

Assessment of the fiscal impact of the Act Determining the Intervention Measures to Mitigate and Remedy the Consequences of the COVID-19 Epidemic (ZIUOOPE)

On 29 May 2020, the National Assembly adopted the Act Determining the Intervention Measures to Mitigate and Remedy the Consequences of the COVID-19 Epidemic (ZIUOOPE) or the third anti-coronavirus package. Upon the adoption of the first two intervention acts¹, the Fiscal Council carried out its own fiscal impact assessment and published it as part of the Assessment of the Stability Programme 2020 and the proposed Ordinance on the framework for the preparation of the general government budget.²

Preliminary estimates of the impact of individual legislative measures are uncertain as they depend on a number of assumptions. Nevertheless, according to the Fiscal Council's assessment and in line with international institutions' recommendations, they are needed to ensure the greatest possible level of transparency.³ Below are the key measures with the greatest anticipated fiscal impact, which can be assessed based on publicly available data and the sources used and the assumptions made by the Fiscal Council. The government's assessment of this Act's fiscal impact amounted to EUR 1 billion when it was put before the National Assembly; the discussion resulted in a few amendments that could have additional fiscal consequences. According to our estimates, the measures below have a direct fiscal impact of a little over EUR 0.5 billion.

Table: Estimated total direct fiscal impact of ZIUOOPE measures

| | in EUR million | in % GDP |
|---|----------------|------------|
| Partial subsidisation of part-time employment | 116 | 0.3 |
| Reimbursement of salary compensation for workers who have been temporarily laid off | 86 | 0.2 |
| Voucher to improve the economic situation in tourism consumption | 254 | 0.6 |
| Compensation for healthcare service providers due to loss of business | 88 | 0.2 |
| Allowance for hazards and special burdens for members of the Civil Protection Service | 7 | 0.0 |
| Funds for the SID Bank to finance economic operators in the road transport sector | 10 | 0.0 |
| TOTAL | 561 | 1.2 |

Source: Statistical Office of the Republic of Slovenia, Employment Service of Slovenia, Official Gazette, Fiscal Council Assessment.

Subsidisation of part-time employment

To preserve jobs, employers offering their employees at least part-time work will be entitled to a subsidy for the reimbursement of compensation for the remaining working time of 5 to 20 hours per week. The subsidy can be granted to employers that are unable to provide at least 90% of work to at least 10% of their employees. The subsidy is set at a fixed amount, depending on the hours of part-

¹ Act Determining the Intervention Measures to Contain the Covid-19 Epidemic and Mitigate its Consequences for Citizens and the Economy – ZIUZEOP (<http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO8190> - only in Slovene), Act Amending the Act Determining the Intervention Measures to Contain the Covid-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (<http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO8195> - only in Slovene) and Act on Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic – ZDLGPE (<http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO8197> - only in Slovene).

² Assessment by the Fiscal Council: Compliance of fiscal policy with the fiscal rules on the basis of the draft Stability Programme 2020 and the proposed Ordinance on the framework for the preparation of the general government budgets for the 2020–2022 period (pp. 16–24 and 31–33). Available at: <http://www.fs-rs.si/assessment-by-the-fiscal-council-compliance-of-fiscal-policy-with-the-fiscal-rules-on-the-basis-of-the-draft-stability-programme-2020-and-the-proposed-ordinance-amending-the-ordinance-on-the-framework/>.

³ Regarding the role of independent fiscal institutions in monitoring economic policy measures during the epidemic, see OECD's overview (https://read.oecd-ilibrary.org/view/?ref=133_133360-7vldtk948h&title=Independent-fiscal-institutions-promoting-transparency-and-supporting-accountability-during-the-Coronavirus-%28COVID-19%29-pandemic)

time employment, i.e. between EUR 112 and EUR 448. The measure will be in place until the end of 2020.

The basis for the calculation of the measure's fiscal impact was the assessment of vulnerable jobs which was made according to the most recent available data on the number of temporarily laid-off workers⁴ and the net inflow into registered unemployment from the end of February to the end of May.⁵ As the measure of reimbursement of salary compensation for workers who have been temporarily laid off was extended until the end of June with the adoption of the ZIUOOPE, it was assumed that, in June, each of the two measures would cover half of the vulnerable jobs in May. The assessment of vulnerable jobs for the coming months until the end of the year was made based on the anticipated monthly fluctuations in added value according to a Bank of Slovenia scenario⁶, namely Scenario 2 that predicts an approximately 10% drop in this year's GDP based on the anticipated suspension of activities between mid-March and the end of May (10 weeks). The estimates from the scenario were additionally adjusted downward based on the number of persons covered by both measures in the tourism sector. The fiscal impact assessment was based on the assumption that all potential persons covered by the measures received the maximum subsidy amount (EUR 448).

Reimbursement of salary compensation for temporarily laid-off workers

Beneficiaries of this measure are all employers in the Republic of Slovenia with the exception of direct or indirect users of the budget of the Republic of Slovenia or a municipal budget whose share of revenue from public funds in 2019 exceeded 70% and employers that engage in financial or insurance activities and have more than 10 employees. An additional condition of entitlement is a 10% decrease in the employer's income in 2020 compared to the previous year. The measure will be in place until 30 June 2020. The compensation amount is the same as according to the ZIUZEOP – workers receive compensation in the amount of 80% of their average monthly salary for full working time of the past three months that, in addition, may not be lower than the minimum wage. One important difference in comparison with the ZIUZEOP is the amount of reimbursement of the salary compensation paid by the state. Under the ZIUOOPE, the state pays employers 80% of the compensation (i.e. 80% of 80% of the average gross salary in the past three months). Furthermore, the upper limit of the reimbursement of compensation paid under the ZIUZEOP was set at last year's average monthly salary (EUR 1,754 gross), while under the ZIUOOPE, it was set as the maximum unemployment compensation amount (EUR 893 gross). With both acts, the upper limit of the state's reimbursement includes the payment of salary compensation together with all social insurance contributions.

The basis for the calculation of this measure's fiscal impact was the above-mentioned available data on the number of employees who have been temporarily laid off, assuming that, in June, each of the two job preservation measures will cover half of the vulnerable people. The calculation of salary compensation is the last available data of the Statistical Office of the Republic of Slovenia on the average monthly gross salary of employees paid between January and March 2020 by legal entities other than budget users, calculated from the number of hours paid.⁷

⁴ According to the data of the Employment Service of Slovenia as at 25 May 2020, 192,592 persons were temporarily laid off.

⁵ According to the data of the Employment Service of Slovenia, the net inflow into registered unemployed between March and May 2020 amounted to 12,931 persons.

⁶ Assessing the Impact of the COVID-19 Outbreak on the Slovenian Economic Outlook, March 2020 (<https://www.bsi.si/en/media/1478/slovensko-gospodarstvo-bo-v-boju-s-koronavirusom-placalo-visoko-ceno>).

⁷ https://pxweb.stat.si/SiStatDb/pxweb/en/10_Dem_soc/10_Dem_soc__07_trg_dela__10_place__01_07010_place/0701060S.px/.

Voucher to improve the economic situation in tourism consumption

In order to remedy the consequences of the epidemic in tourism, every permanent resident of the Republic of Slovenia who will turn 18 in 2020 will receive a voucher in the amount of EUR 200 and all other persons who do not meet the age criterion will receive a voucher in the amount of EUR 50. The voucher can be redeemed until the end of 2020 for accommodations or overnight stays with breakfast with providers entered in the Register of Accommodation Facilities managed by the Agency of the Republic of Slovenia for Public Legal Records and Related Services.

Based on the data of the Statistical Office of the Republic of Slovenia on the number of permanent residents in Slovenia⁸, the measure is worth approximately EUR 350 million. In assessing the actual fiscal impact, the total amount of issued vouchers was decreased by VAT in the amount of 9.5% charged by the provider. The assessment was also based on the assumption that 80% of vouchers will be redeemed⁹.

Compensation for healthcare service providers due to loss of business

Article 76 of the ZIUOOPE provides that healthcare service providers that were prevented from performing their contractual obligations with the Health Insurance Institute of Slovenia during the epidemic will be reimbursed 80% of the difference between the full amount of the monthly agreed contract programme for 2019 and the realised programme value from the state budget. The Ministry of Health estimates this difference at EUR 110 million¹⁰; the fiscal impact of this measure therefore amounts to approximately EUR 88 million.

Other measures

- Article 66 of the ZIUOOPE provides that members of the Civil Protection Service shall be entitled to an allowance for hazards and special burdens during the epidemic in the amount of EUR 30 per day. According to provisional data, an average of 3,000 members of the Civil Protection Service were active on a daily basis during the epidemic.¹¹ If everyone were entitled to an allowance, 80 days of epidemic would amount to EUR 7.2 million.
- Article 39 of the ZIUOOPE provides for the provision of funds for the SID bank to finance economic operators in the road transport sector. The state will allocate EUR 10 million for this measure.

⁸ https://pxweb.stat.si/SiStatDb/pxweb/en/10_Dem_soc/10_Dem_soc__05_prebivalstvo__50_05V10_osebe_stalno_prebivalisce/05V1006S.px/.

⁹ The State Secretary at the Ministry of Economic Development and Technology estimates that between 50 and 70 percent of vouchers will be redeemed (<https://www.delo.si/novice/slovenija/cakanje-na-domu-podaljsano-za-vse-panoge-314114.html> - only in Slovene).

¹⁰ <https://www.dnevnik.si/1042929898/slovenija/88-milijonov-evrov-je-hudo-premalo> - only in Slovene.

¹¹ <https://siol.net/novice/slovenija/po-koncu-epidemije-najtezja-je-bila-nepredvidljivost-526649> - only in Slovene.