



REPUBLIC OF SLOVENIA
FISCAL COUNCIL

Report on the Fiscal Council's operations in 2024

May 2025

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FOREWORD

The year 2024 was calm in macroeconomic terms. This also applies to real GDP growth, which was around half a percentage point lower than the long-term average. Inflation was lower than in the previous two years, while employment remained high but did not increase further during the year. The general government deficit declined as intervention measures had a significantly lower impact on government's spending, while favourable macroeconomic conditions and discretionary measures contributed to high public revenues.

The Fiscal Council's warnings in 2024 focused mainly on the inaccuracy of public finance planning. Overestimating expenditure, both in plans and in estimates of implementation, creates the impression that there are plenty of available funds. This encourages government entities to rush to meet inflated spending plans, even if their rationality has not been sufficiently verified. At the same time, delays in spending on useful investments are not necessarily positive, even if they allow for short-term savings.

In accordance with the revised fiscal rules, Slovenia has prepared a Medium-Term Fiscal Structural plan for 2025-2028. In formal terms, it complies with the requirements of the revised EU economic governance system, as it keeps the deficit below 3% of GDP and reduces debt to close to 60% of GDP. Based on the results in the initial year 2024, public finance developments are likely to be in line with the commitments set out in the Plan in the first two years. However, risks are increasing over time, as the continued implementation of the wage agreement will significantly increase public expenditure. Geopolitical risks are also increasing, which may lead to lower revenue and higher expenditure. Although the increase in defence spending may be exempt from the Plan's restrictions due to the escape clause, regardless of its formal status, this spending weighs on consumption with all the consequences for the public finance deficit and debt.

In 2024, fiscal rules were revised at the European level, requiring the Government to prepare a fiscal structural plan in the fall. Towards the end of the year, activities intensified to adopt a national Fiscal Rule Act (ZFisP-1), which had to be aligned with European rules. After several rounds of constructive consultations, the Fiscal Council agreed with the proposal for a revised law, which the Government submitted to the National Assembly for consideration in 2025. The area in which the Fiscal Council has made the greatest efforts to improve in coordination with the Ministry of Finance, is greater national ownership of medium-term budgetary planning. In this sense, the final proposal of the Act maintains the existing important role of the National Assembly in decision-making and debate, and the role of the Fiscal Council in providing an independent assessment of the medium-term budgetary documents and their implementation. I believe it is important that, despite the uncertain situation, all stakeholders are aware of the importance of the medium-term sustainability of public finances, as well as of their role in providing one of the key bases for the country's economic development and prosperity.

Effective implementation of the revised fiscal rules and responsible medium-term budgetary policy will be key to maintaining the stability of public finance. At the same time, it remains important to ensure transparency and realistic and consistent budgetary planning. The Fiscal Council will therefore continue to independently monitor these processes and draw attention to any deviations that could jeopardize the sustainability of public finances.

May 2025

Dr Davorin Kračun

President of the Fiscal Council

1. The operation of the Fiscal Council in 2024

The Fiscal Rule Act,¹ adopted in July 2015 by the National Assembly of the Republic of Slovenia (hereinafter: the National Assembly), constitutes the basis for the establishment and operation of the Fiscal Council. The Fiscal Rule Act defines, *inter alia*, the tasks, composition and method of operation of the Fiscal Council. Its members were appointed by a constitutional majority in the National Assembly for a five-year term of office on 21 March 2017, when the Fiscal Council began its work and were conformed for a renewed five-year term in 2022. In accordance with Article 10 of the Fiscal Rule Act, the Fiscal Council is required to submit an annual report on its work to the National Assembly for consideration by the end of May each year for the previous year. The Fiscal Council drew up its first annual report, for 2017, in May 2018; the present report covers the main aspects of the operation of the Fiscal Council in 2024.

1.1 The composition and operation of the Fiscal Council

The Fiscal Council is an independent and autonomous state authority that assesses the appropriateness of the planned and implemented fiscal policy, i.e. its compliance with statutory fiscal rules. It is accountable solely to the National Assembly, which approves and may replace its members, who are otherwise appointed for a five-year term of office. The autonomy of this authority is an essential condition for the provision of opinions that are not subject to political developments each time a new government takes office. This is facilitated by the two-thirds majority vote of all Members of the National Assembly required for the appointment of the Fiscal Council's members and the autonomous management of the funds allocated from the state budget.² Within the budget planning process, the Fiscal Council itself proposes the funds it needs for its operation in accordance with the Fiscal Rule Act. The autonomy of and strong analytical support for the Fiscal Council's opinions are essential for its credible and autonomous operation. The guiding principle in the formulation of the Fiscal Council's opinions on public finances is a focus on the medium and long term, as only long-term stable and sustainable public finances can provide the basis for economic development and thus for the well-being of the population.

The tasks of the Fiscal Council are defined by the Fiscal Rule Act. They are linked above all to assessing the adequacy of budget documents, which must ensure compliance with statutory fiscal rules and fiscal stability in the medium term. The Fiscal Council also assesses whether exceptional circumstances that justify a deviation from the medium-term fiscal balance have arisen and when they cease to exist. The full range of the Fiscal Council's tasks is described in Article 7 of the Fiscal Rule Act. In addition to the Fiscal Rule Act, the Act Amending the Public Finance Act³ of February 2018 imposed on the Fiscal Council the task of assessing the bias of past macroeconomic forecasts that represented the basis for preparing budget documents. The Decree amending the Decree on development planning documents and procedures for the preparation of the central government budget of May 2018⁴ also imposes on the Fiscal Council the biennial task of subsequently assessing the general government sector's revenue and expenditure forecast. Considering the transitional periods laid down by law, the

¹ The Fiscal Rule Act was revised in 2025. Available at: https://www.fs-rs.si/wp-content/uploads/2025/05/ZAKO9122_NPB0-lektoriran-prevod_eng_.pdf. Since the original Fiscal Rule Act was still in force in 2024, to which this Report on the activities of the Fiscal Council refers (https://www.fs-rs.si/wp-content/uploads/2018/02/ZFisP_EN.pdf) all references below refer to this Act.

² For more information on operating costs and selected components of the Fiscal Council's 2024 balance sheet, see Annex 1.

³ <https://www.uradni-list.si/glasilo-uradni-list-rs/vsebina/2018-01-0544?sop=2018-01-0544> (Only in Slovene).

⁴ <https://www.uradni-list.si/glasilo-uradni-list-rs/vsebina/2018-01-1754?sop=2018-01-1754> (Only in Slovene).

Table 1.1: Annual schedule of releases by Fiscal Council and by other institutions in 2024

	week 1	week 2	week 3	week 4
January	FC: Monthly information			
February	FC: Monthly information		<i>SORS: National Accounts</i>	<i>IMAD: forecast</i>
March	FC: Monthly information			<i>SORS: General Govt Accounts</i>
April	FC: Monthly information <i>MoF: draft SP/Framework</i>	FC: assess draft SP/ Framework		
May	FC: Monthly information		<i>SORS: National Accounts</i> <i>EC: assess SP/CSR</i>	FC: Annual Report
June	FC: Monthly information			<i>SORS: General Govt Accounts</i> FC: assess previous year
July	FC: Monthly information			
August	FC: Ex post evaluation of forecasts		<i>SORS: National Accounts</i>	<i>IMAD: forecast</i>
September	FC: Monthly information			<i>SORS: General Govt Accounts</i> <i>MoF: State Budget</i>
October	FC: Monthly information <i>MoF: Framework</i>	<i>MoF: Plan, Framework, DBP</i>	<i>SORS: EDP</i> FC: assess State Budget/ Framework/Plan/DBP	
November	FC: Monthly information	<i>EC: assess DBP/Framework</i>	<i>SORS: National Accounts</i>	
December	FC: Monthly information			<i>SORS: General Govt Accounts</i>

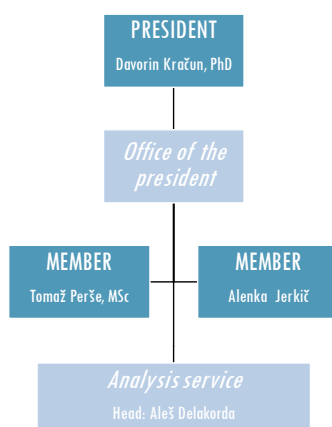
Note: This scheme shows the time aspect of Fiscal Council regular publication releases (in red) during 2024. Due to change in economic governance in the EU and subsequent changes in Fiscal Rule Act the annual schedule of releases by Fiscal Council will change in the future, including introduction of newly required publications as well as discontinuation of others. Fiscal Council may publish assessments which are not mandated by law outside this schedule. Abbreviations: CSR: Country Specific Recommendation, DBP: Draft Budgetary Plan, EDP: Excessive Deficit Procedure Report, Plan: Medium-Term Fiscal Structural plan, SB: SP: Stability Programme. Source: Fiscal Council.

Fiscal Council prepared the first two assessments of the past forecasts in 2020 and, in line with the legal constraints, the second one in a reduced form in 2024.⁵

The Fiscal Council is composed of three members, i.e. a chair and two members. The Fiscal Council members are elected for a term of five years and for no more than two consecutive terms. Article 8 of the Fiscal Rule Act lays down that the function of a member of the Fiscal Council shall be incompatible with holding a public office and activities of managing, supervising or representing direct and indirect spending units of the budgets of the general government sector. After the expiry of the first term of office (2017–2022), all three existing members of the Fiscal Council had their term reconfirmed in March 2022 for a new five-year period.

⁵ Article 33 of the Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic (ZDLGPE), adopted at the end of April 2020, stipulates that "...Notwithstanding paragraph one of Article 9g of the Public Finance Act (ZJF), the Fiscal Council shall not take into account macroeconomic aggregates and revenue and expenditure forecasts for 2020 and 2021 in its analysis."

Figure 1.1: Organizational chart of the Fiscal Council



Source: Fiscal Council.

The President represents the Fiscal Council, organises and manages its work. In accordance with the provisions of Article 10 of the Fiscal Rule Act, the President of the Fiscal Council shall be employed with the Fiscal Council for at least 50% of full-time employment, while the two members were employed to 50 % of full-time employment, according to the Fiscal Rule Act, valid until April 2025. Currently, the President of the Fiscal Council is employed full-time with the Fiscal Council and the two members for 50% of full-time employment each up to April 2025.

The Rules of Procedure of the Fiscal Council, which were published in the Official Gazette of the Republic of Slovenia [*Uradni list RS*], No 26/2017,⁶ define the organisation and method of the Fiscal Council's work. The Fiscal Council usually meets once per week at closed sessions to discuss the current macroeconomic and fiscal developments and, *inter alia*, to decide on the publication of its opinions, press releases and documents.

Four public employees are employed by the Fiscal Council. This is the maximum number of employees as laid down by paragraph five of Article 10 of the Fiscal Rule Act. The public employees provide administrative and expert support to the Fiscal Council's members. The staffing of expert services was completed in October 2017 and remained unchanged in 2024. One public employee works in the President's office and performs administrative and organisational tasks, and three public employees work in the Analysis Service.

In accordance with paragraph six of Article 10 of the ZFisP, administrative and technical tasks (tasks related to human resources, information technology, accounting, public relations, etc.) for the Fiscal Council are performed by the services of the Court of Audit of the Republic of Slovenia (hereinafter: the Court of Audit), where the Fiscal Council's premises were located until April 2020. Due to changes in the Court of Audit's spatial requirements, the Fiscal Council began to look for new rental premises in which to perform its activities in 2019. The Court of Audit assisted the Fiscal Council in this process by looking for appropriate premises at the Ministry of Public Administration, whereas the Ministry was unable to provide such premises. The Fiscal Council moved to its new rented premises at Likozarjeva ulica 3 in Ljubljana in April 2020 and has been operating there since then. In agreement with the Fiscal

⁶ <https://www.uradni-list.si/glasilo-uradni-list-rs/vsebina/2017-01-1384?sop=2017-01-1384> (Only in Slovene).

Council, part of the premises is also used for the needs of the Court of Audit, which, also at the new location, provides administrative and technical support to the Fiscal Council under the Fiscal Policy Act.

The Analysis Service provides expert assistance to the Fiscal Council's members. It regularly monitors and analyses macroeconomic and fiscal developments in Slovenia and abroad and prepares working documents for the members and expert groundwork for their opinions. The Analysis Service's priority tasks in 2024 included, in particular, monitoring the fiscal effects of measures to prevent the effects of the COVID-19 epidemic, the cost-of-living crisis, the flood recovery measures, the management and expansion of databases, and the maintenance and upgrading of process automation, analysing changes to the EU economic governance framework, upgrading tools for analysing cyclical and fiscal trends, participating in two DG REFORM (European Commission) projects, managing the Fiscal Council's presence on the social network X and on Fiscal Council's webpage, and producing regular and special Fiscal Council publications. In 2024, the Analysis Service paid particular attention to analysing changes to the EU economic governance framework and, within this framework, adapting analytical tools, in particular debt sustainability analysis and calculations of new fiscal rules according to the EC methodology, and also to preparing proposals for amending national legislation and the related discussion in the Fiscal Council on this basis.

1.2 The main guidelines for the Fiscal Council's operation in 2024

In 2024, the Fiscal Council operated within the framework of its regular annual operating cycle, which was updated with new analyses and publications after the outbreak of the epidemic. The schedule of the annual cycle is broadly defined by the Fiscal Rule Act and the Act Amending the Public Finance Act and specifically by the procedure for preparing budget documents and by the publication of important macroeconomic and fiscal data. In addition to the statutory tasks, the Fiscal Council also publishes analysis of current macroeconomic and, in particular, fiscal developments, as well as technical analyses in the broader field of public finances, which also form the basis for the Fiscal Council's assessments. The existing legislation, particularly Articles 12–14 of the Fiscal Rule Act, also determines Fiscal Council actions in the event of exceptional circumstances, such as an epidemic. Thus, in March 2020, the Fiscal Council identified the existence of exceptional circumstances to support increased fiscal policy flexibility during the period of the epidemic and, also in 2024, regularly monitored and published the fiscal effects of the measures taken to limit the impact of the epidemic, the measures related to the cost-of-living crisis and the measures related to the flood recovery.

It also made significant changes to its publications to address the new situation, distinguishing between the analysis of aggregate fiscal data and the analysis of data that did not include the effects of the various interventionist fiscal measures taken to limit the impact of extreme events. Thus, in January 2021, it started publishing its regular Monthly Information publication, which presents current developments in the State budget alongside the ongoing monitoring of the public finance implications related to the epidemic, the cost-of-living crisis and the floods. The Fiscal Rule Act does not explicitly prescribe the monitoring and publication of such data, but, in the Fiscal Council's opinion, this was necessary to ensure transparency, on the one hand, and on the other, to analyse on an ongoing basis the credibility of the budget documents prepared by the Government in the period of exceptional circumstances and their compliance with the applicable fiscal rules. The Fiscal Council continued the preparation of this publication, which attracted considerable public interest, in 2024.

To support its operations, the Fiscal Council concluded cooperation agreements with the Institute of Macroeconomic Analysis and Development of the Republic of Slovenia (hereinafter: IMAD) and with the Ministry of Finance (hereinafter: MoF).⁷ According to the applicable Fiscal Rule Act, the Fiscal Council was until April 2025 the only public institution in Slovenia with a legal limit on the number of public employees and has one of the lowest staffing levels compared to similar institutions operating in other EU countries. This is one of the reasons why paragraph seven of Article 10 of the Fiscal Rule Act also provides for the possibility of concluding cooperation agreements with institutional units of the general government sector, which are obliged under this Act to provide the Fiscal Council with all the information, analyses and data they have at their disposal. The two agreements (with the IMAD and the MoF) define the data and documents that the two institutions have to provide to the Fiscal Council and the time limits for their provision.

In 2024, the Fiscal Council met with representatives of the domestic institutions on several occasions. The cooperation agreements concluded with the IMAD and the MoF also include a provision on holding regular meetings at the technical level for the purpose of informing the Fiscal Council of the current macroeconomic and fiscal developments and forecasts. The Fiscal Council's Analysis Service held meetings at the technical level with the representatives of the two institutions on a regular basis in 2024. In 2024, the Analysis Service also met with the drafters of the National Energy and Climate Plan.

In March 2024, the Fiscal Council organised a regular consultation with domestic experts in the field of macroeconomics and public finance. At the initiative of the Fiscal Council, the discussion focused on the reform of the economic governance system in the EU and the consequences for the implementation of the Fiscal Rule Act and the functioning of fiscal policy in Slovenia. The participants unanimously emphasised the importance of maintaining the essential role of the Fiscal Council also in the new economic governance system and pointed out the risks associated with long-term fiscal policy challenges. In April 2024, Mr. Veljko Bole presented to the Fiscal Council some technical aspects of the requirements and implementation of the new economic governance system in the EU for Slovenia.

For the purposes of its operations, the Fiscal Council also needs data and information that are not available to the public. For the purpose of analyses and forming opinions, in 2024 the Fiscal Council, in accordance with the Fiscal Rule Act, made requests to obtain data and information from the Institute for Economic Research and the Financial Administration of the Republic of Slovenia, with which the relevant cooperation agreements have not yet been concluded.

2. The Fiscal Council's opinions and the Government's responses in 2024

While the main part of the Fiscal Council's work in 2024 related to the tasks set out in the Fiscal Rule Act, a large part of its tasks was also devoted to other topics, both because of the extensive government action in areas that justified maintaining a period of exceptional circumstances and the implementation of emergency measures (COVID-19, the cost-of-living crisis, floods), and because of the reform of the economic governance system in the EU. It should be noted that paragraph four of Article 7 of the Fiscal Rule Act requires the Government of the Republic of Slovenia (hereinafter: the Government) to respond to the Fiscal Council's opinions which are required by this Act. The Government must draw up a written reasoned opinion on the assessments of the Fiscal Council and submit it to the National Assembly. This is the "comply-or-explain" principle laid down in EU law in

⁷ Both agreements are published on the Fiscal Council's website: <https://www.fs-rs.si/fiscal-council/co-operation/> (Only in Slovene).

Directive 2011/85/EU. The drafting of written reasoned opinions by the Government increases the transparency of its operations, while its failure to adhere to Fiscal Council's recommendations increases its political responsibility in the conduct of public fiscal policies.

In 2024, the Fiscal Council met twice (April and October) with the Minister of Finance.

In 2024, when the economic governance system in the EU was being overhauled, the Fiscal Council proposed to the parliamentary groups and the Committee on Finance to present its views and provide explanation regarding the new fiscal rules. Within this context, representatives of the Analysis Service presented their views and provided explanations to one parliamentary group (Slovenian Democratic Party) at its invitation.

The Fiscal Council made the following assessments in accordance with the Fiscal Rule Act in 2024:⁸

- on 18 April 2024, it submitted to the National Assembly and the Government the Fiscal Council's Assessment of Budget Documents for the period from 2024 to 2027, which included the assessment of the proposed Ordinance on the framework for the preparation of the general government budget for the 2025–2027 period, the assessment of the draft Stability Programme 2024, and an opinion on the termination of the period of exceptional circumstances (as required in paragraph one of Article 9.f of the Public Finance Act, in point 1 of paragraph two of Article 7 of the Fiscal Rule Act and in point 7 of paragraph two of Article 7 of the Fiscal Rule Act);
- on 23 May 2024, it submitted to the National Assembly the Report on the Fiscal Council's operation in 2023 (as required in point 8 of Article 10 of the Fiscal Rule Act);
- on 14 June 2024, it submitted to the National Assembly and the Government the Fiscal Council's Assessment of the compliance of the implemented general government budgets with fiscal rules in 2023 (as required in point 4 of paragraph two of Article 7 of the Fiscal Rule Act);
- on 21 October 2024, it submitted to the National Assembly and the Government the Assessment of Budget Documents for 2025 and 2026, which included the assessment of the proposed Amendment to the Budget of the Republic of Slovenia for 2025 and the draft Budget of the Republic of Slovenia for 2026, the assessment of the proposed Ordinance amending the Ordinance on the framework for the preparation of the general government budget for the 2024–2026 period and the assessment of the proposed Ordinance amending the Ordinance on the framework for the preparation of the general government budget for the 2025–2027 period (as required in point 2 of paragraph two of Article 7 of the Fiscal Rule Act, in paragraph one of Article 9.f of the Public Finance Act and in point 5 of paragraph two of Article 7 of the Fiscal Rule Act), and an opinion on the Medium-Term Fiscal and Structural Plan 2025-2028 (EU Regulation 1263/2024 did not explicitly require this opinion, but the Fiscal Council drew it up on its own initiative).

In addition to the assessments required under the Fiscal Rule Act, in 2024 the Fiscal Council prepared the following assessments and opinions:

- on 1 August 2024, it submitted to the National Assembly and the Government its Analysis of deviations from forecasts of macroeconomic and fiscal aggregates in the period 2018–2021 (as laid down in paragraph one of Article 9.g of the Public Finance Act and in Article 37.b of the Decree

⁸ Annex 2 contains a summary of the assessments of the Fiscal Council from 2024.

amending the Decree on development planning documents and the procedures for preparing the draft national budget),

– it published eleven editions of the publication *Monthly Information*.

In its assessments of the budget documents in 2024, the Fiscal Council mainly noted a continued inadequate approach to both short-term and long-term budget planning. From the short term perspective, inadequate planning was primarily reflected in the projected deterioration of the fiscal position last year, predominantly due to the projections for investment activities, which, in the Fiscal Council's opinion, were again overestimated. However, the Fiscal Council also warned of the likely persistence of the deficit in the coming years due to the high level of current spending as a result of the discretionary measures adopted in previous years. From the long term perspective, the Fiscal Council, when presenting the medium-term budget documents last spring, concluded that they represented a missed opportunity to put in place an appropriate medium-term budgetary framework as the new fiscal rules are about to enter into force. It warned that as a consequence, the preparation of the first medium-term fiscal and structural plan under the new fiscal rules framework this autumn will be a major challenge. When the Government submitted the Medium-Term Fiscal and Structural plan for the period 2025–2028 to the Fiscal Council for the first time in the autumn – a plan that Slovenia prepared for the first time under the EU's reformed economic governance framework – these expectations were indeed fulfilled. To identify risks to the fulfilment of the medium-term plan commitments, the Fiscal Council has prepared fiscal projections. These, taking into account the measures expected to be in place in the period 2025–2028, suggest that deviations from the balance and debt targets could occur, in particular in the second part of the implementation of the plan. The measures already taken on the revenue side, which include in particular an increased tax burden, would thus not be sufficient to finance the full expected increase in expenditure, which primarily originates in the adopted public sector wage system reform. According to the Fiscal Council, this indicated the need for additional compensatory measures to meet the commitments set out in the medium-term plan. The Fiscal Council did not detect these measures in a quantified form during the review of the medium-term plan.

The Government responded in 2024 to the Fiscal Council's assessments in accordance with the legislation through public written explanations.⁹ Regarding the planning of state expenditure for investments, it emphasised that all relevant sources were taken into consideration, i.e. the conclusion of the EU financial perspective 2014–2020, the Recovery and Resilience Plan, and intervention measures to remedy flood damage; the fact that state investments in 2023 were record-high; and the high expected level of investments in the current year by other entities in the state sector (public institutions and funds, budgetary funds, and companies). Regarding the detection of systemic shortcomings in investment planning, the Government stressed that national systemic public finance regulations precisely define the conditions that must be met when financing investments with budgetary funds. This means it is not possible to proceed with public procurement if the budget user had not secured a closed financial structure for a specific project. Different planning in project implementation is not allowed, as this could only lead to funds not being planned by individual projects, causing a lack of transparency. Regarding the deficiencies of the medium-term plans, the Government explained it will wait for the implementation of the revised EU legislation, which was enacted at the end of April, and for the European Commission's calculations. The Government also explained that the measures in the medium-term plan only include descriptions of the measures that will enable gradual consolidation,

⁹ All government opinions are also published on the Fiscal Council's website at the time of each assessment of the budget documents.

while emphasising awareness that the impacts of certain structural changes will only become evident in the medium term.

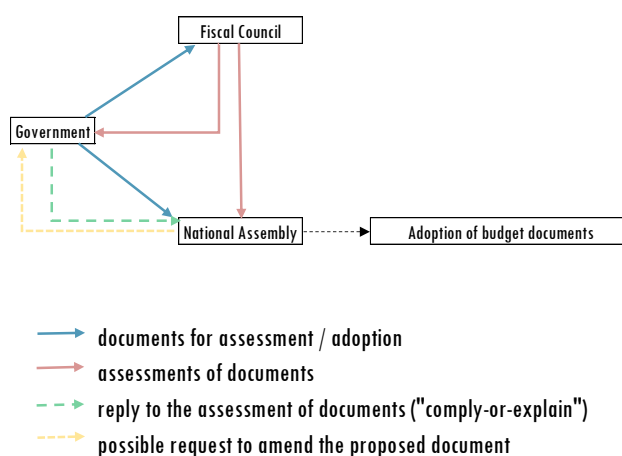
3. The Fiscal Council and the National Assembly

The Fiscal Council's cooperation with the legislative branch of government is extremely important. As an independent institution providing impartial analyses of economic and fiscal trends, the Fiscal Council provides direct support to the National Assembly's decisions on budget guidelines and public finance topics. In accordance with its mandate, the Fiscal Council in its work relies consciously on a positive analysis and does not provide normative opinions on specific fiscal measures and legislation. This orientation allows the Fiscal Council to maintain its status of impartiality while at the same time ensures the apolitical nature of its operation.

The Fiscal Council also submits its assessments of budget documents and fiscal trends to the Government for response and to the National Assembly for consideration or for assistance in the adoption of budget documents. Accordingly, the Fiscal Council also takes part in the meetings held by the Committee on Finance, where it presents and explains its opinions and weighs them against those of the Government. If opinions on budget documents are provided, the Government must respond to them by explaining how such opinions will be taken into account or why they will not be taken into account (the "comply-or-explain" rule). In 2024, Fiscal Council representatives attended eight meetings of the Committee on Finance and one meeting of the National Assembly's Commission for the Economy, Craft Industry, Tourism and Finance.

In 2024, the legislation concerning the Fiscal Council's operation remained unchanged, but the Fiscal Council actively participated in preparing the revised Fiscal Rule Act and aligned its positions with the Ministry of Finance. The Fiscal Rule Act was revised in accordance with changes in EU legislation, especially EU Regulation (2024) 1263, with changes approved by the National Assembly at the end of March 2025.

Figure 3.1: Relations between the Fiscal Council, the Government and the National Assembly during the process of adoption of budget documents



Source: Fiscal Council.

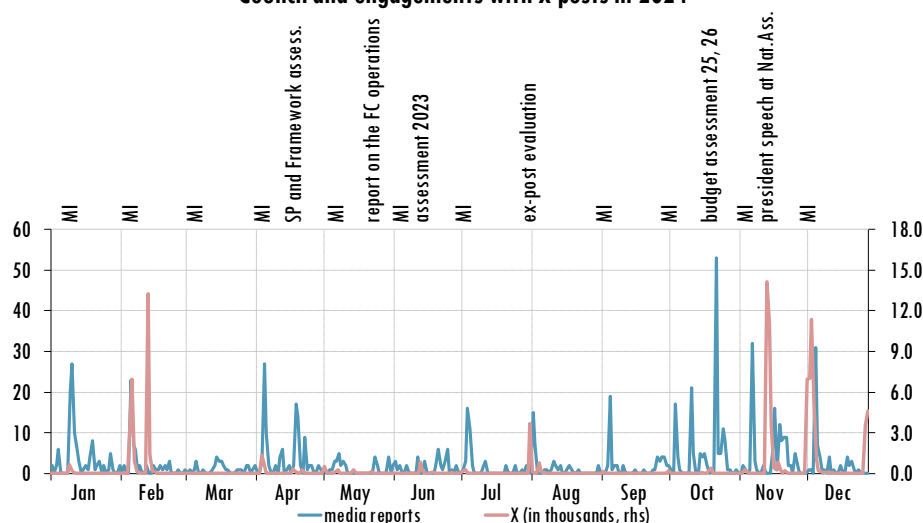
4. The Fiscal Council's contact with the media

Communicating with the media and informing the general public of their findings is one of the key tasks of independent fiscal institutions. Since the Fiscal Council merely provides opinions on budget documents that the Government is not obliged to take into account (only the “comply-or-explain” principle applies), it can only have an indirect impact on fiscal policy. Therefore, its task is primarily to raise the awareness of the general public, public opinion-makers and other stakeholders of the importance of ensuring a sustainable fiscal policy in the long term. The establishment of credibility, i.e. public confidence in the Fiscal Council's analyses and opinions, is a prerequisite for its views to be taken into account in public debates.

In 2024, the Fiscal Council continued to inform the public of its work by publishing recommendations, opinions and interviews. It prepared a presentation of the autumn budget plan assessment with a focus on new fiscal rules within the revised EU economic governance system for journalists from selected media that regularly deal with public finances. The President of the Fiscal Council held interviews with five media outlets, covering a wide range of macroeconomic and fiscal topics, and the Head of the Analysis Service participated in a public radio broadcast. Media response to the Fiscal Council's public releases in 2024 was somewhat lower than in the previous year, primarily due to the discontinuation of the publication Public Finance and Macroeconomic Developments and the absence of a budget revision in the last year. Media primarily responded to the spring and autumn assessments of the budget documents and the regular publication Monthly Information.

As soon as it began to operate in 2017, the Fiscal Council set up its own website with a view to increasing the transparency and impartiality of its operation.¹⁰ Through its website, the Fiscal Council provides access to the current published assessments, opinions, views and recommendations to the wider interested public. Legislation relating to the work of the Fiscal Council, cooperation agreements with other institutions, events in which the Fiscal Council participates and interviews with its members are also available on the website. In the course of the 2019 upgrade of the website, a set of frequently asked questions with answers relating to the Fiscal Council's area of work was added. With

Figure 4.1: Number of daily media reports about the Fiscal Council and engagements with X posts in 2024

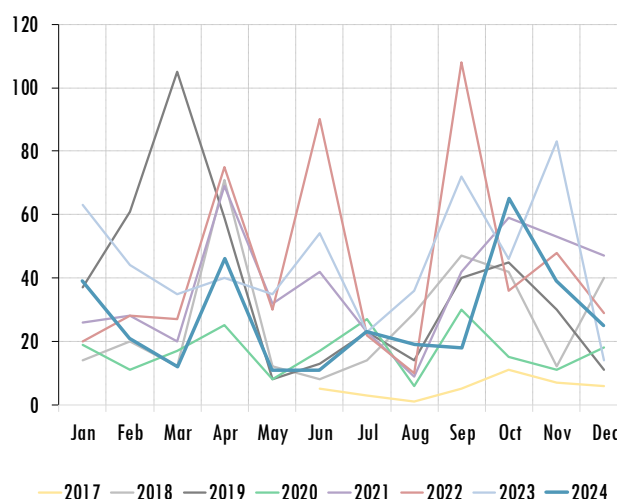


Note: Data about engagements on X include all uses of posts on @FiskalniSvetRS.

Source: Press Clipping d.o.o., X Analytics, Fiscal Council calculations.

¹⁰ <https://www.fs-rs.si/news/>

Figure 4.2: Number of monthly media reports about the Fiscal Council by year excluding internet portals



Source: Press Clipping d.o.o., Fiscal Council calculations.

this, the Fiscal Council aimed to help familiarise the public in a simple way with the basic concepts it uses in its work and communications. The majority of the publications, including other basic information on the Fiscal Council's operations, are also available on the English pages.

In order to keep the wider public informed, the Fiscal Council launched a Twitter account (now X) at the beginning of 2021. On this social network, the Fiscal Council mostly posts messages when publishing its assessments, views and analyses, but also short alerts on publications by other institutions, in particular the EU IFI, other independent fiscal institutions, Eurostat and the European Commission. The Fiscal Council's messages on this online platform received around 115,000 views in 2024. Again, the most viewed posts were those from the spring and autumn assessments of the budget documents and those on the findings of the publication Monthly Information, and there was also a high response rate to the presentations of the Fiscal Council's opinions in the National Assembly.

5. International cooperation of the Fiscal Council

Shortly after it began operating, the Fiscal Council joined international networks of similar institutions and participated in discussions with international institutions that analyse economic and fiscal developments in Slovenia. The purpose of joining international networks of independent fiscal institutions is to keep up with the current trends in budgetary control, to exchange information and to transfer good practices of similar institutions. In addition to other institutions that formulate and implement economic policy in Slovenia, the Fiscal Council is also a counterpart to international institutions. In such contacts, it presents and explains its view on macroeconomic and fiscal developments in Slovenia.

5.1 The Fiscal Council and networks of EU independent fiscal institutions

The Fiscal Council is included in the EU IFI and EUNIFI networks. The EU IFI¹¹ (European Union Independent Fiscal Institutions) is a voluntary and informal network of independent fiscal institutions which provides a platform for exchanging views and information among its members, but without the participation of EU institutions. In 2024, the Fiscal Council participated in two EU IFI working groups: one focused on methods for assessing or endorsing macroeconomic and fiscal forecasts, and the other on communication methods for independent fiscal institutions. The EUNIFI (European Network of Independent Fiscal Institutions) is a formal network of EU independent fiscal institutions whose work is organised by the European Commission and whose purpose is to link the institutions predominantly in terms of public finance management and compliance with the fiscal rules laid down by EU law. In 2024, Fiscal Council representatives attended two EUNIFI meetings and one EFC-A meeting organised by EUNIFI, as well as six EU IFI regular meetings and seven EU IFI seminars.

In 2024, the Fiscal Council prepared two contributions for an online presentation of fiscal developments in Slovenia within the EU IFI framework. The EU IFI regularly publishes brief information on economic and fiscal developments in the Member States in the publication *European Fiscal Monitor*.¹² Given the type of tasks, the IMAD¹³ usually presents macroeconomic forecasts in this context, while the Fiscal Council presents its view on short-term and long-term fiscal developments and the related challenges and risks. For the *European Fiscal Monitor*, the Fiscal Council additionally prepared in 2024 an assessment of fiscal risks and the risks it faces in its own operations, as well as a specific risk assessment for its operations related to the transition to the new EU economic governance system. The main topics of this publication, which was produced twice in 2024, were public finance trends and projections.

5.2 Contacts with international institutions

The Fiscal Council cooperates with the European Commission (EC) within the framework of the European Semester. In 2024, representatives of the EC met with the Fiscal Council's Analysis Service three times: in March, April and October. Cooperation took place at a technical level and was intended to exchange views on the current and future budgetary developments, in particular in terms of the fiscal effects of measures to limit the consequences of the cost-of-living crisis and the floods, the assessments of the budget documents prepared by the Fiscal Council, and the changes to the EU's economic governance system.

In 2024, the Fiscal Council participated in a joint project of eight independent fiscal institutions, within which it receives technical support from the European Commission (DG REFORM) via the Technical Support Instrument (TSI).¹⁴ The project, which is being implemented by a consortium of economic institutes from Greece, the Netherlands and the UK, is being carried out in four areas, where the Fiscal Council is involved in the part concerning the assessment of the impact of the green transition on the long-term sustainability of public finances. The project is expected to be completed in autumn 2026. In

¹¹ <http://www.euifis.eu/>

¹² <https://www.euifis.eu/publicationsfilter/efm>

¹³ Due to its independent drawing-up of macroeconomic forecasts, which constitute the basis for the preparation of budget documents, the IMAD is recognised as an independent fiscal institution and participates in the EU IFI and the EUNIFI.

¹⁴ https://commission.europa.eu/funding-tenders/find-funding/eu-funding-programmes/technical-support-instrument/technical-support-instrument-tsi_en

2024, the Fiscal Council also continued its participation in the DG REFORM project, launched in 2022. The contractor, the Danish DREAM Institute (<https://dreamgroup.dk/>), will develop a long-term public finance model for the Fiscal Council. The model will focus on social protection systems, and its simulations will enable the Fiscal Council, once the project has been completed, to provide an independent, impartial and transparent opinion on long-term trends and measures taken, as well as an assessment of long-term risks and the sustainability of the social protection systems and public finances in general. The project was concluded in June 2024 with a presentation to a narrow group of institutions, but the model infrastructure is still being verified by the service provider.

The Fiscal Council also cooperates with the Organisation for Economic Co-operation and Development (OECD). Within the OECD, there is the PBO network of independent fiscal institutions,¹⁵ which serves as a platform for the exchange of information and good practices. On the basis of multi-annual cooperation and monitoring, the OECD has drawn up good practice guidelines for the effective operation of fiscal councils. Representatives of the Fiscal Council attended the regular annual meeting of the network and one virtual meeting in 2024. Within the network of independent institutions, the OECD also keeps a database,¹⁶ which includes Slovenia, the purpose of which is to provide an overview of the key features of independent fiscal institutions.¹⁷

The Fiscal Council met with representatives of the International Monetary Fund mission to Slovenia in January, September and November 2024. The Fiscal Council also met once with representatives of the OECD. In 2024, the Fiscal Council also met with representatives of credit rating agencies (Fitch, Moody's, S&P in Scope). At these meetings, the Fiscal Council gave its views on the economic and fiscal situation in Slovenia, in particular from the perspective of the fiscal implications of the cost-of-living crisis and the floods and the fiscal impact of the measures taken to contain them. The discussions also focused on long-term challenges to public finances and on the reform of the EU economic governance system. The latter topic was also discussed at a meeting in June at the initiative of the French Ministry of Finance, Economy and Industry.

As part of international cooperation and in addition to the above-mentioned events, Fiscal Council representatives also took part in the following events:

- DG ECFIN workshop "What public investment for the future?" (January),
- DG ECFIN workshop "Economic Governance Review" (February, virtual),
- Bruegel workshop: "Halftime for the European Union's recovery fund: is the glass half full or half empty?" (April, virtual),
- EFB annual conference "The role of independent advice on fiscal policy" (May, virtual),
- EU IFI annual conference "Strengthening the capacity of Independent Fiscal Institutions" (June),
- OECD PBO annual meeting (June),
- DG EMPL conference: "Navigating the Future: Challenges and Opportunities of Longevity in Europe" (June, virtual),
- DG ECFIN seminar "Debt Sustainability Analysis" (September, virtual),

¹⁵ <https://www.oecd.org/en/topics/sub-issues/parliamentary-budget-offices-and-independent-fiscal-institutions.html>

¹⁶ <https://webfs.oecd.org/governmentataglance/Budgeting/IFI%20Independent%20Fiscal%20Institutions%20Database.zip>

¹⁷ The overview of key features covers a range of areas, including legal basis, institutional form, leadership, relationship with the legislative branch of government, term of office and tasks, financial resources and number of staff, independence, publications, access to information, and transparency and an external evaluation of the work of independent fiscal institutions.

- DG ECFIN-JRC-ARC annual research conference "Europe in a changing world: navigating the challenges, seeking opportunities and building resilient economies" (November, virtual) and
- DG ECFIN-EUNIFI annual conference "ECFIN's 4th annual National Fiscal Frameworks conference" (December).

Annex 1: The Fiscal Council's operation in 2024

(Summary of the document "Obrazložitev zaključnega računa proračuna za leto 2024" (Notes on the Annual Financial Statement of the Budget of the Republic of Slovenia for 2024))

In accordance with the provisions of Article 12 of the Rules on the common bases for the work procedures of financial services of direct spending units of the budget of the Republic of Slovenia, in April 2017 the President of the Fiscal Council issued Financial Management Instruction No 00-1/2017/3, which regulates the organisation and conduct of financial management, responsible persons and signatories, the preparation of the financial plan, the execution of the financial plan, reporting on the use of budgetary resources, and internal control. Financial management is conducted by the Court of Audit's Financial Accounting Service. Financial management is conducted in a uniform computerised accounting programme, MFERAC. The accounting is managed by the Directorate for Public Accounting of the Ministry of Finance. The organisation and management of accounting at the Ministry of Finance is governed by Accounting Rules No 450-221/2017/1.

Funds in the amount of EUR 757,693 were originally planned for the implementation of the Fiscal Council's tasks for 2024 in the Adopted Budget of the Republic of Slovenia for 2024 (Official Gazette of the Republic of Slovenia [Uradni list RS], No 150/22), and EUR 729,189 in the Amended Budget of the Republic of Slovenia for 2024 (Official Gazette of the Republic of Slovenia [Uradni list RS], No 123/23. As at 31 December 2024, the financial plan in force for 2024 thus amounted to EUR 729,706. EUR 17,457.11 more than in 2023 was spent, i.e. EUR 578,472.90 in total, which represents 79.33% of the adopted budget and 79.27% of the funds in the financial plan in force.

Notes on some major expenditure items of the Fiscal Council for 2024:

1) Salaries were calculated and paid in accordance with the provisions of the Public Sector Salary System Act (ZSPJS), the Public Employees Act and the Act Regulating the Implementation of the Budget of the Republic of Slovenia for 2024 and 2025 (ZIPRS2425), the provisions of the Collective Agreement for the Public Sector, the Collective Agreement for Non-Commercial Activities in the Republic of Slovenia, annexes to the Collective Agreement for Non-Commercial Activities in the Republic of Slovenia, and other regulations and internal acts of the Fiscal Council. Reimbursement for meals during work and the scientific title allowance were also harmonised under the Agreement. The reimbursement for meals during work for both public employees and high officials was set at EUR 6.90 per day for the period from 1 January to 30 June 2024 and at EUR 6.94 per day for the period from 1 July to 31 December 2024. The separation allowance in 2024 was EUR 169.45 per month.

In accordance with paragraphs one and two of Article 8 of the Public Sector Salary System Act (ZSPJS-AA), high officials are entitled to reimbursement of expenses and other emoluments in connection with their work in the same amount and under the same conditions as public employees.

The holiday allowance for 2024 for high officials and public employees amounted to EUR 1,253.90, in accordance with the provisions of the Employment Relationships Act and the minimum wage for 2024 published in the Official Gazette of the Republic of Slovenia [Uradni list RS], No 6/24. The holiday allowance was paid together with the February 2024 salary.

Labour costs were higher in 2024 (EUR 443,669.17) compared to 2023 (427,513.93 EUR) by EUR 16,155.24. For salaries and contributions, EUR 488,100.00 was allocated in the existing financial

plan, which represents 66.89% of the total funds planned for 2024. Payment of salaries, other employee expenses, and contributions accounted for 90.90% of the planned funds for salaries and contributions, or 76.70% of the total funds spent.

2) The services of the Court of Audit, in accordance with the agreement, provide tasks to the Fiscal Council in the fields of information technology, the main office, human resources and general affairs, finance, legal matters, and other tasks. In 2024, administrative and technical assistance costs amounted to EUR 39,126.78. These costs are recorded under "other operational expenses."

It is agreed that the Court of Audit may use the meeting room on the business premises of the Fiscal Council, for which it pays a corresponding average daily usage fee, which amounts to a share of 11.09% per month of use. For the use of business premises in 2024, the Fiscal Council received reimbursements amounting to EUR 63.96.

Under the "commercial rents and leases" account, the highest expense is the rent for the business premises at Likozarjeva ulica 3 in Ljubljana (EUR 42,242.72). The Fiscal Council also covers the general costs of building management and common areas, which are determined by a special agreement.

Table: Fiscal Council expenditure

	2023 EUR	2024 EUR	% share in total expenditure 2024
Expenditure on salaries and duties			
Salaries, supplements and other	335,454	352,598	61.0
Annual allowance	7,220	7,523	1.3
Restitutions, work-related bonuses	28,633	25,057	4.3
Social security contributions	53,354	55,401	9.6
Collective supplementary pension insurance according to ZKDPZJU	2,854	3,090	0.5
Total	427,514	443,669	76.7
Material expenditure			
Stationery and general goods and services	20,806	19,036	3.3
Special goods and services	99	9,021	1.6
Energy, water, communal services and communications	7,721	7,453	1.3
Transport costs and services	22	9	0.0
Expenses on business travel	8,604	4,761	0.8
Regular maintenance	4,931	5,740	1.0
Business rents	48,591	48,458	8.4
Other operative expenditure	42,248	39,821	6.9
Total	133,020	134,298	23.2
Expenditure on investment and investment maintainance			
Other means of transport	0	0	0.0
Hardware computer equipment	0	0	0.0
Telecommunication equipment	110	60	0.0
Audio-visual equipment	0	0	0.0
Intangibles (computer software)	371	446	0.1
Other equipment	0	0	0.0
Total	481	506	0.1
Total expenditure	561,016	578,473	100.0

Source: Notes on the Annual Financial Statement of the Budget of the Republic of Slovenia for 2023 and 2024.

The Fiscal Council is also part of the EU IFI network, which is linked to the Centre of European Policy Studies (CEPS), and performs the tasks of the Secretariat for the EU IFI. The membership fee for 2024 was EUR 575.

3) For investments and major maintenance, EUR 18,316.00 of budget funds was allocated in the valid financial plan as of 31 December 2024 (under budget item 160003 – Investments and major maintenance EUR 17,789.00, and under budget item 190041 – Tangible assets – funds from the sale of state property EUR 527.00), which represented 2.51% of the total funds in the valid 2024 financial plan. The realisation under budget item 160003, subgroup 420, represented 2.84% of the adopted financial plan of the Fiscal Council. Funds were not spent due to lower investments in licensed software and computer hardware. In 2024, there was no renewal or upgrade of the website or analysis software, nor purchase of computer hardware or other equipment.

A total of EUR 505.71 was spent, which represents 2.76% realisation of the total funds for investment in the valid financial plan or 0.09% of total expenditure in 2024.

Notes on some balance sheet items for 2024

As at 31 December 2023, the Fiscal Council's outstanding expenditure shown on the balance sheet amounted to EUR 49,401.39, which was settled at the beginning of 2024. These included the following liabilities incurred in 2023, the documents for which were received in December 2023 and January 2024:

- short-term liabilities towards employees in the amount of EUR 29,935.30, arising from the calculation of salaries for December 2023 (EUR 29,744.15) and reimbursements for business trips carried out in December 2023 (EUR 191.15)
- payments to suppliers for services rendered and materials supplied in the amount of EUR 11,582.71;
- other short-term operating liabilities in the amount of EUR 4,640.83 for the calculated employer contributions;
- short-term liabilities to users of the single chart of accounts for services performed and charged costs of budget users amounting to EUR 3,090.47;
- unpaid revenue of EUR 48.45 related to reimbursements to the Court of Audit for the use of the meeting room;
- accrued expenses and deferred revenues in the amount of EUR 103.63 relating to the refund of calculated compensations charged to the Health Insurance Institute of Slovenia).

All liabilities were settled in 2024.

As at 31 December 2024, the Fiscal Council's outstanding expenditure shown on the balance sheet amounted to EUR 49,728.12, which it carried forward to 2025.

These claims relate to the following:

- claims from the Court of Audit for the use of a meeting room, amounting to EUR 82.60;
- outstanding current expenditure amounting to EUR 49,645.52 (which includes calculated and unpaid salaries, contributions, premiums for collective supplementary insurance for public employees and reimbursements of expenses for December 2024 amounting to EUR 35,838.34; services rendered and materials and equipment supplied, amounting to EUR 13,747.18; services rendered to direct budget users, i.e. the Archives of the Republic of Slovenia, amounting to EUR 60.)

Outstanding expenditures shown in the balance sheet as at 31 December 2024 have fallen due for payment in 2025.

No internal audit of operations was performed at the Fiscal Council in 2024. The annual budget of the Fiscal Council is below EUR 2,086,000, so it is required to ensure an internal audit of its operations at least once every three years.

Annex 2: Summaries of Fiscal Council's assessments in 2024

04/18/2024

Assessment by the Fiscal Council: Assessment of budgetary documents for the 2024–2027 period

The general government deficit, excluding the intervention measures, is expected to remain at a similar level until 2027, after an increase to around 2.0% of GDP this year, despite the projected stable and relatively favourable macroeconomic conditions mirrored in general government revenue. The projected deterioration of the fiscal position this year is mainly due to the projections of investment, which, in the Fiscal Council's view, is again overestimated. The persistence of the deficit over the next three years is primarily expected to originate from the high level of current spending resulting from discretionary measures taken in previous years. This year, fiscal policy is inappropriately set with a markedly expansionary stance which is also not in line with last year's recommendation of the EU Council. In the face of a number of risks, assessing the fiscal policy stance in the coming three years on the basis of the documents presented is uncertain. The Fiscal Council considers that the projections do not follow the currently estimated anticipated path within the new EU governance framework. The EU Council will make a final decision on this path in autumn. Moreover, the analysis suggests that debt is unsustainable in the long term. The transitional nature of the budget documents, as cited by the Government, does not justify their shortcomings. The documents represent a missed opportunity to put in place an appropriate medium-term budgetary framework as the new fiscal rules are about to enter into force. As a consequence, the preparation of the first medium-term fiscal and structural plan under the new fiscal rules framework this autumn remains a major challenge.

05/23/2024

Report on the Fiscal Council's operations in 2023

According to the Fiscal Rule Act, the Fiscal Council is obliged to submit a report on its activities in the previous year to the National Assembly of the Republic of Slovenia by the end of May each year. Under this law, adopted in June 2015, the Fiscal Council is an autonomous and independent state authority that prepares and makes publicly available assessments on the compliance of fiscal policy with fiscal rules.

With exceptional circumstances still in place until the end of the year, fiscal policy seemingly had more room for manoeuvre in 2023 and remained expansionary despite favourable macroeconomic trends. While the general government deficit was smaller than projected, this is more evidence of the weaknesses in fiscal planning that the Fiscal Council has consistently pointed out, than of austerity. In particular, fiscal planning is flawed in terms of including oversized investment plans, which exceed the absorption capacity of the administration and providers and which, in addition to inefficiencies, can lead to irrational decisions.

The relatively favourable macroeconomic context has not been sufficiently used to strengthen fiscal sustainability. The deficit is projected to be higher in 2024 than the outturn in 2023. Government debt increased in nominal terms last year and declined in relative terms, mainly due to inflation-driven growth in nominal economic activity. Moreover, key challenges to the sustainability of public finances were not addressed in the previous year either.

The last year of the agreed exceptional circumstances and the need to return to a functioning system of economic governance in the EU have run parallel to the process of adopting new fiscal rules. These are primarily aimed at ensuring medium- and long-term sustainability of public debt in a way that allows for individual adjustment paths by Member States. It is important that the EU and its Member States maintain their position as a reliable partner in financial markets through credible rules. The EU's ability to enforce the new rules is the best basis for investor confidence and thus for unhindered financing across the EU. The new rules will also require legislative adaptation in Slovenia.

The Fiscal Council will continue to consistently pursue its mission to monitor and warn about the sustainability of public finances in the medium and longer term. Here the main tool remains the power of argumentation. In particular, the public presence of the Fiscal Council, facilitated by the media, ensures that the general public can follow independent views on fiscal policy. In this way, the Fiscal Council creates indirect pressure on democratically elected decision-makers, while at the same time we also strive to support these decision-makers to take fiscally sustainable decisions through our assessments.

06/14/2024

Assessment by the Fiscal Council: Compliance of the general government budgets with the fiscal rules in 2023

The fiscal position improved last year; contrary to the Government's plans, the fiscal policy was relatively restrictive. The reduction in the general government deficit below the Maastricht limit was made possible by the favourable macroeconomic situation, particularly in terms of public finance. Realised public spending was within the adopted three-year framework. Given that, when the framework was amended, the maximum permitted expenditure levels were set too high according to the Fiscal Council's assessment, this was expected. A significant improvement in fiscal planning is also necessary due to the upcoming changes to the EU governance system. The numerous and considerable changes to the highest permitted expenditure that have been the practice thus far will no longer be possible in the future.

08/01/2024

An ex post evaluation of forecasts of macroeconomic and fiscal aggregates in the reference period 2020 – 2023

The deviations of the macroeconomic and fiscal forecasts for the 2020–2023 period were larger than the long-term average. This is partly understandable, as this period was marked by large unexpected shocks. Although the 2020 intervention legislation provided for 2020 and 2021 to be excluded from the ex post analysis of forecast deviations, it is important that data from crisis periods are also included in the analyses, as they can have important implications for planning and public finances in the longer term. The ex post evaluation of forecasts of macroeconomic and fiscal aggregates excluding the impact of intervention measures also shows that deviations increased markedly on average over the last four years. This suggests the continuation of a lack of realism in fiscal planning. The increased deviations are particularly pronounced in the area of expenditure forecasts, which poses a risk of inefficient spending. At the same time, this approach to fiscal planning poses potential difficulties for target-setting in the context of reformed economic governance at the EU level, which

will be centred on a multi-annual plan that cannot be revised. Its starting point should also be based on realistic forecasts of fiscal aggregates.

10/21/2024

Assessment of budgetary documents for 2025 and 2026 and opinion on the Medium-Term Fiscal and Structural Plan 2025–2028

The Draft State Budgets for 2025 and 2026 foresee an increase in the deficit compared to 2024. Intervention measures totalling more than EUR 8 billion over the period 2020–2024 are no longer expected to have a negative impact on the balance from 2025 onwards, as flood recovery expenditure will be financed from earmarked funds. Thus, the increase in the deficit to EUR 1.9 billion in 2025 is expected to be solely due to stronger non-intervention spending growth, which at 12% is expected to be three times higher than the long-term average. The Fiscal Council considers that spending in the Draft Budgets is again set at a high level, which makes a thorough assessment difficult. The continuation of insufficiently realistic planning is a consequence of the fragmentation of the budgetary process, characterised by rendering individual users' demands rather than by clear economic policy orientations. The Fiscal Council estimates that the level of spending, and hence the deficit, could be lower in 2024 and 2025 than in the Government's projections. Nevertheless, spending growth would increase due to the expected strengthening in investment and as a result of the wage settlement.

The Government has submitted to the Fiscal Council the Medium-Term Fiscal and Structural Plan 2025–2028, which Slovenia has prepared for the first time under the EU's reformed economic governance framework. The Plan sets a maximum growth rate of net expenditure that is conducive to the sustainability of public finances in the medium term and in formal terms meets the requirements. To identify risks to the fulfilment of the Plan's commitments, the Fiscal Council has prepared fiscal projections. These, taking into account the measures expected to be in place in the period 2025–2028, suggest that deviations from the balance and debt targets could occur, in particular in the second part of the implementation of the Plan. Specifically, a higher deficit would predominantly result from an increase in expenditure on wages and salaries, as well as on healthcare. The measures already taken on the revenue side, which include in particular an increased tax burden, would thus not be sufficient to finance the expected increase in expenditure in full. This suggests the need for additional compensatory measures to meet the Plan's commitments. This is unlikely to be achieved by the measures set out in the Plan alone, which also constitutes the exit strategy under the Fiscal Rule Act.

The deterioration in the balance at the transition to the new fiscal rules compared to the last year before the epidemic is mainly due to the large-scale intervention measures. The gross debt-to-GDP ratio is only slightly higher than in 2019, despite the three shocks. The ample liquidity buffer also provides room for manoeuvre to address potential new shocks, and credit ratings are higher than before the epidemic. The stronger medium-term orientation of the new economic governance framework offers an opportunity to plan and implement fiscal policy more robustly and to address a number of challenges prudently. At the same time, economic policy should take into account that delaying appropriate reforms raises fiscal costs and increases uncertainties in terms of the response of economic agents. Adopting the presented pension reform would already allow some fiscal policy room for manoeuvre during the period of this Plan and, above all, would make an important contribution to debt sustainability.