



## LATVIJAS REPUBLIKAS FISKĀLĀS DISCIPLĪNAS PADOME

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### Minutes of the meeting of the Council No. 9 (84)

Riga

19<sup>th</sup> of December 2025

#### **The meeting is chaired by:**

Chairwoman of the Fiscal Discipline Council - I.Šteinbuka

#### **Participants of the meeting:**

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

#### **Taking minutes:**

Fiscal Discipline Council lawyer

I.Jansone

19<sup>th</sup> of December 2025 meeting starts at 11:00

#### **Opening of the meeting – I.Šteinbuka**

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

The Council works in a partially remote format, and the agenda items for the Council meeting are discussed via the MS Teams online videoconferencing platform.

### **1. Verification of Compliance with Article 11 of the Fiscal Discipline Law**

#### **Reporter: V. Zaremba**

On 3 December, the Ministry of Finance submitted to the Council calculations on the difference between the actual general government budget structural balance and the minimum planned structural balance. V. Zaremba presented the draft opinion, calculations, and main conclusions.

Until 2024, Article 10 of the Fiscal Discipline Law (FDL) stipulated that the structural balance may not be lower than –0.5% of GDP. The Medium-Term Budget Framework Law (MTBF) determines the minimum planned structural balance for each year. In accordance with Article 11 of the FDL, the Council has assessed annually since 2013 whether deviations from the minimum planned structural balance remain within the –0.5% of GDP threshold.

For several years, the minimum planned structural balance was set below –0.5% of GDP for two main reasons.

First, due to structural reforms, as EU fiscal rules allowed temporary flexibility for reforms improving long-term fiscal sustainability. Latvia mainly applied this flexibility to pension reform (second pension pillar contributions), healthcare reform, and tax reform, implemented during the period 2014–2019.

Second, due to the activation of the general escape clause of the EU Stability and Growth Pact during the COVID-19 crisis, which was later extended during the energy price crisis. The impact was particularly significant in 2021 and 2022, when the planned structural balance was considerably below the statutory limit due to large-scale support measures. However, actual budget execution results were better than planned, particularly in 2020, 2022, and 2024.

A significant factor affecting the ex post assessment of the structural balance is the annual revision of national accounts by the Central Statistical Bureau. Changes in GDP estimates affect potential GDP, the output gap, and the cyclical component, thereby influencing the assessed structural balance.

There is also a methodological difference regarding the treatment of one-off measures in 2021 and 2022. The Council consistently applies the minimum planned structural balance as set out in the MTBF. The Ministry of Finance proposed adjusted minimum planned balances for those years, classifying part of the support measures as one-off expenditures. However, at the time of drafting the budget framework laws, these measures were not classified as one-offs due to high uncertainty. Regardless of the methodological approach used, the conclusion remains the same: the corrective mechanism under Article 11 of the FDL does not need to be applied, as accumulated deviations do not exceed the permissible threshold of –0.5% of GDP.

Following a discussion, the Council took note of the Ministry of Finance calculations.

Based on the above, the Council **d e c i d e s**:

- 1.1. The Council concludes that the cumulative structural balance deviations as of 2024 do not exceed the threshold of (–0.5%) of GDP laid down in Article 11 of the Fiscal Discipline Law. Accordingly, the correction mechanism provided for in Article 11 of the Fiscal Discipline Law does not need to be applied.
- 1.2. To formulate and submit an opinion on compliance with Article 11 of the FDL to the Ministry of Finance.

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

## **2. Election of the Chairperson of the Fiscal Discipline Council**

**Reporter: I.Šteinbuka**

Ms Šteinbuka informed the Council that, in accordance with regulatory requirements, the Chairperson must be re-elected, as her second term expires on 31 December 2025. The Chairperson is elected by open vote, by simple majority, for a three-year term.

It was proposed to elect Jānis Priede as Chairperson of the Council for the period from 1 January 2026 to 31 December 2028.

*Discussion of Council members about the nomination of the candidate.*

**I. Golsts** asked about the candidate's workload in his primary occupation and whether it would be possible to combine it with the duties of Chairperson.

**J. Priede** expressed confidence that this would be manageable but noted that support would be needed. He emphasised that the Council works efficiently and that members actively contribute. He also suggested discussing the role of a Deputy Chairperson to help distribute responsibilities.

Based on the above, the Council **d e c i d e s**:

2.1. To elect **Jānis Priede** as the Chairman of the Council.

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

### **3. Election of the Chairperson of the Fiscal Discipline Council**

**Reporter: Inna Šteinbuka**

**I.Šteinbuka** informs those present that a Deputy Chairman of the Council must also be elected, as until now this position has been held by Jānis Priede, but from 1 January 2026 he will begin to perform the duties of the Chairman of the Council. Taking into account the above, the members of the Council must elect a Deputy Chairman of the Council from among themselves, by open voting, by a simple majority of votes for a term of three years. It is proposed to nominate a candidate.

*A discussion is taking place among those present about the nomination of the candidate.*

**J. Priede** proposes to elect Inna Šteinbuka as Deputy Chairperson of the Council for the period from January 1, 2026 to December 31, 2028.

**I.Šteinbuka** Thank Council members for this proposal. If no one else wants to take on this responsibility, we could perhaps vote on it. The Chairman and Deputy Chairman could later agree on the distribution of responsibilities. This would facilitate our work and also promote the involvement of other Council members. She reminds that amendments to the Fiscal Discipline Law have been adopted, and a financial mechanism has also been introduced to stimulate the involvement of Council members in meetings and related activities. Consequently, participation will no longer be solely voluntary, as has been the case so far, but will also be financially supported. Expresses confidence that a way will be found to involve all Council members in the work and ensure support for the Chairman.

Based on the above, the Council **d e c i d e s**:

3.1. To elect **Inna Šteinbuka** as Deputy Chairperson of the Fiscal Discipline Council.

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

### **4. Fiscal Discipline Council Work Plan for 2026 and other administrative matters**

**Reporter: N. Malnačš**

**N. Malnačš** presents the Council's financing plan for 2026 and its main changes, the work plan for 2026, the procurement plan, and the Council's meeting schedule, and informs the Council about the procedure for paying remuneration in December. With regard to the business trip plan and the procurement plan, it is recommended that they be specified as necessary.

Before presenting the 2026 work plan to the Council, N. Malnačš provides the Council members with information on the implementation of the 2025 work plan.

*After hearing the information presented by Normunds Malnačš, the Council members conclude that the activities planned in the 2025 work plan have been completed.*

**N. Malnačš** presents the work plan for 2026 to the Council members, highlighting the following tasks: the implementation of regular activities, including surveillance reports, monitoring reports, accounting of fiscal statistics and related publications, as well as the Council's opinions on macroeconomic forecasts and, if necessary, opinions on fiscal policy issues, where the Council considers them essential for compliance with the norms of the Fiscal Discipline Law (FDL). In addition, next year, in cooperation with European Commission consultants, work will continue on the development of the Council's strategy for 2026–2031 and Green Deal measures fiscal effects model.

Regarding the project on assessing the fiscal impact of Green Deal measures, it is reported that the project is moving forward. In the meantime, the Organisation for Economic Co-operation and Development (OECD) has developed a rather good model called EDISON. After consulting with Viktorija Zaremba, who is responsible for the model, it generally appears that the OECD model is better. It is simpler, and we can always rely on friendly OECD support if needed. The model overall contains a large number of debatable long-term assumptions, which allow for broad interpretation and, consequently, the fiscal impact of the Green Deal. The estimated impact of climate change and related policies can almost entirely be questioned. Even the authors themselves acknowledge this uncertainty; nevertheless, the models are still being promoted and recommended.

Thus, we will have two models: one will be developed with the assistance of the European Union's technical support, and the other by the OECD. At present, we consider the OECD model to be clearly the better solution.

**I. Šteinbuka** asks clarification on the framework of the technical assistance, including the rules, timeline, and obligations of both parties. She asks what the Council's technical obligations are, what needs to be done, and when. It is noted that the Council is essentially the client in this project, but the consultants operate according to their own agenda and work plan, which is likely to extend into next year. Therefore, the idea is to postpone active work until next year. If any additional information needs to be provided to the technical assistance team, this can be done at a later stage.

**N. Malnačš** continues with information on possible studies next year and informs the Council that data collection on the financial condition of state-owned enterprises has begun. This is identified as one area of work that the Council intends to focus on more actively next year. It is not yet clear whether this will result in a separate report or whether it will be included in the monitoring report.

**I. Golsts** expresses his willingness to support the preparation of such a study and to make his own contribution.

**N. Malnačš** continues and recalls that in 2026 the Latvian Fiscal Discipline Council will host the annual Nordic Congress of Independent Fiscal Institutions. It is proposed to provisionally agree on 1 and 2 July as the dates of the event. If there are no objections, these dates will be proposed to cooperation partners, unless someone indicates at this stage that 1st and 2nd July are definitely not possible. In the absence of strong objections, work will continue based on these dates.

*Following a discussion, the Council members agree on a provisional date of 1st and 2nd July 2026.*

**N. Malnačš** continues with issues related to remuneration and travel expenses. It is reported that one year ago the salaries of Council members were frozen for a period of three years. In addition, the Secretariat's performance bonus has been reduced. Recent legisla-

tive amendments allow for remuneration not only for Council meetings, but also for meetings with rating agencies and other work-related activities. Furthermore, restrictions related to hotel costs within a limit of 100 euros have been lifted. Given the prices of hotels abroad, this had previously posed a significant challenge.

Another innovation noted is that the work of the Council will be audited by external consultants in the future. This assessment will be organised by the Ministry of Finance, which is considered a rather unusual outcome. Nevertheless, it will be conducted by an independent expert, and the report will be submitted to the Saeima. The first assessment is scheduled for 2027.

Finally, Normunds Malnačs presents a proposal regarding the organisation of the Council's macroeconomic and fiscal risk working groups. Currently, the Council has two working groups: one on macroeconomic issues and one on fiscal risks. It is noted that all Council members should be equally informed about both macroeconomic developments and fiscal risks. Therefore, it would make sense for all Council members to participate in both working groups. One possible operating model would be temporarily suspend separate working groups and instead rely on regular Council meetings. At the same time, the Council currently has five members out of six, and from March only four members will remain. Given the pace of political decision-making, this situation could persist for quite some time. For example, only Ivars Golsts would remain in the Fiscal Risk Working Group after 5 March. Consequently, it is proposed to temporarily, rather than permanently, suspend the working groups for one year and replace them with regular Council meetings. After one year, the issue could be revisited, possibly when the Council has more members again.

**I.Šteinbuka** asks whether the establishment of working groups is required by law or regulated only by internal rules. She suggests leaving this issue for the first Council meeting next year and making a final decision at that time.

Based on the above, the Council **d e c i d e s**:

- 4.1 To approve the 2026 Council work plan.
- 4.2. The Secretary of the Council shall refine the Business Trip Plan and Procurement Plan for 2026 as necessary.
- 4.3. To take note and approve the Council meeting schedule.
- 4.4. To take note of the information regarding the Council's financing plan for 2026.
- 4.5. Pay out the December 2025 compensation by the end of the 2025 financial year.

## **5. Other questions**

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At the end of the meeting, an informal discussion among those present about the consequences and lessons learned in the economy of the past year and future challenges.

The meeting closed at 13:00, 19<sup>th</sup> of December 2025.

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