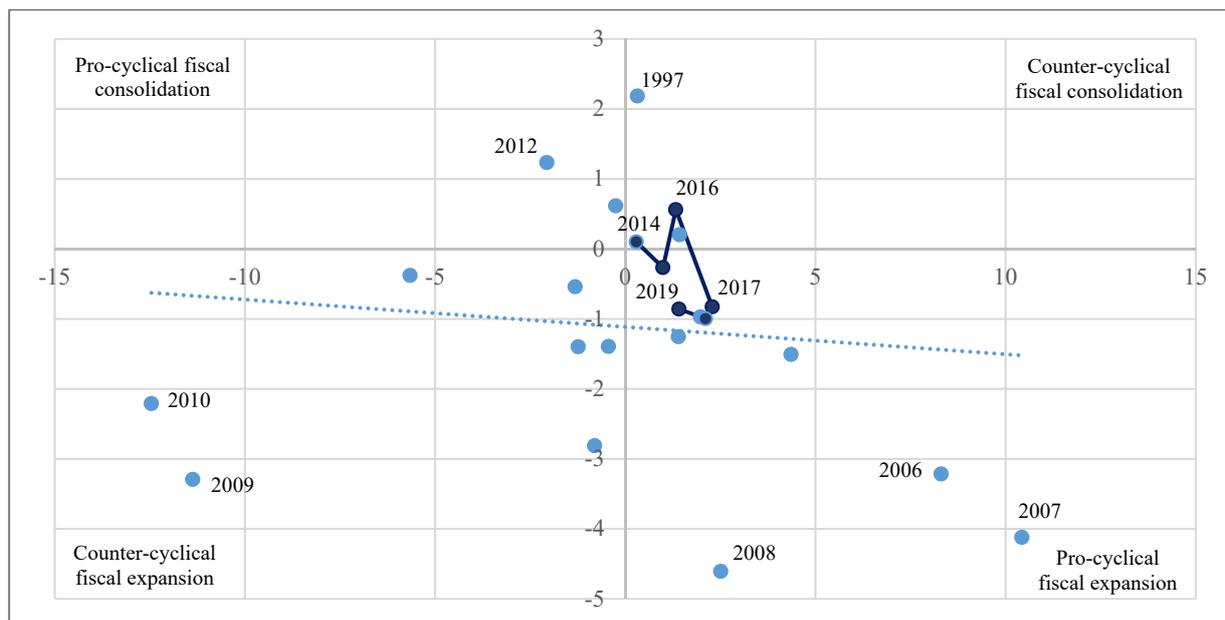


Chart 1.2 Latvia's cyclically adjusted primary balance (vertical axis) vs. the output gap (horizontal axis), in % of potential GDP⁴. Linked bullets represent years after the FDL enforcement. Source: Ameco, European Commission database.

In case of funds of unforeseen events, the increase from the appropriations in the last quarter of 2017 did not provide an opportunity for further improvements to the budget balance by 18.6 miln euro⁵. In the first version of the state budget law there was foreseen 41.0 miln euro in this program. By 2017 year's end additional remaining funds from other programmes were allocated to unforeseen events totaling 68.0 mln. euro (65.8% increase).

³ On 28 August 2017 the Cabinet of Ministers session protocol (prot. No. 41 §1). On the results of the review of the state budget expenditures for 2018, 2019 and 2020 and the proposals on the use of these results in the draft law "On Medium term budget framework for 2018, 2019 and 2020" and fulfillment of the task specified in Paragraph 15 of the draft law "On the State Budget for 2018". Available:

<http://tap.mk.gov.lv/lv/mk/tap/?pid=40445001&mode=mk&date=2018-01-23>, accessed on 14.03.2018

⁴ European Fiscal Board Annual report 2017. Available:

https://ec.europa.eu/info/sites/info/files/2017_efb_annual_report_en_0.pdf, page 53, accessed on 07.02.2018

⁵ 2017 IV quarterly report about the resource allocation from funds for unforeseen events. Available:

<http://fiscalcouncil.lv/quarterly-report-on-fue>, accessed on 08.03.2018

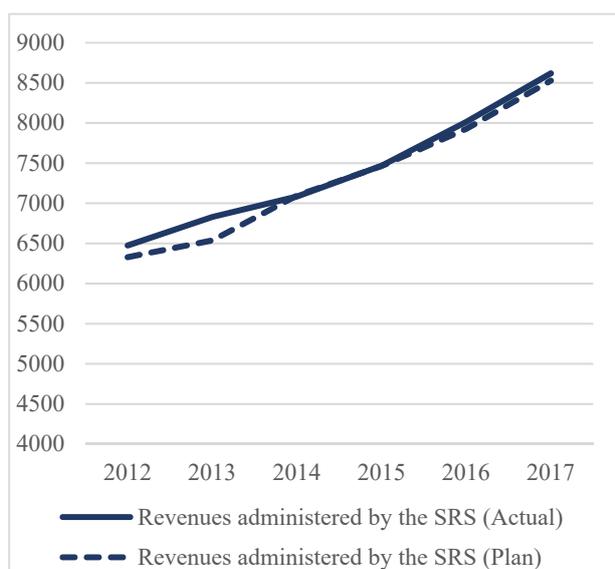


Chart 1.3. Execution of the revenue plan (mln. euro).
Source: SRS

The Council commends the MoF for reliable and prudent tax and social insurance contributions revenue projections. In 2017 the tax revenues and social security contributions remained stable and slightly exceeded the estimated level, as was the case in previous periods (see Chart 1.3). Indeed, the independence of tax policy from the economic cycle could indicate its structural viability. Meanwhile, the lack of breakdown of the revenue estimates to segregate the impact of the policy changes does not contribute to high quality of assessment of the policy changes and their implementation. SP 2018/21 in details provides the fiscal impact of changes in the overall tax policy and providing estimates of the impact of tax reform measures in the medium term.

Tax reform generally has a negative impact on total tax revenues during the SP planning period, although favorable economic conditions allow a gradual increase the total tax revenues. Total tax revenues of SP 2018/21 in comparison with MTBFL 2017/19 brings slightly positive increase (see Table 1.2 below). The tax reform impact on the government fiscal balance has been assessed as slightly positive, as strong economic performance has offset negative effects and provided higher headline revenue figures. Strong economic conditions confirm that correct timing has been chosen to implement changes in the Latvian tax system, while disregard to the increasing demands on the public funds should also be noted.

Taxes and social contributions		MTBFL 2017/19	SP 2018/21	Difference, against MTBFL 2017/19 %	Difference, mln euro
Corporate income tax					
	2018	461.1	222.1	-51.8	-239.0
	2019	486.8	244.0	-49.9	-242.8
	2020	x	384.4	x	x
Personal income tax					
	2018	348.1	345.1	-0.8	-2.9
	2019	367.9	328.1	-10.8	-39.8
	2020	x	335.0	x	x
Value added tax					
	2018	2 297.0	2 434.0	6.0	137.0
	2019	2 447.5	2 633.6	7.6	186.1
	2020	x	2 830.5	x	x
Excise tax					
	2018	929.0	1 026.5	10.5	97.5
	2019	973.8	1 101.7	13.1	127.9
	2020	x	1 201.9	x	x
Lottery and gambling tax					
	2018	27.0	35.5	31.5	8.5
	2019	27.0	37.3	38.0	10.3
	2020	x	38.4	x	x
Solidarity tax					
	2018	44.1	32.0	-27.4	-12.1
	2019	44.1	x	-100.0	-44.1
	2020	x	x	x	x

Vehicle exploitation tax					
	2018	104.5	101.4	-3.0	-3.1
	2019	64.7	108.0	66.9	43.3
	2020	x	113.8	x	x
Other taxes (customs, business vehicles, electricity, natural resources, subsidised electricity)					
	2018	102.8	106.2	3.3	3.4
	2019	101.5	106.9	5.3	5.4
	2020	x	112.0	x	x
Social contributions					
	2018	2 413.6	2 529.4	4.8	115.8
	2019	2 552.8	2 683.4	5.1	130.6
	2020	x	2 840.2		
Total impact in 2018					105.1
Total impact in 2019					176.9

Table 1.2. Tax reform impact. Source: MTBFL 2017/19, MTBFL 2018/20 and SP 2018/21.

The Council notes reduction in the tax revenue to GDP ratio over the horizon of the SP 2018/21 (see Chart 1.4 further). This reduction in the public financial resources relative to GDP does not contribute to the government long-term objective of achieving tax revenues at 1/3 of GDP critically necessary for supporting important public priorities.



Chart 1.4. Tax revenues and social contributions to GDP, % of GDP. Source: MoF.

economic cycle. However, further improvements in tax collection will require more resources.

The tax and social contributions income to GDP will not increase in the coming years, which is a critical issue, taking into account the impact of EU grant (current and capital transfers) revenues. When assessing this reduction in external revenue and the need to replace with the local tax revenues, in order to maintain at least the previous level of public services provided, the Government needs to develop an action plan to maintain a sustainable income level.

Measures to reduce the shadow economy provide a good basis for increasing budget revenues, although they should accelerate due to the current upswing in the economic cycle⁶. Referring to the debated at the MoF's Taxpayer Forum, the current decline in the shadow economy is not sufficient for this upturn in the

1.2 INCREASING NUMBER OF IRREGULARITY REPORTS

FDL violation

The Government has instituted a practice of re-distributing savings achieved in different budget appropriation categories specified in Part 1 of Article 5 of the FDL for spending on other priorities, including from categories, used in determining budget expenditure ceilings.

⁶ MoF Taxpayer Forum 2017. A.Sauka's presentation *Neuzskaitītā ekonomika, korupcija publiskajā sektorā un noziedzīgi iegūto līdzekļu legalizācija Latvijā*. Available: http://www.fm.gov.lv/files/files/Arnis%20Sauka_LTRK_ppt.pdf, accessed on 09.03.2018

Unauthorized redistribution of appropriations reduces the maximum expenditure stipulated in the 2017 for 44.9 miln euro. Consequently the elimination of these expenditures would improve for the corresponding amount (44.9 million euro is 0.17% of GDP) the state budget balance. On 6 September, 15 September, 20 September, 4 October, 18 October and 23 November 2017, non-conformity reports were drawn up for breach of the first paragraph of Article 5 of the FDL regarding the redistribution of appropriations from the MoF budget sub-programs "Contributions to the European Community budget" and "Government debt management". On 22 September 2017 the MoF delivered an opinion that it did not agree with the Council's interpretation, while on 4 October 2017 the Council, in its reply, maintained its views on FDL violations and the need to clarify the legal framework for appropriations in both of these budget sub-programs⁷.

Consolidated government budget balance (estimate at the moment of the state budget approval)	-301.4
Consolidated government budget balance (actual)	-221.7
Impact of non-conformities reports in 2017	-44.9
Consolidated government budget balance, corrected after non-conformities	-176.8

Table 1.3. Impact of non-conformities reports on the actual outcome of the potential reduction of the budget balance. Source: Council calculations.

In 2018 the Cabinet of Ministers continues to take decisions that violate the restrictions set out in the first paragraph of Article 5 of the FDL. The Council continues to adopt non-conformities reports related to such redeployment of appropriations, which is contrary to the provisions of Chapter II of the FDL. On 30 January 2018 the Cabinet of Ministers by adopting the conceptual report "On proposals of the Cooperation Platform "Demogrāfisko lietu centrs" in support of families with children in 2018-2020"⁸ allowed to reallocate funds intended for state family benefits to other priority measures proposed by "Demogrāfisko lietu centrs". The Council concludes that the decision taken on 30 January by the Cabinet of Ministers to reallocate funds from the Ministry of Welfare's family state benefits program does not comply with the FDL.

1.3 HEALTH CARE

Recommendation

The Council calls for improved transparency of the additional funding for the health care and specific measures implemented specifically bringing to better health outcomes.

The action by Ministry of Health identifying progress indicators in public health⁹ including reduced potentially lost years of life has allowed the Council to withdraw its objections to use deficit financing for the health care reform¹⁰. Performance indicators show improvements in the priority areas identified by the Ministry of Health. During 2017, the number of investigated patients oncology has risen nearly by 89 thousand, the number of patients receiving reimbursable drugs for infectious diseases has increased by 400, and the waiting list in secondary ambulatory care has been reduced by 90 days, thus facilitating availability of the health care services. These indicators reflect progress in the short term, but it is equally important to assess the benefits of the deficit financing in

⁷ Non-conformity reports and MoF reply available at Council's website: <http://fdp.gov.lv/zinojumi>, accessed on 07.02.2018

⁸ 30 January 2018 the Cabinet of Ministers meeting minutes 25.§. Available:

<http://tap.mk.gov.lv/mk/mksedes/saraksts/protokols/?protokols=2018-01-30>, accessed on 07.02.2018

⁹ On 19 December 2017 Cabinet considered the Informative report by the Ministry of Health "On performance of the health system reform in the first half of 2017". Available here in Latvian:

<http://tap.mk.gov.lv/lv/mk/tap/?pid=40443903&mode=mk&date=2017-12-19>, accessed on 29.01.2018

¹⁰ 6 December 2017 Council decision to withdraw its objection to the use of deficit financing to implement structural reforms in health care. Available here:

http://fiscalcouncil.lv/files/uploaded/FDP_1_08_1756_20171206_viedoklis_veseliba_EN.pdf, accessed on 29.01.2018

the longrun. Longterm performance indicators are defined as the overarching goals of the "Public Health Guidelines for 2014-2020" and aim to increase the number of healthy life years of the population of Latvia and prevent premature death by preserving, improving and restoring the health of the population.

Deviation from the MTO allowed for additional 113.4 million euro for health care system reform for 2018, and the Ministry of Health estimates an immediate financial benefit from the reform measures. In addition to the three priority areas outlined above, structural benefits are planned in primary health care and in the cardiovascular program. The Ministry of Health provides an assessment of the impact of each of the groups on the potential loss of life, with a total financial benefit of 35.6 million euro already in 2018, 93.3 million euro in 2019 and 186.5 million euro in 2020.

The Council welcomes the fact that the Cabinet of Ministers already in the MTBFL 2018/20 approved the financing of the continuation of health reform measures in 2020, envisaging the amount of 144 million euro in 74 budget programme "Reserve to be redistributed in the course of the annual state budget implementation"¹¹. On 14 September 2017, the Cabinet of Ministers approved 144 million euro funding for the continuation of the health reform measures. Additional financial support is also the income revenues from the increase of the state social contributions rate by 1 percentage point. The increase in the rate in 2018 amounts to 85.3 million euro, in 2019 for 99.6 million euro and in 2020 for 105.5 million euro.

1.4 EMERGING FISCAL RISKS

FDL violation

The Council notes that the requirements of Article 16 of the FDL have not been met regarding specific identification and quantification of fiscal risks emerging from public-private partnerships (PPP), operations of public corporations, and the financial sector. The Fiscal Risks Statement attached to the MTBFL 2018/20 does not include an assessment of such risks as well as a probability of the risks impacting the government fiscal balance.

Public private partnerships projects fiscal risk

Information on PPP projects and their risk assessment should be publicly available and respective managers – full accountability for ensuring the interests of the government. The government should understand the possible consequences of the decisions that are taken, regarding full cost of the project within its life-cycle, and the public has the right to be informed about the efficiency and potential risks of the taxpayer's funds. The International Monetary Fund¹² and the World Bank¹³ have developed recommendations on transparency for PPP projects.

The Council finds the government engagement of private partners in launching sustainable energy projects where fiscal risks exist similar to PPP. Starting from mid-2000s in line with the Government rules there has authorized a number of private sector providers to establish electrical

¹¹ On 14 September 2017 Cabinet considered the Informative report "On expenditures on priority measures for the state budget for 2018 and the framework for 2018-2020". Available here in Latvian: http://www.fm.gov.lv/files/documents/FMZino_140917.docx, accessed on 29.01.2018

¹² IMF The Fiscal transparency code. Available: <http://blog-pfm.imf.org/files/ft-code.pdf>, accessed on 07.03.2018

¹³ World Bank. Disclosure of project and contrac information in public-private partnerships, January 2013.

Available:

<http://documents.worldbank.org/curated/en/190901468159906133/pdf/762780WP0Box370osure0of0Project0PP0P.pdf>, accessed on 07.03.2018 and World Bank A Framework for disclosure in public-private partnerships.

Technical guidance for systematic, proactive pre- & post-procurement disclosure of information in public-private partnership programmes. Available: <http://pubdocs.worldbank.org/en/773541448296707678/Disclosure-in-PPPs-Framework.pdf>, accessed on 07.03.2018

power projects aiming at different degrees of sustainability with substantial markups committed as the projects come live. The lack of adequate monitoring and the lack of clear rules for identifying compliant projects has resulted into public complaints regarding high cost of the sustainable energy added to the regular user charges. Moreover, a number of fraud cases on the side of the private partners have been uncovered. The steps made by the government to clarify the practices and to rule a number of private participants not compliant with the terms of the scheme cause risks of litigation and compensation payments. In addition, fiscal risks remain due to government commitments to provide subsidies to electricity providers where these subsidy schemes have proved to be very unpopular due to significant costs of electricity for consumers

In the public media, information was available (as of 11 January 2018) on four registered¹⁴ PPP projects. The Ministry of Finance only indicates one project in the fiscal risk declaration – "Construction and management of pre-school educational establishments". It is not clear what PPP projects are registered in Latvia and what their financial impact is. It should be noted that after the exchange of letters at the beginning of 2018 with the Ministry of Finance, information from the Register of Enterprises was removed. In addition, information about the fact that in Latvia there are a total of three PPP projects and 62 concessions are also available in an international study for 2016¹⁵, where information about Latvia was provided by Klavins Ellex (one of the leading law firms in Latvia).

Work on the development of risk quantification methodologies should start immediately, ensuring adequate risk calculation and transparency of process. In view of trends in the world and available information in Latvia, demand for PPPs, as a solution for funding important public investment, is expected to increase. It should be taken into account that the possibilities for co-financing from the European Union will decrease and there will be a desire to attract other financing. For planned PPP projects, information is available on "Ķekavas apvedceļš"¹⁶ (Ķekava's bypass) and "Acoustic Concert Hall"¹⁷ (published in the "Latvijas Vēstnesis"). Unclear remarks are about the management of waste in Riga¹⁸ and the development of the Āgenskalns market¹⁹. According to the Public-Private Partnership Association letter²⁰ to the Saeima of the Republic of Latvia, 60 potential PPP projects for 2012 have been identified. Consequently, it can be concluded in general that only a few successful PPP projects are needed to make this financing mechanism more widely applied with all its negative consequences.

The failure of other countries shows that the lack of attention in Latvia, which is focused on this risk, could lead to significant fiscal losses. The current available information point out the lack of

¹⁴ Concession, public and private partnership contracts by its type. Register of Enterprises. Available here: <http://www.ur.gov.lv/?a=1110>, accessed on 11.01.2018

¹⁵ Global Public-Private partnership guide. Available: [http://www.cakmak.av.tr/books/Global%20Public-Private%20Partnership%20\(PPP\)%20Guide%202016.pdf](http://www.cakmak.av.tr/books/Global%20Public-Private%20Partnership%20(PPP)%20Guide%202016.pdf), accessed on 27.03.2018

¹⁶ Information on PPP project of Ķekava's bypass available: www.sam.gov.lv/images/modules/items/.../item_6208_Kekava_PPP_SM_VA_07.ppt and <https://lvceli.lv/projekti/#kekavas-apavedcela-ppp-projekts>, accessed on 27.03.2018

¹⁷ Information about the acoustic concert hall project available: <https://www.vestnesis.lv/op/2016/224.2>, accessed on 27.03.2018

¹⁸ Rīga's municipality assesses the opportunity to apply PPP model in waste management projects. Article available: <http://abc.lv/raksts/rigas-pasvaldiba-verte-iespeju-sadzives-atkritumu-apsaimniekosana-izmantot-ppp-modeli> and <http://www.pilsetvide.lv/lv/jaunumi/jurgis-ugors-komente-ppp-modela-ieviesanu-atkritumu-apsaimniekosana-riga>, accessed on 27.03.2018

¹⁹ Rīga's municipality have to assess the public private partnership approach for Āgenskalns's market development. Article available: <http://www.pppa.lv/statuti/jaunumi/jaunumi-latvija/agenskalna-tirgus-riga-ppp-2018>, accessed on 27.03.2018

²⁰ On PPP mechanism inclusion in NRP. Letter available: [http://titania.saeima.lv/livs/saeimasnotikumi.nsf/0/e186962748eeff4ac2257ab50035d9dc/\\$FILE/PPP%20prieksl-ikumi%203_2982-11_12.pdf](http://titania.saeima.lv/livs/saeimasnotikumi.nsf/0/e186962748eeff4ac2257ab50035d9dc/$FILE/PPP%20prieksl-ikumi%203_2982-11_12.pdf), accessed on 27.03.2018

transparency and quantifiable estimates of joint PPP project commitments and hence the shortcomings of fiscal impact and risk assessment. Most countries have worked to improve the PPP strategy, accounting, risk management, etc. based on negative experiences from failures with significant fiscal impacts. Several countries have experienced many unsuccessful projects²¹, including United Kingdom, Australia, France, Portugal, Croatia, Slovakia, Bulgaria, etc.

PPP projects are linked to increased risks due to private partnerships, erroneous cash flows, demand estimates, an inadequate distribution of risks between public and private partners and lack of knowledge of institutions. PPP projects are legally complex because of the fact that part of the regulation is on the Government side and also because of the nature of the special obligations agreements. The long contract enforcement period increases the probability that it may be affected by the economic/financial crisis and other unpredictable conditions. The private partner target will always be profit-making rather than ensuring public benefit or government functions, particularly in the face of obstacles and difficulties during the implementation of the project. International experience shows that PPP projects cost more than originally planned and are less transparent compared to traditional investments.

The average cost to the government from the PPP project, which has not succeeded, can reach 1% of GDP and, at the most extreme case, even 2% of GDP²². It should be taken into account that, in general, governments tend to save large projects, so the state budget takes most of the risks. In several countries, PPPs have been created not because of their effectiveness but to circumvent budgetary constraints and postpone fiscal costs in the present for the provision of infrastructure services and have led the governments of several countries to low-quality and fiscally expensive projects²³.

PPP projects create an "affordability illusion" that is exacerbated when a project is found to be off-balance sheet of the central government budget. The illusion is reinforced by the postponement of present public sector expenditures and expenditure division in the longer term in the future. When the project is out of the central government's budget, there is a risk that the fiscal commitments that result from it are not adequately managed. For example, identification/accounting of central government commitments²⁴. Local government PPP projects must also be equally managed. More information on PPP projects' fiscal risk is available in Annex 2.

Fiscal risks from public corporations

²¹ Chile — Transantiago; Australia — Port Macquairie Base Hospital, La Trobe Regional Hospital, Queensland's ST Vincent's Hospital, Fiona Stanley Hospital, Sydney Cross City Tunnel, Airport Link Toll Road in Brisbane, Melbourne city link, Melbourne East link, Sydney Lane Cove tunnel; England - Edinburgh School Project, Carderdale Royal Hospital, Cumberland Hospital, Walsgrave Hospital, North Durham Acute Hospital, Royal Liverpool and Broadgreen Hospital, Norwich and Norfolk Hospital, Hexam PFI redemption; Isle Skye toll road redemption; London subway — Metronet and Tubelines; Croatia - Zagreb sewage project, motorway Bina Istra and Zagreb-Macelj, Arena Zagreb; Slovakia — D1 motorway; France — Water Concession; Bulgaria — Sofia Water Concession, Trackla Highway Project; Hungary — M1/M15 and M5 Highway, Place of Art; Moscow - St. Petersburg motorway part 15-58 km; Poland — A1 Toll highway project; Argentina - Water system project Buenos Aires, etc. (more detailed in Annex).

²² IMF Staff paper, June 2016. Analyzing and managing fiscal risks – best practices. Available: <https://www.imf.org/external/np/pp/eng/2016/050416.pdf>, accessed on 07.03.2018

²³ IMF Policy paper, May 2015. Making public investment more efficient. Available: <http://www.imf.org/en/Publications/Policy-Papers/Issues/2016/12/31/Making-Public-Investment-More-Efficient-PP4959>, accessed on 07.03.2018

²⁴ European Investment Bank, November 2016. Hurdles to PPP investments. A contribution to the third pillar of the investment plan for Europe. Available:

http://www.eib.org/attachments/thematic/epec_hurdles_to_ppp_investments_en.pdf, skatīts: 07.03.2018.

The fiscal risks from the operation of public corporations are not adequately assessed at the moment. Some of these risks may have significant impact on the government balance, mostly because these are not adequately reflected in the budget appropriations or do not specifically require any authorization in the government budget plan.

The 2017 general government balance deteriorated by 140 million euro (0.5% points of GDP) against budget plans resulting from reducing the claims of JSC Latvenergo related to installed electrical capacity of cogeneration unit. On 22 September 2017 the Cabinet of Ministers by order Nr. 530 approved the conceptual report "Complex measures for the development of the electricity market", which foresaw a 140 mln. euro (0.5% of GDP) transaction in 2017 for waiving the guaranteed fee for the installed electrical capacity of the cogeneration unit, reducing the share capital of joint stock company Latvenergo²⁵.

Financial system fiscal risk

Recent events in the financial sector in Latvia show the risks related to the banking sector activities. Although at the end of 2017 we could say that the Latvian banks have done a lot in the last two years regarding the prevention of money laundering due to legislative changes and the introduction of new regulatory requirements. However, developments in the financial sector in the first half of 2018 show that this has prevented all risks from being eliminated. Increased capital and reserve requirements for banks, which mainly provide customer service to non-residents, protect the state budget and the Deposit Guarantee Fund from direct losses. However, refusals to access the international payment system and reputational risks might create real economic losses. Certainty in the risk identification, its numerical assessment and inclusion in the fiscal risks statement is an essential priority.

The Council is convinced that the FRS risk assessment of the Latvian financial sector should be intensified by being able to quantify the occurrence and probability of risks. As the "Deposit Guarantee Law", under the circumstances, provides for the availability of state budget funds to the Deposit Guarantee Fund, the FRS should be able to reflect the occurrence of such risks and its impact on the state budget resources. Since the inclusion of the Deposit Guarantee Fund in the general government sector, it should be assessed by a symmetric approach to revenue and expenditure sides. Following the restructuring of the banking sector, reducing the risks of risky counterparties, risk assessment and management should make greater use of international experience.

Debt interest cost risks

Global financial markets have a tendency to increase interest rates in the coming years from currently very low interest rates. The Council finds necessary to assess the fiscal impact of increasing interest cost within medium term to reflect the recovery of debt markets and the prospects of central banks increasing benchmark interest rates.

1.5 SUSTAINABILITY OF PUBLIC FINANCES IN LONG-TERM

Recommendation

Improve a long-term fiscal framework to improve the assessment of the fiscal policy options in long-term, including realistic workforce assessment based on demographic trends.

The Council finds demographic outlook used in the long-term projections should be reviewed. In view of the renewed demographic data of the EU, the long-term indicators of the Latvian labor market

²⁵ 4 October 2017 Council opinion *On the fiscal impact of measures for the development of the electric energy market in 2017*. Available: http://fiscalcouncil.lv/files/uploaded/FDP_1_08_1505_20171004_Opinion.pdf, accessed on 08.03.2018

and the related derivative assumptions about the labor market structure should also be reviewed. A more accurate forecast of current trends would enable an analysis to be developed for policy options and assessment.

The SP 2018/21 does not reflect the long-term projections of the tax burden and debt assumptions. Council recommends in line with the EC guidelines²⁶ for long-term sustainability of public finances data also to include total expenditure and revenue indicators, interest expenditures, as well as the accrual amount of the pension funds.

The current projections do not reflect the assets position of the public pension funds, while optimistic assessment of the social security sustainability has been prevalent despite of substantially low proportion of social and health care expenditures. The Council in its fiscal sustainability report 2017-2037²⁷ highlights that as living standards rise, public services will have to be improved to meet expectations, leading to higher expenditures. The Council notes that reaching a tax-to-GDP ratio of 1/3 can compensate expenditure increases on health care and social protection. However, expenditure at 75% of the EU average on health care and social protection leads to a gradual deterioration of the general government budget balance and puts public debt on an upward trajectory, even with a 1/3 tax-to-GDP ratio. This means that higher revenues or other expenditure reviews will be necessary to stabilise public debt and ensure fiscal sustainability.

²⁶ Revised Specifications on the implementation of the Stability and Growth Pact and Guidelines on the format and content of Stability and Convergence Programmes (Code of Conduct of the Stability and Growth Pact). 18.05.2017. Available: <http://data.consilium.europa.eu/doc/document/ST-9344-2017-INIT/en/pdf>, page 30. Accessed on 04.04.2018.

²⁷ Fiscal sustainability report 2017-2037. Available: http://fiscalcouncil.lv/files/uploaded/FDP_1_08_1986_20171218_fiscal_sustainability_report.pdf, accessed on 04.04.2018.

2 MACROECONOMIC OUTLOOK AND OUTPUT GAP

Council recommends

To follow the counter cyclical fiscal policy rules by implementing more restrictive fiscal policy, because of risks that have emerged due to recent developments in the non-resident banking sector and their potential fiscal impact, as well as currently estimated positive output gap.

To implement further structural reforms with focus on increasing the productivity and efficiency of the public sector, including reducing the level of employment by expanding and improving digitalisation of services, continuing administrative reforms, and other. It would also ease the pressure on the wage increase caused by the tightening of the labor market.

To begin a transparent evaluation on macroeconomic forecast accuracy, where MoF analyses the most important deviations in the latest macroeconomic forecast from the actual data, and presents information on the changes made in the assumptions or limitations of the forecast model.

On 14 February 2018 the Council endorsed MoF's macroeconomic forecast for SP 2018/21 development. In accordance with the MoU that was concluded on 8 February 2016, Council is responsible for the MoF's macroeconomic forecasts endorsement. Within the early review and endorsement of the MoF's macroeconomic projections, the Council has agreed to support the efforts by the Government in preparation of annual documents – the Stability Programme and the Medium-term Budget Framework. The Council assessed the forecast as a whole, and provided an endorsement of the key macroeconomic indicators (Table 2.1). Full endorsement text is available in the Annex 1.

The economic forecast was not changed despite revisions in the GDP time series. After the Council endorsed the macroeconomic forecast, CSB published a revised GDP time series on 28 February 2018. Accordingly, the MoF submitted the recalculated macroeconomic forecast to the Council on 6 March 2018; however, the forecasted base line scenario remains the same. After data revision, the seasonally adjusted real and nominal GDP growth rates have improved by 0.1 percentage point for 2015 and 2016.

	2018	2019	2020	2021
Real GDP growth	4.0	3.4	3.0	2.9
Nominal GDP growth	7.2	6.5	5.8	5.4
Inflation	2.8	2.4	2.1	2.1
GDP deflator	3.1	3.0	2.7	2.5
Potential GDP growth	3.4	3.4	3.3	3.3
Output gap	1.1	1.0	0.7	0.3

Table 2.1 Macroeconomic indicators forecast endorsed by the Council on 14 February 2018, %

The economic growth in 2017 has been faster than expected, though the tightening in labour market continued. The Council welcomes the reform on labour taxation introduced by the Government, which will stimulate entering the labour market and the net wage increase especially for the low-income quartiles. However, the tightening in the labour market because of labour deficit and fiscal easing has already pushed up the wages and resulted in slower productivity growth than the wage growth in recent years. In the long term, the problems of high structural unemployment and regional differences remain.

Productive and efficient public management can be ensured only by further improvement of structural reforms. The demographic conditions require careful review of the scope of public sector and the efficiency of services provided. Following the opportunities of digitalisation, one of the central priorities is the reduction of the number of personnel. Currently there is visible labour shortage in the private sector, which would ease the employment shift between the sectors. Any expansion of government services or transfers should be carefully considered in terms of their fiscal sustainability in longer term.

At the beginning of 2018 risks to economic growth appeared due to developments in the financial (non-resident banking) sector. Referring to the recent visit by Marshall Billingsley, Assistant US Treasury Secretary for Financing of Terrorism (8 and 9 March 2018 in Latvia)²⁸ and the opinion expressed to Latvian officials on the need to reduce sharply the non-residents portfolio share in banking sector²⁹, the forecasted GDP growth rates could fall short of the current forecast for 2018. Evenmore, a direct impact on the state budget is expected – the expenditure (of special budget) will increase because of unemployment benefits payed to the former employees of non-resident banks, and the revenue will decrease because of lower tax income in the context of a temporary drop in high-paying jobs in the banking sector.

The macroeconomic scenario analysis and sensitivity analysis has been significantly improved since the last SP reports. First, it presents the changes in the GDP growth in each of the scenarios at the level of GDP components and it provides the forecast on the tax and other revenues by the type of tax/income. Secondly, it shows the effect on the government budget deficit and debt, if risks emerge. Finally, it includes both the forecast in absolute terms and in comparison to the base line scenario.

²⁸ Assistant Secretary for Terrorist Financing Marshall Billingslea meets with Latvian Counterparts on Threats to the International Financial System. Available at website of US embassy in Latvia:

<https://lv.usembassy.gov/announcement-centennial-logo-contest-win-ipad-pro/>, accessed on 20.03.2018

²⁹ Media: Stāsts par Latvijas Šveici ir beidzies. Available: <https://irir.lv/2018/03/14/stasts-par-latvijas-sveici-ir-beidzies>, FKTK priekšsēdētājs: Latvijas bankās pieļaujamais ārvalstu klientu biznesa apmērs ir ap 5%.

Available: <https://diena.lv/raksts/viedokli/latvija/fktk-priekssedetajs-latvijas-bankas-pielaujama-arvalstu-klientu-biznesa-apmers-ir-ap-5-14193350> and other media, accessed on 20.03.2018

3 ASSESSMENT OF COMPLIANCE WITH NUMERICAL FISCAL RULES

3.1 EX-POST ASSESSMENT OF FISCAL RULES 2013-2017

Recommendation

The Council calls on the Government to use the updated fiscal and potential GDP estimates for the budget ex post assessment and to adjust the maximum amount of budget expenditure to comply with the ex post analysis requirements of Directive 2011/85/EU.

Ex-post assessment of the the numerical fiscal rules is part of improving macro-fiscal planning and forecasting process. Subject to the requirements set out in Article 4 Part 6³⁰ of Directive 2011/85/EU on requirements for the budgetary frameworks of the Member States, the component of the fiscal planning is the ex post assessment of the numerical rules. In the planning period (see more in Chapter 3.2 below), the three numerical rules set by the FDL are used and a similar approach needs to be maintained in the ex post assessment. Directive 2011/85/EU sets out the objective of the performance evaluation – by detecting the biases of at least four consecutive years – being able to identify the causes of biases and to eliminate them in future planning.

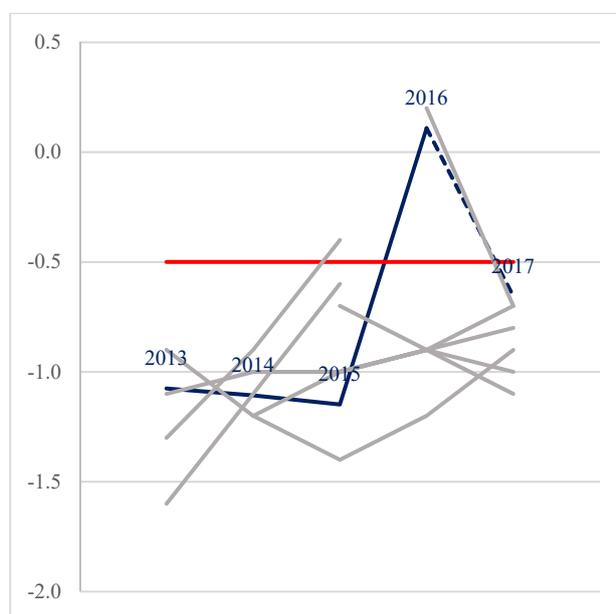


Chart 3.1. Structural balance estimates and outcome, 2013.-2017., % of GDP. Source: Stability programmes and MTBFLs.

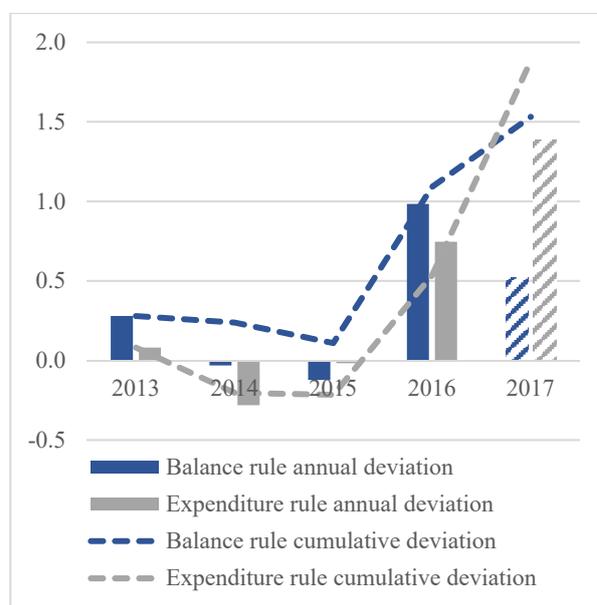


Chart 3.2. Ex post balance rule and expenditure rule, % of GDP. Source: MoF data, Council calculations.

After achieving the structural balance target established by FDL at no less than -0.5% of GDP in 2016 the Government has returned in 2017 to the practice of 2013-2015 with actual structural balance not meeting this benchmark. The structural balance is one of the indicators that helps to assess the budget balance irrespective of the current phase of the economic cycle. If the structural budget is in balance, this means that the Government is able to shape fiscal policies to prevent fluctuations in the economic cycle. The only exception is 2016 (see Chart 3.1 below), while 2013-

³⁰ "6. The macroeconomic and budgetary forecasts for fiscal planning shall be subject to regular, unbiased and comprehensive evaluation based on objective criteria, including ex post evaluation. The result of that evaluation shall be made public and taken into account appropriately in future macroeconomic and budgetary forecasts. If the evaluation detects a significant bias affecting macroeconomic forecasts over a period of at least 4 consecutive years, the Member State concerned shall take the necessary action and make it public." Available: <http://eur-lex.europa.eu/legal-content/EN-LV/TXT/?qid=1432812425053&uri=CELEX:32011L0085&from=EN>, accessed on 29.03.2018.

2015 ended with over 1.0% of the structural deficit. In order to assess the structural balance of 2017, the results of the CSB notification are necessary (expected in April and October 2018).

The Government decisions on 140 million euro additional expenditure to reduce the subsidies' liabilities on electricity production in cogeneration stations and 44.9 million euro breach of the expenditure ceilings by allocating appropriations from "protected" expenditure categories would result in the deterioration of the 2017 structural balance to -0.7% of GDP in opposite of achieving budget balance in structural terms. In headline terms the Council forecasts the deterioration of general government balance from +0.2% to -0.5% of GDP. Despite the additional expenditures improvement has been achieved compared to the estimates in MTBF 2017/19 mostly due to good economic performance.

The Council concludes that according to the balance and expenditure growth rules, correction of the structural balance is not necessary for the coming years (Chart 3.2). However, the Council draws attention to the fact that the positive accumulated deviation in 2017 is expected to decrease according to the balance rule and the exact assessment of 2017 is not yet known.

The result of the ex post assessment of the expenditure rule leads to a more critical assessment of the previously overly optimistic budget expenditure ceiling. Recalculating the growth of expenditure is necessary to use the revised potential GDP data. Replacing the potential GDP indicators again raises the question of the need to adjust the budget expenditure ceiling as soon as possible (see Chart 3.3 and 3.4). More detailed information available in Annex 4.

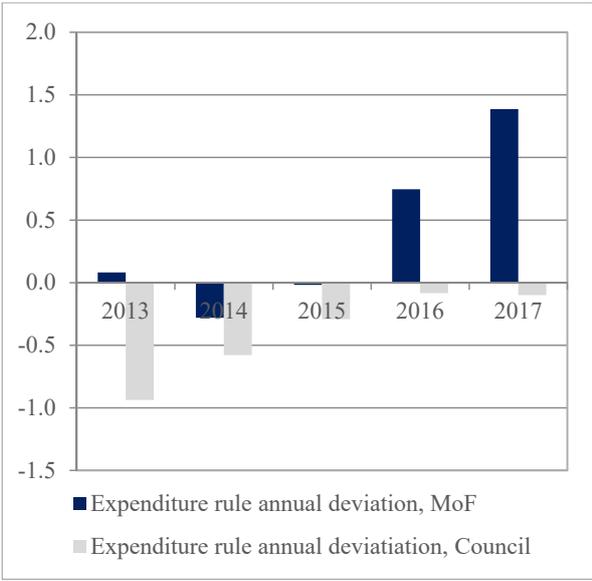


Chart 3.3. Expenditure rule ex post assessment, annual deviation, % of GDP. Source: Council calculations.

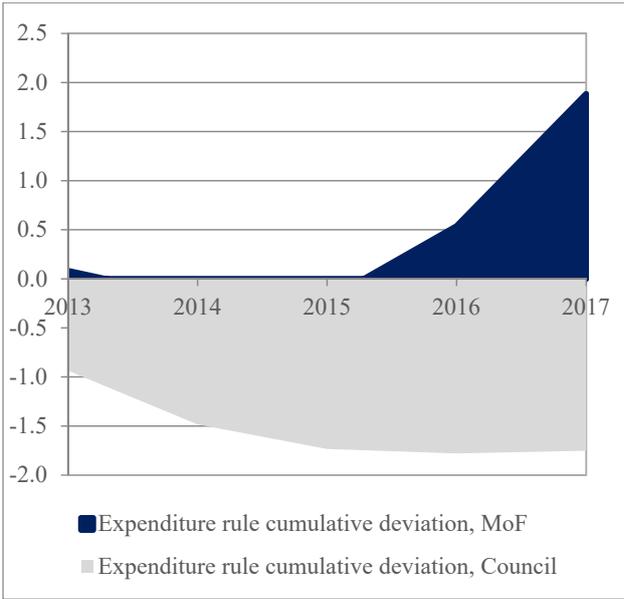


Chart 3.4. Expenditure rule ex post assessment, cumulative deviation, % of GDP. Source: Council calculations.

3.2 EX-ANTE ASSESSMENT OF FISCAL RULES 2018-2021

Recommendations

The fiscal safety reserve should be set in the process of calculating the expenditure ceilings. The basic budget balance projections indicate a cyclical fiscal policy and, therefore, the structural balance projections raise concerns about the incorrect inclusion of the tax reform.

The Council has made an alternative assessment of numerical fiscal rules for 2019-2021 in line with the Council's decisions approved in the Council meeting on 6 April 2018.

The Council has considered the MoF's core proposals regarding deviations from the MTO –

- (1) **the health reform deviations** in the amount of -0.5% of GDP for 2019 **has not been objected**. More information about the health reform in Chapter 1.4;
- (2) **the deterioration of the fiscal balance resulting from classifying the tax reform as a one-off measure** in the amount of -0.5% for 2019 and -0.3% for 2020 **has not been objected**. More information about the tax reform in Chapter 1.2;
- (3) **to reiterate the importance of establishing a fiscal security reserve in the amount of at least 0.1% of GDP for 2019**. The Council notes increase in the fiscal risks, while these have not been adequately assessed.

Council has not objected the MoF calculated fiscal rules results for SP 2018/21. As a result of the calculations of the numerical rules by the MoF, the maximum government expenditure ceiling was set at 9 360.7 million euro (continuity rule) for 2019, 9 868.8 million euro for 2020 (expenditure rule) and 10 048.0 million euro (structural balance rule) (Table 3.1). More detailed information available in Annex 5.

	2018	2019	2020	2021
Central government budget expenditure ceiling, in millions euro				
SP 2015/18	8 480.5	x	x	x
MTBFL 2016/18	8 749.5	x	x	x
SP 2016/19	8 767.0	8 844.8	x	x
MTBFL 2017/19	8 807.7	9 001.6	x	x
SP 2017/20	8 960.5	9 276.3	9 446.5	x
MTBFL 2018/20	8 954.2	9 322.9	9 838.8	x
SP 2018/21	x	9 360.7	9 868.8	10 048.0

Table 3.1. Central government budget expenditure ceiling in accordance with the fiscal rules assessment. Source: the MoF, Council calculation.

	2018	2019	2020	2021
General government structural budget deficit (-) / surplus (+), % of GDP				
SP 2015/18	-1.2	x	x	x
MTBFL 2016/18	-0.8	x	x	x
SP 2016/19	-1.2	-0.8	x	x
MTBFL 2017/19	-1.1	-1.0	x	x
SP 2017/20	-1.0	-1.0	-0.5	x
MTBFL 2018/20	-1.2	-0.6	-0.4	x
SP 2018/20	-1.4	-0.8	-0.4	-0.5
<i>Changes since SP 2017/20</i>	<i>-0.4</i>	<i>0.2</i>	<i>0.1</i>	<i>x</i>
<i>Cyclical component impact (changes since SP 2017/20)</i>	<i>0.3</i>	<i>0.1</i>	<i>-0.1</i>	<i>x</i>
<i>Tax reform impact (changes since SP 2017/20)</i>	<i>0.7</i>	<i>0.0</i>	<i>0.0</i>	<i>x</i>

Table 3.2. General government structural balance 2018-2021. Source: MoF.

Since the last stability program, the structural balance has improved from 2019 to 2020, but significantly deteriorated in 2018 (see Chart 3.5 and Table 3.2). Taking into account the changes in the potential GDP estimates, which indicate an upturn in the economic cycle, from the year 2017 (see more in Annex 1), the cyclical component of the budget also changed. The changes in the cyclical component make it necessary to curb the structural balance between 2018 and 2019, but by 2020 it allowed it to run a little looser again. Comparing both of the Stability Programmes the tax reform impact in 2019 and 2020 have not changed, but the most significant changes are related to the 2018 structural balance. Both the cyclical component (with an impact of 0.3% of GDP) and the

Government's amended tax reform decisions (with an impact of 0.7% of GDP) had to improve the structural balance since last spring. But it is not. The structural balance deteriorated by -0.4% points, indicating a significant deterioration of the nominal balance for 2018 (see Table 3.3 below a deterioration of -1.4% of GDP).

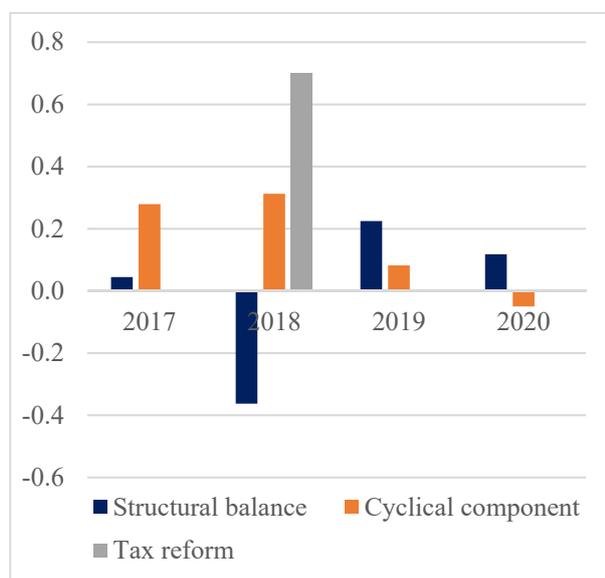


Chart 3.5. Changes between SP 2017/20 and SP 2018/21, % of GDP. Source: Council calculations.

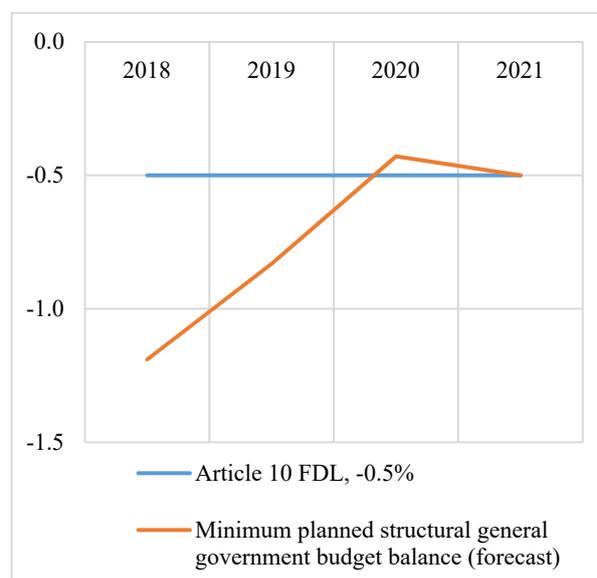


Chart 3.6 Structural balance level and medium-term objective, % of GDP. Source: MoF.

The planned levels of the structural balance for 2020 and 2021 are in line with the FDL (see Chart 3.6). The Council also considers that a further improvement in the balance in 2019 should be foreseen in line with the counter-cyclical fiscal policy of Article 1 of the FDL.

	2018	2019	2020	2021
General government headline budget deficit (-) / surplus (+)				
SP 2015/18	0.2	x	x	x
MTBFL 2016/18	0.3	x	x	x
SP 2016/19	-0.2	0.8	x	x
MTBFL 2017/19	-0.6	0.2	x	x
SP 2017/20	-0.3	0.3	0.8	x
MTBFL 2018/20	-0.9	-0.8	-0.2	x
SP 2018/21	-0.9	-1.0	-0.4	-0.3
<i>Changes since SP 2017/20</i>	<i>-0.6</i>	<i>-1.3</i>	<i>-1.2</i>	<i>x</i>
Basic budget deficit (-) / surplus (+) *				
SP 2015/18	-0.2	x	x	x
MTBFL 2016/18	0.2	x	x	x
SP 2016/19	0.4	0.9	x	x
MTBFL 2017/19	0.2	0.4	x	x
SP 2017/20	-0.3	0.1	1.2	x
MTBFL 2018/20	-1.1	-0.9	0.0	x
SP 2018/21	-1.7	-1.2	-0.3	-1.0
<i>Changes since SP 2017/20</i>	<i>-1.4</i>	<i>-1.3</i>	<i>-1.5</i>	<i>x</i>

Table 3.3. General government and basic budget headline balance, % of GDP (by bottom-up approach). *Cash-flow approach.

Substantial deterioration of the basic budget since the previous Stability Programme further indicates a significant easing of fiscal policy and a "cosmetic" improvement of the structural balance. The easing of fiscal policy is currently pointing to a pro-cyclical pattern and insufficient contribution to deficit and debt reduction in a context of rapid economic growth. For example, the budget balance in the years 2019 and 2020 is worsening due to the significant deviation because of the tax reform.

3.3 PUBLIC DEBT

Recommendation
 The debt rule needs to develop the implementation mechanism to ensure the public debt into the overall fiscal policy governance.

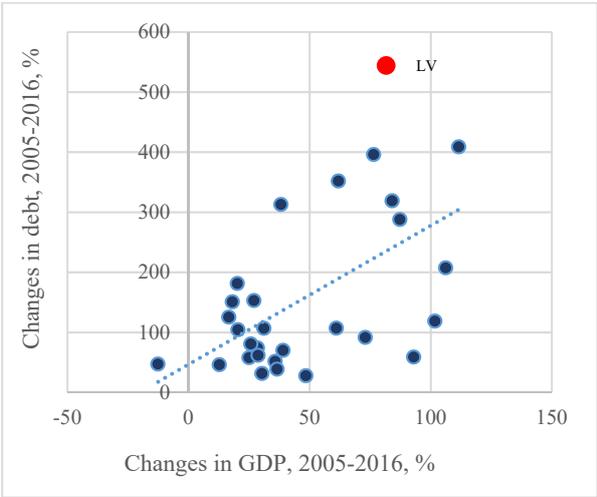


Chart 3.7. Increases in general government debt and nominal GDP between 2005 and 2016, EU countries. Source: Eurostat.

The global financial crises and the following period EU countries' general government debt has increased relative to GDP, however Latvia's debt increase between 2005-2016 is outstanding at the rate of 544.1% (Chart 3.7). Despite of the nominal GDP growth of 81.6% during that period, the Latvia's debt dynamics was 6.7 times.

The current level of debt may not represent an imminent threat to solvency, but it weakens Latvia's ability to withstand demand fluctuations in case of funding shocks. During good economic times the government can take advantage of revenue excess for deficit and debt reduction and build up fiscal buffers.

The Council points to the debt rule missing an implementation mechanism. Such mechanism should be developed and implemented to ensure the integration of public debt into the fiscal policy governance.

The Council welcomes the Government's general government target of reducing general government debt to 36% of GDP in 2021 (see Chart 3.8 below). However, such a level of government debt may mean a shortage of savings in situations if the rapid economics growth is replaced by its slowdown.

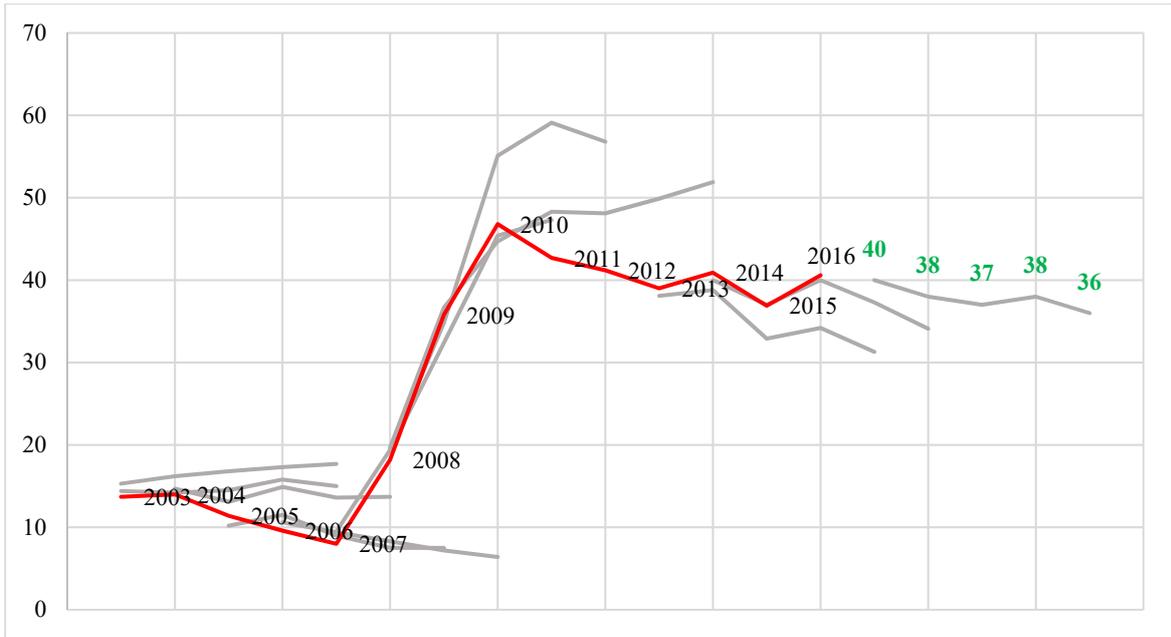


Chart 3.8. General government debt: forecasts and actual outcome, % of GDP. Source: The Treasury.

ANNEX 1 COUNCIL'S ENDORSEMENT OF MOF MACROECONOMIC PROJECTIONS (14 FEBRUARY 2018)

This document presents the opinion of the Fiscal Discipline Council (hereafter - the Council) on the macroeconomic forecast prepared by the Ministry of Finance (hereafter – MoF) that will be used for drafting Latvia's Stability Programme (hereafter – SP) 2018/21, which is scheduled to be submitted to the Saeima on mid-April 2018. An early review and endorsement of the MoF's macroeconomic projections by the Council has been agreed upon to support the efforts of the Government during the preparation of the annual SP and the medium term budget framework (hereafter – MTBF).

According to the Memorandum of Understanding, signed on 8 February 2016, the Council has a responsibility to endorse MoF's macroeconomic forecast. The Council assessed the forecast as a whole, and provides an endorsement of the key macroeconomic indicators, which are outlined below. During the endorsement process the Council was presented with detailed information on MoF's forecast (please see annex), such as the gross domestic product (hereafter – GDP) structure and development scenarios of GDP components. The Council has consulted with external experts to gain a comprehensive understanding of the developments in Latvia's economy.

The Council has a mandate to endorse the forecast of macroeconomic indicators according to the scope of Article 20 of the Fiscal discipline law (indicators are summarised in Table 3 at the end of this document).

	2018	2019	2020	2021
Real GDP growth				
MoF (Feb 2018)	4.0	3.4	3.0	2.9
BoL* (Dec 2017)	4.1	3.2	–	–
EC (Feb 2018)	3.5	3.2	–	–
IMF (Oct 2017)	3.9	3.5	3.2	3.1
Nominal GDP growth				
MoF (Feb 2018)	7.2	6.5	5.8	5.4
BoL (Dec 2017)	–	–	–	–
EC (Nov 2017)	6.9	6.5	–	–
IMF (Oct 2017)	7.0	5.9	5.5	5.4
Inflation				
MoF (Feb 2018)	2.8	2.4	2.1	2.1
BoL (Dec 2017)	2.9	2.6	–	–
EC (Feb 2018)	3.1	2.9	–	–
IMF (Oct 2017)	3.0	2.5	2.4	2.3
GDP deflator				
MoF (Feb 2018)	3.1	3.0	2.7	2.5
BoL (Dec 2017)	–	–	–	–
EC (Nov 2017)	3.4	3.2	–	–
IMF (Oct 2017)	3.0	2.4	2.3	2.2
Output gap				
MoF (Feb 2018)	1.1	1.0	0.7	0.3
BoL (Dec 2017)	–	–	–	–
EC (Nov 2017)	2.1	1.4	–	–
IMF (Oct 2017)	–	–	–	–

Table 1 Key macroeconomic indicator forecasts by various institutions, % y-o-y. Data sources: MoF, BoL, EC, IMF.

**Seasonal and calendar unadjusted.*

Unemployment rate is forecasted to decrease towards 7.0% by 2021, which is at the level of 2006.

The MoF macroeconomic forecast of real gross domestic product (hereafter – GDP) growth, nominal GDP growth, inflation and GDP deflator is largely in line with the forecasts of the European Commission (hereafter – EC), the International Monetary Fund (hereafter – IMF) and the Bank of Latvia's (hereafter – BoL) (Table 1). However, there is an exception of assumptions regarding the output gap – the EC forecasts by 1.4 percentage points higher output gap in 2018 and by 0.5 percentage points higher in 2019, nevertheless both institutions highlight positive output gap.³¹

After a better than expected economic performance in 2017, growth is likely to remain solid in the European Union (hereafter – EU). Increase in the GDP both private consumption and EU-funded investments contribute to the growth acceleration. Global goods prices have been driven by a moderate recovery in energy prices and wage increase.

Decreasing unemployment (lowest since 2009) has been pushing up wages.

³¹ European Commission Autumn 2017 Economic Forecast. Available at: https://ec.europa.eu/info/sites/info/files/saee_autumn_2017_en.pdf, accessed on 08.02.2018.

This indicates increasing difficulties in attracting the necessary human resources in certain industries. Non-accelerating wage rate of unemployment (NAWRU) or the natural unemployment provided by MoF for the SP 2018/21 is forecasted well above the actual unemployment forecasts. Forecasted actual unemployment level decreases in 2018 to 8% (the NAWRU forecast for 2018 is 9.7%), in 2019 to 7.7% (NAWRU 9.4%), in 2020 to 7.2% (NAWRU 8.8%), and in 2021 to 7.0% (NAWRU 8.4%). Low unemployment level continues the pressure to raise wages. This may lead to the risk of inflation being higher than forecasted, we return to this issue later in the opinion.

The Council endorses the real GDP growth forecast for SP 2018/21. Compared to the previous forecast in August 2017, which was prepared for the MTBF 2018/20, the real GDP growth rate has been raised by 0.6 percentage points in 2018 and 0.2 percentage points in 2019, but lowered by 0.2 percentage points in 2020 (Chart 1). The forecast for nominal GDP growth rates together with GDP deflator has been raised for all years.

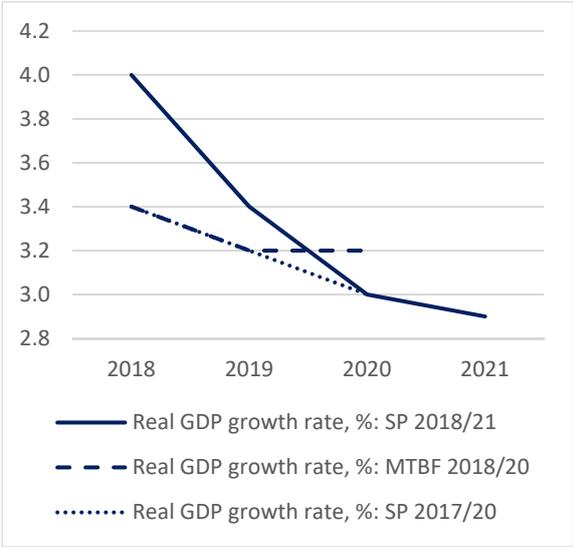


Chart 1 Forecast for real GDP growth, y-o-y.
Data source: MoF.

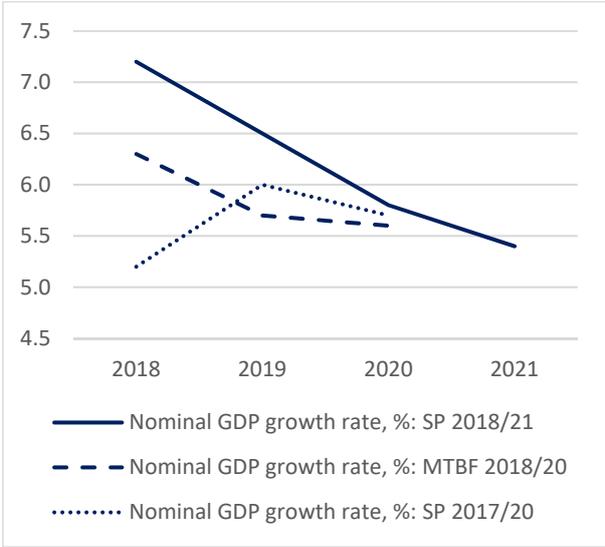


Chart 2 Forecast for nominal GDP growth, y-o-y.
Data source: MoF.

The Council endorses the nominal GDP growth forecast for the SP 2018/21. The MoF has further raised the nominal GDP growth forecast for 2018 to 2021 (Chart 2). The revisions are mainly related to considerable revisions of GDP deflator.

The Council endorses the change in the consumer price index (hereafter – CPI) (inflation) forecast for the SP 2018/21. In 2017, the CPI has increased by 2.9% (annual raise according to European statistics, Eurostat), and it has slightly overreached the previously expected level of 2.8%. Therefore, since August 2017, there are no changes made to the inflation forecast (Chart 3).

The Council endorses the GDP deflator forecast for the SP 2018/21. The GDP deflator forecast has been revised upwards by 0.3 percentage points in 2018, 0.6 percentage points in 2019 and 0.4 percentage points in 2020 (Chart 4).

The Council endorses the potential GDP growth and output gap forecast for the SP 2018/21 with comments. Since the previous endorsement of macroeconomic forecasts (please see Table 2 below), potential GDP growth has been revised upwards by 0.4 percentage points in 2018 and 2019. A 3.3% growth rate has been set for 2020 and 2021, 3.0% for 2022 and 2023, and 2.8% for 2024 and 2025 (the expanded time horizon is necessary for further calculations of the expenditure benchmark).

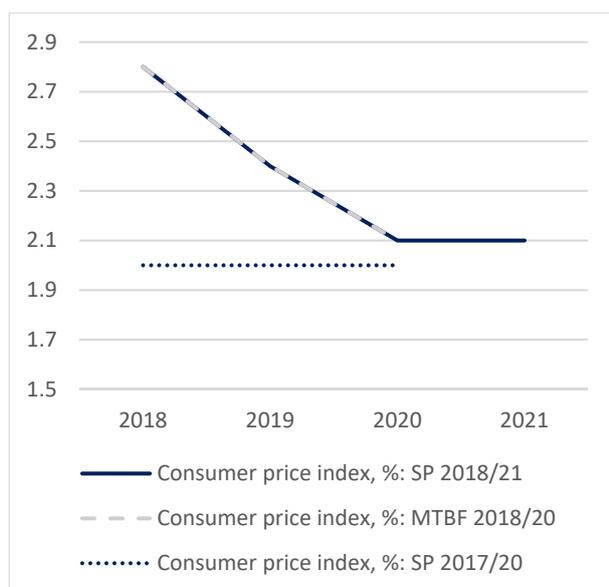


Chart 3 Forecast for inflation, y-o-y.
Data source: MoF.

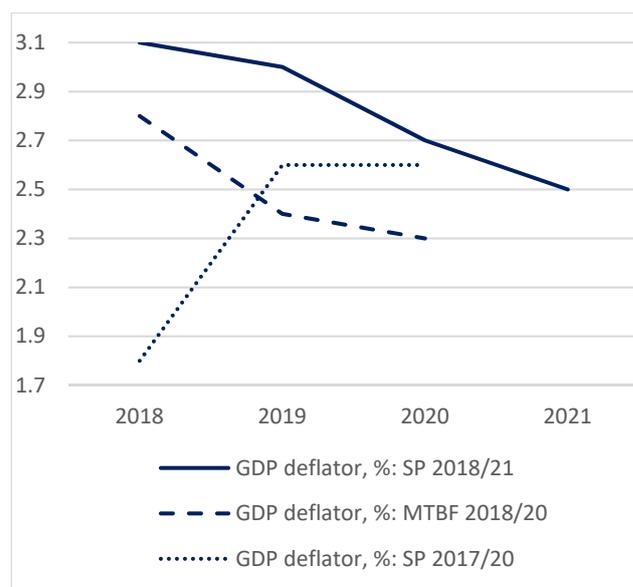


Chart 4 Forecast for GDP deflator, y-o-y.
Data source: MoF.

The pressure to the wage growth from the labour market remains high (unemployment forecasts remain significantly below the NAWRU forecasts) and therefore inflation outcome and forecasts might be significantly higher than the current MoF's forecasts, particularly for 2020-2021. The Council notes that faster increase of wages and inflation also will demand lower potential GDP growth and higher positive output gap. In situation when the inflation outcome and wage growth will be higher than current forecasts the Council will ask the MoF to update the potential GDP growth and output gap forecasts.

	2018	2019	2020	2021
Potential GDP growth (August 2017)	3.0	3.0	3.0	
Potential GDP growth (February 2018)	3.4	3.4	3.3	3.3
changes in potential GDP	0.4	0.4	0.3	
Output gap (August 2017)	0.3	0.5	0.8	
Output gap (February 2018)	1.1	1.0	0.7	0.3
changes in output gap	0.4	0.5	-0.1	

Table 2 Changes in potential GDP growth and output gap forecasts since August 2017, %.

Average potential GDP growth rate from 2018 to 2025 is above 3.0% threshold. The Council notes that the projected potential GDP growth over the eight-year period above the 3% threshold is high and there are significant constraints on the potential GDP growth in Latvia in the long run above 2.5%³².

The Council finds the economy of Latvia in positive output gap in 2017 and the trend continuing strongly in 2018. The business cycle is on an upswing with strong confidence, high employment, and increasing pressure on wage inflation. Cyclical factors have been the key contributors for the economic growth, which cannot last without adequate structural changes enabling increase in productivity.

The Council finds substantial risks of prices accelerating mostly because of the labour market conditions and the steady wage growth. Wage growth and accelerating inflation beyond the current

³² Fiscal sustainability report 2017-2037. Available at: <http://fiscalcouncil.lv/fiscal-sustainability-report-2017-2037>, accessed on 08.02.2018.

MoF's forecasts would highlight deterioration of productivity and result as lower economic growth potential and would indicate widening positive output gap.

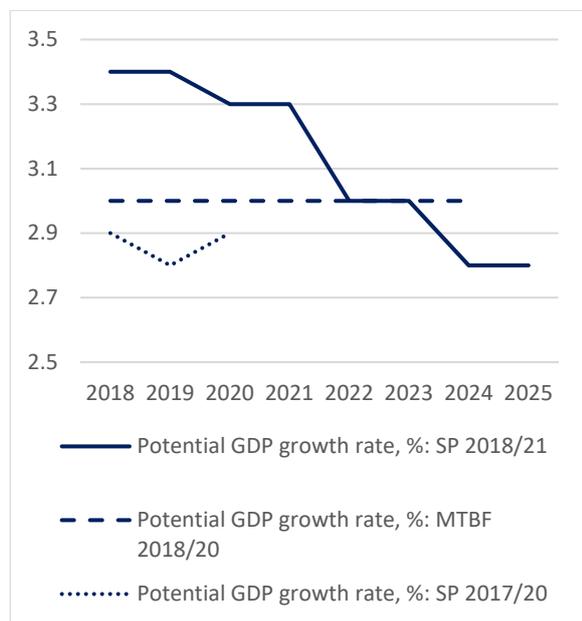


Chart 5 Potential GDP growth, %, y-o-y.
Data source: MoF.

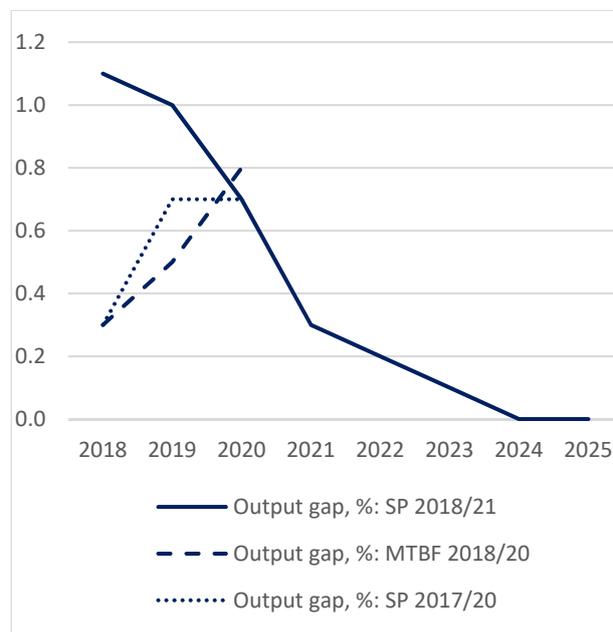


Chart 6 Output gap, % of potential GDP.
Data source: MoF.

	2018	2019	2020	2021
Real GDP growth	4.0	3.4	3.0	2.9
Nominal GDP growth	7.2	6.5	5.8	5.4
Inflation (consumer prices)	2.8	2.4	2.1	2.1
GDP deflator	3.1	3.0	2.7	2.5
Potential GDP growth	3.4	3.4	3.3	3.3
Output gap	1.1	1.0	0.7	0.3

Table 3 Macroeconomic forecast indicators endorsed by the Council.

Broadly, the Council considers the MoF's macroeconomic forecasts to be realistic and endorses them, while the price inflation and wage growth should be watched as an evidence of lower growth potential and widening positive output gap. In addition, the Council:

1. Reiterates its recommendation to improve the sensitivity analysis for the SP 2018/21 by incorporating in the tables of both optimistic and pessimistic scenarios the following indicators:
 - a. Real GDP growth rate;
 - b. Total budget revenue;
 - c. Budget balance;
 - d. Budget deficit.
2. Has performed an evaluation of macroeconomic forecast since 2004 (see Annex) and recommend the MoF to begin a regular self-assessment of macroeconomic forecasting that would help of data revisions in the future.

Prepared in cooperation with SIA "Ernst & Young Baltic" in accordance with the contract signed on 15 September 2017 for the provision of macroeconomic expert advisory services. Available at: http://fdp.gov.lv/files/uploaded/FDP_1_15_1427_20170915_FDP2017_3_Ligums_makro.pdf

ANNEX 2 PUBLIC-PRIVATE PARTNERSHIP RISK ASSESSMENT CONCLUSIONS AND RECOMMENDATIONS

1. If the Government believes that it is able to implement PPP projects that are related to high risk and large contingent liabilities, then the Government should also be able to quantify the risk associated with PPP projects by including it in the Fiscal Risk Declaration and providing transparency.
2. PPP projects are associated with increased risk due to private partnerships, false cash flows, demand calculations, inadequate risk sharing between public and private partners, and lack of institutional knowledge. PPP projects are legally complex, both due to the fact that part of the regulation is on the Government side and because of the nature of the specific contractual arrangements. The long execution period of a contract increases the likelihood that it may be affected by the economic / financial crisis and other unforeseen circumstances.
3. The private partner's goal will always be profit-making, not the provision of public-benefit or government-related functions, which is particularly faced with obstacles and difficulties during the implementation of the project.
4. It should be noted that, in general, governments tend to save large projects, which is why the state budget assumes most of the risks. According to the IMF study, the cost of a project that failed to reach 1% of GDP or, in the extreme case, 2% of GDP.
5. It is essential to assess the benefits of choosing PPP as compared to traditional investments. According to an IMF study, PPPs have been created in a number of countries not because of their effectiveness, but to circumvent the budget constraints and postpone the fiscal costs of providing infrastructure services to the present, which has led governments in a number of countries to focus on low-quality and fiscally expensive projects.
6. PPP projects can cost more than initially planned and less transparent compared to traditional investments.
7. In general, governments have a tendency to save large projects, thus the state budget assumes most of the risks.
8. Failure of other countries shows that the insufficient attention paid by Latvia to this risk can lead to significant losses to the state budget in the future. Available information available so far shows the lack of transparency and the lack of quantification of PPP project commitments, and hence flaws in fiscal impact and risk assessment.
9. Most countries have worked to streamline PPP strategy, inventory, risk management, etc. based on the negative experience of failures with significant fiscal impact.
10. Several countries have experienced many unsuccessful projects, including Great Britain, Australia, France, Portugal, Croatia, Slovakia, Bulgaria, etc.
11. Taking into account global trends and available information in Latvia, demand for PPP as a solution to the financing of significant public sector investments is expected to increase, hence the crucial issue is the adequacy of risk assessment, quantification and transparency.
12. It is expected that the available funding of EU funds will decrease and Latvia's budget possibilities are limited. Many projects have already been developed (there were already 60 identified potential projects by the year 2102). Consequently, it can be concluded in general that only a few successful PPP projects are needed to make this financing mechanism more widely applied with all its consequences.
13. The government must understand the possible consequences of the decisions that are taken, not only today, but also for future generations.
14. The public has the right to be informed about the efficiency of the funds used by taxpayers.
15. Publicly available information indicates that no comprehensive information has been gathered, therefore, the public is not provided with transparency, there is no common management approach and clarity in PPP projects in Latvia.

16. A clear mechanism for PPP implementation, risk assessment and transparency should be developed before such a financing mechanism is used more widely. Necessary requirements by strengthening the regulatory enactments.
17. Work on developing a methodology for quantifying risk should be initiated immediately, ensuring adequate risk assessment and process transparency.
18. Information about projects and their risks must be publicly available. The International Monetary Fund and the World Bank have developed transparency effects on PPP projects.
19. Consistency in PPP management with respect to the general government sector needs to be respected.
20. In international publications, PPP skeptics often point out that several organizations and consultancies want to be well off at the expense of this complex model and to be at the forefront of the accumulation of large pension funds.

Prepared in cooperation with Ilze Brezaucka (volunteer) in accordance with the contract signed on 27 December 2017 for the provision of public-private partnership risk assessment. Full report available here: http://fdp.gov.lv/files/uploaded/FDP_1_08_409_20180406_Interim_report_Ann2.pdf

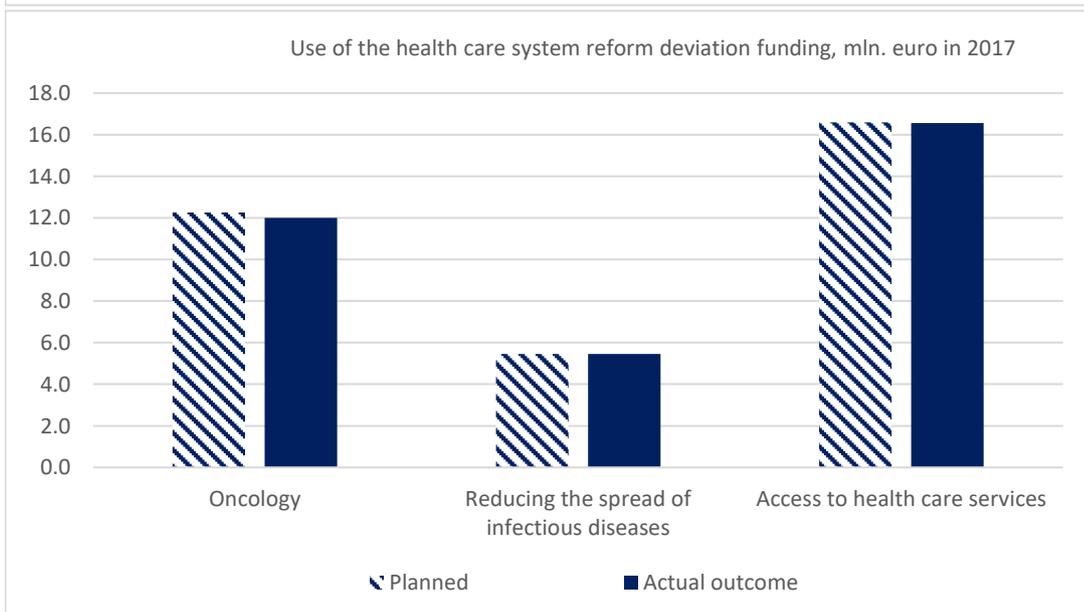
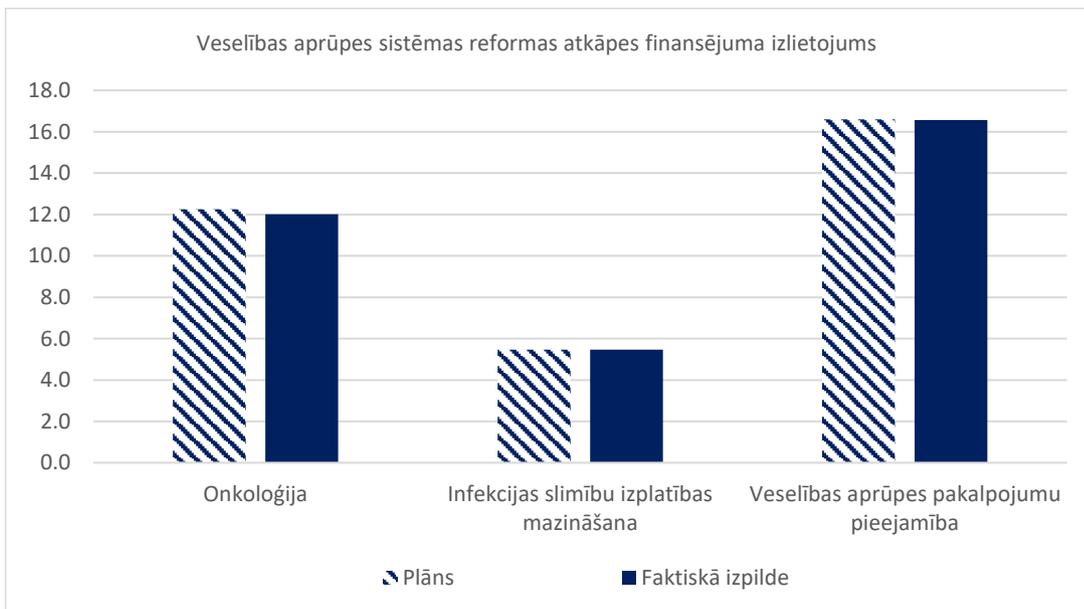
Veselības aprūpes sistēmas reformas progresa rādītāji: atkāpes izlietojums
Health care reform performance indicators: deviation use

P3.1.tabula
Table P3.1

No; formula	Rādītājs	2017						Item
		Finansējums, milj. eiro Financing, mln. euro		Papildu skaits, pacienti Additional volume, patients		Rindu garums, dienās Waiting list, days		
		Plāns Planned	Faktiskā izpilde Actual outcome	Plāns Planned	Faktiskā izpilde Actual outcome	Pirms 2017.gada Before 2017	Faktiskā izpilde Actual outcome	
1.	<i>Onkoloģija</i>	12.3	12.0	61 459	88 698	x	x	<i>Oncology</i>
	Primārā diagnostika □	0.7	0.6	22 000	22 422	x	x	Primary diagnostics
	Speciālistu konsultācijas	0.7	0.7	11 000	33 683	x	x	Expert consultations
	Sekundārā diagnostika un izmeklējumi	2.3	2.2	14 659	17 880	x	x	Secondary diagnostics and examinations
	Ambulatorā ārstēšana	1.2	1.2	3 306	1 996	x	x	Ambulatory treatment
	Stacionārā ārstēšana	2.5	2.3	6 000	5 633	x	x	Hospital treatment
	Kompensējamie medikamenti	5.0	5.0	4 494	7 084	x	x	Reimbursable drugs
2.	<i>Infekcijas slimību izplatības mazināšana</i>	5.5	5.5	203	400	x	x	<i>Reducing the spread of infectious diseases</i>
	Kompensējamie medikamenti	5.5	5.5	203	400	x	x	Reimbursable drugs
3.	<i>Veselības aprūpes pakalpojumu pieejamība</i>	16.6	16.6	730 822	534 080	262	172	<i>Access to health care services</i>
	Speciālistu konsultācijas	3.4	3.3	270 246	177 317	100	58	Expert consultations
	Ambulatorie izmeklējumi un terapija	7.5	7.6	328 076	300 856	40	27	Ambulatory examinations and therapy
	Dienas stacionārs	5.2	5.2	62 472	27 551	407	132	Daily hospital treatment
	Ambulatorā rehabilitācija	0.5	0.5	70 028	28 356	500	472	Ambulatory rehabilitation
1.+2.+3.	Kopā atkāpe no vidēja termiņa budžeta mērķa	34.3	34.0	792 484	623 178	262	172	Total deviation from medium-term budget objective

Avots: Veselības ministrija, Fiskālās disciplīnas padomes aprēķini

Source: Ministry of Health, Fiscal Discipline Council calculations



Strukturālās bilances līmenis un vidēja termiņa mērķis

Structural balance level and medium-term objective

(% no IKP, faktiskajās cenās)

(% of GFP, current prices)

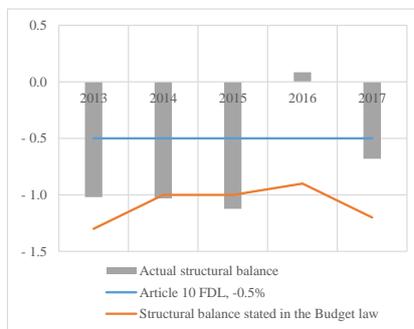
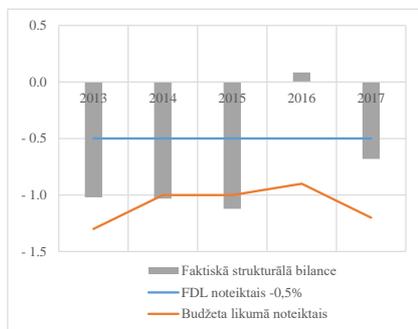
P4.1.tabula

Table P4.1

No; formula	Rādītājs	2013	2014	2015	2016	2017	Item
1.	Fiskālās disciplīnas likuma 10.pants	-0.5	-0.5	-0.5	-0.5	-0.5	Article 10 Fiscal discipline law
2.	Mīnīmālā plānojamā vispārējās valdības budžeta strukturālā bilance	-1.3	-1.0	-1.0	-0.9	-1.2	Minimum planned structural general government budget
3.	Vispārējās valdības budžeta faktiskā strukturālā bilance	-1.0	-1.0	-1.1	0.1	-0.7	Actual structural general government budget balance

Avots: Finanšu ministrija, Fiskālās disciplīnas padomes aprēķini

Source: Ministry of Finance, Fiscal Discipline Council calculations



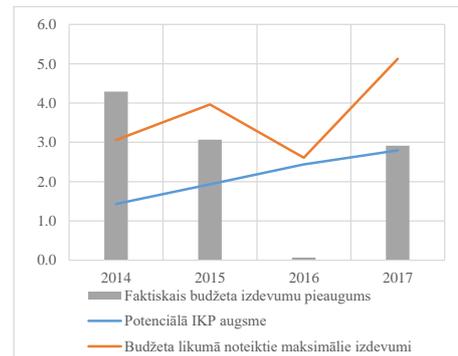
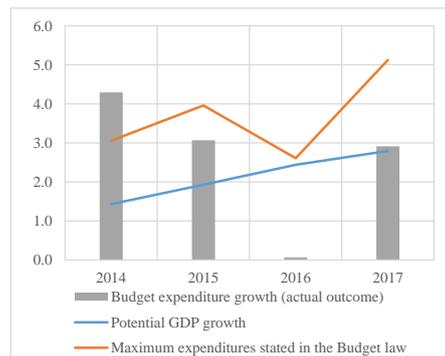
Valdības izdevumu un ekonomikas pieauguma salīdzinājums
Government expenditures and economic growth comparison
(milj. euro)
(million euro)

P4.2.tabula
Table P4.2

No; formula	Rādītājs	2014	2015	2016	2017	Item
1.	Valsts budžeta izdevumu pieaugums (budžeta likums), % (reālais) (maksimālie)	3.1	4.0	2.6	5.1	State budget expenditure (budget law) annual growth in % (real) (maximum)
2.	Faktisko valsts budžeta izdevumu pieaugums, % (reālais)	4.3	3.1	0.1	2.9	State budget expenditure (actual) annual growth in % (real)
3.	Potenciālā IKP pieaugums (10 gadu vidējais), %	1.4	1.9	2.4	2.8	10-year average potential GDP growth (t-5, t+4)
4. = $(6_t - 6_{t-1})/6_{t-1}$	Valsts budžeta izdevumu pieaugums (budžeta likums), % (maksimālie)	4.9	4.0	2.9	8.3	State budget expenditure (budget law) annual growth in % (maximum)
5. = $(7_t - 7_{t-1})/7_{t-1}$	Faktisko valsts budžeta izdevumu pieaugums, %	6.1	3.1	0.3	6.0	State budget expenditure (actual) annual growth in %
6.	Valsts budžeta izdevumi (budžeta likums) (maksimālie)	7 187.5	7 472.4	7 688.4	8 327.5	State budget expenditures (budget law) (maximum)
7.	Faktiskie valsts budžeta izdevumi	7 254.1	7 476.7	7 502.4	7 955.1	State budget expenditures (actual)
8.	IKP deflators, %	1.8	0.0	0.3	3.0	GDP deflator, %

Avots: Finanšu ministrija, Fiskālās disciplīnas padomes aprēķini

Source: Ministry of Finance, Fiscal Discipline Council calculations



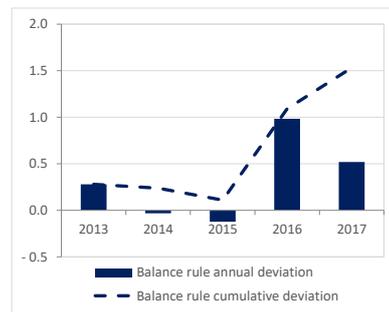
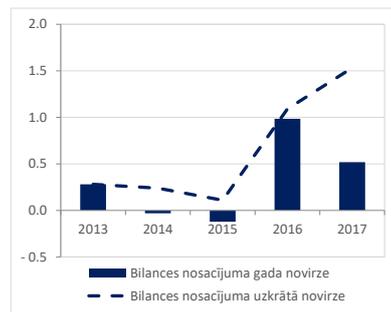
Bilances nosacījums: ex post
Balance rule: ex post
(miļ. eiro)
(million euro)

P4.3. tabula
Table P4.3

No; formula	Rādītājs	2013	2014	2015	2016	2017	Item
1.	IKP, faktiskajās cenās	22 831.5	23 681.5	24 353.1	24 926.7	26 866.7	GDP, at current prices
2.	Vispārējās valdības budžeta faktiskā strukturālā bilance, % no IKP	-1.0	-1.0	-1.1	0.1	-0.7	Actual structural general government budget balance, % of GDP
3. = 2. * 1. / 100	Vispārējās valdības budžeta faktiskā strukturālā bilance	-232.9	-244.3	-273.3	20.9	-182.9	Actual structural general government budget balance
4.	Mīnīmālā plānojamā vispārējās valdības budžeta strukturālā bilance, % no IKP	-1.3	-1.0	-1.0	-0.9	-1.2	Minimum planned structural general government budget, % of GDP
5. = 4. * 1. / 100	Mīnīmālā plānojamā vispārējās valdības budžeta strukturālā bilance	-296.8	-236.8	-243.5	-224.3	-322.4	Minimum planned structural general government budget balance
6. = 3. - 5.	Gada novirze	63.9	-7.5	-29.8	245.3	139.5	Deviation from plan for the year
7. = 6. / 1. * 100	Gada novirze, % no IKP	0.3	0.0	-0.1	1.0	0.5	Deviation from plan for the year, % of GDP
8. = 7. _t + 7. _{t-1} + ... + 7. ₂₀₁₃	Uzkrātā bilanču noviržu summa visiem gadiem, sākot no 2013.gada	63.9	56.4	26.6	271.9	411.4	Accrued deviation from plan for all years starting with 2013
9. = 8. / 1. * 100	Uzkrātā bilanču noviržu summa visiem gadiem, sākot no 2013.gada, % no IKP	0.3	0.2	0.1	1.1	1.5	Accrued deviation from plan for all years starting with 2013, % of GDP
10.	FDL 11.panta nosacījums, % no IKP	-0.5	-0.5	-0.5	-0.5	-0.5	Rule in accordance with Article 11 of the FDL, % of GDP
11. = IF 9. < 10.	Ir jākorrigē, ja 9. < 10.	Nav jākorrigē	Correction necessary if 9.< 10.				

Avots: Finanšu ministrija, Fiskālās disciplīnas padomes aprēķini

Source: Ministry of Finance, Fiscal Discipline Council calculations



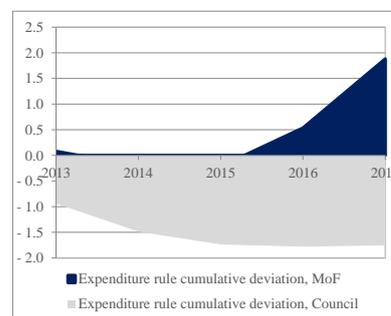
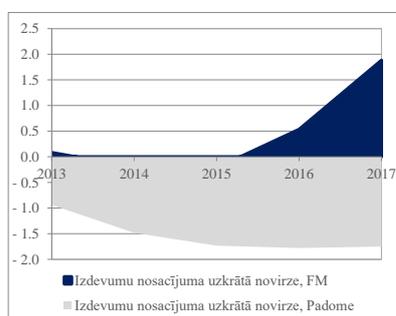
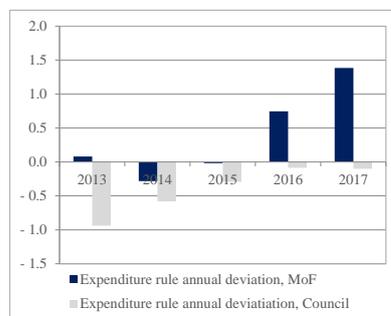
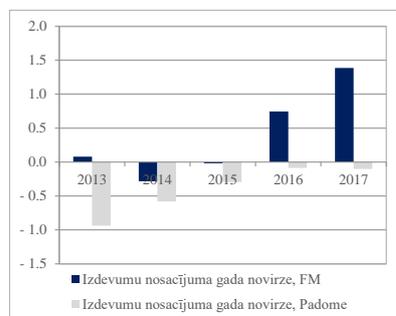
Izdevumu nosacījums: ex post
Expenditure rule: ex post
(miļ. eiro)
(million euro)

P4.4. tabula
Table P4.4

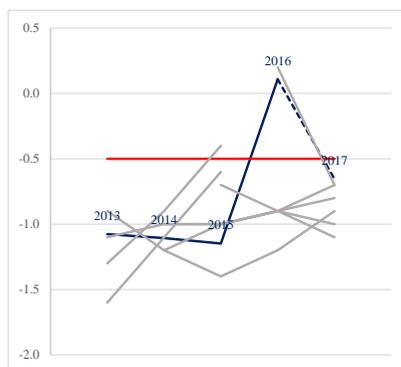
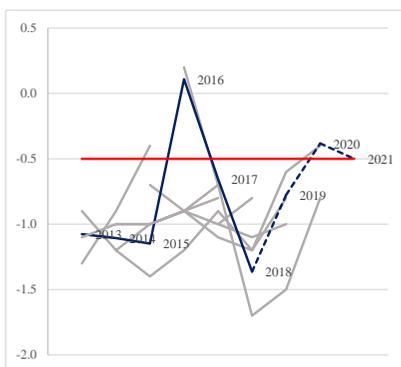
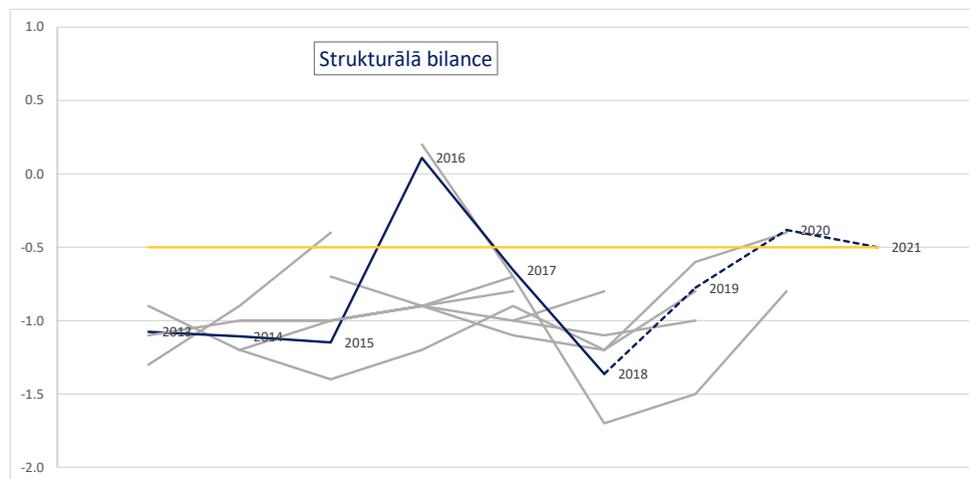
No; formula	Rādītājs	2013	2014	2015	2016	2017	Item
1.	IKP, faktiskajās cenās	22 831.5	23 681.5	24 353.1	24 926.7	26 866.7	GDP, at current prices
2.	Valsts budžeta izdevumi (budžeta likums) (maksimālie)	6 853.8	7 187.5	7 472.4	7 688.4	8 327.5	State budget expenditures (budget law) (maximum)
3.	Valsts budžeta izdevumi (nosacījumu pārrēķina rezultāts) (maksimālie)	6 621.0	7 117.1	7 405.6	7 481.3	7 928.1	State budget expenditure (resulted by ex post assessment (maximum))
3. = 2. * 1. / 100	Faktiskie valsts budžeta izdevumi	6 835.2	7 254.1	7 476.7	7 502.4	7 955.1	State budget expenditures (actual)
5. = 2. - 4.	Gada novirze	18.5	-66.6	-4.3	185.9	372.3	Deviation from plan for the year
6. = 3. - 4.	Gada novirze pret pārrēķinātajiem izdevumu griestiem	-214.2	-137.1	-71.1	-21.2	-27.0	Deviation from the ex post assessment
7. = 5. / 1. * 100	Gada novirze, % no IKP	0.1	-0.3	0.0	0.7	1.4	Deviation from plan for the year, % of GDP
8. = 6. / 1. * 100	Gada novirze pret pārrēķinātajiem izdevumu griestiem, % no IKP	-0.9	-0.6	-0.3	-0.1	-0.1	Deviation from the ex post assessment, % of GDP
9. = 7. _t + 7. _{t-1} + ... + 7. ₂₀₁₃	Uzkrātā bilanču noviržu summa visiem gadiem, sākot no 2013.gada	18.5	-48.1	-52.5	133.4	505.8	Accrued deviation from plan for all years starting with 2013
10. = 8. _t + 8. _{t-1} + ... + 8. ₂₀₁₃	Uzkrātā bilanču noviržu summa pret pārrēķinātajiem izdevumu griestiem, sākot no 2013.gada	-214.2	-351.3	-422.4	-443.5	-470.5	Accrued deviation from the ex post assessment starting with 2013
11. = 9. / 1. * 100	Uzkrātā bilanču noviržu summa visiem gadiem, sākot no 2013.gada, % no IKP	0.1	-0.2	-0.2	0.5	1.9	Accrued deviation from plan for all years starting with 2013, % of GDP
12. = 10. / 1. * 100	Uzkrātā bilanču noviržu summa pret pārrēķinātajiem izdevumu griestiem, sākot no 2013.gada, % no IKP	-0.9	-1.5	-1.7	-1.8	-1.8	Accrued deviation from the ex post assessment starting with 2013, % of GDP
13.	FDL 11.panta nosacījums, % no IKP	-0.5	-0.5	-0.5	-0.5	-0.5	Rule in accordance with Article 11 of the FDL, % of GDP
14. = IF 12. < 13.	Ir jākorrigē, ja 12. < 13.	Jākorrigē	Jākorrigē	Jākorrigē	Jākorrigē	Jākorrigē	Correction necessary if 12.< 13.
15. = IF 11. < 13.	Ir jākorrigē, ja 11. < 13.	Nav jākorrigē	Correction necessary if 11.< 13.				

Avots: Finanšu ministrija, Fiskālās disciplīnas padomes aprēķini

Source: Ministry of Finance, Fiscal Discipline Council calculations

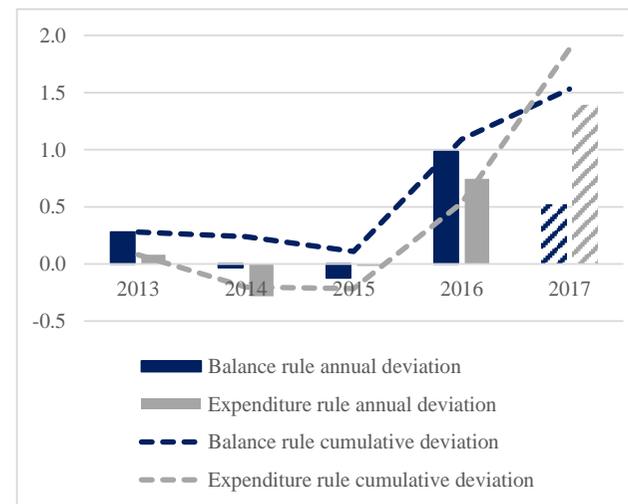
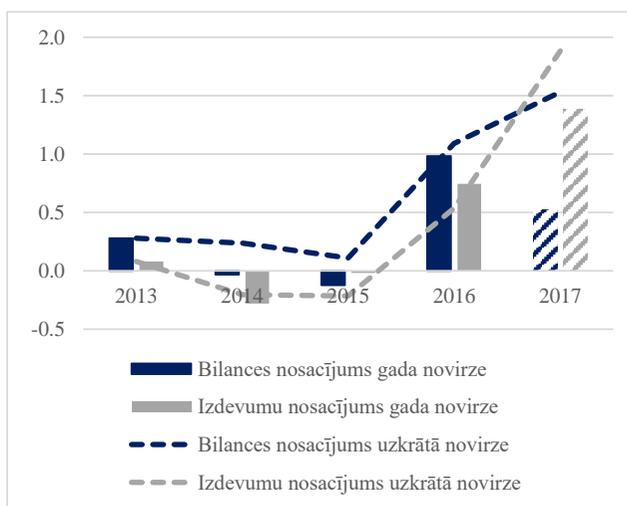


proгнозу gads	2013	2014	2015	2016	2017	2018	2019	2020	2021
2018 Faktiskā strukturālā bilar	-1.1	-1.1	-1.1	0.1	-0.7	-1.4	-0.8	-0.4	-0.5
FDL	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
2012 Konverģences progra	-1.6	-1.1	-0.6						
2012 VTBIL 2013./15.	-1.3	-0.9	-0.4						
2013 Konverģences progra	-1.1	-1.0	-1.0	-0.9					
2013 VTBIL 2014./16.		-1.0	-1.0	-0.9					
2014 Stabilitātes programr	-0.9	-1.2	-1.0	-0.9	-0.8				
2014 VTBIL 2015./17.			-1.0	-0.9	-0.7				
2015 Stabilitātes programma 2015.-201		-1.2	-1.4	-1.2	-0.9	-1.2			
2015 VTBIL 2016./18.				-0.9	-1.0	-0.8			
2016 Stabilitātes programma 2016.-2019.			-0.7	-0.9	-1.1	-1.2	-0.8		
2016 VTBIL 2017./19.					-1.0	-1.1	-1.0		
2017 Stabilitātes programma 2017.-2020.				0.2	-0.7	-1.7	-1.5	-0.8	
2017 VTBIL 2018./20						-1.2	-0.6	-0.4	
2018 Stabilitātes programma 2018.-2021.					-0.7	-1.4	-0.8	-0.4	-0.5



Ex post bilances nosacījums un izdevumu nosacījums		% no IKP				
	2013	2014	2015	2016	2017	
Bilances <i>nc</i> gada novirzē	0.280	-0.032	-0.122	0.984	0.519	
uzkrātā novirzē	0.280	0.238	0.109	1.091	1.531	
Izdevumu <i>r</i> gada novirzē	0.081	-0.281	-0.018	0.746	1.386	
uzkrātā novirzē	0.081	-0.203	-0.215	0.535	1.883	

Ex post balance rule and expenditure rule		% of GDP				
	2013	2014	2015	2016	2017	
Balance rule annual deviation	0.280	-0.032	-0.122	0.984	0.519	
cumulative	0.280	0.238	0.109	1.091	1.531	
Expenditure rule annual deviation	0.081	-0.281	-0.018	0.746	1.386	
cumulative	0.081	-0.203	-0.215	0.535	1.883	



Skaitlisko nosacījumu izpildes kopsavilkums
Summary of numerical conditions fulfilment
(milj. eiro)
(million euro)

P5.1.tabula
Table P5.1

No; formula	Rādītājs	2018		2019		2020		2021		
		SP 2018/21 MoF	SP 2018/21 Council							
1.	Bilances nosacījums	8 906.8	8 906.8	9 377.7	9 377.7	9 883.9	9 883.9	10 048.0	10 048.0	Balance rule
2.	Izdevumu pieauguma nosacījums	9 191.9	9 191.9	9 557.6	9 557.6	9 868.8	9 868.9	10 351.7	10 351.7	Expenditure growth rule
3.	Pārmantojamības nosacījums	8 721.8	8 730.9	9 360.7	9 360.7	9 902.3	9 902.3	x	x	Continuity rule
4. = MIN (1.; 2.)	Stingrākais no Izdevumu nosacījuma un Bilances nosacījuma	8 906.8	8 906.8	9 377.7	9 377.7	9 868.8	9 868.9	10 048.0	10 048.0	Stricest rule out of Expenditure rule and Balance rule
5.1. FNR_t	Fiskālā nodrošinājuma rezerve _t	28.8	28.8	30.7	30.7	32.5	32.5	34.2	34.2	Fiscal safety reserve _t
5.2. FNR_{t-1}	Fiskālā nodrošinājuma rezerve _{t-1}	26.9	26.9	28.8	28.8	28.8	28.8	30.7	30.7	Fiscal safety reserve _{t-1}
6.1.	Fiskālās disciplīnas likuma 5.panta otrās daļas nosacījums	183.1	174.0	15.1	15.1	9 868.8	9 868.9	10 048.0	10 048.0	Condition set in Fiscal discipline law Article 5(2)
6.2.	Modulis no 6.1.	183.1	174.0	15.1	15.1	9 868.8	9 868.9	10 048.0	10 048.0	Module of 6.1.
7.1.	IKP, faktiskajās cenās	28 797.6	28 797.6	30 672.1	30 672.1	32 454.9	32 454.9	34 218.4	34 218.4	GDP, current prices
7.2.	0,1% no IKP	28.8	28.8	30.7	30.7	32.5	32.5	34.2	34.2	0.1% of GDP
8. = IF (6.2. > 7.2.; 4.; 3.)	Valsts budžeta izdevumi, atbilstoši izvēlētajam stingrākajam nosacījumam	8 906.8	8 906.8	9 360.7	9 360.7	9 868.8	9 868.9	10 048.0	10 048.0	State budget expenditure according to the stricest rule applied
9. = 8. - 5.1.	Maksimāli pieļaujamie valsts budžeta izdevumi	8 878.0	8 878.0	9 330.0	9 330.0	9 836.4	9 836.4	10 013.7	10 013.7	Maximum allowed state budget expenditures
10.	Ietvara likumā noteiktie maksimālie valsts budžeta izdevumi	8 954.2		9 322.9		9 838.8				Framework law maximum state budget expenditures
11.	Vispārējās valdības kopējie izdevumi, TE, koriģēti atbilstoši izvēlētajam stingrākajam nosacījumam	10 897.9	10 897.9	11 365.9	11 365.9	11 958.8	11 958.8	12 206.5	12 206.5	GG total expenditure, TE, adjusted in accordance with the stricest rule applied

Avots: Finanšu ministrija, Fiskālās disciplīnas padomes aprēķini

Source: Ministry of Finance, Fiscal Discipline Council calculations

Balances nosacījums
Balance rule
(milj. eiro)
(million euro)

P5.2 tabula
Table P5.2

No; formula	Rādītājs	2018		2019		2020		2021		Item
		SP 2018/21 MoF	SP 2018/21 Council	SP 2018/21 MoF	SP 2018/21 Council	SP 2018/21 MoF	SP 2018/21 Council	SP 2018/21 MoF	SP 2018/21 Council	
1.	Valsts budžeta ieņēmumi (naudas plūsmas metode)	8 621.8	8 621.8	9 111.4	9 111.4	9 838.2	9 838.2	9 736.1	9 736.1	Central government budget revenue (cash flow)
2.	Pašvaldību budžeta bilance	-18.3	-18.3	-35.8	-35.8	-30.3	-30.3	-36.4	-36.4	Local government budget balance
3.	No valsts budžeta daļēji atvasināto publisko personu un budžeta nefinansētu iestāžu budžeta bilance	21.2	21.2	0.1	0.1	-12.1	-12.1	-16.0	-16.0	Derived public persons budget balance
4.	EKS korekcijas	63.0	63.0	4.9	4.9	-63.9	-63.9	236.9	236.9	ESA corrections
5. = 10. - 7. - 6.	Mīnāmā atļautā strukturālā bilance, % no IKP	-1.2	-1.2	-0.8	-0.8	-0.4	-0.4	-0.5	-0.5	Minimal structural balance, % of GDP
6.	Vienreizējie pasākumi, % no IKP	0.0	0.0	-0.5	-0.5	-0.3	-0.3	0.0	0.0	One-off, % of GDP
7. = 18.	Cikliskā komponente, % no IKP	0.4	0.4	0.4	0.4	0.3	0.3	0.1	0.1	Cyclical component, % of GDP
8.	IKP, faktiskās cenas	28 797.6	28 797.6	30 672.1	30 672.1	32 454.9	32 454.9	34 218.4	34 218.4	GDP, at current prices
9. = 1. + 2. + 3. + 4. - (5. + 6. + 7.) *	Valsts budžeta izdevumi atbilstoši bilances nosacījumam	8 906.8	8 906.8	9 377.7	9 377.7	9 883.9	9 883.9	10 048.0	10 048.0	State budget expenditure according to the balance rule
10. = MAX (11.; 24.)	Izvēlēti stingrāki vispārējās valdības budžeta bilance, % no IKP	-0.8	-0.8	-1.0	-1.0	-0.5	-0.5	-0.4	-0.4	Selected strictest general government budget balance, % of GDP
11. = 23.	Fiskālās disciplīnas likuma (FDL) metodoloģija, vispārējās valdības budžeta (nominālā) bilance, % no IKP	-0.8	-0.8	-1.1	-1.1	-0.5	-0.5	-0.4	-0.4	Fiscal discipline law (FDL) methodology, general government budget (headline) balance, % of GDP
12.	Fiskālās disciplīnas likuma 10.pantā noteiktais vidēja termiņa mērķis, % no IKP	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	Fiscal discipline law Article 10 medium-term objective, % of GDP
13. = 13.1. + 13.2. + 13.3.	Atkāpe no mērķa iemaksu palielināšanai 2.pensiju līmenī, % no IKP	-0.3	-0.3	x	x	x	x	x	x	Deviation from the objective to increase contributions to the second pension pillar, % of GDP
13.1.	Iemaksu palielināšana no 2% uz 4%	x	x	x	x	x	x	x	x	Contribution change from 2% to 4%
13.2.	Iemaksu palielināšana no 4% uz 5%	x	x	x	x	x	x	x	x	Contribution change from 4% to 5%
13.3.	Iemaksu palielināšana no 5% uz 6%	-0.3	-0.3	x	x	x	x	x	x	Contribution change from 5% to 6%
14.	Atkāpe no mērķa veselības aprūpes sistēmas reformas īstenošanai, % no IKP	-0.4	-0.4	-0.5	-0.5	x	x	x	x	Deviation from the objective for the health care reform, % of GDP
15. = 12. + 13. + 14.	Strukturālā bilance atbilstoši Fiskālās disciplīnas likumam un papildu atkāpēm	-1.2	-1.2	-1.0	-1.0	-0.5	-0.5	-0.5	-0.5	Structural balance according to the Fiscal discipline law and to the additional deviations
16.	VTBFL noteiktā vispārējās valdības budžeta strukturālā bilance, % no IKP	-1.2	-1.2	-1.0	-1.0	-0.5	-0.5	-0.5	-0.5	MTBFL general government structural balance, % of GDP
17. = 22. - 18.	Vispārējās valdības budžeta faktiskā strukturālā bilance, % no IKP	x	x	x	x	x	x	x	x	General government actual structural balance, % of GDP
18.	Cikliskā komponente, % no IKP	0.4	0.4	0.4	0.4	0.3	0.3	0.1	0.1	Cyclical component, % of GDP
19. = 22. - 20.	Cikliski koriģētā bilance, % no IKP	-0.8	-0.8	-0.6	-0.6	-0.2	-0.2	-0.4	-0.4	Cyclically adjusted balance, % of GDP
20.	Vienreizējie pasākumi, % no IKP	0.0	0.0	-0.5	-0.5	-0.3	-0.3	0.0	0.0	One-off, % of GDP
21.	VTBFL noteiktā vispārējās valdības budžeta (nominālā) bilance, % no IKP	-0.8	-0.8	-1.1	-1.1	-0.5	-0.5	-0.4	-0.4	MTBFL general government headline balance, % of GDP
22.	Vispārējās valdības budžeta faktiskā (nominālā) bilance, % no IKP	-0.8	-0.8	-1.1	-1.1	-0.5	-0.5	-0.4	-0.4	General government actual headline balance, % of GDP
23.	Stabilitātes un izaugsmes pakta (SIP) metodoloģija, vispārējās valdības budžeta (nominālā) bilance	-0.9	-0.9	-1.0	-1.0	-0.5	-0.5	-0.5	-0.5	Stability and growth pact (SGP) methodology, general government budget (headline) balance, % of GDP
24.	Stabilitātes un izaugsmes pakta noteiktais vidēja termiņa mērķis, % no IKP	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	Stability and growth pact medium-term objective, % of GDP
25. = 25.1. + 25.2. + 25.3.	Atkāpe no mērķa iemaksu palielināšanai 2.pensiju līmenī, % no IKP	-0.3	-0.3	x	x	x	x	x	x	Deviation from the objective to increase contributions to the second pension pillar, % of GDP
25.1.	Iemaksu palielināšana no 2% uz 4%	x	x	x	x	x	x	x	x	Contribution change from 2% to 4%
25.2.	Iemaksu palielināšana no 4% uz 5%	x	x	x	x	x	x	x	x	Contribution change from 4% to 5%
25.3.	Iemaksu palielināšana no 5% uz 6%	-0.3	-0.3	x	x	x	x	x	x	Contribution change from 5% to 6%
26.	Atkāpe no mērķa veselības aprūpes sistēmas reformas īstenošanai	-0.4	-0.4	-0.5	-0.5	x	x	x	x	Deviation from the objective for the health care reform, % of GDP
27. = 24. + 25. + 26.	Strukturālā bilance atbilstoši Stabilitātes un izaugsmes pakta un papildu atkāpēm	-1.7	-1.7	-1.5	-1.5	-1.0	-1.0	-1.0	-1.0	Structural balance according to the Stability and growth pact and to the additional deviations
28.	Vispārējās valdības budžeta strukturālā bilance atbilstoši SIP, % no IKP	-1.8	-1.8	-1.6	-1.6	x	x	x	x	General government structural balance according to the Stability and growth pact, % of GDP
29.	Maksimālā strukturālā bilance atbilstoši SIP, % no IKP	-1.7	-1.7	-1.5	-1.5	-1.0	-1.0	-1.0	-1.0	Maximum structural balance according to the Stability and growth pact, % of GDP
30.	Cikliskā komponente, % no potenciālā IKP	0.8	0.8	0.5	0.5	0.5	0.5	0.5	0.5	Cyclical component, % of potential GDP
31. = 27. + 30.	Cikliski koriģētā bilance, % no potenciālā IKP	-0.9	-0.9	-1.0	-1.0	-0.5	-0.5	-0.5	-0.5	Cyclically adjusted balance, % of potential GDP
32.	Vienreizējie pasākumi, % no IKP	x	x	x	x	x	x	x	x	One-off measures, % of GDP
33.	Vispārējās valdības budžeta (nominālā) bilance atbilstoši SIP, % no IKP	-0.9	-0.9	-1.0	-1.0	-0.5	-0.5	-0.5	-0.5	General government headline balance according to the Stability and growth pact, % of GDP
34. = 1. + 2. + 3. + 4. - 8.[1.tabula]	Vispārējās valdības budžeta bilance atbilstoši stingrākajam fiskālajam nosacījumam	-219.1	-219.1	-280.0	-280.0	-137.0	-137.0	-127.27	-127.3	General government budget balance according to the strictest rule applied
35. = 34. / 8. * 100	Vispārējās valdības budžeta bilance atbilstoši stingrākajam fiskālajam nosacījumam, % no IKP	-0.8	-0.8	-0.9	-0.9	-0.4	-0.4	-0.4	-0.4	General government budget balance according to the strictest rule applied, % of GDP
36. = 37. * 8 / 100	Vispārējās valdības strukturālā bilance atbilstoši stingrākajam fiskālajam nosacījumam	-342.7	-342.7	-237.9	-237.9	-124.1	-124.1	-171.1	-171.1	General government structural balance according to the strictest rule applied
37. = 35. - 7.	Vispārējās valdības strukturālā bilance atbilstoši stingrākajam fiskālajam nosacījumam, % no IKP	-1.2	-1.2	-0.8	-0.8	-0.4	-0.4	-0.5	-0.5	General government structural balance according to the strictest rule applied, % of GDP

Avots: Finanšu ministrija, Fiskālās disciplīnas padomes aprēķini

Source: Ministry of Finance, Fiscal Discipline Council calculations

Izdevumu pieauguma nosacījums
Expenditure rule
(milj. eiro)
(million euro)

P5.3. tabula
Table P5.3

No. formula	Rādītājs	2018		2019		2020		2021		Item
		SP 2018/21 MoF	SP 2018/21 Council							
1.	IKP, faktiskais cenās	28 797.6	28 797.6	30 672.1	30 672.1	32 454.9	32 454.9	34 218.4	34 218.4	GDP, nominal prices
2.	Vispārējās valdības kopšjie izdevumi, koriģēti atbilstoši izvēlētajam stingrākajam nosacījumam	10 897.9	10 897.9	11 365.9	11 365.9	11 958.8	11 958.8	12 206.5	12 206.5	GG total expenditure, adjusted in accordance with the strictest rule applied
2.1.	Procentu maksājumi, D-41	252.2	252.2	277.4	277.4	303.4	303.4	270.5	270.5	Interest expenditure, D-41
2.2.	ES programmu izdevumi, kuriem ir atbilstoši ES fondu ieņēmumi (izdevumu nosacījums)	463.5	463.5	485.4	485.4	512.8	512.8	459.0	459.0	Expenditure on EU programmes fully matched by EU funds revenue (expenditure rule)
2.3.1.	Bruto pamatkapitāla veidošana (BPVKV), t, P.51 (izdevumu nosacījums)	961.8	961.8	1 002.2	1 002.2	1 062.1	1 062.1	1 133.1	1 133.1	Gross fixed capital formation (GFCF), t, P.51 (expenditure rule)
2.3.2.	BPVKV, t-1, P.51	878.2	878.2	961.8	961.8	1 002.2	1 002.2	1 062.1	1 062.1	GFCF, t-1, P.51
2.3.3.	BPVKV, t-2, P.51	716.3	716.3	878.2	878.2	961.8	961.8	1 002.2	1 002.2	GFCF, t-2, P.51
2.3.4.	BPVKV, t-3, P.51	781.5	781.5	716.3	716.3	878.2	878.2	961.8	961.8	GFCF, t-3, P.51
3 = 2.-2.1.-2.2.-2.3.1.+ vidējais/average [2.3.1., 2.3.2., 2.3.3., 2.3.4.]	Izīdzinātie kopšjie izdevumi (nominālie) (pirms bezdarba izmaiņām)	10 054.9	10 054.9	10 490.5	10 490.5	11 056.5	11 056.6	11 383.7	11 383.7	Smoothed total expenditures (TE) (nominal) (before non-discretionary change)
4 = 4.3. * (4.1.-4.2.) / 4.	Netiskrecionāras bezdarba izmaiņas	-25.6	-25.6	-27.7	-27.7	-30.6	-30.6	-28.2	-28.2	Non-discretionary change in unemployment
4.1.	Bezdarba līmenis, %	8.0	8.0	7.7	7.7	7.2	7.2	7.0	7.0	Unemployment rate
4.2.	Bezdarba līmenis, kas neietekmē algu, %	9.7	9.7	9.4	9.4	8.8	8.8	8.4	8.4	NAWRU
4.3.	Kopšjie bezdarba palastu izdevumi	124.6	124.6	129.8	129.8	133.8	133.8	138.8	138.8	Total unemployment benefit expenditure
5 = 2.-2.1.-2.2.-2.3.1.+ vidējais/average [2.3.1., 2.3.2., 2.3.3., 2.3.4.] - 4.	Izīdzinātie kopšjie izdevumi (nominālie)	10 080.5	10 080.5	10 518.2	10 518.2	11 087.2	11 087.2	11 412.0	11 412.0	Smoothed total expenditures (TE) (nominal)
6 = 6.1. - 6.2.	Kopā diskrecionāru ieņēmumu pasākumu un vienreizējo pasākumu izmaiņas	12.5	12.5	93.2	93.2	29.0	29.0	2.8	2.8	Discretionary revenue measures change
6.1.	Diskrecionāro ieņēmumu pasākumu izmaiņas	15.3	15.3	-64.5	-64.5	-65.6	-65.6	2.8	2.8	Discretionary revenue measures change
6.2.	Diskrecionāro ieņēmumu pasākumu izmaiņas (nodokļu reformas negatīvā efekta izlīdzināšana)	2.8	2.8	-157.7	-157.7	-94.6	-94.6	x	x	Discretionary revenue measures (net negative effect from tax reform)
7.1. = 3.-4.-6.1.	Koriģētie (pret diskrecionārajiem pasākumiem) kopšjie izdevumi (nominālie)	10 065.2	10 065.2	10 582.7	10 582.7	11 152.8	11 152.8	11 409.2	11 409.2	Corrected expenditure aggregate (nominal)
7.2. = 3.-4.-6.	Koriģētie (kopā pret diskrecionārajiem pasākumiem un vienreizējiem pasākumiem) kopšjie izdevumi (nominālie)	10 068.0	10 068.0	10 425.0	10 425.0	11 058.1	11 058.2	11 409.2	11 409.2	Corrected expenditure aggregate net of discretionary measures and one-offs (nominal)
7.3. = gads-pret-gadu / year-to-year	Nominālo koriģēto kopšjie izdevumu pieaugums, %	7.5	7.5	5.0	5.0	6.3	6.3	3.2	3.2	Net public expenditure annual growth in % (nominal)
7.4. = gads-pret-gadu / year-to-year	Nominālo koriģēto kopšjie izdevumu, ieskaitot vienreizīgos pasākumus, pieaugums, %	7.6	7.6	3.4	3.4	5.1	5.1	2.9	2.9	Net public expenditure annual growth corrected for one-offs in % (nominal)
8.	IKP deflators, % - VTBI 2018/20	3.1	3.1	3.0	3.0	2.7	2.7	2.5	2.5	GDP deflator, %, MTBF 2018/20
9. = (1 + 7.3./100) / (1. + 8./100) * 100-100	Reālo koriģēto izdevumu pieaugums, %	4.3	4.3	1.9	1.9	3.5	3.5	0.7	0.7	Net public expenditure annual growth in % (real)
9. = (1 + 7.4./100) / (1. + 8./100) * 100-100	Reālo koriģēto izdevumu, ieskaitot vienreizīgos pasākumus, pieaugums, %	4.3	4.3	0.4	0.4	2.3	2.3	0.4	0.4	Net public expenditure annual growth corrected for one-offs in % (real)
10. = vidējais/average [t-4, t-3, ..., t+4, t+5]	Potenciāliā IKP pieaugums (10 gadu vidējais), % (FM/FDP dati)	3.0	3.0	3.1	3.1	3.1	3.1	3.1	3.1	10-year average potential GDP growth (t-5, t+4)
11.	Pielaujama potenciālais izdevumu pieaugums, kad ES ir zem (vai virs) VTM	3.7	3.7	2.3	2.3	2.3	2.3	3.1	3.1	Applicable benchmark rate when MS below (or above) the MTO
12. = (11. - 9.) * (1 + 8.) * 3 / (1 + 1.)	Novirze, % no IKP	-0.2	-0.2	0.6	0.6	0.0	0.0	0.9	0.9	Deviation in % of GDP
13. = 12. + 12. _{t-1}	Vidēja uzkrātā divu gadu novirze, % no IKP	1.7	1.7	0.4	0.4	0.6	0.6	0.9	0.9	Average two years cumulative deviation in % of GDP
14. = Goal seek 12. = 0	Vispārējās valdības kopšjie izdevumi, pēc izdevuma nosacījuma, t.i. ja kopšjie izdevumu pieaugums = potenciālais izdevumu pieaugums	10 834.1	10 834.1	11 562.8	11 562.8	11 958.8	11 958.8	12 510.2	12 510.2	GG total expenditures according to expenditure rule
15.	Vispārējās valdības kopšjie ieņēmumi, TR	10 329.9	10 329.9	11 085.9	11 085.9	11 821.8	11 821.8	12 079.2	12 079.2	GG total revenue
16.	Valsts budžeta ieņēmumi (naudas plūsmas metode)	8 621.8	8 621.8	9 111.4	9 111.4	9 838.2	9 838.2	9 736.1	9 736.1	State budget revenue (cash-flow)
17.	Pašvaldību budžetu bilance	-18.3	-18.3	-35.8	-35.8	-30.3	-30.3	-36.4	-36.4	Local government budget balance
18.	No valsts budžeta daļēji atvasināto publisko personu un budžeta nefinansētu budžeta iestāžu budžetu bilance	21.2	21.2	0.1	0.1	-12.1	-12.1	-16.0	-16.0	Derived public persons budget balance
19.	EKS korekcijas	63.0	63.0	4.9	4.9	-63.9	-63.9	236.9	236.9	ESA corrections
20. = 16. - (15.-14.) - 17. - 18. - 19.	Valsts budžeta izdevumi atbilstoši izdevuma nosacījumam	9 191.9	9 191.9	9 557.6	9 557.6	9 868.8	9 868.9	10 351.7	10 351.7	State budget expenditure according to the expenditure rule

Avots: Finanšu ministrija, Fiskālās disciplīnas padomes aprēķini

Source: Ministry of Finance, Fiscal Discipline Council calculations

Pārmantojamības nosacījums
Continuity principle
(milj. euro)
(million euro)

P5.4. tabula
Table P5.4

No; formula	Rādītājs	2019		2020		
		SP 2018/21 MoF	SP 2018/21 Council	SP 2018/21 MoF	SP 2018/21 Council	
01.	Koriģētie maksimāli pieļaujamie valsts budžeta izdevumi (Vispārējās valdības budžeta plāns iepriekšējā gadā)	7 895.2	7 895.2	8 327.9	8 327.9	Adjusted maximum permissible state budget expenditure (Draft budgetary plan of previous year)
02. = 1. + 2. + 3. + 4. + 5. + 6. + 7. + 8. + 9. 10.	<i>koriģēto maksimāli pieļaujamo valsts budžeta izdevumu korekcijas saskaņā ar FDL 5.pantu, t.sk.:</i>	5.0	5.0	-7.3	-7.3	<i>adjustments of maximum permissible state budget expenditure according to the FDL Article 5, incl.:</i>
1. = 1.1. + 1.2. + 1.3. + 1.4. + 1.5.	1) pamatbudžeta izdevumos sakarā ar aktuālākām valsts sociālo pabalstu un pensiju saņēmēju kontingenta prognozēm;	0.5	0.5	0.5	0.5	1) state budget expenditure due to more actual forecasts in contingent receiving state social allowances and pensions;
1.1.	Labklājības ministrijas pamatbudžeta programma 20.01.00 "Valsts sociālie pabalsti"	0.0	0.0	0.0	0.0	20.01.00 Programme of the Ministry of Welfare basic budget "State Social Benefits"
1.2.	Labklājības ministrijas pamatbudžeta programma 20.02.00 "Izdienas pensijas"	0.0	0.0	0.0	0.0	20.02.00 Programme of the Ministry of Welfare basic budget "Work pensions"
1.3.	Labklājības ministrijas budžeta apakšprogramma 20.03.00 "Piemaksas pie vecuma un invaliditātes pensijām"	0.0	0.0	0.0	0.0	20.03.00 Programme of the Ministry of Welfare basic budget "Supplement to the old age and disability pensions"
1.4.	Labklājības ministrijas budžeta apakšprogramma 20.04.00 "Bēgļa un alternatīvo statusu ieguvušo personu pabalsti un citi atbalsta pasākumi"	0.0	0.0	0.0	0.0	20.04.00 Programme of the Ministry of Welfare basic budget "Benefits and other support measures for refugees and persons with an alternative status"
1.5.	Aizsardzības ministrijas pamatbudžeta programma 31.00.00. "Militārpersonu pensiju fonds"	0.5	0.5	0.5	0.5	31.00.00 Programme of the Ministry of Defence basic budget "Military pension fund"
2. = 2.1. + 2.2. + 2.3. + 2.4.	2) speciālā budžeta izdevumos sakarā ar aktuālākām sociālās apdrošināšanas pakalpojumu saņēmēju kontingenta, kā arī pensiju un pabalstu vidējā apmēra prognozēm;	-22.1	-22.1	-13.4	-13.4	2) state social security budget expenditure due to more actual forecasts in contingent receiving social security services, so as forecasts of average amount of pensions and allowances;
2.1.	Labklājības ministrijas speciālā budžeta programma 04.01.00 "Valsts pensiju speciālais budžets"	-9.8	-9.8	-10.1	-10.1	04.01.00 Programme of the Ministry of Welfare special budget "State pensions"
2.2.	Labklājības ministrijas speciālā budžeta programma 04.02.00 "Nodarbinātības speciālais budžets"	-3.1	-3.1	-3.2	-3.2	04.02.00 Programme of the Ministry of Welfare special budget "Employment"
2.3.	Labklājības ministrijas speciālā budžeta programma 04.03.00 "Darba negadījumu speciālais budžets"	0.0	0.0	0.0	0.0	04.03.00 Programme of the Ministry of Welfare special budget "Occupational accidents"
2.4.	Labklājības ministrijas speciālā budžeta programma 04.04.00 "Invaliditātes, maternitātes un slimības speciālais budžets"	-9.3	-9.3	-0.1	-0.1	04.04.00 Programme of the Ministry of Welfare special budget "Disability, maternity, and sickness"
3.	3) izdevumos, kuri izriet no prognozēto maksas pakalpojumu un citu pašu ieņēmumu izmaiņām, kā arī no kārtējā gada sākumā fiksētās maksas pakalpojumu un citu pašu ieņēmumu atlikuma summas;	8.5	8.5	8.4	8.4	3) expenditure, which results from change in forecasted revenues from paid services and other self-earned revenues as well as fixed sum of remaining revenues from paid services and other self-earned revenues at the beginning of current year;
5.	5) to izdevumu palielināšana, kuri nepieciešami, lai izpildītu starptautisko tiesu un Satversmes tiesas spriedumus;	0	0	0	0	5) increase of expenditure necessary for execution of verdicts of international courts and Constitutional court;
6.	6) izdevumos saistībā ar Eiropas Savienības politiku instrumentu un pārējās ārvalstu finanšu palīdzības līdzekļu finansētiem projektiem un pasākumiem;	17.6	17.6	-5.0	-5.0	6) expenditure in relation with projects and measures financed from European Union policy instruments and other foreign financial assistance programmes;
8.	8) kārtējos maksājumos Eiropas Savienības budžetā un starptautiskai sadarbībai;	0.5	0.5	2.2	2.2	8) regular payments in the budget of the European Union and for international co-operation;
11.	Faktiskie ES fondu izdevumi pozīcijās, kas pakļaujas izlīdzināšanai	1 220.6	1 220.6	1 306.8	1 306.8	Expenditure of European Union structural funds, Cohesion fund, Common Agricultural Policy and Common Fisheries Policy as subject to the smoothing mechanism
12.	Valsts parāda vadības izdevumi pozīcijās, kas pakļaujas izlīdzināšanai	239.9	239.9	274.9	274.9	Government debt service expenditure, what is in the Treasury's competence as subject to the smoothing mechanism
13. = 0.1. + 0.2. + 11. + 12.	Valsts budžeta izdevumi atbilstoši pārmantojamības nosacījumam	9 360.7	9 360.7	9 902.3	9 902.3	State budget expenditure according to the continuity rule

Avots: Finanšu ministrija, Fiskālās disciplīnas padomes aprēķini

Source: Ministry of Finance, Fiscal Discipline Council calculations

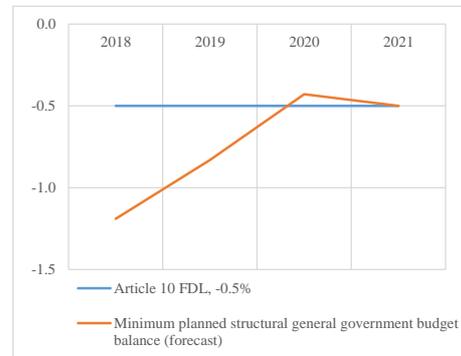
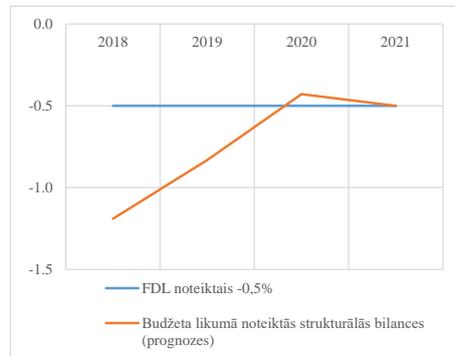
Strukturālās bilances līmenis un vidēja termiņa mērķis □
Structural balance level and medium-term objective
(% no IKP, faktiskajās cenās)
(% of GDP, current prices)

P5.5.tabula
Table P5.5

No; formula	Rādītājs	2018	2019	2020	2021	Item
1.	Fiskālās disciplīnas likuma 10.pants	-0.5	-0.5	-0.5	-0.5	Article 10 Fiscal discipline law
2.	Mīnīmālā plānojamā vispārējās valdības budžeta strukturālā bilance	-1.2	-0.8	-0.4	-0.5	Minimum planned structural general government budget

Avots: Finanšu ministrija, Fiskālās disciplīnas padomes aprēķini

Source: Ministry of Finance, Fiscal Discipline Council calculations



Fiskālās disciplīnas padomes starpziņojums par SP 2018./21.
Fiscal discipline surveillance interim report on SP 2018/21

Pārmaiņas starp SP 2018./21. un SP 2017./20

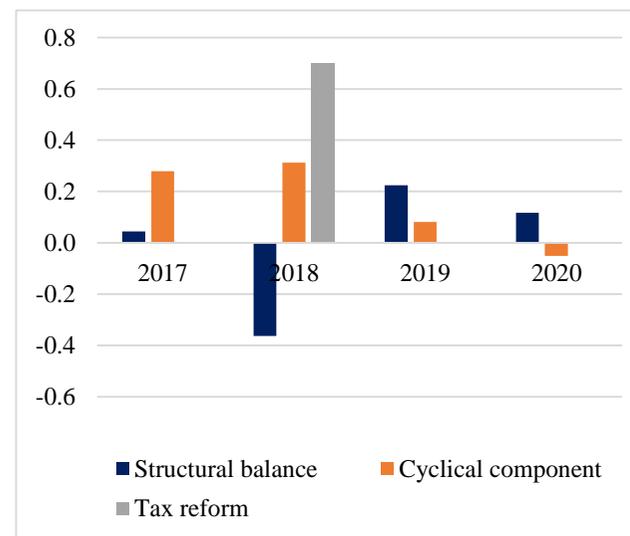
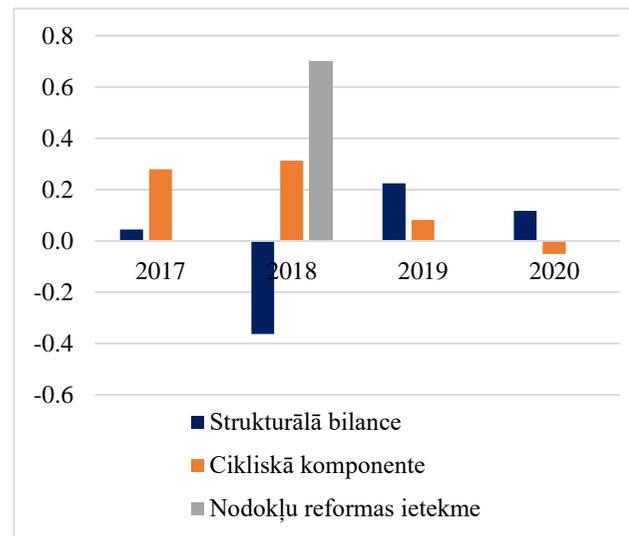
	2017	2018	2019	2020
Strukturālā	0.0	-0.4	0.2	0.1
Cikliskā ko	0.3	0.3	0.1	-0.1
Nodokļu re	0.0	0.7	0.0	0.0

SP 2017./20.

Strukturālā	-0.7	-1.0	-1.0	-0.5
Cikliskā ko	-0.1	0.1	0.3	0.3
Valdības diskrecionāri		-0.7	-0.5	-0.3

SP 2018./21.

Strukturālā	-0.7	-1.4	-0.8	-0.4	-0.5
Cikliskā ko	0.2	0.4	0.4	0.2	0.1
Valdības diskrecionāri		0	-0.5	-0.3	



	Valsts budžeta izdevumi, atbilstoši izvēlētajam stingrākajam nosacījumam		
	2018	2019	2020
FM	8 907	9 361	10 048
Padome	8 907	9 361	10 048

	State budget expenditure according to the strictest rule applied		
	2018	2019	2020
MoF	8 907	9 361	10 048
Council	8 907	9 361	10 048

