



**GOVERNMENT OF THE REPUBLIC OF SLOVENIA**

# **NATIONAL REFORM PROGRAMME 2016–2017**

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**APRIL 2016**

## NATIONAL REFORM PROGRAMME 2016–2017

|               |   |           |
|---------------|---|-----------|
| <b>1.</b>     | <b>ECONOMIC POLICY MAIN OBJECTIVES AND GUIDELINES 2016–2017</b> .....                               | <b>2</b>  |
| 1.1.          | Macroeconomic framework.....  | 5         |
| <b>2.</b>     | <b>KEY PRIORITIES OF ECONOMIC POLICY AND ACTION PLAN</b> .....                                      | <b>6</b>  |
| 2.1.          | <b>Productivity challenges</b> .....  | <b>6</b>  |
| 2.1.1.        | Business environment modernisation for increasing competitiveness .....                             | 6         |
| 2.1.1.1.      | Investments .....   | 6         |
| 2.1.1.2.      | Restructuring tax burden, including the modernisation of the real property<br>taxation system ..... | 9         |
| 2.1.1.3.      | Reducing administrative obstacles and business costs.....   | 10        |
| 2.1.1.4.      | Increasing the efficiency of collecting public taxes .....  | 11        |
| 2.1.1.5.      | Restructuring of companies and financing .....  | 11        |
| 2.1.2.        | Effective labour market .....   | 14        |
| 2.1.2.1.      | Active employment policy (AEP) and other actions in the labour market.                              | 15        |
| 2.1.2.2.      | Changes in labour market regulation .....   | 15        |
| 2.1.2.3.      | Minimum wage regulation .....   | 16        |
| 2.1.3.        | Efficient use of resources.....   | 17        |
| <b>2.2.</b>   | <b>Demographic challenges and human resources</b> .....   | <b>18</b> |
| 2.2.1.        | Knowledge and competences .....   | 18        |
| 2.2.2.        | Comprehensive response to demographic changes in Slovenia .....                                     | 20        |
| 2.2.3.        | Health .....  | 20        |
| 2.2.4.        | Pension system development .....  | 22        |
| 2.2.5.        | Long-term care .....  | 23        |
| <b>2.2.6.</b> | <b>Stimulating activation</b> .....   | <b>23</b> |
| <b>2.3.</b>   | <b>Strengthening capacities and management</b> .....  | <b>24</b> |
| 2.3.1.        | Wage policy and quality management in public administration.....                                    | 24        |
| 2.3.2.        | Reorganisation of state IT system and the modernisation of the public<br>procurement system .....   | 26        |
| 2.3.3.        | Quality and efficiency of justice .....   | 26        |
| 2.3.4.        | Local self-government.....  | 28        |
| 2.3.5.        | Strengthening fiscal strategy.....  | 29        |
| <b>3.</b>     | <b>PROGRESS IN ATTAINING THE MAIN EU2020 OBJECTIVES</b> .....                                       | <b>30</b> |
| <b>4.</b>     | <b>EU FUNDS</b> .....   | <b>34</b> |
| <b>5.</b>     | <b>PREPARATION PROCESS</b> .....  | <b>36</b> |

## 1. ECONOMIC POLICY MAIN OBJECTIVES AND GUIDELINES 2016–2017

The National Reform Programme provides basic guidelines and objectives in Slovenia for 2016 and 2017 that follow the adopted priority activities of the Government of the Republic of Slovenia<sup>1</sup> and the long-term EU2020 Strategy for achieving smart, inclusive and sustainable growth. They are also harmonised with the priority tasks arising from the Annual Growth Survey 2016<sup>2</sup> which determines the revival of investment, the continuation of structural reforms and responsible fiscal policy as priorities. This framework also comprises the European semester process that simultaneously monitors whether Member States are respecting the objectives and specific recommendations of the EU Council with regard to measures and reforms. As an EU and EMU member, Slovenia is committed to respecting common rules on restrictions in trends in public finance and on the wider macroeconomic area.

In 2015, Slovenia made a significant progress in improving the economic and social conditions. With measures and policies in the previous years, Slovenia has tackled key macroeconomic imbalances and has also successfully reduced them. According to preliminary estimations, it has also successfully tackled the excessive general government deficit, which will be reduced below 3% of GDP.

**Table 1: Results and implemented measures with regard to Country Specific recommendations 2015<sup>3</sup>**

|   |   |
|---|---|
| <b>Quality of public finance (CSR1)</b>               | <ul style="list-style-type: none"> <li>- Achieved general government deficit below 3% of GDP in 2015</li> <li>- Adopted Fiscal Rule Act</li> <li>- Drafted proposal for the new Public Finance Act</li> <li>- Prepared draft of the White Paper on Pension System Development</li> <li>- Adopted Resolution on the National Health Care Plan until 2025</li> <li>- Implemented review of the health care system, including the review of expenditure</li> <li>- Introduced certified cash registers and first measures to increase the efficiency of collecting public taxes</li> <li>- Introduced first package for the elimination of administrative burdens in taxation</li> </ul> |
| <b>Wages and labour market (CSR2)</b>                 | <ul style="list-style-type: none"> <li>- Lower youth unemployment rate</li> <li>- Higher employment rate of older people</li> <li>- Change of minimum wage</li> </ul>   |
| <b>Financing, restructuring and management (CSR3)</b> | <ul style="list-style-type: none"> <li>- Lower share of non-performing loans</li> <li>- Further consolidation of the banking system</li> <li>- Establishment of a bank resolution fund</li> <li>- Adopted state capital asset management strategy</li> <li>- New appointed supervisory board of the SSH</li> <li>- Implemented privatisation and restructuring procedures</li> <li>- Instruments for financing enterprises</li> <li>- Active operation of the BAMC</li> <li>- Simplification of tax procedures</li> </ul>   |
| <b>Justice (CSR4)</b>                                 | <ul style="list-style-type: none"> <li>- Improvement of insolvency proceedings</li> <li>- Shortening of judicial proceedings</li> </ul>   |

<sup>1</sup> Action plan of priority activities of ministries and government bodies in 2016 adopted by the Government of the Republic of Slovenia on 25 February 2016

<sup>2</sup> [http://ec.europa.eu/europe2020/making-it-happen/annual-growth-surveys/index\\_sl.htm](http://ec.europa.eu/europe2020/making-it-happen/annual-growth-surveys/index_sl.htm)

<sup>3</sup> Detailed review of the implementation of Country specific recommendations 2015 in Appendix 1

Key areas of measures were connected to the stability of the banking and financial system, state-owned companies management and related corporate restructuring and deleveraging. Export economy strengthened the position on markets, Slovenia's world market share is strengthening. Positive export trends are shown in a very high positive balance of payments as well as in improved net international investment position that has been one of the sources for macroeconomic imbalances. The improvement of the situation in the economy has significantly impacted the strengthening of employment and the market situation in general. The measures for decreasing labour market segmentation and the orientation of employment policy on younger and older generations are gradually showing results, at the same time, the increasing trend in risk of poverty rate and social exclusion has ended.

The current positive image of the Slovenian economy does not resolve all structural discrepancies and long-term challenges. External environment risks are increasing, the largest influx of migrants and asylum seekers so far represents an important new element in the formation of medium-term policies. Weaker economic growth than expected, which we face in most part of the global economy, is a warning that monetary policy alone cannot boost economy without comprehensive and consistent structural reforms despite major measures taken by central banks. Low inflation and low interest rate conditions have not stimulated new investments. This also applies for Slovenia which strongly depends on external markets, at the same time it does not have sufficient robust structure for mitigating external shocks.

Due to the improvement of the situation in public finance and positive economic growth in 2016, Slovenia faces a demanding task, since it will be considered by the rules of the preventive arm of the Stability and Growth Pact, meaning that it will have to substantially improve the structural balance of public finance in order to achieve the required medium-term budgetary objective (MTO).<sup>4</sup> Due to the increase of the general government debt, Slovenia has the highest risk due to the costs of an ageing population in EU, which requires an urgent comprehensive reaction, also the adjustment of social security systems.

The key guidelines of economic policy in 2016 and 2017 remain in force and are upgraded from the previous year. The key objectives are the boost of economic growth and public finance consolidation with gradual reduction of the general government debt share.

Priority measures will be implemented for this purpose and will have a positive impact on productivity and the stimulation of the investment cycle and jobs including labour market measures that will increase employability. At the same time, it is important to improve the business environment from the aspect of simplicity, predictability and transparency, boosting the trust of investors and consumers.

We will stimulate the investment environment for domestic and foreign investors, stimulate foreign direct investment and continue the privatisation of state-owned companies and banks. The stimulation of investments in the private sector will be tacked with a repeated increase of credit activities of banks and easier access to credit sources of financing. We will reduce administrative obstacles and create the conditions for investments in modern technological equipment.

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<sup>4</sup> More about this in the Stability Programme 2016

Medium- and long-term challenge involves demographic developments, which is a necessary combination of policies for strengthening employment, including the measures in the education system, as well as sustainable pension and health systems including long-term care. We will also adopt further measures for strengthening the capacities and improving management in public administration, which will be used in the justice system, local communities, in the public sector wage system, public procurement and fiscal responsibility.

The current policies and measures alone do not ensure long-term sustainable growth model. In the period ahead, Slovenia will address such measures and focus the policies in three key areas that this document encompasses:

1. **Productivity challenges** that tackle measures for strengthening investment including the measures in restructuring taxation, access to finance, labour market, administrative obstacles.
2. **Demographic challenges, human resources and knowledge** which include measures in pension, health care system and long-term care as well as knowledge and skills.
3. **Strengthening capacities and management** tackling the operation of the public sector, including the wage policy, institutional improvements and the judicial system operation.

The comprehensive review of measures for public finances consolidation and related responsible fiscal policy will be presented in the Stability Programme.

**Table 2: Slovenia's priority measures in the National Reform Programme and their relation to priority areas of the Annual Growth Review 2016**

| <b>Priority tasks of the Annual Growth Report 2016</b> | <b>The challenges of the NRP</b>                          | <b>Priority measures of the NRP</b>  |
|--|---|--|
| Revival of investment                                  | <b>Productivity challenges</b>                            | <ul style="list-style-type: none"> <li>- continuation of the stabilisation of the banking system</li> <li>- restructuring of companies and financing</li> <li>- promotion of research and development projects</li> <li>- provision of diverse financial sources to SMEs</li> <li>- energy saving renovation and efficient use of resources</li> <li>- investments in transport infrastructure, especially railways</li> </ul> |
|  | <b>Demographic challenges, human resources, knowledge</b> | <ul style="list-style-type: none"> <li>- increasing employment and employability</li> <li>- investing in human resources</li> </ul>  |
| Continuing structural reforms                          | <b>Productivity challenges</b>                            | <ul style="list-style-type: none"> <li>- restructuring tax burden, including the modernisation of the real property taxation system</li> <li>- reducing administrative burdens and business costs</li> <li>- active employment policy adapted to long-term unemployed, the elderly, persons with low level of</li> </ul>   |

|                           |   |   |
|---------------------------|---|---|
|                           |   | <ul style="list-style-type: none"> <li>education and the youth</li> <li>- changes in labour market regulation</li> <li>- judicial reform</li> </ul>   |
|                           | <b>Demographic challenges, human resources, knowledge</b> | <ul style="list-style-type: none"> <li>- implementation of the health care and long-term care system reform</li> <li>- preparation of legal bases for adapting the pensions system to demographic trends</li> <li>- increasing the completion rates and reduce duration of tertiary studies</li> </ul>  |
| Responsible fiscal policy | <b>Demographic challenges, human resources, knowledge</b> | <ul style="list-style-type: none"> <li>- measures for long-term sustainability of public finance (pension system, health care reform etc.)</li> <li>- measures for gradual reduction of the general government debt in accordance with EU rules</li> </ul>  |
|                           | <b>Strengthening capacities and management</b>            | <ul style="list-style-type: none"> <li>- wages in public sector</li> <li>- quality management in public administration</li> <li>- implementation of the fiscal rule act</li> <li>- strengthening fiscal strategy (PFA)</li> <li>- preparation of reviews of expenditure by areas and measures for increasing the efficiency of expenditure</li> </ul> |

## 1.1. Macroeconomic framework

The Spring Forecast of Economic Trends for 2016 and 2017 (IMAD, March 2016) envisages the continuation of economic recovery which started in 2014. The weakening of economic growth (from 2.9% in 2015 to 1.7% in 2016) is mostly the result of lower public investments after the expiry of the opportunity to draw EU funds from the previous and at the transition to the new financial perspective. The export growth will also be lower due to the poorer expectations in the international environment. Nonetheless, export will, alongside private consumption, remain the key factor of economic growth and we can also expect the increase of private investment in equipment and machinery that have started strengthening in 2015. Since credit activity is still weak, the financing of private investments is enabled by improved business results and reduced indebtedness of the corporate sector. We also expect the revival of construction this year. The growth of household consumption, which started in 2014 after two years of decline, will be stimulated with continued positive trends in the labour market and preserving the attitude of consumers at a fairly high level. Government consumption will, similarly to last year, also increase. We can expect slightly higher economic growth in 2017. Growth will be impacted by export that will follow the envisaged growth of foreign demand and further growth of private consumption, as well as investment consumption where state investments will increase along with further increase of private investments. Thus, the contribution of local consumption to the growth of GDP will be significantly higher.

Labour market recovery will continue in accordance with the recovery of activities this year and in 2017. Employment that started to recover at the end of 2013, will be higher in the majority of activities, and unemployment rate will continue decreasing (to 8.1% in 2017) due to a smaller number of dismissals, there will be less first job seekers which is connected to

further reduction in the generation of younger generations finishing their schooling. Demographic developments will have a stronger impact on labour market trends due to the reduction of the number of working-age population (20 to 64 years). The growth in wages in the private sector will remain moderate due to the absence of inflation pressure and the tendency to preserve a competitive position of companies. Higher growth of wages in the public sector will originate from the payments during the period of crisis of retained promotion. Total growth of wages will remain similar to the growth of productivity.

After this year's deflation we expect prices to grow in the next two years, however, the growth rate will remain quite low. The impact of low energy prices will be of key importance. Further recovery of economic activity, especially the strengthening of private consumption growth will impact otherwise modest recovery of the basic inflation.

## **2. KEY PRIORITIES OF ECONOMIC POLICY AND ACTION PLAN**

### **2.1. Productivity challenges**

The changeability of the environment, opening of economies, adaptability and responsiveness of policies regardless of the economic subject are of key importance for a proactive approach to productivity in the globalised world. Productivity defines the level of efficiency of the use of sources on all areas. This is especially important from the aspect of designing structural and microeconomic policies that are of key importance for implementation – the achievement of results and subsequent (re)distribution of income. Appropriate supply side of economic policy directs responsiveness in the medium-term, where public and private investments is important for increasing potential growth. The modernisation of the business environment through restructuring of tax burden, reduction of administrative obstacles, access to financing (also the aspect of company restructuring) and investments in human capital (chapter 2.2.1.) have a substantial impact on the increase of competitiveness. The contact point is an effective use of sources and the adaptability of the labour market. The mentioned measures and planned changes in this area respond to the recommendations on reducing the scope of non-performing loans in banks, company restructuring and improving access to company financing (CSR 3), the mentioned measures are also stimulating the creation of new jobs and increasing the employability of vulnerable groups as well as minimum wage (CSR 2).

#### **2.1.1. Business environment modernisation for increasing competitiveness**

##### **2.1.1.1. Investments**

In the next medium-term period, Slovenia will try to stimulate economic growth via public investment and stimulating the environment for private investments by gradually increasing the rates of joint investments in the medium-term above 20% of the GDP. According to the

International Monetary Fund research, the increase of public investment in infrastructure by 1% of the GDP in three years increases the GDP by at least 3% (IMF 2015). This also opens new jobs and creates a positive business environment for future economic development. The basic public infrastructure (physical – roads, environment, science, R&R, education, justice, health care, culture) must be able to create economic growth with appropriate business environment (the importance of regulation) that is comparable to competition. Public investment financing must be neutral (it may not reduce other expenses), their efficiency must be increased. The revival of the investment cycle and the increase of trust of investors in future yields represent the basis for strengthening long-term potential growth.

With the adopted Transport Development Strategy in the RS<sup>5</sup> and the operational plan, regular and equal financing of projects in **transport** will be ensured, and accessibility will be improved, costs for the population and the economy will be reduced and transport safety will be improved. The new medium-term investment cycle in transport represents a more stable environment for the building sector. Based on the National Programme, additional public funds will have to be provided for a stable financing of investment maintenance and new buildings on the state road network. The scope of additionally guaranteed funds will have to consider the public finance abilities besides needs. Public railway infrastructure projects are also of key importance for achieving the objectives of economic policy; this especially involves investments in increasing the capacities of railway infrastructure on the Divača-Koper section, where the second track construction is significant, since it will substantially contribute to the development of the economy in Slovenia. Restoration works and planning new motorways that will connect some regions with the motorway network are also important. Besides the construction of the first phase of the Draženci-Gruškovje motorway section, approx. 7km long, which has started this year, there are also many other activities being carried out with regard to spatial integration of roads and facilities in the environment (2nd tube of the Karavanke road tunnel, 3rd developmental axis north, activities for establishing road connections in Primorska, the preparation of documentation for the construction of the southern part of the 3rd developmental axis).

Despite the fact that budgets for 2016 and 2017 have already been adopted, additional minimum financial funds, i.e. min. EUR 10 million in 2016, and EUR 20 million to 40 million in 2017, will be required for implementing the investments and investment maintenance on the main road and regional road network in 2016 and 2017.

Considering the increase in traffic in the Koper port, further activities in the medium-term to 2020 will be oriented in providing increased capacities of the container terminal and the upgrade of infrastructure and equipment on pier I; the construction of additional tanks for oil derivatives (air fuel) on pier II; the increase of storage and operational conditions for vehicle handling in pool II; storage capacities and operational conditions for general goods handling – for the consideration of the needs of bulk handling; the construction of a passenger terminal.

Investments will also be boosted with the **transfer of knowledge and technologies** from public research organisations (PRO) to the economy via the technologies transfer offices (TTO) and a matrix for the assessment of the effectiveness of the transfer will be introduced.

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<sup>5</sup> [http://www.mzi.gov.si/si/dogodki/strategija\\_razvoja\\_prometa\\_v\\_rs/](http://www.mzi.gov.si/si/dogodki/strategija_razvoja_prometa_v_rs/)



The increase in investments is intended for transferring knowledge and technologies from PRO as well as for transferring knowledge between PRO and individuals as well as companies. The measure shall be supplemented with stimulating researchers at the beginning of their careers and will be intended for research projects with the purpose of collaboration among stakeholders in the knowledge triangle, whereas the starting points will be the potentials of individual researchers and their breakthrough ideas. Funds will be dedicated to various forms of knowledge transfer between the academic sphere and the economy as well as to transferring the research potential of knowledge institutions and development-oriented business entities. Complementary instruments with the measures from the Horizons 2020 will also be supported. Emphasis will be put on supporting the inclusion of Slovenian partners in international networks by ensuring infrastructural conditions in the sense of inclusion in major international infrastructures, stimulating research and attracting foreign top experts to Slovenia, whereby the initiatives in priority areas of Smart Specialisation Strategy will be supported. The first joint tender of the Ministry of Economic Development and Technology and the Ministry of Education, Science and Sport under the title "Research, Development and Innovation in Value Chains and Networks" has already been published.

The Republic of Slovenia is aware of the importance of **digital society development** for the utilisation of opportunities enabled by the information communication technologies and the internet for general economic and social benefits. The Government of the Republic of Slovenia has adopted the following strategic development documents for guiding the development of the digital society in the next developmental period to 2020: Strategy for the Development of Information Society by 2020 – DIGITAL SLOVENIA 2020, Plan for the Development of Next Generation Networks to 2020 and the Cyber Security Strategy. Slovenia's vision is by developing the digital society and exploiting the opportunities of ICT and the internet to become an advanced digital society and a reference environment for introducing innovative approaches at the use of digital technologies. In order to enable equal inclusion in the common European digital area for Slovenian stakeholders, Slovenia will invest in measures for the elimination of major developmental gaps in the area of digital society: quicker development of digital entrepreneurship, greater competitiveness of ICT industry, general digitalisation, development of digital infrastructure, the construction of broadband infrastructure, the improvement of cyber security and the development of an inclusive information society. Priority investments will be made in the digitalisation of entrepreneurship, innovative data-guided economy and the development and use of the internet of things or the future internet, smart communities, cities and homes; from the technological aspect the priority will include R&R of the internet of things, cloud computing, mass data and mobile technologies. Developmental activities will be focused on enabling digital growth by considering horizontal developmental guideline for innovative and intensive use of ICT and the internet on all developmental areas. It will establish the Slovenian Digital Coalition that will connect the stakeholders of the development of digital economy and the formation of digital jobs and other stakeholders of Slovenia's digitalisation. It will also focus on co-financing the construction of broadband infrastructure with public funds, especially in the countryside, where the goal will be to ensure 100 Mb/s broadband internet access to 96% of households by 2020, and at least 30 Mb/s access to other households. By co-financing broadband infrastructure construction projects in the countryside, where there is no market interest, the rural population will be enabled access to modern communication

infrastructure and also equal opportunity for inclusion in the modern digital society; it will establish the conditions for reviving the countryside and for further equal development.

We also plan the **continuation of the investment cycle** in health care, education (restoration, upgrade in both cases) as well as culture, where special emphasis shall be put on connecting with tourism and the restoration and revival of cultural monuments. The Rural Development Programme by 2020 also strives to expand knowledge on research and developments as well as innovation (by introducing technologies and procedures for the development of new products or higher quality products and opening new markets, especially in the context of short supply chains, investments in new forestry technologies and in the processing and marketing of forest products). The Government has founded a state company Slovenian Forests with the purpose to stabilise the market of forest wood products and strengthen the operation of the Slovenian forest and wood chain.

An **investment office** will be formed to assess public investment and their efficiency to ensure greater transparency of the use of public funds and their efficiency.

#### **2.1.1.2. *Restructuring tax burden, including the modernisation of the real property taxation system***

**Tax burden distribution** among consumption, work and property (capital) measures are envisaged for 2016, so that the new distribution will ensure a more competitive business environment. Therefore, we will introduce measures for reducing labour taxation as the factor that has a negative impact on competitiveness and is at the same time quite a significant reason for limiting economic growth. Solutions will be prepared by restructuring public finance burden and, by considering the public finance possibilities, by focusing a part of additional income from increased efficiency of collecting public taxes to reducing labour costs. The objective of tax restructuring is to reduce key above average load by distributing tax burden, thus strengthening economic growth and indirectly contribute to sustainable public finance consolidation, where we must follow the objective to preserve the level of social security. Special attention will be given to unifying contribution bases for various types of work, on the basis of which social security contributions are calculated. This will help achieve significant indirect effects through an administrative simplification and normalisation of labour market situation.

From the aspect of restructuring public finance income and adjustments of this structure to comparable countries as well as due to the fact that **real property tax** is a tax that puts the least burden on economic growth, its introduction is one of the most important measures. The reintroduction of the real property tax will evolve gradually, where legal acts for the modernisation of the system will be drafted and sent to the National Assembly for further discussion in 2016. Legal solutions will envisage a longer transitional period for a simplified introduction of the new real property tax system, i.e. a comprehensive introduction of the new system is planned for 2020, whereas, the burden on the economy and individuals who are already paying the fee for the use of building land will not increase.

### **2.1.1.3. Reducing administrative burdens and business costs**

The measures for further **simplification of tax procedures** will be prepared in 2016. This will involve the simplifications of the Tax Procedure Act, a new Excise Duty Act and a new Act Implementing the Customs Regulations of the European Community, since a transparent, clear and simple tax system is more effective from the aspect of tax collection, it ensures easier usage of the regulation and greater legal safety of taxable persons, it puts less burden on the economy, thus impacting competitiveness, and it mostly contributes to voluntary payment of taxes, reduces the costs for taxpayers and the tax authority.

Stable legislative and business environment is necessary for a modern business environment. It is important to have appropriate **information support** to the preparation of regulations, to training the persons preparing regulations and collaborating with expert and interested public, to modernise the Manual for planning, managing and assessing the processes of public cooperation, the preparation of tools for the assessment of effects of regulations on individual segments of the society etc. As of 1 June 2016, the obligatory use of the **assessment of effects of regulations on the economy** will be introduced via an application, i.e. for every law under the regular adoption procedure. In the next few months we will implement the integration in the modular environment system for the preparation of electronic documents (MOPED). We also plan to establish the mechanism of systematic evaluation of adopted regulations.

For increasing the review of the situation and more effective strategic management in administrative procedures in the state (quicker resolution of administrative matters and elimination of administrative delays) we will establish an information platform and a **Content Management System** that will be the joint element for re-use within the IT system centralisation. The establishment of the state administration website maintenance will contribute to reducing the number of websites and consequently to reducing maintenance costs by 10%.

The upgrade of the eVEM website and the renewed **point of single contact - PSC** for business entities offers the provision of comprehensive information and electronically supported procedures for the start of operation (entry opportunities, entry conditions). This point will also provide all information with regard to the process of operation and reporting at one place. According to the calculations of the Ministry of Public Administration, effects are mostly expected in:

- financial savings for business entities in the minimum amount of 15 million EUR annually;
- financial savings for the public administration in the minimum amount of 2 million EUR annually, and
- providing information about the conditions of operations at one place.

The **project of renewal of regulated professions** and activities for the simplification of entry conditions for implementing an activity in the market will continue. The activity of renewing regulated professions and activities will be prioritised in the fields of service activities (cemetery and funeral activities, tourism, construction, geodesy services, chimney sweeping services, real property agency, detective services, driving schools, legal professions and social services). The deregulation of processes, activities and professions is

expected within the scope of the renewal of regulated professions where there is no special public interest.

The main objective of the **spatial and construction legislation renewal** is to optimally reduce investment risks, simplify the procedures of acquiring building permits, including the reduction of required documentation for the acquisition of building permits and to simplify the procedures for acquiring the prescribed consents. The change and upgrade of spatial, construction and environmental legislation from the aspect of optimising procedures and eliminating deficiencies in practice with the purpose of including environmental contents in spatial and construction procedures and effective management of space and the environment will encompass a new Building Code, a new Spatial Management Act and a new Chartered Architects and Engineers Act. A major part of the provisions of the Siting of Spatial Arrangements of National Importance Act will be transferred and modified in the new legislation. Special emphasis will be put on renewing spatial and building legislation for the purpose of combining procedures, especially the procedure for acquiring environmental consent and issuing the building permit, as well as the detailed spatial planning and building permit issue procedures.

The Government is optimally considering and harmonising the proposals and comments of the expert public and relevant stakeholders at the proposals of measures for the elimination of administrative obstacles and business burdens.

#### ***2.1.1.4. Increasing the efficiency of collecting public taxes***

With the proposals for changes in the field of **paying and collecting public taxes** we will enable the elimination of found anomalies of the existing system, we will increase the legal security of liable persons and by eliminating the possibility of avoiding public taxes we will increase horizontal fairness of the public taxes system. Directly, measures will focus on fighting the grey economy and other forms of avoiding public taxes, i.e. by improving risk analyses for designing a tax control policy, effective use of data acquired based on new forms of international exchange of tax-relevant information, the implementation of internationally agreed measures for reducing the avoidance of paying taxes by transferring income and property to areas that are taxed to a lesser extent (Anti-BEPS Project). With additional measures in the field of simplifying and stimulating tax procedures in all phases of the procedure and with the measures for motivating voluntary payment of taxes will increase legal security of liable persons and the predictability of decisions in tax procedures. Measures that were prepared last year and will be introduced this year as well as new measures prepared in this year will contribute to these objectives.

#### ***2.1.1.5. Restructuring of companies and financing***

In the state-owned companies segment, we will continue the sound and prudent **privatisation** fixed to the provisions of the State Assets Management Strategy adopted in 2015. Slovenian Sovereign Holding (SSH) as the manager of state-owned companies will ensure the conditions for active management of their investments in accordance with a multi year management plan and for the achievement of expected returns on equity. In connection with asset management, SSH and BAMC will, especially in the cases where the state is

withdrawing from ownership, follow the goals related to ensuring company development, the preservation of jobs, company head office in Slovenia, respecting collective agreements and the standard of employees, respect for Slovenian language and timely inclusion of employees' representatives in these procedures.

The state **asset management** strategy classifies all assets of the state to strategic, significant and portfolio assets and stipulates the key management goals including the realisation of strategic developmental objectives, the increase of corporate governance culture, the increase of efficiency of asset disposal and the increase of yield. The key objective of state asset management is to create the return on assets in the amount of 8 percent per book value of equity in 2020. In the following years the target return of assets of the state is 6.3 percent for 2016 and 7.1 percent for 2017. The implementation of individual strategy objectives is determined in the Annual Plan on Capital Assets Management for 2016 that also envisages the continuation of sales of three companies from the privatisation list as drafted in 2013 and the initiation of sales procedures for 30 capital assets of the state that are determined as portfolio assets. The most important procedure is the sale of the state share in Nova Ljubljanska banka, d.d., i.e. in the amount of 75%-1 share.

The Ministry of Finance prepared a draft of the Demographic Reserve Fund Act which in accordance with the provisions of the Slovenian Sovereign Holding Act (Official Gazette of the RS, no. 25/14) stipulates the operation of a demographic reserve fund and its additional permanent sources of financing. The act will be adopted by the Government and sent to the National Assembly by the end of 2016. The purpose of the act is to transform Kapitalska družba, d.d. into a demographic reserve fund and achieve the financing of mandatory pension and disability insurance based on intergenerational solidarity as defined by the act governing pension and disability insurance, i.e. by the demographic reserve fund and by managing own assets, the assets of pension funds and additional financial funds that are provided by the Republic of Slovenia for this purpose. Designing, proper operation and financing of the demographic reserve fund is necessary for long-term and balanced sustainability of the pension fund and public finance.

The **banking system rehabilitation** procedures are ending in 2016. They have stabilised the banking sector and regained the country's credibility on the international financial markets. The measures, implemented in the past three years, included asset quality reviews, stress tests, general recapitalisation of banks in state ownership and transfer of bad loans to the Bank Asset Management Company (BAMC) and the consolidation of the banking system. The final step in this procedure was a merger in 2015 of Abanka and Banka Celje, in 2016 Probanka and Factor banka were withdrawn of their banking licences, company shells were transferred to BAMC. Bank privatisation procedures are implemented in accordance with the commitments to the European Union and with the Decree on the strategy of state capital assets management (Official Gazette of the RS, no. 53/15).

Further **improvement of non-performing loans management** of state-owned banks and the reduction of their share shall remain the key task in 2016. Banks actively embarked on a methodical and rapid decline of the volume of non-performing loans. In cooperation with SSH, the Ministry of Finance ordered the banks that received state aid to prepare plans and action programmes for the reduction of non-performing loans. Banks have included the management of non-profitable loans among strategic objectives, they have prepared

strategies for resolving non-profitable assets and established an organisational structure and increased the number of staff. At the same time they approached the Principles of voluntary financial restructuring of companies and establishing the systems for early detection of increased credit risk. The activity of the Bank of Slovenia also contributed to reducing the share of non-profitable assets, because it formed the guidelines for gradual elimination of impairments for investments, for which banks have signed a master restructuring agreement (MRA), restored the reporting to the Bank of Slovenia, prepared the guidelines for the Early Warning Systems in banks and for optimising the processes in banks (restructuring of non-profitable loans/assets). Until September 2015 the share of claims in default for more than 90 days lowered by 0.8 to 11.1 percent of distributed bad assets or to the level as in July 2011. By excluding Probanka and Factor banka this share is 9.9 percent. The transfer of risk items to BAMC also contributed to lowering the share of bad claims. If the transfer of bad claims to BAMC would not be implemented and the conditions for transferred claims would not change, the share of claims in default for more than 90 days would amount 18.4%. The Act Amending the *Act Defining the Measures of the Republic of Slovenia to Strengthen Bank Stability* were adopted at the end of 2015 and entered into force in 2016. This enables **effective restructuring of companies** where the BAMC has become a partner or creditor due to the implementation of measures to strengthen bank stability.

The **BAMC Strategy** for 2017-2022 (until the expiry of its operation) will be prepared in 2016. The financial objective of the BAMC is to ensure the highest possible return, to pay off bonds with state pledges that were issued as a payment for transferred funds and to create the required return on the initially paid in capital by the Republic of Slovenia. Therefore, the objective is also to restructure companies if this is economically justifiable, and to contribute to the re-definition of a sustainable operation of the real estate and other markets in Slovenia. The objective is to intensively manage assets and additionally invest in assets with the purpose of optimising their business potential and to increase their realisable value.

The changes in the **system framework for bank operation** in 2016 will encompass the new *Deposit Guarantee Scheme Act* that will govern the establishment and operation of the deposit guarantee scheme at banks, the competences and tasks of the Bank of Slovenia at the implementation of tasks and authorisations of the authority for deposit guarantees and the supervision with regard to the fulfilment of obligations in relation to the deposit guarantee scheme. The amount of coverage for a guaranteed deposit remains EUR 100 thousand. *Recovery and Compulsory Dissolution of Credit Institutions Act* will also be adopted. The act will finally transfer the Directive 2014/59/EU of 15 May 2014 on framework for the recovery and resolution of credit institutions and investment firms in the Slovenian legal order.

The Ministry of Economic Development and Technology in 2016 prepared the **Programme for Implementing Financial Incentives 2015-2020** for which the state aid schemes have been approved. Measures are still being implemented. Access to financial resources, i.e. subsidies for start-ups, seed capital (convertible loan, equity capital), venture capital via venture companies, micro loans, guarantees for bank loans with interest rate subsidies via the Slovenian Entrepreneurship Fund (SEF) continues. The SEF combines financial instruments with content support in the form of mentorship, training, networking (so-called "twins"). In collaboration with the Slovenian Regional Development Fund, access is still enabled to loan sources and to a smaller extent also in combination with subsidies or to

subsidies alone (on areas where traditional national communities live) and a tender was published for regional providers of guarantee schemes, where long-term financial contribution for the implementation of regional guarantee schemes were transferred. SID banka provides loans for SMEs within the scope of the Loan Fund (4 credit lines) and the financial engineering instrument for technologically innovative projects. The financial engineering instrument support technologically innovative projects of companies. The new instrument entitled "patient loans" was also introduced in 2016. For 2017, there has been no decision made on the structure of financial instruments management financed from the funds of European cohesion policy 2014-2020 which will be based on the GAP analysis (PWC). Slovenia is aware of the importance of a stimulative support environment for starting, growing and developing companies. Special attention is therefore intended for strengthening a beneficial environment for start-ups. An efficient business environment is also very important (legislation, infrastructure, taxes, support services etc.) for other companies that can grow and develop.

This important restructuring process support also includes reform legislation in the field of **insolvency proceedings** and actions for **administrative unburdening in the judicial system** (chapter 2.3.3.). Based on the results of the inter ministerial implementation group work an Act Amending the Act on Financial Operations, Insolvency Proceedings and Compulsory Dissolution in Slovenia was drafted with the main two objectives: i) more balanced regulation of procedures for restructuring small companies which enables additional procedures and measures for restructuring on one hand and on the other hand, the procedure of simplified compulsory dissolution is limited only to micro companies due to more effective protection of the rights of creditors, and (ii) to limit the possibility of abusing the institute of obligation relief in the field of supplementing the regulation of personal bankruptcies and to enable the shortening of the test period for socially endangered categories of debtors (pensioners, the disabled, single parents and other debtors who receive minimum income). The implementation group will continue their work and consider the current issues in restructuring companies and insolvency proceedings as well as compulsory dissolution and will carry out its task.

### **2.1.2. Effective labour market**

The situation in the labour market is generally improving in 2015 and 2016, however, structural challenges remain. Measures in 2016 and 2017 will be intended for further improvement of labour market especially in the field of atypical forms of work and stimulating quality jobs as well as optimising the relationship between flexibility and security. Measures related to employability of long-term unemployed, the elderly, persons with low level of education and the youth will continue by considering the analysis of existing actions that are being prepared. All proposals for actions referring to the labour market and pensions will be subject to harmonisations between social partners within the scope of the Economic and Social Council.

### **2.1.2.1. Active employment policy (AEP) and other actions in the labour market**

Despite a high rate of inclusion in active employment policy actions (48% of all unemployed in 2015) and strengthened activities of the Slovenian Employment Service, the issue of long-term unemployment is aggravating and the unemployment rate among the elderly and persons with low level of education has increased, as well as the difference in the unemployment rate between genders. The increase of long-term unemployment has a significant impact on increasing the number of recipients and beneficiaries of financial social assistance (see chapter 2.2.6.).

Measures for 2016 and 2017 are **oriented toward the long-term unemployed, the elderly, persons with low level of education to those with lower education and youth**. The Plan for the Implementation of Active Employment Policy for 2016 and 2017 envisages 100 million EUR for the measures in 2016 or 35 percent more than in 2015 (public works, employment incentives, employment subsidies, training at workplace, informal education and training, employment projects on the local level). The implementation plan of the Youth Guarantee Scheme for the 2016-2020 period will be adopted in the first half of 2016, which will focus the measures to the most vulnerable people who are not competitive in the labour market despite better economic situation. The programme also involves measures from the area of the ministry of economy, employment possibilities in culture and incentives for employing young farmers. Special emphasis will be put on monitoring the implementation and establishing the efficiency of measures which will represent the basis for further development of policies in this area.

Besides the existing incentives for prolonging **work activity of the elderly** and increasing the level of their employment rate in 2016, the *Intervention Measures for the Labour Market Act*, adopted in November 2015, will also have effect by stipulating the temporary incentive for employers (who are relieved of paying social security contributions) for employing elderly unemployed people. The *Act Amending the Pension and Disability Insurance Act* was adopted in December 2015 with the aim to stimulate all insured people to persist in permanent employment, also those who are 65 years old and who fulfil the conditions for old-age or early pension. In this way they will remain active and receive 20% of their pension. The act enables a more flexible transition from employment to full retirement. The document about the elderly in the labour market which will analyse the situation and the reasons for low employment rate of the elderly and which will contain the proposal for a comprehensive scope of measures that will contribute to higher employability among the elderly, reducing their long-term unemployment and consequently higher employment rates is now being prepared. Based on the public discussion results we will start preparing the first measures in the second half of 2016.

### **2.1.2.2. Changes in labour market regulation**

The adopted changes in **labour market regulation** in the past three years (including the effects of the changes of the *Employment Relationships Act*) are reflected in lower employer's reluctance to employ workers permanently with permanent contracts. Increased permanent employment is more evident among the youth (2012: 13.6%, 2015: 20%). This



was also contributed by the change in the field of **student work**. A transitions from temporary to permanent employment has also strongly increased (2013: from 36.9% to 49.5% in 2014). This categorises Slovenia among the countries with the highest probability of transitioning from temporary to permanent employment. Although the number of working students has increased according to the survey on labour force, the monetary scope of student work has slightly declined after the introduction of changes. Students work for a shorter period of time, their work mostly involves temporary or occasional work and this was the main aim of the change.

A detailed **analysis on the effects of changes of labour legislation** will be carried out in 2016. It will base on micro data for a three-year period after the adopted labour market reform. The purpose of the analysis is to establish the effects of changes in the labour market regulation to individual groups in the labour market (segmentation) and to find out if the increased flexibility has impacted greater productivity as the consequence of increased possibilities of companies for adjustment.

In April 2016, the document of **proper work** was prepared including the scope of possible measures for addressing the use of atypical forms of work when the form of work does not apply to the purpose of the work, and the proposals for guidelines for necessary adjustments of the system due to the forms of work that are increasing due to actual needs of certain sectors, especially connected to the development of the digital society. Based on discussions with social partners on the scope of measures for proper work, measures will be adopted for further increase of the efficiency of supervision of the implementation of labour legislation and other measures with the purpose to prevent illegal use of atypical forms of work.

### **2.1.2.3. Minimum wage regulation**

**Minimum wage** in 2016 remains unchanged in agreement with social partners. The increase of minimum wage has lagged behind the increase of the average wage since 2014; the same trend can be expected for 2016. It has also lagged behind the productivity growth in the last two years. Due to the decrease of the number of minimum wage recipients in the private sector, the share of all minimum wage<sup>6</sup> recipients has decreased by 2.5 percentage points since 2013 when the percentage was highest (14.6%). The share of employees living below the poverty threshold has also fell from 7.1% in 2013 to 6.4% in 2014. By introducing the legal changes, the minimum wage structure in 2016 is changing in the direction of greater international comparability. Employees who get minimum wages and also work in less appropriate working hours, are now equally considered. A detailed analysis of economic and social effects of minimum wage increase will be finished in 2016 (effects on unemployment and workers flows; wages and their distribution; productivity, purchase power and the assessment of the impact on reducing poverty), presenting the basis for studying the possibilities for further harmonisation among social partners.

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<sup>6</sup> The AJPES data on the number of employees base on implemented work hours.

### 2.1.3. Efficient use of resources

Efficient use of resources is an important part of the EU strategy for creating growth and jobs which through smart (based on knowledge and innovation), sustainable (green growth will become more sustainable in long-term) and inclusive (because a high employment rate ensure better social and territorial cohesion) growth determines the goals for the EU as a whole. Measures in numerous policy areas with regard to the environment and climate change, energy, transport, industry, agriculture, fishery and regional development will ensure in medium-term that efficient use of resources will be consistently used on all appropriate areas of policies.

The main goal of Slovenia's Energy Concept is to replace imported resources with domestic ones (greater self-supply), the development of smart infrastructure and the fight against climate change. Further progress in 2016 will focus on preparing expert bases for long-term energy balances. The problems refer to challenges in relation to (1) systemic and dispersed production of electric power, (2) definition of real potential of available energy sources, (3) heat sector areas and (4) the use of energy in transport.

**Efficient use of renewable sources** and efficient use of energy are essential for reducing pressure on the environment. Despite the current investments in energy rehabilitation of buildings, renewable energy sources (RES) and efficient use of energy remain the needs for continuing and upgrading such investments in both cohesion regions are quite large. With extensive investments in the restoration of the housing stock we can expect the stimulation of economic growth, the creation of new jobs and the reduction of Slovenia's dependence on the import of energy sources. By investing in efficient use of energy (EUE) in the public sector, we will be able to contribute to the improvement of the public finance image. We will support actions for reducing the issue of energy poverty which has been increasing in Slovenia in the past decade. In the field of EUE, emphasis will be put on the development of financial instruments that will enhance the entry of private capital and increase the role of energy suppliers in stimulating and implementing EUE projects. The improved energy efficiency of the housing stock will lie at the heart of future energy policy on heat supply. Energy resoration of public buildings will be carried out in the period to 2023. EUR 115 million of subsidies and 50 million EUR of refundable funds are planned for this purpose and they represent investment potential.

**Smart grids** make an important contribution to cutting GHG emissions and to EUE, allow for the development of advanced services and products and creation of jobs and open up possibilities in particular for SMEs (the global market of smart networks is one of the most rapidly growing markets). The stimulation of sustainable mobility contributes to the goals of reducing GHG. The project enabling harmonised public transport timetables and establishes the operator of the public passenger transport is still being implemented. In the future, systemic solutions for sustainable mobility will arise from the prepared comprehensive transport strategies, this issue will be regulated on the level of the urban area or even on the regional level. Cities will have to guarantee rational connection among comprehensive transport strategies and sustainable urban strategies.

The possibilities of **reducing greenhouse gas emissions from agriculture** are mostly evident in the use of energy efficient technologies, effective nitrogen management, optimising fertilisation, appropriate methods of soil processing, the selection of crop rotation and soil greening. The latter measures, which are connected to the manner of land treatment which increases organic matter in soil, also have positive effects on the storing or binding of carbon in soil. In livestock farming, the reduction of GHG and ammonia can be achieved with more appropriate livestock fertiliser management and improvement of breeding technology, animal grazing, more appropriate storage of livestock fertilisers, acquisition of biogas etc. A positive impact on the reduction of emissions is also caused by the increase of the efficiency of energy use on agricultural holdings. Investment measures are the main tool for resolving this problem via support for activities in connection with the restoration or construction of business facilities with new, efficient technologies, By reducing the dispersion of agricultural land with consolidation; by reducing the use of energy via the restoration of electric installation, building insulation, the purchase of energy efficient equipment etc.

## **2.2. Demographic challenges and human resources**

Demographic projections and related challenges represent the key element of further development and long-term public finance sustainability. The number of elderly in relation to the working age population will more than double by 2060. Migration policy in this framework represents a significant new element in the formation of medium-term policies. At the beginning of 2013, out of 100 persons in working age there were 26.9 dependent older than 65 years, and in 2060, this number will increase to 58.3 (EUROPOP 2013). The number of the eldest population (older than 85 years) will continue increasing; their share will increase from 2% to 7% of the population. At the same time the number of working age population is also decreasing which limits the employability growth.

All possibilities for increasing the activity of the population, employment rate of elderly, fast transition of the youth to the labour market and long-term structural changes (pensions, health care, long-term care, migration policy) must be used for the purpose to enable the environment that is appropriate and sustainable for the development along with population ageing. Productivity increase policy will also be essential for economic growth (chapter 1.3.1.), and growth is not possible without this policy at given demographic trends. Measures in the field of human resources are also planned besides key structural changes. Measures in continuation respond to the recommendations in pensions and health care system (CSR 1) and employment stimulation (CSR 2).

### **2.2.1. Knowledge and competences**

Various measures will be implemented in 2016 and 2017 to **increase the completion rates and reduce duration of tertiary study**. Measures in various fields must be adopted to achieve these objectives. The measures must complement themselves and impact easier entry of the youth in the labour market. Higher Education Act will be modified in 2016, since the public discussion has already concluded. The modifications will include changes for

enhanced internationalisation (teaching language, international comparability at achieving learning outcomes), quality (novelties in accreditations of higher education institutions and study programmes for quicker adaptation to the needs for knowledge and in the labour market, the introduction of extraordinary evaluation of study programme), the modifications will stimulate shortening the duration of studies and enabling a quicker entry of the youth in the labour market, thus ensuring appropriate stability of higher education financing (introduction of financing the fundamental and developmental pillar; increase in efficiency, the ratio between admitted students and graduates). Further inclusion of students in projects that will be implemented in direct partnership with the economy is planned, open and flexible transition from studies to the labour market will be enabled and will ensure the acquisition of concrete practical experience during studies. Graduate employability monitoring system will be established for the needs of efficient monitoring of labour market trends and establishing long-term needs. This system will be the basis for more accurate prediction of needs for knowledge in the labour market. Further development and the implementation of career centres in higher education is envisaged as well as the modernisation of the analytical information system for higher education (eVŠ). The *new systemic Higher Education Act* is being prepared with the emphasis on regulating a public service, study programmes and the forms of collaboration with the economy, financial bases for encouraging the quality and efficiency of studies.

In the field of **vocational education and training**, emphasis will be put on developing practical training models that will be carried out in close collaboration with social partners. The priority in 2016 is to adopt the Apprenticeship Act based on which pilot apprenticeship projects will be implemented. Within cohesion policy development projects will be also implemented in the area of lifelong learning and for increasing of competences of adults. Further vocational education and training programmes will be carried out in cooperation with the labour market to stimulate investments in human resources in companies and in employee training, especially at SMEs. Education stimulation of adults will be focused in financing the implementation of programmes for acquiring basic and vocational competences and for co-financing education for the increase of educational level and for acquiring professional competences. Main focus will be put on people older than 45 years who have lower education (ISCED 1-2).

Support to **competence centres for HR development** will continue in the following years and emphasis will be put on strengthening work competences of older employees. A comprehensive enterprise support programme for active ageing will be carried out. We will stimulate the inclusion in informal training and education and in acquiring national professional qualifications of the elderly, those with lower education and the youth. Other projects will be carried out simultaneously, i.e. transfer of knowledge, mentorship in various fields, e.g. culture. Scholarship policy will be of key importance for connecting education and training with the labour market (deficit professions, employers' scholarships).

For ensuring a low rate of youngsters who are early school leavers, in 2016, we plan to upgrade the model for establishing and ensuring quality and to initiate the trial implementation of the model on a sample of schools. The renewed Project Learning of Young Adults will also contributed to easier **entry of the youth in the labour market**. This programme will stimulate the development of key competences and personal characteristics that will help the youth to improve their success in the labour market. The measures for

increasing the quality of the education system will be implemented simultaneously, and general as well as cross-sectional competences on all education levels will be strengthened, including the stimulation of flexible transition between education and the environment, entrepreneurship will be stimulated, innovative learning environments will be developed and quality career orientation for the talented will be supported. We will also strengthen the competences of professional workers on the entire educational vertical (social and citizenship competences), since they are of key importance for the provision of quality of the educational system.

**Slovenian language** for families with low socio-economic status will be promoted (reading comprehension among pupils and students), as well as reading for adults with mental disabilities. An intensive course in Slovenian will be organised for immigrants and migrant children, if necessary. Activities for the improvement of accessibility to cultural assets and cultural heritage to the young and vulnerable groups will be implemented for an **inclusive society**. Greater social inclusion of vulnerable social groups in the field of culture will also be provided.

## 2.2.2. Comprehensive response to demographic changes in Slovenia

Besides the necessary changes to social security systems (pensions, long-term care, health care), demographic changes are connected to other social changes. A **comprehensive strategy** will be prepared for determining a framework and bases for organised **responses to actual demographic processes**. In 2016, the longevity society strategy<sup>7</sup> will be prepared ensuring active and healthy ageing by considering the principle of intergenerational cooperation and solidarity and a strategy of migrations in connection with the labour market development. In 2017 the resolution on family policy is envisaged for adoption.

## 2.2.3. Health

The implementation of the **health reform** is an important priority of the Government of the Republic of Slovenia. In October 2016, the new *Health Care and Health Insurance Act* will be adopted and it will also include the transformation of the current voluntary supplementary health insurance, legally regulated rights and obligations arising from compulsory health insurance, the determination of the status and the regulation of financial supervision of the Health Insurance Institute of Slovenia. The measures for diversifying sources will include counter cyclical mechanisms in financing. They will enhance the responsiveness of financing health care to the general dynamics in the economy. In the Health Care and Health Insurance Act, the current form of supplementary health insurance will be transformed into an obligatory levy that will represent a more solidarity method of financing, whereby it will not additionally burden labour costs. Some expenses that are currently being paid from the health care budget (specialisations, apprenticeships, secondment, part of tertiary I that refers to learning and training) will be transferred to the state budget, since they do not refer to compulsory health insurance rights. Transfer shall be provided in such way that it will not negatively impact the public finance situation. The law will determine clear competences and

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<sup>7</sup> It will base on a comprehensive analysis of the current demographic situation and future trends, prepared by IMAD.

responsibilities for the preparation, introduction and updating of calculation models. The Ministry of Health shall approach the modifications of these models involving gradual introduction in the coming years. Changes will be implemented to ensure cost effectiveness of the consumption of available funds, the responsibilities of individual institutions will be clearly delimited. The collection of necessary data for the implementation of changes for stimulating the success and following better quality and a long-term introduction of pay-for-performance methodology will be improved.

In 2016 and 2017 the Ministry of Health continues a set of measures that will improve the **success** and impact better **effectiveness** of the health care system.

The project for **joint public procurement** of medicines, medical devices and equipment will continue in 2016 and 2017, which is the basis for achieving the lowest possible purchase prices at the same quality of medicines, medical devices and equipment and for establishing greater transparency for providers of services and hospitals. So far, 20 percent of funds were saved with medicines and more than 30 percent of funds or EUR 3 million were saved at joint purchase of medical equipment for 7 emergency centres. Considering the stimulative results the project continues and joint public procurement for medicines is now mandatory for all public hospitals, in 2016 and 2017 the scope of items is expanding to the most frequently used medical devices.

Changes will also be implemented in **pharmacy activities**. There will be several changes implemented in the legislation in this field, which will be relevant for the safety of patients and also for cost efficiency in the system. For instance, clinical pharmaceuticals and polypharmacotherapy (simultaneous use of multiple medicines) will be regulated. The law draft is already under public discussion.

In 2016 and in the future we will continue introducing IT solutions in health care which have been developed within the scope of the **eHealth** project. On the secondary and tertiary levels, we are introducing electronic prescription and issue of medicines in 2016, i.e. ePrescription which was introduced on the primary level in 2015. Most activities in 2016 refer to the introduction of eAppointments, where we will increase the efficiency of appointments for health care services with exact data on free times, at the same time accurate data on waiting periods on the national level will help us plan the measures for the improvement of the situation in this area. In 2016, we will start collecting the summary of data about patients in the Central Register of Patient Data, which will enable a more effective and safer consideration of patients on all levels of the health care system. With the introduction of the zVem portal, patients will get the possibility to see their data in eHealth databases in a safe way via the internet.

**Waiting times** for regular examinations are also an important issue in health care. In 2015, the Ministry of Health started the activities of the pilot project "For better waiting times management" that will continue in 2016. We estimate that based on the findings of the project and organisational changes on the level of a health care institution, we will also design some systemic changes that will aim to shorten waiting times. When the project concludes we will prepare the proposal for the amendments to the Patient Rights Act and the Rules on the management of waiting lists and waiting times and on the maximum permissible for individual health services. Within the scope of the General Agreement we will

provide additional funds in 2016 for shortening waiting times for those services that exceed the longest permissible waiting times, and systemic measures will continue in 2017.

In the next two years, the Ministry of Health will establish a comprehensive **quality** system in health care with restored quality indicators and reports that will be accessible to the providers of health care activities and users as well as the payer. A contact point for patient information will be established, and quality and safety content in health care will be integrated in the education system. The comprehensive **health technologies assessment** system (HTA) will be initiated for further improvement of efficiency and for ensuring structural support as well as defined professional and decision-making functions for introducing new treatment technologies and at the same time for abandoning obsolete forms of treatment.

New **dispatch centres** in health care will start operating at the end of 2016 and at the beginning of 2017. This will increase the efficiency of emergency medical aid system and emergency and non-emergency transport of patients.

**Investments** have a positive impact on better development of the health care system. Investments in advanced technologies improve the quality of treatment and also the efficiency of treatment, therefore, the existing financial plan intends more funds for the continuation of the investment cycle of investments in spatial and equipment conditions for executing health care activity.

#### **2.2.4. Pension system development**

Pension reform from 2013 still shows positive effects, however, it does not ensure long-term sustainability of the pension system after 2023.

Expert driven starting points for adapting the pension and disability insurance (so-called White Paper on Pensions) were presented in April 2016 as the basis for discussions on possible ways for ensuring long-term sustainability of the pension system and the appropriate level of pensions, and they were provided for discussion to expert and interested public as well as social partners. The White Paper contains a selection of possible measures, supported with calculations and simulations of effects that could ensure long-term public finance sustainability of the pension system and decent pensions also after the expiry of the transitional period from the 2013 reform. The emphasis will be put on studying the suitability of simulations for the inclusion in the second pillar of the pension insurance and to strengthening the role of voluntary supplementary pension insurance in providing appropriate income to the majority of future pensioners.

Based on the public discussion, the government will timely adopt legal solutions that will with the purpose of ensuring long-term sustainability of the pension system and appropriate level of pensions enable the implementation of newnew measures after the expiry of the transitional periods. In 2017, the government will adopt legal changes for individual measures arising from the White Paper, which will be subject to a consensus.

With the purpose of enhanced work activity of the elderly, **financial incentives for employers for employing elderly unemployed** have been available since the start of 2016

(Intervention Measures for the Labour Market Act) and additional **incentives for elderly employed** for staying employed even after the conditions for retirement are fulfilled and new possibilities for a more flexible transition from work activity to full retirement (Act Amending the Pension and Disability Insurance Act).

With the aim of **eliminating the reasons for low work activity among the elderly** and their frequent long-term unemployment in the next medium-term period, a document will be prepared including the measures for eliminating the obstacles for employability and the employment of the elderly that base on the introductory situation analysis and the reasons for low work activity of the elderly. The proposal of measures will be prepared in April 2016. Based on the public discussion responses and performed external analyses (OECD; University of Primorska), the initiation of the implementation of measures is envisaged for the second half of 2016.

### **2.2.5. Long-term care**

In 2016, the government will adopt and send the draft of the legal **regulation of long-term care and personal assistance** to the National Assembly. This regulation will enable that services and benefits for persons who are long-term depend on help due to age or other reasons, will be organised in a more quality, efficient, rational and adapted to this group of users. The law will provide the basis for a comprehensive consideration of users, the basis for quicker development of community care and greater emphasis on preventive prevention of long-term dependence on aid.

This will ensure the management of the increase of costs of these services, so that they will not increase linearly with the increase of the group of users as is happening due to the current model of providing health care and social services. By defining the basket of long-term care services and adapting service provision models with the aim to achieve greater deinstitutionalisation and to encourage independent living at home as well as by including a wide scope of services provider including non-governmental, state and private sector, we will ensure services in a more rational and integrated form and actively include individuals and organisations from the environment to the long-term care providers network. This system will enable more rational assistance to a larger number of users within the scope of available funds, greater motivation of individuals and families to prevent dependences and the inclusion in the assistance system.

The new method of organising and financing long-term care will enable clearer monitoring of costs for these purposes, after the establishment of the system the burden on the health care system will be reduced in long-term and the burden of institutional care on the social system will also be reduced.

### **2.2.6. Stimulating activation**

The increasing trend in the number of the poor and socially excluded stopped in 2014. Despite this long-term poverty is increasing especially in population groups that are most dislocated from the labour market and which are not reached by the improvement of the labour market situation. As of 1 January 2016, the minimum income amount has increased



(from EUR 270.82 in 2015 to EUR 288.81), and some higher weightings have started to apply for the calculation of the amount of financial social assistance.

Legal basis is under preparation for the establishment of the social activation system, which is envisaged for 2017. In the 2016-2017 period, the **reorganisation of social work centres** is anticipated to strengthen direct work with users or recipients, emphasising the active elimination of the need for social transfers, especially through comprehensive treatment, and active and preventive social activation measures. The purpose of the measures is to ensure better connections between social work centres and all relevant actors, especially the Employment Service of Slovenia, local communities and employers.

The implementation of Community-led Local Development (CLLD) also impacts greater **social inclusion and the reduction of poverty risk** for certain population groups that live in various local environment, in the countryside and smaller towns and urban areas. In the middle of 2016, local action groups will start selecting projects according to the bottom-up approach.

### **2.3. Strengthening capacities and management**

Foreseeable and transparent **operation of the public administration** and the state as an institution is important for good operations of sub-systems that regulate the operation and management of enterprises and individuals in the society. Wage policy in the public administration, public procurement system, corruption risks, justice system, local self-government and fiscal management institutions significantly contribute to this. They operate as connective parts that have an important impact on the trust of individuals and enterprises as investors (potential investors) and consumers. The above mentioned measures and planned changes are a response to the recommendations in the field of justice (CSR 4) and public finance consolidation (CSR 1).

#### **2.3.1. Wage policy and quality management in public administration**

Based on the **Agreement on measures in labour costs and other measures in the public sector**, adopted in 2015, the Act Regulating Measures Relating to Salaries and Other Labour Costs for 2016 and other Measures in the Public Sector was enforced in 2016, which prolonged the majority of measures that were enforced with regard to cost management in 2015 to the year 2016. The agreement, made with unions at the start of November 2015, also determined that at the beginning of 2016 negotiations will start among social partners with the aim to make an agreement until 30 April 2016 on "gradual enforcement of remaining measures and the framework for the increase of the mass of labour costs in the public sector from 2017 to 2019".

Thus, the government proposed the public sector unions two-step negotiations – first they should determine the scope of annual nominal growth of the mass of funds from labour costs in the public sector with regard to the public finance framework, subsequently, they should negotiate on measures that will be enforced every year with regard to the set general government framework. The government also suggested that the method of establishing the

highest possible growth of the mass of funds for wages shall be determined for a period including the year 2020, when the structural balance of state budgets would be achieved in accordance with the constitutional fiscal rule and international commitments. The proposed multiple year framework for the period from 2017 to including 2020, the sustainability of the measure would be ensured and by considering stability and the predictability of the wage policy and other labour costs in the public sector, labour costs and other elements, directly or indirectly affected by the costs would become more transparent and foreseeable. Besides this the governmental proposal also includes the proposal for determining the upper limit for the growth of the mass of labour costs in the public sector. The growth of labour costs mass in the public sector, assuming that the number of employees in the public sector does not change, should not exceed the expected amount of the nominal growth of GDP reduced by a certain coefficient (the initial governmental proposition is that this coefficient should amount to 1.7 percentage points), every year negotiations would be made with the unions on concrete measures to achieve the growth of the mass of labour costs funds in advance. This method of determining the mass of funds would apply to 2020. Unions initially reject two-step negotiations and suggest that, in accordance with the adopted agreement with the government (from 2017 to 2019), they would agree for a gradual abandonment of valid austerity measures.

For improving **public administration management**, there are activities planned in 2016 for the implementation of the public tender for the selection of an external provider of services for the project of establishing a competence model that will determine the combination of abilities, personal characteristics, skills, behaviour and conduct necessary for an effective implementation of the task of employees in the public administration and will be used as a tool for HR management at the selection, for flexibility and career development of employees and for planning and organising training. Mechanisms will be enforced for measuring and increasing the efficiency in public administration on the level of organisations and the individual. The implementation of quality management systems in the public administration authorities will be implemented by introducing target management and the use of the European CAF model in 2016 and 2017. Target management implementation pilot project is in progress and in the first phase in 2016, it will be introduced at the Ministry of Public Administration and in the next phase (to 2018) the process of target management within the framework of a new information system for HR development will be electronically supported and appropriately applied at ministries, line ministries, governmental offices and administrative units. The use of the CAF model in administrative units will be improved and strengthened with the transfer and exchange of best practices at theme meetings and conferences organised for CAF model users. At ministries the implementation will evolve by appointing the quality custodians who will connect the current and future CAF model users. Goal realisation monitoring is envisaged every three months via defined indicators and with IT support. The mentioned approach will help manage deviations and risks, encountered by national authorities, also corruption risks and business risks. In subsequent phases, managers will participate at trainings in target management/uniform system of key measurable objectives and indicators via the Administration Academy.

By performing a **functional analysis** of 202 public sector authorities (from the Public Administration Strategy Action Plan), the heads of authorities and line ministries have received a basis for decision making and for more effective operations as well as for planning changes for improvement. In the field of effective organisation, a detailed analysis

of the implementation of administrative tasks of the state administration on the local and regional level will be implemented by 31 December 2016, and a proposal for the optimisation and reorganisation of the current structures on these levels will be formed.

In 2016, Slovenia partially realised the **state's real property management centralisation plan** and the control of management costs, their optimisation and real planning. The project will be finished by the beginning of 2017.

### **2.3.2. Reorganisation of state IT system and the modernisation of the public procurement system**

In 2016 and 2017, we will continue with the preparation of the uniform financial plan in information technology, continue the consolidation of HR and information and communication infrastructure, continue with the migration of IT systems to the state cloud computer and the migration of final locations and connections to the central communication network (HKOM) as well as expand its capacities, by adopting the Regulation on information security policy we will establish legal bases for introducing the security policy system in IT and will continue with trainings in information security and with the operation of the Council of IT development in state administration.

In 2016 and 2017 we will focus on comprehensive informatisation of public procurement (completion of modules e-Nabave, e-Dosje, e-Katalog) and upgrade the public procurement portal so that the decision on the provision of procurement will be submitted via a publication on the portal. At the beginning of 2016, we established the information solution called Statist that represents a completely transparent and updated review of all procured services in the Republic of Slovenia for the past three years in one place. The Decree on green public procurement will also be amended in 2016, thus reducing the carbon print in public procurement. Joint procurement in health care will continue in 2016 and 2017, 5 joint public procurements in this field are planned for 2016.

Further implementation of measures in the field of limiting corruption risks in public administration (additional trainings of employees in public administration in integrity, the development of the uniform risk register) and measures in public procurement as well as justice will continue, e.g. consistent implementation of measures from the two-year 2015-2016 Programme of the Government of the Republic of Slovenia on the prevention of corruption – zero tolerance for corruption and measures envisaged in the 2020 Public Administration Development Strategy.

### **2.3.3. Quality and efficiency of justice**

In the justice system the priority is to continue with the work for improving **efficiency, transparency and quality** of the system, where emphasis is put on the judicial branch, which was also emphasised by the Supreme Court of the Republic of Slovenia at the opening of the Judicial Year of 2016. Within this framework, the institute of a **single judge of first instance** will be prepared and enforced by the end of 2016, and it will improve the possibilities for equal workload of judges. In cooperation with the judiciary, we will also

implement the reform of the court network with the purpose of optimisation and improvement of work processes. Greater efficiency and quicker procedures will be ensured with the modifications of process laws (Act Amending the Civil Proceedings Act in the first half of 2016), intended for **strengthening electronic operation of courts** and to continue **unburdening judges with administration tasks** which can be performed by court staff.

In 2016, the Ministry of Justice of the Republic of Slovenia will draft a new **Class Action Act** that will introduce a new institute that in cases of collective disputes significantly impacts the improvement of efficiency and the shortening of procedures. This new act plans the legalisation of the possibility of enforcing class claims with one legal action, unburdening the courts from individual consideration of claims of clients and handling individual civil proceedings. This also presents greater cost efficiency with regard to the number of claims that will be resolved within the scope of one dispute. Clients will also be enabled a more rational consideration of their claims, since the need for handling more independent evidence proceedings will be eliminated, presenting a decrease in the costs of proceedings also for clients.

The proposals for constitutional changes will be prepared in the first half of 2016 for improving the **quality of court work**; these changes will enable the introduction of a test term of office for judges and state prosecutors, as well as a more suitable and internationally legally comparable method of appointing judges. For this purpose, a new **Judicial Council Act** will be prepared by the end of 2016, which will integrate this authority being a constitutional category in the system (the relation to the Supreme Court of the Republic of Slovenia and the Ministry of Justice of the Republic of Slovenia) as well as the appointment of judges and finding and enforcing their responsibility. An important part of measures for improving the quality of court work and judgements is related to the **reform of passing the bar exams** that will enable greater specialisation of candidates with a two-level exam.

The start of the so-called **judicial supervisor** and the publication of anonymous judgements of the courts of first instance on the internet will be intended for greater transparency of the justice system. The institute of "separate opinions" at the Supreme Court of the Republic of Slovenia will be codified by the end of 2016 (initially through the Act Amending the Criminal Procedure Act that was provided for public discussion in April 2016). The Judicial Order will be amended in the first half of 2016 in the part that enables photographing or determines the method of **ensuring the publicity of main hearings**. Immediate implementation of the so-called time standards will provide an important insight in the work of the Slovenian justice system. These standards will within the scope of the project entitled Quality Improvement in Justice, launched by the Supreme Court of the Republic of Slovenia, enable individuals quality information with regard to the envisaged duration of an individual type of proceedings with various courts. The strengthening of the improvement of the **informationisation of the state prosecution** will also be among the main priorities in 2016.

In the field of alternative sanctions execution system, the Republic of Slovenia is according to available data the only country in Europe without an established system encompassing a professionalised probation office. A special work group has been formed for this purpose. In the first half of 2016, it will prepare all necessary bases for introducing the probation office for the following purposes: reducing the excessive crowding in prisons (this problem has also been recognised by the case law of the European Court of Human Rights), a comprehensive

consideration of a convicted person from the introduction of a pre-criminal procedure, during serving sentence in prison (including a suspended sentence and release on parole), partially also after served sentence or during the execution of security measures and consequently the reduction of the risk of recidivism.

The Ministry of Justice of the Republic of Slovenia prepared a proposal of the state prosecution reform by establishing a **National Attorney General Office** as a ministerial authority for a more **effective protection of the financial interests of the Republic of Slovenia** (protection of property and other rights and interests of the state via legal representation in judicial and other proceedings and legal counselling). We intended to strengthen this institution within the scope of modifications by emphasising its counselling function and distance it from the current representation system based on mandatory guidelines to bring greater autonomy. More effective protection of financial interests is also followed by extending representation to direct users of the government budget and emphasis will be put on preliminary proceedings thus unburdening the future work of courts.

An important **criminal procedure reform** is also in the closing phase, i.e. emphasis is put on the optimisation and the increase of efficiency while ensuring international and constitutional standards. The amended act that will be sent to the National Assembly before summer is the first step to eliminating judicial investigation and expedites the procedures especially in handling more demanding forms of economic and organised crime.

#### **2.3.4. Local self-government**

The government continues with the measures for reducing the costs of municipalities, which have started in 2015 and resulted in 28.3 million savings EUR. The measures referred to executive regulations and changes of legal regulations in 2015.

In 2016, the adoption of the Local self-government development strategy is planned and will follow three objectives: to strengthen the autonomous position of local self-government, to strengthen the democratic potential and the cooperation of people on the local level and to increase the efficiency of local authorities at the implementation of services for the people. Municipalities strive to become more effective in providing public services and searching for solutions for local problems. They adapt measures to local situations. For realising these objectives, in 2016, the government plans to change the regulations that are intended to reduce financial burdens on municipalities at the implementation of their tasks, which has been the main permanent task for the past two years.

By lowering the scope of paid income tax in the past years as a result of increasing unemployment and the reduction of public and finance sources on the local level, there is a necessity for changes in the field of **financing municipalities**. The distance between the scope of the calculated appropriate consumption and the source for its financing is increasing. In 2013 and 2014, the income tax sufficed for solidarity financing of municipalities, in 2015 additional financing from the state budget was required. In 2016, additional financing of municipalities from the state budget will still be required. The distance is not only the consequence of insufficient sources for financing appropriate consumption but also in the illogical aspect of calculating appropriate usage, therefore, this questions should

be addressed with amendments to the act that governs the financing of municipalities and/or appropriate executive acts.

The average lump-sum in the amount of EUR 522 was stipulated by the Republic of Slovenia Budget for 2016 and 2017 Implementation Act enabling at least the same position which municipalities had last year, since the effects of measures adopted last year are mostly being enforced this year. All municipalities will be able to implement all tasks which are obliged to provide to people based on laws and regulations. The financing of municipalities in 2016 and 2017 means following the key target of the state budget as an instrument of the government in the implementation of the macro-economic policy determined in the constitution and the fiscal rule act: fiscal stability and permanent as well as a stable economic development that is in the interest of the state as a whole.

### 2.3.5. Strengthening fiscal strategy

The Fiscal Rule Act has entered into force in 2016 in Slovenia for the first time and it stipulates the manner and timeframe for implementing the principle of a medium-term balance of state budgets, the criteria for determining exceptional circumstances in which a deviation from the aforementioned principle is possible, and the manner of conduct upon the occurrence and termination of such circumstances.

The finalisation of the institutional framework for public finance management with the adoption of the new *Public Finance Act* and *Accounting Act* is planned for 2016. Besides the fiscal responsibility principle, the new *Public Finance Act* has determined the tools for the preparation of a medium-term public finance framework. The draft of the act has been publicly discussed and is in the harmonisation phase, the submission of a new proposal of the act to the National Assembly is envisaged for April 2016. The government will continue to strive for an immediate establishment of the Fiscal Council, the appointment of which, however, was not confirmed with the 2/3 majority in the National Assembly on 1 March 2016.

In 2016, Slovenia will also present the **overview of expenditure** for selected areas for the first time and plans to implement this also in the future. In this way, it will systematically review individual fields of public expenditure and provide arguments for supporting the proposals for measures for improving the effectiveness of public funds consumption on selected areas.

Within the scope of the fiscal strategy, Slovenia will follow the objective of gradual **reduction of the general government debt**<sup>8</sup> that will in the medium-term be possible with the use of revenue from privatisation for reducing debt, by improving credit rating of the Republic of Slovenia, by financing state budget under better conditions and with more effective debt management.

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<sup>8</sup> More about this in the Stability Programme 2016

### 3. PROGRESS IN ATTAINING THE MAIN EU2020 OBJECTIVES

Table 3: Description of measures and their impact on attaining the EU 2020 Strategy Objectives

| <i>Progress in implementation</i>     | <i>List of implemented measures</i>  | <i>Assessed impacts of measures</i>   |
|---------------------------------------|--|---|
| <b>National EU2020 objectives</b>     |  |   |
| 75% employment rate - age group 20-64 | <p>Active employment programmes : public works, training and education (work test, training at workplace, informal training and education), employment subsidies for most vulnerable groups, local employment projects.</p> <p>Employment Service of Slovenian has extended its services and counselling to long-term unemployed.</p> <p>Intervention Measures for the Labour Market Act (ZIUPTD, Official Gazette of the RS, no. 90/15) which has been in force since 1 January 2016 (envisaged end 31 December 2017)</p> <p>The Act Amending the Pension and Disability Insurance Act was adopted in December 2015 with the aim to stimulate all insured people to persist in permanent employment, also those who are 65 years old and who fulfil the conditions for old-age or early retirement pension.</p> | <p>Situation in 2014: 67.7%</p> <p>The share of people included in active employment programmes in 2015 was 45%.</p> <p>Increasing employability and employment of most vulnerable groups and attaining the national EU2020 work activity objective (75%).</p>  |
|                                       | Implementation of the Youth Guarantee Scheme measures  | The unemployment rate among the young dropped.  |
|                                       | The Ministry of Labour, Family, Social Affairs and Equal Opportunities monitor the effects of changes in labour market regulation which are shown in slight reduced reservation of employers to employ workers on permanent contracts.   | Increased employment based on permanent contracts is more evident among the youth (2012: 13.6%, 2015: 20%). Transitions from temporary to permanent employment have strongly increased (2013: from 36.9 to 49.5 in 2014). This categorises Slovenia among the countries with the highest probability of transitioning from temporary to permanent employment. |
|                                       | With the purpose of additional reduction of segmentation, the changes in the field of student work started to apply in February 2015.  | While the labour force survey has shown that the number of students executing student work has slightly increased, the monetary scope of student work has slightly fell after the introduction of changes. This shows that students perform their work for a shorter period of  |

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|  |   | <p>time and that their work mostly involves temporary or occasional work and less the substitution of regular employment, as well as that this was the main reason for the implemented changes. We have also established that the monetary scope of student work on the annual level in 2015 in comparison with 2014 did not increase despite the improved economic situation and trends as well as despite the fact that at the beginning of positive economic trends, employers continue to decide for more flexible forms of employment.</p> |
|  | <p>Considering the indicators for determining minimum wage and the agreement among social partners, minimum wage that in 2015 amounted to EUR 790.73 remains unchanged in 2016.</p>   | <p>Due to the decrease of the number of minimum wage recipients in the private sector,<sup>9</sup> the share of all minimum wage recipients has decreased by 2.5% since 2013 when the percentage was highest (14.6%). The share of employees living below the poverty threshold has also fell from 7.1% in 2013 to 6.4% in 2014.</p>  |
| <p>Joint public and private investments in research and development accounting for 3% of GDP</p> | <p>Integral funds for scientific and research activity within the scope of the Ministry of Education, Science and Sport for 2015 amounted to 150.2 million EUR and the index in comparison with 2014 was 100.6. The budget for 2016 and 2017 increases the funds for research and development, i.e. with index 104.1, in both years compared to 2014.</p> <p>The first tenders for stimulating the collaboration between research institutions and the economy were published in 2016 (amounting to EUR 55 million). The focus is on projects that show potential in the international context, directly support the development potential of the economy, and cover fields with long-term potential to enter foreign markets, and be globally integrated in an efficient and</p> | <p>Situation in 2014: 2.39%</p> <p>The funds in the budget for research and development increase in 2016 and 2017 in comparison with 2014 and 2015. The first structural funds tenders were published in 2016.</p>  |

<sup>9</sup> The AJPES data on the number of employees base on implemented work hours.



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|   | comprehensive manner.   |  |
|   | MGRT and SPIRIT Slovenia measures for stimulating RDI.  | Positive impact on increasing RDI.   |
| GHG emissions in Slovenia in 2020 may not be more than 4% higher than in 2005 in sectors with objectives under the Decision 406/2009/EC | <p>The implementation plan of measures to reduce greenhouse gas emissions based on the Decision 406/2008/EC is the <b>Operational Programme for Reducing Greenhouse Gas Emissions by 2020 with a vision by 2030</b> (<a href="#">OP TGP 2020</a>), approved by the Government on 17 December 2014. The operational programme contains the list of planned measures.</p> <p>On 28 January 2016 the Government adopted the <a href="#">First annual report on the implementation of OP GHG 2020</a> including appendices (<a href="#">Expert bases IJS-CEU, annex to report in agriculture</a>), which contains the review of implemented measures.</p> | <p>The assessment of the effects of measures and their multiplication and financing are described in the OP GHG 2020.</p> <p><a href="#">The first annual report on the implementation of OP GHG 2020</a> together with appendices (<a href="#">Expert bases IJS-CEU, annex to report in agriculture</a>) contains the review of the implementation of measures and shows a certain progress, however, major deficits are shown in the sections Green growth of the economy and Buildings. These measures have the maximum potential for extensive effects on the economic growth, jobs and long-term sustainable development.</p> <p>In 2013 the emissions from sources under the Decision 406/2009/EC were by 12.6% lower than the annual objective. In 2014, the GHG emissions were reduced, the annual goal was exceeded by 13.8%. The first calculations for emissions in 2015 show a similar reduction of emissions.</p> |
| 25% share of energy from renewables in gross final energy consumption   | <ul style="list-style-type: none"> <li>- The comprehensive assessment of environmental impacts (CPVO) procedure for an updated AP RES with objectives to 2030</li> <li>- Regulation on self-supply with electricity under renewable energy sources (RES)</li> <li>- Construction of 26 rapid-charging stations for electric cars</li> <li>- Restoration of the scheme for operating support for the production of electric power from RES</li> <li>- Preparation for drawing cohesion funds for stimulating remote systems driven by RES in 2016</li> <li>- Incentives for households via the Eco Fund</li> <li>- Construction of Brežice</li> </ul>  | The achieved rate in 2014 amounted to 21.9% (20.1% above the planned share in AP RES).   |

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|  | Hydro Power Plant including the infrastructural part  |  |
| Improved energy efficiency   | <ul style="list-style-type: none"> <li>- Action plan to 2020 adopted in 2015 – AP EUE 2020<br/>In 2015 adopted long-term strategy of energy renovation of buildings</li> <li>- Measures of the Ministry for Economic Development and Technology and Slovenian Regional Development Fund</li> </ul>  | The envisaged measures must achieve 6,872 GWh until 2016 and 10,281 GWh until 2020 energy saved per year. Up until including 2012, the savings in final energy amounted 2,489 GWh or 5% more than according to the interim goal under AP EUE 1, however, it lags by 18.2% behind the interim goal under AP EUE 2020 (3,044 GWh).   |
| Less than 5% of early school leavers   | <ul style="list-style-type: none"> <li>- The concept of the national framework for establishing and ensuring quality on the level of kindergartens and schools as well as on the level of the educational system as whole was prepared and presented to the expert public in 2015.</li> </ul>   | <p>Situation in 2014: 4.4%</p> <p>Ensuring and improving the quality of the operation of the school system also continues to ensure a low rate of the youth leaving school in an early phase.</p>  |
| At least 40% of the population aged 30-34 should have completed tertiary education (high education degree or equivalent) | <p><b>This objective has been achieved (41%)<sup>10</sup></b></p> <p><b>Implemented measures:</b></p> <ul style="list-style-type: none"> <li>- eVŠ which is the so-called record and analytical higher education information system that includes a record of higher education institutions, study programmes, students, graduates and an enrolment application is now functioning. Almost all public institutions have been acquiring information on the status of students for the needs of exercising social and other rights related to the student status through a web service;</li> <li>- career counselling via career centres, intended for future students, students, graduates and employers. Career centres enable suitable planning of a career path of students from enrolment to employment, they inform employers on the programme offers of higher education institutions and on achieved competences of students and graduates;</li> <li>- entering students in immediate partnerships</li> </ul> | <p>Situation on 2014: 42.6%</p> <p>The measures will follow challenges like the reduction of the number of drop-out students or the increase of the completion rates, which will be stimulated with timely counselling with regard to studies and career prior to the start of study and during study, and by increasing the connection between higher education and the economy, thus preparing students to successfully enter the labour market. This will be achieved by investing in projects that stimulate the development of competences necessary for the labour market.</p> |

<sup>10</sup> EUROSTAT, available on website: <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tsdsc480&plugin=1> (4 February 2016).

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|   | between higher education institutions and the economy.   |  |
| At least 40,000 less poor and socially excluded by 2020 with regard to 2010, when this number was 366,000 | As of 1 January 2016, the minimum income amount has increased (from EUR 270.82 in 2015 to EUR 288.81), and some higher weightings has started to apply for the calculation of the amount of financial social assistance.   | Situation in 2014: 410,000 poor and socially excluded.   |
|   | The number of recipients and persons entitled to financial social assistance further increased in 2015. Their number in 2013 was: 68,002 persons, in 2014: 74,470 persons, in 2015: 80,641 persons) mostly due to the worsening of the situation of long-term unemployed and the resulting aggravation of long-term poverty. | The impact of social transfers on the reduction of the risk of poverty (if pensions are not considered) further reduced in 2014, however, it still remains higher than the EU average (35.3% in 2013). |

#### 4. EU FUNDS

Slovenia has 3.2 billion EUR available for the 2014–2020 period. More than one billion euros will be earmarked for stimulating entrepreneurship, start-ups, internationalisation and the development of new business models for small and medium-sized enterprises. Almost 500 million euros will be earmarked for investments in employment, strengthening and the development of human resources, mobility and investments in the education system and training system for a quicker transition to the labour market. 150 million euros will be earmarked for increasing social inclusion and reducing poverty risk. 43 million euros are earmarked for active ageing. 895 million euros from the Cohesion Fund will be invested in the construction of environmental and transport infrastructure as well as sustainable use of energy.

Within the scope of European territorial cooperation, Slovenian partners have the possibility to contribute to border opening, searching for joint solutions for macro-regional problems, for the transfer of experience and knowledge. Programmes support sustainable tourist development of a joint border area rich in natural and cultural heritage, they contribute to the preservation of biodiversity, strengthening research, technological development and innovation, reducing flood endangerment, sustainable use of water sources, strengthening the cooperation between public institutions.

Financial instruments will enable access to financing for SMEs and the support to R&D projects of enterprises and energy rehabilitation of buildings in the public sector. By activating private investors we will achieve a suitable financial lever for public funds.

With joint investments, private and public, and strategic collaboration Slovenia will successfully provide quality jobs and high added value in long-term which is the condition for increasing the living standard of people to the expected level.

**Table 4: The contribution of cohesion policy to specific recommendations and national objectives of EU2020 in 2016 and 2017**

| <b>CSR 2015</b>  | <b>2016 (in EUR million)</b> | <b>2017 (in EUR million)</b> | <b>National objective EU2020</b>   | <b>2016 (in EUR million)</b> | <b>2017 (in EUR million)</b> |
|--|------------------------------|------------------------------|--|------------------------------|------------------------------|
| Adopts measures for improving access to financing for SMEs and micro enterprises   | 25.7                         | 52.7                         | Joint public and private investments in research and development accounting for 3% of GDP                                | 21.5                         | 63.6                         |
| Increases employability of low-skilled and older workers. Adopts measures for reducing long-term unemployment and ensures appropriate incentives for prolonging work period. | 26.2                         | 40.2                         | Reduction of GHG emissions by 2020 by 4% with regard to 2005   | 51.3                         | 182.5                        |
| Adopts health care system reform by the end of 2015.   | 2.2                          | 26.0                         | Improved energy efficiency   | 10.3                         | 55.7                         |
| Guarantees that reforms adopted for the improvement of the efficiency of civil judicial system contribute to shortening procedures.  | 3.0                          | 5.1                          | 25% share of energy from renewables in gross final energy consumption  | 5.8                          | 5.8                          |
|  |                              |                              | 75% labour activity rate in the 20-64 age group  | 53.0                         | 54.0                         |
|  |                              |                              | At least 40,000 less poor and socially excluded by 2020 with regard to 2010, when this number was 366,000                | 9.8                          | 62.9                         |
|  |                              |                              | Less than 5% of early school leavers   | 6.2                          | 17.8                         |
|  |                              |                              | At least 40% of the population aged 30-34 should have completed tertiary education (high education degree or equivalent) | 6.9                          | 12.9                         |

The European cohesion policy and investments co-financed from the ECP were an important drive for economic growth in 2014 and 2015. Due to the delays in the first years of the 2007-2013 perspective, the intensity of eligible expenditure was higher in last two years than in the

past. All staff in the implementation system was focused on the implementation of the projects within the previous perspective period. In 2016, the focus of activities is redirected to the new perspective. A normative framework was set with the adoption of the Regulation on the use of European cohesion policy funds for the 2014–2020 programme period and the adoption of laws on the realisation of budgets. The implementation plan of the Operational programme for implementation of the European Cohesion Policy was also prepared and confirmed, based on this programme the decisions on support adopted so far have exceeded EUR 400 million. The first co-financing contracts for investment projects in infrastructure have been signed (drainage and purification of waste water, drinking water, Draženci–Gruškovje motorway). In March 2016, the government adopted the first systemic report that bases on the self-assessment of participants implementing the European cohesion policy. The report envisages the measures for systemic acceleration of implementation. We estimate that the year 2016 will despite all measures remain slightly weaker, but the implementation will stabilise in 2017 on the basis of annual activities in the scope of around EUR 500 million.

## 5. PREPARATION PROCESS

The National Report Programme 2016–2017 was harmonised at the inter-ministerial level, i.e. on the government's regular sessions. The first draft of this document was sent to social partners and was discussed at the session of the Economic and Social Council on 16 March 2016. Oral and written comments of social partners were included in the document. The second draft adopted by the government was sent to the National Assembly of the Republic of Slovenia. MPs discussed the text draft at the following National Assembly's committees: Committee on Finance and Monetary Policy, Committee on the Economy, Committee on Labour, Family, Social Policy and Disability, Committee on Education, Science, Sport and Youth and the Committee on EU Affairs. The second draft was once again discussed at the session of the Economic and Social Council on 8 April 2016.

The discussions at the Economic and Social Council and the committees of the National Assembly have been taken into account *mutatis mutandis* in the final version of the National Reform Programme that was finally confirmed at the session of the Government of the Republic of Slovenia on 14 April 2016.