

## Speech by the President of the Fiscal Council at the meeting of the Committee on Finance, 8 November 2023

The Fiscal Council considered the proposal for a decree on amendments to the Decree on the framework for the preparation of state sector budgets for the period 2022–2024 as part of the assessment of budgetary documents for 2024 and 2025. The framework for the period 2022–2024 was first determined in April 2021 and is now being changed for the fourth time.

Since extraordinary circumstances continue to apply in 2023, which allows for a temporary derogation from the fiscal rules, the Fiscal Council did not quantitatively verify the compliance of the aforementioned draft decree with the currently valid fiscal rules.

The proposed decree modifies the maximum allowed expenditure for local communities, the Health Insurance Institute and the Pension and Disability Insurance Institute of Slovenia. According to the Government, the changes are, among other things, due to the August floods, although this did not affect the maximum budget expenditure. This points to overestimated or inadequately planned expenditure, which the Fiscal Council has been regularly calling attention to for at least three years.

Another change in the maximum expenditure for a single year for individual general government budgets just before the end of the year also points to a merely formalistic and not substantive approach to medium-term budget planning. The Fiscal Council already drew attention to this shortcoming, which represents a deviation from good practice, during the preliminary consideration of the budget documents. At the same time, this is an adverse development and shows the lack of readiness of the budget planning system for the anticipated changes in the EU's economic governance. At the core of these changes will be the four-year fiscal plan. This will obviously represent a major challenge for Slovenia given that, in recent years, governments have failed to present credible outturn estimates several months before the end of each year.