



LATVIJAS REPUBLIKAS FISKĀLĀS DISCIPLĪNAS PADOME

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Council meeting minutes No 2 (48)

Riga

6 April, 2021

Chairwoman:

Chairwoman of Fiscal Discipline Council – I.Šteinbuka

Participants of the meeting:

Vice-Chairman of the Fiscal Discipline Council	M.Hansen
Member of the Fiscal Discipline Council	M.Abolins
Member of the Fiscal Discipline Council	A.Jakobsons
Member of the Fiscal Discipline Council	U.Kaasik
<i>Secretariat –</i>	
Fiscal Discipline Council secretary	N.Malnačs
Fiscal Discipline Council lawyer-clerk	I.Jansone
Fiscal Discipline Council fiscal risks expert	A.Migunovs
Fiscal Discipline Council macroeconomics expert	V.Zaremba

Taking minutes:

Fiscal Discipline Council lawyer-clerk

I.Jansone

Opening of the meeting - I.Šteinbuka

The Chairwoman of the Fiscal Discipline Council (hereinafter - the Council) I. Šteinbuka opens the meeting and explains to the participants of the meeting that the Council have to discuss and propose changes to the draft Fiscal Discipline Surveillance report (opinion) on the Latvian Stability Program for 2021-2024.

1. 1. Fiscal discipline Surveillance report (opinion) on the Latvian Stability Program for 2021-2024

I.Šteinbuka draws the attention of the members of the Council to the fact that the Fiscal Discipline Council must evaluate the Stability Program for 2021-2024. years at a time when economic development and fiscal policy depend on the successful fight against Covid-19. At present, the pace of vaccination in Latvia, which would ensure the spread of Covid-19, is slow. The process of purchasing vaccines and logistics has been delayed, and the possibilities for purchasing new doses of vaccines are limited. Rapid and comprehensive vaccination is also hampered by misinformation about vaccines and a lack of trust in the public sector.

I. Šteinbuka invites the members of the Council to express their opinion and comments. I. Šteinbuka recommends better structuring the report in order to form a clear message.

Discussion of the participants on the prepared Interim Report (opinion) on the Surveillance of Fiscal Discipline on the Stability Program of Latvia for 2021-2024.

In the current context of high uncertainty, it should be borne in mind that the fiscal policy provisions of the FDL are formally applicable to the annual and medium-term budgetary preparation process, so that legally binding decisions on fiscal policy conditions for the coming years are not required. However, before starting work on the annual and medium-term budget, a clear and coordinated national and EU approach to the application of fiscal rules is needed.

Current macroeconomic forecasts for the coming years indicate that the potential GDP and real GDP gap (output gap) are expected to converge to positive values in the coming years, so a long-term stimulus policy would not be justified. In addition, the achievement of a positive output gap will require the implementation of a budgetary adjustment mechanism in line with the requirements of Article 11 of the FDL. The Council notes that the requirements of Article 11 of the FDL regarding the application of the correction mechanism have entered into force, but are not currently applicable, as the output gap is still negative.

Council members emphasize the need for the Report to highlight existing fiscal risks. First, the slow pace of vaccination. Politicians' desire to increase budget spending before the elections, which will be facilitated by the absence of spending restrictions in 2022.

Although borrowing rates are currently very low, there is a risk that the rapid recovery of the global economy following the Covid-19 recession will lead to higher inflation and is likely to stimulate interest rate increases, leading to higher debt refinancing costs.

I. Šteinbuka thanks all members of the Council for the expressed opinion and asks the Secretariat to compile and include the comments of the members of the Council in the Interim Report on Fiscal Discipline Surveillance (opinion) on Latvia's Stability Program for 2021-2024.

With reference to the above, the Council decides:

- 1.1. Approve the messages of the draft Surveillance report.
- 1.2. To instruct the Council Secretariat to amend and update the Surveillance report, in accordance with what was discussed at the meeting.
- 1.3. To entrust the Chairwoman of the Council to check the compliance of the final version of the interim report with what was discussed at the meeting.
- 1.4. To instruct the Secretariat of the Council to send an interim report to the Cabinet of Ministers, the Saeima European Affairs Committee, the Saeima Budget and Finance (Tax) Commission and the Ministry of Finance.

I. Steinbuka – votes for;

M.Hansens - votes for;

A.Jakobsons - votes for;

M.Abolins – votes for;

U.Kāsiks – votes for.

The meeting on April 6, 2021 will be closed at 13:00.

Chairman of the Council I. Steinbuka

Secretary of the meeting I.Jansone

Visa of the Secretary of the Council N.Malnačs

I.Jansone

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