



LATVIJAS REPUBLIKAS FISKĀLĀS DISCIPLĪNAS PADOME

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Council meeting minutes Nr. 7 (68)

Riga

20 December 2023

Chairwoman:

Chairwoman of Fiscal Discipline Council – I.Šteinbuka

Participants of the meeting:

Vice-Chairman of the Fiscal Discipline Council	M.Āboliņš
Member of the Fiscal Discipline Council	J.Priede
Member of the Fiscal Discipline Council	A.Jakobsons
Member of the Fiscal Discipline Council	U.Kāsiks
Member of the Fiscal Discipline Council	I.Golsts
<i>Secretariat –</i>	
Fiscal Discipline Council secretary	N.Malnačs
Fiscal Discipline Council macroeconomics expert	V.Zaremba
Fiscal Discipline Council lawyer	I.Jansone

Taking minutes:

Fiscal Discipline Council lawyer

I.Jansone

The meeting starts at 11.00 PM on 20 Dec. 2023

Introduction to meeting – I.Šteinbuka

The chairwoman of the Fiscal Discipline Council (hereinafter the Council) I. Šteinbuka opens the meeting and announces the meeting's agenda.

1. Fiscal discipline council work plan for 2024 and other administrative issues

Reports: N. Malnačs

Before introducing the work plan 2024, **N. Malnačs** reports on the results and deliverables of the plan for 2023. Council members, after listening to the information provided by N. Malnačs, find that the tasks planned in the 2023 work plan have been completed.

N. Malnačs introduces the members of the Council with the work plan for 2024, which underlines the following tasks: planned regular work - surveillance reports, monitoring reports, accumulation of fiscal statistics and the publications of short reports arising from it, opinions of the Council arising from FDL scope. In addition to regular duties, the secretariat will start work on improving the methodology of the Fiscal Sustainability Model, and the development of the Council's strategy for 2024-2029. These works are planned as part of an international EC technical assistance project and will be carried out in cooperation with EC consultants. The duration of the project is three years.

I. Šteinbuka points out that the development of the Council's strategy is not useful before the new EU economic and fiscal regulation adoption, which would clarify the Council's functions.

Council members agree that this project component should be started only after the adoption of the new EU regulation.

The deadlines for the development of the new model of fiscal sustainability are unknown, therefore it is not known whether it will be possible to develop a fiscal sustainability report using the new methodology next year. The Chairwoman of the Council invites the members of the Council and the secretariat to think about research topics for the next year related to the Council's mandate.

N. Malnačs presents the Council's financing plan for 2024 and its main changes, the procurement plan, the Council's meeting plan and informs the Council about the procedure for paying remuneration in December. Regarding the business trip plan and procurement plan, it is recommended to update it as needed.

Decided:

- 1.1. To approve the work plan of the Council for 2024. Prepare monitoring reports once a quarter.
- 1.2. The Council strategy component of the EC project should be started only after the adoption of the new EU fiscal regulation.

I.Šteinbuka – votes for;
 J.Priede – votes for;
 A.Jakobsons – votes for;
 M.Āboliņš – votes for;
 I.Golsts – votes for;
 U.Kāsiks – votes for;

2. Verification of fulfillment of the conditions of Article 11 of the FDL

Reports: V.Zaremba

V. Zaremba informs that the Ministry of Finance has submitted to the Council 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. V. Zaremba presents to the Council the draft opinion, calculations and main conclusions regarding the implementation of Article 11 of the FDL and informs that, according to the value of the structural balance calculated by the MoF, no correction is necessary. However, if comparison is made between the adjusted maximum allowable state budget expenditures and the actual amount of state budget expenditures determined in the budget laws of previous years, it can be seen that in the period from 2013, the difference between these two values has continued to increase, both when comparing year to year, and when evaluating the accumulated deviations of actual expenditures from planned. In addition, in the period since 2013, the growth rate of state budget expenditures often exceeded the 10-year average growth rate of potential GDP. Thus, budget expenditures have been systematically higher than the economy as a whole can provide budget revenues.

The Council members discuss the evaluation of the compliance of Article 11 of the FDL.

I. Šteinbuka reminds that the Council has stated in its reports that it does not agree with MoF, that additional expenditures for defence and internal security are considered as one-off expenditures that do not affect the structural balance. Therefore, in addition to the assessment of the MoF, an alternative assessment of the Council must be developed. In alternative assessment additional expenses for defence and internal security should be included in structural balance calculations. The Council agrees with this proposal and asks to revise the opinion.

Decided:

- 2.1. The opinion on the fulfilment of the conditions of Article 11 of the FDL should be supplemented by calculations of the structural balance, in which the impact of one-off expenditures for defence and internal security is assessed. Submit the supplemented report to the Ministry of Finance by January 15, 2024, and publish it on the Council's webpage.

I.Šteinbuka – votes for;
 J.Priede – votes for;

A.Jakobsons – votes for;
 M.Āboliņš – votes for;
 I.Golsts – votes for;
 U.Kāsiks – votes for;

3. Current issues in fiscal risks

Reports: N. Malnačs

N. Malnačs presents the prepared notes on airBaltic and Railbaltica to the members of the Council. The Council has repeatedly called for the creation of a fiscal reserve for the potential impact of the performance of state joint-stock companies on GGBB. Currently, there are grounds for concern about the potential impact of airBaltic's operations on GGBB in 2024, when the company has to refinance its bonds in amount of 200 million euros. The company's communication shows that with a significant probability, it will turn to the state for aid. There are concerns about other aspects of the company's operation.

The Council discusses and decides to organize a meeting with representatives of the Ministry of Transport, the Ministry of Finance, the State Audit Office and the European Commission to find out airBaltic's potential fiscal risks.

Discussions in the public space show that implementation of the Railbaltica project cause an increasing fiscal risks. The cost of the project has increased rapidly and there are no clear sources of funding. The readiness of the EC to continue co-financing the project is not clear.

The Council discusses and decides to organize a meeting with representatives of the Ministry of Transport, the Ministry of Finance, the State Audit Office and the European Commission to find out the potential fiscal risks of RailBaltica.

Decided:

3.1. To organize a meeting with representatives of the Ministry of Transport, the Ministry of Finance, the State Audit Office and the European Commission to clarify the potential fiscal risks of airBaltic.

3.2. To organize a meeting with representatives of the Ministry of Transport, the Ministry of Finance, the State Audit Office and the European Commission to clarify the potential fiscal risks of RailBaltica.

I.Šteinbuka – votes for;
 J.Priede – votes for;
 A.Jakobsons – votes for;
 M.Āboliņš – votes for;
 I.Golsts – votes for;
 U.Kāsiks – votes for;

4. On compliance with the mandate of the Council

I. Šteinbuka reminds of the responsibility of all members of the Council for the decisions made by the Council. It is the duty of each member of the Council to carefully read the content of the reports and not to allow the Council's mandate to be neglected. The Chairwoman of the Council calls on the secretariat to responsibly perform its work in accordance with the Council's instructions, to include in the Council's reports only information that corresponds to the Council's operational mandate, not to duplicate the functions of the State Audit Office and the Ministry of Finance. Council's reports must include only those theses that have been discussed in the summary of the reports and have been agreed with the Council. The Council and the Secretariat need to improve their collective responsibility for the quality of prepared documents and public communication.

Discussion of those present on the topic of the agenda.

Decided:

4.1. Strictly follow the mandate of the Council. Increase the collective responsibility of the Council and the Secretariat for the quality of prepared documents and public communication.

I.Šteinbuka – votes for;
 J.Priede – votes for;
 A.Jakobsons – votes for;
 M.Āboliņš – votes for;
 I.Golsts – votes for;
 U.Kāsiks – votes for;

5. Other questions

5.1. Issues of the working group on the assessment of potential and nominal gross domestic product

Reports: I.Šteinbuka

I. Šteinbuka reports that the potential and nominal gross domestic product evaluation working group is working in incomplete composition and invites the newly elected member of the Council - Jānis Priede to participate in the work of the above mentioned working group. The chairperson also invites J. Priede to assume the functions of the head of the working group, resigning from this position herself.

J.Priede accepts the invitation to join the work of the potential and nominal gross domestic product evaluation working group and become its leader.

Therefore, I. Šteinbuka, U. Kāsiks and J. Priede will work in the working group for the assessment of potential and nominal gross domestic product.

Decided:

5.1. Approve the potential and nominal gross domestic product assessment working group in a new composition and approve J. Priede as its head.

I.Šteinbuka – votes for;
 J.Priede – votes for;
 A.Jakobsons – votes for;
 M.Āboliņš – votes for;
 I.Golsts – votes for;
 U.Kāsiks – votes for;

5.2. Council member status

I. Golsts informs that the Saeima will soon consider an amendment to the law "On prevention of conflict of interest in the activities of state officials", which will determine that a state official may additionally work in only one workplace. To prevent potential conflicts of interest, the Council asks the secretariat to obtain additional information on the consequences of such norms regarding the members of the Council and also requests to obtain opinion on whether the members of the Council are considered public officials.

Decided:

5.2. To instruct the secretariat to obtain opinion on the status of public officials for members of the Council in the sense of the law "On prevention of conflict of interest in the activities of public officials".

I.Šteinbuka – votes for;
 J.Priede – votes for;
 A.Jakobsons – votes for;
 M.Āboliņš – votes for;
 I.Golsts – votes for;
 U.Kāsiks – votes for;

5.3. About the Monitoring report

N. Malnačs informs that, due to the illness of a staff member, no monitoring report has been prepared for this meeting. The deadline for the preparation of the regular Monitoring report has been moved to January, with the approval of the Chairwoman of the Council.

Decided:

5.3. The information provided regarding the deadline for the preparation of the Monitoring report shall be taken into account.

I.Šteinbuka – votes for;
J.Priede – votes for;
A.Jakobsons – votes for;
M.Āboliņš – votes for;
I.Golsts – votes for;
U.Kāsiks – votes for;

At the end of the session, an informal discussion of the consequences of the past year and lessons in economics and future challenges takes place.

The meeting was closed at 14.00, on 20 December, 2023.

Council Chairwoman

I.Šteinbuka

Meeting Secretary

I.Jansone

Fiscal Discipline Council secretary *visa*:

N.Malnačs

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