

13 May 2021

Report on the Fiscal Council's operation in 2020

The Fiscal Council has prepared a report on its operation in the past year, which it is obliged to submit, pursuant to the Fiscal Rule Act, to the National Assembly of the Republic of Slovenia by the end of May each year.

The Fiscal Council estimates that in 2020 all the obligations imposed by legislation were duly fulfilled in their entirety. In 2020, it carried out all the necessary assessments of budget documents. Furthermore, it monitored the response to the epidemic in the period of exceptional circumstances, in which using all the flexibility available under existing rules applicable in the case of an unusual event outside the control of the state is encouraged at the EU level. It strived to contribute to the transparency and to informing the public about the fiscal impact of the measures related to the epidemic. For this reason, it relied even more heavily than before on the qualitative assessment and evaluation of whether or not the measures to overcome the crisis can be effective and oriented towards actually resolving the issues related to the epidemic. In this regard, the temporary nature of such measures is important, meaning that their effect expires when the reasons for them subside. Therefore, in 2020, the Fiscal Council repeatedly called upon stakeholders to avoid intervention measures that structurally worsen the state of public finances in the medium term.

The Fiscal Council began assessing compliance with fiscal rules in budget documents in the years of lively economic activity and fiscal nominal surpluses achieved in a relatively comfortable manner. Considering the epidemic and the significant decline in economic activity, the year 2020, to which this Fiscal Council report refers, is a clear turning point and a transition to a period of prolonged uncertainty due to exceptional circumstances caused by the pandemic. The year 2020 also marks a turning point in the economic policy response practiced in previous crises, both at the monetary policy level and in terms of the orientation of fiscal policy priorities in the EU during the crisis, together with the new aid instruments adopted. Thus far, the current fiscal rules have proven to be flexible enough to respond appropriately even in these changed circumstances, as they also allow for measures aimed at the recovery of economic activity. However, despite the temporary exemption from pursuing the medium-term balance in times of exceptional circumstances, they remain the main support of the fiscal policy in the medium and long term where decisions are made on which fiscal stability and, in turn, the well-being of the population now and in the future depends. Support in achieving both goals in the medium and long term is the guiding principle of the Fiscal Council's operations.