

The Cabinet of Ministers of the Republic of Latvia
13th Saeima's fractions
Fiscal Discipline Agreement

23 January 2019

Elected to the 13th Saeima of the Republic of Latvia:

Fractions of the political parties' union "Jaunā Vienotība", political party "KPV LV", political party "Jaunā konservatīvā partija", political parties' union "Attīstība / Par!", political parties' union "Nacionālā apvienība "Visu Latvijai!" – "Tēvzemei un Brīvībai/LNNK" assuming responsibility for the activities of the Saeima and the Cabinet of Ministers, agree on the following:

1. Basic principles of fiscal policy

1.1. Promote the implementation of such fiscal policy that ensures a balanced budget in the economic cycle that promotes sustainable development of the country, macroeconomic stability and reduces the negative impact of external factors on the economy, fully respecting Latvia's obligations as the euro area member state.

1.2. In the coming years, prepare draft laws on the medium-term budgetary framework in line with the fiscal rules set out in the Fiscal Discipline Law and in the Stability and Growth Pact, aiming at budgeting with surplus.

1.3. Support budget adoption only:

1.3.1. which foresees a general government structural deficit of no more than 1.0 per cent (in line with the common methodology of the European Union) of the gross domestic product of that year, excluding the deviations from the medium-term budgetary objective granted by the European Commission;

1.3.2. which the Fiscal Discipline Council has not assessed as incompatible with the Fiscal Discipline Law.

1.4. Support the development of the state budget on the basis of the forecasts of economic growth and budget revenues and expenditures developed by the Ministry of Finance. The forecasts for macroeconomic indicators will not be called into question if they have been agreed with the Bank of Latvia and the Ministry of Economics, the consultations with experts of the European Commission and the International Monetary Fund have been carried out and approved by the Fiscal Discipline Council.

1.5. Support the continuous and systematic annual review of the state budget expenditures and the use of its results in the process of drafting the annual State Budget Law for financing of priority measures of sectors. To ensure openness of the process by publishing information on the website of the Ministry of Finance, as well as to provide the public with data on the use of budget and European Union funds on the websites of the line ministries. The information must be published in an open data format.

2. Action in the preparation of the state budget

2.1. Prepare for the submission to the Saeima draft law "On the medium-term budgetary framework for 2019, 2020 and 2021" with general government deficit not exceeding 0.70% of GDP in 2019, 0.25% of GDP in 2020 and 0.38% of GDP in 2021.

2.2. Do not offer additional expenditure to the state budget without specifying the source of the financial resources, basically providing funding within the budget resources of the respective line ministry.

2.3. Implement a sustainable, evidence-based tax policy to reduce income inequality.

2.4. Increase the stability and predictability of the tax system by making substantial changes to the tax system not more than once every three years, avoiding changing tax laws with the adoption of the state budget and providing for reasonable transition periods.

3. Signatures of the Parties

Political parties' union "Jaunā Vienotība"

Candidate for the Prime Minister and political parties' union nominee and on behalf of the political parties' union Arturs Krišjānis Kariņš

On behalf of the Saeima fraction Ainars Latkovskis

Political party "KPV LV"

On behalf of the political party Artuss Kaimiņš

On behalf of the Saeima fraction Atis Zakatistovs

Political party "Jaunā konservatīvā partija"

On behalf of the political party Jānis Bordāns

On behalf of the Saeima fraction Juta Strīķe

Political parties' union "Attīstība / Par!"

On behalf of the parties' union Juris Pūce

On behalf of the Saeima fraction Daniels Pavļuts

Political parties' union "Nacionālā apvienība "Visu Latvijai!" – "Tēvzemei un Brīvībai/LNNK"

On behalf of the parties' union Raivis Dzintars

On behalf of the Saeima fraction Ināra Mūrniece