Chapter 9

Slovenia: Fiscal Sovereignty in the Frame of European Semester

Rado Bohinc

Abstract

This chapter explores the similarities and differences of *Slovenia's public finance system* in terms of its position as a Member State of the European Union (EU) and Economic and Monetary Union, thereby identifying the reasons for potentially differing viewpoints. The chapter focuses on sovereignty and the advantages and challenges of the EU as a supranational community in the field of economic policy, with special regard to aligning the objectives of the EU and those of its Member States. The *Introduction* outlines the European Semester and presents data on the state debt and budget deficit in Slovenia. The *first section* then presents the constitutional rules in public finance in the Republic of Slovenia and discusses the theory on the republic's budgetary independence and fiscal sovereignty at the various levels of public finance. This discussion includes consideration of the question of fiscal sovereignty in the EU versus its Member States. Next, the constitutional guarantees for the preservation of the deficit and debt level, including the fiscal rule in the Constitution of the Republic of Slovenia, are explored. The *second section* presents the rules guaranteeing the preservation of the fiscal deficit and state debt and the role of the central budgetary procedure and its stages. First, the EU legal framework on fiscal and macroeconomic surveillance, as well as the Slovenian national fiscal legal framework, the fiscal rule, and the impact of central budgetary planning on maintaining a balanced budget, are considered. The procedure of adopting and implementing the budget and reporting and control audit are also discussed in this section. In the *third section*, new trends in national fiscal policy, sustainability, and its implications for fiscal policy are examined, in addition to the fiscal policy challenges caused by technological

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development, digitalisation, and the energy crisis. This section also tackles the topic of crisis management methods related to COVID-19 and the energy crisis.

Keywords: *state debt, budget deficit, fiscal policy, fiscal rule, macroeconomic surveillance, municipal finance, excessive indebtedness, macroeconomic balances, economic governance, European Semester*

1. Introduction

In Slovenia, the regulation and determination of state debt are governed by the requirements set by the European Union (EU) in relation to the Stability and Growth Pact (SGP) and the European Semester (ES). The SGP is an EU framework that aims at ensuring fiscal discipline among Member States. To approximate the level of state debt to the EU criteria, Slovenia follows certain rules and mechanisms. As a member of the EU and the Economic and Monetary Union, Slovenia is also required to adhere to the criteria set by the EU in the SGP, which stipulates limits for budget deficits and public debt levels to ensure the stability and sustainability of Member States' finances.

One of the key indicators used to approximate the level of state debt to the EU is the debt-to-gross domestic product (GDP) ratio. Slovenia aims to keep its debt-to-GDP ratio below the reference values established by the EU, which are 60% of GDP for public debt and 3% for the budget deficit. To ensure compliance with the EU criteria and maintain fiscal stability, Slovenia actively participates in the ES process, regularly monitors its state debt levels, implements measures to reduce debt if necessary, and provides reports to the European Commission (EC).

2. Constitutional rules of public finance

2.1. Theoretical issues of fiscal deficit and state debt

2.1.1. An overview of academic standpoints

Academic standpoints, as well as the positions on what could be the appropriate level of fiscal deficit in Slovenia and how to ensure EU compliance, are diverse. This chapter discusses the question of whether the fiscal deficit in Slovenia is compliant with the level determined by EU rules and the mechanism that obliges the state to keep its deficit under the level prescribed by EU law. Different concepts and academic views in the field of state debt are raised. In addition, the chapter explores the issue of how the state debt in Slovenia is determined and regulated, and explains the restricting rule that approximates the level of state debt to the EU criteria.

2.1.2. Theory on EU sovereignty issues

Economic sovereignty refers to a country's ability to exercise control over its economic policies, resources, and decision-making processes without external interference. Sovereignty is one of the contentious issues in the debate on EU economic governance. The EU has developed a complex system of economic governance that involves a mix of supranational, intergovernmental, and national-level decision-making. This has raised concerns among some EU Member States about the erosion of their sovereignty and their ability to control their own economic policies.

In general, scholars' positions on economic sovereignty vary depending on their backgrounds, ideologies, and research interests. Some viewpoints advocate for a strong emphasis on economic sovereignty, arguing that it is crucial for protecting national interests, preserving cultural identity, and pursuing independent economic policies. These perspectives highlight the importance of safeguarding key industries, promoting domestic production, and reducing reliance on foreign entities. On the other hand, some more nuanced views recognise the benefits of globalisation, international trade, and foreign investment. They argue that complete economic isolation or protectionism could limit opportunities for growth and innovation. These views also emphasise the importance of balancing economic sovereignty with engagement in the EU and the global economy, seeking mutually beneficial relationships, and participating in regional or international economic integration initiatives.

2.1.3. Fiscal sovereignty

The EU provisions on the ES obliging Member States to prepare a stability programme and a reform programme that include the coordination of the budget deficit and public debt are of key importance and represent a fundamental starting point for Slovenia. Certainly, more than any political direction, they influence the preparation and discussion of the budget and, thus, the country's fiscal policy. It is crucial for Member States that the European Council examines the programmes based on the assessment of the EC, in particular the progress made toward achieving medium-term budgetary objectives and adopting an opinion, as an integral part of the country-specific recommendations.

Governments are aware that Member States can be asked to adapt their stability programmes and that the Commission and EC monitor the implementation of these programmes. This is the real context when talking about fiscal sovereignty.

In Slovenia, the state authorities take both the opinions and recommendations accepted in the evaluation process very seriously; therefore, it is questionable to even discuss the non-binding nature an opinion or recommendation, given that there are consequences that every country wants to avoid. Thus, *de facto*, these opinions and recommendations are mandatory guidelines for conduct in budget preparations and procedures.

The rules are strict and enforceable, and not simply recommendations that a Member State can follow: they thoroughly and directly interfere with a Member State's sovereignty in relation to its autonomy in the field of public finances and, consequently, taxes, monetary policy, and state aid. Another question is whether this is, in the long term, a harmful or beneficial intervention in the democracy and sovereignty of Member States. Sooner rather than later, long-term solid public finances and, thus, the economy and society become the political responsibility of the leaders of the Member State.

2.1.4. An appropriate fiscal rule for sustainable growth and stable public finances

The theory deals extensively with the question of the form in which the fiscal rule should be re-enforced. The prevailing criticism is that the Maastricht and SGP criteria were created in completely different macroeconomic circumstances. Damjan argues that since the beginning of the 1990s, the economic situation upon which the Maastricht public debt limit and the concept of the fiscal framework within the SGP are based has changed drastically.[1] He further states that in such a situation, insisting on a fiscal rule based on the context of the 1970s and the indicators of the 1990s would be completely misplaced, ineffective, and unsustainable. Referring to Ubide,[2] Damjan proposes four measures:[3] abolishing the 60% debt-to-GDP target, making the NextGen Fund and Eurobonds permanent, introducing the principle of the golden rule for national budgets, and strengthening mandatory spending reviews by independent national fiscal councils. Damjan suggests that these four measures should be supplemented by a simple fiscal rule specific to each country that focuses on a single instrument – the trajectory of the primary budget balance.

2.1.5. Was the introduction of the constitutional fiscal rule necessary?

In 2013, provoked by the post-crisis EU debate on the fiscal discipline of Member States and in the light of the measures adopted at the EU level, Slovenia amended its constitutional rules on public spending and enforced the mandatory fiscal rule. According to the theory[4] in Slovenia, this constitutional amendment was not necessary

1 Damijan, 2021; See also: Blanchard, Alvaro and Zettelmeyer, 2021.
2 Ubide, 2017.
3 Damijan, 2021.
4 Kamnar and Borak, 2013.

at all because the compliance of regulations with the international Acts to which Slovenia has acceded is already determined by Art. 8 and Art. 153 of the Constitution of the Republic of Slovenia.[5] Art. 8 of the Constitution explicitly stipulates that laws and other regulations must be in accordance with the generally applicable principles of international law and international treaties that bind Slovenia. Ratified and published international treaties are applied directly. Meanwhile, Art. 153 explicitly states that laws must be in accordance with generally applicable principles of international law and with valid international treaties ratified by the National Assembly, as well as with other ratified international treaties. As the theory correctly notes, the National Assembly ratified the Treaty on Stability, Coordination and Governance in the Economic Monetary Union (TSCG).

The adoption of an amendment to Art. 148 was unnecessary as ratified international treaties are part of the Slovenian legal order. Experts have also commented on the use of terminology, namely, that different terms are used inconsistently for the same concept: in the first paragraph, receipts and expenditures, and in the second paragraph, revenues and expenditures.[6]

2.1.6. Small countries must be more fiscally cautious than large ones

Based on experience, the literature[7] states that small countries, including Slovenia, must be more fiscally cautious than large ones. In 2013, Slovenia was on the verge of bankruptcy, even though public debt at that time was only 45% of GDP, significantly below the Maastricht criterion (80% of GDP) and today's level (86% of GDP). According to Mrak,[8] it is unwise to take the Maastricht criteria as a reference. Mrak[9] is very critical of the government, which is creating a large deficit this year (2024) with significant public spending and plans to continue to do so for the next two years. According to him, the public finance deficit is expected to decrease significantly under these circumstances, when economic growth has stabilised.

2.2. Constitutional guarantees for the preservation of the deficit and debt level

2.2.1. Fiscal rule in the Constitution of the Republic of Slovenia

Constitutional provisions are set out in Chapter VI of the Constitution of Slovenia and several laws and sub-laws that regulate public finances, state and municipality

5 Official Gazette of the RS, no. 33/91-I, 42/97 – UZS68, 66/00 – UZ80, 24/03 – UZ3a, 47, 68, 69/04 – UZ14, 69/04 – UZ43, 69/04 – UZ50, 68/06 – UZ121,140,143, 47/13 – UZ148, 47/13 – UZ90,97,99, 75/16 – UZ70a in 92/21 – UZ62a.

6 See: Constitution of Slovenia

7 Mrak, 2021; Mrak, 2022.

8 Mrak, 2021; Mrak, 2022.

9 Mrak, 2021; Mrak, 2022.

funding, taxes, and the budget. Art. 148 of the Constitution was introduced into the Slovenian legal order in its current form by the Constitutional law UZ148, which entered into force on 24 May 2013. The first sentence of the second paragraph of this article, which regulates the constitutional fiscal rule, stipulates that the medium-term balance of revenues and expenditures of state budgets without borrowing, or revenues, must exceed expenditures. The amended Art. 148 also provides an exception to this rule, namely, that this principle may be temporarily waived, but only in exceptional circumstances for the state.

Medium-term balancing means that the duty of such fiscal management and planning focuses on the state of public finances throughout the entire economic cycle and not only on the current budget year, and takes into account the current state of the national economy in the cycle in each year. The medium-term balance of the country's budgets without borrowing can be achieved in several ways defined by law. The amended Art. 148 of the Constitution mandates a rational and long-term sustainable public finance policy, as well as the prevention of excessive borrowing and the creation of high budget deficits and high levels of public debt, which could lead to the illiquidity and insolvency of the state.

2.2.2. Fiscal Rule Act

The Fiscal Rule Act (FRA),[10] which was, according to the Constitution, adopted by the National Assembly with a two-thirds majority in 2015, determines *the method and time frame* of the implementation of the principle of balance, the criteria for determining exceptional circumstances, and what actions should be taken when they occur. The Constitution stipulates that the duty of medium-term balancing (second paragraph of the amended Art. 148 of the Constitution and the FRA) was to be used for the first time for the preparation of the state budget for 2015. The duty of gradual adjustment, which enabled the preparation of the state budget for 2015 in accordance with the amended Art. 148, appeared by promulgating the constitutional law.

According to Art. 3 of the FRA, revenues and expenditures of general government budgets are balanced (in the medium term without borrowing) if the structural balance of the general government sector in a given year is not lower than the minimum value set in the ratified international (EU) TSCG in the Economic and Monetary Union. The medium-term balance is ensured by limiting the projected volume of general government expenditure upwards to the level that ensures such compliance.

10 Official Gazette of the RS, no. 55/15, 177/20, compr. and 129/22

3. The rules of guarantee for the preservation of fiscal deficit and state debt and the role of the central budgetary procedure and its stages

3.1. Institutional framework

3.1.1. EU legal framework of fiscal and macroeconomic surveillance

In Slovenia, in addition to the Constitution, several national laws and government regulations govern fiscal deficit and state debt. These laws outline the fiscal principles, procedures, and borrowing limits in line with EU fiscal rules.

An important legal system feature of the ES is that the vast majority of rules from 1997 up to the present day have been created by EU regulations, rather than directives. EU regulations are binding legal Acts that have a direct effect on Member States' laws. Consequently, the development of fiscal legislation in Member States (except in rare cases) did not proceed with the adaptation to or harmonisation with European directives; instead, EU rules were implemented with immediate, direct effect. The question of sovereignty must, therefore, be resolved in the procedures for the adoption of EU regulations, which is a matter of primary law (Treaty on the European Union, TFEU). The most relevant pieces of the EU legislation in this field are: (i) Arts. 121, 126, and 148 of the TFEU, attached Protocol 12 and Regulation 1173/201 (the deficit criterion: the public finance deficit is considered excessive if it is higher than the reference value of 3% of GDP at market prices; or the debt criterion: the debt is higher than 60% of GDP, and the annual target reduction of the debt by one-twentieth of the debt amount exceeding the 60% limit has not been achieved in the last three years); (ii) The six legislative Acts (the 'Six Pack') that reformed the SGP, especially Regulation 1175/2011;[11] (iii) The Fiscal Pact,[12] as an intergovernmental agreement that the budget expenditures of the signatory countries should not exceed 3% of GDP, and a slightly more narrowly defined structural deficit of 0.5% or 1% of GDP, depending on the state of indebtedness of the public finances in the signatory country; (iv) Several EU regulations that form the direct legal basis for the

11 Regulation (EU) No 1175/2011 of the European Parliament and of the Council of 16 November 2011 amending Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies, OJ L 306, 23.11.2011, 12–24.

12 The TSCG, also known as the 'Fiscal Compact', is an intergovernmental Treaty signed by the EU Member States (except the Czech Republic and the United Kingdom) on 2 March 2021. The main provision of this Treaty is the requirement to have a balanced budget rule in domestic legal orders.

so-called budgetary surveillance (Pillar 1),[13] macroeconomic surveillance (Pillar 2),[14] and socioeconomic coordination (Pillar 3)[15] of the ES process.

3.1.2. Legal framework of Slovenian public finance

Budgetary and other fiscal issues in Slovenia are based on the following financial laws and policy Acts: (i) The FRA determines the method and period of implementing the principle of medium-term balance of the revenues and expenditures of state budgets without borrowing (medium-term balance), the criteria for determining exceptional circumstances in which the medium-term balance may be deviated from, and the manner of dealing with their occurrence or termination; (ii) The Public Finance Act (PFA)[16] governs the preparation and execution of the Slovenian budget, the management of state property, state borrowing and guarantees, the management of public debts (the terms and scope of state borrowing), the accounting and internal control of public finances, and budget inspection.

The PFA also lays down the rules applicable to the *Health Insurance Institute of Slovenia* and the *Pension and Disability Insurance Institute of Slovenia* (related to

13 Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies, OJ L 209, 2.8.1997, 1–5 (the preventive arm of the Stability and Growth Pact); Regulation (EU) No 1175/2011 of the European Parliament and of the Council of 16 November 2011 amending Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies, OJ L 306, 23.11.2011, 12–24; Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure, OJ L 209, 2.8.1997, 6–11; Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community, OJ L 145, 10.6.2009, 1–9; Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability, OJ L 140, 27.5.2013, 1–10; Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area, OJ L 140, 27.5.2013, 11–23.

14 Regulation (EU) No 1173/2011 of the European Parliament and of the Council of 16 November 2011 on the effective enforcement of budgetary surveillance in the euro area, OJ L 306, 23.11.2011, 1–7; Regulation (EU) No 1174/2011 of the European Parliament and of the Council of 16 November 2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area, OJ L 306, 23.11.2011, 8–11; Council Regulation (EU) No 1177/2011 of 8 November 2011 amending Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure, OJ L 306, 23.11.2011, 33–40; Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States, OJ L 306, 23.11.2011, 41–47.

15 Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances, OJ L 306, 23.11.2011, 25–32; Art. 28 of the Charter of Fundamental Rights of the European Union, OJ C 326, 26.10.2012, 391–407.

16 Official Gazette of the RS, no. 11/11 – official consolidated text, 14/13 – corr., 101/13, 55/15 – FISP, 96/15 – ZIPRS1617, 13/18 and 195/20 – US; partially transposes into the legal order of the RS Council Directive 2011/85/EU.

the compulsory part of these types of insurance), public funds, public institutes and agencies when drawing up and submitting financial plans, managing cash, borrowing, guaranteeing, accounting, submitting annual reports and the internal control of public finances, and budgetary inspections.

In addition, the PFA regulates borrowing and the granting of guarantees by public institutes, public companies, and other legal entities in which the state or municipality has a decisive influence on management. Further, it regulates the medium-term planning of fiscal policy and measures to ensure fiscal discipline and establishes rules for the use of surpluses of institutional units in the general government sector. (i) The Budget Execution Act (BEA) determines the composition of the budget and the specifics of its implementation. The BEA also defines the use of cohesion policy funds, assigned revenues, and state revenues. In addition, the BEA governs the volume of borrowing and guarantees of the state and public sector at the state level. It also stipulates the assumption of obligations and other issues related to the implementation of the budget for the current year. (ii) The Accounting Act[17] governs the keeping of business books and the preparation of annual reports for the budget, budget users, and legal entities under public law, as well as legal entities under private law that do not keep business books on the basis of the Companies Act. (iii) The Transparency of Financial Relations and Separate Registration of Various Activities Act[18] governs the transparency of financial relations of state bodies and bodies of self-governing local communities with public undertakings and legal persons, sole proprietors, and private individuals who carry out activities in the general interest on the basis of an exclusive or special right or public authority. (iv) *The Financing Programme of the Slovenian central government budget for the fiscal year*[19] is the basic operational document for financing the execution of the state budget and government debt management transactions. It defines the structure of instruments for financing the state budget and managing government debt.

For the purpose of our discussion, it is important to note that *Slovenian fiscal legislation strictly follows EU legislation*; in fact, there are mainly *regulations with direct effect* on this field. The EU fiscal regulation is very detailed, especially the parts that determine the limits of borrowing and the budget deficit and those related to the procedures for adopting the budget Acts of the Member States (the ES). In addition to regulations that have direct effects, there is, for example, the *Directive 2011/85/EU* on requirements related to the budget frameworks of Member States, which was transposed into the legal order of Slovenia by the FRA, PFA, and BEA. Directive 2011/85/EU lays down detailed rules necessary to ensure Member States' compliance with obligations under the TFEU with regard to avoiding excessive government deficits. Therefore, for example, if the FRA is an implementing Act of the amended Slovenian Constitution and at the same time, it implements an EU directive, it can be concluded

17 Official Gazette of the RS, no. 23/99, 30/02 – ZJF-C and 114/06 – ZUE.
18 Official Gazette of the RS, no. 33/11.
19 Based on Art. 84 of the PFA.

that the constitutional amendment resulted in the implementation of a European directive, which opens up additional aspects of sovereignty.

3.1.3. Implementation of the constitutional fiscal rule

The FRA is an *implementing Act for the constitutional fiscal rule*, that is, a method of implementing the principle from Art. 148/2 of the Constitution at the legislative level. This provision of the Constitution authorises the National Assembly to regulate issues related to the implementation of the constitutional fiscal rule in more detail (e.g. the method and time frame of implementing the principle of medium-term balance, the criteria for determining exceptional circumstances and what actions to take when they occur).

Following the Constitution, Art. 1 of the FRA *determines the method and time frame for implementing the principle of the medium-term balance* of the revenues and expenditures of the state budget without borrowing, the criteria for determining exceptional circumstances in which the medium-term balance may be deviated from, and the manner of dealing with their occurrence or termination.

In the *proposal for the initiation* of the procedure for amending Art. 148 of the Constitution with the draft of the Constitutional Act of 8 March 2012, the government highlighted excessive borrowing as a major problem in public finances. According to the proposal, the amendment of Art. 148 would establish a framework for ensuring the sustainability of public finances, noncyclical effects, and independent fiscal control over budgets before their adoption. For the stability of public finances, it is necessary for the budget to be balanced and for a legal basis to limit public borrowing to be adopted. The strengthening of public financial discipline and the placement of the fiscal rule in the Constitution was necessary *to prevent the further deterioration of Slovenia's position in the international financial markets*.

The purpose of Art. 148 of the Constitution was *to limit the state* (i.e. the government and, upon its proposal, the National Assembly) in making decisions on the amount of revenues and expenditures, borrowing, and the public financial deficit. Since this represented a question of limiting the decision-making rights of the National Assembly, the government decided to determine this limitation *by amending Art. 148 of the Constitution* and not, as was originally planned, only by adopting the relevant law (Decision of the Constitutional Court U-I-129/19-26). In the discussion, opinions were also highlighted (Proposal for the initiation of the procedure for amending Art. 148 of the Constitution), that it is all the more important for Slovenia *to maintain its fiscal sovereignty*, which over-indebted countries lose sooner rather than later, given that it is a small open economy in a monetary union without monetary sovereignty.

3.2. The impact of central budgetary planning and its methods to maintain a balanced budget

3.2.1. Medium-term fiscal strategy (Article 9 of the PFA)

On 9 December 2022, the Slovenian government adopted the *Medium-term Strategy for Public Debt Management* for the period 2023–2025 and authorised the Ministry of Finance to implement it. In addition to the target balance of the state sector and the upper limit of state sector expenditures for the current year and the following three years, which are specified in the framework for the preparation of state sector budgets from Art. 6 of the FRA, this strategy also includes: (i) *The spring forecast* and comparison of the spring forecast with the latest EC macroeconomic forecast; (ii) *Forecasts of the basic categories of taxes, contributions, non-tax revenues,* and other categories of state sector revenues for the current year and the next three years, based on the macroeconomic scenario without taking measures into account; (iii) *Forecasts of the basic economic categories* of state sector expenditures for the current year and the next three years, based on the macroeconomic scenario without taking measures into account; (iv) *Comparison of state sector revenues and expenditures* and the target balance of the state sector with the latest EC estimate; (v) *Qualitative and quantitative descriptions of the measures*. These are divided into the basic economic categories of the state sector revenues and expenditures with which the target balance of the state sector will be achieved, compared to the forecasts from points 2 and 3 above with unchanged policies; (vi) *Long-term assessments of the sustainability* of public finances; (vii) The upper limits of government sector debt and government sector guarantees for the current year and the following three years as a percentage of GDP; (viii) Sensitivity analysis under different assumptions of GDP growth and interest rates.

3.2.2. Financing Programme of the Slovenian central government budget

The Financing Programme for the execution of the budget for the 2023 fiscal year *(hereinafter: the 'Financing Programme')*[20] is an *annual operational document* for financing the execution of the state budget and government debt management transactions, based on the FRA and PFA. The Financing Programme follows Art. 81 of the PFA, which allows the government to finance not only the execution of the central government budget for the fiscal year but also additional financing for the purpose of pre-financing, which is limited by the level of debt principal repayments in the following two fiscal years.

According to the Financing Programme, the Slovenian central government budget debt was estimated to stand at EUR 41,283,208,212 (EUR 37,831 million in 2022) at the end of 2023, representing *66.6% of GDP* (65.3% in 2022). Slovenia's estimated GDP for 2023 was EUR 61,951 (EUR 57,921 in 2022). The Financing Programme is

20 Government Decision no. 41003-21/2022/4 of 22 December 2022.

expected to be composed of 0.7% floating-rate and 99.3% fixed-interest financing instruments. The priorities also include *structural or institutional changes,* which are financially evaluated in such a way that they are in line with the *limitations set by the FRA*. Those changes that promise verifiable and long-term positive effects that contribute to achieving the medium-term fiscal goal are considered *structural changes*.

3.2.3. The terms and scope of state borrowing – Article 81 of the PFA

Art. 81 of the *PFA* governs the *terms and scope of state borrowing.* In order to implement the state budget in the current fiscal year, *the state can borrow domestically and internationally, as follows:* (i) *up to the amount of the deficit* in the income and expenditure balance, the account of financial receivables and investments, and the repayment of debt principals due in the current fiscal year; (ii) *up to the amount necessary to repay the principals of the debts* of the state budget that fall due in the next two fiscal years.

During the period of *temporary financing,* the state can borrow *up to the amount required to repay the principals of the state debt* in the current fiscal year.

In order to carry out interventions on the secondary market of its own debt securities, the state *can borrow with the additional issuance of individual own debt securities* up to the extent specified for this purpose in the law governing the implementation of the budget for an individual year. The volume of borrowing for the implementation of interventions on the securities market is not included in the volume of borrowing nor in the amount of liquidity borrowing. Irrespective of the above rule, the state can take on additional liquidity debt but only up to a maximum of 15% of all expenditures in the last adopted budget.

The *law that regulates the execution of the budget for an individual year (the BEA)* determines the extent of state borrowing. It can increase up to the difference between: (i) spending rights for the repayment of debt principals, nominated in a foreign currency, which are planned in the adopted budget; (ii) the right of consumption, necessary for the realisation of repayments of the stated principals, caused by the increase in the exchange rates of foreign currencies during the realisation of the payment in relation to the exchange rate of these currencies at the time of budget planning.

The PFA also stipulates that the government must adopt a *medium-term public debt management strategy at least every three years*, in which it sets the medium-term goals to be pursued in the borrowing and debt management of the state budget. The strategy is then implemented by the ministry responsible for finance.

3.2.4. The extent of state borrowing for each year

The extent of state borrowing for each year is determined by Art. 51 of the 2023 and 2024 *Budget Execution Act*.[21] For example, the law stipulates that in order to

21 Official Gazette of the RS, no. 150/2022.

cover the excess of expenditure over income in the income and expenditure balance, the excess of expenditure over revenues in the financial receivables and investments account, and the repayment of debts in the financing account, the state can borrow up to EUR 4,165,829,803 for the year 2023 and up to EUR 4,577,355,729 for the 2024 budget.

A borrowing instrument is also the *temporary sale of own debt securities*. State borrowing for the needs of managing its debts and debt assumption are not included in the scope of state borrowing. In addition, in accordance with Art. 81/3 of the PFA, the state may take on *additional debt for implementing interventions on the market* of its own debt securities. The maximum volume of additional borrowing for this purpose may not exceed EUR 2,800,000,000. The extent of state borrowing for each year is also determined in the annual budget; for example, *the amended budget* for 2023.[22]

4. Procedure for the adoption of the budget and its implementation

4.1. Forecasts of macroeconomic aggregates and scenario preparation

The preparation and execution of the budget of the Republic of Slovenia, the management of the state, state borrowing and guarantees, the management of state debts, the accounting and internal control of public finances, and budget inspection are laid down by the PFA.

No later than seven days after the publication of statistical data on the growth of the GDP in the last quarter of the previous year, the *Institute of Macroeconomic Analysis and Development* (IMAD) forwards *the spring forecast of macroeconomic aggregates* for the current and at least the next four years to the ministry responsible for finance. A comparison between this forecast and the latest forecast of the EC, as well as an explanation of significant deviations, is then added (Art. 9b of the PFA). The IMAD also prepares a scenario that takes into account the financially evaluated effects of the measures from the *National Programme of Development Policies*. Then, no later than seven days after the publication of statistical data on the growth of GDP in the second quarter of the current year and the first annual assessment of economic growth in the previous year, the IMAD forwards the *autumn forecast of macroeconomic aggregates* for the current year to the ministry responsible for finance.

22 Official Gazette of the RS, no. 150/2022.

4.2. Preparation of forecasts of income or revenues and expenses (Article 9c of the PFA)

Based on the National Programme of Development Policies, the spring forecast, and the guidelines of the ministry responsible for finance, the proponents of financial plans (ministries and governmental offices) forward *the forecasts of revenues and expenditures* to the ministry responsible for finance. This is done for the *current year* and the *following three years* no later than 15 March of the current year. In addition, *public agencies and public funds (so-called 'indirect users'),* the founder of which is the state, *forward their revenue and expenditure forecasts* according to economic classification and forecasts of expenditures no later than 15 March of the current year to the ministry responsible for finance.

On the same basis, the *Pension and Disability Insurance Institute* and the *Health Insurance Institute* of Slovenia prepare tentative financial projections of revenues and expenditures for the current year and the following three years and forward the current year's projections to the ministry responsible for finance by 15 March. Likewise, *all institutional units that belong to the state sector* (hospitals, universities, educational, cultural and research institutions, etc.) and others that are not direct users of the state or municipal budget prepare revenue and expenditure forecasts for the current year and the following three years and submit them to the ministry responsible for finance by 15 March of the current year.

4.3. Budget adoption procedure (Article 28 of the PFA)

The government must determine the *draft budget* and submit it to the National Assembly *by 1 October* of the current year. If, during the preparation of the budget proposal or budget amendments, the assumptions of economic development, the direction of economic and public finance policy, or the scope and composition of the budget *change significantly*, the government adopts *amendments to the budget memorandum* together with the *proposal of the state budget* or budget amendments.

The National Assembly must adopt the budget within a time frame that allows the budget to *come into effect on 1 January* of the year for which the budget is adopted (Art. 29 of the PFA). Any changes to the budget must be adopted by the National Assembly before the beginning of the year for which they are to apply, in accordance with the procedure set out in the Rules of Procedure of the National Assembly.

4.4. Preparation, implementation, and monitoring of the budget proposal

The regulation on development planning documents and procedures for the preparation of the state budget proposal[23] regulates the *method of preparation, the implementation and monitoring* of development planning documents, the *formulation*

23 Official Gazette of the RS, no. 54/10 and 35/18.

of policies, the determination of *national development priorities*, and the preparation of the *budget memorandum.* This regulation also regulates the procedures and documents for the *preparation of the state budget, its amendments and rebalancing,* and other documents related to these Acts. Further, the regulation is also used to prepare the government's positions on development planning documents at the *level of the EU* and international organisations, as well as other obligations at the international level.

The development planning documents include the Development Strategy of Slovenia (Art. 6 of the PFA) and other documents *prepared by ministries and government departments* in accordance with regulations and with the adopted programme of work in the areas of individual policies. The Development Strategy of Slovenia is prepared by the government department responsible for development, the Ministry of Finance, and the IMAD (Art. 11 of the PFA).

On the proposal of the minister responsible for finance, the government adopts the *National Programme of Development Policies* by 30 November of the current year. This programme is a document that includes policies, sources of funds, and measures to achieve the target balance of the state sector in accordance with the FRA, and defines and financially evaluates the government's priorities for the next four years. To prepare the National Programme of Development Policies, *ministries submit the order of priorities* or the changes within their competence for the next four years to the ministry responsible for finance at the sub-programme level by no later than 15 October of the current year. The priorities are established in line with the goals defined in the country's overarching development document, the *Development Strategy of Slovenia*. In addition to their priorities, each ministry also forwards the associated proposed measures. The *2023 BEA* defines the *Recovery and Resilience Plan*. This document covers measures eligible for EU funding under the *Recovery and Resilience Mechanism*, which was set out in *Regulation 2021/241*.[24]

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5. Reporting and control audit

5.1. The report of the Fiscal Council

The Fiscal Council of the Republic of Slovenia is an independent state body that prepares assessments and recommendations regarding the compliance of the public finance policy with the fiscal rules, regulations governing public finances, and EU regulations that regulate economic governance in the Member States. Every two years, the Fiscal Council performs *an analysis of the forecasts* of macroeconomic aggregates from Art. 9b of the FRA for the previous four years and presents it in a

24 Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility, OJ L 57, 18.2.2021, 17–75.

report. In the event of identified deviations, the Fiscal Council *forwards the relevant findings to the government,* and the government must prepare *corrective measures* accordingly. The Fiscal Council publishes the report publicly on its website. According to Art. 7 of the FRA, the Fiscal Council's tasks include: (i) *Forwarding the assessment of the sustainability and compliance* of public finance policy with fiscal rules based on the draft Stability Programme to the government and the National Assembly within seven days of receiving the framework proposal and the draft Stability Programme; (ii) *Submitting the assessments on compliance with fiscal rules* based on the national budget proposal no later than 20 October of the current year, and on the state budget rebalance proposal within 15 days of receiving this proposal; (iii) *Forwarding the assessment* to the government and the National Assembly within 30 days of receiving the consolidated balance sheet of the state sector and the estimates of the Statistical Office of the Republic of Slovenia for the entire state sector by 30 June of the current year for the previous year; (iv) *Forwarding the assessment of the compliance of executed budgets of the state sector with fiscal rules* to the government and the National Assembly within 15 days of receiving the proposal for changes to the framework and the proposal for a programme of measures that will once again ensure adherence to the medium-term balance.

The government prepares a written position based on the Fiscal Council's assessment and forwards it to the National Assembly. The National Assembly can instruct the government to prepare amendments to the proposed Act or develop additional measures based on the Fiscal Council's assessment. If the assessment shows that the framework proposal is not in accordance with medium-term fiscal goals and the National Assembly does not accept the framework for this reason, the government must present an amended proposal of the national budget to the National Assembly by 15 September.

5.2. Repair mechanism

The correction mechanism from the *FRA* (Art. 11) is implemented in two cases: (i) If the government determines, based on the Fiscal Council's assessment, that the medium-term balance is not implemented; or (ii) If the government receives a recommendation or a call from the Council due to a deviation from the provisions of the SGP.

In these cases, the minister responsible for finance shall apply the *measures* set out in the PFA for the *medium-term balancing* of public finances. If the measures do not ensure the implementation of the medium-term balance or compliance with a recommendation or request by the Fiscal Council, the government must submit *proposals for amending the framework* and a *programme of measures* that will once again *ensure compliance with the medium-term balance* to the National Assembly within three months or after receiving this recommendation or request. The government forwards both proposals to the Fiscal Council.

The proposed programme of measures contains *measures to the extent that is proportional* to the established deviation from the medium-term balance or to a detected divergence from the planned elimination of a deviation from the medium-term balance. The programme is compliant with the provisions of the SGP.

5.3. Fiscal discipline (Article 9e of the PFA)

In the cases referred to in the first paragraph of Art. 11 of the FRA (see above), the minister responsible for finance puts in place measures to ensure fiscal discipline, starting on the first day of the following month and for a maximum of 60 days. These measures endeavour to restore the medium-term balance of public finances, namely by: (i) Permitting the assumption of obligations only on with the prior consent of the minister responsible for finance; (ii) Recommending that the government adopt regulations that reduce the expenditures of the budgets of the state sector; (iii) Prohibiting the redistribution of consumption rights.

If a *proposal must be drafted to change the framework* in order to ensure adherence to the medium-term balance of public finances (Art. 3 of the FRA) in accordance with Art. 11/2 of the FRA, the measures remain in place until the adoption of the change to the framework.

5.4. Inspection control

The PFA regulates inspection controls in Art. 102. The *Ministry of Finance supervises* the implementation of the provisions that regulate operations with state budget funds. The tasks of inspection controls are performed by *budget inspectors* as employees with special powers in the ministry responsible for finance. The budget inspector independently performs the inspection control tasks assigned to them; issues minutes, decisions, and conclusions in the administrative procedure; and orders other measures for which they are authorised. The budget inspector also handles applications, complaints, communications, and other applications in matters within their jurisdiction and informs applicants of their actions at their request. The budget inspector is responsible to the supervisor for the correct and timely performance or omission of tasks; the provisions of the law regulating the general administrative procedure and the law regulating systematic inspections apply here.

Direct and indirect users and other recipients of funds from the state budget must allow budget inspectors to carry out inspections for funds obtained from the state budget; provide all the required data, documents, and reports that relate to inspections; and enable computer processing of these data.

5.5. Internal control of public finances

Internal controls of public finances include a system of financial management and controls, as well as *internal auditing for direct users* (ministries, government bodies, services) *and indirect budget users* (public institutions, public agencies, public funds), based on uniform foundations and the continuous verification of this system (Art.

99 of the PFA). The internal control of public finances must ensure that financial management and the system of controls work in accordance with the principles of *legality, transparency, efficiency, effectiveness, and economy*.

The *heads of the direct and indirect users are responsible* for establishing and operating an appropriate system of financial management and controls, as well as internal auditing. Internal auditing provides *independent verification of financial management* systems and controls, in addition to advice to management to improve their effectiveness. Internal auditing is carried out by *internal auditors*. The internal auditor performs audits in accordance with the code of professional ethics of internal auditors and with the standards of internal auditing issued by the minister responsible for finance based on the provisional opinion of the *Court of Audit*.

5.6. Audit of the final budget account

The final account of the state budget is an Act of the state that shows the anticipated and realised revenues and other revenues, as well as the state's expenses and other expenditures for the previous year. An integral part of the final account is the summary balance sheet of the state budget (Art. 96 of the PFA). The ministry responsible for finance prepares a proposal for the final account of the state budget and submits it to the Court of Audit by 31 March of the current year.

When issuing a draft audit report, the *Court of Audit may propose corrections* made by an auditor. The auditor's correction proposal must be based on applicable regulations and contain legal bases and a reference to the original authentic accounting documents, which enable the correction of any irregularities found by the Court of Audit in the proposal for the final account of the state budget. No later than in the objection to the proposal of the audit report, *the government decides which of the auditor's corrections* will be taken into account and in what way, and determines the final proposal of the final account of the state budget.

By 1 October of the current year at the latest, and at the proposal of the ministry responsible for finance, the government submits the proposal for the final account of the state budget, together with the final report of the Court of Audit and explanations for disregarding the auditor's individual correction proposals, to the National Assembly for adoption. If the National Assembly does not accept the proposal for the final account of the state budget, it instructs the government to prepare a new proposal and determine the corrections that must be taken into account based on the errors revealed in the Court of Audit's final report.

5.7. Budget balancing measures in 2022 and 2023

Budget balancing measures are regulated by the PFA and, specifically for 2022 and 2023, by the BEA. The rule is as follows: if expenditures increase or budget revenues decrease during the budget year due to the creation of new obligations for the budget or changed economic trends, the government may, on the proposal of the ministry responsible for finance, *suspend the execution of individual budgets for a maximum of 45 days' expenditure* (temporary suspension of execution). With this measure, the government can stop the assumption of obligations, propose an extension of contractual payment deadlines and stop the redistribution of budget funds necessary for the assumption of obligations. The same can be done at the municipal level.

The government can also determine that direct users, except for the National Assembly, the National Council, the Constitutional Court, and the Ombudsman or the Court of Audit, must obtain the *prior consent of the ministry responsible for finance* in order to conclude a contract. The ministry responsible for finance prepares a proposal for the scope and measures of the temporary suspension of enforcement in cooperation with direct users. The suspension of enforcement measures must apply equally to all direct users. The government must inform the National Assembly about the decision.

If the budget cannot be balanced during the implementation of the measures, the government must propose a *rebalancing of the budget* no later than 15 days before the end of the period for the temporary suspension of the execution of the budget. With the rebalancing of the budget, which is adopted by the National Assembly at the proposal of the government, the revenues and expenditures of the budget are *rebalanced.*

During the period of the adoption of the budget rebalance, the government can, at the proposal of the minister responsible for finance, temporarily *suspend the execution of individual expenditures again.* Balancing measures according to the BEA are foreseen in the event that, based on the budget revenues paid during the current year, the government estimates that revenues will be less than 3% lower than planned or that expenditures will be less than 3% higher than planned in the adopted budgets. In this situation, in addition to the measures for balancing the budget (Art. 40 of the PFA), a measure for the *proportional reduction of spending rights* is applied, except for spending rights for the implementation of common European policies and dedicated budget revenues.

Measures to reduce consumption rights are set at the *same percentage for all direct users,* and the government determines which consumption rights are affected by the measure. The measures may refer to consumption rights from which one or more of the *following purposes are financed:* expenditure on goods and services, subsidies, transfers to non-profit organisations and institutions, other current domestic transfers that do not include funds for labour costs, current transfers abroad, or investment expenses and investment transfers. Consumption rights from the measure of the proportional reduction of consumption rights are redistributed to the general budget provision.

5.8. Creation and use of budget reserve funds

In the budget, according to Art. 48 of the PFA, funds are provided for the *budget reserve, which acts as a budget fund*. Funds from the budget reserve are used to finance expenses for eliminating the consequences of *natural disasters,* such as earthquakes, floods, landslides, avalanches, heavy snow, strong winds, hail, sleet, frost, drought, *other disasters* caused by natural forces, *ecological disasters,* and mass outbreaks of contagious human, animal, or plant diseases.

A part of the total annual budget revenues to the amount determined by the budget, but *no more than 1.5% of the budget revenues,* is allocated to the budget reserve funds. This allocation is made temporarily every month but is made definitively after the final account of the budget for the previous year. The government decides on the use of funds of up to 2% from the planned budget reserve in individual cases at the proposal of the minister responsible for finance. The government informs the National Assembly about the use of funds in written *reports.* The National Assembly decides on any use of budget reserve funds of an amount that exceeds the specified amount by means of a special law.

6. New trends in national fiscal policy

6.1. Sustainability and its implications for fiscal policy

6.1.1. The challenges of fiscal policy

Reform orientations in fiscal policy in Slovenia have been created in the process of the ES. The submission and assessment of stability or convergence programmes are part of the ES, which is a broader process of coordinating economic policies in the EU and includes the preventive part of the SGP.

In the Stability Programme for Slovenia for 2023, due to large overruns in the previous year, the government planned to reduce the public finance deficit below the Maastricht threshold of 3% of GDP in 2024 and then further reduce it in the coming years. In 2023, the deficit of the government sector was expected to be 4.1% of GDP; in 2024, it is expected to decrease to 2.8% of GDP, and, in 2025 and 2026, sufficient fiscal effort will allow it to further decrease to 2.2% and 1.3% of GDP. In addition, public finance projections predict a gradual reduction of the country's consolidated debt to 63.5% in 2026.

According to the Commission, the specific nature of the macroeconomic shock caused by the Russian invasion of Ukraine, as well as its long-term consequences for the EU's energy security needs, *required the fiscal policy to be well thought out in 2023.*

6.1.2. Reform challenges

For 2023, the Commission proposed that Slovenia should *prioritise action in the following three areas:* (i) public finances; (ii) the implementation of agreed reforms and investments within the framework of the Recovery and Resilience Plan and cohesion policy; (iii) the field of energy. In the period after 2023, the Commission indicates that Slovenia should implement a fiscal policy aimed at reaching a prudent medium-term fiscal position. It should also ensure the long-term *fiscal sustainability of the healthcare and long-term care systems.*

In the *National Reform Programme 2023,* the Slovenian government included reforms in the fields of pensions, healthcare and housing, public sector salaries, education, digitalisation, and taxes, among other things. *The Slovenian Recovery and Resilience Plan* already addresses many long-term challenges, especially those related to the ageing of the population (reform of the pension, health, and long-term care systems). In light of population ageing, the medium and long-term sustainability of public finances, especially the *healthcare* and *long-term care* systems, are an important challenge for the future.

6.1.3. The green transition

One of the main challenges faced by Slovenia's national fiscal policy in the future is to expand public investments for the *green transition,* including the use of the Recovery and Resilience Mechanism, RePowerEU, and other EU funds. A shift toward *greener and growth-friendly taxes* on additional sources of revenue for *the green transition* is needed (EU 2023 recommendation for Slovenia).

6.2. Technological development, digitalisation, and energy

According to the EU 2023 recommendation for Slovenia, the country's future fiscal policy should also expand public investments in the *digital transition* and *energy security.* The energy recommendation calls for the *diversification of fossil fuel imports* and the reduction of the general dependence on fossil fuels, in addition to the acceleration of the use of *renewable energy* sources, especially by further simplifying and accelerating the issuance of permits and strengthening the electricity *distribution network.* The recommendation proposes that Slovenia should strengthen the implementation of measures for energy efficiency *and the diversification of the energy supply;* in particular, by promoting the use of renewable energy sources, strengthening electricity distribution networks, building energy infrastructure, and rail transport.

6.3. Crisis management methods, COVID-19, and the energy crisis

6.3.1. The COVID-19 crisis

The economic and financial consequences of the COVID-19 pandemic in Slovenia have been significant. In 2020, general *government revenue* equalled EUR 20,195 million, that is, 4.6% or EUR 966 million less than in 2019, and the growth of general *government expenditure* amounted to 14.8%. Consequently, the general *government consolidated debt* at the end of 2020 stood at EUR 37.429 million, or 80.8% of GDP, which was EUR 5.684 million higher than the previous year when it stood at EUR 31.744 million, or 65.6% of GDP.[25]

In response to the consequences of the pandemic, *several legal Acts were laid down.* These measures relate to tax collection procedures that enable taxpayers to more easily fulfil their tax obligations. They also include measures in the field of budget execution and deadlines for the submission of asset balance sheets, annual accounts, and annual reports and those to mitigate the consequences for citizens and the economy (unemployment risks, wages and contributions, postponing the payment of borrowers' obligations).

6.3.2. Maintaining the general withdrawal clause in 2023

On this basis, the Commission considered that the conditions for maintaining the general *withdrawal clause from the SGP were also met in 2023* and that this clause would be *deactivated from 2024 onwards.* The Commission estimated that continuing to allow the general withdrawal clause in 2023 would provide the national fiscal policy with room to react when necessary. At the same time, it would ensure a transition from broader support for the economy during the pandemic toward an increasing focus on *temporary and target-limited measures. According to the Commission, fiscal prudence* is necessary to ensure medium-term fiscal sustainability. The general *withdrawal clause, therefore, does not constitute a waiver of the rules* of the SGP, but only allows for a *temporary deviation* from normal budgetary requirements if this does not threaten medium-term fiscal sustainability.

7. Conclusions

The EU provisions on the ES obliging Member States to prepare a Stability and Reform programme and the coordination of the budget preparation procedure are crucial for Slovenia as a Member State. The EU has developed a complex system of economic governance that involves a mix of supranational, intergovernmental, and national-level decision-making. This has raised concerns among some EU Member States about the erosion of their sovereignty and their ability to control their own economic policies. Scholars' positions on economic sovereignty vary depending on their backgrounds, ideologies, and research interests.

EU rules (mainly regulations) are strict and enforceable, and not just recommendations that a Member State can follow or not. EU fiscal rules thoroughly and directly interfere with the sovereignty and autonomy of Member States in the field of public finances. An important legal system feature of the ES is that EU regulations

25 Bohinc, 2022.

(rather than directives) have created the vast majority of rules since 1997 and up to the present day. Regulations are binding legal Acts that have a direct effect on Member States' laws.

Provoked by the post-crisis EU debate on the fiscal discipline of Member States and in light of the measures adopted at the EU level, Slovenia amended its constitutional rules on public spending and enforced a mandatory fiscal rule in 2013. In line with the Constitution, the FRA determines the method and period for implementing the principle of the medium-term balance of state budget revenues and expenditures without borrowing, the criteria for determining exceptional circumstances in which the medium-term balance may be deviated from, and the manner of dealing with their occurrence or termination.

In Slovenia, in addition to the Constitution, several national laws and government regulations govern fiscal deficit and state debt. These laws outline fiscal principles, procedures, and borrowing limits that are in line with EU fiscal rules. Central budgetary planning encompasses several methods to maintain a balanced budget. For example, the Medium-term Strategy for Public Debt Management is a government document that targets the balance of the state sector and the upper limit of state sector expenditures and indebtedness. Another example is the Financing Programme for the execution of the budget, which is an annual operational document for financing the execution of the state budget and government debt management transactions.

The procedure of adopting and implementing the budget begins with several forecasts of macroeconomic aggregates and preparation scenarios and continues with the National Programme of Development Policies. The adoption, preparation, implementation, and monitoring of the budget proposal are set out in detail by national fiscal legislation. This legislation strictly conforms to EU rules, as do the process of reporting and control audit, the supervisory role of the Fiscal Council, the repair mechanisms, and the fiscal discipline, inspection, and internal control of public finances.

The budgetary management of local governments, the regulation of municipalities' finances, the process of the reparation of the municipal budget proposal, and the sources of the municipal budget are regulated partly by general financial legislation (PFA) and partly by specific municipal or local self-government legislation. Brakes to avoid excessive indebtedness and measures to balance the budget, including the temporary suspension of execution, are also regulated for the municipal level.

Future orientations in fiscal policy in Slovenia are more or less created in the process of the ES. The green transition, digitalisation, energy, technological development, and, of course, the inevitable social reforms (pension, long-term care, health), as well as the reform of the fiscal system, are all current challenges on the path to the sustainability of Slovenia's fiscal policy. Whether or not to maintain the general withdrawal clause, and by when, are questions that remain to be answered.

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