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The impact of the envisaged increase in public investment will be smaller without the simultaneous improvement in the efficiency of the institutional framework and a more appropriate orientation of investments

In principle, public investment can make a positive contribution to economic growth and the strengthening of economic potential, and thus to developmental catch-up . The available fiscal plans and guidelines for the creation of the EU Next Generation Fund suggest that public investment should play a key role in ensuring the recovery from the current epidemic crisis while at the same time addressing key development challenges. At this point, it should be noted that public investment funds must be used efficiently with respect to the limited fiscal space as a result of the increase in public debt, given frequent significant and unexpected shocks and long-term challenges to the sustainability of public finance. The multiplier effects of increasing public investment are uncertain and depend on many factors, largely on the effectiveness of the institutional framework. The analysis shows that Slovenia, in the absence of visible progress over a long period, lags behind the most successful EU Member States in terms of both the quality of the institutional framework and the efficiency of public investment.

By reviewing the trends and structure of public investment and quantitative and qualitative indicators of the state of public infrastructure in Slovenia over a long period, we show that Slovenia lags behind the most developed EU Member States in areas identified as priorities within the EU Fund for Recovery and Resilience. These are mainly areas of digitisation and green transition. Within the latter, in the field of sustainable mobility, the lag in the quality of railway infrastructure and in the volume of energy production from renewable sources stands out. Slovenia's lagging behind the best EU Member States can also be seen in the areas of health and education, where public investment in the years before the epidemic dropped below the long-term average.

Our analysis also shows that, in Slovenia, fiscal consolidation in the years prior to the epidemiological crisis took place to a lesser extent through a reduction in public investment than in most other EU Member States. In the absence of credible medium-term planning and spending, the movement of public investment was mainly influenced by the dynamic of the use of European funds, namely to a greater extent than the average of the new EU Member States. In order to increase the efficiency of the public investment, it would be advisable to strengthen the medium-term fiscal framework, which would help improve investment planning and planning coherence between different levels of government, and better coordinate the national and sectoral development strategies and integrate them more fully into the budget planning process.