



Q&A

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The recovery will create opportunities for a more prosperous future

What are the priorities of the Slovenian EU Council Presidency in the economic and financial area to support the economic recovery in Europe?

Despite the uncertainties, the economic outlook has improved majorly. Due to vaccinations, the approaching months look brighter than the autumn of 2020. We have to remain cautious, but we also have to build on the fact that the current conditions speak in favor of a strong rebound and a comprehensive recovery.

The main goal of the Slovenian Presidency is to finish with the adoption process of the Council Implementing Decisions that we began with in July. The Member States whose recovery plans have already been adopted are already in the process of receiving the 13 % of prefinancing funds. We hope that the rest of the plans is adopted as soon as possible and that their successful implementation across the EU leads to further disbursements. We all need resources to further support the recovery and secure a better, stronger, and more resilient EU.

In addition to that, we will address digital and green transition in the remit of the financial sector, update the legislation to further strengthen the soundness of the EU banking and insurance sector, achieve progress on the Capital Markets Union action plan, and strengthen the anti-money laundering framework.

Does the Stability and Growth Pact need to be renovated once the Covid crisis is over? What should be the main elements of a reform of the Stability and Growth Pact and how to make it more effective?

During our Presidency, we will first focus on providing conditions for a strong recovery. We need to pursue well-targeted supportive fiscal policy as long as a sustained recovery is not secured. We also

need to ensure that the European fiscal framework supports the recovery. The activation of the general escape clause enabled the much-needed swift introduction of extensive fiscal measures. The introduction of joint fiscal incentives (Recovery and Resilience Facility – RRF) is an important step toward ensuring that the crisis does not lead to prolonged demand shortfalls or to a structural lack in public investment. In fact, with the creation of the RRF, we started with a new approach and further fiscal policy coordination at the EU level.

The efficient implementation will be crucial also for the future fiscal framework. However, in the context of the new reality with high deficits and increased debts in percentage of GDP, we need to take the revision of the fiscal framework into consideration.

Clear, credible, and useful fiscal rules at the EU level are essential. So is fiscal coordination. I believe there is space for improvement. In my opinion, country-specific targets and procedures are especially relevant in the aftermath of the COVID-19 crisis, while the country-specific factors should be taken into account in normal times as well. In my opinion, we should strive for simplicity and efficiency when reviewing the rules. In addition to that, the revision should also consider the important questions, such as the demographic picture of the EU and the changes in the direction of the green and digital transformation. The new era calls for new rules that will comply with the goal of encouraging investments. To enable that, we should engage in a dialogue at the EU level.

I am convinced that a discussion which enables expressing opinions can bear fruitful results.

What are the expected economic benefits of the Next Generation Recovery instrument for the Slovenian economy?

The main expectation for the Recovery and Resilience Facility (RRF) is its further support of enhancing and strengthening

the recovery in Slovenia. The combination of investments and reforms that the RRF requires will have a positive impact on growth, development, and public finance over the medium and longer term.

The latter will gradually reduce the deviation from the medium-term balance. In 2021, we plan a significant increase in investments; the general government investment ratio will rise above 6 % of GDP and then approach 5 % of GDP by 2024, also due to the RRF. This will positively influence job retainment and economic activity as well. According to the Eurostat data for June 2021, the level of unemployment in Slovenia is low, 4,8 %, while the EU average is at 7,1 %. This data also shows that there are less unemployed people in Slovenia today than before the COVID-19 crisis.

I believe that the RRF funds will not only contribute to preserving the existent jobs but will also create new ones. In line with that, the funds will be directed in providing education and reskilling needed for younger and older generations for the jobs of the future.

The RRF funds will be focused on green and digital investments, which will increase the competitiveness of Slovenia. The major investments envisaged under the Slovenian recovery plan will flow into digital transformation of the public administration, strengthening user-friendly digital services, construction of the Faculty of Medicine in Ljubljana and its campus, hospitals for infectious diseases in Ljubljana and Maribor, energy-efficient renovation of buildings, and railway infrastructure. These investments will pave the way to a better future that will surpass the precrisis levels, improve the lives of people, and secure long-term resilience.

What are the key structural challenges that the EU is facing in terms of growth and financing of its economy? How has the economic situation evolved with the pandemic? What impact can be expected from the Next Generation EU (NGEU) recovery package in the EU?

The main structural challenges for the EU are productivity, R&D investments, and digitalization. Here, we are not as advanced as our key competitors. We have also set high ambitions regarding the green transition, which will require substantial funds in the coming decades. It will also require structural changes of economies, including labor markets and educational and training systems. While adapting to changes, we must also be careful about inclusiveness – we need to

consider the aging population and the fact that we will need to ensure that people can obtain the skills that will be needed due to the changes in economies.

The latest data from the Eurostat show that the EU GDP slightly contracted in the first quarter of this year. According to the European Commission summer forecast, a stronger rebound is expected in the second quarter due to rising in consumer spending. Economic developments in 2021 and 2022 (real GDP is projected to grow by 4,8 % and 4,5 % respectively) will be most significantly determined by the success of vaccination programs and further developments of the pandemic at the global level.

The recovery and growth will be importantly supported by public investments from the NGEU. I expect that the funds will also contribute to new quality jobs and improve competitiveness of the EU on the global stage. I believe that this crisis also brings a possibility of setting solid foundations for more prosperous economic environment – an environment that will also be prepared for the challenges that the future might bring.

I would like to point out that the creation of the NGEU demonstrated the EU solidarity, which we must now further develop and also upgrade with NGEU's successful implementation and wisely targeted spending of funds. The NGEU exists due to our strong cooperation. Now, it is our responsibility to ensure that the funds provide a further boost for a strong, inclusive, and sustainable recovery. A wholesome recovery will result in better living environment, opportunities for cooperation in the areas where it is needed the most, global benefits, increase in inventiveness and innovativeness, and long-term sustainable growth. All in all, this crisis took many things, but it also offered ample opportunities to learn from it and find possibilities for a better development and common wellbeing.

We started out well, and I believe that a successful journey is bound to continue.