

Opinion of the Fiscal Council issued at the adoption of measures to mitigate the consequences of the COVID-19 epidemic

On 2 April 2020, the National Assembly approved the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (hereinafter: the Act).¹ International organisations recommend that measures be implemented in a rational order by addressing, as far as possible and as effectively as possible, the areas most severely affected by the epidemic at certain stages, and at the same time opening up room for economic policy in the further stages of recovering from the epidemic's consequences.² Following these recommendations, it is first necessary to provide adequate resources for the needs of the health system. In the next phase, it is imperative to preserve jobs and to ensure that the economy functions as normally as possible, thereby maintaining the long-term economic potential.

On 17 March 2020, the Fiscal Council assessed that the declaration of an epidemic in Slovenia constitutes an "unusual event" which, under Article 12 of the Fiscal Rule Act, provides to make use of exceptional circumstances for taking measures aimed at mitigating the consequences of such an event and thus temporarily derogating from the medium-term fiscal balance.³ In the current situation, large-scale and multi-layered effective government action to mitigate the effects of the epidemic is justified. Domestic and international institutions forecast a deep decline in economic activity due to the domestic and international dimensions of the epidemic. This year the fall in economic activity will, together with the measures taken so far, result in a high deficit and thus higher general government debt.

After reviewing and evaluating the content of the Act, the Fiscal Council estimates that the content of the measures is largely in accordance with the recommendations of international organisations and their scope is also comparable to those adopted in other countries. Despite the fact that temporary derogation from medium-term fiscal sustainability is justified and by taking into consideration the discussions during the adoption process of the Act we hereby call on all stakeholders, when adopting further measures, to follow the principle of focusing on the elimination of consequences of the pandemic in a more stringent manner as compared to the recent proceedings and to keep the measures simple and time limited. Being aware of the increased general social and economic uncertainty accompanied by considerable public finance cost of measures, we recommend thinking more carefully about when, or at what stage of the epidemic would certain measures be most effective or what will it be the right timing for potential incentive measures to revive the economy. The combination of the measures adopted and their implementation will be key in determining whether at the end of the epidemic the Slovenian economy will be in a state that allows for the fastest possible resolution of the crisis. A quick exit from the crisis, and thus the restoration of confidence, is one of the prerequisites for ensuring social security and economic well-being, as well as for ensuring fiscal sustainability in the longer term.

¹https://www.dz-rs.si/wps/portal/Home/deloDZ/zakonodaja/izbraniZakonAkt?uid=2C6DA06664D33432C125853E00653755&db=pre_zak&mandat=VIII&tip=doc

²Opinions of the International Monetary Fund, Council of Europe and OECD are available at:

<https://blogs.imf.org/2020/04/01/economic-policies-for-the-covid-19-war/>

<https://blogs.imf.org/2020/03/09/limiting-the-economic-fallout-of-the-coronavirus-with-large-targeted-policies/>

<https://www.consilium.europa.eu/en/policies/covid-19-coronavirus-outbreak/>

[https://read.oecd-ilibrary.org/view/?ref=119_119674-tbcxotkmhb&title=Coronavirus_\(COVID-19\)Joint_actions_to_win_the_war](https://read.oecd-ilibrary.org/view/?ref=119_119674-tbcxotkmhb&title=Coronavirus_(COVID-19)Joint_actions_to_win_the_war)

³http://www.fs-rs.si/wp-content/uploads/2020/03/Assessment_extraordinary-event-under-the-Fiscal-Rule-Act-_March-2020.pdf