



REPUBLIC OF SLOVENIA
FISCAL COUNCIL

**The declaration of an epidemic is an
extraordinary event that enables a resort
to exceptional circumstances according to
the Fiscal Rule Act**

March 2020

Assessment by the Fiscal Council:

The declaration of an epidemic is an unusual event that enables a resort to exceptional circumstances and therefore temporary derogation from the medium term fiscal sustainability according to the Fiscal Rule Act

According to the Fiscal Council assessment, the declaration of an epidemic in Slovenia¹ meets the definition from Point 2 of Paragraph 1 of Article 12 of the Fiscal Rule Act (ZFisP), which, in the case of an unusual event that can not be controlled, enables a resort to exceptional circumstances for measures mitigating the consequences of such an event and thus temporary deviation from the medium term balance of public finances.

The outbreak of the SARS-CoV-2 virus will have a considerable negative impact on macroeconomic and fiscal trends. In such uncertain conditions, the economic policy should draft and promptly and aggressively implement a set of measures that will – apart from the measures to contain the spread of the epidemic to the greatest possible extent – prevent a fast and large decline in economic activity and employment. Slovenian and EU legislation also provide the procedure and time-frame of the so-called corrective mechanism for reestablishing the medium-term general government balance after the exceptional circumstances have ceased.

In anticipation of a considerable aggravation of the economic situation due to the outbreak and spread of the SARS-CoV-2 virus, the Fiscal Council notes that Point 2 of Paragraph 1 of Article 12 of the ZFisP permits, in the case of an unusual event that can not be controlled, and which has a major impact on the financial situation of the general government sector, a deviation from the medium-term balance provided that it does not endanger fiscal sustainability in the medium term. The Government determines whether exceptional circumstances exist or have ceased to exist, after obtaining the assessment of the Fiscal Council. According to Article 13 of the ZFisP, the extent of permitted deviations from the medium-term balance shall be defined by the National Assembly by adopting an amended Framework for drawing up budgets of the general government sector. In accordance with the EU fiscal rules in force, measures should be directly linked to the unusual event and permitted on a temporary basis only.² The Fiscal Council therefore expects the Government to detail and quantify these measures. Article 14 of the ZFisP provides the so-called corrective mechanism determining the procedure and time-frame for reestablishing the medium-term general government balance after exceptional circumstances have ceased to exist. Paragraph 1 of Article 14 provides that when the structural balance of the general government sector is lower than the minimum value as defined in Paragraph 1 of Article 3 of the ZFisP, the minister responsible for finance shall implement measures as defined in the Act governing public finance for the purpose of balancing public finance in the medium term. If these measures do not ensure that the structural balance of the general government sector is at least equal to the minimum value referred to in Paragraph 1 of Article 3, the Government shall, in accordance with Paragraph 2 of Article 14, within three months submit to the National Assembly for adoption a proposed amendment of the Framework and a proposal for a corrective action plan, which shall reinstate compliance with the medium-term balance.

¹ <https://www.uradni-list.si/glasilo-uradni-list-rs/vsebina/2020-01-0532/odredba-o-razglasitvi-epidemije-nalezljive-bolezni-sars-cov-2-covid-19-na-obmocju-republike-slovenije> (Slovene only)

² Vade Mecum on the Stability and Growth Pact 2019 Edition, str. 26 (https://ec.europa.eu/info/publications/vade-mecum-stability-and-growth-pact-2019-edition_en).