

# **RECENT DEVELOPMENTS IN STRENGTHENING FISCAL GOVERNANCE IN THE EU**

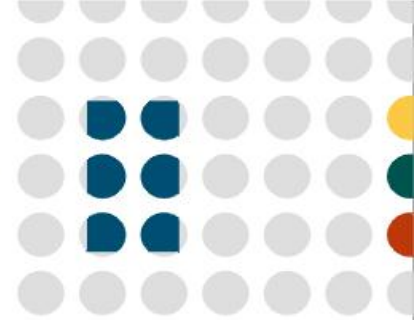
## **LITHUANIAN EXPERIENCE**

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# Impact of EU Initiatives on Lithuania

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## **Package of six legal acts**

Lithuania is subject to all the provisions, however the difference is between the financial sanctions imposed on euro and non-euro area Member States:

- the preventive part imposes a sanction of an interest-bearing deposit of 0.2 per cent of GDP on euro-area Member States, while no financial sanctions are established for non-euro area Member States;
- the corrective part establishes a non-interest bearing deposit of 0.2 per cent of GDP/fixed fine of 0.2 per cent of GDP to euro-area Member States, while the sanction of suspending the funding from the Cohesion Fund remains for non- euro area Member States.

## **Package of two legal acts**

Shall be applied to Lithuania upon entry to the euro area.

## **Treaty on Stability, Coordination and Governance**

Would be binding only after Lithuania's accession to the euro area, however Lithuania may voluntarily indicate the accession to all or some provisions of the Treaty prior to the euro-area accession date.

# Convergence Programme

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The objectives raised in the Convergence Programme approved in 2012 are in line with the requirements set at EU level (both in the Treaty and Economic Governance Package).

**Medium-term objective** – to reach the structural surplus of about 0.5 per cent of GDP.

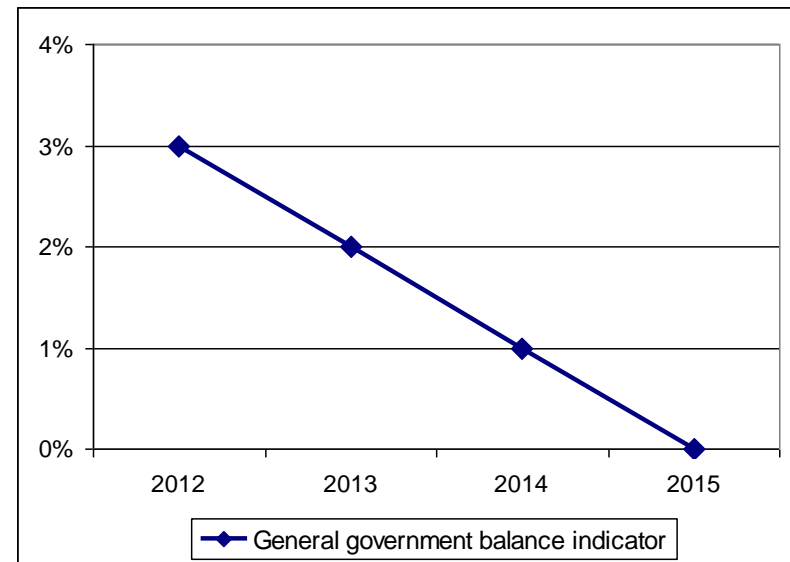
**General government balance indicator** :

In 2012 – 3 per cent of GDP;

In 2013 – about 2 per cent of GDP;

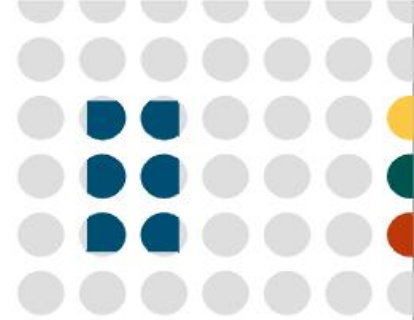
In 2014 – about 1 per cent of GDP;

In 2015 – balanced.



# Law on Fiscal Discipline

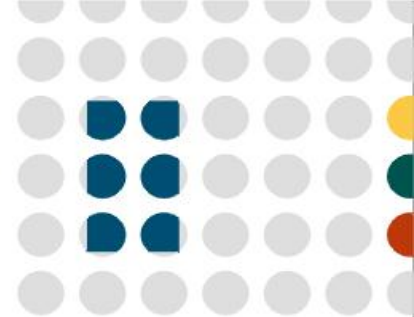
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- General government finances are managed with the aim of the general government sector to be in surplus or close to balanced in the medium-term
- If arithmetic average of the statistical general government balance of the past five calendar years is deficit (net borrowing), then the annual growth of the State budget appropriations (excluding EU financial assistance) expressed in percentage may not exceed  $\frac{1}{2}$  of the average annual growth of the State budget revenue (excluding EU financial assistance) of the past five budget years expressed in percentage

# Development of the Law on the Budget Structure

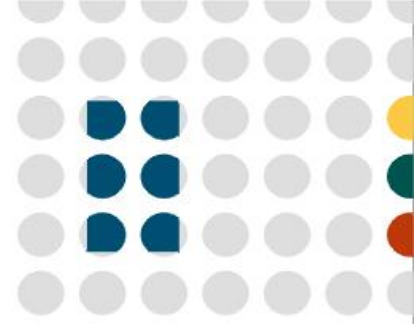
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- **Objective** – to transpose into national law and implement the provisions of Council Directive 2011/85/EU concerning the envisaged EU performance obligations with regard to avoiding the excessive general government deficit
- **The aim of amendments:**
  - establishment of the targets for improvement of the general government balance
  - planning of increase in turnover funds at the end of the year and use of excess revenue for the purposes not raising the deficit
  - evaluation procedure for preparation of official macro-economic and budget forecasts
  - consideration of failure of the implementation of the medium-term general government balance indicator targets in the Seimas
  - presentation of information on fiscal risk, when the amounts make up 0.1 per cent of the gross domestic product, along with the draft budget

# Constitutional Law on Stability and Growth Rules

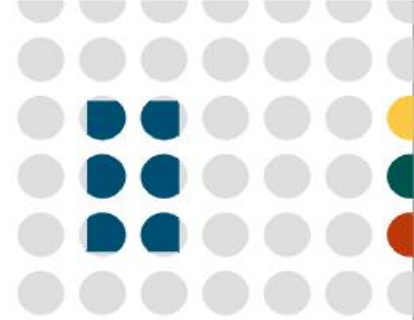
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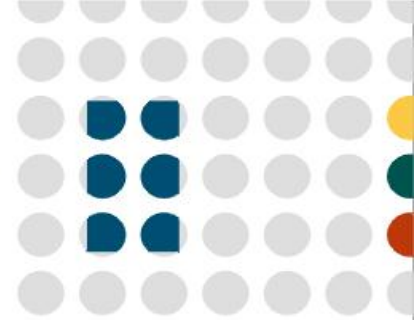
- **Objective** – to set forth the rules of planning and implementation of the general government structural balance indicator ensuring sustainability of general government finances and stable economic development
- **Measures:**
  - draft Law has to ensure the implementation of the planned structural target or to implement it better than planned – the general government sector to be in surplus or close to balanced in the medium-term
  - terms and conditions with the exception to this rule
  - each quarter the Ministry of Finance evaluates the implementation perspectives of the planned structural target and minimum executive target for the current calendar year
  - automatic adjustment mechanism for planning and implementation of the structural target
- **The Constitutional Law shall displace the Law on Fiscal Discipline as of the date of the adoption of the euro**

# Legislative Calendar

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- The amendments to the Treaty on Stability, Coordination and Governance related to the stability mechanism ratified in the Parliament (12 June 2012)
- The amendments to the Law on the Budget Structure are approved by Government and presented to the Parliament for its consideration
- The draft Constitutional Law – a primary version prepared in the Ministry of Finance; it is planned to submit it to the Parliament in October, 2012



**THANK YOU**



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