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Position of the Fiscal Council on the legal framework for medium-term fiscal planning

The Fiscal Council calls for accelerated adoption of the new Public Finance Act, so that, among other things, the provisions of the Directive on requirements for budgetary frameworks of the Member States (2011/85/EU) will finally be transposed appropriately and the new act can be applied in budgetary procedures as of the beginning of 2018.

Furthermore, the Fiscal Council believes that an improved legal basis for the budgetary planning of indirect budget spending units will be of great importance for ensuring more stable public finances.

Slovenia should have adopted the regulations necessary for the transposition of Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States by 31 December 2013. It has not yet adopted the legislation necessary to transpose the provisions of Chapter V of the Directive concerning medium-term budgetary frameworks. These provisions would be transposed into Slovenian legislation by the new Public Finance Act, which has been publicly discussed since the beginning of 2016.

In the final phase of the draft Public Finance Act coordination, the Fiscal Council calls for its accelerated adoption, so that it can already be applied in budgetary procedures in 2018.

The Fiscal Council believes that an improved legal basis for budgetary planning of the expenditure of indirect budget spending units will be of great importance for ensuring more stable public finances. This is evident from this year's experience, as the framework of budgetary spending has been changing through the year owing to the difficulties of government sector units that are financed outside the state budget.

It would also be reasonable for every new government upon taking office to adopt a medium-term strategy and define all the key elements for its implementation. Later the strategy could be updated as necessary only in the event of significant or exceptional external changes in circumstances. If the government changes the medium-term strategy each year, the strategy loses the necessary credibility.

The legal basis for medium-term planning, including the Public Finance Act, should in accordance with Article 148 of the Constitution of the Republic of Slovenia and Council Regulation (EC) No 1055/2005 also give due consideration to providing a balanced long-term general government budget or the structural balance and to a more detailed definition of measures affecting the general government balance in long-term.

The new Public Finance Act should also provide for an effective system for responding to the recommendations and assessments of the Fiscal Council and thus upgrade the provisions of the Fiscal Rules Act.