



LATVIJAS REPUBLIKAS FISKĀLĀS DISCIPLĪNAS PADOME

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Council Meeting Minutes Nr. 6 (52)

Rīga

16 December 2021

Meeting chaired by:

The Chairwoman of the Fiscal Discipline Council I. Šteinbuka

Participants

Vice-Chairman of the Fiscal Discipline Council	M.Hansen
Member of the Fiscal Discipline Council	M.Āboliņš
Member of the Fiscal Discipline Council	A.Jakobsons
Member of the Fiscal Discipline Council	U.Kāšik
Member of the Fiscal Discipline Council	I.Golsts

Secretariat –

Secretary of the Fiscal Discipline Council	N.Malnačs
Macroeconomics Expert of the Fiscal Discipline Council	V.Zaremba
Fiscal Risks Expert	A.Migunovs
Lawyer clerk of the Fiscal Discipline Council	I.Jansone

Invited persons:

International level expert on fiscal policy and sustainability	I.Platais
Director of the Fiscal Policy Department of the Ministry of Finance	N.Sakss
Deputy director of the Fiscal Policy Department of the Ministry of Finance, Head of the Fiscal Management Division	I.Blaubergera
LLC “SKDS” board member	A.Kaktiņš

Taking minutes:

Fiscal Discipline Council lawyer-clerk

I. Jansone

The meeting starts on 1 December 2021 at 14:00

I.Šteinbuka opens the meeting

The Chairwoman of the Fiscal Discipline Council (hereinafter - the Council) I. Šteinbuka opens the meeting and announces the agenda of the meeting (attached).

The Council joins the meeting remotely and discusses the Council meeting issues by organizing a video conference.

1. Fiscal Sustainability Report: Incorporating and Describing the Fiscal Impact of the Green Deal in the methodology

Reports: J.Platais

Since the Council has set a target of producing a sustainability report every 2-3 years and the next study is scheduled for 2022 or early 2023, when macroeconomic and fiscal situation will stabilize and comprehensive data on recent years will be available, the expert in the field of fiscal policy and sustainability has been hired to complement and describe the methodology of the Fiscal Sustainability Report in line with the "Green Deal" launched by the EU. Setting climate sustainability goals will have a major impact on both public lifestyles and finances, as well as their sustainability planning, so it is necessary to update the methodology of the Fiscal Sustainability Report to include the fiscal implications of the Green Deal and prepare a methodology manual.

J. Platais informs the Council on the EU legal framework for the Green Deal and its impact on fiscal policy. The transition within the Green Deal framework is expected to be a long-term process affecting the reorientation of fiscal stimulus and balancing of public investment with debt sustainability. J.Platais informs about the expected impact of the Green Deal on various sectors of the economy and the social budget, as well as outlines that the increase in prices caused by the Green Deal should be offset by targeted social support for the most endangered social groups.

Decided:

1.1. To take note of the information provided and to stipulate that the report should be submitted to the Council by 20th of December, 2021 to continue the discussion about further research directions.

I.Šteinbuka – for;
 M.Hansen – for;
 A.Jakobsons – for;
 M.Āboliņš – for;
 I.Golsts – for;
 U.Kāšik – for.

2. Verification of compliance with the provisions of FDL Article 11

Reports: V.Zaremba

V.Zaremba reports that the Ministry of Finance has submitted calculations on the difference between the actual structural balance of the general government budget and the minimum planned structural balance of the general government budget on December 1. V.Zaremba presents the draft opinion, calculations, and main conclusions on the implementation of Article 11 of the FDL to the Council and informs that in 2020 the amount of accumulated balance differences reached 4.2% of GDP. However, considering the set of provisions of Article 11 of the FDL, the correction mechanism is not applicable when the economy is operating below its potential and the output gap is negative. At the same time, the correction mechanism is already in force and should be applied when the output gap reaches a positive level.

All meeting participants discuss on the assessment of the implementation of Article 11 of the FDL.

Decided:

2.1. To submit an opinion on the fulfillment of the provisions of the FDL Article 11 to the Ministry of Finance and publish it on the website of the Council.

I.Šteinbuka – for;
 M.Hansen – for;
 A.Jakobsons – for;
 M.Āboliņš – for;
 I.Golsts – for;
 U.Kāsik – for.

3. On current fiscal policy issues

I.Šteinbuka expresses gratitude to the Fiscal Policy Department members from the Ministry of Finance for the opportunity to participate in the Council meeting to discuss important issues related to fiscal policy.

N.Sakss introduces the new Deputy Director of the Fiscal Policy Department, Head of the Fiscal Policy Division Irēna Blauberģa.

The current fiscal policy framework, the new European fiscal rules and the application of possible changes in national legislation are discussed. The participants of the discussion note that the new regulation will have to be incorporated into the Fiscal Discipline Law, the only question is when and whether it is not more appropriate to write a new Fiscal Discipline Law in current times of uncertainty and change. In the accordance with the above mentioned, the Council expresses its readiness to participate in the discussions about the incorporation of the new EU framework into the Fiscal Discipline Law, as well as its readiness to participate in drafting the Fiscal Discipline Law.

The extension of the Council's mandate under the new EU framework is also discussed, as well as the possible amendments to the Memorandum of Understanding. The amendments to memorandum would include expressing the Council's opinion on the deficit and public debt position issues, which would not contradict the current Fiscal Discipline Law.

Decided:

3.1. Increase the cooperation intensity with the representatives of the Fiscal Policy Department at the Ministry of Finance.

I.Šteinbuka – for;
 M.Hansen – for;
 A.Jakobsons – for;
 M.Āboliņš – for;
 I.Golsts – for;
 U.Kāsik – for.

4. Communication Strategy of the Fiscal Discipline Council 2022-2026

Reports: N.Malnačs

N. Malnačs informs the Council that a communication strategy for 2022-2026 has been developed in accordance with the work plan of 2021 and the recommendations of the OECD. The OECD previously offered two main recommendations in the field of communication. The first is to engage in communication with the Saeima more intensively, especially with the members of the Budget Commission, using both formal and informal channels. The second recommendation is to engage with the

general public through easy-to-understand, one-page summaries, infographics, using the institution's unified visual style.

I.Malnačs presents the communication strategy for 2022-2026 to the Council.

I.Šteinbuka gets acquainted with the communication strategy, noting that the Council members need to communicate with the public more actively on behalf of the Council.

Decided:

4.1. To approve the communication strategy of the Fiscal Discipline Council for 2022-2026.

I.Šteinbuka – for;
 M.Hansen – for;
 A.Jakobsons – for;
 M.Āboliņš – for;
 I.Golsts – for;
 U.Kāsik – for.

5. Survey on public finances and Covid-19 issues

Reports: A.Kaktiņš

A. Kaktins presents the results summary of the survey on public finances and Covid-19 issues to the Council. It is concluded that the majority of respondents generally agree that countries where people have more trust and support in each other develop faster and public finances are generally more interested to respondents with a higher education level working in the public sector. Compared to the data of previous years about how well the Council is recognized in the society, no significant changes have been observed since 2018. Moreover, the respondents generally appreciate the work done by the Council.

All meeting participants discuss the survey results, as well as the issues related to the public finance and Covid-19.

Decided:

5.1. To take note of the results of the survey on public finances and Covid-19 issues which was conducted by the SKDS Research Center

I.Šteinbuka – for;
 M.Hansen – for;
 A.Jakobsons – for;
 M.Āboliņš – for;
 I.Golsts – for;
 U.Kāsik – for.

6. Fiscal security reserve assessment working group issues

Reports: I.Šteinbuka,

I. Šteinbuka reports that the fiscal security reserve assessment working group is working incompletely and invites the newly elected member of the Council - Ivars Golsts to join the the mentioned working group.

I.Golsts accepts the invitation to join fiscal security reserve assessment working group.

Consequently, M. Āboliņš, A.Jakobsons and I.Golsts will work on the fiscal security reserve assessment in the respective working group.

Decided:

6.1. Approve the new fiscal security reserve assessment working group member list.

I.Šteinbuka – for;

M.Hansen – for;

A.Jakobsons – for;

M.Āboliņš – for;

I.Golsts – for;

U.Kāsik – for.

7. Fiscal Discipline Council working plan for 2022

Reports: N. Malnačs

Before presenting the work plan for 2022 to the Council, N. Malnačs informs the Council about the implementation of the work plan for 2021. After getting acquainted with the information provided by N. Malnačs, the members of the Council decide that the work plan for 2021 has been fulfilled.

N.Malnačs introduces the work plan for 2022 where the following tasks are emphasized: regular work performance – surveillance reports, monitoring reports and opinions of the Council, development of the macroeconomic forecasting model and revenue / expenditure forecasting models.

All meeting participants discuss the priority tasks in the context of the limited resources and capacity.

Decided:

7.1. To approve the work plan of the Council for 2022.

I.Šteinbuka – for;

M.Hansen – for;

A.Jakobsons – for;

M.Āboliņš – for;

I.Golsts – for;

U.Kāsik – for.

8. Administrative technical support issues

Reports: N. Malnačs

N. Malnačs presents the Council budget plan for 2022 and its main changes, the procurement plan, the Council's meeting plan and informs the Council about payment of remuneration in December. The mission plan, is not updated, given the circumstances of the COVID-19 pandemic and the reduced funding for mission activities. The mission plan and, consequently, the procurement plan will be updated in response to the evolution of the COVID-19 epidemiological situation.

Decided:

8.1. The secretary has to update the Council mission plan and procurement plan for 2022 as necessary.

- 8.2. To take note of and approve the schedule of Council meetings.
- 8.3. To take note of the information on the Council's financing plan for 2022.
- 8.4. To pay the December 2021 remuneration by the end of 2021 financial year

I.Šteinbuka – for;
M.Hansen – for;
A.Jakobsons – for;
M.Āboliņš – for;
I.Golsts – for;
U.Kāsik – for.

9. Other issues

Discussion of the consequences of the past year and lessons learned in economics.

The meeting is closed on December 16, 2021, at 17:00

Chairwoman of the Council	I.Šteinbuka
Secretary of the meeting	I.Jansone
Council Secretary Visa:	N.Malnačs

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