CBR
COUNCIL FOR BUDGET
RESPONSIBILITY

Evaluation of the General Government Budget Proposal for 2020-2022

Summary

November 2019

www.rozpoctovarada.sk

Basic information about CBR's positions

The Council for Budget Responsibility (CBR) was formed in 2012 as an independent body set up to monitor and evaluate the fiscal performance of the Slovak Republic. Its role is to provide professional, comprehensive and politically unbiased information to the public on the development of public finances. The purpose of CBR's opinions is to offer an independent view on the budget and assess whether the fiscal policy setup is sufficient in terms of achieving the targets set and identify those potential risks which need to be eliminated through the adoption of additional measures. In line with its mandate, the CBR also points out whether the present budget provides sufficient margins for maintaining the long-term sustainability of public finances and compliance with the national fiscal rules.

This report presents the official positions of the Council for Budget Responsibility in line with its mandate laid down in Act No. 493/2011 on Fiscal Responsibility.

This publication is available at the CBR website (http://www.rozpoctovarada.sk).

Any suggestions or comments on the report are welcome at sekretariat@rrz.sk.

Summary

The Slovak government has submitted its General Government Budget Proposal for 2020-2022, in which the accomplishment of the balanced budget objective is put off beyond 2020. The government is not expecting to meet its own fiscal policy objective as set out in the Government Manifesto. Rather than having a balanced budget as originally planned for 2019, the government now estimates the general budget deficit to reach 0.68 % of GDP[1]. In 2020, the budget proposal expects the deficit to improve to 0.49 % of GDP year-on-year. The budgetary objectives in 2021 and 2022 imply reaching a balanced budget, but the government currently has no measures prepared for these years to meet the objectives set. Because of how the current budget proposal is set up, the deficit is expected to gradually increase to 1.15 % of GDP by 2022. According to the calculations of the Ministry of Finance, the budget proposal is to comply with the European and national fiscal rules in 2020; however, compliance with these rules in the subsequent years is conditional upon the adoption of additional measures.

The budget proposal expects the debt to decline from 49.4 % of GDP in 2018 to 46.7 % of GDP in 2022[2]. A more significant decline in the debt is prevented by an increasing deficit. If the debt reduction stops and the sanction zones of the constitutional debt limit continue to decline further, the debt will enter the first sanction zone again in 2021 and 2022. In a situation where 2021 and 2022 would see a balanced budget, the debt would be reduced more significantly, to 44.8 % of GDP in 2022, thus staying outside the sanction zones across the entire horizon.

The purpose of CBR's opinions is to offer an independent view on the budget and assess whether the current fiscal policy setup is sufficient in terms of achieving the objectives set, while identifying those potential risks which need to be eliminated through the adoption of additional measures. In line with its mandate, the CBR also points out whether the present budget provides sufficient margins for ensuring the long-term sustainability of public finances and compliance with the national fiscal rules. With this objective in mind, the CBR highlights the main conclusions of its evaluation as follows:

- The year 2019 is the baseline year for the preparation of the General Government Budget Proposal for 2020-2022. **Unless additional measures are adopted by the end of the year, the deficit may reach 1.27 % of GDP in 2019.** In comparison with the approved fiscal objective of having a balanced budget and the government's present estimate, this could be described as a significant deterioration. Different development in 2019 compared to the government's assumptions will also have a negative impact on the budgetary developments in 2020.
- According to CBR the risks in the budget proposal total 1.3 % of GDP annually between 2020 and 2022. Assuming that no additional measures are adopted by the end of 2019, **the deficit may reach 1.8 % of GDP in 2020 and, subsequently, 2.0 % of GDP in 2021 and 2.5 % of GDP in 2022.** Reaching a balanced budget, as declared by the government, would require additional measures amounting to 1.3 % of GDP in 2020, 2.0 % of GDP in 2021 and 2.5 % of GDP in 2022.
- **The structural deficit would gradually worsen from 1.6 % of GDP in 2018 to 2.1 % of GDP in 2022.** This is not in line with the requirements of the national balanced budget

[1] Both the government's estimate for 2019 and the budget proposal for 2020-2022 contain a negative impact due to incorporating the benchmark revision of national accounts totalling 0.1 % of GDP per year. As at the end of 2018, the gross debt relative to GDP has increased by some 0.3 % of GDP due to the benchmark revision.

[2] This involves a debt forecast presented in the Draft Budgetary Plan for 2020 (pg. 23), assuming that the general government deficits presented in the budget proposal will materialise.

rule , according to which Slovakia should be moving towards a balanced budget in the medium term (a structural deficit of up to 0.5 % of GDP).

- Due to the size of risks, the CBR expects the **debt to reach 48.2 % of GDP in 2019 and 2020, thus staying in the first sanction zone.** Without additional measures, an increasing deficit will cause the debt to rise by EUR 6.1 billion to reach 50.4 % of GDP at the end of 2022. Coupled with the gradually lowered thresholds of sanction zones, this would mean that the debt would enter the third sanction zone of the constitutional debt limit in 2022.
- **Without adopting additional measures, the long-term sustainability of public finances will deteriorate.** A worse development of the deficit compared to the no-policy-change scenario contributes with 0.6 % of the GDP and the introduction of the retirement age ceiling, as well as increased minimum pensions, add additional 1.0 % of GDP[3].
- The fulfilment of the budgetary objectives can also be influenced by the fact that the **execution of the budget will be, for the most part, in the hands of a new government**. Different priorities of the new government may affect the manner in which budgetary objectives will be accomplished. For example, a revision of planned expenditures may slow down their spending, thus having a positive impact on the deficit. On the other hand, the risks may increase when new policies are implemented without adopting any compensation measures.
- **The government-approved budget is not based on realistic assumptions about the development of revenues and expenditures of public finances.** The budget contained large scale risks already at the time of its approval. The fact that 2019 saw a significant deterioration of the deficit, with the government also refraining from the adoption of additional measures to achieve the originally defined budgetary objective, is seen negatively by the CBR. The current risks identified by the CBR for 2020–2022 are the highest since the CBR has started evaluating the budget proposals. The current budget proposal suffers from the same shortcomings as the previous budgets (overestimated non-tax revenues, underestimated expenditure of local governments and the healthcare sector, Social Insurance Agency's Administrative Fund), the negative impacts of which **used to be successfully offset, before 2019, by additional windfall revenues**. While the deviations in tax estimates can be justified by their nature[4], the errors revealed by the CBR are occurring due to unrealistic budgetary treatment or incorrect approach in taking into account the ESA2010 methodology.
- **Governments have repeatedly put off the accomplishment of the balanced budget objective.** Despite the negative impacts of the economic crisis on Slovakia's deficit and debt levels in 2008 and 2009, the following years offered ample opportunities for achieving a balanced or surplus budget[5]. As the accomplishment of objectives is put off repeatedly, the credibility of the government's budgetary plans diminishes. In a situation where the objective declared by the government, i.e. a balanced budget, would require measures totalling more than 1 % of GDP (according to the Ministry of Finance) or as much as 2.5 %

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[3] The contribution of the minimum pension has been preliminarily quantified at 0.15 % of GDP. Detailed results will be presented in the Long-term Sustainability Report for 2019 (in April 2020).

[4] From the international point of view, deviations of the Committee's forecasts are comparable and tax revenues are not systematically underestimated or overestimated. (Ľ.Ódor, Blog: Krištáľová guľa (Crystal Ball), CBR; https://www.rozpoctovarada.sk/svk/rozpocet/336/kristalova-gula)

[5] After evaluating the path towards a balanced budget, the CBR is of the opinion that a significant deviation has occurred in 2015 (the deadline for achieving the objective was set to 2017) and in 2018 (the deadline for achieving the objective was put off by the government from 2017 to 2019). In both cases the CBR suggested to trigger a correction mechanism to ensure, through binding expenditure ceilings, compliance with the defined objective within the original or extended deadline. The Ministry of Finance did not agree with the CBR´s proposal.

of GDP (according to the CBR), the approach of presenting a balanced budget in the budget proposal for 2021 and 2022, including the main indicators (gross debt, structural balance, expenditure benchmark) in line with the accomplishment of this objective, can be described as distorting. This way of presenting the budget unjustifiably creates a more positive image of the budget proposal while pushing into the background the information about the actually budgeted values and consequences for the fulfilment of the European and national fiscal rules.

- **Despite the government´s claim that long-term sustainability is its main fiscal policy objective, this is not reflected in the budget proposal.** If measures that fundamentally worsen the development of public finances in the long term are adopted, omitting their effects when preparing the budget is not desirable. The recent changes in the pension system have caused the long-term sustainability to worsen by 1.0 % of GDP, which represents an amount that should be reflected in the compensation measures so that the negative impact of these measures on the long-term sustainability is eliminated[6]. In this situation, achieving a balanced budget is still insufficient and, in accordance with the conclusions of the reports on the long-term sustainability of public finances published by the CBR, it is necessary to aim towards a surplus budget or adopt other measures with a positive impact in the long term. Putting off the deadline for achieving a balanced budget runs counter to this requirement.
- Despite the economic slowdown, according to a forecast which served as the basis for the budget proposal, the economy will be growing at its potential in 2020 and slightly outrunning it in 2021 and 2022. These years can therefore be described, from the perspective of economic development, as a standard economic period that is not significantly affecting the budgetary performance (neither negatively, nor positively). **As implied by the expected deterioration of the deficit under these economic circumstances, the structure of revenues and expenditures of the general government budget has not been optimally set in terms of sustainable development of public finances.** The adoption of measures therefore requires more thorough medium- and long-term analyses. On the expenditure side, revisions should continue and the resulting recommendations should be given more weight in the preparation of the budget.
- The budget proposal assumes that a reduction in investments of 0.8 % of GDP will contribute to the decline in deficit budgeted for 2020. **In CBR's opinion, this kind of improvement in the fiscal performance of public finances is only temporary,** as the need for investments is being put off towards the years ahead. Furthermore, cuts in investments have a negative impact on potential economic growth.
- **The quality and transparency of the budgetary framework in Slovakia is not improving in the long term.** The CBR has repeatedly warned about insufficiently binding nature of the three-year budget and the absence of expenditure ceilings. The existence of the independent Macroeconomic Forecasting Committee and the Tax Revenue Forecasting Committee help establish realistic expectations regarding the revenues from tax and social security contributions. However, the budget still contains unrealistic assumptions, particularly about non-tax revenues and expenditures, which are not subject to an independent review. It is advisable to strengthen the mechanisms that will ensure the inclusion of realistic assumptions in the budget in these areas as well.

[6] According to the estimate of the Ministry of Finance, the introduction of the retirement age ceiling and changes in the determination of the retirement age have increased the estimate of implicit liabilities by 206.4 % of GDP to 388.7 % of GDP.

Worse macro-economic development is not the reason for worse-than-expected development of the budget deficit in 2019. Non-fulfilment of the budgetary objective in 2019 is in particular due to overestimated non-tax revenues and underestimated expenditures in the budget.

At the time of approval of the 2019 budget, the CBR identified[7] risks totalling 0.7 % of GDP. According to the CBR's present estimate, the risks for the accomplishment of the budgetary objective, i.e. balanced budget, are standing at 1.27 % of GDP[8]. The minister of finance has announced the adoption of austerity measures in expenditures amounting to 0.2 % of GDP (EUR 214 million), which have already been taken into account[9] in the CBR's estimate. Assuming that the government does not adopt any further measures at the end of the year, the general government deficit would reach, according to the latest available information and assumptions of the CBR, the level of 1.27 % of GDP in 2019.

A worsened economic outlook has no essential impact on the development of the balance this year. Tax revenues related to the macroeconomic development are higher by EUR 34 million compared to the budget. A shortfall in taxes amounting to 0.2 % of GDP is fully attributable to non-implementation or delayed implementation of specific legislative measures budgeted in addition to the forecast prepared by the independent Tax Revenue Forecasting Committee (delayed effective date of eKasa (online electronic cash register system), abolishment of the special levy for retail chains and non-implementation of the fuel marking system using nanomarkers).

The deficit estimated by the government takes into account the current developments only partially, and does not fully reflect the existing risks. Only the estimate of a part of non-tax revenues (emission allowances), expenditure for social benefits and transfers and expenditures in the healthcare system has been adjusted to provide realistic figures. Beyond the government's estimate, the risks are still seen in non-tax revenues (EUR 208 million), expenditure of local governments (EUR 199 million) and state budget expenditure (EUR 351 million).

The main risks of the budget proposal consist in underestimated expenditure of the state budget, local governments, the Social Insurance Agency and the healthcare sector.

Between 2020 and 2022, the budget proposal includes risks representing EUR 1.3 to 1.4 billion (1.3 % of GDP) per year after taking into account the budgeted reserves. This means that, **unless additional measures are adopted, the deficit may reach, in CBR's opinion, 1.8 % of GDP in 2020 and subsequently rise to 2.0 % of GDP in 2021 and 2.5 % of GDP in 2022**[10].

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7 CBR: Addendum to the Evaluation of the General Government Budget for 2019-2021 (January 2019)

8 In comparison with the Finance Ministry's present estimate, i.e., a deficit of 0.68 % of GDP, the risks identified by the CBR are higher, reaching 0.59 % of GDP.

9 According to additionally requested information from the Ministry of Finance (the Ministry's written replies are published along with this document), the measures have been quantified against the amount of revised budgets under the chapters of the state budget, i.e., the funds currently available for spending. As a result of budgetary measures, the amount of revised budgets has increased significantly in comparison with the approved budget, with budgetary reserves being, for instance, the source of this increase. The CBR's estimate is based on the current spending of the individual expenditure items, while also reflecting the changes in the amount of revised budgets.

10 In its estimate, the CBR has also incorporated the effects of legislative changes approved by the Parliament at its 51st session which ended on 29 October 2019, i. e. after the date of approval of the budget proposal by the government (such as the increase of minimum pensions). The estimate also includes the effect of an increase in

In 2020, the risks in **non-tax revenues** are amounting to EUR 231 million and are primarily based on overestimated revenue from emission allowances, insufficiently explained higher revenue expected from dividends and on an as-yet-unapproved increase in the fee for the management of emergency oil stocks. The CBR also estimates lower **tax revenues,** by EUR 99 million, in particular due to the risk that the fuel marking system using nanomarkers will not be introduced.

In 2020, a significant portion of the risks is found on the **expenditure** side, reaching EUR 960 million:

- The state budget expenditures, in particular those related to own investments and the financing of investments in the construction and reconstruction of hospitals and highways, have been underestimated (with the risk amounting to EUR 443 million). Additional expenditure can be financed from funds carried over from the previous years[11].
- The expected low investments of local governments (with the total risk of local governments' financial performance amounting to EUR 215 million), the cuts in Social Insurance Agency's costs of operation and wages (EUR 51 million) and the expected lower current expenditures of the Železničná spoločnosť Slovensko railway company (EUR 25 million) are not sufficiently explained.
- In current expenditures, the risks exist in particular in social benefits (EUR 246 million). This involves, for the most part, underestimated expenditures for sickness benefits and unemployment benefits without specifying particular austerity measures, while expenditures will also grow due to the approval of an increase in minimum pensions that is not covered by the budget proposal.
- The risks also exist in the healthcare sector (EUR 138 million) as a result of possible delays in the implementation of austerity measures, in non-budgeted payments of liabilities by private insurance companies and underestimated operating expenditures of insurance companies. The risks are also based on the fact that, after three bailout phases, the debt-relieved hospitals are not stabilised yet, as they continue generating liabilities that are overdue.
- The risks on the expenditure side will be partly offset by positive effects (totalling EUR 158 million) that are mostly attributable to a lower estimated transfer to the EU budget and reduced expenditures in other general government entities.

The positive contribution of the macroeconomic development towards improvement of the balance has considerably diminished, and the fiscal performance is deteriorating in particular due to the government's measures.

- According to CBR, if the government does not adopt any additional measures, the structural deficit will reach 1.7 % of GDP in 2019. In the subsequent years, the structural deficit would cumulatively worsen by 0.4 % of GDP to reach 2.1 % of GDP in 2022. Under the no-policy change scenario, the CBR estimates an improvement in the structural deficit

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excise on tobacco which has not been approved by the Parliament yet, although the support for such proposal remains uncertain. On the other hand, neither the CBR's estimate nor the budget proposal includes additional revenues resulting from the increase of the special levy for financial institutions, which the government approved on 6 November 2019.

[11] Based on the Finance Ministry's assumptions, the blockage and transfer of capital expenditures (except for EU funds and co-financing) in the amount of EUR 960 million, which may be used for funding additional expenditures in 2020 or beyond (assuming that the budgetary rules are respected), will be carried out in 2019.

until 2022 by 0.3 % of GDP. Therefore, the net contribution of measures adopted by the government to the permanent improvement of the balance is negative, totalling -0.8 % of GDP for the period from 2020 to 2022.

- Between 2019 and 2020, adjusted expenditure will grow faster than the potential GDP and will contribute to the worsening of the structural balance. In the subsequent years, the growth rate of adjusted expenditure is expected to gradually slow down below the level of potential growth of the economy. Between 2019 and 2022, expenditure will contribute to the worsening of the structural balance by 0.4 % of GDP.

- In the period from 2014 to 2018, the estimated level of unexpected positive effects[12] was between 0.4 % and 2.0 % of GDP. Had these unexpected effects been used to improve the balance in the respective years (assuming no rollover of positive effects), the deficit would have stayed below 1 % of GDP since 2014. The situation where these positive effects had not resulted in a faster improvement of public finances has occurred as a consequence of the fact that the significant risks, as identified by the CBR in advance, have indeed materialised while the government enjoyed the fiscal room created by these effects and implemented additional measures. In 2019, unexpected effects are approaching zero and, from this perspective, they have no impact on the current development of the budget. In the 2020 budget (by comparing the current budget proposal with the approved budget for 2019–2021), the situation is different and unexpected effects had a negative impact on the budget, quantified at 0.5 % of GDP (in particular due to lower tax revenues[13] and higher expenditures in the social and healthcare systems), while the balance has deteriorated by 0.6 % of GDP.

[12] The purpose of calculating unexpected effects is to evaluate the government's available funds in comparison with the budget assumptions, from resources that are not under direct control of the government. Among these resources, the CBR includes, in particular, tax revenues and social security contributions excl. the effects of new legislative changes, the effects of transactions with the EU budget incl. expenditures on co-financing, changes in debt interest payments, as well as changes in the financial performance of local governments in comparison with the assumptions of the budget.

[13] Against the budget for 2018-2020, the present estimate of tax revenues in 2020, after taking into account legislative changes, is higher by EUR 788 million (0.8 % of GDP).

Transparency and credibility of the budget might be increased by means of strengthening the binding nature of using the tax forecasts approved by the independent Committee and by means of an independent assessment of the amount of non-tax revenues and social transfers.

- The realistic nature of macroeconomic assumptions and tax revenues has been assessed by independent committees in accordance with the Fiscal Responsibility Act. An increase in revenues from taxes and social security contributions in excess of the amount approved by the Tax Revenue Forecasting Committee (TRFC) is regarded negatively. In aggregate, revenues increased by EUR 180 million in 2020, EUR 190 million in 2021, and EUR 200 million in 2022. Non-inclusion of the most recent TRFC's forecasts and additionally increasing forecasts without their approval cannot be deemed by the CBR as credible; such conduct has been witnessed several times in the past. This also decreases the effectiveness of the fiscal rule designed to allow an increase in cash expenditures of the state budget by up to 1 %[14]. After obtaining additional information[15], it is possible to note that the Ministry of Finance included in the 2020 budget a positive impact of the introduction of the fuel marking system without actually seeing any real measures aimed at putting nanomarkers in place during 2020.

- The budget proposal repeatedly presents inaccurate information about the total amount of revenues from taxes and social security contributions. In the body of the text, the budget proposal contains tables that do not correspond to the tax revenues actually included in the budget (only TRFC's September 2019 forecast is provided, i.e. without the aforementioned increase)[16].

- The CBR has repeatedly pointed out the fact that, in the case of some items (emission allowances, debt interest payments), the budget proposal was not prepared in line with the ESA2010 methodology. The fact that the budget proposal for 2019-2022 does not contain the effect of the subsidising scheme for electricity from renewable energy sources, as it increased tax revenues and expenditures by 0.7 % of GDP in 2018, is considered a significant shortcoming. This approach distorts the expenditure development in 2019, while there is also a risk of a negative impact on the general government balance.

- In the budget proposal, the information about the financial performance of MH Manažment's corporations and healthcare facilities with capital participation of the Ministry of Health of the Slovak Republic is missing again. Despite requests for additional explanation, no credible information about the assumptions for the budgetary treatment of SPP's and VSE's dividends has been provided.

- The presentation of measures in the healthcare sector is regarded positively. This is the only area where the budget proposal has been compiled on the basis of the no-policy-change scenario for the next three years while adding the effects of new measures in 2020. At the same time, description is provided for individual measures. In the future,

[14] By increasing revenues beyond the Committee's forecast along with creating a corresponding provision in expenditures, the base for cash expenditures of the state budget is being increased (in comparison with a situation where the state budget would include the Committee's forecast only). With state budget revenues at higher-than-budgeted levels, these expenditures can be fully used. At the same time, the 1 % margin for an increase in expenditures is calculated from a higher base. In the past, the evaluation of compliance with this rule was not published.

[15] Based on a reply from the Financial Directorate of the Slovak Republic, which is published along with this document.

[16] Effects of measures included in the budget proposal that were not approved by the TRFC are presented in the 2020 Draft Budgetary Plan, pg. 54.

it would be necessary to extend this approach to the remaining years of the three-year budget, as well as to other components of the general government budget.

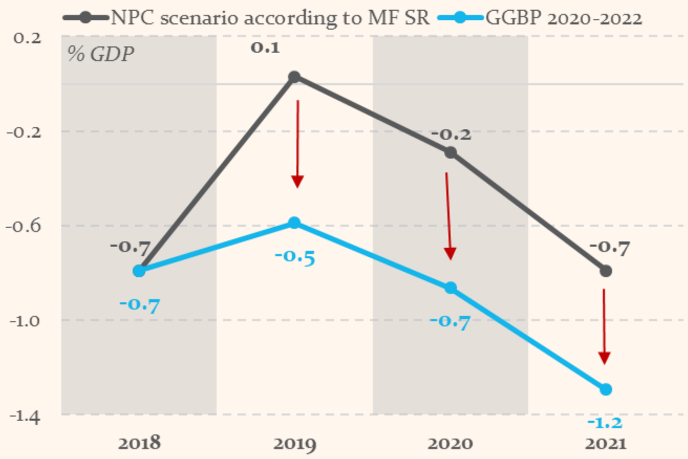
- There is an absence of transparent rules for the use of reserves included in the budget proposal and the obligation to publish their actual use. The size of the state budget reserves in comparison with the last year's budget has decreased, while all reserves are presented with a specified purpose. This can be seen as a positive factor in terms of the extent of Parliament's control over state budget expenditures. On the other hand, despite having specified their use, these funds can also be used for other purposes, depending on the decision of the minister of finance or the government.

Evaluation of the General Government Budget Proposal for 2020-2022

What does the General Government Budget Proposal for 2020-2022

According to the Ministry of Finance, the overall effect of measures in the budget proposal worsens the balance compared to the no-policy-change scenario.

FIGURE 1



NPC – no-policy change scenario

Without the government adopting any new measures while the public finances would develop in line with the existing legislation and macroeconomic developments, the MoF expects public finances to end up in a surplus of 0.1 % GDP in 2020.

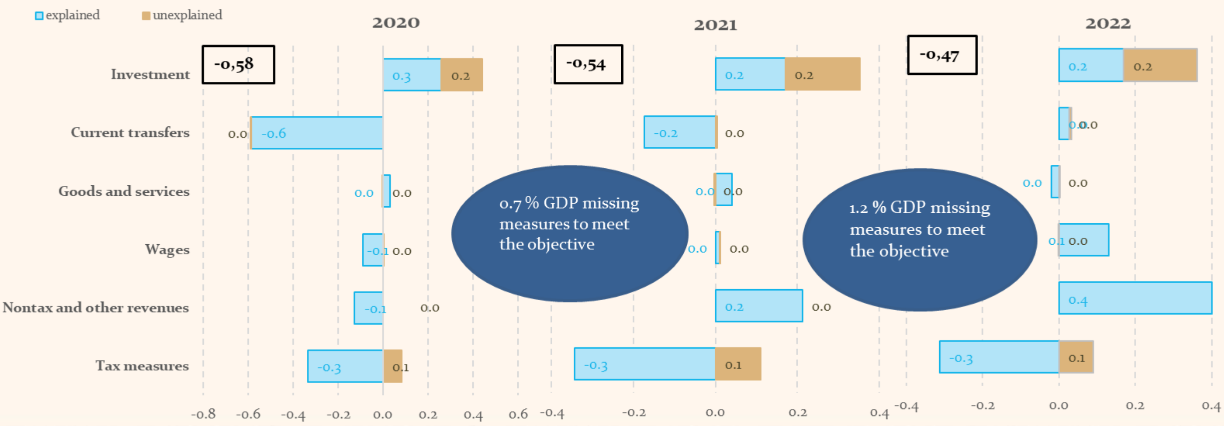
The budget proposal contains measures, the aggregate effect of which, according to the MoF, deteriorates the general government balance.

Source: General government Budget Proposal 2020-2022

The balance will be worsened in particular due to extensive social policy measures (higher parental allowance, doubled Christmas bonus, higher allowance for care for persons with severe disability, etc.). Higher expenditures are planned in the healthcare sector. Cuts are expected primarily in investments under selected chapters of the state budget.

The impact of legislative changes in taxation (higher excise tax on tobacco; lower VAT rate on selected foodstuffs; increased tax allowance amount; income tax rate for the self-employed and companies reduced to 15 %) will be mostly negative.

FIGURE 2



Source: General government Budget Proposal 2020-2022, CBR

CBR´s evaluation and comparison

The CBR has identified a number of risks which, even after taking into account the sources for their coverage, necessitate the adoption of additional measures.

FIGURE 3

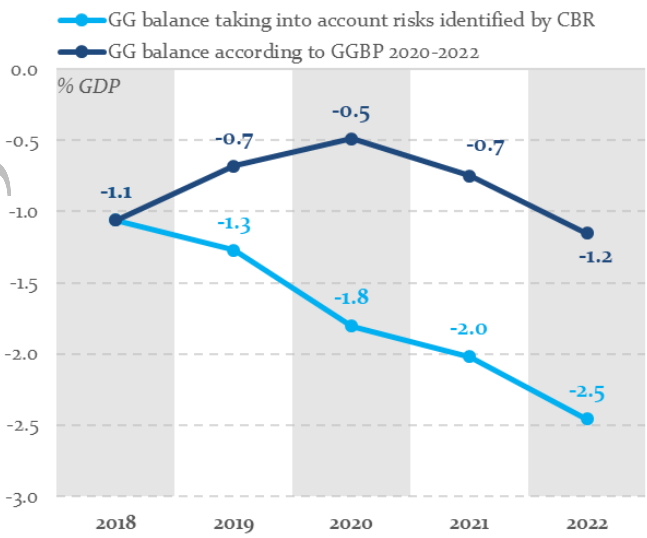
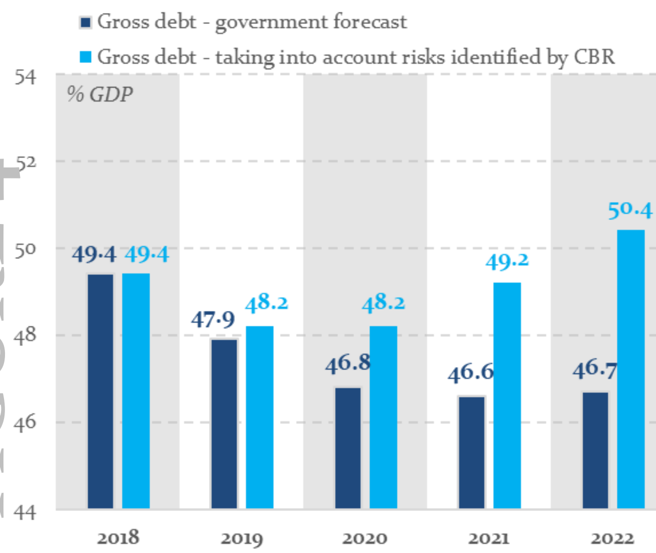


FIGURE 4



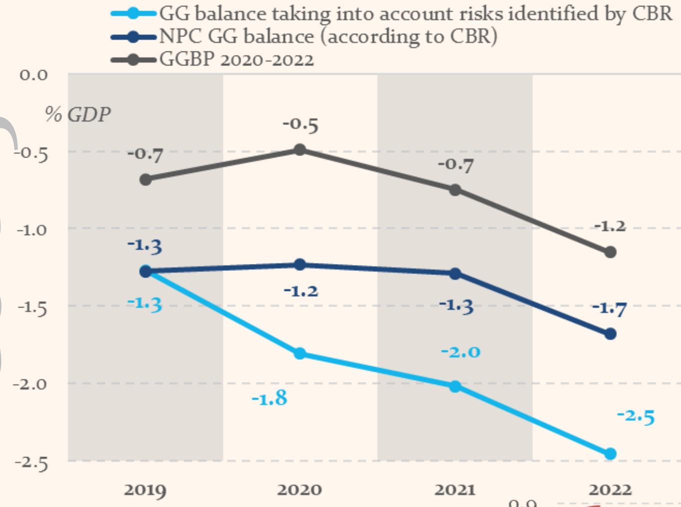
Source: General government Budget Proposal 2020-2022

Evaluation of the General Government Budget Proposal for 2020-2022

What does the CBR´s evaluation say

The CBR has calculated that the measures incorporated in the budget proposal and identified risks are contributing to the worsening of the public finances.

FIGURE 5



Source: General government Budget Proposal 2020-2022, CBR

NPC – no-policy change scenario

If the government took no new measures and public finances would develop in line with the existing legislation framework and macroeconomic assumptions, the CBR expects public finances to end up in a deficit of 1.2 % of GDP in 2020.

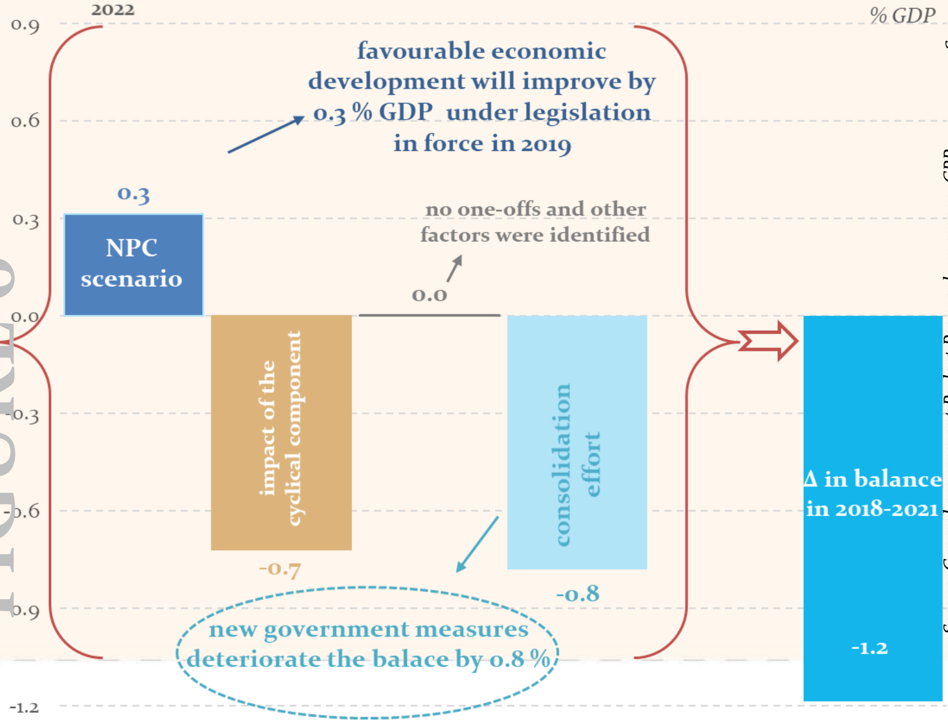
Achieving the budgetary objective in 2020 requires the adoption of consolidation measures amounting to 0.7 % of GDP. The measures incorporated in the budget proposal and the risks identified by the CBR will increase this need to 1.3 % of GDP.

The structural balance will worsen by 0.5 % of GDP between 2019 and 2022.

By 2022, the expected favourable macroeconomic developments will contribute to the structural balance improvement with 0.3 % of GDP.

On the other hand, the net contribution of government's measures, after taking into account the risks identified by the CBR, will worsen the structural balance by 0.8 % of GDP.

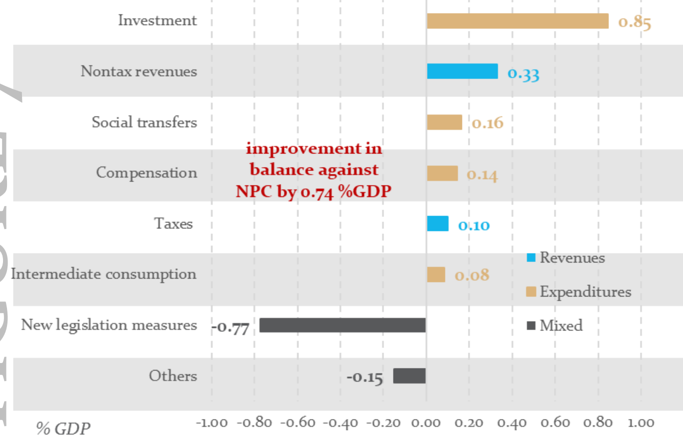
FIGURE 6



Source: General government Budget Proposal 2020-2022, CBR

The government plans to achieve the budgetary objective in 2020 in particular by cuts in investments.

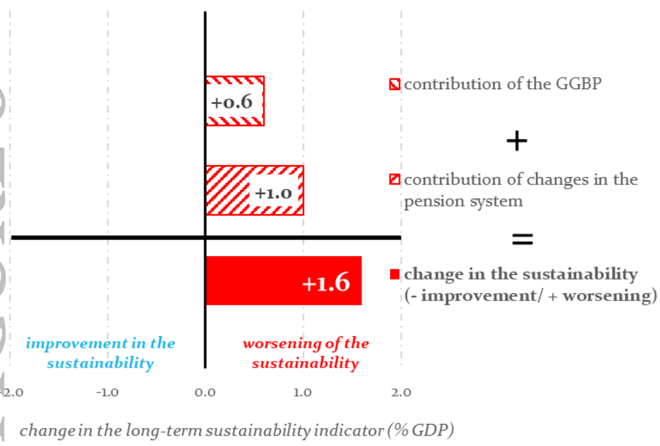
FIGURE 7



Note: It is a size of measures against the CBR´s NPC scenario.

Without adopting additional measures, the long-term sustainability of public finances will worsen by 1.6 % of GDP.

FIGURE 8



Source: General government Budget Proposal 2020-2022, CBR

Table: Risks and sources of coverage for budget execution for 2019-2022 (ESA2010, € million)

	2019	2020	2021	2022
Budget balance in the 2020-2022 GGB proposal (€ million)	**-640**	**-480**	**-770**	**-1246**
Budget balance in the 2020-2022 GGB proposal (% of GDP)	**-0.68**	**-0.49**	**-0.75**	**-1.15**
Impacts on general government balance – total:	**-555**	**-1 290**	**-1 308**	**-1 412**
- in % of GDP	**-0.59**	**-1.32**	**-1.27**	**-1.30**
1. Tax revenues and social security contributions	**-6**	**-99**	**-67**	**49**
2. Non-tax revenues	**-208**	**-231**	**-103**	**-186**
- dividends – state budget and MH Manažment	-165	-67	-71	-64
- capital revenues of the state budget	0	-40	-32	-32
- emission allowances	1	-104	12	-86
- EOSA fee	-1	-32	-30	-27
- other non-tax revenues (administrative fees, gambling)	-43	13	18	24
3. Social benefits and transfers:	**-11**	**-246**	**-271**	**-288**
- expenditures of the Social Insurance Agency	-21	-161	-163	-157
- social benefits of the Ministry of Labour	10	-85	-108	-131
4. Transactions with the EU budget	**33**	**63**	**133**	**101**
- transfer to the EU budget	7	95	114	121
- co-financing expenditure	-31	-156	-61	-101
- reserve for contributions to the EU budget and EU funds	62	128	81	82
- financial corrections from EU funds drawdown	-5	-4	-2	0
5. State budget expenditures:	**-351**	**-423**	**-634**	**-867**
- current reserves (excluding wages)	80	271	278	275
- wage costs of the state budget (incl. reserves)	-1	-24	-137	-138
- goods and services (excl. reserves)	-43	-88	-41	26
- other current expenditures	-118	-139	-258	-409
- capital expenditures	-269	-443	-475	-620
6. Financial performance of local governments (excl. tax revenues):	**-199**	**-215**	**-50**	**78**
- municipalities	-203	-195	-69	38
- self-governing regions	3	-20	19	40
7. Expenditures in the healthcare sector	**62**	**-138**	**-229**	**-168**
- health care expenditures	96	-13	-147	-91
- repayment of liabilities to shareholders of private health insurers	-40	-50	-50	-50
- financial performance of hospitals	-55	-133	-89	-82
- Social Insurance Agency's receivables towards hospitals	85	85	85	85
- operating costs of health insurance companies	-24	-26	-28	-30
8. Financial performance of other general government entities	**142**	**1**	**-75**	**-94**
- Social Insurance Agency's Administrative Fund	-27	-51	-55	-53
- ŽSR railway company (passenger transport)	16	9	-3	-15
- ZSSK railway company (freight transport)	27	-25	-46	-47
- NDS (National Motorway Company)	29	23	12	0
- subsidised organisations	21	-4	5	-3
- Environmental Fund	8	-16	-45	-26
- National Nuclear Fund	25	33	30	41
- Jadrová a vyraďovacia spoločnosť (nuclear decommissioning)	21	29	31	32
- Other entities	20	4	-5	-23
9. Other effects	**-16**	**-3**	**-12**	**-38**
- changes in interest expenditure due to risks identified by CBR	0	-1	-10	-35
- other factors	-16	-2	-2	-2
Budget balance reflecting the risks noted by CBR (€ million)	**-1,195**	**-1,770**	**-2,079**	**-2,658**
Budget balance reflecting the risks noted by CBR (in % of GDP)	**-1.27**	**-1.81**	**-2.02**	**-2.46**

Note: a plus and minus sign is used to show the impact on the general government balance *Source: CBR*

CBR
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