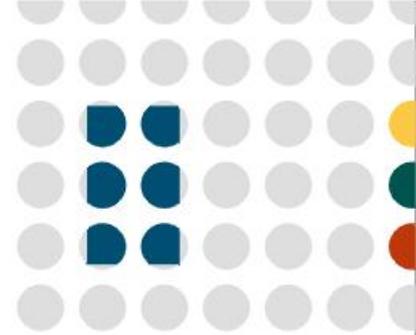


FISCAL DISCIPLINE IN LITHUANIA

Riga, June 2013

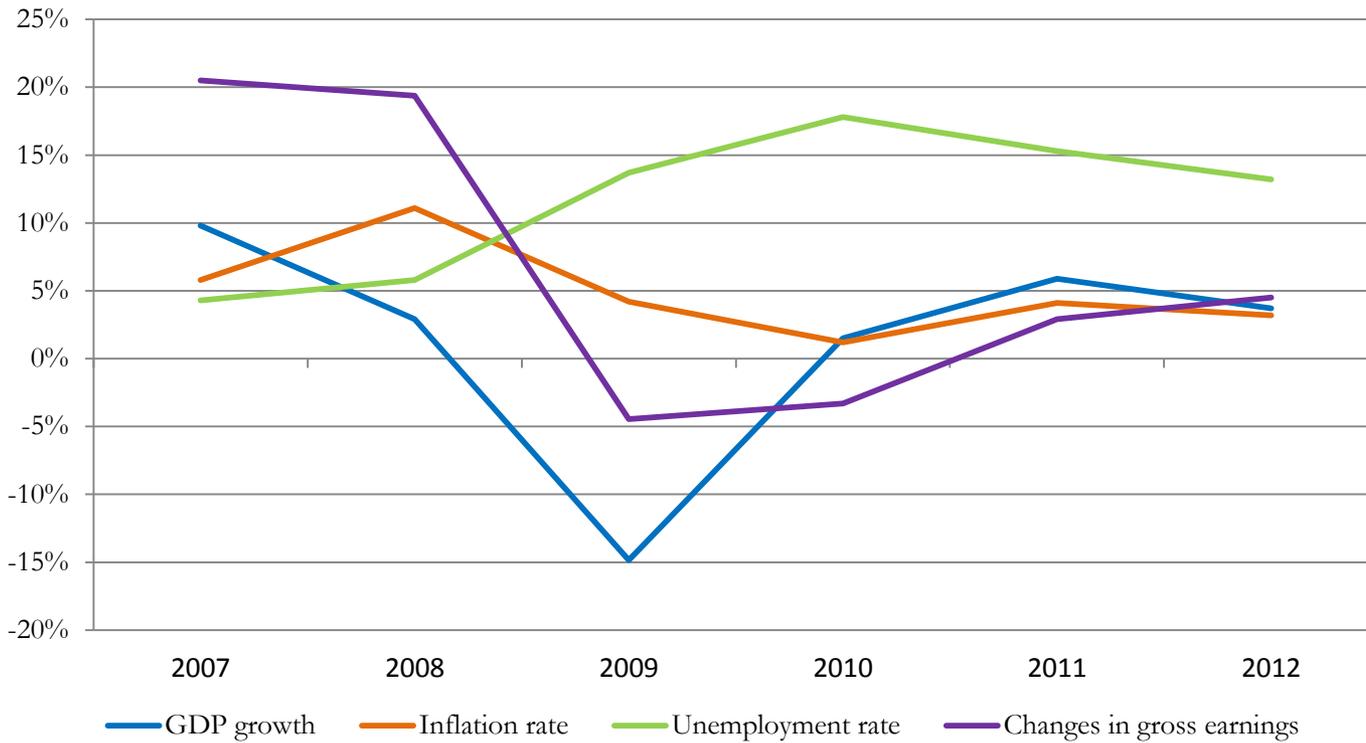
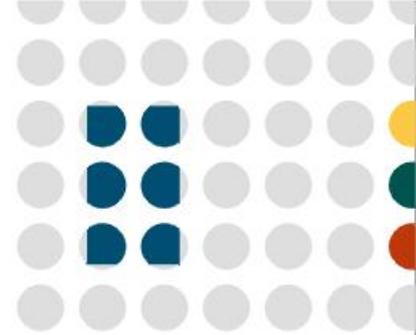
Outline



- **Economic Development and Outlook**
- **General Government Deficit and Debt**
- **Possible Risks**
- **The Law on Fiscal Discipline (since 2007)**
- **The Law on Budget Structure Implemented Provisions of the Directive 2011/85/EU (since 2012)**

Economic Development and Outlook

MINISTRY OF FINANCE

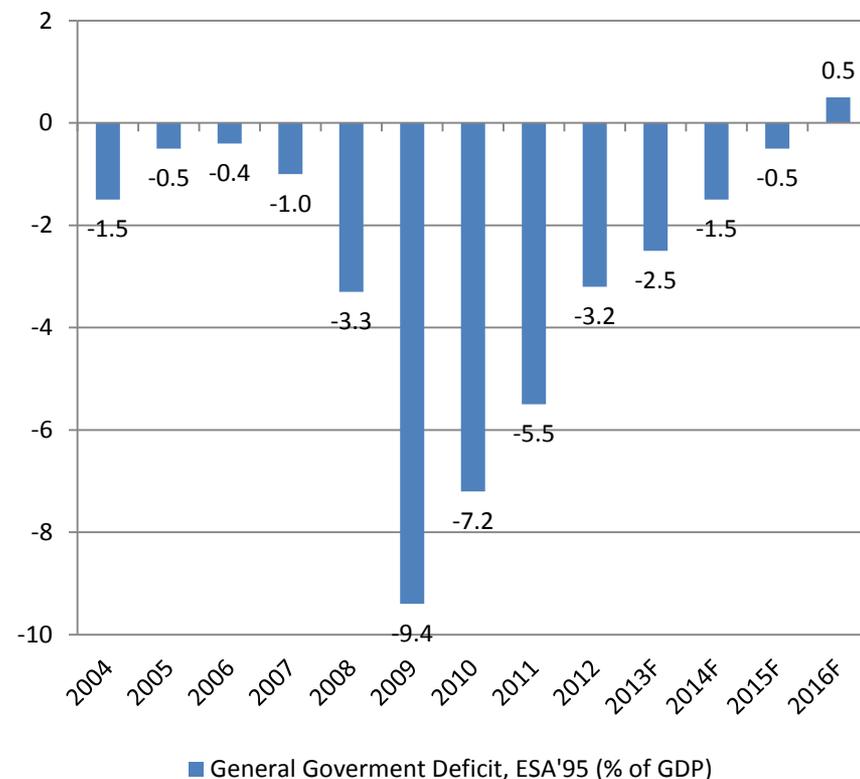


General Government Deficit and Debt

MINISTRY OF FINANCE

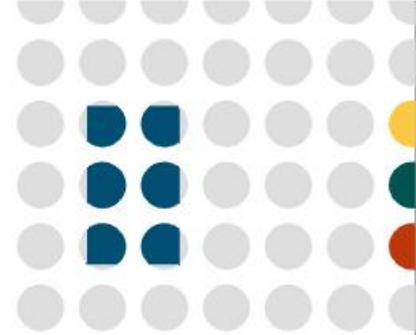
Central scenario for 2013–2016 (CP2013):

- General Government finances will be consolidated further;
- Nominal General Government balance in 2016: surplus of 0.5% of GDP;
- General Government gross debt level will decrease from 40.7% of GDP in 2012 to 34.5% of GDP in 2016.



Possible Risks

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Risks related to macroeconomic environment:

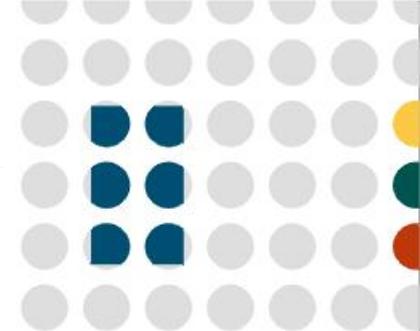
- less dynamic economic growth than expected in central scenario;
- more favourable external environment particularly in trading partners (positive risk);
- an increase in market interest rates;
- less successful implementation of structural reforms.

Fiscal risks:

- decommissioning of the Ignalina Nuclear Power Plant;
- measures to enhance the financial stability of the banking system;
- deposit insurance.

The Law on Fiscal Discipline (since 2007)

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Purposes:

- provide long term sustainability for General Government;
- promote fiscal discipline culture.

Numerical rules:

- debt below 60 percent;
- Medium Term Objective in surplus or close to balance.

Procedural rules:

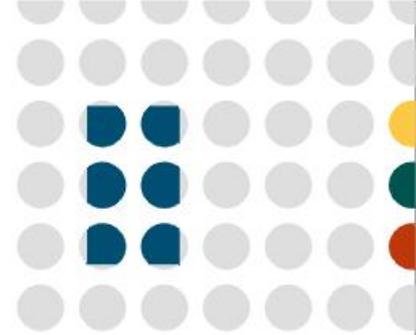
- the draft Budget Law must comply with the latest effective recommendations and the opinion of the Council of the Ministers of the EU on Lithuania's medium-term economic strategy;
- the windfall revenue of the state budget shall be automatically saved for the reduction of the state budget deficit.

Effects:

- facilitate to reach political agreement on expenditure cap.

The Law on Budget Structure Implemented Provisions of the Directive 2011/85/EU (since 2012)

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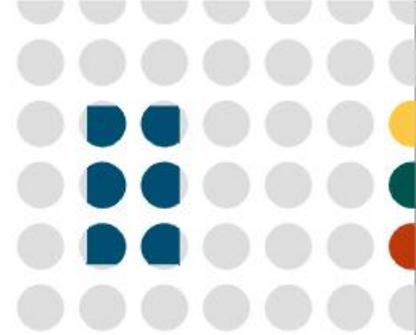


Measures approved:

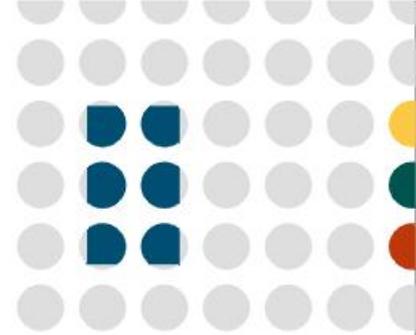
- clear fiscal targets for medium term;
- moral sanctions;
- credible expenditure caps;
- control of fiscal risks;
- objective criteria to test unbiased economic scenario and revenue prognosis;
- many other technical improvements that have policy implications.

Further steps

MINISTRY OF FINANCE



- Consolidation shift from the expenditure side and focus on higher collection of revenues;
- Preparation the constitutional law on sustainability of general government sector finances;
- Further implementation of the structural reforms;
- State investment program should focus on projects which give fast economic and social return;
- Improvement of access for SME's to financing.



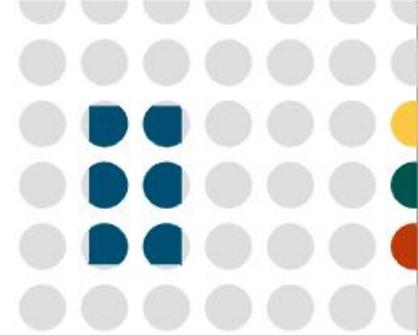
Lithuania's EU Presidency 2013

Riga, June 2013



Priorities for ECOFIN Council

MINISTRY OF FINANCE

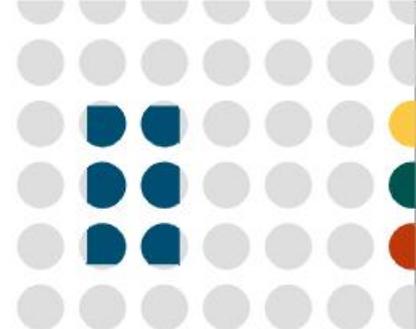


- **Strengthening of the Economic and Monetary Union;**
- **Economic Governance and Fiscal Surveillance;**
- **Banking Union and Financial Services;**
- **Taxation;**
- **The EU budget for 2014.**



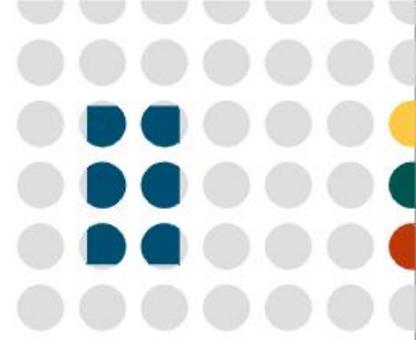
ECOFIN Council schedule

MINISTRY OF FINANCE



- 9th July, Brussels;
- 25th July, Brussels – *(Budget) (Possible)*;
- 13-14 September, Vilnius – Informal ECOFIN Council;
- 15th October, Luxembourg;
- 11th November, Brussels – *(Budget)*;
- 15th November, Brussels;
- 10th December, Brussels.





THANK YOU FOR YOUR ATTENTION

