

## **Speech by the President of the Fiscal Council at the 55th emergency meeting of the National Assembly's Committee on Finance held on 15 November 2024 on the draft state budget for 2026**

I spoke extensively about the assessment of the Republic of Slovenia's 2026 draft budget during the first debate three weeks ago. Allow me to point out the main highlights.

A significant reduction in the budget deficit for 2026 has been envisaged in compared to 2025. Excluding the direct effect of the intervention measures, the deficit is projected to fall to EUR 1.2 billion or 1.6% of GDP in 2026, which is around EUR 650 million or 1 percentage point of GDP lower than in 2025. The projection should accurately reflect the current legislation and measures in force. We estimate that the expenditure projection, which excludes intervention measures, is inconsistent with this principle. Expenditure is projected to increase by a mere 0.8% or EUR 130 million. It is, therefore, our estimate that the planned level of expenditure without intervention measures in 2026 is unrealistic without adopting additional measures. This statement is only valid if the projected expenditure level for 2025 actually materialises.

In addition to reviewing the draft budget, we must also draw attention to the additional commitments that have emerged since the draft budget was submitted to the Fiscal Council. Let me just mention the change in the amount of the lump-sum funding of local communities that occurred in the interim period and is not presented in the draft Act Regulating the Implementation of the Budget of the Republic of Slovenia, and the effects of that change are similarly not reflected in the amended budget proposal for 2026. This addition would result in spending just under half of the planned increase in expenditure in that year compared to the original budget proposal. Therefore, regardless of the Government's claims that constantly changing circumstances require adjustments and flexibility in drafting the budget, we can already conclude that the aforementioned modest increase in spending is not in line with the commitments arising from the current legislation.

I would like to emphasise once again that the identified unrealistic planning and additional acceptance of commitments in the new economic governance system limit the possibilities for implementing the commitments set out in the medium-term plan, which was presented to the National Assembly, and thus also the space for ensuring sustainable public debt dynamics.