Speech delivered by President Kračun at the meeting of the Commission for Public Financial Control (16 June 2022)

As early as at the beginning of its operation in 2017, the Fiscal Council made a decision to follow good practices from countries in which independent fiscal institutions have a long history. One of these good practices is assessing the fiscal implications of coalition agreements when each Government assumes office. In the history of our operation, this is the third assessment of a coalition agreement, following the 2018 and 2020 assessments. Assessments of coalition agreements, like all other assessments, are regularly published on our website and communicated to the public. What all the coalition agreements that we have assessed thus far have in common is that they are rather vague and that their implementation would pose a risk to the long-term sustainability of public finances. In all the coalition agreements assessed so far, we have seen a greater emphasis and concreteness with regard to measures that have an impact on the expenditure of public finances. In some way, all three agreements can be seen as an intermediate step between the electoral programmes and the concrete budget documents. Through the assessments of coalition agreements, the Fiscal Council seeks to gradually make them more concrete and thus bring more medium-term predictability to the conduct of each Government's fiscal policy.

This Coalition Agreement needs to be placed in an environment of considerable uncertainty following, hopefully at least, the end of the epidemic, which has significantly aggravated the fiscal situation, and new uncertainties linked in particular to the macroeconomic consequences of Russia's attack on Ukraine. The current Coalition Agreement, like the previous two that we have assessed, gives greater weight to measures that may lead to an increase in government expenditure. If implemented, this would constitute a deviation from the path of gradual fiscal consolidation in the no-policy-change scenario presented in the 2022 Stability Programme of May this year, which has not been formally communicated to the National Assembly. In this context, it should be noted that the Coalition Agreement correctly identifies some of the key challenges for the long-term sustainability of public finances, as well as development challenges. Moreover, compared to the previously assessed coalition agreements, it also refers more to the possibility of action on the revenue side, which would be necessary to ensure that the measures that have an impact on expenditure do not pose a significant threat to long-term fiscal sustainability.

The Fiscal Council expects the Government to present concrete measures to achieve the objectives of the Coalition Agreement in official budget documents in a transparent manner, with a clear assessment of the fiscal implications. In doing so, measures should follow the baseline scenarios of the macroeconomic forecasts, which, despite a number of downside risks, are currently still favourable and project continued economic growth at levels above long-term averages. Measures to mitigate the effect of shocks should be appropriately targeted and temporary. In addition, long-term challenges should be properly addressed, where we assess that the challenges related to demographic change and development challenges, in particular in the area of digitalisation and the green transition, are prevalent. Public investments that could contribute to addressing long-term challenges should be financed as much as possible with a larger volume of available European funds, which entails enhanced efficiency due to greater control over the funds spent.