

## **Speech by the President of the Fiscal Council at the 54th emergency meeting of the Committee on Finance of the National Assembly of the Republic of Slovenia on the proposed Ordinance amending the Ordinance on the framework for the preparation of the general government budgets for the 2025–2027 period, 6 November 2024**

The Fiscal Council has issued an opinion on the Medium-Term Fiscal and Structural Plan 2025–2028. The period covered by the plan largely coincides with the period of the revised framework for the preparation of general government budgets which you are considering. The Government sent the plan to the European Commission for assessment on 15 October 2024. The European Commission has not yet taken a position on the plan. The main objective of the plan is to limit the growth of expenditure in a way that ensures the sustainability of public debt in the medium term.

The revised framework proposes an average growth rate of net expenditure of 4.5% per year. This corresponds roughly to the commitment made in the medium-term plan for the 2025–2028 period. Since the plan does not contain sufficiently precise data on the components that are excluded to define the net expenditure, it is not possible to determine whether such growth corresponds to the specified expenditure levels in the current framework, set on the basis of the Fiscal Rule Act. In its opinion on the plan, the Fiscal Council noted that the annual growth rate of net expenditure of 4.5% is consistent with the currently applicable methodology at the EU level. However, such a conclusion can only be made for aggregate general government expenditure, and actual compliance with the commitments made will be determined on a year-by-year basis.

The Fiscal Council points to the high risk associated with achieving the above-mentioned growth rate of net expenditure, which is expected to bring the general government deficit down to 1.2% of GDP in 2028. In our view, the measures that have already been adopted and will be implemented over the next four years do not allow for such fiscal consolidation. This conclusion is confirmed by the Government's technical projection in the plan, which, under unchanged policies, projects a deficit close to 3% of GDP. If this projection were to materialise, Slovenia could find itself in the excessive deficit procedure even if macroeconomic aggregates were to deteriorate only slightly. We also note that the measures outlined in the plan would not contribute to fiscal sustainability, as they mostly imply additional expenditures.

Since medium-term fiscal and structural plans have to remain unchanged in the new EU economic governance framework, in contrast to the current budget planning practice in Slovenia, planning will have to become more medium-term oriented. Discretionary measures will therefore need to be more carefully considered and their overall fiscal implications will need to be taken into account when they are adopted. The proposed Act Determining Intervention Measures for the Provision of Heat Supply in the Šalek Valley does not meet such criteria either and therefore represents a continuation of the inappropriate approach to fiscal planning.