



CHECK AGAINST DELIVERY

**Speech by the Prime Minister at the 45th extraordinary session of the
National Assembly**

8 October 2013, National Assembly

Honourable Members of the National Assembly, Dear citizens of Slovenia,

The Government is coming to the National Assembly with its budget for 2014 and 2015 in agitated times, when it appears that stability is more important than development and social peace more important than creative restlessness. Let me, at the very outset, as a kind of summary, sum up the efforts of my Government in three basic moves by which we should judge the proposed budget:

1. The budget deficit has been reduced to under 3%, thus fulfilling one of the basic requirements that clearly show our EU credibility.
2. Development has not been sacrificed for debts, but most attention, as much as possible under the current circumstances, has been devoted to investment in knowledge and research.
3. The growth of investments has not been slower; on the contrary, investments have increased, as they are combined with European funds and are considerably more focused.

I will define in detail each of these moves, but at the outset, please allow me to give an assessment of the situation that guided us in the preparation of the budget.

The budget is being discussed under circumstances which are not favourable for Slovenia; there are some who keep asking whether the troika will come to us. There are also some, even among politicians, who practically invite the troika to come to our country. The question here is whether the situation is really so bad. The answer to this question and a real assessment of the situation are essential for making correct decisions, and decision-taking on the budget is one of the most significant of these at present. Therefore please allow me to devote the first part of my presentation to the assessment of the socio-economic situation.

Why is the budget such as it is – demanding, economical, in parts risky but nowhere dangerous?

Is thus because we are bound by the stability programme to reduce the budget deficit. In addition to the rehabilitation of the banking system and sustainable

public finances, this is the commitment that qualifies us for future discussion if we want to be part of this discussion as equal partners.

The budget is such as it is because the negative economic growth in the last quarter, which is minus 1.7%, prevents Slovenia from more encouraging development planning. We might be comforted by the fact that this is the first time in a year that the decline in economic growth has not exceeded 3%; however, this is of little comfort to this Government.

The budget is as it is because, with sufficient consent and with a tolerable degree of political pragmatism, the issues were put in the framework of the fiscal rule and the referendum legislation was amended so that it is possible to seriously plan the budget and implement it.

It hurts that there are speculations in these days that the cost of the rehabilitation of our banks is planned to be all the way from one to seven billion euros. The fact is that the accurate estimate of this cost, until the disclosure of stress test results, remains the largest unknown that has affected in many ways our maximum caution in preparing the budget. Neither I nor the Minister nor the Governor of the Bank of Slovenia knows this estimate.

And last but not least, as a very important factor of reality, the dissatisfaction of the people was taken into account in preparing the budget. This has not only been accumulated but also justified. And I understand it well enough, as the Government cannot count on people's understanding of demanding moves until corruption and criminal activities have been consistently punished.

Let me conclude this part by placing two emphases on the work which makes the picture more promising. This Government has managed to reduce the number of unemployed and exports this year have increased by 2.3%. The first achievement is far from enough and the second is not merely to our credit but also results from the first signs of economic recovery in Europe. But if we, in a state of general pessimism, overlook these two emphases, enthusiasm in two areas which are of key importance for future Slovenian development would be completely dampened for no good reason. Only citizens with quality employment and high-quality export products or services can provide Slovenia with urgently necessary human and financial resources.

It was important to bear in mind these framework or entry conditions for the preparation of the budget in order to explain more easily which fundamental and difficult dilemmas we faced in responding to these conditions with appropriate decisions. The heavier the crisis, the more difficult are some of the dilemmas and the smaller is the number of good solutions. The situation in which Slovenia is today and compliance with the commitments made to our European partners by the former Government on our behalf gave us a tiny margin for decision-making and confronted us with heavy dilemmas. We have often had to choose between two options with unpleasant consequences.

But when you, honourable members of the National Assembly, evaluate the proposed budget, I ask you, in addition to specific figures which in any way relate to you and your voters, to keep in mind all these dilemmas, as they concern all of us as citizens of Slovenia.

I have helped to work on budget preparation for the last few years. It is a difficult thing to prepare at the best of times, but to prepare the budget in times

of crisis is simply tough. This Government has managed to prepare it twice in six months, taking into consideration the revised budget. In doing so, we haven't had any severe disagreements, nor we have parted company and, contrary to certain predictions, we managed to bring it in line without major cuts in social rights and pensions and without unilateral interventions in salaries. I am aware that this is, in fact, the sin of this Government for some people, but we are proud of it. Not only because we wish to be a Government showing a social understanding, but also because we wish to avoid such measures as long as possible, since a decrease in demand results in a fall in GDP and economic regression. If, when preparing the budget, I used to see my main task as to ensure that all the figures calculated by others turned out correctly, I now understand the main task of the Prime Minister as to hold in mind a broader view and to think of the whole picture. How to ensure that any dilemma is not extended to the point of blowing up the whole of society by either pushing it into debt beyond the limits of the possible or impose a burden beyond the limit of the bearable? Since my colleague Uroš Čufer will make you acquainted with the figures, I will remain a bit on the edge here. And yes, we are walking on a knife-edge. We are all together in these difficult times, but if we are aware that we're working together, then the decisions are not necessarily exclusive but necessarily inclusive.

Which dilemmas will be recognised in the proposed budget?

The most difficult dilemma was a dilemma about tax revenues. Our main criterion here was social justice. In September 2006, Janez Drnovšek, then President of the Republic of Slovenia, expressed his dissatisfaction with the current tax reform by saying: "*Taxes are among the key elements of social justice. Every tax change should represent a step towards a more just distribution of the burden of public finances to our citizens.*" I am convinced that we have been taking steps in this direction in submitting the proposed budget. This is in the direction of social justice. Therefore, we changed the system of value added tax, since it most fairly distributes the burdens among those who consume most. Therefore, too, we will levy taxes on real estate and, in this manner, systematically burden those properties the origin of which the holder is unable to explain convincingly and prove. In this dilemma, I would like to refuse the labelling of the Government as neo-liberal. Those who imposed a tax wedge, they also put pressure on all other segments of the society, including rights and freedoms. Consequently, there is no surprise that people grew tired of the former Government.

I am honoured by the words of eminent sociologist Tomaž Mastnak that there are no particular reasons for people to hate the current Prime Minister; on the other hand, we understand very well his message that people will ultimately judge us by our actions rather than by our words. And it is through actions that my Government, if you support our budget, will prove the difference between neoliberal brutality and social justice.

Another dilemma concerns the relationship between the public sector and investments. Critics reproach us that we do not dare to build because we do not dare to layoff. But to preserve and develop the public sector does not mean keeping jobs and privileges: it means preservation and development of fundamental achievements in a solidarity-bound society, education, health and

social assistance. Slovenia has therefore the right to be allergic to any mention of wild privatisation of these sectors, since our future literally depends on them. A secure old age for our parents and a secure youth for our children. Should you take a more detailed look at the numbers under these headings, you will see that, even in such times of crisis, Slovenia is not renouncing the standard of public services, since this would just be a deeper cut into the most sensitive segment of society.

The third dilemma is about the choice between investments and debt-servicing on account of our debts, which allegedly devour most investments in human resources even before we come to the principal. But this is not the case. As previously mentioned, we have managed to keep the majority of funds despite the crisis, and the individual cuts are measured by a single-digit percentage, for example in research from EUR 250 million to EUR 235 million.

Honourable Members of the National Assembly,

So far I have not mentioned a word about the usual division of this Parliament into the coalition and the opposition, into the previous and current governments. It seems to me that when facing the many dilemmas, our answers should be common, no matter which side of this hall or political party we come from. We must fulfil international obligations and respect our people. We must contribute to the democratic development of Europe without giving up our sovereignty.

Nevertheless, there are some matters on which I have to point a finger of criticism at the opposition, because the preparation of the budget has revealed both at home and through contacts with Brussels how quickly political imprudence, let alone lack of wisdom, may trigger numerous consequences.

Why, therefore, does our budget differ from yours?

- Since it has not called the troika for help, but has made every effort to solve our domestic issues at home.
- Since we have been repaying your debts: between 2004 and 2008, Slovenia's gross external debt doubled from 20 to 40 billion euros, which the taxpayers will pay upon the rehabilitation of banks. The Government led by Prime Minister Janša during his first mandate did not react to the debt, which was primarily a debt of companies and banks. The population who is one of less indebted nations in Europe will now pay this debt. Total gross Government debt is practically at the same level as it was in 2008.
- This is because we are not contributing to the growth of the budget deficit. During the first three months of this year, when Prime Minister Janša was taking leave of his position as Prime Minister following the findings of the anti-corruption commission, you left us a budget deficit of 800 million euros. Today, the same budget shows a surplus at a monthly level.

- Since we are able to make a compromise which we proved with the fiscal rule and the referendum legislation and which makes me optimistic also regarding the dialogue with social partners.
- Since skeletons have fallen out of the closet, as well as constitutional decisions, pensions, pay for annual leave of public employees, the "erased", pay system discrepancies, and
- since we call a spade a spade and do not sweep problems and difficulties under the carpet just to keep up appearances.

Already under the previous Government, Slovenia undertook the commitments under the fiscal pact. This is an international agreement which we are liable and ready to respect. As you know, a sharp discussion on the adequacy and negative effects of the austerity policy is currently being discussed in the whole of the European Union. It is right that Slovenia participates in this discussion; however, I would like to stress that this discussion should primarily take place in the EU's institutions. We will never put ourselves in the position of a student who would like to cover his or her inadequacy at an exam by opening a discussion with a professor. On the contrary, only after a successfully passed test based on previously performed work is a democratic discussion between the two possible, and in it is our wish to fully participate in this European discussion, since our future is being built on it.

Allow me, therefore, to conclude this presentation of the budget with a look into the future.

The work does not really end with the budget but is actually just starting with it. What we plan, in particular regarding finance, today will be realised tomorrow and will bring results the day after tomorrow; therefore, in connection with this very clearly defined budget, a question should be asked as to what kind of a day after tomorrow this budget will bring.

In other words, what kind of Slovenia would we like to have?

We would like to have a European Slovenia and we respect all the given promises, also those that you gave. Since our limitations, with regard to borrowing, are significant due to high interest rates, a reasonable balancing of the increase in budget revenue and a decrease in budget expenditure is the only way to reach the planned budget framework.

We strive for a sovereign Slovenia, since our European commitments do not bind our mouths or hands to prevent us from fighting for a future change in the paradigm. In accordance with the reservations, announced in advance, regarding the harsh austerity measures reloading the burden of crisis on those who cannot be blamed for it, our Government has achieved an extension of the deadline for a balanced budget. Through this we have avoided even harsher austerity measures that would have affected our citizens too greatly.

The reason here, and this is the third goal we are striving for, is to have a European and sovereign and socially just Slovenia. Our objective is not to be trapped in an illusion of a society of ultimate utopian consensus, but together to understand the situation and take measures, to see that the waves of crisis brought many new ideas and revived good practices, to be capable of a dialogue and after that a social agreement resulting in a social contract.

Let me remind you that in this clumsy word "contract", on which all important business and personal agreements are based, first and foremost a "contact" is hidden. Therefore a contact, communication. You'll probably remember that my first speech which I delivered to you as Prime Minister designate included certain co-words. I saw my goal embraced by tiny words that hardly stand alone. However, when joined with other, more difficult words, they begin to sound more accommodating. Decision becomes co-decision, participation becomes co-participation. Even habitation becomes cohabitation. At that time I proposed the tiny morpheme "co" (in Slovenian so), which also forms the beginning of the word "solidarity", as a motto of this mandate. I recalled this word last week, when some sharp words needed to be said and written, sharp but carefully considered words, to make us join our forces and reach new stability. We and other people are fed up with decisions taken and our lives lived by others instead of us. It is our wish to be good neighbours and the best of contemporaries. And, in particular, let us strive all together to be fellow citizens in our sovereign European state. Let us work together so that all of us can live our lives in full, actively, successfully and honestly.

When in March this year I recited all these co-words, I also made a commitment which we wrote down in our agreement on cooperation, promising that within a year I would seek a vote of confidence. Now is the time. Now I ask you not only for your trust, so that we will be able to implement the proposed budget, but also for your vote of confidence, so that this Government can carry out the budget for the benefit of Slovenia.

Honourable Members of the National Assembly representing the coalition and opposition, we met in the National Assembly during the year following elections. However, in the past six months, you have seen me in another role, acting as Prime Minister. Never before have I been so full of expectation and so certain of doing the right thing than I am today in coming to speak before you. During this time many things have found their right place and some still will, but I am well aware of the key issue today. In the given circumstances, and with the given team, we did everything in our power to find an appropriate balance between the just dissatisfaction of the people, the difficult crisis situation and consistent compliance with Brussels commitments to be able to prepare a realistic, sustainable and still bearable budget.

Preparation of the budget is always a very demanding task. These highly aggravated times of crisis make it even more demanding. The task, which in a period of economic growth can be perceived as an expert and technical task, turns into an explicitly political task when preparing a crisis budget, one which requires changes in allocation of benefits and changes in burdening individual social groups. The Government, coalition strength and, in this case, also the credibility of the state are put to the test.

Honourable Members of the National Assembly, the budget documents which you have received for consideration, and through you also all the citizens of Slovenia, is by the Government and coalition understood as a stronghold which should provide preservation of the full political and fiscal sovereignty of Slovenia.

It appears that some members of the opposition do not perceive this sovereignty as a value and believe that it would be best for Slovenia if the troika came as soon as possible. Among those who say that the early arrival of the troika would reduce the price of financial recovery are also those who drew up the unrealistic and unbalanced budget that we have been forced to amend considerably. Therefore I take their assessment of the financial effects of the troika's arrival as a collegial self-critique of their own financial policies and projections. A critique is indeed necessary, and we will try to accept any such as positive and take it into account. However, I kindly ask you to remember that it was not my Government that allowed a twofold rise in the gross external debt in the 2004–2008 period, which we will pay for in the rehabilitation of banks. It was also not my Government that participated in negotiations on the fiscal pact, which considerably restricts our room for manoeuvring in the fiscal area today.

I keep the promises I have given and give only those I am able to fulfil. And I can promise you with regard to the proposed budget that it will bring Slovenia back to the path of development and progress. We must not lose our direction nor our face on this path. We must constantly know where we are going and at the same time must not reach our destination so changed that we might not recognise ourselves or our dearly held Slovenia.

Do you want to know how I see Slovenia? As Scandinavian just and Mediterranean brave. Such a Slovenia is worth every atom of our strength, and my colleagues and I and the entire Government will do anything in our power to respond to your suggestions and criticism in order to remove any doubts and take into account any considerations.

Let me conclude with a thought of my great political role model, Janez Drnovšek, which is still very true today, seven years after it was written: *"We certainly wish for a constructive way, as our approach is in its basis distinctly positive. Sometimes people think that being positive and peaceful is a sign of weakness, but the truth is very different. A positive approach harbours inside a great power; it will not submit to negativity. On the contrary, if it did, it would have given way to negativity and the world would still be bad, maybe even worse than it is now. Therefore we must sometimes accept a battle; some people only understand the language of power, but this is only a necessity, not our wish. As soon as we find ourselves in communication with people with a positive outlook, we are gentle, friendly and constructive, and this is how we will proceed. We will respond to kindness with kindness, but to obstructions and imputations we will quickly find the right answers, even sharp and hard ones if necessary. Our goal is a friendly Slovenia. The state must also be such. My wish is that we all cooperate to achieve this goal and not play against each other, that we all march in the same direction and help one another."*

Honourable Members of the National Assembly,

may this discussion on the budget be a unique workshop on how to build a friendly Slovenia in a different way, in the spirit of tolerance, justice and solidarity.

Thank you.