

Speech by the President of the Fiscal Council at the 53th emergency meeting of the National Assembly's Committee on Finance on 25 October 2024 on the draft state budget for 2026

The Fiscal Council's assessment of the 2025 and 2026 budgets has been made together with our opinion on the Government's medium-term fiscal-structural plan, which was submitted to the European Commission on 15 October. After years of crises in which exceptional circumstances were invoked, we are now in a transitional period of implementing new fiscal rules. Their main purpose is to set limits that ensure a sustainable public debt trajectory. Accordingly, our assessment places a strong emphasis on the expected fiscal risks over the period covered by the draft budgets and the medium-term fiscal plan.

A review of the budget documents for 2025 and 2026 once again highlights the shortcomings of short-term budgetary planning. These are unacceptable under the EU's new economic governance framework, where medium-term fiscal planning is a key component. The 2026 budget projects a significant reduction in the deficit compared to 2025, but the projection itself does not meet the criteria for a realistic no-policy-change scenario. The "core" deficit (excluding the direct impact of intervention measures) is projected to drop 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 "core" spending projection, which excludes intervention measures, is inconsistent with this and shows an increase of only 0.8%, or EUR 130 million, according to the draft budget. It can therefore be concluded that the planned "core" spending for 2026 will not be achievable without additional measures, assuming that the projected level of spending in 2025 actually materialises.

In 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. These include, in particular, the possible change in the lump-sum amount for the local communities set out in the proposed Act Regulating the Implementation of the Budgets of the Republic of Slovenia for 2025 and 2026, as well as additional commitments arising from the proposed Act Determining Intervention Measures for the Provision of Heat Supply in the Šaleška Valley. Any increase in spending needed to implement this intervention law alone would exceed the "quota" of around EUR 130 million of additional spending foreseen in the draft budget for 2026. Such an increase would significantly increase the commitments of the state budget, but the decision is being taken hastily, without assessing its impact on the medium-term sustainability of public finances. Moreover, it risks raising the public's expectations of future government intervention at the micro level, which could have an additional negative impact on public finances.

According to the Fiscal Council, the Government will face significant challenges already in pursuing the targets set out in the medium-term fiscal structure plan for 2025–2028. The Fiscal Council assesses that the currently known mix of measures will not be sufficient to meet the fiscal commitments to maintain a sustainable trajectory for public debt in the medium term. On the contrary, unrealistic planning together with new additional commitments will only heighten the risks to meeting these commitments and undermine the goal of achieving a sustainable public debt dynamics.