

Assessment by the Fiscal Council: Proposal for the Ordinance amending the Ordinance on the Framework for Preparing General Government Budgets for the Period 2018–2020

The proposed *Ordinance Amending the Ordinance on the Framework for Preparing General Government Budgets for the 2018–2020 Period*, which was received for assessment by the Fiscal Council, relates solely to 2019. Thus the framework does not reflect the fiscal policy orientation for the next few years, as required by the law. As a result, Slovenia currently has no credible and consistent medium-term budgetary framework.

Having examined the proposed framework, the Fiscal Council has established that the set expansionary fiscal policy for 2019 is pro-cyclical and that as such it would not be in line with the law. The anticipated nominal surplus, which is expected to decrease in comparison with 2018, and the decrease in the general government debt to GDP ratio will mainly be the result of the current high economic growth. This would again lead to a structural deficit, which would cause Slovenia to fall short of ensuring medium-term sustainability of its fiscal policy.

The implementation of fiscal policy in this manner would represent a missed opportunity to create manoeuvring space for action when economic conditions deteriorate. The creation of reserves in the currently still favourable economic conditions is necessary due to the continued relatively high debt level and the expected negative fiscal impact of demographic changes. Moreover, caution in budgetary planning is essential due to the high level of uncertainty in the international environment, the prevailing negative risks regarding the future economic growth and the limited possibilities for reducing interest expenditure.

In the Fiscal Council's opinion, policies should be formulated in the very next stages of budgetary process in order to ensure structural fiscal balance in 2019 already. In addition, the Government should, on the adoption of the Stability Programme next spring, present its policies aimed at comprehensively addressing long-term challenges. At the same time, a comprehensive framework for preparing the general government budget for the 2019–2022 period should be adopted.