C/2025/640

10.2.2025

COUNCIL RECOMMENDATION

of 21 January 2025

endorsing the national medium-term fiscal-structural plan of Slovenia

(C/2025/640)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 121 thereof,

Having regard to Regulation (EU) 2024/1263, and in particular Article 17 thereof,

Having regard to the recommendation from the Commission,

Whereas:

GENERAL CONSIDERATIONS

(1) A reformed EU economic governance framework entered into force on 30 April 2024. Regulation (EU) 2024/1263 of the European Parliament and of the Council on the effective coordination of economic policies and on multilateral budgetary surveillance ([1]), together with the amended Regulation (EC) No 1467/97 on the implementation of the excessive deficit procedure ([2]), and the amended Council Directive 2011/85/EU on the budgetary frameworks of Member States ([3]) are the core elements of the reformed EU economic governance framework. The framework aims at promoting sound and sustainable public finances, and sustainable and inclusive growth and resilience through reforms and investments, and preventing excessive government deficits. It also promotes national ownership and has a greater medium-term focus, combined with more effective and coherent enforcement of the rules.

(2) The national medium-term fiscal-structural plans that Member States submit to the Council and to the Commission, are at the centre of the new economic governance framework. The plans are to deliver on two objectives: i) ensuring that, inter alia by the end of the adjustment period, general government debt is on a plausibly downward trajectory, or stays at prudent levels, and that the government deficit is brought and maintained below the reference value of 3 % of GDP over the medium term, and ii) ensuring the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester and addressing the common priorities of the EU. To that end, each plan is to present a medium-term commitment to a net expenditure ([4]) path, which effectively establishes a budgetary constraint for the duration of the plan, covering four or five years (depending on the regular term of legislature in a Member State). In addition, the plan is to explain how the Member State will ensure the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester, in particular in the country-specific recommendations (including those pertaining to the macroeconomic imbalances procedure (MIP), if applicable), and how the Member State will address the common priorities of the Union. The period for fiscal adjustment covers a period of four years, which may be extended by up to three years if the Member State commits to delivering a set of relevant reforms and investments that satisfies the criteria set out in Regulation (EU) 2024/1263.

([1]) Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj).

([2]) Council Regulation (EU) 2024/1264 of 29 April 2024 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L, 2024/1264, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1264/oj).

([3]) Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (OJ L, 2024/1265, 30.4.2024, ELI: http://data.europa.eu/eli/dir/2024/1265/oj).

([4]) Net expenditure as defined in Article 2 of Regulation (EU) 2024/1263, namely government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on Union programmes fully matched by revenue from Union funds, (iv) national expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure and (vi) one-offs and other temporary measures.

(3) Following the submission of the plan, the Commission is to assess whether it complies with the requirements of Regulation (EU) 2024/1263.

(4) Upon a recommendation from the Commission, the Council is to then adopt a recommendation to set the net expenditure path of the Member State concerned and, where applicable, endorse the set of reform and investment commitments underpinning an extension of the fiscal adjustment period.

CONSIDERATIONS CONCERNING THE NATIONAL MEDIUM-TERM FISCAL-STRUCTURAL PLAN OF SLOVENIA

(5) On 15 October 2024, Slovenia submitted its national medium-term fiscal-structural plan to the Council and to the Commission. The submission took place following an extension of the deadline set out in Article 36 of Regulation (EU) 2024/1263, as agreed with the Commission in view of the reasons provided by Slovenia.

Process prior to the submission of the plan

(6) To frame the dialogue leading to the submission of national medium-term fiscal-structural plans, on 21 June 2024, the Commission sent, according to Article 9 of Regulation (EU) 2024/1263, the reference trajectory ([5]) to Slovenia. The Commission published the reference trajectory on 15 October 2024 ([6]). The reference trajectory is risk-based and ensures that, by the end of the fiscal adjustment period and in the absence of further budgetary measures beyond the adjustment period, general government debt is on a plausibly downward trajectory or stays at prudent levels over the medium term, and the general government deficit is brought below 3 % of GDP over the adjustment period and maintained below that reference value over the medium term. The medium term is defined as the ten-year period after the end of the adjustment period. In accordance with Articles 7 and 8 of Regulation (EU) 2024/1263, the reference trajectory is also consistent with the debt sustainability safeguard and the deficit resilience safeguard. The reference trajectory of Slovenia sets out that, based on the Commission's assumptions underpinning the prior guidance transmitted in June 2024 and assuming a 4-year adjustment period, net expenditure should not grow by more than the values provided in Table 1. This corresponds to average net expenditure growth of 4,4 % over the adjustment period (2025–2028).

Table 1: Reference trajectory provided by the Commission to Slovenia on 21 June 2024

	2025	2026	2027	2028	Average 2025–2028
Maximum net expenditure growth (annual, %)	4,9	4,5	4,3	4,2	4,4

Source: Commission's calculations.

(7) In line with Article 12 of Regulation (EU) 2024/1263, Slovenia and the Commission engaged in a technical dialogue in July and September 2024. The dialogue centred on the net expenditure path envisaged by Slovenia and its underlying assumptions, as well as the envisaged delivery of reforms and investments responding to the main challenges identified in the context of the European Semester and the common priorities of the Union in fair green and digital transition, social and economic resilience, energy security and the build-up of defence capabilities.

(8) In October 2024, in line with Article 11(3) and 36(1), point (c) of Regulation (EU) 2024/1263, according to the information provided by Slovenia in its plan, Slovenia engaged in a consultation process with social partners and other relevant stakeholders. According to the information provided by Slovenia in its plan, the Economic and Social Committee and other relevant stakeholders commented on the draft plan including on reforms and about assessing needs related to the green transition.

([5]) Prior guidance transmitted to the Member States and Economic and Financial Committee includes trajectories without and with an extension of the adjustment period (covering 4 and 7 years, respectively). It also includes the main initial conditions and underlying assumptions used in the Commission's medium-term government debt projection framework. The reference trajectory was calculated on the basis of the methodology described in the Commission's *Debt Sustainability Monitor 2023* (https://economy-finance.ec.europa.eu/publications/debt-sustainability-monitor-2023_en). It is based on the European Commission Spring 2024 Forecast and its medium-term extension up to 2033, and long-term GDP growth and ageing costs are in line with the joint Commission-Council *2024 Ageing Report* (https://economy-finance.ec.europa.eu/publications/2024-ageing-report-economic-and-budgetary-projections-eu-member-states-2022-2070_en).

([6]) https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/national-medium-term-fiscal-structural-plans_en#slovenia.

(9) The Slovenian Fiscal Council delivered an opinion on the plan on 21 October. To assess risks to the commitments from the plan, the Fiscal Council prepared its own public finance projections. It concluded that deviations from the projected general government balance and debt path could materialise especially in the second part of the adjustment period, due to increased expenditure related to the compensation of public employees and in the field of healthcare. The Fiscal Council indicated a need for additional compensatory measures to fulfil the commitments from the plan.

(10) The draft plan was discussed in the national parliament on 4 October 2024. It was consequently adopted by the government on 10 October 2024.

Other related processes

(11) On 15 October 2024, Slovenia submitted its Draft Budgetary Plan for the year 2025. The Commission adopted an opinion on this Draft Budgetary Plan on 26 November 2024 ([7]).

(12) On 21 October 2024, the Council addressed to Slovenia a series of country-specific recommendations (CSRs) in the context of the European Semester ([8]).

SUMMARY OF THE PLAN AND THE COMMISSION'S ASSESSMENT THEREOF

(13) In line with Article 16 of Regulation (EU) 2024/1263, the Commission assessed the plan as follows:

Context: macroeconomic and fiscal situation and outlook

(14) Economic activity in Slovenia grew by 2,1 % in 2023, mainly driven by domestic demand and net exports. Inventory decumulation, however, lowered GDP growth by 1,5 percentage points. According to the European Commission Autumn 2024 Forecast, the economy is expected to grow by 1,4 % in 2024, supported by private and public consumption and inventory accumulation, despite a negative contribution from net exports. In 2025, real GDP is set to increase by 2,5 %, as private consumption is projected to continue to grow strongly, and investment growth is set to accelerate. In 2026, real GDP is expected to increase by 2,6 %, as private and public consumption and investment are forecast to continue growing. Over the forecast horizon (i.e., 2024-2026), potential GDP growth in Slovenia is expected to marginally decline from 2,6 % in 2023 to 2,5 % in 2026, driven by a lower contribution from labour. The unemployment rate stood at 3,7 % in 2023, and is projected by the Commission to amount to 3,5 % in 2024, 3,6 % in 2025 and 3,6 % in 2026. Inflation (GDP deflator) is projected to decrease from 7,2 % in 2023 to 2,1 % in 2024, and to reach 3,2 % in 2025 and 2,1 % in 2026.

(15) Regarding fiscal developments, in 2023 Slovenia's general government deficit amounted to 2,6 % of GDP. According to the European Commission Autumn 2024 Forecast, it is set to reach 2,4 % of GDP in 2024 and to decline further to 2,1 % of GDP in 2025 and, on a no-policy change basis, to stabilise at 2,1 % in 2026. The European Commission Autumn 2024 Forecast includes Slovenia's draft budget for 2025 that the government proposed to the national parliament in September. General government debt was 68,4 % of GDP at end-2023. According to the European Commission Autumn 2024 Forecast, the debt ratio is expected to decline to 67,1 % of GDP at end-2024. It is projected to decline further to 64,4 % of GDP at end-2025 and 63,1 % at end-2026. The fiscal forecast by the Commission does not consider the policy commitments in the medium-term plans as such until they are underpinned by credibly announced and sufficiently specified concrete policy measures.

Net expenditure path and main macroeconomic assumptions in the plan

(16) Slovenia's national medium-term fiscal-structural plan covers the period 2025–2028 and presents a fiscal adjustment over four years.

(17) The plan contains all information required by Article 13 of Regulation (EU) 2024/1263.

(18) The plan commits to the net expenditure path indicated in Table 2, corresponding to an average net expenditure growth of 4,5 % over the years 2025–2028. The average net expenditure growth reported in the plan over the adjustment period (2025–2028) is higher than the reference trajectory transmitted by the Commission on 21 June 2024. The plan assumes potential GDP growth to gradually decline from 2,9 % in 2024 to 2,1 % in 2028. In

([7]) Commission Opinion on the Draft Budgetary Plan of Slovenia, 26.11.2024, C(2024) 9064 final.
([8]) Council Recommendation of 21 October 2024 on economic, budgetary, employment and structural policies of Slovenia.

addition, the plan expects the growth rate of the GDP deflator to increase from 3,0 % in 2024 to 3,7 % in 2025, before declining to 2,9 % in 2026 and 2,8 % in 2028.

Table 2: Net expenditure path and main assumptions in Slovenia's plan

	2024	2025	2026	2027	2028	Average over the period of validity of the plan 2025–2028
Net expenditure growth (annual, %)	6,2	5,6	4,4	4,1	4,0	4,5
Net expenditure growth (cumulative, from base year 2023, %)	6,2	12,1	17,0	21,8	26,6	n.a.
Potential GDP growth (%)	2,9	2,8	2,4	2,2	2,1	2,4
Inflation (GDP deflator growth) (%)	3,0	3,7	2,9	2,9	2,8	3,1

Source: Medium-term fiscal-structural plan of Slovenia and Commission calculations.

Implications of the plan's net expenditure commitments for general government debt

(19) If the net expenditure path committed to in the plan and the underlying assumptions materialise, general government debt would, according to the plan, gradually decrease from 67,5 % in 2024 to 61,2 % of GDP at the end of the adjustment period (2028), as per the following table. After the adjustment, over the medium term (i.e. until 2038), the debt ratio, is on a declining path until 2035 according to the plan, reaching 54,5 % of GDP. Afterwards it would slowly increase to 55,6 % of GDP by 2038.

Table 3: General government debt and balance developments in Slovenia's plan

	2023	2024	2025	2026	2027	2028	2038
Government debt (% of GDP)	68,4	67,5	65,4	64,2	62,8	61,2	55,6
Government balance (% of GDP)	- 2,6	- 2,9	- 2,6	- 1,9	- 1,6	- 1,2	- 2,8

Source: Medium-term fiscal-structural plan of Slovenia.

Thus, according to the plan, general government debt would be brought below the Treaty reference value of 60 % of GDP over the medium term. This is plausible based on the plan's assumptions, as debt would be projected to stand below 60 % of GDP by 2038 under all deterministic stress tests of the Commission's Debt Sustainability Analysis. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the requirement for debt as set out in Articles 6, point (a), and 16(2) of Regulation (EU) 2024/1263.

Implications of the plan's net expenditure commitments for the general government balance

(20) Based on the plan's net expenditure path and assumptions, the general government deficit would gradually decrease from 2,9 % of GDP in 2024, to 1,2 % of GDP in 2028. Thus, according to the plan, the general government balance would not exceed the 3 % of GDP reference value at the end of the adjustment period 2028. In addition, in the ten years following the adjustment period (i.e. until 2038), the government deficit would not exceed 3 % of GDP.

Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the requirement for the deficit as set out in Articles 6, point (b), and 16(2) of Regulation (EU) 2024/1263.

Time profile of the fiscal adjustment

(21) The time profile of the fiscal adjustment, measured as the change in the structural primary balance, as described in the plan, is linear, as required by Article 6, point (c), of Regulation (EU) 2024/1263. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the no-backloading safeguard clause set out in Article 6, point (c), and the transitional provision in Article 36(1), point (e), of Regulation (EU) 2024/1263.

Table 4: Structural primary balance developments in Slovenia's plan

	2023	2024	2025	2026	2027	2028
Structural primary balance (% of GDP)	- 1,8	- 1,3	- 0,9	- 0,4	0,0	0,5
Change in structural primary balance (pps.)	n.a.	0,5	0,4	0,4	0,4	0,4

Source: Medium-term fiscal-structural plan of Slovenia.

Consistency of the plan with the deficit resilience safeguard

(22) In accordance with Article 8 of Regulation (EU) 2024/1263, the annual adjustment in the structural primary balance should not be less than 0,4 percentage point of GDP if the structural deficit remained above 1,5 % of GDP in the preceding year, to achieve a common resilience margin in structural terms of 1,5 % of GDP. The annual fiscal adjustment that results from the plan's policy commitments and macroeconomic assumptions amounts to 0,4 % of GDP throughout the adjustment period. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the deficit resilience safeguard.

Consistency of the plan with the debt sustainability safeguard

(23) In accordance with Article 7 of Regulation (EU) 2024/1263, as general government debt will be between 60 % and 90 % of GDP over the adjustment period according to the plan, the debt ratio is required to decline by at least 0,5 percentage points on average per year until it falls below 60 %. This average decline is calculated over the period 2024–2028 and amounts to 1,6 percentage points (see Table 3). Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the debt sustainability safeguard.

Macroeconomic and fiscal assumptions of the plan

(24) The plan is based on a set of assumptions which differ from the Commission's assumptions transmitted to Slovenia on 21 June 2024. In particular, the plan uses different assumptions for eight variables, namely the updated historical data, the 2024 starting position (including the primary deficit and the share of primary expenditure in 2024), potential GDP growth, GDP deflator growth, real GDP growth, interest rates, stock-flow adjustments and one-offs. A careful assessment of these differences in assumptions is necessary to ensure they are underpinned by sound and data-driven economic arguments, especially as average net expenditure growth in the plan is higher than in the reference trajectory. The differences in assumptions with the most significant impact on average net expenditure growth are listed below, together with an assessment of each difference in assumptions considered in isolation.

— The plan assumes lower potential GDP growth by 0,1 percentage point on average between 2024 and 2033, based on updated model calculations which take revised and new data into account, compared to the assumptions underlying the reference trajectory. This assumption is cautious and therefore duly justified. It contributes to lower average net expenditure growth over the adjustment period in the plan relative to the Commission's assumptions.

— The plan assumes the GDP deflator for 2025 to be considerably higher compared to the assumptions underlying the reference trajectory, while deflator growth for the remaining years of the adjustment period remains aligned with that of the reference trajectory. The plan also uses updated data based on market expectations. This contributes to higher average net expenditure growth over the adjustment period in the plan than according to the Commission's assumptions. The GDP deflator is projected to increase in 2025 compared to 2024 due to the start of the public sector wage reform and higher projected inflation in 2025. Inflation is forecast to increase as a result of the withdrawal of remaining measures to mitigate the impact of high energy prices (reintroduction of a contribution to support the production of electricity from renewable energy sources and co-generation with high efficiency) as well as additional taxation of beverages (e.g. alcohol beverages and beverages with added sugar). This assumption includes the latest policy decisions and the most recent data and is thus deemed to be duly justified.

The remaining differences do not have a significant impact on average net expenditure growth compared to the Commission's assumptions. Overall, all the differences in assumptions taken together lead to an average net expenditure growth in the plan that is higher than the reference trajectory. Based on this assessment, the plan fulfils the requirement under Article 13(b) of Regulation (EU) 2024/1263. The Commission will take into account the above assessment of the plan's assumptions in future assessments of compliance with this recommendation.

Fiscal strategy of the plan

(25) According to the indicative fiscal strategy in the plan, the commitments on net expenditure will be delivered through expenditure restraint and discretionary revenue increases. For 2025, the plan announces a new mandatory long-term care contribution to be levied as of 1 July 2025, a higher CO2 emission tax, higher taxation for alcoholic beverages and beverages with added sugar, and a withdrawal of the remaining measures to mitigate the impact of high energy prices. The revenue gains will be partially offset by potential expenditure increases stemming from the public sector wage reform to be gradually introduced over 2025-2028. The plan states that the Internal Audit Public Finance Service at the Ministry of Finance will start addressing shortcomings of the current internal audit of public finances in 2025. In addition, in 2026 and beyond, the plan envisages further tax measures, a pension and long-term care reform, and the health reform. The pension, health, and long-term care reforms and the public sector wage reform are included in the recovery and resilience plan (RRP). The government has agreed to draft amendments to the pension legislation and is currently engaged in a consultation with the social partners. The long-term care reform has been adopted and is gradually implemented with a new mandatory contribution entering into force in 2025. The specification of the policy measures to be adopted is to be confirmed or adjusted and quantified in the annual budgets. At the same time, there are risks to the implementation of the indicative fiscal strategy in the plan, arising from expenditure overruns linked to ongoing reforms of the public sector wage system, the long-term care and health reforms, as well as to large investment projects. In addition, the Draft Budgetary Plan for 2025 specifies the policy measures through which the net expenditure commitment for 2025 will be achieved ([9]).

Reform and investments responding to the main challenges identified in the context of the European Semester and addressing the common priorities of the Union

(26) The plan describes policy intentions concerning reforms and investments to respond to the main challenges identified in the context of the European Semester especially the CSRs, and to address the common priorities of the EU. The plan includes seven comprehensive reforms (pension reform, health reform, long-term care reform, public sector wage system reform, housing policy, changes in education and tax changes). The plan also includes measures in other areas, like on boosting productivity, the green and digital transitions. The plan includes more than 40 reforms and investments.

(27) Concerning the common priority of a fair green and digital transition, including the climate objectives set out in Regulation (EU) 2021/1119, the plan includes several legislative and non-legislative acts. Among others, a Climate Act is being prepared to tackle climate changes and achieve climate neutrality in Slovenia by 2045. In this context, Slovenia intends to strengthen measures against climate change and climate disasters, with a focus on floods. Several investments are aimed at boosting the circular economy, by increasing the efficient use of resources, promoting eco-innovations and improving waste management. A Transport Development Strategy 2030 focuses on the

([9]) See Commission Opinion on the Draft Budgetary Plan of Slovenia, 26.11.2024, C(2024) 9064 final.

comprehensive planning of sustainable transport and mobility. Slovenia is implementing goals defined in the Digital Transformation Strategy 2030, also reflected in the National Digital Decade Strategic Roadmap 2030. This includes measures in the area of connectivity from the 2030 Gigabit Infrastructure Development Plan, in the area of advanced digital technologies and infrastructure and digital transformation of businesses and digital skills (e.g. Promotion of Digital Inclusion Act). Several strategic documents, such as the Gigabit Infrastructure Plan 2030, the Strategy for Digital Transformation of the Economy 2030 and the Digital Public Services Strategy 2030, are being implemented. Several of the measures supported by the RRP and cohesion policy funds are also put forward as intended to address the common priority of a fair green and digital transition, for instance digital transformation of the economy (business and industry), greening education infrastructure in Slovenia, comprehensive transformation of green and digital education and increasing railway infrastructure capacity. The reforms and investments included in the plan intend to address the 2019 and 2020 CSRs to focus investment-related economic policy on research and innovation, low carbon transition, sustainable transport, such as railways and environmental infrastructure, taking into account regional disparities; 2020 CSR to promote digital capacities of businesses and strengthen digital skills, e-commerce and e-health; and 2022 CSR to expand public investment for the green and digital transition.

(28) Concerning the common priority of social and economic resilience, including the European Pillar of Social Rights, the plan includes several legislative and non-legislative acts. The main measures put forward are the pension reform, the healthcare reform and the reform of the long-term care. The plan states that the pension reform will ensure the sustainability of the pension system, an adequate level of pensions, and will be complemented with further labour market measures, to boost participation of, in particular, older workers. The Plan describes several policy measures and investments adopted and planned in the area of education, skills and life-long learning and refers to a preparation of an Action Plan for increasing productivity and competitiveness. Other measures include a Strategy for Developing the Capital Market in Slovenia over 2023-2030. The plan also includes the adoption of Slovenia's startup strategy. Changes in the financing of scientific research and innovation activities aim to boost investment in R&D to 3,5 % of GDP by 2030. The plan includes planned policy measures for the affordability of housing. Several of the measures supported by the RRP and EU cohesion policy, including those in the Pillar III of the Just Transition Fund, also intend to address the common priority of social and economic resilience, for instance strengthening the stock of public rental housing, effective treatment of communicable diseases, faster entry of young people into the labour market and structural measures to strengthen the resilience of the labour market, ensure skilled workforce and address labour shortages. Several measures have been adopted or planned to facilitate and speed up the integration of foreign workers into the labour market and society. The reforms and investments included in the plan intend to address the 2019 and 2024 CSR to ensure the long-term sustainability and adequacy of the pension system; 2019 CSR to increase the employability of low-skilled and older workers; 2019 CSR to improve competition, professionalisation and independent oversight in public procurement (addressed through the RRP); 2020 CSR to enhance short-time work schemes and flexible working arrangements and ensure that these measures provide adequate protection for non-standard workers; 2019, 2020, 2022, 2023 and 2024 CSRs to ensure the resilience and long-term sustainability of the health and long-term care system; 2022, 2023 and 2024 CSRs to rebalance tax revenues towards more growth-friendly and sustainable sources; 2019, 2020 and 2024 CSRs to create high-growth companies by improving the conditions for venture capital investment and institutional investors, provide liquidity and financing to businesses and support the development of equity markets and improve the business environment; and 2024 CSR to strengthen competitiveness by boosting skills.

(29) Concerning the common priority of energy security, the plan includes several legislative and non-legislative acts. Among other acts, it refers to the adopted Energy Act, and among those still under preparation, to the final updated National Energy and Climate Plan (NECP) and the Act on the Restructuring of the Velenje Mine. Several of the measures supported by the RRP, in particular the REPowerEU component, and the Just Transition Fund under EU cohesion policy, also contribute to the common priority of energy security, for instance by strengthening the electricity distribution network and the planning and financing of the energy renovation of buildings in the public sector and the deployment of alternative fuels infrastructure. The reforms and investments included in the plan intend to address the 2022 and 2023 CSRs to reduce overall reliance on fossil fuels by accelerating the deployment

of renewables and increase implementation of energy efficiency measures; and 2022 and 2023 CSRs to promote the electrification of the transport sector.

(30) Concerning the common priority of defence capabilities, the plan includes the adopted Act on the Provisioning of Investments Funds for the Slovenian Army in the 2021 to 2026 period, which provides EUR 780 million for the army.

(31) The plan provides information on the consistency and, where appropriate, complementarity, with EU cohesion policy funds and Slovenia's RRP. The plan refers to several policies which are supported through the RRP and EU cohesion funds. Moreover, the plan includes correlation tables on which policy areas, financed with the Programme of European Cohesion Policy 2021–2027, address what CSRs.

(32) The plan provides an overview of the priority public investment needs of Slovenia related to the common priorities of the EU. Concerning the common priority of a fair green and digital transition, including the climate objectives, the plan identifies investment needs in efficient use of energy, transport infrastructure (railways) and sustainable mobility. The latter includes cycling infrastructure, multimodal hubs as well as improved public transport infrastructure and pedestrian infrastructure. Concerning the common priority of social and economic resilience, including the European Pillar of Social Rights, the plan identifies investment needs in the fields of healthcare, long-term care and housing policy. Concerning the common priority of energy security, the plan identifies investment needs in connectivity of energy systems and networks, for production capacities (solar power plants) and for just transition of the coal regions. The plan aims to contribute to meet the public investment needs of Slovenia related to the common priorities of the EU. Concerning the common priority of defence capabilities, the plan identifies investment needs in combat capabilities and for their support, logistics, military infrastructure and in capacities for command and control. According to the plan, the Resolution on the General Long-term Development and Equipment Program of the Slovenian Armed Forces until 2040 plans to achieve defence expenditure at 2 % of GDP by 2030, in alignment with NATO commitment. 20 % of defence expenditure is planned to be allocated to investment.

Conclusion of the Commission's assessment

(33) Overall, the Commission is of the view that Slovenia's plan fulfils the requirements of Regulation (EU) 2024/1263.

OVERALL CONCLUSION OF THE COUNCIL

(34) The Council welcomes the medium-term fiscal-structural plan of Slovenia and considers that its full implementation would be conducive to ensuring sound public finances and supporting public debt sustainability as well as sustainable and inclusive growth.

(35) The Council takes note the Commission's assessment of the plan. However, the Council invites the Commission to present its assessment of future plans in a separate document from the Commission recommendations for Council recommendations.

(36) The Council takes note of the Commission assessment of the net-expenditure path and the main macroeconomic assumptions in the plan, including in relation to the prior guidance by the Commission, as well as the implications of the plan's net expenditure path for government deficit and debt. The Council takes note of the Commission assessment that the macroeconomic and fiscal assumptions, while differing in some instances from the Commission's assumptions, including to cater for updated macroeconomic and fiscal data, are overall duly justified and underpinned by sound economic arguments. The Council takes note of the broad fiscal strategy of the plan and the risks to the outlook, which could affect the materialisation of the macroeconomic scenario and the underlying assumptions and the delivery of the plan's net expenditure path. In particular, the Council also welcomes that relevant stakeholders were engaged with at the national level prior to the submission of the plan. The Council also notes that geopolitical risks may put pressure on defence expenditures.

(37) The Council expects Slovenia to stand ready to adjust its fiscal strategy as needed to ensure delivery of its net expenditure path. The Council resolves to monitor closely economic and fiscal developments, including those underlying the scenario of the plan.

(38) The Council considers that further discussions to find a common understanding on the annual surveillance implications of the cumulative net-expenditure growth rates is warranted in time for the next round of fiscal surveillance.

(39) The Council takes note of the Commission description of the reforms and investment needs and intentions, responding to the main challenges identified in the context of the European Semester, and stresses the importance of ensuring the delivery of such reforms and investments. The Council will, on the basis of reports submitted by the Commission, assess such reforms and investments and monitor their implementation within the framework of the European Semester.

(40) The Council looks forward to the annual progress reports from Slovenia that shall contain, in particular, information about the progress in the implementation of the net expenditure path as set by the Council, and the implementation of broader reforms and investments in the context of the European Semester.

(41) In accordance with Article 17 of Regulation (EU) 2024/1263, the net expenditure path as set in the plan should be recommended by the Council to Slovenia.

HEREBY RECOMMENDS that Slovenia:

1. Ensures that net expenditure growth does not exceed the maxima established in Annex I to this Recommendation.

Done at Brussels, 21 January 2025.

For the Council

The President

A. DOMAŃSKI

ANNEX I

Maximum growth rates of net expenditure
(annual and cumulative growth rates, in nominal terms)

Slovenia

Years		2025	2026	2027	2028
Growth rates (%)	Annual	5,6	4,4	4,1	4,0
	Cumulative (*)	12,1	17,0	21,8	26,6

(*) The cumulative growth rates are calculated by reference to the base year of 2023. The cumulative growth rates are used in the annual monitoring of ex-post compliance in the control account.