CBR
COUNCIL FOR BUDGET RESPONSIBILITY

Addendum to the Evaluation of the General Government Budget for 2020-2022

(based on the changes that have occurred since the approval of the General Government Budget Proposal for 2020-2022 by the Government of the Slovak Republic)

December 2019

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This report presents the official positions of the Council for Budget Responsibility in line with its mandate laid down in Act No. 493/2011 on Fiscal Responsibility.

This publication is available at the CBR website (http://www.rozpoctovarada.sk).

Any suggestions or comments on the report are welcome at sekretariat@rrz.sk.

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Summary

The Council for Budget Responsibility (CBR) has updated its evaluation of the general government budget for 2020-2022 in response to the State Budget Act approved by the parliament. The evaluation also takes into account additional documents provided by the Ministry of Finance of the Slovak Republic (the Ministry and/or the Ministry of Finance).

The budgetary objectives have not changed compared to the general government (GG) budget proposal submitted by the government. The 2020 general government deficit target is set at 0.49 % of GDP, with a balanced budget to be achieved in the subsequent years. The difference between the budgetary objectives and the deficits set out in the budget for 2021 and 2022 have increased against the budget proposal, amounting to 0.77 % of GDP in 2021 and 1.23 % of GDP in 2022, since the adopted changes have, according to the Ministry, a neutral impact on the balance in 2020 and a moderately negative impact in 2021 and 2022.

On the revenue side, a contribution from the profits of state-owned forestry company Lesy SR was excluded and several changes were incorporated in the budgeted tax revenues. A decline in tax revenues resulted from the abolition of an increase in the excise tax on tobacco products, from the approval of tax and social contribution related reliefs in connection with supporting the labour mobility, and from the postponement of the introduction of annual settlement of social contributions. The shortfall was offset by increasing the amount and extending the validity of a special levy on selected financial institutions. On the expenditure side, an increase in social benefits occurred in response to the change in calculating the minimum old-age pensions, along with a rise in expenditures on agricultural subsidies. At the same time, the volume of budgeted reserves decreased, compensating for a negative impact on the balance of the measures implemented both on the revenue and expenditure side. On top of these changes in the budget, the government also approved a subsidy to be granted to the City of Bratislava, and the parliament approved changes in the care benefits and widened entitlements to the minimum old-age pensions; this will translate into a rise in expenditures above the budgeted values.

The risks identified by the CBR in the budget proposal remain present even after its approval in the parliament, even though their amount fell slightly. The negative budgetary effects of the government-approved subsidy for the City of Bratislava and of the additional social expenditures are offset by a positive effect of a growth in revenues from real estate tax. The deterioration of the deficits budgeted for 2021 and 2022 compared to the government's budget proposal was not fully reflected in the CBR's estimate of the balance because some of the changes had already been included among the risks identified by the CBR in the evaluation of the budget proposal.

Additional consolidation measures will have to be adopted in order to achieve the medium-term budgetary objective in 2020. Taking into account the identified risks, the 2020 deficit could be as much as 1.8 % of GDP, if no additional measures are adopted. The net contribution of government-adopted measures to the permanent improvement of the general government balance should be negative over 2020 through 2022, totalling 0.8 % of GDP. Under a no-policy change scenario, the structural balance would improve by a total of 0.3 % of GDP over this period, falling from 1.7 % of GDP in 2019 to 1.4 % of GDP in 2020.

The CBR has repeatedly noted that the existing legislative framework governing the budget approval procedure in the parliament does not fit the scope and content of the documents that are being approved. Changes made to the general government budget balance are also an example. The amending proposals approved by the parliament only modified the 2020 budget. At the same time, the CBR was only able to obtain the budgeted general government balances for 2021 and 2022 from the information additionally requested from the Ministry of Finance[1].

Some legislative changes affecting the general government budget, approved in the parliament, were not previously incorporated in the budget. This includes changes in the minimum old-age pensions adopted beyond of what had been approved in the budget, and the introduction of the long-term care benefits.

The transparency of the budgeting process is also impaired by the fact that the total amount of budgetary tax revenues was not approved by the Tax Revenue Forecasting Committee (TRFC). The effects of connecting electronic cash registers to the financial administration system online and of marking fuels by an identifying substance, with both measures aimed at reducing tax evasion, were incorporated in the budget beyond the Committee's forecast which only included them under the memorandum items due to a large uncertainty concerning the date of their introduction and their impact on the tax revenues. **For these reasons it would be necessary to enact an obligation to apply the TRFC's forecasts throughout the entire budgeting process.**

[1] Pursuant to §6 of Act No. 523/2004 on general government budgetary rules and on amendments to certain acts, the Ministry of Finance of the Slovakia Republic shall publish the state budget and general government budget data not later than 60 days after the state budget act for a relevant calendar year enters into force and effect.

1. Changes in the general government budget

On 14 October 2019, the Slovak government approved the General Government Budget Proposal for 2020-2022 to which the Council for Budget Responsibility (CBR) published its evaluation on 15 November 2019[2]. Several changes have been made since the government approved the budget proposal and, therefore, the CBR prepared an update to its evaluation.

The changes regarding the General Government Budget Proposal for 2020-2022 have arisen from the approval of amending proposals to the 2020 State Budget Act as adopted by the National Council of the Slovak Republic (the parliament) on 2 December 2019. Also, a Tax Revenue Forecasting Committee meeting was held on 28 November 2019 to discuss the legislative changes in taxes which were approved by the parliament at its 53rd session and incorporated in the budget proposal (in revenues beyond the Committee's forecast approved on 19 September 2019, and in expenditures in the form of reserves).

The budgetary objectives have not changed compared to the budget proposal as submitted by the government. The 2020 deficit target is set at a level of 0.49 % of GDP. The government made a commitment to achieve a balanced budget in the subsequent years. The approved general government budget for 2020-2022 has not been published [3]; the data on the impacts of the changes on the general government budget were provided by the Ministry of Finance[4].

During a parliamentary debate on the 2020 State Budget Act and the general government budget for 2020-2022, an **amending proposal submitted by the parliament's Finance and Budget Committee was approved, resulting in the following changes:**

- **Excluding the special levy on the profits of state-owned forestry company Lesy SR** has resulted in a decrease in the state budget revenues of EUR 5 million a year over the 2020-2022 period.

- **Abolishing the increase in excise tax on tobacco products** has resulted in a decrease in the general government tax revenues by EUR 102 million in 2020, by EUR 137 million in 2021, and by EUR 138 million in 2022 compared to the forecast included in the budget proposal.

- **Introducing the measures to support the mobility of labour** has resulted in a decrease in the general government revenues from taxes and social contributions by EUR 32 million a year over the 2020-2022 period.

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2 CBR, Evaluation of the General Government Budget Proposal for 2020-2022

3 Pursuant to §6 of Act No. 523/2004 on general government budgetary rules and on amendments to certain acts, the Ministry of Finance of the Slovakia Republic shall publish the state budget and general government budget data not later than 60 days after the state budget act for a relevant calendar year enters into force and effect.

4 The Ministry of Finance's answers to the CBR's questions regarding the approved General Government Budget for 2020-2022 are published along with this document.

- **Postponing the introduction of the annual settlement of social contributions** to 2023 means that the tax and social contribution revenues of the general government will be EUR 50 million lower in 2022 [5].

- **Extending the validity and increasing the rate of the special levy on selected financial institutions** was also incorporated in the general government budget, increasing the general government's tax revenues by EUR 114 million in 2020, by EUR 239 million in 2021, and by EUR 251 million in 2022.

- On the expenditure side, **a change in the method of calculating the minimum old-age pensions** was incorporated, increasing the general government expenditures by EUR 80 million in 2020, by EUR 119 million in 2021, and by EUR 147 million in 2022.

- The level of expenditures budgeted for 2020 has been increased by EUR 25 million due to **higher agricultural subsidies**.

- Lastly, the **reserves budgeted in the state budget** have been cut by EUR 130 million in 2020, by EUR 32 million in 2021, and by EUR 32 million in 2022. The changes concerned the reserve for the coverage of new legislative initiatives and the reserve for EU funding and contributions to the EU budget. The cuts in reserves offset the negative impacts on the balance of the measures implemented both on the revenue and expenditure side, enabling to maintain the 2020 budgetary deficit target at the level set in the government-approved budget proposal.

The changes related to the tax measures were approved during the 53rd parliamentary session held from 26 November to 5 December 2019; their effects were assessed by **the Tax Revenue Forecasting Committee at its meeting on 28 November 2019**. **The Committee's forecast was assessed as realistic by its members.**

In addition to those described above, further changes have occurred, affecting the evaluation of the general government budget:

- On 27 November 2019, the Slovak government **approved to release funds in the amount of EUR 14.6 million as a subsidy for the City of Bratislava**. The financial support will be provided in 2020 under the budgetary chapter of General Treasury Administration and is intended to provide additional funding of the capital's activities particularly in the area of transportation development projects[6].

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5 Under the original proposal, the first annual settlement was planned in 2023 for 2022; therefore, both the Committee's September 2019 forecast, and the budget proposal had expected the revenues to increase in 2022. An amending proposal adopted by the parliament postponed the date by one year, thus moving the revenues beyond the horizon covered by the budget.

6 In the budgetary chapter of General Treasury Administration, EUR 10 million were budgeted under the "Expenditures to fund the projects of the Capital City of Bratislava" item. Since a government resolution was missing at the time of the CBR's evaluation of the budget proposal, this measure was not included in a relevant estimate of the general government's fiscal performance.

- In a fast-track legislative procedure, the Slovak government also adopted an **amendment to the Social Insurance Act, introducing a long-term care benefit as a new category of care benefits.** The Social Insurance Agency's expenditures will increase by EUR 1.2 million in 2020, expected to be covered by its Administrative Fund resources. The additional expenditures are estimated at higher levels in the subsequent years, namely at EUR 11.8 million in 2021 and at EUR 13.8 million in 2022, which are not yet covered.

- Another amendment to the Social Insurance Act in respect of the **minimum old-age pensions**, approved a month after its increase in November 2019, has abolished the so-called "qualified period of pension insurance" requirement; this will increase both the number of old-age pensioners qualified to receive the minimum old-age pensions and the actual amount of the minimum old-age pensions paid to a portion of the old-age pensioners. According to the CBR's calculations, the amendment increases the general government budget expenditures by additional EUR 19 million in 2020, and by EUR 28 million in 2021, and EUR 37 million in 2022. The reason for this change were the problems, as stated by the Social Insurance Agency, with its ability to start paying out higher old-age pensions as of January 2020.

- Several cities and municipalities have presented their plans, and/or have already agreed, **to increase the rates of real estate tax** as a source of revenues to cover the negative impacts of legislative changes on the fiscal performance of local governments[7].

2. Assessment of changes and their impacts on meeting the objectives

When evaluating the budget proposal, the CBR estimated that, taking into account the quantified risks, the possible sources for their coverage and assuming that no additional measures are adopted by the end of the year, the general government deficit may amount to 1.3 % of GDP in 2019 and, subsequently, gradually grow to 2.5 % of GDP in 2022. Under such development in the deficit, the gross debt would be within the sanction brackets set under the constitutional act in the 2020-2022 period, reaching 50.4 % of GDP at the end of 2022. The changes made since the approval of the budget proposal by the government have also been reflected in the CBR's updated estimates of general government balance and gross debt.

Impacts on general government balance

Compared to the evaluation of the budget proposal, the balance estimated for 2019 improved, and the risks for 2020 through 2022 decreased. It means that assuming that no additional measures are adopted, the deficit will grow at a slightly slower pace over the next years and may reach 2.4 % of GDP in 2022 (Table 1; a comparison against the budgetary targets is shown on Chart 1).

7 On the revenue side, this involves a decrease in the growth of personal income tax (redistributed between local governments) due to an increase in the basic tax allowance amount in 2020. On the expenditure side, local governments are pointing to a high growth in personnel expenditures in connection with a fast-rising minimum wage and the trends in wages on the labour market; higher expected expenditures are also being observed in operating costs and investments.

Table 1: Changes compared to the evaluation of the budget proposal (ESA2010, € million)

	2019	2020	2021	2022
A. GG balance, including CBR risks (evaluation of the budget proposal)	**-1,195**	**-1,770**	**-2,079**	**-2,658**
- in % of GDP	**-1.27**	**-1.81**	**-2.02**	**-2.46**
B. Total impact of changes on GG balance (1+2+3+4+5+6+7)	**68**	**16**	**70**	**23**
1. Impact of changes in the estimate for 2019	68	4	-27	-25
2. Updates on the impact of tax measures*	0	-20	70	32
- Abolishment of a planned increase in excise tax on tobacco products	-	-102	-137	-138
- Changes in the special levy on selected financial institutions	-	114	239	251
- Measures to support labour mobility	-	-32	-32	-32
- Postponement of annual settlement of social insurance	-	-	-	-50
3. Decrease in the special levy on profits of Lesy SR	-	-5	-5	-5
4. Subsidy to the City of Bratislava	-	-15	-	-
5. Changes in care benefits	-	-1	-12	-14
6. Changes in minimum old-age pensions	-	-19	-28	-37
7. Increase in real estate tax (local governments)	-	71	72	72
C. GG balance, including CBR risks (A+B)	**-1,127**	**-1,755**	**-2,009**	**-2,634**
- in % of GDP	**-1.20**	**-1.79**	**-1.95**	**-2.43**

**An overall impact of the measure on the amount of tax revenues is presented, including the impact on the corporate income tax in the case of the special levy on financial institutions and also the impact on VAT revenue in the case of the excise tax on tobacco products.*

Source: CBR

In comparison with the CBR's assumptions in the evaluation of the budget proposal, the **2019 balance estimate has improved by EUR 68 million (0.07 % of GDP)**, with the following changes[8]:

- The estimated amount of **revenues from taxes and social security contributions** in 2019 increased by EUR 52 million. This was mainly due to an increase in VAT revenue, however the estimated revenue from healthcare and social security contributions increased slightly as well.

- In **non-tax revenue**, the estimated revenues rose by EUR 12 million, as a result of higher receipts from the levy on gambling.

- The estimated amount of the **Social Insurance Agency's expenditure on social transfers,** in particular old-age pensions, increased by EUR 10 million.

- The updated estimate of the **state budget expenditure** contributed negatively to the change in the balance, by EUR 22 million. As regards compensations of employees, the austerity measures based on the Ministry's proposal have not been carried out, thus increasing the estimate by EUR 23 million. Due to a slowdown in the pace of growth in expenditure on goods and services, the estimated amount of their spending was reduced by EUR 17 million. An increase in the estimated amount of other current expenditure of the state budget, by EUR 38 million, was driven in particular by faster

[8] The update to the 2019 balance estimate takes into account the more recent data (for three quarters of 2018 and, in the case of the state budget, the preliminary data for 11 months). More detailed information is published within the so-called budgetary traffic lights ("Rozpočtový semafor") available on the CBR's website (available in Slovak only).

spending in the current transfers for municipalities in connection with legislative measures. In terms of capital expenditures, the risk for the balance has declined by EUR 22 million, because increased funding for investments by hospitals and the National Motorway Company (NDS) was offset by savings resulting from the cancelled purchase of the national football stadium in 2019.

- The third quarter of 2019 saw a slight slowdown in the spending of capital expenditures by municipalities in comparison with the previous period, as well as a faster growth in transfers received from the state budget. The estimated impact of the **fiscal performance of municipalities** on the general government balance has thus improved by a total of EUR 35 million.

- The impact of **fiscal performance of other government entities** on the general government balance improved by EUR 9 million. A more favourable estimate of the fiscal performance of organisations partly funded from the state and of transport companies had a positive impact, as opposed to the deterioration in estimated performance of ŽSR (railway infrastructure company) and MH Invest II (development of industrial zones).

Improved estimate of the 2019 balance will not be reflected in the subsequent years as it was predominantly attributable to one-off effects (the cancelled purchase of the stadium) while the positive impact of factors improving the balance (e.g. tax revenue, state budget expenditure on goods and services) has been surpassed by a negative impact of growing risks (wage expenditure of the state budget). Furthermore, additional factors will also have an impact on the balance developments between 2020 and 2022:

- In the **tax revenues of the state budget**, the CBR took into account the measures incorporated in the budget approved by the parliament: abolishment of the planned increase in excise tax on tobacco products, changes in the special levy on selected financial institutions, measures to support the mobility of labour, and postponement of the deadline for annual settlement of social insurance beyond the budget horizon. These measures will **reduce tax revenues by EUR 20 million in 2020**, with **increases to follow in 2021 and 2022, by** EUR **70 million and, EUR 23 million respectively**.

- The abolishment of the special levy to the state budget imposed on state-owned forestry company Lesy SR means that **non-tax revenues will decrease by EUR 5 million a year**.

- The government-approved **subsidy to the City of Bratislava** will increase the risk for the general government balance amounting EUR 15 million in 2020.

- Legislative **changes in care benefits** will gradually increase the Social Insurance Agency's expenditures by EUR 1 million in 2020, EUR 12 million in 2021 and EUR 14 million in 2022.

- Additional changes adopted in the **minimum old-age pensions** will bring an increase in the state budget expenditure. The risk for the budget balance will increase, in comparison with the CBR's previous estimate covering the impact of the original legislative wording, by EUR 19 million in 2020, EUR 28 million in 2021 and EUR 37 million in 2022.

- An **increase in revenue from local taxes, particularly the real estate tax**, may represent a source to cover the risks for the general government balance. Recently, several cities and municipalities have presented their plans to increase the rates of these taxes as a source of revenue to cover the negative impacts of legislative changes on the fiscal performance of local governments[9]. The CBR preliminarily estimates the amount of additional revenues between 2020 and 2022 at some EUR 70 million every year.

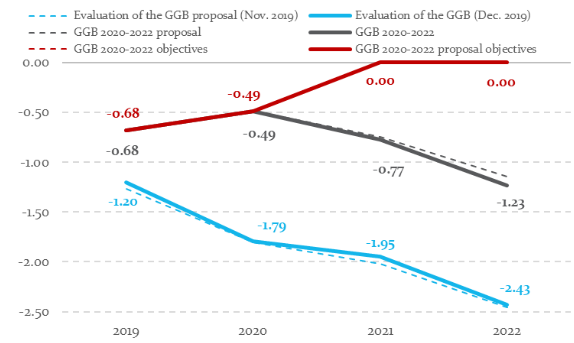
- The complete and updated list of **risks and the sources of their coverage, as identified by the CBR in the approved general government budget,** is provided in Annex 1.

Other changes described in Chapter 1 have no impact on the estimate of the general government balance:

- **Higher expenditure on agricultural subsidies, along with a change in the method of calculating the minimum old-age pensions,** was included in the risks to the general government balance identified by the CBR in the budget proposal.

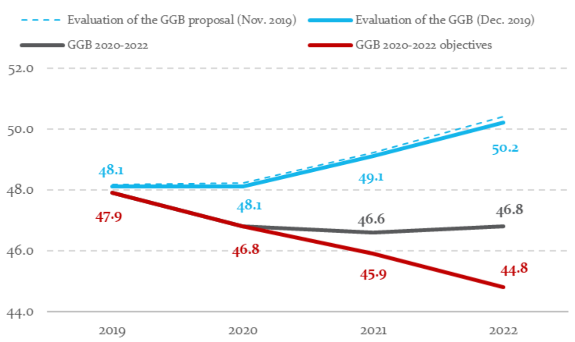
- **A reduction of state budget reserves, which serve to offset the negative impacts of additional measures, did not change the balance estimate**. The budget targets remained unchanged and, the partial reduction of risks incorporated in the budget was accompanied by a reduction in the sources of coverage.

Chart 1: Changes in GG balance reflecting updated risks (ESA2010, % of GDP)



Source: CBR, MoF

Chart 2: Changes in the gross debt reflecting updated risks (% of GDP)



Source: CBR, MoF

9 On the revenue side, this involves a decrease in the growth of personal income tax (redistributed between local governments) due to an increase in the basic tax allowance amount in 2020. On the expenditure side, local governments are pointing to a high growth in wage expenditures in connection with a fast-rising minimum wage and the trends in wages on the labour market; higher expected expenditures are also being observed in operating costs and investments.

Impacts on the general government gross debt

The CBR has updated the estimate of gross debt development to cover the change in the level of risks between 2020 and 2022. In comparison with the evaluation of the budget proposal, the gross debt estimate has declined slightly over the entire forecast period and is expected to stand at 50.2 % of GDP (Chart 2) at the end of 2022. **The assumption that additional measures would have to be adopted throughout the entire period in order to keep the debt outside the sanction brackets specified in the Fiscal Responsibility Act continues to apply.**

Impacts on the structural balance of general government

As regards the estimate of structural balance, no significant changes have occurred (Table 2)[10]. During the next three years, the **structural deficit will cumulatively deteriorate by 0.5 % of GDP** to reach 2.1 % of GDP in 2022, which is well above the requirement under the balanced budget rule (a structural deficit of up to 0.5 % of GDP).

Without government's interventions, the structural deficit would improve by a total of 0.3 % of GDP by 2022, standing at 1.4 % of GDP in 2022. This means that the existing policy setup and macroeconomic developments would contribute to a greater structural balance improvement than that implied by the most recent general government budget proposal after taking into account the risks identified by the CBR. **The net contribution of government-adopted measures to the permanent improvement of the general government balance is expected to be negative over the entire three-year period, totalling 0.8 % of GDP.**

[10] In addition to a change in the risks affecting the general government balance, the cyclical component has also been updated (more details in Annex 2) with a minimum impact on the current estimate of the structural balance. At the same time, a legislative change adopted by the parliament regarding the bank levy (measure with no impact on the long-term sustainability) has been taken into account as part of other factors.

Table 2: Change in GG structural balance in 2019-2022, according to CBR (ESA2010, % of GDP)

	2018	2019	2020	2021	2022
1. General government balance	**-1.1**	**-1.2**	**-1.8**	**-2.0**	**-2.4**
2. Cyclical component	0.5	0.4	0.1	-0.1	-0.3
3. One-off effects	0.0	0.0	0.0	0.0	0.0
4. Structural balance (1-2-3)	**-1.6**	**-1.6**	**-1.9**	**-1.9**	**-2.1**
5. Change in structural balance (Δ4) / Fiscal compact		**-0.1**	**-0.3**	**0.0**	**-0.2**
6. General government balance under NPC scenario	**-1.1**	**-1.3**	**-1.2**	**-1.3**	**-1.7**
7. Structural balance under NPC scenario	-1.6	-1.7	-1.3	-1.2	-1.4
8. Change in structural balance under NPC scenario		**-0.1**	**0.4**	**0.1**	**-0.1**
9. Size of measures (1-6)		**0.1**	**-0.6**	**-0.7**	**-0.8**
10. Government consolidation effort (5-8)		**0.1**	**-0.6**	**-0.1**	**-0.1**
11. Other factors:	0.0	0.0	0.2	0.0	0.0
- measures with no impact on long-term sustainability	-0.1	-0.1	0.1	0.0	0.0
- PPP projects	0.0	0.0	0.0	0.0	0.0
- interest payments	0.1	0.1	0.2	0.1	0.0
12. Government measures having an impact on other factors	0.0	0.0	0.0	0.0	0.0
13. Change in the structural balance after taking into account other factors (5-11)		**-0.1**	**-0.5**	**0.0**	**-0.2**
14. Government consolidation effort after taking into account measures having an impact on other factors (10-12)		**0.1**	**-0.6**	**-0.1**	**-0.1**

Note: As a result of presenting data rounded to one decimal place, addition/subtraction differences may occur.

Source: CBR's methodology

3. Budget transparency

The CBR has repeatedly noted that the existing legislative framework governing the budget approval procedure in the parliament does not fit the scope and content of the documents that are being approved. The approval of a cash-based state budget by the parliament for the next year is based on a historical tradition but is no longer sufficient to capture the key monitored parameters of public finances and all changes in public finances in accordance with the European standards defined by the ESA2010 methodology. Changes made in the budget proposal regarding the general government balance in 2021 and 2022 are also an example of missing information. The amending proposals only modified the 2020 budget. The deficits in the budgets for 2021 and 2022, which are diverging from the objective of attaining a balanced budget, have been identified by the CBR only after requesting additional information from the Ministry of Finance.

Some legislative changes affecting the general government budget, approved in the parliament, were not incorporated in the budget. These include changes in the minimum old-age pensions adopted beyond of what had been approved in the budget, and the introduction of the long-term care benefits. Reduced transparency regarding the inclusion of measures in the general government budget makes it difficult to evaluate the budget in terms of compliance with the declared objectives for the budget balance, development in structural balance and adjusted expenditure.

The total amount of budgetary tax revenues was not approved by the Tax Revenue Forecasting Committee (TRFC). The meeting of the TRFC to discuss the effects of legislative changes incorporated in the budget was held shortly before the approval of the budget by the parliament, and the effects of connecting electronic cash registers to the financial administration system online and of marking fuels by an identifying substance, with both measures aimed at reducing tax evasion, were not incorporated in the Committee's forecast[11]. Within the remit of the TRFC, the effects of these measures were included as a memorandum item due to a large uncertainty concerning the date of their introduction and impact on the revenues. At the same time, the impact of both measures in the budget are incorporated as a whole, without the Ministry providing a breakdown of the budgeted amount into individual measures. **For these reasons it would be necessary to enact an obligation to apply the TRFC's forecasts throughout the entire budgeting process.**

[11] As contemplated in the budget, the revenues from these two measures are expected to total EUR 180 million in 2020, EUR 190 million in 2021 and EUR 200 million in 2022.

Annex 1 – Risks and sources of their coverage in 2019-2022

Table 3: Risks and sources of coverage for budget execution in 2019-2022 (ESA2010, € million)

	2019	2020	2021	2022
GG budget balance 2020-2022 (EUR million)	**-640**	**-480**	**-792**	**-1,334**
GG budget balance 2020-2022 (% of GDP)	**-0.68**	**-0.49**	**-0.77**	**-1.23**
Impacts on general government balance – total:	**-487**	**-1 274**	**-1 217**	**-1 300**
- in % of GDP	**-0.52**	**-1.30**	**-1.18**	**-1.20**
1. Revenues from taxes and social security contributions	**46**	**-28**	**5**	**121**
2. Non-tax revenues	**-197**	**-226**	**-97**	**-180**
- dividends – state budget and MH Manažment	-165	-67	-71	-64
- capital revenues of the state budget	0	-40	-32	-32
- emission allowances	1	-104	12	-86
- EOSA fee	-2	-32	-30	-28
- other non-tax revenues (administrative fees, gambling)	-31	17	24	30
3. Social benefits and transfers:	**-21**	**-184**	**-191**	**-192**
- expenditures of the Social Insurance Agency	-31	-80	-55	-24
- social benefits of the Ministry of Labour	10	-104	-135	-167
4. Transactions with the EU budget	**34**	**6**	**132**	**101**
- transfer to the EU budget	7	95	114	121
- co-financing expenditure	-31	-156	-61	-101
- reserve for contributions to the EU budget and EU funding	62	74	81	82
- financial corrections from EU funds drawdown	-5	-6	-3	0
5. State budget expenditures:	**-373**	**-452**	**-683**	**-915**
- current reserves (excl. wages)	80	200	252	250
- wage costs of the state budget (incl. reserves)	-23	-54	-169	-171
- goods and services (excl. reserves)	-26	-70	-23	45
- other current expenditures	-156	-163	-296	-447
- capital expenditures	-248	-365	-447	-591
6. Performance of local governments (excl. tax revenues):	**-166**	**-215**	**-50**	**78**
- municipalities	-168	-195	-69	38
- self-governing regions	2	-20	19	40
7. Expenditures in the healthcare sector:	**55**	**-138**	**-229**	**-168**
- health care expenditures	96	-13	-147	-91
- payments to shareholders of private health insurers	-40	-50	-50	-50
- financial performance of hospitals	-55	-133	-89	-82
- Social Insurance Agency’s receivables towards hospitals	85	85	85	85
- operating costs of health insurance companies	-31	-26	-28	-30
8. Financial performance of other GG entities:	**150**	**-31**	**-87**	**-104**
- Social Insurance Agency’s Administrative Fund	-27	-52	-55	-53
- ŽSR railway company (railway infrastructure)	-5	-10	-18	-26
- ZSSK railway company (passenger transport)	27	-27	-49	-49
- NDS (National Motorway Company)	20	36	24	11
- organisations partly funded from the state budget	45	7	17	9
- Environmental Fund	13	-12	-40	-21
- National Nuclear Fund	25	1	15	24
- Jadrová a vyraďovacia spoločnosť (nuclear decommissioning)	20	28	30	30
- Other entities	31	-1	-11	-29
9. Other effects	**-16**	**-7**	**-16**	**-42**
- changes in interest expenditure due to risks identified by the CBR	0	-1	-10	-35
- other factors	-16	-6	-6	-6
Budget balance reflecting the CBR risks (EUR million)	**-1,127**	**-1,755**	**-2,009**	**-2,634**
Budget balance reflecting the CBR risks (% of GDP)	**-1.20**	**-1.79**	**-1.95**	**-2.43**

Note: a plus or minus sign is used to show the impact on the GG balance. *Source: CBR*

Annex 2 – Update to the structural balance

In comparison with the evaluation of the budget proposal (November 2019), minimum changes were made in the estimate of the general government structural balance between 2018 and 2022. The CBR updated its estimate of risks and sources for their coverage in the budget based on available information, which affected the size of the general government balance between 2019 and 2022. Within the cyclical component, the CBR's output gap estimate[12] was updated in order to incorporate GDP revisions (quarterly time series), while at the same time reflecting the most recent output gap estimate by the National Bank of Slovakia. However, this had a negligible impact on the overall estimate of the cyclical component. As regards one-off effects, no changes have been made. The differences in estimates are shown in the table below.

Table 4: Difference in the change in GG structural balance between 2019 and 2022 according to the CBR in comparison with the GGBP 2020-2022 (ESA2010, in % of GDP)

	2019	2020	2021	2022
1. General government balance	**0.07**	**0.02**	**0.07**	**0.02**
2. Cyclical component	0.00	0.00	0.00	0.00
3. One-off effects	0.00	0.00	0.00	0.00
4. Structural balance (1-2-3)	**0.07**	**0.01**	**0.07**	**0.02**
5. Δ in the structural balance (Δ4)/ Fiscal compact	**0.07**	**-0.06**	**0.05**	**-0.05**

Source: CBR's methodology

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[12] The CBR applies several approaches to estimating the output gap which are ultimately averaged into a final estimate. More details in CBR paper (2014): Finding Yeti. The update only applies to the estimate based on PCA methodology. In the remaining CBR's approaches, the revised quarterly GDP data has already been taken into account in the November 2019 evaluation report.

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