

Press release: Introduction of conditions enabling the application of exceptional circumstances under the Fiscal Rule Act, and the publication of the assessment of the Coalition Agreement

The Fiscal Council concluded that the declaration of the epidemic in Slovenia constitutes an unusual event under Point 2 of Paragraph one of Article 12 of the Fiscal Rule Act (ZFisP) enabling the application of exceptional circumstances to measures mitigating the consequences of such an event, and hence allowing a deviation from the medium-term balance of public finances. Before the epidemic was declared, the Fiscal Council assessed the Coalition Agreement; this assessment is, according to the established practice, published after a Government has been approved by the National Assembly. It also assesses that considering the current unusual situation, the measures noted in the Coalition Agreement will not be topical soon.

The outbreak of the SARS-CoV-2 virus will have a significant impact on macroeconomic and fiscal trends. An increase in the general government expenditure owing to the measures aimed at preventing the spread of the epidemic and limiting its adverse effects on the economy, and a decrease in revenue caused by declining economic activity are very likely to result in a deviation from the medium-term balance of public finances. This deviation is envisaged by the ZFisP and the Stability and Growth Pact in the case of an unusual event that can not be controlled. It should be provisionally reflected in an extremely expansionary counter-cyclical fiscal policy and is in compliance with fiscal rules if exceptional conditions are established, and such measures are temporary and directly connected with the unusual event. Following the end of the exceptional circumstances, Slovenian and EU legislation prescribe a procedure and a time-frame of the so-called correction mechanism to restore the medium-term balance of the general government sector.

Considering the pandemic nature of this crisis, the Fiscal Council expects that EU Member States will adopt common solutions to tackle the crisis and the fiscal measures for mitigating its consequences. The Fiscal Council therefore calls upon the Government to align its measures with those of other EU Member States and EU institutions to the greatest extent possible. When ensuring financial resources, it is important for Slovenia to minimise its exposure to financial markets.

The Coalition Agreement on Cooperation in the Government of the Republic of Slovenia 2020-2022 includes a package of measures primarily defined in general terms. These measures are to a large extent a continuation of the measures already planned by the budget documents in force and to a great extent also exceed the Government's two-year term in office. Measures for which it is possible to define the direction of their impact on revenue and expenditure of the general government are primarily directed towards rising expenditure, although one of the declared basic goals of the Coalition Agreement is to lower public spending. The Agreement also lacks a comprehensive approach to tackling long-term challenges of Slovenian public finance. It is understandable to a certain degree that the proposed measures are not defined in detail as the new coalition has been formed in a short time-frame.