DRAFT BUGETARY PLAN – SLOVENIA 2014 - ADDENDUM

According to the recently enforced Regulation (EU) No 473/2013 of the European Parliament and of the Council on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area all euro area Member states are required to sublimit their draft budgetary plans to the Commission and the Eurogroup no later than 15 October. In the draft budgetary plans the member states present the main aspect for the budgetary situation of the general government and its subsectors for the coming year.

The draft budgetary plan of the Republic of Slovenia for the year 2014 provides information on budgetary policy measures foreseen by the government in the budget for the coming year. In accordance with national budgetary procedures based on the principle of biennial budget planning the draft amending budget for 2014 and the budget 2015 have already been tabled to the National assembly where they are currently under discussion.

The draft budgets are **consistent with the Council recommendation** to end excessive deficit by 2015 and ensure a gradual consolidation of public finances in a sustainable manner. They include a continuation of the restrictive expenditure policy and introduce additional revenue-raising measures to enable the achievement of target deficit values for 2014 and 2015 (3.2 % of GDP and 2.5 % of GDP respectively).

Measures on the expenditure side comprise:

- wage reduction in the public sector;
- no pension indexation;
- no indexation and reduction of social transfers;
- rational use of current expenditure.

The contribution of the revenue side to fiscal consolidation covers:

- increasing VAT rates;
- introducing the real property tax;
- halting the reduction in the corporate income tax rate;
- limiting the indexation of tax reliefs and personal income tax bases;
- measures to improve the effectiveness of tax collection and fight the shadow economy;
- changes to other taxes and allowances.

The 2014 budget amendment and the 2015 budget were prepared it times of challenging macroeconomic environment with rising unemployment and continuous decline in economic activity. Compared to the spring economic forecasts, the expected economic outcome for 2014 was revised downwards, i.e. from minus 0.2 % to minus 0.8 %. The positive effect of increased foreign demand on exports will be more than offset by a decline in domestic consumption as the elimination of credit crunch and measures for stabilisation of banking sector were postponed by two quarters because of the asset quality review and stress tests exercise.

In this framework the government opted for a combination of revenue-raising and expenditure-reducing measures that are not weighing negatively on welfare state of causing further declines in economic activity. In times of great uncertainty and high downside risks, the draft budgets were prepared based on the realistic or even conservative revenue projections, especially as regards receipts from reinforced measures to counter grey economy and increase the efficiency of tax collection and enforcement.

Budgetary plans of the government for 2014 are **based on the macroeconomic forecast of IMAD** received on 17 September 2013. Based on these projections, Ministry of Finance prepared budgetary projections for 2014. Government of Slovenia formally took note on macroeconomic forecast prepared IMAD on 30 September 2013.

IMAD performs the following tasks: monitoring and analysing current developments and the economic, social and environmental dimensions of development, based on the national development orientation; monitoring structural developments in the economy; macroeconomic forecasts which officially serve as the basis for the budget; preparing expert based opinions for the formulation of economic policy orientations and measures; research work.

Establishing acts and the field of work of IMAD are:
(1) Resolution on the Organisation and Work of the Institute of Macroeconomic Analysis and Development of the Republic of Slovenia (Official Gazette of the Republic of Slovenia, No. 12/2000); http://zakonodaja.gov.si/rpsi/r08/predpis_SKLE2008.html;
(2) Government of the Republic of Slovenia Act (OG of the Republic of Slovenia, Nos. 4/93, 71/94, 23/96, 47/97, 23/99, 119/00, 30/01, 52/02, 123/04, 24/059;
(3) Decree on the Documents of Development Planning Bases and Procedures for the Preparation of the Central and Local Government Budgets (OG of the Republic of Slovenia, No. 54/2010)

According to the Resolution on the Organisation and Work of IMAD: »The Institute is professionally independent regarding the expert and methodological issues relating to the use of analytical and forecasting tools and the interpretation of results.« (article 1).

IMAD has no restrictions as regards public communication. The Institute regularly informs public on analysis, research work and forecasts, also through regular press conferences which are organized by the Institute upon the decision of the IMAD's Director, who decides on timing and topics. This ensures that the work results are available and accessible in all relevant press and electronic media. The public information catalogue was prepared pursuant to the Decree on Communication and Re-use of Information of Public Character (Ur. l. RS, št. 76/05, 119/07, 95/11), which entered into force on 12 August 2005.

Candidate for the Director of the institute is selected among the applicants by the expert group. Selected candidate is then appointed by the Government of the Republic of Slovenia upon the proposal of the Prime Minister for the5 year mandate. The Director's office terminates upon his or her resignation or discharge. The Director is responsible directly to the Prime Minister. Deputy Directors are appointed and discharged by the Government upon the proposal of the Institute's Director.

IMAD has access to statistical data, financial statements of companies, budgetary data from the MoF and BoS data (the latter only public).

1. **<u>Macroeconomic forecasts.</u>**

Table 0.i) Basic assumptions

	Year 2012	**Year 2013**	**Year 2014**
Short-term interest rate[1] (annual average)	0,6	0,2	0,5
Long-term interest rate (annual average)	3,9	3,0	3,5
USD/€ exchange rate (annual average)	1,286	1,320	1,331
Nominal effective exchange rate	-1,2	0,9	0,2
World excluding EU, GDP growth	/	/	/
EU GDP growth	-0,3	-0,1	1,0
Growth of relevant foreign markets	-0,3	0,5	2,5
World import volumes, excluding EU	/	/	/
Oil prices (Brent, USD/barrel)	111,7	110,0	108,0

[1]If necessary, purely technical assumptions.

Table 0.ii). Main assumptions. Non-exhaustive check list. (Similar information can be provided in different formats)

	Year 2012	Year 2013	Year 2014
1. External environment			
a. Prices of commodities*	-9,8	0,0	0,0
b. Spreads over the German bond	4,56	Jan-Oct: 4,54 (as of Oct 11: 4,97)	/
2. Fiscal policy			
a. General government net lending / net borrowing	/	/	/
b. General government gross debt	/	/	/
3. Monetary policy / Financial sector / interest rates assumptions			
a. Interest rates:			
i. Euribor (3 month)	0,6	0,2	0,5
ii. Deposit rates (up to 1 year)	2,3	2,0	/
iii. Interest rates for loans (enterprises, over 1 mio EUR)	4,7	4,5	/
iv. Yields to maturity of 10 year government bonds	5,87	Jan-Oct: 5,65 (as of Oct 11:6,23)	/
b. Evolution of deposits (YoY nominal change in %)	-2,6	4,0	0,0
c. Evolution of loans to enterprises and NFCs (YoY nominal change in %)	-3,8	-8 to -11	-3 to -7
d. NPL trends (% of total banking sector exposure)	14	19	/
4. Demographic trends			
a. Evolution of working-age population**	-0,1	-0,5	-0,5
b. Dependency ratios***	26,2 48,6	26,9 49,6	27,6 50,7
5. Structural policies			

* Non-energy commodities in USD, change in %
**20-64, growth rate, 1.1.
*** old-age dependency ratio: (65+)/(20-64); age dependency ratio: (0-14)+(65+)/(20-64)

Table 1.a. Macroeconomic prospects

	ESA Code	**Year 2012**	**Year 2012**	**Year 2013**	**Year 2014**
		Level	rate of change	rate of change	rate of change
1. Real GDP	B1*g		-2,5	-2,4	-0,8
Of which					
1.1. Attributable to the estimated impact of aggregated budgetary measures on economic growth[1]		---	---		
2. Potential GDP			-1,4	-1,7	-0,8
contributions:					
- labour			-1,7	-2,0	-1,1
- capital			-0,1	-0,1	-0,2
- total factor productivity			0,4	0,4	0,5
3. Nominal GDP	B1*g	35.318,6	-2,3	-1,2	0,6
Components of real GDP					
4. Private final consumption expenditure	P.3	20.103,1	-4,8	-3,5	-2,7
5. Government final consumption expenditure	P.3	7.332,6	-1,3	-2,5	-1,5
6. Gross fixed capital formation	P.51	6.274,2	-8,2	-1,6	-4,0
7. Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53	-94,1	-0,3	-1,3	-0,4
8. Exports of goods and services	P.6	26.869,7	0,6	2,0	3,0
9. Imports of goods and services	P.7	25.166,9	-4,7	0,1	2,1
Contributions to real GDP growth					
10. Final domestic demand (excl. inventories)		33.709,9	-	-2,8	-2,6
11. Changes in inventories and net acquisition of valuables	P.52 + P.53	-94,1	-	-1,0	0,9
12. External balance of goods and services	B.11	1.702,8	-	1,5	0,9

1/ Please report here the estimated impact on real GDP growth of the aggregated budgetary measures contained in the DBP.

Table 1.b. Price developments

	ESA Code	**Year 2012**	**Year 2012**	**Year 2013**	**Year 2014**
		Level	rate of change	rate of change	rate of change
1. GDP deflator			0,2	1,3	1,4
2. Private consumption deflator			1,6	1,5	1,7
3. HICP			2,6	2,0	1,9
4. Public consumption deflator			-1,4	-0,2	1,6
5. Investment deflator			1,7	0,4	1,5
6. Export price deflator (goods and services)			1,2	0,1	0,5
7. Import price deflator (goods and services)			2,2	-0,4	0,7

Table 1.c. Labour market developments

	ESA Code	**Year 2012**	**Year 2012**	**Year 2013**	**Year 2014**
		Level	rate of change	rate of change	rate of change
1. Employment, persons[1]		939,1	-0,8	-2,3	-1,4
2. Employment, hours worked[2]		1442995,9	-2,1	-3,0	-2,0
3. Unemployment rate (%)[3]			8,0	9,7	9,9
4. Labour productivity, persons[4]			-1,7	-0,1	0,6
5. Labour productivity, hours worked			-0,4	0,6	1,2
6. Compensation of employees (mio EUR)	D.1	18.514	-2,1	-3,1	-1,1
7. Compensation per employee (EUR)		19.798	-0,8	-1,4	-0,4

1/ Occupied population, domestic concept national accounts definition. Level in thousands.
2/ Level in thousands.
3/ Harmonised definition, Eurostat; levels.
4/ Real GDP per person employed.
5/ Real GDP per hour worked.
6,7/ Nominal rate of change.

Table 1.d. Sectoral balances

	ESA Code	**Year 2012**	**Year 2013**	**Year 2014**
1. Net lending/net borrowing vis-à-vis the rest of the world	B.9	% GDP	% GDP	% GDP
of which:				
- Balance on goods and services		4,8	6,8	7,5
- Balance of primary incomes and transfers		-1,7	-1,8	-2,5
- Capital account				
2. Net lending/net borrowing of the private sector	B.9			
3. Net lending/net borrowing of general government	B.9			
4. Statistical discrepancy				

2. Budgetary Targets.

Table 2.a. General government budgetary targets broken down by subsector

	ESA Code	Year 2013	Year 2014
		% GDP	% GDP
Net lending (+) / net borrowing (-) (B.9) by sub-sector			
1. General government	S.13	- 3,82	- 3,26
General government with bank recapitalization		- 5,6	- 6,67
2. Central government	S.1311	-3,74	-2,87
Central government with bank recapitalization		-5,52	-6,29
3. State government	S.1312	...*	*...
4. Local government	S.1313	+0,05	+0,01
5. Social security funds	S.1314	-0,13	-0,40
6. Interest expenditure	D.41	2,73	3,06
7. Primary balance[2]		-2,87	-3,61
8. One-off and other temporary measures[3]		1,78	3,42
9. Real GDP growth (%) (=1. in Table 1a)		-2,4	-0,8
10. Potential GDP growth (%) (=2 in Table 1.a)		-1,7	-0,8
contributions:			
- labour		-2,0	-1,1
- capital		-0,1	-0,2
- total factor productivity		0,4	0,5
11. Output gap (% of potential GDP)		-2,7	-2,7
12. Cyclical budgetary component (% of potential GDP)		-1,2	-1,2
13. Cyclically-adjusted balance (1 - 12) (% of potential GDP)		-4,5	-5,5
14. Cyclically-adjusted primary balance (13 + 6) (% of potential GDP)		-1,8	-2,4
15. Structural balance (13 - 8) (% of potential GDP)		-2,8	-2,1

1/ TR-TE= B.9.
2/ The primary balance is calculated as (B.9, item 8) plus (D.41, item 9).
3/ A plus sign means deficit-reducing one-off measures.
*in Slovenia we do not use this category, not applicable.
** general government with recapitalization (1) – interest expenditure (6)

Table 2.b. General government debt developments

	ESA Code	**Year 2013**	**Year 2014**
		% GDP	% GDP
1. Gross debt[1]		63,1	65,5*
2. Change in gross debt ratio*		8,8	2,4
Contributions to changes in gross debt			
3. Primary balance (= item 10 in Table 2.a.i)		2,87	3,61
4. Interest expenditure (= item 9 in Table 2.a.i)	D.41	2,73	3,06
5. Stock-flow adjustment*		1,8	-4,3*
of which:			
- Differences between cash and accruals[2]			
- Net accumulation of financial assets[3]			
of which:			
- privatisation proceeds			
- Valuation effects and other[4]			
p.m.: Implicit interest rate on debt[5]		5,0	4,9*
Other relevant variables			
6. Liquid financial assets[6]			
7. Net financial debt (7=1-6)			
8. Debt amortization (existing bonds) since the end of the previous year**	mio EUR	124,8	1759,7
9. Percentage of debt denominated in foreign currency***		22,7	26,6
10. Average maturity**		5,9	6,1

1/ As defined in Regulation 479/2009.
2/ The differences concerning interest expenditure, other expenditure and revenue could be distinguished when relevant or in case the debt-to-GDP ratio is above the reference value.
3/ Liquid assets (currency), government securities, assets on third countries, government controlled enterprises and the difference between quoted and non-quoted assets could be distinguished when relevant or in case the debt-to-GDP ratio is above the reference value.
4/ Changes due to exchange rate movements, and operation in secondary market could be distinguished when relevant or in case the debt-to-GDP ratio is above the reference value.
5/ Proxied by interest expenditure divided by the debt level of the previous year.
6/ Liquid assets are here defined as AF.1, AF.2, AF.3 (consolidated for general government, i.e. netting out financial positions between government entities), A.F511, AF.52 (only if quoted in stock exchange).

*Projections Ministry of Finance, Treasury
**Source: State Budget
***Source State Budget before swap

Table 2.c Contingent liabilities

in mio EUR

	31.12.2013*	% of GDP	31.12.2014	% of GDP
Public guarantees	6.811	19,5%	6.051	17,2%
Of which: linked to the financial sector**	1.529	4,4%	1.406	4,0%

Used GDP in Year 2013: 34.908 mio EUR

Used GDP in Year 2014: 35.132 mio EUR

Notes:

*Projection of outstanding goverment guarantees at the end of 2013 was estimated on the basis of amortisation schedules - in the same way as for the budget memorandum, with the exception of guarantees for Factor banka d.d. and Probanka d.d. where the actual outstanding of government guarantees per 30.09.2013 (EUR 86,7 million) was used . For budget memorandom was used data in the value of the signed guarantee agreement (EUR 1,030 milion) because at that time data per 30.09.2013 was not available.

**In accordance with the Classification of Institutional Sectors (SKIS) data "Of which: linked to the financial sector" contains the data of outstanding guarantees for SID banka d.d., Deželna banka d.d., Factor banka d.d. in Probanka d.d.

3. Expenditure and Revenue Projections under the no-policy change scenario[1].

Table 3. General government expenditure and revenue projections at unchanged policies broken down by main components.

	ESA Code	**Year 2013**	**Year 2014**
General government (S13)		% GDP	% GDP
1. Total revenue at unchanged policies	TR	*44,2*	*44,7*
Of which			
1.1. Taxes on production and imports	D.2		
1.2. Current taxes on income, wealth, etc	D.5		
1.3. Capital taxes	D.91		
1.4. Social contributions	D.61		
1.5. Property income	D.4		
1.6. Other[1]			
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)[2]			
2. Total expenditure at unchanged policies	TE[3]	*52,2*	*53,5*
Of which			
2.1. Compensation of employees	D.1		
2.2. Intermediate consumption	P.2		
2.3. Social payments	D.62[1] D.632		
of which Unemployment benefits[4]			
2.4. Interest expenditure	D.41		
2.5. Subsidies	D.3		
2.6. Gross fixed capital formation	P.51		
2.7. Capital transfers	D.9		
2.8. Other[5]			

1/ Under ESA95: D6311_D63121_D63131pay; in ESA2010 D632pay

2/Unchanged policies scenario was prepared for the Stability program in spring based on 2012 realization and valid policies for preparation of the revised budget 2013, which was adopted in Parliament in mid-July. Unchanged policy scenario assumes no new revenue measures or further discretional expenditure cuts measures (prepared for 2014 budget), the process was focused on all necessary budgetary targets to meet our goal. Budget 2015 has been done under scenario of no revenue (taxes) changes, only further decrease of expenditures.

4. Expenditure and Revenue targets.

Table 4.a General government expenditure and revenue targets, broken down by main components.

	ESA Code	**Year 2013**	**Year 2014**
General government (S13)		% GDP	% GDP
1. Total revenue target	TR	44,79	46,21
Of which			
1.1. Taxes on production and imports	D.2	15,10	14,92
1.2. Current taxes on income, wealth, etc.	D.5	7,65	8,93
1.3. Capital taxes	D.91	0,08	0,11
1.4. Social contributions	D.61	15,41	15,29
1.5. Property income	D.4	0,92	0,60
1.6. Other [1]		5,63	6,36
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)[2]		38,24	39,26
2. Total expenditure target	TE[3]	50,39	52,88
Of which			
2.1. Compensation of employees	D.1	12,34	12,03
2.2. Intermediate consumption	P.2	6,67	6,42
2.3. Social payments	D.62[6] D.632	20,15	20,12
of which Unemployment benefits[4]		0,76	0,71
2.4.= Table 2.a.9. Interest expenditure	D.41	2,73	3,06
2.5. Subsidies	D.3	1,04	0,91

[1] Please note that the no-policy change scenario involves the extrapolation of revenue and expenditure trends before adding the impact of the measures included in the forthcoming year's budget.

2.6. Gross fixed capital formation	P.51	3,43	4,55
2.7. Capital transfers	D.9	2,05	3,69
2.8. Other[5]		1,98	2,1

1/ .11+P.12+P.131+D.39rec+D.7rec+D.9rec (other than D.91rec)
2/ Including those collected by the EU and including an adjustment for uncollected taxes and social contributions D.995), if appropriate.
3/ TR-TE = B.9.
4/ Includes cash benefits (D.621 and D.624) and in kind benefits (D.631, under ESA2010 D.632) related to unemployment benefits.
5/ D.29pay + D.4pay (other than D.41pay) +D.5pay +D.7pay +P.52+P.53+K.2+D.8.
6/ Under ESA95: D6311_D63121_D63131pay; in ESA2010 D632pay.

Table 4.b Amounts to be excluded from the expenditure benchmark

	ESA Code	**Year 2012**	**Year 2012**	**Year 2013**	**Year 2014**
		Level	% GDP	% GDP	% GDP
1. Expenditure on EU programmes fully matched by EU funds revenue		724,5	2.1	3.2	2.9
2. Cyclical unemployment benefit expenditure [1]		263,1	0.7	0.8	0.7
3. Effect of discretionary revenue measures [2]		237,2	0.0	0.7	1.5
4. Revenue increases mandated by law		n.a.	n.a.	n.a.	n.a.

1/ Please detail the methodology used to obtain the cyclical component of unemployment benefit expenditure. It should build on unemployment benefit expenditure as defined in COFOG under the code 10.5
2/ Revenue increases mandated by law should not be included in the effect of discretionary revenue measures: data reported in rows 3 and 4 should be mutually exclusive.
3/ n.a.: not applicable

Table 4.c General government expenditure by function.

4.c.i) General government expenditure on education, healthcare and employment

	Year 2013		Year 2014	
	% GDP	% general government expenditure	% GDP	% general government expenditure
Education[1]	n.a	n.a	n.a	n.a
Health[1]	n.a.	n.a.	n.a.	n.a.
Employement[2]	n.a.	n.a.	n.a.	n.a.

1/ These expenditure categories should correspond respectively to items 9 and7 in table 4.c.ii)
2/ This expenditure category should contain, inter alia, government spending related to active labour market policies (ALMPs) including public employment services. On the contrary, items such as compensation of public employees or vocational training programmes should not be included here.
3/ n.a.: not applicable Statistical office data on COFOG are available only for year 2011.

4.c.ii) Classification of the functions of the Government

Functions of the Government	COFOG Code	Year 2013*	Year 2014*	*2011*
		% GDP	% GDP	
1. General public services	1			*6,3*
2. Defense	2			*1,2*
3. Public order and safety	3			*1,7*
4. Economic affairs	4			*5,8*
4. Environmental protection	5			*0,8*
6. Housing and community amenities	6			*0,7*
7. Health	7			*6,9*
8. Recreation, culture and religion	8			*1,9*
9. Education	9			*6,7*
10. Social protection	10			*18,9*
11. Total Expenditure (= item 2 in Table 2.c.i)	TE			*50,7*

*Statistical office data on COFOG are available only for year 2011.

5. Description of discretionary measures included in the draft budget.

Table 5.a Discretionary measures taken by General Government

List of measures	**Detailed description[1]**	**Target (Expenditure / Revenue component) ESA Code**	**Accounting principle**	**Adoption Status**	**Budgetary impact**				
						Year t	**Year t+1**	**Year t+2**	**Year t+…**
						% GDP	**% GDP**	**% GDP**	**% GDP**
(1)									
(2)									
…									
					TOTAL				

1/ Please describe in further detail in case of major fiscal policy reform plans with potential spillover effects for other Member States in the Euro Area .

Table 5.b Discretionary measures taken by Central Government

List of measures	**Detailed description[2]**	**Target (Expenditure / Revenue component) ESA Code**	**Accounting principle**	**Adoption Status**	**Budgetary impact**				
						2013	**2014**	**Year 2015**	**Year t+…**
						% GDP	**% GDP**	**% GDP**	**% GDP**
Cut in public sector wages	Cut in basic wages in public sector by 0,5% to 5% progressively according to wage class	D1	Cash	Adopted; in force from July 2013		0,07	0,14		
Cu t in public sector wages	Cut in basic wages in public sector by 8%	D1	Cash	Act on balancing public finances, in force from July 2012		0,33			
No indexation in public sector wages	No indexation in public sector wages	D1	Cash	In force from July 2012		0,17			
Delay in promotions in	Promotions in public sector are	D1	Cash	Adopted in force		0,14	0,09		

public sector	postponed			from July 2013					
Lower additional labour cost	Lower supplement for higher education and working age for women, sick leaves and supplementary pension insurance	D1	Cash	Adopted in force from July 2013		0,10	0,18		
Holiday bonus cuts	Progressive cuts in holiday bonus in public sector	D1	Cash	In force		0,09			
Employment cuts in public sector	Employment in public sector will be lower by 1% each year	D1	Cash	Adopted in for 2014, 2015 is under negotiation		0,11	0,11		
Lower social transfers	Maternity benefit maximised on 2x average wage until GDP growth reaches 2,5%	D62	Cash	Adopted, in force from July 2013		0,004	-		
Lower social transfers	Lower transfers for war veterans, maternity, ...	D62	Cash	Act on balancing public finances, in force from July 2012		0,37			
Non-indexation of pensions	Pensions are not indexed	D62	Cash	Adopted for 2014 and 2015 in Budget implementation Act		0,11	0,13		
No indexation of social transfers	Social transfers are not indexed	D62	Cash	In force		0,11			
Lower recreational allowance for pensioners	Regressive lowering	D62	Cash	In force		0,13			
Restriction on new budgetary commitments	No new commitments can be taken from mid-September on	different areas in expenditure side	Cash	Public Finance Law and Rules on the completion of implementation of central and local government budgets for 2013 in force from September 2013		0,26			
VAT rates increased	General VAT increased from 20 to 22% and lower rate from 8,5 to9,5%	D211	Cash	Law on VAT, adopted, in force from July 2013		0,29	0,43		

Corporate income tax fixed on 17%	No further reduction in CIT (as envisaged)	D51B	Cash	Law on CIT, adopted; in force from 2014			0,06	0,07	
Personal income tax	No indexation on tax base and allowances	D51A	Cash	In procedure			0,09		
Personal income tax	Old age allowance cancelled	D51A	Cash	In procedure			0,05		
Personal income tax	Other	D51A	Cash	In procedure			0,01		
Tax on lottery tickets	Imposing Lottery tickets tax with 10% tax rate	D214F	Cash	Law on lottery tickets, in force form September 2013		0,02	0,05		
Carbon tax	Carbon tax on motor fuels	D214L	Cash	In force from 2013		0,14			
Financial services tax	Tax on financial services at 6,5% rate	D214C	Cash	In force from 2013		0,09	0,02		
Tax on bank assets	Tax on bank assets at 0,1% rate	D91	Cash	In force from 2013		0,05	0,03		
Real property tax	Introduction on real estate tax	D59A	Cash	In procedure			0,58		
Shadow economy lowering	Supervision and limitation on cash operations ; prevention of illegal work; improved inspection services; prevention of illegal construction	different areas in revenue side	Cash	Partly In force			0,23		
Court fees increase	Increase by 20%			In force		0,01	0,01		
Road user charges	Increase 10% for cars and by 13 for motors	D59D		In force		0,01	0,02		
Court decision and revival of child meal subsidies	Repayment of holiday bonus, pensions and child meal subsidies	D62 and D63	Cash	In force		-0,19	-0,06		
					TOTAL	2,414	2,17		

1/ Please describe in further detail in case of major fiscal policy reform plans with potential spillover effects for other Member States in the Euro Area .

Table 5.c Discretionary measures taken by sub-sectors of the General Government[1].

List of measures	Detailed description[2]	Target (Expenditure / Revenue component) ESA Code	Accounting principle	Adoption Status	Budgetary impact				
						Year t	Year t+1	Year t+2	Year t+…
						% GDP	% GDP	% GDP	% GDP
Increasing tax base for health insurance	Tax base and rates for selected categories increased	D6113	Cash	Adopted			0,13		
					TOTAL		0,13		

1/ Please name whether State Government, Local Government and/or Social Security Funds.
2/ Please describe in further detail in case of major fiscal policy reform plans with potential spillover effects for other Member States in the Euro Area .

6. Indications on how the measures in the DBP address CSR and the targets set by the Union's Strategy for growth and jobs.

Table 6.a CSR recommendations

CSR Nr.	List of measures	Description of direct relevance
CSR 1	Personal Income Tax Act: Abolishes automatic harmonisation of tax reliefs and net annual tax bases of the personal income tax scale with the growth in consumer prices. Changes the determination of the tax base for income from another contractual relationship so that employees' compulsory social security contributions with respect to their income from another contractual relationship are deductible for the purposes of determining the tax base. Tax treatment of occupational pensions is equal to that of compulsory insurance pensions.	It is estimated that in 2014 the proposed act will increase the annual revenue from income tax in the state budget by around EUR 30 million. It is estimated that the abolished special personal relief with respect to the income of residents – cross-border commuters will increase revenue by EUR 4 million. The change in the determination of the tax base for income from another contractual relationship (due to the recognised compulsory social security contributions) will simultaneously reduce revenue by EUR 0.8 million.
	Value Added Tax Act: The general rate is increased by two percentage points (from 20% to 22%) and the lower rate from 8.5% to 9.5%.	In terms of the estimated financial effects, this measure will increase revenue by EUR 100 million in 2013 and by an additional EUR 150 million in 2014.
	Tax on Lottery Tickets Act: Introduces an additional tax burden for operators of conventional games of chance (a 5% tax is currently levied on the difference between the amounts wagered and winnings returned) with the new 10% sales tax on the amount paid for the lottery ticket.	The effect of the measure in 2014 is estimated at EUR 17 million.
	Corporate Income Tax Act: Introduces changes to four well-established solutions: the general tax rate (at 17% and equal to the tax rate for 2013); thin capitalisation (in order to protect the tax base and simplify the implementation of thin capitalisation); tax treatment of income or losses arising from debt cancellation in composition proceedings (harmonised with the ZFPPIPP in force); and tax relief for voluntary supplementary pension insurance.	For the stabilisation of public revenues, the Government decided to halt the planned reduction of the corporate income tax rate, thus increasing annually the revenue from this source by EUR 22 million (in 2014) and EUR 25 million (in 2015).
	Immovable Property Tax Act: The current levies on immovable property – the charge for the use of construction land (*NUSZ*), property tax and charges for maintenance of forest roads – will be replaced, the system will be modernised (the tax base will be tied to the market value), and the assessment of tax will be simplified (assessment will be done at the national level on the basis of the immovable property register and not by individual municipalities, which will result in uniform tax rates), which will result in an increase in the revenue from this source (it now amounts to 0.6% of GDP but is expected to exceed 1% of GDP).	A revised taxation system for immovable property will increase public revenues without jeopardising competitiveness or growth. The tax on immovable property now accounts for 0.6% of Slovenia's GDP, while it has been demonstrated that it least restricts economic growth. The objective of the Immovable Property Tax is not only to replace the existing income of municipalities from this source but also to introduce modern, transparent and fair taxation of immovable property. According to the Government's plans, the first financial effects of this tax will be recorded in 2014: an estimated EUR 205 million will be paid into the state budget.
	Set of measures to curb the shadow economy: In order to improve tax compliance, the following measures are envisaged: 1. Supervision of and limitations on cash operations, 2. Prevention of undeclared work and employment, 3. Strengthened and better-connected inspection services, 4. Construction system and prevention of illegal construction, 5. Sector-based measures for better regulation and records in the field of labour and operations in healthcare, forestry, wine production, bakeries, tourism, transport services, mining, aviation, trade in works of art and music activities.	The estimated total effect of taxation amounts to EUR 80 million (tax procedure act, eDIS and other measures). Revenue from personal income tax is expected to increase annually by EUR 4.4 million, from corporate income tax by EUR 4.4 million, from VAT by EUR 30 million, from excise duty by EUR 25.4 million and from other tax sources by EUR 15 million.
	Establishing aggregate fiscal discipline by fixing the upper ceiling of national budget expenditure: Based on the commitments undertaken under the Stability Programme, Slovenia has to pursue its fiscal policy in such a manner as to ensure a durable and sustainable reduction of the deficit below the 3% GDP level and thus gradually achieve structural balance. In order to secure fiscal stability, the Government determined the maximum possible extent of central government expenditure for both 2014 and 2015.	

	Labour costs in the public sector: In the area of public sector labour costs, an agreement was signed with trade unions, applicable as of 1 June 2013, regulating both permanent and temporary measures. Permanent measures are: abolition of increased seniority bonus for years of service for women, reduction of supplements for specialisation, master's and doctoral degrees, reduction of the allowance for non-occupational illness or injury, postponement of payments relating to belated promotions, increasing solidarity aid and jubilee awards for trade union members. Temporary measures are: partial freezing of collective supplementary pension insurance premium payments, reduction of wage scale value and reduction of the number of employees by 1% annually.	
	Restricting the assumption of liabilities at the end of the fiscal year: The Rules on the completion of implementation of the central and local government budgets restrict the extent of central government expenditure by focusing it on the contents envisaged and feasible in the fiscal year.	Estimated impact of the measure is 90 milion EUR lower expenditure.
	Restricting the extent of expenditure on goods and services : The extent of services provided by public programmes and implemented by direct budget users for 2014 and 2015 is planned so as to be implemented with less resources than in the revised budget for 2013.	
	Restructuring the expenditure on subsidies: The proposal amending of the 2014 budget provides additional funds for job creation through subsidies provided to private companies and private entities.	
	Restructuring investment project funds: The framework available for investments in railway infrastructure (in particular in the trans-European network) is increased, while there is a simultaneous reduction of investment transfers from the national budget. Considering the fiscal situation in Slovenia, the funds received from the state budget for co-financing investments in municipalities are reduced to 2% of adequate spending (instead of statutory 6%)	
	Restriction of carry-over of the earmarked budget funds: Restriction of interim carry-over of the earmarked budget funds used for financing the areas specifically determined in the Budget Implementation Act (water infrastructure and transport infrastructure) with the purpose of balancing budget expenditure with actual revenues. 3/12 of accrued and unused revenues in 2012 could be carried over to 2013. Only 2/12 of accrued and unused revenues from the previous year can be carried over to 2014 and 2015.	Selective planning of and time schedule for implementation of projects financed by the earmarked funds. Financing of eligible uses of budget funds with actual inflows in the current year and controlling the extent of spending of the carried-over funds.
	Measures in the area of public procurement: Savings are possible in the following areas: joint public procurement at the state administration level (increased inclusion of all budget users in joint public procurement), joining organisation of work and computerisation of procurement.	Increased centralisation which entails the implementation of centralised public procurement could bring additional savings. Annual savings could amount to from 10% to 20% of the budget, and in some areas up to 30%.
	Labour Market Regulation Act: Introduces the possibility of obtaining the right to unemployment benefit for 2 months for persons under 30 years of age who were employed for at least 6 months in the past 24 months. Enables workers to register themselves in the record of job seekers even during the notice period, whereby the period of their entitlement to unemployment benefit is reduced by the period of absence from work during the first month of entitlement. Older recipients of unemployment benefit will be entitled to a prolonged period of payment of contributions for pension and disability insurance until retirement, increased from one year to two years (this right can be exercised until 1 March 2018). An employer offering permanent employment to a person is exempted from the payment of contributions for unemployment insurance for a period of 2 years; if he offers fixed-term employment, he shall pay this contribution at five-times the amount determined by the Act.	
	The disposal of the state's equity stakes held in companies: Use of funds from the adopted privatisation plans of 15 companies in which the state holds an equity stake. This process has already been started in five companies.	Based on a successful implementation of the planned reform programmes, stabilisation of state budget debt below the Maastricht benchmark of 60% could be achieved. Based on a successful implementation of measures which would be demonstrated in the recovery of the banking system, positive economic growth and the resulting improved fiscal position, the pressures of external debt capital markets would be reduced considerably, which would reduce the required yield rates on government securities and in consequence return the final interest rate on the issued debts to the pre-crisis level of 2008.
	Establishment of the Bank Assets Management Company (BAMC) and recapitalisation of systemically important banks: Strengthening of the banking system (recapitalisation), which would considerably relax the pressure on the expected yield on government securities. Capital strengthening of systemically important banks would ease the credit crunch at a simultaneous operation of the BAMC, which will also be able to influence the financial structure of companies (borrowers: for example conversion of receivables to equity shares).	

	The Fiscal Rule Act (tabled for consideration and submitted for comments to the European Commission): lays down the method and time-frame for the implementation of medium-term balance between the revenues and expenditures of state budgets and defines the medium-term fiscal target, the fiscal rule and the functioning of the fiscal council. By means of the Public Finance Act, the implementing provisions will also be applied to the preparation, implementation and monitoring of the budgets of all government institutional units (besides the national budget, also the pension and health insurance funds, municipal budgets and other institutional units which are, under the Decree on the standard classification of institutional sectors, included in sector S.13). Strengthened in this manner, supervisory mechanisms for managing fiscal imbalances ensure a medium-term balance. A special new feature is the mandatory setting up of the single treasury system intended for the streamlining of public finance flows and asset management. It is set up at both the state and the municipal levels and incorporates public fund budgets and budget users.	
	Public Finance Act: will transpose the implementing provisions into the preparation, implementation and monitoring of the budget of all general government institutional units (besides the national budget, also pension and health insurance funds, municipal budgets and other institutional units which are included in sector S.13 under the Decree on the standard classification of institutional sectors). Strengthened in this manner, supervisory mechanisms for managing fiscal imbalances ensure a medium-term balance. A novelty is the expansion of a single treasury system, which is intended for the streamlining of public finance flows and fund management, for all indirect budget users. The system is to be set up at the state and municipal levels, which includes public finance budgets and budget spending units.	
	Constitutional amendment to referendum legislation: Limited possibilities of slowing down or halting measures and reforms having an impact on public finances.	
CSR 2	In 2013 and 2014, pensions are not subject to indexation and the recreation allowance was reduced.	The savings on account of the non-indexation of pensions is estimated at EUR 46.1 million in 2014. The measures proposed by the Government for 2014 include the abolition of income tax relief for those older than 65 years, which is expected to increase the revenues from personal income tax by EUR 17 million.
	Labour Market Regulation Act: The Act Amending the Labour Market Regulation Act reduced the levies on the temporary and occasional work of pensioners from 25% to 3%.	
	Long-Term Care Act: With a view to long-term care, the Government considered the starting points for drafting an act regulating long-term care and personal assistance. The aim of the new regulation is to introduce special social insurance for long-term care and to link providers and services into a system ensuring that people dependent on assistance get access to quality services, primarily in their home environment.	Based on this proposal, no increase in social security contributions is envisaged: necessary funds are to be transferred from the existing health insurance and pension and disability insurance resources. The adoption of the act is expected in the first half of 2014. It would introduce compulsory supplementary insurance.
CSR 3	Students work: Negotiations are being held with student representatives. The Government is of the view that the tax burden on student work must be increased with a view to making this form of work comparable to employment relationships and holds that the form currently applicable is a labour market anomaly.	
	Emergency Measures in the Labour Market and Parental Care Act : An employer who, while the Act is in force, employs on a permanent basis an unemployed person under the age of 30 who has been registered as unemployed for at least one month is fully exempt from paying the employer's contributions (pension and disability insurance contributions, health insurance contributions, parental protection insurance, and unemployment insurance) for the first 24 months of the employment.	We assess that, on the basis of the said incentive, instead of 20,000 new jobs being provided for young people, as was the case in 2012 (of which almost 90% were fixed-term employment contracts), we will annually create 25,000 new jobs for young people, of which 7,000 will be permanent contracts. Because of this incentive, budget revenue from personal income tax and social security contributions will increase annually by EUR 3.2 million and EUR 7.4 million respectively. At the same time, this would mean that there will be additional savings in the payment of unemployment benefits and cash social assistance of approximately EUR 4 million.

	Emergency Measures in the Field of Labour Market and Parental Care Act : The Act limits the target group of unemployed persons for inclusion in community work to long-term unemployed persons (i.e. persons registered as unemployed for more than one year without interruption, who as such constitute a major structural problem), with a view to ensuring their social and labour market inclusion.	The proposed arrangement will thus enable the transition from passive to active forms of assistance to long-term unemployed persons. The proposed Act also regulates, to the benefit of long-term unemployed persons, cases where the unemployment benefit is higher than the salary received by unemployed persons during their inclusion into the community work programme.
CSR 4	System-wide bank asset quality review and a stress-tests: In line with the EU Council recommendations, an independent external adviser has been contracted by the Bank of Slovenia and the Government of the Republic of Slovenia to conduct a system-wide bank asset quality review (AQR) and bottom-up stress tests.	The impact on the public funds required and the timetable for the implementation of measures. Certainty about the banking system increases.
	Drawing up a comprehensive sectoral strategy for the banking sector: The possibilities of consolidation of financial institutions, improving governance, to dispose of the shares of the country, will be esaminedetc.. In parralel, a plan for the disposal of direct and indirect holdings in banks.	Foundations for financial stability, better management of banks and the set strategy, a more successful and effective banking system.
	The consolidation of the banking system: will have to be completed. This process has been initiated in Probanka and Factor banka by starting an orderly winding down.	Better bank management, more efficient and stable bank operation.
CSR 5	Amendment to the Banking Act : Preparing to set up a mechanism to raise bank share capital from private funds, i.e. banks' shareholders and certain categories of bank creditors, in line with EU state aid regulation.	
CSR 6	Reform the regulation of professions and entry conditions in tourism and sales and shop management	
	Reform the regulation of professions in construction	
	The independence of the Competition Protection Agency has been enhanced by its legal restructuring as a classic public agency and staff reinforcement. The Agency is no longer affiliated to the Ministry but continues to be funded from the budget as conventional indirect budget user.	
CSR 7	Adoption of criteria for quality work of courts. The supervision of meeting the criteria for quality work of courts in their implementing matters of judicial administration will be carried out by the Unit for the Supervision of the Organisation and Operation of Courts under the Minisry of Justice.	
	Amendments to the Law on Courts: Introduces the possibility of organising work in a manner which is not based on the classical processing of cases and which defines the possibility of different assessment of judges with respect to their working capacity	
	Optimisaton of the existing court network, rationalisation regarding the organisation of courts: Amendments to the Law on Courts and amendments to the Law on the Judicial Service are in preparation	
	Amendments to the Law on Execution and Security: A workfoce is estasblished to prepare provisions for increasing the efficiency of enforcement in commercial proceedings and changes in the scope of action of enforcement agents intended for speeding up relevant judicial proceedings.	
CSR 8	Slovenian Sovereign Holding Act (ZSDH-1): New Slovenian Sovereign Holding Act (ZSDH-1). The main objective of ZSDH-1 is aimed at establishing centralised management of all state-owned assets with a view to providing for more stable and transparent management and clear competencies and responsibilities of management and supervisory boards in companies where the Republic of Slovenia or SSH have a share, including reduction of corruption risks and conflicts of interest.	Ensure the independence of the members of the Supervisory Board of SSH as well as members of management and supervisory boards of companies which are in direct and indirect state ownership. Appointment of SSH supervisory board, which will have five members of the government by clearly defined criteria. SSH will manage the investments of the Republic of Slovenia and the owner of the assets derived by transforming acquisitions KAD and SOD, DSU and the PDP. The act provides also for the classification of SOEs.
	Assets Management Strategy: The proposed law on the SSH provides for the governance of SOEs, detailed management of individual companies and groups will be determined in the Assets Management Strategy. A new law on SSH leaves the decision on the most important document, ie. Assets Management Strategy, to the National Assembly.	Clear definition of investment by type, setting long-term goals and delivering guidelines to SSH to properly formulate a draft annual plan, concrete decisions of investment management and controlling the achievement of the objectives of the annual plan and strategy.
CSR 9:	Act Amending the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act: The Act introduced a simplified compulsory settlement procedure. The first such proceedings were initiated in the beginning of September.	More efficient insolvency legislation is foreseen.

	Systemic Deleveraging Act or7and Act Amending the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act: Deleveraging of the Slovenian economy is essential to ensure efficient and real opportunity for restructuring of insolvent companies, which is of great importance for the preservation of the healthy part of the economic sector and of jobs. The insolvency legislative arrangements in force, in other words, do not enable out-of-court financial restructuring by mutual agreements between creditors and debtors that would, with an appropriate majority of creditors and other fulfilled legal conditions, including subsequent judicial review, ensure *ex lege* effects also to creditors that did not take part in it or even opposed it.	Facilitated deleveraging planned. More efficient compulsory settlement envisaged.
	Act Amending the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act: Rules regulating the newly introduced proceedings of simplified compulsory settlement will be further simplified by extending the use of this institution also for debtors that meet the criteria of a small business.	2 central objectives: 1. ensuring conditions for an efficient financial restructuring of systemically important companies and 2. rationalisation of the operation of the courts in the conduct of insolvency proceedings.
	Implementation of the financial engineering measure : The Ministry of Economic Development and Technology and the Slovenian Export and Development Bank signed a contract on the provision of state budget resources for the implementation of the financial engineering measure to the amount of EUR 120 million. The measures will support at least 100 development projects of companies.	In addition, the funding of the operation of at least 1000 micro, small and medium-sized enterprises and the preservation of up to 30,000 jobs will be guaranteed by the end of 2016. To this end, SID Bank will establish a separate loan fund as a special sub-account (without the attributes of a legal person) with the aim of favourable debt financing of micro, small and medium-sized enterprises (MSMEs).

Table 6.b Targets set by the Union's Strategy for growth and jobs.

National 2020 headline targets	List of measures	Description of direct relevance to address the target
National 2020 employment target: By 2020, 75% of the population aged between 20 and 64 will be working (2011: 68.4%, 2012: 68,3%)	Active labour market policy measures are focused on vulnerable groups of unemployed (young and older people)	The Youth Guarantee Scheme includes measures adjusted to the level of education, while measures targeted at the older generation combine training and employment incentives (the 50+ Programme). A mentoring programme for young and older people was designed with a view to stimulating employers to employ first-time job seekers under 30 years of age and assign them experienced mentors. The programme provides for job sharing between a young first-time job seeker and an older worker who meets the partial retirement conditions. Promoting self-employment scheme (13 million's EUR, 4500 participants), subsidy per self-employment covering social contributions for 2 years in an amount 5.000 EUR. With a view to improving the employability of older persons, levies on temporary and occasional work of pensioners were reduced from 25% to 3%.[1] The amendment introduced tax burden relief for these forms of work and made them attractive to both employers and retired people.
	Act Amending the Labour Market Regulation Act	With a view to reducing structural unemployment, the Act Amending the Labour Market Regulation Act limits a target group of unemployed persons for inclusion in public works to long-term unemployed persons (i.e. persons continuously registered as unemployed for more than one year), with a view to ensuring their social and labour market inclusion . On annual level 30 mio EUR and 4300 participants is planned in the field of public works.
	employment incentives for young people	An employer who, during the period of validity of the Act, permanently employs an unemployed person under the age of 30 who has been registered as unemployed for at least one month is fully exempt from paying the employer's contributions (pension and disability insurance contributions, health insurance contributions, parental protection insurance, and unemployment insurance) for the initial two years of the employment. We estimate that the aforementioned incentive will enable 25,000 new employments per year and lessen the expenditure for unemployment benefits and financial social assistance (4 mio EUR), there will be more incomes from income tax and contributions (10,6 mio EUR).
National 2020 R&D target: To invest 3% of GDP in research and development by 2020 (2011: 2.47%, 2012: n.a.)	further promotion of R&D	In 2014 we are planning to keep the R&D national budget (for research and development added 16 million in 2014) as stable as possible, while on the other hand we are planning to increase synergies between different sources (Horizon 2020, structural funds, national funds). In line with the EU strategic approach we are in the process of adoption of the national Smart specialisation strategy where we will identify key priority areas, where Slovenia will invest structural funds in next financial perspective. We are participating in several new ERA-net projects (5) and continuously participate in calls of existing ones (with annual amount about 2 mio EUR). We continue with active engagement in 2 Joint programming initiatives (JPI) and EMRP initiative. We are following the National research infrastructure roadmap and actively participate in establishing ERIC infrastructure activities.
	cooperate actively on constructing a large infrastructure FAIR (An International Facility for Antiproton	In 2012 and 2013 we continue with a support to consortium of 15 Slovenian high-tech companies, which develops equipment for FAIR facility. The progress of the work is controlled over the FAIR central management and after submission of certificate on appropriateness of the work we

	and Ion Research)	deliver planed resources to consortium. In 2012 we spend 0,8 mio EUR, while due to the intensity of work we plan to increase our investment up to 2,1 mio EUR. As a result of support Slovenian companies have an important first reference for other high tech tenders worldwide. This is in line with concepts of innovative public procurement as an important instrument for stimulation of high tech companies.
GHG emission reduction target: greenhouse gas emissions in those fields not included in trading with emission coupons (transport, agriculture, waste disposal, household and services) may be increased by 4% by 2020 as compared to 2005	Implementation of existing action plans and measures	Implementing National renewable energy action plan 2010-2020 and National Energy efficiency Action plan. earmarked state budget funding deriving from ETS auctioning for energy efficiency and RES measures expected revenue in 2013 and 2014 cca 10 mi EUR.
	Preparation of action plan 2013+	Preparation of National action plan measures to reduce GHG emissions for period 2013-2020 which will target non-ETS sector GHG emissions reduction.
Renewable energy target: increase in the share of renewable energy sources in final consumption to 25%,		17 projects biomass district heating (BDH), around 11 mio EUR, new schemes will be available after state aid approval. Also additional projects for re-investment or expanding existing BDH will be available.
	process of adopting of the new Energy Act	The draft law aims to regulate the new common rules for the internal electricity and natural gas market, as well as to define rules for the separation and certification of a transmission system operator for electricity and the legal and functional unbundling of transmission system operators of natural gas (in accordance with the transfer of 10 EU directives). Law should also regulate functioning of the system operators and the internal market in electricity and natural gas in accordance with the provisions of the Third Energy Package to enhance the competition in this market, the rights of consumers- costumers, while increasing the security of supply of electricity and natural gas. In order to ensure a more sustainable long-term support schemes for electricity from renewable sources or cogeneration, government will have greater influence in deciding which technologies and to what extent will be encouraged to pursue the objectives of the Action Plans for RES and EE. The basic aim of regulating the distribution of heat and other energy emissions is to provide a reliable and secure supply of heat (and cold) and other energy gases in closed networks. Implementation of the distribution of heat and other energy gas is generally public utility service and, as such, in the domain of municipalities. The main purpose of this Act is to provide a legislative framework for the regulation of utilities and determine the decision-making process in cases where this form is not optimal and the municipality decides to allow so called "market distribution".
National energy efficiency target: enhancing the efficiency of energy use	e-energy performance register	Establishment of e-register (with certified experts for licensing)
	energy-saving building restoration	25 different projects for energy-saving building restoration (public lighting, industry, for enhancing efficiency use), in amount 4,2 mio eur. 26 mio eur for energy saving in private houses, blocks. 160 projects in public houses (kindergarten, municipality buildings...) in amount of 56,7 mio EUR.
National early school leaving target The share of early school-leavers will not exceed 5% (2011: 4.2%, 2012:4,4%)	amendments to the Primary School Act	The introduction of new optional subjects focused on developing particular interests and abilities among primary school pupils aim to improve their ability to adapt to labour market demands. The amendments to the Primary School Act provide for the opportunity to learn a second foreign language and ensure higher quality of knowledge.
	connecting the entrepreneurial environment with the education system	Further promotion of intercompany educational centres (17 centres, final aim is to gather 20% of revenue on market), responding to labour market demands on training,
	PUM project	The purpose of activities "PUM" is one of the active

		employment policy measures to encourage young unemployed people to return to education or employment, and increasing general education, the formation of professional identity and socio-cultural activity and social inclusion as well. People are included in the program on the basis of an employment plan and agreement on the inclusion. There are 12 contractors, which provide the program for 240 people and for which there are 1.100.000 EUR provided in 2013.
National target for tertiary education 40% of the younger population aged between 30 and 34 will complete tertiary education (2011: 37.9%, 2012: 39,2%)	established the eVŠ (electronic higher education) information system	to avoid fictitious university entrances; in July 2013 we activated application for entry, for 2013 and 2014 planning to complete functionality with a module for university selection process
	smoothed ending of Bologna process	this year first generation of students will finish the fifth year of study according to Bologna process; for universities purposes (for an additional fifth year in higher education) we added 6.1 million in year 2014
	preparing the new Higher Education Act	2% increase per year for higher education according to economic growth, remove concessions for Higher Education if these programs already have in public institutions, university must become more research centers
National poverty target: The number of persons at high risk of poverty or social exclusion will have been reduced by 40,000 by 2020 as compared to 2008, when this number stood at 360,000 (2011: 386,000), 2012:392.000.	New Scholarship Act	New Scholarship Act, among other provisions introduced by government, provides scholarships for underage students and scholarships for the deficient occupations, which means 18 mio EUR more funds for scholarships in year 2014 in the comparison with 2013.
		Changes of two acts in the field of entitlement to public funds and social security benefits will improve the situation of those who are the most socially disadvantaged, like single parent families and families with three or more children, by implying socially more accurate and appropriate conditions for applicants, which means 10 mio EUR more funds for scholarships in year 2014 in the comparison with 2013.

7. Divergence from latest SP.

Table 7. Divergence from latest SP.

	ESA Code	**Year 2012**	**Year 2013**	**Year 2014**
		% GDP	% GDP	% GDP
Target general government net lending/ net borrowing	B.9			
Stability Programme		-4.0	-7.9	-2.6
Draft Budgetary Plan		-3.8	-5.6	-6.7
Difference		0.2	2.3	-4.1
General government net lending projection at unchanged policies	B.9	n.a.	n.a.	n.a.
Stability Programme	n.a.	n.a.	n.a.	n.a.
Draft Budgetary Plan	n.a.	n.a.	n.a.	n.a.
Difference[1]	n.a.	n.a.	n.a.	n.a.

1/ This difference can refer to both deviations stemming from changes in the macroeconomic scenario and those stemming from the effect of policy measures taken between the submission of the SP and the submission of the DBP. Differences are expected due to the fact that the no-policy change scenario is defined differently for the purpose of this Code of Conduct with respect to the Stability Programme.

2/Unchanged policies scenario was prepared for the Stability program in spring based on 2012 realization and valid policies for preparation of revised budget 2013 that was adopted in Parliament in mid-July. No new unchanged policy scenario was prepared in for 2014 budget, the process was focused on all necessary budgetary targets to meet our goal. Budget 2015 has been done under scenario of no revenue (taxes) changes, only further decrease of expenditures.

8. Distributional impact of the main expenditure and revenue measures.

In accordance with Article 6(3)(d) of Regulation 473/2013,Member States should provide, to the extent possible, qualitative information and quantitative estimations on the distributional effects of budgetary measures, presented as best fits each Member State's specific measures and available analytical frameworks.

Quantifying the distributional impact of budgetary measures is a challenging task. For this reason no standardized table on this aspect of DBPs is included in this Annex. Quantitative estimations of the distributional impact of budgetary measures could be assessed by computing the expected changes in the Gini index, the S80/S20 indicator or the poverty rates as a result of them. This methodology could represent one possible way forward among others.

Annex to the DBP: Methodology, economic models and assumptions underpinning the information contained in the DBP.

Table 8. Methodological aspects.

Estimation Technique	Step of the budgetary process for which it was used[1]	Relevant features of the model/ technique used	Assumptions
Production function methodology	Cyclical budgetary component, potential GDP	OGWG methodology	Traditional Keynesian Philips curve for NAWRU; IMAD forecasts
Dynamic factor models	Macroeconomic projections	Stock and Watson (1998)	No information on the structure of the economy
Time series analysis	Macroeconomic projections	Various simple models, Input/output model	Used in the process of macroeconomic projections to forecast various macro items. Iterative process to equate production and expenditure side of the economy

1/ Modeling tools may have been used:
- when doing macro forecasts
- when estimating expenditure and revenue under the no policy change scenario
- when estimating the distributional impact of the main expenditure and revenue measures
- when quantifying the expenditure and revenue measures to be included in the draft budget
- when estimating how reforms included in the DBP address targets set by the Union's Strategy for growth and jobs and CSR