DRAFT BUDGETARY PLAN OF THE REPUBLIC OF LATVIA 2023

RIGA

2022

Content

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Abbreviations

EC	European Commission
ESA	European system of accounts
EU	European Union
FDL	Fiscal Discipline Law
GDP	Gross domestic product
MoF	Ministry of Finance
RRF	Recovery and Resilience Facility

Introduction

Within the framework of the European Semester and according to the Regulation No 473/2013 of the European Parliament and of the Council on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area Latvia submits the Draft Budgetary Plan for 2023.

Due to the Saeima elections on 1 October, 2022, the Annual State Budget Law has not yet been prepared. Accordingly, Latvia submits a shortened draft budgetary plan for the General Government, drawn up on the basis of the updated macro-economic scenario of the MoF and the updated fiscal forecasts based on a no-policy change scenario.

This draft budget plan has been approved by the current Government on 11 October, 2022. With the establishment of the new Government, work on the budget will continue, and an expanded draft budgetary plan for the General Government will be prepared and submitted to the EC and the Eurogroup.

Macroeconomic development scenario

The medium-term macroeconomic development scenario 2022 – 2025 was developed in August 2022, based on the gross domestic product data (GDP) of the first quarter of 2022, the GDP flash estimate for the second quarter of 2022, as well as the short-term macroeconomic data available until July of this year. The forecasts were made in consultation with experts from the International Monetary Fund, the European Commission, and commercial banks. Forecasts of macroeconomic indicators have been agreed with the Bank of Latvia and the Ministry of Economy. The Fiscal Discipline Council approved the scenario on August 10, 2022.

According to the scenario, the GDP growth forecast for 2022 has been raised to 2.8%, which is by 0.7 pp more than forecasted in March 2022 for Latvia's Stability Program for 2022-2025. First half of the year showed a strong economic growth after lifting of the COVID-19 restrictions and had only a limited impact of the war. In turn, the second half of the year will be more affected by the war, the trade restrictions with Russia and Belarus, and the rapid rise in prices resulting in significant economic slowdown. Next year, GDP growth is forecasted at 1.0%, which is 1.5 percentage points less than in the March 2022 forecast.

As in 2021, the main driver of economic growth in 2022 will be the strong private consumption, which has already grown by 11.3% year on year in the first half of this year. However, in the second half of the year, rising prices and decreasing purchasing power will decrease the consumption in real terms, while households redirect more funds to cover housing-related expenses. This will continue in the beginning of 2023 and until the end of the heating season. Therefore, the growth of private consumption will reach 10.9% in 2022 and only 1.4% in 2023.

The amount of investments (gross fixed capital formation) will increase by 1.9% this year, after that reaching a 3% growth in 2023. Considering the high uncertainty, including that resulting from the geopolitical situation, in 2023 the investment catalyst will be the inflow of European Union funds, including from the Recovery and Resilience Facility, as well as the implementation of the *RailBaltica* project.

The increase in exports will also have a noticeable positive impact on economic growth this year, reaching 7.3%, as exports are boosted by increasing external demand. In 2023, as the external environment worsens and demand decreases, exporters could experience more difficulties, thus export growth would decline to 2.3%.

Annual average inflation is projected at 16.5% in 2022, which is 8 percentage points higher than in the March forecasts. The rise in inflation is mainly driven by soaring global energy prices, especially for natural gas, resulting in heating price spikes, as well as faster increase of food prices and stronger second round effects. The scenario assumes that energy prices would peak in 2022 and remain high throughout the next year. Therefore, inflation in 2023 is projected at 6.5%. In the medium term, inflationary pressure will recede, and consumer price growth will stabilize at 2% by 2025.

In the labour market, the negative impact of the Russia's war, trade restrictions and price increases has not yet been felt in the first half of 2022 and will show up with a greater time lag than initially expected. Accordingly, the unemployment rate forecast for 2022 has been reduced to 7.1%, or by 0.5 percentage points, compared to the March forecast. Unemployment is expected to remain at this level also in 2023, which is 0.4 percentage points higher than it was projected in March 2022.

The wage growth forecast for 2022 has been raised from 6.0% to 8.0%, considering rapidly growing consumer prices, with average monthly gross wage reaching 1379 euro in 2022. For 2023 wage growth is projected at 6.0% which is 0.3 percentage points more than projected at the beginning of March. Considering the high inflation, the real wage growth will be negative both in 2022 and 2023.

Table 0.a: Basic assumptions

	2021	2022	2023
Short-term interest rate (annual average)	-0,5	-0,1	1,3
Long-term interest rate (annual average)	-0,4	0,8	1,1
USD/€ exchange rate (annual average)	1,18	1,09	1,08
Nominal effective exchange rate	1,2	-2,2	-0,5
World excluding EU, GDP growth	5,9	3,0	3,3
EU GDP growth	5,4	2,7	1,5
Growth of relevant foreign markets	12,7	0,3	3,9
World import volumes, excluding EU	10,9	4,1	3,6
Oil prices (Brent, USD/barrel)	70,7	105,0	95,0

Table 1.a: Growth and related factors

	ESA Code	2021	2021	2022	2023
		Levels	Rate of change, %		
1. Real GDP	B1*g	27,8	4,5	2,8	1,0
of which					
Attributable to the estimated impact of aggregated budgetary measures on economic growth					
2. Potential GDP		28,0	2,1	2,2	2,2
Contributions					
Potential GDP contributions:Labour			-0,4	-0,4	-0,3
Potential GDP contributions:capital			1,0	0,9	0,9
Potential GDP contributions: total factor productivity			1,5	1,6	1,7
3. Nominal GDP	B1*g	32,9	11,6	16,7	7,7
Components Of real GDP					
4. Private consumption expenditure	P.3	15,6	4,8	10,9	1,4
5. Government consumption expenditure	P.3	5,4	4,4	0,1	-2,7
6. Gross fixed capital formation	P.51	6,8	2,9	1,9	3,0
7. Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53	2,7			
8. Exports of goods and services	P.6	18,1	6,2	7,3	2,3

9. Imports of goods and services	P.7	20,8	13,5	10,2	1,7
Contribution to real GDP growth					
10. Final domestic demand			4,2	6,6	1,0
11. Changes in inventories and net acquisition of valu	P.52 + P.53		5,5	-0,9	-0,2
12. External balance of goods and services	B.11		-5,3	-2,9	0,2

Table 1.b: Price developments

	ESA Code	2021	2021	2022	2023
		Levels	Rate of change		
1. GDP deflator			6,8	13,5	6,7
2. Private consumption deflator			3,4	16,5	6,5
3. HICP			3,3	16,5	6,5
4. Public consumption deflator			3,7	7,9	3,4
5. Investment deflator			4,5	11,1	6,7
6. Export price deflator (goods and services)			11,4	14,0	10,0
7. Import price deflator (goods and services)			9,7	16,0	9,1

Table 1.c: Labour market developments

	ESA Code	2021	2021	2022	2023
		Levels	Rate of change		
1. Employment, persons		864,0	-3,2	2,0	0,0
2. Employment, hours worked		1691,1	5,4	0,0	0,0
3. Unemployment rate (%)			7,6	7,1	7,1
4. Labour productivity, persons			8,0	0,9	1,0
5. Labour productivity, hours worked			8,0	0,9	1,0
6. Compensation of employees	D.1	13,5	8,3	9,0	6,0
7. Compensation per employee		1277	11,7	8,0	6,0

Table 1.d: Sectoral balances

	ESA Code	2021	2022	2023
		% of GDP		
1. Net lending/borrowing vis-a-vis the rest of the world	B.9	-1,3	-3,1	-1,5
of which				
- Balance on goods and services		-2,1	-5,3	-4,5
- Balance of primary incomes and transfers		-0,7	0,9	1,0
- Capital account		1,5	1,3	1,9
2. Net lending/borrowing of the private sector	B.9	6,0	3,8	1,8
3. Net lending/borrowing of general government	EDP B.9	-7,3	-7,0	-3,3
4. Statistical discrepancy		0,0	0,0	0,0

Fiscal strategy and the structural balance objective

The Draft Budgetary Plan for 2023 is prepared based on a no-policy change scenario. Thus, in table 2a, the general government budget balance and its sub-sector balance levels in 2023 are reflected under a no-policy change scenario, and the fiscal data presented in table 3 currently include the revenue and expenditure discretionary measures for 2023 included in the law "On the Medium-Term Budget Framework for 2022, 2023 and 2024".

The MoF has updated the general government budget balances for the medium term at unchanged policies, taking into account the State Treasury's data on the execution of the consolidated budget in the first seven months of this year, the updated forecasts of tax and non-tax revenues, the base expenses of the state basic budget and the special budget for the medium term, as well as taking into account the decisions made by the government until September 27 (including) of this year.

The updated general government budget deficit for 2022 is estimated at 7.0% of GDP. The increase in the deficit, both in comparison with the law "On the State Budget for 2022" and in comparison with the forecast in the Stability Programme for 2022-2025, is determined by the increase in budget expenses, which exceeds the amount of overhead revenue. Compared to the Stability Programme, expenses in the state special budget for the indexation of state and retirement pensions have increased, taking into account the high index. In order to reduce the negative impact of high inflation on the less protected population groups, this year the indexation was carried out two months earlier than usual - on August 1. Also, in 2022 there are planned budget expenditures for the purchase of gas reserves, additional support for mitigating the impact of COVID-19 and for Ukrainian civilians, as well as significant financing for mitigating the increase in energy resource prices in the 2022/2023 heating season.

In 2023, the budget deficit of the general government is predicted to be 3.3% of GDP at unchanged policies. The forecast takes into account the government's decision this spring to increase state budget expenditures for defence up to 2.5% of GDP in 2025 (2.25% of GDP in 2023), adjusting the amount of funding according to the revised GDP forecast. Also, the salary increase for officials with special service ranks employed in the units of Internal Affairs, those employed in the units of Justice, taking into account the entry into force of the reform of the state administration remuneration system on July 1 of this year, as well as the increase of the lowest monthly wage rate for pedagogues from January 1, 2023, is also taken into account. In order to reduce the high prices of energy resources in the 2022/2023 heating season, a total support of more than 1 billion EUR is planned, including the amount of 622 million EUR for 2023, which was not included in the Stability Programme. In the Stability Programme the plan envisaged support mainly for the previous heating season - until April 30 of this year. For general government budget indicators at no- policy change scenario see in tables 2a, 3, 4a, 4c and 7, while for support measures - in table A1 and table A2.

While developing the Stability Programme, the Fiscal Strategy for the period from 2022 to 2025 was approved in the spring this year. The Strategy stipulates that the expenses of temporary measures to mitigate the effects of the COVID-19 pandemic and the expenses of the temporary measures to mitigate the effects of energy price increases are recognized as one-off measures in the national fiscal framework. In the national fiscal framework as the one-off expenditures are considered the defence and internal security expenditures that exceed the previous year's level in monetary terms of the first year. In the second year, 80% of the mentioned expenses are considered as one-off, in the following three years 60%, 40% and 20%, respectively, until in the sixth year they are completely excluded from the category of one-off expenses. Table 2a shows the amount of the one-off and other short-term measures in accordance with this approach defined in the Fiscal Strategy.

Table 2.a: General government budgetary targets broken down by subsector

	ESA Code	2022	2023
		% of GDP	
Net lending (EDP B.9) by sub-sector			
1. Net lending/net borrowing: General government	S.13	-7,0	-3,3
2. Net lending/net borrowing: Central government	S.1311	-7,4	-3,1
3. Net lending/net borrowing: State government	S.1312		
4. Net lending/net borrowing: Local government	S.1313	0,0	-0,1
5.Social security funds	S.1314	0,5	-0,1
6. Interest expenditure	D.41	0,5	0,6
7. Primary balance		-6,5	-2,8
8. One-off and other temporary measures		-5,2	-2,0
9.Real GDP Growth(%) (=1 in Table 1a)		2,8	1,0
10.Potential GDP Growth(%) (=2 in Table 1a)		2,2	2,2
Contributions			
-Labour		-0,4	-0,3
-Capital		0,9	0,9
-Total factor productivity		1,6	1,7
11. Output gap (% of potential GDP)		0,0	-1,1
12. Cyclical budgetary Component (% of potential GDP)		0,0	-0,4
13. Cyclically adjusted balance (1-12) (% of potential GDP)		-7,0	-2,9
14. Cyclically adjusted primary balance (13+6) (% of potential GDP)		-6,5	-2,3
15. Structural balance (13-8) (% of potential GDP)		-1,8	-1,0

Table 2.b: General government debt developments

	ESA Code	2022	2023
		% of GDP	
1. Gross debt		42,0	43,0
2. Change in gross debt ratio		-2,8	0,9
Contributions to changes in gross debt			
3. Primary balance		-6,5	-2,8
4. Interest expenditure	EDP D.41	0,5	0,6
5. Stock-flow adjustment		-9,8	-2,4
Implicit interest rate on debt		1,3	1,5
Other relevant variables			

6. Liquid financial assets			
7. Net financial debt (7=1-6)			
8. Debt amortization (existing bonds) since the end of the previous year		1,6	3,7
9. Percentage of debt denominated in foreign currency		0,0	0,0
10. Average maturity		7,04 years	

Table 2.c: Contingent liabilities

% of GDP	2022	2023
Public guarantees	2,0	2,0

Table 3: General government expenditure and revenue projections at unchanged policies broken down by main components

	ESA Code	2022	2023
		% GDP	
1. Total revenue at unchanged policies	TR	35,7	36,1
Of which			
1.1. Taxes on production and imports	D.2	12,9	12,7
1.2. Current taxes on income, wealth, etc.	D.5	6,7	6,6
1.3. Capital taxes	D.91	0,0	0,0
1.4. Social contributions	D.61	9,7	9,6
1.5. Property income	D.4	0,6	0,6
1.6. Other		5,8	6,6
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)		29,6	29,1
2. Total expenditure at unchanged policies	TE	42,7	39,4
Of which			
2.1. Compensation of employees	D.1	16,2	16,0
2.2. Intermediate consumption	P.2	6,0	5,9
2.3. Social payments	D.62 D.632	12,6	12,4
of which Unemployment benefits		0,4	0,4
2.4. Interest expenditure	D.41	0,5	0,6
2.5. Subsidies	D.3	0,7	0,6
2.6. Gross fixed capital formation	P.51	4,8	4,9
2.7. Capital transfers	D.9	0,2	0,1
2.8. Other		7,8	4,9

Table 4.a: General government expenditure and revenue targets, broken down by main components

	ESA Code	2022	2023

		% GDP	% GDP
1. Total revenue target	TR	35,7	36,1
Of which			
1.1. Taxes on production and imports	D.2	12,9	12,7
1.2. Current taxes on income, wealth, etc.	D.5	6,7	6,6
1.3. Capital taxes	D.91	0,0	0,0
1.4. Social contributions	D.61	9,7	9,6
1.5. Property income	D.4	0,6	0,6
1.6. Other		5,8	6,6
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)		29,6	29,1
2. Total expenditure target	TE	42,7	39,4
Of which			
2.1. Compensation of employees	D.1	16,2	16,0
2.2. Intermediate consumption	P.2	6,0	5,9
2.3. Social payments	D.62 D.632	12,6	12,4
of which Unemployment benefits		0,4	0,4
2.4. Interest expenditure	D.41	0,5	0,6
2.5. Subsidies	D.3	0,7	0,6
2.6. Gross fixed capital formation	P.51	4,8	4,9
2.7. Capital transfers	D.9	0,2	0,1
2.8. Other		7,8	4,9

Table 4.b: Expenditure to be excluded for expenditure criteria

	ESA Code	**2021**	**2021**	**2022**	**2023**
		million, euro	% of GDP		
1. Expenditure on EU programmes fully matched by EU funds revenue		449,9	1,4	1,8	3,1
1a. Investment expenditure fully matched by EU funds revenue		239,5	0,7	0,8	1,4
2. Cyclical unemployment benefit expenditure		7,2	0,0	0,0	0,0
3. Effect of discretionary revenue measures		232,0	0,7	0,1	-0,2
4. Revenues increased mandated by law					

Table 4.c General government expenditure by function

Table 4.c.i): General government expenditure on education, healthcare and employment

	2022		2023	
	% GDP	% general government expenditure	% GDP	% general government expenditure
Education[1]	5,3	12,5	5,1	12,9
Health[1]	5,3	12,3	4,6	11,6
Employment[2]	0,1	0,3	0,1	0,2

Table 4.c.ii): Classification of the functions of the Government

	COFOG Code	2022	2023
		% GDP	
1. General public services	1	4,3	3,9
2. Defense	2	2,1	2,3
3. Public order and safety	3	2,2	2,1
4. Economic affairs	4	7,6	6,1
5. Environmental protection	5	0,6	0,5
6. Housing and community amenities	6	1,3	1,1
7. Health	7	5,3	4,6
8. Recreation, culture and religion	8	1,5	1,3
9. Education	9	5,3	5,1
10. Social protection	10	12,6	12,5
11. Total Expenditure	TE	42,7	39,4

Table 6.a: CSR recommendations

As the budget plan is prepared upon a no policy change scenario, it does not include new measures related to the recommendations for 2022. A far as the recommendations for 2022 continue implementation of the recommendations issued in previous years, the measures are described in the Latvian National Reform Programe 2022:

https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/european-semester-timeline/national-reform-programmes-and-stability-or-convergence-programmes/2022-european_en

[1] These expenditure categories should correspond respectively to items 9 and 7 in table 4.c.ii).
[2] This expenditure category contains, inter alia, government spending related to active labour market policies (ALMPs) including public employment services. Items such as compensation of public employees or vocational training programmes are not included here.

Table A1: COVID-19 crisis economic support measures and their fiscal impact

Measures	ESA Code	Budgetary impact (% of GDP - change from previous year)			
		2020	2021	2022	2023
Support to the field of taxation		**-0,4**	**0,4**	**0,0**	**0,1**
Extension or division of the term for payment of taxes into terms of up to 3 years	D2; D5; D61	-0,1	0,1	0,0	0,0
Possibility not to pay PIT advance payments	D5	-0,1	0,1	0,0	0,1
Faster VAT overpayment refund	D2	-0,2	0,2	0,0	0,0
Other		0,0	0,0	0,0	0,0
Aid in the field of benefits		**-0,4**	**-1,2**	**1,4**	**0,2**
Downtime support for company employees, patent payers, self-employed	D7	-0,2	-0,2	0,4	0,0
Wage subsidies for part-time workers	D7	-0,2	0,1	0,1	0,0
Payment of sickness benefit from the state budget	D632; D62	0,0	-0,1	0,0	0,1
Allowance for families with children	D632; D62	0,0	-0,6	0,6	0,0
Benefit for pensioners and persons with disabilities	D632; D62	0,0	-0,3	0,3	0,0
Other		-0,1	0,0	0,0	0,1
Aid in the field of loans and guarantees		**-0,3**	**0,0**	**0,1**	**0,1**
Increase of local governments borrowing limit	P51	-0,2	-0,1	0,1	0,1
Working capital loans	D7	0,0	0,0	0,0	0,0
Credit guarantees	D7	-0,1	0,1	0,0	0,0
Other		0,0	0,0	0,0	0,0
Sectoral support		**-2,1**	**-2,3**	**2,6**	**1,6**
Support to the air transport industry	D7; D9	-0,9	0,6	0,1	0,1
Healthcare-related support	P2; P51; D1; D7	-0,4	-1,2	0,5	1,0
To alleviate financial difficulties in the agricultural, forestry, fisheries and food production sectors	D3	-0,1	0,1	0,1	0,0

For construction of state roads and repairs of bridges	P51	-0,2	-0,1	0,3	0,1
Support for passenger and freight carriers	D3; D7; D9	-0,3	0,2	0,1	0,0
Grant for current assets	D7	0,0	-1,6	1,4	0,2
High readiness projects related to overcoming the COVID-19 crisis and economic recovery	P51	0,0	-0,2	0,0	0,1
Support for the cultural sector	P2; D7; P51	-0,1	0,0	0,0	0,0
Support for education, science and sport	D1; D7; P2	-0,1	0,0	0,1	0,0
To compensate the decline in shopping center revenue	D7	0,0	0,0	0,0	0,0
Other		0,0	-0,1	0,1	0,0
Support related to EU funds		**0,0**	**0,0**	**0,0**	**0,0**
Total		**-3,3**	**-3,1**	**4,2**	**2,0**

Table A2: Fiscal policy measures taken in response to the energy price hikes; costs related to people fleeing Ukraine

	Measures	**Date of adoption**	**Budgetary impact (% of GDP - change from previous year)**		
			2021	**2022**	**2023**
	A cost-cutting measures for end-users		**-0,01**	**-1,48**	**0,17**
	Electricity system service fee compensation in full for all end users from December 1, 2021 to April 30, 2022	24.12.2021	0,00	-0,37	0,37
	Increase of support for protected users by 10 euro in the period from 1 November 2021 to 31 December 2022	01.06.2022	-0,01	-0,04	0,05
	Reduction of the mandatory procurement component in 2022 to 7.55 euro per megawatt hour	25.01.2022	0,00	-0,05	0,05
	Compensation of district heating service fee from January 1, 2022 to April 30, 2022	26.01.2022	0,00	-0,02	0,02
Energy support	Compensation of natural gas trade service fee from January 1, 2022 to April 30, 2022	27.01.2022	0,00	-0,07	0,07

	Compensation of the mandatory procurement component fee for the period from January 1, 2022 to April 30, 2022	28.01.2022	0,00	-0,06	0,06
	Compensation for the increase in electricity costs for households using electricity for heating	09.08.2022	0,00	-0,04	-0,05
	Compensation for natural gas cost increases for households	09.08.2022	0,00	-0,07	0,03
	Compensation for the increase in heat costs for households	09.08.2022	0,00	-0,19	-0,04
	Compensation for increased firewood purchase costs for households (proof with bill / receipt)	09.08.2022	0,00	-0,06	0,00
	Firewood for which the receipt has not been saved, 60 euro allowance (purchased by August 31)	09.08.2022	0,00	-0,01	0,01
	Compensation for the increase in the cost of pellets for households	09.08.2022	0,00	-0,01	0,00
	Compensation for the increase in the cost of briquettes for households	09.08.2022	0,00	-0,03	0,00
	Electricity system service fee compensation in full for companies	23.08.2022	0,00	-0,14	-0,03
	Natural gas threshold	27.09.2022	0,00	-0,01	-0,01
	Electricity compensation	27.09.2022	0,00	-0,05	-0,07
	Central heat compensation	27.09.2022	0,00	-0,06	-0,09
	Electricity compensations for legal users	27.09.2022	0,00	-0,22	-0,19
	Social benefits		**0,00**	**-0,56**	**0,38**
	State budget grant to local governments for the provision of housing benefit - in the amount of 50 per cent of the actual expenses for housing benefit incurred in the period from 1 January 2022 to 31 December 20222	25.01.2022	0,00	-0,02	0,02
	Payment of support 20 euro per month for seniors and persons with disabilities in the period from 1 January 2022 to 30 April 2022	21.10.2021	0,00	-0,12	0,12
	Payment of support 50 euro per month for families with children in the period from 1 January 2022 to 30 April 2022	29.01.2022	0,00	-0,21	0,21
	Faster indexation of pensions (from August 2022)	14.07.2022	0,00	-0,14	0,14
	Support for seniors, persons with disabilities, persons who have lost their breadwinners (from 01.11.2022 to 30.05.2023, benefit amount	09.08.2022	0,00	-0,06	-0,08

	of 10, 20 or 30 euro per month, depending on the amount of the recipient's pension income)				
	Other support		0,00	-0,01	-0,02
	Total energy support		**-0,01**	**-2,04**	**0,54**
Costs related to Ukraine civilians	Payments to the international organizations	12.03.2022 29.04.2022	0,00	-0,02	0,02
	For local governments, expenses for accommodation and food for refugees, education for children		0,00	-0,14	0,14
	Other measures, incl. social benefits, funds for language training, health care related expenditure)		0,00	-0,03	0,03
	Total costs related to Ukraine civilians[3]		**0,00**	**-0,19**	**0,19**
	TOTAL		**-0,01**	**-2,23**	**0,73**

[3] In Latvia, since the beginning of the war in Ukraine, 34 015 Ukrainian civilians have been issued residence documents with the right to employment (data as of September 23, 2022).

Table B: COVID-19 related guarantees

Measure		Date of adoption	Maximum amount of contingent liabilities (% of GDP)	Estimated take-up (% of GDP)
COVID-19	Credit guarantees	24.03.2020	0,22	0,22
	Portfolio guarantees	24.03.2020	0,01	0,01
	Guarantees for economic operators	17.12.2020	0,01	0,01
	Total		0,24	0,24

Table C: RRF impact

Revenue from RRF grants (% of GDP)				
	2020	**2021**	**2022**	**2023**
RRF GRANTS as included in the revenue projections	0,00	0,00	0,29	0,92
Cash disbursements of RRF GRANTS from EU	0,00	0,72	0,52	0,00
Expenditure financed by RRF grants (% of GDP)				
	2020	**2021**	**2022**	**2023**
TOTAL CURRENT EXPENDITURE	0,00	0,00	0,10	0,32
Gross fixed capital formation P.51g	0,00	0,00	0,19	0,60
Capital transfers D.9				
TOTAL CAPITAL EXPENDITURE	0,00	0,00	0,19	0,60

Table 7: Divergence from Stability Programme 2022–2025

	ESA Code	2022	2023	2024
		% of GDP		
Target general government net lending/ net borrowing	B.9			
Stability Programme		-6,5	-2,8	-2,3
Draft Budgetary Plan		-7,0	-3,3	-0,7
Difference		-0,5	-0,5	1,6
General government net lending projection at unchanged policies	B.9			
Stability Programme		-6,5	-2,4	-1,8
Draft Budgetary Plan		-7,0	-3,3	-0,7
Difference[4]		-0,5	-1,0	1,1

[4] This difference can refer to both deviations stemming from changes in the macroeconomic scenario and those stemming from the effect of policy measures taken between the submission of the SP and the submission of the DBP. Differences are expected due to the fact that the no-policy change scenario is defined differently for the purpose of this Code of Conduct with respect to the Stability Programme.

Annex: Methodological aspects

Macroeconomic forecasts are developed by applying the medium-term macro-economic model. which ensures proper macroeconomic relationships within the forecasts and employs short-term and medium-term results of econometric models as well as expert assessment.

In the preparation of tax revenue projections. widely known forecasting methods and assumptions are applied. however the most used is a specially developed tool. i.e. the model LATIM-F. The most frequently used tax revenue forecasting techniques are as follows:

- using detailed tax revenue estimations;
- forecasting of tax revenue share in GDP, %;
- forecasting the actual taxable base/base modelled relationships;
- using expert assessment;
- using other techniques.

In order to project tax revenue. as stated above. the MoF applies the tax revenue forecast model LATIM-F. the main components of which are a data base of macroeconomic indicators. actual tax revenue and legislative changes (including tax rates. etc.). Moreover. in the process of analysis the information from the State Treasury. the State Revenue Service. the Central Statistics Bureau and other sources is used.