

Workshop on implementation of
expenditure ceilings in Slovakia
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Expenditure ceilings: CBR perspective

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- **Framework for fiscal policy in Slovakia set out in constitutional Fiscal Responsibility Act (adopted in 2011)**
- Main objective: achieving long-term sustainability of public finances in the Slovak republic
- The law was a result of broad political consensus, drafted by an expert parliamentary committee representing all parties
- Local ownership: the framework was proposed by Slovak economists and discussed with relevant stakeholders (incl. politicians) since early stages of its development

Expenditure ceilings in Slovak fiscal framework

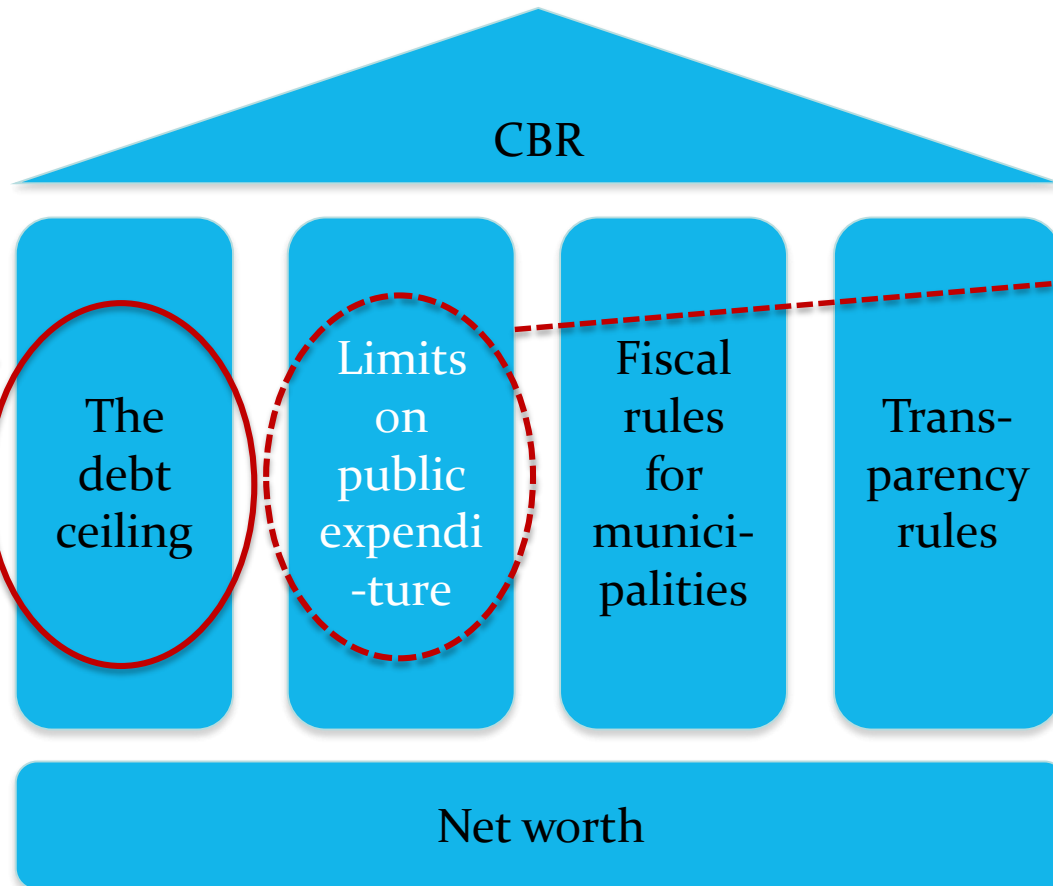
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- Fiscal Responsibility Act envisages introduction of expenditure ceilings

“The procedure for setting the public expenditure limit shall be specified by law.” (FRA, Article 7(3))
- They complement the debt limit rule and thus facilitate long-term sustainability of public budget

“Introduction of expenditure ceilings is the most appropriate fiscal rule in the Slovak economy to ensure long-term sustainability of public finances of the Slovak republic and acceptable level of indebtedness.” (FRA, Explanatory report, Article 7)
- Expenditure ceilings are a missing operational tool of public finance management in Slovakia

Completing the fiscal framework



- Limit for boundary situations, when other tools for budget management were not used

- Operational fiscal rule promoting long-term sustainability

General remarks on the proposal

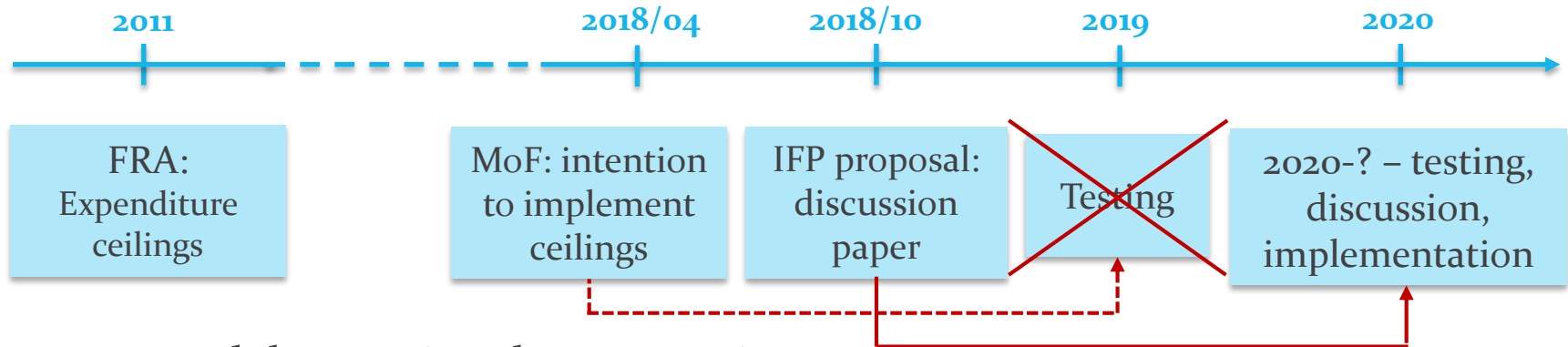
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- CBR welcomes publication of the proposal
- Commitment of the government would be strengthened by an official document (deadlines, involvement of other stakeholders)
- Effective distribution of new tasks requiring independent assessment among institutions is crucial
 - Competences, as well as overall methodology, should be defined clearly and based on sound assumptions, ideally before testing
- Strengthening the role of the CBR would increase credibility of the rule

Timeline of implementation

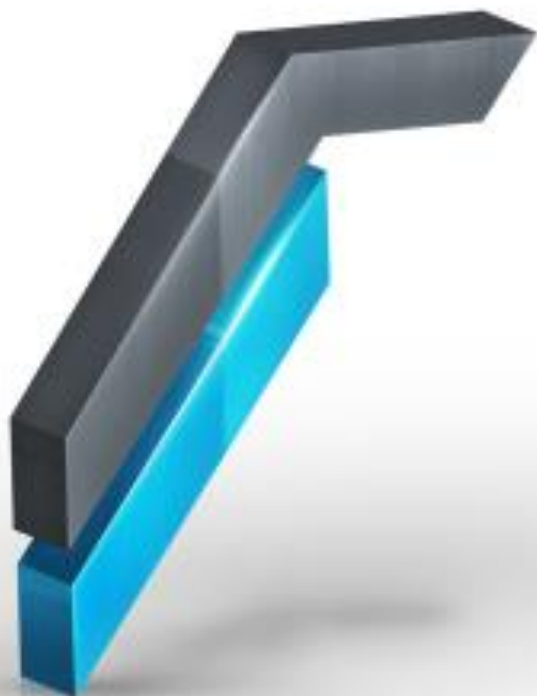
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- Process of implementation consists of multiple steps



- 7 year delay = missed opportunity to strengthen Slovak fiscal framework
- Approval before elections in 2024 requires strong commitment of the government
- More ambitious timeline should be considered – ceilings in 2023-24

2020-21 – simulation
 2022-23 – implementation
 2024 – elections
 2025-28 – setting ceilings
 2023-24 – *ceilings if possible*



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