

NATIONAL  
REFORM  
PROGRAMME  
2018  
**SLOVENIA**

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## INTRODUCTION

The National Reform Programme is the annual document of every EU Member State, which consists of measures to achieve the main Europe 2020 Strategy objectives and planned priority policies, and describes the key obligation of the state in the European Semester process.

In November 2017, the European Commission adopted the Annual Growth Survey, which marks the beginning of the European Semester for the harmonisation of economic policies for 2018. In the relevant survey, the Commission asks EU Member States to enhance their efforts in three priority areas of economic policy: promotion of investments, implementation of structural reforms and provision of responsible fiscal policies.

In February 2018, the European Commission adopted the Country Report and the In-depth review for Slovenia for the past year, where it was determined that, after six years Slovenia is no longer experiencing macroeconomic imbalances. The key notes were that government debt is declining, investments are increasing, the banking sector has improved, the business sector has less debt, and positive movements are further observed in the labour market. A welcome novelty in country reports is the inclusion and review of indicators of the European Pillar of Social Rights, giving an additional emphasis on the social dimension of the EU and its Member States.

Positive assessments confirm the work done so far and positive effects of the reforms and measures implemented in recent years. Economic conditions in Slovenia have been improving since 2014. At the beginning of 2017, gross domestic product reached the pre-crisis level. The gap in Slovenia's economic development in comparison to the EU average measured in gross domestic product per capita in purchasing power standards also began closing in 2016. Economic growth is broad-based. With the simultaneous improvement of exporters' competitiveness, foreign demand enabled relatively high export growth. In this period, uncertainty declined significantly in the domestic environment, to which economic policy measures contributed greatly, particularly the rehabilitation of the banking system and gradual meeting of commitments in the fiscal field, which improved Slovenia's image in financial markets. Household consumption has been rising since the end of 2013; it is encouraged by favourable movements in the labour market and high confidence of consumers. Investments in fixed assets, which fluctuated somewhat in previous years due to the dynamics of absorption of EU funds at the end of the previous financial framework, visibly increased, particularly in 2017. Investments in machinery and equipment have been growing since 2014, and a revival of investments in housing started in mid-2016, which was reduced in the crisis by almost 60%.

After 2013, conditions in the banking system visibly improved. The extensive recapitalisation of banks at the end of 2013 contributed significantly to this, including the transfer of a large share of bad loans from banks to the Bank Asset Management Company. The quality of bank assets was thus substantially improved. The business results of banks have also improved significantly in recent years. Due to the increase in loans to companies, total lending activity increased in 2017 for the first time since 2010. Banks are important sources of financing for companies, which, in addition to favourable business results, also began using their own funds to finance current production and investments.

Labour costs per product unit have been falling since 2011, faster in the tradable sector, where they are already lower than before the onset of the crisis. This has had a beneficial effect on the growth of Slovenian exporters' market share, which has been increasing since 2012. The indebtedness of companies with banks, which reached its peak at the onset of the crisis, decreased to the level before the acceleration in 2005, and the capacity of companies to repay their debts was also greatly improved. After multi-annual extensive deleveraging of commercial banks abroad, reducing the state's liabilities to foreign portfolio investors, and increasing foreign receivables of the banking sector, the net international investment position was also reduced in 2017 under the indicative level. After high growth, general government debt has also been falling since 2016, and stood at 73.6% of GDP in 2017.

The key objective of the country's future economic policy must be to provide conditions for maintaining sustainable economic growth without overheating and with a special emphasis on

measures which ensure an increase in added value per employee. With this approach, the completion of gradual public finance consolidation may be assured, and the conditions and fiscal space may be created to increase the resilience and absorptive capacity of the economy to mitigate the effects of the next turn in the business cycle. Further measures to make public finance more transparent must be planned, including an efficient and measurable target-oriented use of public funds. With a timely reform of the pension system and prompt reform of the health system and the long-term care system, these measures address the key long-term public finance challenges of ageing population. The key measures of the country's future economic policy would thus have to be aimed at four priority fields as indicated in Slovenia's Development Strategy:

1. further improve the Slovenian business environment to ensure better competitiveness in order to support an open economy directed towards exports;
2. determine priority fields for public investments being financed from domestic budgetary and European funds and priority fields to support private investments;
3. eliminate discrepancies between the results of the educational system and the needs of the business sector, and enhance investments in development, research and innovations as per the Skills Strategy;
4. form suitable policies in the labour market, including a target-oriented policy for the young and the elderly.

## 1. MACROECONOMIC FRAMEWORK

The Spring Macroeconomic Forecast 2018<sup>1</sup> anticipates further high economic growth (5.1% in 2018), which will continue to be broad based. The forecast is based on very favourable economic conditions in the international and domestic environments and the continuation of high expectations of companies and consumers. The main reasons for this year's high growth lie in further high rise in exports and investments and the acceleration of private consumption under the influence of favourable conditions in the labour market and optimism among consumers, including improved competitiveness of companies in recent years and a favourable export structure. In the field of investments, increase in all segments is expected, i.e. in construction (residential and infrastructure investments) and investments in equipment and machinery, which will be further promoted by high utilisation of production capacities and good business results of companies, in addition to rising demand. In the next two years, economic growth will remain at a relatively high level (3–4%), and will then level off.

The employment rate will still be quite high this year. It will gradually decline, with a slightly higher level of activity by, and employment of, foreign citizens, particularly due to the decrease in the available workforce. With the anticipated rise in employment, unemployment will continue to decrease. In the 2018–2020 period, wage growth will move within the framework of anticipated productivity growth. A further reduction in unemployment and growing limitations of companies when seeking (particularly skilled) workers, will gradually lead to higher impact on wage growth. However, the tendency to maintain a competitive position will further have a significant effect on the structure of wages in the private sector (particularly in the tradable sector) so that wage rises will remain consistent with productivity. With regard to this year's agreements, the wage rise in the general government sector will increase in 2019.

After somewhat higher inflation in 2017, which followed a period of very low price growth or deflation, similar price movements are on average also expected in 2018. The relatively low cost of raw material will particularly contribute to this. Under the influence of high economic growth and private consumption in particular, core inflation will be about 2%.

In the 2018–2020 period, the Slovenian economy will be relatively high in the positive phase of the business cycle, but not all indicators confirm this clearly. The changing trends in the output gap show that the Slovenian economy will already be high in the positive phase of the business cycle in the forecast period. Fast growth in the real estate market (the scope of transactions and prices), certain indicators of a lack of workforce and historically high exploitation of production capacities in processing and service activities also point in this direction. On the other hand, financial price indicators, which only started to indicate positive movements and which are to continue at a moderate pace, reveal the economic take-off phase to be less mature. Inflation remains moderate, and wage rises this year are expected to stay below productivity growth. The lending activity of banks (particularly loans to companies) will be significantly below pre-crisis levels in spite of a gradual increase. The current account surplus, which reached record values in 2017, will further improve (in connection with the continuing low volume of investments and moderate private consumption).

## 2. MEASURES TO ACHIEVE THE EU COUNCIL RECOMMENDATIONS

### 2.1. Recommendation 1

Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which translates into a substantial fiscal effort for 2018. When taking policy action, consideration should be given to achieving a fiscal stance that contributes to both strengthening the ongoing recovery and ensuring the sustainability of Slovenia's public finances. Adopt and implement the proposed reform of the healthcare system and adopt the planned reform of long-term care, increasing

<sup>1</sup> IMAD, March 2018,

cost-effectiveness, accessibility and quality care. Fully tap the potential of centralised procurement in the health sector. Adopt the necessary measures to ensure the long-term sustainability and adequacy of the pension system.

## **Fiscal policy**

Slovenia's priority is a balanced structural balance of the general government sector in 2020, when the medium-term objective is attained and thus the commitments of the Fiscal Rule Act. The development-oriented gradual public finance consolidation is continuing in 2018 with the adopted state budget, which is reflected also in the budgets for 2018 and 2019. As per the adopted priorities, the focus is on policies and projects involving infrastructure, health, security and science. More emphasis will also be placed on the utilisation of non-refundable funds in the form of financial instruments. The Statistical Office published preliminary data for 2017 on the general government deficit, which amounted to 0.0% of GDP, i.e. the planned deficit reduction was exceeded. A surplus of 0.4% of GDP in 2018 was planned in the 2018 Draft Budgetary Plan<sup>2</sup>. The rules of the Stability and Growth Pact at the time of fast economic growth or during so-called good economic times require increasingly faster public finance consolidation, which is more complex than the extensive consolidation attained in recent years. After exiting the procedure of excessive deficit, Slovenia is continuing to consolidate public finance, which amounts to about one percentage point of GDP per year at the nominal level, whereby it is strictly determined that expenditure growth lags behind the growth in revenue. Faster consolidation in Slovenia is not advisable, since it may jeopardise economic growth.

Government debt expressed as a percentage of GDP is also decreasing, i.e. from 82.6% of GDP, the highest level reached in 2015, to 73.6% of GDP in 2017. According to the first estimates, the debt will drop below 70% of GDP by the end of 2018. Slovenia is reducing debt faster than anticipated in the debt rule in the Stability and Growth Pact. In 2018, Slovenia is continuing to actively manage its government debt. The liabilities of the state are financed and refinanced with more affordable new debt with longer maturity deadlines, which is why fewer funds for paying interest will be earmarked from the state budget in the forthcoming years, and the risk of refinancing was reduced due to an increase of the average debt's maturity.

By amending the Public Finance Act<sup>3</sup> linked with medium-term planning of fiscal policy, two new documents are being introduced, i.e. the National Development Priority Programme and the Medium-term Fiscal Strategy combined in the Framework for preparing the general government budget (hereinafter: the framework) and the Stability Programme. On the basis of relevant documents, the drafting of the framework for preparing the budget and later the preparation of the state budget will be somewhat extended. But the added value lies particularly in the fact that the framework and the state budget will be drafted in compliance with the requirements of the regulations of the European Union, and the Constitution and the act adopted on its basis<sup>4</sup>.

## **Health system**

The new Health Care and Health Insurance Act was drafted in 2016, and submitted for public discussion and the opinion of social partners at the beginning of 2017. Harmonisation of the proposed act with the representatives of the Economic and Social Council and other key stakeholders continued in the same year. At the beginning of 2018, the proposed act was submitted to the Economic and Social Council and the coalition partners. The proposed act will affect the operations of the Health Insurance Institute of Slovenia (ZZZS), the arrangement of rights and obligations arising from compulsory health insurance, procedures for exercising rights, and the package and standards of rights. It further also intervenes in fields referring to the management of occupational diseases and recourse claims. A significant section of proposals refers to the manner and sources of financing, such as the unification of the insurance base, contribution rates and categories of insured persons. Meanwhile, the financing of certain expenditure currently paid by the ZZZS will gradually be transferred to the state budget by 2021 (amendments to the Medical Practitioners Act).

<sup>2</sup> See also the amendment to the 2018 Stability Programme.

<sup>3</sup> Public Finance Act (ZJF-H) (Official Gazette of the Republic of Slovenia [*Uradni list RS*], No. 13/2018).

<sup>4</sup> The Stability and Growth Pact, the Constitution of the Republic of Slovenia and the Fiscal Rule Act.

In cooperation with the European Commission's Structural Reform Support Service, certain projects will be implemented in 2018. One of the important ones is a two-year project, 'Planning and managing the public health-care service network'. The purpose of the project is to prepare tools and establish mechanisms for managing the public health-care service network from the viewpoint of fair access, the changing needs of the population, high-quality and safe health care and the rational use of resources.

In 2017, the Act Determining Intervention Measures to Ensure the Financial Stability of Public Healthcare Institutions (at the secondary and tertiary levels) was adopted, which also anticipates the reorganisation of public hospitals in addition to one-off measures for immediate financial recovery. For this purpose, 15 public hospitals received EUR 136 million of budgetary funds for the payment of overdue liabilities and certain loans. All hospitals which received the funds must audit the use of these funds by the end of May 2018. Reconstruction processes with reconstruction managements were introduced in these hospitals, which are responsible for preparing restructuring programmes and implement them. A reorganisation committee was appointed at the level of the ministry, which submitted starting points to the hospitals at the beginning of February 2018, and determined deadlines for the preparation of recovery plans. The purpose of the project is to ensure business and payment stability of public hospitals with the simultaneous provision of high-quality health services no later than by December 2021.

### **Long-term care**

The ageing of the population is one of Slovenia's key long-term challenges. The new systemic arrangement of this field was prepared in 2017 in the proposed Long-term care act and insurance for long-term care. The proposal pursues basic objectives, such as access to high-quality services, sustainable financing, comprehensive treatment of patients, promotion of care at home or in the community. Preparations for the implementation of pilot projects also started in 2017, which will be initiated in 2018 within the framework of which the proposed legislative solutions regarding long-term care will be tested in three pilot environments (urban, rural and semi-rural) in Slovenia's eastern cohesion region. The implementation of projects will be supported by the European Social Fund. The testing will involve key tools for eligibility assessment, new services and coordination between all key participating stakeholders. Social partners will be informed promptly of the results. In certain sections, the preparation of pilot projects is also supported by the Structural Reform Support Service of the European Commission.

### **Pension system**

The latest long-term projections of expenditure on pensions reveal that the pension system is sustainable in the short term. The total positive effects of pension reform in 2013 and economic growth are continuing, with a slow rise in the number of newly retired persons, extending the period of contribution payment and increasing the actual retirement age.

In recent years, the inflow of all new old-age pensioners was reduced from 29,914 persons in 2012 to 15,894 persons in 2016. The rate of the rise in the average number of old-age pensioners in 2016 was considerably below the growth in previous years and lowest in the last 20 years. The annual rise in the number of old-age pensioners, excluding partial pensioners, amounted to only 1% in 2017 (about 4% before 2014), while the rise in the number of all pensioners amounted to 0.2% (about 3% before 2014). The actual average retirement age for new pension beneficiaries is thus increasing for men and women. In 2017, the average age of women upon retirement was 60 years and 2 months, which is 1 year and 8 months more than in 2013. For men, the age has increased since 2013 by 1 year and 2 months to 62 years and 1 month in 2017. The recent reform namely prevented retirement at the age of 61 for women and 63 for men with 20 years of employment, and a suitable system of rewards was introduced for extending labour activity (a bonus system for postponing retirement, 20% of pension if meeting the conditions and remaining active). The number of people taking advantage of these bonuses has been rising over the years. The reduction of early retirements (deductions in the case of early departure from the labour market) also affects the increase in the retirement age. A trend in the increase of age is also expected in the future.

The ratio between the number of insured persons and compulsory insurance pension recipients is also improving, and has increased from 1.38 in 2013 to 1.49 in 2017. Increased employment and the subsequent inclusion of younger categories of insured persons in the pension and disability insurance system on the basis of student work also had a positive effect on the increase in the ratio.

Following the adoption of the White Paper on Pensions,<sup>5</sup> the Economic and Social Council adopted the 'Starting points for renewal of the pension and disability insurance system' in mid-2017, which was an important step towards the further development and stability of the public pension system. Trust among all generations in the public pension system is increasing and is important particularly in terms of social dialogue. Joint starting points set suitable amount of pension and financial sustainability of the public pension system as two equivalent objectives. Social partners agree that an additional increase in the actual retirement age is necessary, and simultaneous or earlier measures in the labour market which contribute to the early employment of young people and prolonged activity of the elderly. The objective of the document is to adopt new legislation in this field by the end of the transitional periods of the current pension legislation (by 2020), which would be implemented gradually with longer transitional periods subject to previous agreement. On the basis of the policies in the 'Starting points', statutory amendments in the field of pension and disability insurance in Slovenia effective after 2020 will be prepared on time and will be adopted according to a standard procedure in cooperation with social partners.

The Strategy for a Long-Lived Society defines the vision and main objectives when forming responses to challenges wrought by the changed age structure of the population in Slovenia. It also presents the strategic guidelines and objectives regarding employment, independent life, inclusion in the society and the formation of an environment for active life throughout the entire lifespan.

Harmonisations on the establishment of a demographic reserve fund took place in 2017 in order to ensure the long-term sustainability of the pension fund and public finance. The purpose of the fund is to finance compulsory pension and disability insurance after a certain period on the basis of intergenerational solidarity, i.e. by managing own assets, the assets of pension funds and additional financial assets.

With the help of the Structural Reform Support Service of the European Commission, various possible incentives, raising awareness and promotion for the more intensive participation of individuals in supplementary pension insurance will be examined in 2018. The activities regarding occupational retirement provision will also continue, within the framework of which a project co-financed by the European Social Fund will be implemented. Its objective will be to develop a monitoring model of risks to which workers working in difficult and harmful workplaces are exposed, and the consequences for their health in comparison with other workers from the aspect of the health situation and health and safety at work.

In the context of establishing a suitable environment and enabling the extension of people's labour activity, a new resolution on the national programme for health and safety at work is in the process of adoption which anticipates three-year action plans determining concrete measures, providers of measures, financial resources, deadlines and the method of monitoring the implementation of measures.

## **2.2. Recommendation 2**

Intensify efforts to increase the employability of low-skilled and older workers, particularly through targeted lifelong learning and activation measures.
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<sup>5</sup> [http://www.mddsz.gov.si/fileadmin/mddsz.gov.si/pageuploads/dokumenti\\_\\_pdf/dpd/2Bela\\_knjiga\\_o\\_pokojninah.pdf](http://www.mddsz.gov.si/fileadmin/mddsz.gov.si/pageuploads/dokumenti__pdf/dpd/2Bela_knjiga_o_pokojninah.pdf)



## Employment

The situation in the labour market improved in 2016 and 2017; however, certain structural challenges remain. In 2017, some legislative bases to further improve the functioning of the labour market were adopted, particularly in the field of effectively activating the elderly, the less educated, the young and long-term unemployed people.

When the Labour Market Regulation Act in 2017 was amended, additional incentive for employing people with lower or upper secondary education who receive unemployment benefits was introduced. If these persons find employment, they are entitled to a wage supplement in the amount of 20% of the last paid net cash benefit. Furthermore, signing on to the register of job seekers already during the notice period became mandatory, which will further accelerate the transition to the labour market. Measures for sanctioning violations while registered with the Employment Service of Slovenia were also adopted in regard to the unemployed in order to activate and reintegrate them into the labour market.

In addition to the existing measures for long-term unemployed persons, the preparation of a special integration employment plan was introduced in 2017. After 12 months of unemployment, the Employment Service of Slovenia prepares an assessment of the situation, advantages and fields for improving employment possibilities. While adjusting working with the long-term unemployed and the elderly, cooperation with social work centres was also enhanced.

Several measures to promote employment of the elderly were implemented in 2017 and they will also continue in the future. These measures also include the project, 'Active until retirement', within the framework of which employers receive financial incentives. There is also an intervention measure reducing labour costs for employers and the 'Zaposli.me' project. The implementation of measures for elderly employees also began. Within the programme, 'Comprehensive enterprise support for the active ageing of the workforce', companies will prepare their strategies for the efficient management of elderly employees and their participation in training or motivational programmes. The project of comprehensive psychosocial support for companies for the active ageing of the workforce for managing various risks has also begun. The measures and programmes are partly co-financed by the European Social Fund.

Several measures were implemented within the framework of the Youth Guarantee Scheme which facilitate the transition from education to the labour market in the short and long term. One of the long-term measures is the ongoing upgrade of the consulting process at the Employment Service of Slovenia to increase the quality of consulting offered to the unemployed and to empower young people to assume responsibility for efficiently managing their own careers.

To create high-quality jobs and prevent the negative effects of the increase in atypical forms of labour, the project, 'Support for labour market stakeholders', co-financed by the European Social Fund, is already being implemented. The project focuses on connecting key stakeholders in the labour market in order to reduce the share of the illicit use of atypical forms of labour and raise awareness of the concept of decent work. Another project was also initiated in 2017 whose purpose was to obtain a comprehensive insight into precarious work and the effects of such work on the individual and society as a whole, and to obtain the basis for forming further measures to limit the adverse effects of precarious work from the viewpoint of legal, economic, social and health protection. Solutions regarding the increasing impact of digitalisation on work processes will be sought in the future.

Several projects to enhance social partnerships were initiated in 2017, which are supported by the European Social Fund. The projects are intended for an exchange of good practice in the field of social dialogue, education and training, the development of new solutions regarding efficient functioning of the labour market and legal protection of employees.

## Training

The main focus is on implementing the programme, 'Competence centres for human resources development', which *inter alia* improves the competences of employees and promotes the transfer of good practices between companies in the field of human resources development. In 2017, over 240

companies involved in sustainable construction, factories of the future, sustainable tourism, the tool industry, electrical industry and circular economy were participating in the programme. The programme will continue in 2018, while new informal education and training of employees are anticipated to improve their general and generic competences and mobility in the labour market. In the light of forthcoming changes in the labour market, the cooperation of social partners is important to improve the system of training and for obtaining new skills.

It is anticipated that unemployed people will also be participating in the apprenticeship system within the active employment policy in 2018. Training and education measures will be adjusted to the needs and special requirements of the local labour market. In 2018, the programmes, 'Practical programmes for employment promotion' and 'Training workshops', will commence.

### 2.3. Recommendation 3

Improve the financing conditions, including by facilitating a durable resolution of non-performing loans and access to alternative sources of financing. Ensure the full implementation of the bank asset management company strategy. Reduce the administrative burden on business deriving from rules on spatial planning and construction permits and ensure good governance of State-owned enterprises.

#### Non-performing loans and the Bank Assets Management Company

When dealing with bad debts, Slovenia is one of the more successful countries in the euro area, where the financial crisis also resulted in a high share of non-performing loans. The quality of the portfolio of the Slovenian banking system<sup>6</sup> according to the data of the IMF<sup>7</sup> is the median of the euro-area countries. Slovenia's poorer position in comparison with the EMU countries<sup>8</sup> is revealed in the data of the European Central Bank, which take into account the consolidated reporting of banks in Slovenian banking system. The consolidated base also includes subsidiaries in the countries of South-East Europe, where economic recovery is slower than in Slovenia. Since 2015, the dispersion of the share of NPE (non-performing exposures) by countries has been declining, and is concentrated around the average of 8%. Non-financial undertakings, as the segment with the largest burden of bad loans, were saved by the banks in a more organised way, e.g. with an MRA approach, sale of portfolios, transfer to the BAMC and write-offs. In the recent period, economic recovery has also been seen in the increased repayment of loans. In October 2017, the segment of undertakings still represented the largest share in overall claims in default for more than 90 days and in NPE. Furthermore, active undertakings have reduced their indebtedness in recent years to the level before the crisis and are attaining a lower default rate. Compared to 2013, the default rate dropped from 20.9% to 2.5% for small and medium-sized enterprises in the third quarter of 2017, or from 24.1% to 0.7% for large enterprises. The share of claims in default for more than 90 days against enterprises amounted to 6.2% in October 2017, and the share of NPE was 14.1%.

Activities in 2018 will be aimed at further realising the 2016–2022 BAMC Business Strategy. The financial objective of the BAMC is to ensure the highest possible return, to pay off bonds with government guarantees that were issued in payment for transferred funds and to create the required return on the initially paid-in capital by the Republic of Slovenia. As per the above, one of the objectives is to restructure companies if this is economically justifiable, and to contribute to the re-definition of the sustainable operation of the real-estate and other markets in Slovenia. Another objective is to intensively manage assets, and additionally invest in these assets to optimise their

<sup>6</sup> In this case, the quality of the portfolio of the Slovenian banking system is measured by the share of claims in default for more than 90 days.

<sup>7</sup> The data were submitted by national supervisors. Loans or broadly defined claims in default for more than 90 days are reported as NPL (non-performing loans). Furthermore, claims whose payment of interest within 90 days is added to the principal, which are refinanced or whose payment deadline is extended are also included. NPL claims not in default for more than 90 days, but emerging soft signs of non-performing assets according to the definition of the national supervisor, such as e.g. start of bankruptcy, are also subject to reporting. Euro-area members as per their membership in 2015, which includes 19 countries, were featured in all display periods.

<sup>8</sup> The EBA and other ECB bodies frequently present Slovenia in international comparisons with only SSM banks (only the three largest banks), which places Slovenia significantly higher on the scale of EMU countries.

business potential and increase their realisable value. The criteria for establishing the economy, effectiveness and performance of the BAMC (agreed in guidelines) are determined for operations of the BAMC at the annual level and are thus regularly monitored (also serve for supervision<sup>9</sup>).

By the end of October 2017, the BAMC was operating within the limits anticipated in the guidelines regarding cost efficiency, while possible deviations have so far been suitably accounted for.

## **Banking sector and regulatory changes**

In 2017, the banks made the management of non-performing loans a strategic objective. They drafted strategies for handling non-performing loans, established an organisational structure and increased the number of staff (in the past, they already approached the Slovenian principles of the financial restructuring of corporate debt and establishing systems for the early detection of increased credit risk). The activity of the Bank of Slovenia also contributed to reducing the share of non-performing loans, because it formed the guidelines for the gradual elimination of impairments for investments, for which banks signed a master restructuring agreement (MRA), recast reporting to the Bank of Slovenia, prepared guidelines for the Early Warning System in banks (i.e. EWS) and for optimising processes in banks (restructuring of non-performing loans). In cooperation with the World Bank and while consulting the Slovenian banking sector, the Bank of Slovenia prepared the 'Manual for managing non-performing loans of micro, small and medium-sized enterprises (MSME)' in 2017. The changes in the legal arrangements of banking are also vital for improving the management of non-performing loans as a result of the comprehensive reform of the regulatory framework of financial services at the level of the European Union.

It is expected that further measures to amend banking legislation will have further beneficial effects on improving banks' performance in 2018, particularly regarding the efficient management of non-performing loans. In addition to the foregoing, a significant positive result may be expected from establishing the Capital Markets Union, whose purpose is to enhance the European financial system by providing alternative funding sources and more opportunities for consumers and institutional investors. The European Commission also proposes new measures to reduce the scope of bad loans, and assistance to banks to disperse their investments in state bonds. It also advocates progress when establishing the European deposit insurance scheme (EDIS), which will ensure deposit guarantees for citizens in the banking union at the central level, which is one of the key elements missing from the banking union. Measures to establish a common fiscal backstop as a last resort are also anticipated, to which Member States committed already in 2013, and which will ensure solidity of the system, and that the Single Resolution Fund has sufficient sources to intervene also in the case of helping several large banks simultaneously. The banking union is based on stricter rating requirements for banks. It consists of bank supervision, rules for managing distressed banks and better protection of investors. The first two pillars were introduced with the establishment of a single supervisory mechanism and single resolution mechanism, while the common system for deposit protection has not been established yet. A completed banking union, together with the Capital Markets Union, will promote a stable and connected financial system in the EU and will be of key significance for the future of the Economic and Monetary Union.

## **Financing enterprises**

The key measure in the field of financing promotion in 2017 was the implementation of preparatory activities for the project, 'Financial instruments 2014–2020' (EU funds). The Ministry of the Economy as the intermediary body and the SID bank concluded the funding agreement in the amount of EUR 253 million, which also includes the Investment Strategy and the Business and Financial Plan of the Fund of Funds by 2023. The first transfer of funds (first tranche) in the amount of EUR 63.25 million was also executed. Financial instruments are divided according to fields (research, development and

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<sup>9</sup>In June 2017, the BAMC had already realised more than half of the value of assets which had been transferred to it from Slovenian systemic banks as risky. Thus by the end of October 2017, the BAMC had generated EUR 1,197.5 million of cash inflows. Although the task/milestone of the BAMC was to cumulatively generate EUR one billion of inflows only in 2019, this milestone was reached already in May 2017.

innovations, MSMEs, energy efficiency and urban development); as per the Investment Strategy, they include long- and short-term objectives and accompanying measures. The implementation of financial instruments will take place through financial intermediaries, which the SID bank will select as per the funding agreement. Activities to improve access to funding for medium-sized, small and micro enterprises through the SID bank, the Slovene Enterprise Fund and the Slovenian Regional Development Fund will be further implemented.

Slovene Enterprise Fund enables access to favourable financial resources in the form of subsidies for start-ups and seed capital (convertible loan, equity injections) combined with grants in the form of mentoring, training and networking, micro loans, and guarantees for bank loans with interest rate subsidies. The Fund also participates in the CEFOF (Central Europe Fund of Funds), while the SID bank granted favourable loans for the operations of MSMEs, microfinancing, hiring, investing and RDI from the Loan Fund for MSMEs (4 loan lines). It was also successfully implementing the instrument of 'patient loans' and developed concepts of new measures to promote investment and exports, which will commence in 2018. The Slovenian Regional Development Fund enabled access to favourable loan sources and to a lesser extent also in combination with subsidies or subsidies alone (in regions where autochthonous national communities live). It also published a tender for regional providers of guarantee schemes to whom long-term financial contributions for the implementation of regional guarantee schemes were transferred. In addition to the foregoing measures of implementing institutions, funding for RDI promotion through the Ministry of the Economy and the SPIRIT Slovenia Public Agency is also anticipated in 2018.

### **State asset management**

The Slovenian Sovereign Holding (SSH), as the manager of state-owned companies, will continue to ensure the conditions for the active management of investments in accordance with a multiannual management plan (Capital Assets Management Strategy and the Annual Assets Management Plan) and for the achievement of expected returns on capital. The key objective of state asset management is to create a return on assets of 8% per book value of equity in 2020. In the 2016 financial year, the SSH significantly improved the profit and loss of state-owned companies. The total return on capital of the Republic of Slovenia and the Slovenian Sovereign Holding amounted to 6.0% in 2016, which is 1.3 percentage points more than in 2015. The financial year of 2016 was successful also from the viewpoint of dividends, which the companies paid in 2017. The companies owned by the Republic of Slovenia and managed by the Slovenian Sovereign Holding paid EUR 211 million in dividends for 2016, which was EUR 69 million or 49% more than in the year before. From the share in the profits of companies in which it has equity shares, the Slovenian Sovereign Holding received EUR 46 million or EUR 2.1 million (4.8%) more than a year before. The growth in the profitability of equity points to the good management of state-owned companies, which is also reflected in the greater capacity of the companies to pay dividends and earmark part of their profits for growth and development.

The implementation of individual objectives of the Strategy is defined in the 'Annual asset management plan for 2018', which *inter alia* anticipates the sale of 14 state assets, including Abanka, d. d. Thoughtful privatisation in the segment of state-owned company portfolio will thus be continued. In connection with asset management, the SSH and BAMC, especially in cases where the state is withdrawing from ownership, will pursue the objectives related to ensuring company development, the preservation of jobs, retaining the company head office in Slovenia, respecting collective agreements and the employees' standard, respect for the Slovenian language and timely inclusion of employees' representatives in these procedures.

When managing assets for which the Government is responsible as per the Slovenian Sovereign Holding Act (ZSDH-1) and assets whose management is, or will be, the responsibility of the Government on the basis of other acts (assets in Slovenski državni gozdovi, d.o.o., 2TDK, Družba za razvoj projekta, d.o.o. and DRI upravljanje investicij, Družba za razvoj infrastrukture, d.o.o.), the

Government will pursue the applicable legislation and the OECD Guidelines on Corporate Governance of State-Owned Enterprises (hereinafter: OECD Guidelines<sup>10</sup>).

The separation of industrial policy and ownership increases the possibilities of the state's identifying as the owner and contributes to a more transparent definition of objectives and implementation of supervision. The Government will observe these guidelines in the spirit of the provisions of the State Administration Act (ZDU), which defines the competence of individual ministries for individual tasks so that it does not lead to a conflict of interest between the industrial policy and ownership functions of the state (particularly if competences for industrial policy and ownership functions are allocated to the same ministry). When the competence for exercising the rights of a partner or shareholder in connection with a certain asset is allocated to the Government, the Government will follow the general rule from the ZDU on the division of tasks between ministries. In order for the ministries to implement acts and their tasks harmoniously, the Government will instruct the ministries to refer the tasks relating to exercising the rights of a partner or shareholder in a company, with regard to which the tasks and powers of the general meeting are realised by the Government, to the ministry responsible for finance. The tasks referring to the formation and implementation of policies of individual line ministries relating to relevant companies will be implemented by line ministries.

## **Spatial planning**

The Spatial Management Act passed in 2017 determined a set of state rules governing spatial planning which establish cooperation and the harmonisation of interests between the state, its spatial planning authorities and municipalities. The harmonisation starts with the first development idea in order to avoid problems that occur most frequently on an operational level, and which may halt concrete investments in spatial development when these are already in the planning phase. The rule of assessing the impact of an individual spatial decision on the economy, society and the environment was introduced. The rules also determine the rational use of space, particularities of spatial planning for certain endangered areas with limitations and the sea, and directing of settlement development.

When drafting spatial acts, the scope of expertise is anticipated already in the starting phase of preparations, which also involves the cooperation of the spatial planning authorities (urban design, landscape design, economic study). A regional spatial plan is also being introduced, including an upgrade of the existing system of content, procedures and relations of spatial acts at the municipal level. The system proved rigid in practice, extremely time-consuming, complex and extensive in terms of content, which is why certain measures for its unburdening and flexibility are being reintroduced. With regard to the current content, the system of national spatial planning is being upgraded substantially. It enables a flexible procedure resulting in the adoption of a decree on a national spatial plan or the issue of a comprehensive permit and a decree on a protected area during a combined procedure for planning and granting permits. The comprehensive permit includes a building permit and environmental protection consent, while the decree on protected areas protects the implementation of arrangements for which the comprehensive permit was issued from introducing regimes which would prevent its implementation.

The land policy thus includes activities and measures for the public benefit, which enable the acquisition of land plots and their effective management, development and supply of utility services to building land, and financial resources of the land policy. As a novelty, the Act makes it possible for a municipality to obtain land plots in an area for the long-term expansion of a settlement, whereby it implements its mission of land management. The record of building land with data on build-up areas and data on development levels of non-build up land is a systemic solution for monitoring the development situation at the national and local levels. Its added value lies particularly in monitoring processes and changes in land development and its evaluation. The tax on unused building land plots is a novelty. The purpose of the new arrangements is for a planned building to be able to function normally not only as planned during its engineering, when the building permit was obtained and after its construction, but also during its existence and future use, which is essential. A building plot of a planned facility may consist only of the land where such rights of the current facility owner are

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<sup>10</sup> The OECD Guidelines particularly emphasise examples when state-owned companies are used as an instrument of industrial policy.

ensured and which enable them the permanent and unobstructed possibility of using the land for the needs of the regular use of the facility.

The Spatial Management Act is a general expropriation act (*lex generalis*), which determines the purposes for which real estate may be expropriated, whereby a public benefit must be expressed. However, the reasons for expropriation due to public benefit do not include accelerating economic growth and employment or balanced regional development. Additional reasons for expropriation are possible if these are regulated by special acts. For the purpose of investment promotion, this Act is being supplemented by the Investment Promotion Act.

### **3. REPLIES TO KEY CHALLENGES IDENTIFIED IN THE COUNTRY REPORT**

Since 2014, Slovenia has persistently improved its score on the global competitiveness index measured by the World Economic Forum (WEF). On the IMD index, Slovenia maintained its position (IMD: Global Competitiveness Report), while according to the WBG (Doing Business) research, it regressed by seven places, in spite of a slight reduction of the gap to the most successful global economies.

On the basis of reports on measurements of competitiveness, Slovenia has competitive advantages in education, openness of the economy, low inflation, social framework, innovativeness and technology readiness. Its competitive weaknesses include the labour market and financial market development (assessed particularly with opinion indicators of businesspeople), international investments, relations, values and institutions.

In the field of regulatory environment,<sup>[1]</sup> Slovenia has relative advantages in trade openness, the institutional framework for resolving insolvency (in the last WBG report, Slovenia was selected as one of three examples of good practice), access to electric energy and protection of small investors (where the Slovenian standard is close to, or above, the OECD average). Slovenia also ranks well<sup>[2]</sup> in the field of starting a business. On the other hand, Slovenia's weaknesses include the legal effectiveness of contracts (time needed for court rulings), access to loans (guarantee and bankruptcy legislation) and acquisition of building permits (time, costs and number of procedures).

Slovenia will continue to address the key challenges and fields where competitiveness lags behind other countries.

#### **3.1. Education and training**

In cooperation with the OECD, key challenges relating to skills were recognised in 2017 and the Skills Strategy was drafted, which is intended to enhance development, and activate and apply skills to improve employability, economic growth and social inclusion. An action plan is being prepared, which is expected to be completed by the end of 2018.

In January 2018, a new Adult Education Act was passed, which re-established a public network of institutions and ensured more stable financing. The network implements training to raise educational levels (primary school) and formal and informal programmes, particularly for less educated and other vulnerable groups of adults. Adults are also offered consultation, establishing and documenting knowledge and skills obtained through informal learning, mentoring in learning resource centres and at skills exchanges, promotional activities for recognisability and promotion of learning, including research and development tasks, which also include the training of adult educators and study material. In 2018, the target groups include particularly unemployed elderly people over the age of 50

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<sup>[1]</sup> World Bank Reports (Doing Business)

<sup>[2]</sup> According to the distance to the best scored countries; *distance to frontier* (DTF)

and elderly employees with a low education who lack key and professional competences, and other vulnerable groups.

At the end of 2017, the amended Vocational Education Act was passed, which improves the implementation of education at this level. The amendment determines the procedure for verifying learning places and establishes a uniform register of learning places at the national level. It also introduces an annex to a certificate which provides detailed, uniform and internationally comparable information to employers on vocational qualifications. Amendments also limit the duration of secondary school student status, which will reduce the possibility of fictitious enrolment.

Projects to promote vocational education in the 2016–2020 period are also being implemented with the help of European cohesion funds. The promotion expanded to shortage, rare and apprenticeship occupations at the national and local levels. The promotion takes place through media advertising and websites at the national level, and through direct contact between students and employers at the local level.

In 2017, the Apprenticeship Act was passed, which is essential for closer integration of the business sector and education and thus the faster inclusion of young people in the labour market. An apprentice will spend at least 50% of the educational programme on practical training at an apprentice learning place. Apprentices will be entitled to remuneration and social security as per labour regulations. Almost EUR 2.7 million is anticipated for the pilot implementation of apprenticeship by the end of 2021. Some EUR 28.4 million are earmarked to implement practical training by working, through which, incentives for employers will be provided to implement practical training and apprenticeship programmes.

### **3.2. Tax system**

In 2017, activities in the field of taxes focused to further pursue the objectives determined in the previous year. We strove to implement measures to enhance the competitiveness of the business environment and also pursued thoughtful gradual consolidation of public finances. The solutions are aimed at further restructuring of public taxes, reducing administrative burdens, simplifying the collection of public taxes, and increasing the effectiveness of collecting public taxes, all of which entered into force in January 2018.

To achieve the priority objective of improving the competitiveness of the Slovenian business environment, reducing the tax burden on labour and preserving new jobs, measures regarding personal income tax were adopted in 2017. New provisions were determined in the field of corporate income tax to limit abuse that refers to the system of establishing the tax basis through flat-rate expenses. Additional solutions within the framework of the Tax Procedure Act were prepared to reduce the administrative burden and costs. These involve the introduction of cashless payment of public taxes and their payment without the payment of commission at an administrative or other authority.

The new Real Property Mass Valuation Act adopted in 2017 is an important step in the direction of improving the market value assessment system of real estate also for the purpose of taxation, on which basis valuation models will be upgraded or revised in this year, so that values are adjusted to the latest situation in the real-estate market. This task will lead to new generalised values, which means that data on values could also be used for the taxation of real property in the future.

In 2018, within the framework of the Centre for Tax Policy and Administration, Slovenia will coordinate activities linked with a review of broader policy of reducing the tax burden on labour in cooperation with the OECD. According to the needs to reduce the tax burden on labour, the content of the OECD review in cooperation with all relevant ministries will be aimed at analysing key elements which could have a positive effect on reducing the tax burden from the viewpoint of tax policy, while ensuring the sustainability of all public budgets and preserving the attained level of social security. In this way, the option of preparing a new comprehensive approach from the aspect of all elements affecting the burdening of labour will be made possible. Slovenia will thus prepare starting points for systemic changes, because we know that the development of measures in the past also through a system of tax reliefs, exemptions and special regimes for certain groups of liable persons has led to a complex

and non-transparent tax system. We will also examine the elements of an even and fair distribution of the tax burden regarding the source of individual tax (income tax, consumption tax, capital tax and property tax) and also with regard to who actually carries the burden of tax.

In the light of restructuring the public burden, activities with regard to excise duties on energy products will be continued to encourage the search for alternative resources due to the technological development and the shift from fossil fuels. While defining a set of possible measures, environmental objectives will be promoted and attained in order to ensure greater effectiveness of applicable measures and thus prudence when using budgetary resources.

### **3.3. Amended financing of municipalities**

The amendments to the Financing of Municipalities Act (ZFO), which entered into force in January 2018, eliminate the increase in the basis for calculating lump-sum payments due to inflation in previous years (elimination of indexation). The Act also determined the framework for preparing general government budgets on the basis of the act governing the fiscal rule, which means that determining the amount of lump-sum payment depends on the public finance situation in the country. The improved public finance situation was followed by a gradual increase in lump-sum payments.

The weights for calculating the suitable expenditure of municipalities were amended in the Act in order to eliminate discrepancies between the structure of costs and the value of weights important for establishing suitable expenditure due to the demographic characteristics of municipalities. The provision on co-financing the organised joint implementation of individual tasks of the municipal administration was also amended in the Act. The purpose of the amendment was to optimise the number of joint municipal administrations with the minimum number of participating municipalities and to increase the selection of tasks performed by the joint municipal administration and co-financed by the state.

### **3.4. Wage and employee system in the public sector**

In December 2016, the Government of the Republic of Slovenia and public sector unions concluded the 'Agreement on measures for labour costs and other measures in the public sector', which applied in 2017 and partly also in 2018.

As per the relevant Agreement, from which the commitment about the elimination of anomalies or suitable classification in salary grades as per the evaluation of workplaces or titles in the public sector arises, annexes to collective agreements were concluded and decrees were adopted, which partly eliminated the anomalies. Negotiations on eliminating the remaining anomalies when evaluating workplaces and titles in the public sector wage system took place also in the second half of 2017 and 2018.

In 2018, the Government insisted on preserving the concept of a uniform public sector wage system for all budget users and the elimination of its deficiencies, while complying with the commitments made to the public sector unions. Since certain measures that are still applicable will be abolished in 2019, new negotiations on the systemic arrangement of labour costs in the public sector may take place, depending on macroeconomic circumstances and while observing the objective of public finance consolidation. Rises in the public sector pay should be linked to key macroeconomic parameters, i.e. productivity development. It would thus be ensured that pay increase in the public sector do not differ significantly from increase in the private sector.

Certain solutions regarding the public sector wage system are being prepared which would contribute to better flexibility and the elimination of automatic mechanisms when determining wages. In cooperation with social partners, solutions are also being drafted which pursue better efficiency, the simplification of business operations and faster adjustment to the needs of a work process.



### 3.5. More efficient management and governance in public administration

A stable legislative and business environment is ensured with the implementation of the 'STOP the bureaucracy' project. The single set of measures has been supplemented with new proposals from the business sector and citizens. In 2017, 43 measures were added, whereby the line ministries increased the realisation of existing measures by an additional 6%, so that the current realisation amounts to 65%.

Since June 2016, the application support for the preparation of a regulatory impact assessment of the economy/SME test is available to regulatory authorities, which in a systematic and structured manner guides them through key questions or definitions that need to be addressed when making impact assessments of regulations on the economy, particularly on small and medium-sized enterprises. Since January 2017, the preparation of the SME test is mandatory for all new acts. The SME test has been available on the e-demokracija website since 23 February 2018, enabling the participation of the entire interested public.

The operational plan of the Single Business Point was prepared in 2017; it was developed on the basis of an analysis of needs and the user experience, and represents the direction of service development in the e-VEM entrepreneurship portal. The e-VEM portal is being constantly upgraded. The portal will be subject to radical renewal and upgrading in the coming years.

As part of the reorganisation of state administration informatics, a new method of managing information and communications systems of state administration, joint planning of financial resources for IT technology, implementation of public procurements, implementation of management support system on the first and partly on the second level have already been established, and a legal framework for introducing a uniform information security system has been prepared. Approximately EUR 12 million were saved from 2015 until the end of 2017 on the basis of informatics centralisation in state administration.

A legal framework for ensuring information security was formed in 2017 in the field of information security. As per the National Cyber Security Strategy and the European Directive<sup>11</sup> concerning measures to ensure a high common level of network and information security across the Union, which must be transposed into the national legal orders of Member States by 9 May 2018, the proposed Act on information security was drafted.

In 2017, Slovenia fully realised the state's real property management centralisation plan and thus the control of management costs, their optimisation and real planning. The centralisation project was concluded, and centralised management is underway. The assessed savings amounted to about EUR 3.1 million in the 2016–2017 period. Furthermore, revenue amounting to EUR 5.4 million was generated from real property management in the 2016–2017 period.

When adopting the Final report on implementation of the Programme of measures on the prevention of corruption for the 2015–2016 period – Zero Tolerance Towards Corruption<sup>12</sup>, in March 2017, the Government instructed the bodies carrying out the measures in the programme to continue executing activities linked to permanent measures and asked line ministries to prepare activities planned for the future. On this basis and on the basis of good experience of inter-ministerial cooperation, a new Programme of the Government of the Republic of Slovenia for enhancing integrity and transparency in the 2017–2019<sup>13</sup> period was adopted, which highlights measures for improving the integrity of institutions, public employees, officials and other employees in the public sector and increasing the level of operational transparency in the public sector.

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<sup>11</sup> Directive (EU) 2016/1148 of the European Parliament and of the Council of 6 July 2016

<sup>12</sup> [http://www.mju.gov.si/en/media\\_room/news/8182/](http://www.mju.gov.si/en/media_room/news/8182/)

<sup>13</sup> [http://www.mju.gov.si/en/media\\_room/news/8592/](http://www.mju.gov.si/en/media_room/news/8592/)

### **3.6. Public procurement**

In 2017<sup>14</sup>, contracting authorities awarded 169 contracts (sets) in public procurement procedures through electronic auctions. The estimated savings due to the use of electronic auctions arising from average market prices was about EUR 5 million or 13.3%. The share of contracts for which electronic auctioning was used in all awarded contracts was 1.14% of all contracts, which accounted for 1.26% of the value of all contracts awarded.

The share of all public contracts awarded in which electronic auctioning was used increased significantly, i.e. by 100%, in 2017 compared with 2016. The rise in the number of, and an increase in savings of, other awarded public contracts where electronic auctioning was used are also evident.

The technological renewal of the information system for the implementation of electronic public procurement (eJN) began in 2017, while individual modules of the existing system will be combined into a comprehensive system in 2018.

It is anticipated that an action plan regarding public procurement, with detailed measures and short- and medium-term objectives will be prepared and adopted in March 2018; the objective is to improve the quality and efficiency of the public procurement system. Special attention will also be dedicated to promotion and the effective implementation of strategic public procurement, social criteria and solutions for the prevention of social dumping.

Joint public procurements in the field of health were first implemented in 2015 and 2016. The Ministry of Health is purchasing medical equipment in a centralised manner for all hospitals. Such purchasing is supplemented with joint public procurements involving medicinal products and medical devices.

During this time, the e-Katalog was established, which is an information tool to support procurement processes, data collection on the needs of hospitals and use of various material. In addition to direct savings, it was revealed during the project that the indirect effects of joint public procurement are not negligible: hospitals accepted the designed technical specifications and standards for orders, which the central contracting authority has not yet awarded, and they thus started reducing expenses.

The project will be continued in 2018 with the purchase of medicinal products and medical devices. In this regard, it will first be necessary to conclude all public procurement procedures which are underway or planned. During this time, it will also be determined which procurements of medical devices are more suited to be implemented first from the viewpoint of efficiency and more economic management of hospitals. Appropriate and institutional solutions for organising the implementation of such procurements will have to be found for better long-term efficiency and quality of implementing centralised public procurement in health.

### **3.7. Promoting investments**

The adopted Investment Promotion Act includes a novelty concerning the equalising of domestic and foreign investors, since the same measures to encourage investment are introduced for domestic and foreign investors (investment incentives, conditions, criteria and procedure for allocating investment incentives, such as subsidies, incentives in the form of loans, guarantees and subsidised interest rates; a self-governing local community may sell real property to a company at a price lower than the market price on the basis of a direct contract on the purchase of real property). The Act also determines activities to promote investments and the internationalisation of companies. Strategic investment is determined in particular, including the determination of meeting the conditions. The Act also defines a new expropriation purpose for strategic investments, which are in the public interest and which contribute to the public benefit by accelerating economic growth and employment and balanced regional development.

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<sup>14</sup> The data on public contracts awarded in 2017 are not complete, since notifications on the award of public contracts can be published by contracting authorities within 30 days of concluding contracts as per the public procurement legislation.

The Promotion of Tourism Development Act also encompasses the intention to generate a more stimulating business environment for tourism development. Only in this way will it be possible to attain the planned increase in tourism turnover and revenue from this activity. To attain this objective, additional financial resources must be provided at the level of the state and municipalities (the tourist tax is being increased). In order to establish a more stimulating business environment for tourism development, the conditions for implementing the organisation and sale of tourist packages were also significantly simplified. The mitigation of conditions, including the omission of the condition of education and required work experience for managing and representing a travel organiser and agent in legal transactions, will undoubtedly have a stimulating effect on the development of small enterprises in particular, self-employment, new employment and a reduction of the grey economy. Due to the exceptional support for such a solution in public discussion and also from individual stakeholders, the field of tour guide service remains regulated. The Act further governs the conditions for implementing the occupations of a tourist guide and tourist guide in a tourist area; only the occupation of tour escort will be deregulated.

Slovenia will further enhance investment activity from public funds, while observing the efficient drawing of EU funds. With a high multiplicative effect on economic growth, investments in the fields of railway and road network are anticipated in particular, including the promotion of sustainable mobility and efficient use of (renewable) energy sources. The continuation of projects in road infrastructure, rail transport, investments in the national road network and the introduction of systemic solutions for sustainable mobility are planned. Priority tasks in the field of maritime transport include investments in the further development of the freight port of Koper, provision of a higher level of navigation safety and protection of coastal waters against pollution. The construction of the Mokrice hydro power plant ends the construction of the chain of hydroelectric power plants on the Lower Sava River. The arrangement of water, national and local infrastructure in this region will thus be ensured and will contribute to attaining the objectives of the use of renewable energy sources.

The projects in the field of cultural heritage in connection with the EU projects in the Natura 2000 sites will continue in 2018, including the renovation of cultural monuments on the basis of the implemented project tender for the protection of monuments and implementation of urgent investment and maintenance works and renovation of public cultural infrastructure.

### **3.8. Reducing court backlogs and improving the quality of the judicial system**

The average time to resolve important cases has been gradually decreasing in recent years. While it took 9.2 months to resolve an important case in 2012, it took 7.7 months in 2017. Improvement is seen also in the movement of other cases, since it took an average of 2.6 months to resolve such cases this year (3.1 months in 2016), while the average time to resolve cases in 2012 was 3.6 months. Favourable trends from previous years are continuing, as the share of unresolved cases is still decreasing; on the whole, positive trends are continuing also in other fields.

The latest amendments to the Contentious Civil Procedure Act incorporated mechanisms into procedural legislation which accelerate trials in civil and economic disputes. Their key solutions include greater responsibility of all parties to proceedings, including judges, for suitable preparation for hearings, which results in improved quality of decision making. Sanctioning of unduly delays of proceedings was also enabled, including limitations on the return to retrial, with the introduction of legal protection in the form of a complaint to the Supreme Court in the event of a possible unjustified annulment of a ruling and the introduction of an instrument of issuing advisory opinions by the Supreme Court at the proposal of a court of first instance.

By passing the Judicial Council Act, Slovenia obtained for the first time an independent regulation systemically governing the status, competence and role of the Judicial Council. Since independence, the Judicial Council has seen several expansions of its powers, which the new act regulates more transparently and clearly in one place. The composition of the Judicial Council does not consist of guild members only; in addition to representatives of the judiciary, it also includes professors of law, lawyers and other jurists. The Judicial Council is essential for ensuring the independence of judges

and the judiciary as a whole, and also for promoting responsibility, efficiency and quality in the judicial system.

## **4. PROGRESS IN ACHIEVING THE EU2020 OBJECTIVES**

### **4.1. Employment**

In recent years, the employment rate (20–64 years) has been gradually increasing, reaching 70.1% in 2016 (the objective by 2020 is 75%).

The measures of active employment policy are aimed at increasing the employability of vulnerable groups in the labour market (the elderly, persons with low and secondary school education, the young and the long-term unemployed). In 2017, a little over 25 thousand unemployed persons were taking part in AEP, which is 23.3% more than in 2016. The majority were long-term unemployed (56.0%), young people under the age of 29 (27.9%), people over the age of 50 (26%) and people with a low education (18.2%). The share of unemployed people over the age of 50 from all groups participating in AEP increased to 26%. The share of older people included in the AEP programmes increased by 12 percentage points in 2017 if compared with 2015. The share of unemployed persons with low education is also increasing. In 2017, 4,565 persons with low education were participating in various AEP programmes, which is 18.2% of all those participating in this period.

To improve the employment prospects of the long-term unemployed, the preparation of a special integration employment plan was introduced in 2017. In 2017, 29.8% of all long-term unemployed were participating in the measures of active employment policy, while the objective for 2018 is 35%.

The scope of measures directed towards the employment of the elderly is increasing. Several concrete measures to promote the employment of the elderly in the form of subsidies or reduced labour costs have been implemented in recent years. The new measures promote in particular the adjustment of companies to elderly employees. In response to the challenges of population ageing, the Strategy for a Long-Lived Society was adopted in 2017, which provides a framework for taking action (employment or work activity, healthy and safe life of all generations, inclusion in society and formation of an environment to remain active throughout life) and anticipates the preparation of action plans. The newly established Council for intergenerational cooperation will monitor the coordination and implementation of the Strategy. The Resolution on the national programme of occupational health and safety is also in the adoption procedure. Together with the Measures for ensuring high level of occupational safety and health, prevention and good health of workers, the Resolution presents the prerequisite for prolonging the period of employment. The extension of working life greatly depends on the suitable adjustment of workplaces and work organisation, including working time, the accessibility of workplaces and modifications to workplaces intended for older workers. The Strategy also anticipates the drafting of practical guidelines for risk assessment, with an emphasis on risks encountered by certain groups of workers. The implementing documents of the National Programme are three-year action plans which define concrete measures, implementing bodies of measures, financial resources, deadlines and the manner of monitoring the implementation of measures.

With the current economic growth, the improvement of conditions in the labour market and the demographic situation, the lack of certain workers, particularly low and semi-skilled workers, can be detected in Slovenia. To this end, Slovenia is concluding bilateral agreements regarding employment with target countries, and in compliance with the action plan of the current Economic Migration Strategy 2010–2020, it introduced a uniform procedure for work permits and adopted a list of occupations in shortage, where no prior control of the labour market exists.

### **4.2. Investments in research and development**

The share of public and private investments in research and development in Slovenia is at the EU average. Since 2013, when it reached 2.65% of GDP, it has dropped to 2% of GDP in 2016 because

GDP was growing faster than investments in research and development. Slovenia has thus already increased public funds by 9% in 2018 in comparison to 2017.

To improve the integration of education, science and business/non-business sectors in order to establish regular and ongoing dialogue between key stakeholders to identify measures to improve cooperation, the consulting body has been meeting. In the priority fields defined in S4 – the Slovenian Smart Specialisation Strategy – strategic development and innovation partnerships (SDIP) were established; these combine relevant stakeholders from the business sector, public research institutions, universities or faculties, individual schools and also non-governmental organisations in certain cases. In 2017, the SDIPs drew up action plans for programmes of common development, internationalisation and human resources development. They also act as discussion partners with the state regarding necessary systemic measures. In this way, S4 is becoming a central lever for establishing and enhancing dialogue between key stakeholders in science, the business sector and education, whereby it also significantly affects the complex development transformation of the Slovenian economy.

In addition to current measures, the introduction of certain new ones is anticipated in 2018 in the field of research activity, an increase in funds for operations of institutions and universities, the purchase of research equipment, support for researchers at the beginning of their research path and the possibility of additional complementary measures. Research fields are being enhanced, since additional cooperation will be enabled on projects which strengthen the European Research Area, e.g. PRIMA, ERA-NET and engagement within ESFRI projects.

Unrealised measures from the Research and Innovation Strategy of Slovenia 2011–2020 are also being drafted, through which research institutions would become more competitive and have more opportunities to focus their research on certain topics. The institutions would be entitled to additional funds if their work is successful and they attain the set indicators. More flexibility is anticipated with regard to the awarding of researchers. Closer cooperation with the business sector and improved autonomy of institutions when marketing knowledge obtained through research work would be established with a national consortium of offices for technology transfer (enhancing cooperation between the business sector and research organisations, supporting commercialisation of developed solutions, promoting demand and enhancing the development competences of institutions).

Within structural funds, the preparation and implementation of most measures are anticipated, with the emphasis on enhancing cooperation between the business sector and the academic sphere and stimulating researchers at the start of their career, including their mobility. Measures involving research infrastructure will be promoted. The implementation of the InnoRenew project is underway, which is a new, internationally comparable and competitive centre of excellence in the field of the wood industry. Investments in research infrastructure will also be supported within the Research Infrastructure Roadmap.

A project to establish the Centre for Creativity was instigated in November 2017, which will stimulate companies to connect with the cultural and creative sectors for the development of new and innovative products. This also includes promoting entrepreneurship in specific and new fields of establishing and using traditional crafts, skills, technologies and materials for upgrading brands in connection with culture and protected assets (e.g. cultural landscape, knowledge, techniques, folk customs etc.).

### **4.3. Reducing greenhouse gas emissions**

The second annual report on implementing OP GHG 2020 reveals that Slovenia is on its way to attaining the national objective in the field of reducing emissions from non-ETS sectors. In 2015, greenhouse gas emissions (GHG) from non-ETS sectors were lower than the annual target by as much as 13.4%. However, emissions from the non-ETS sectors increased in 2015 by 2.2% in comparison to the previous year. The first estimates reveal that they will also increase in 2016; a 7.4% increase in transport emissions was recorded, which may be reflected in the 3.7% rise in total emissions from non-ETS sectors. Despite rising GHG emissions, the estimate that the objectives as per Decision 406/209/EC will be attained remains positive.

The report further determines that financial resources earmarked for implementing the programme are compliant with the plans. It is possible that the effects of public funds invested in reducing GHG emissions, economic growth and employment will be greater in the future if sufficient staffing and enhanced training for implementing measures are provided to implement measures of OP GHG 2020, and if the cooperation of stakeholders in early phases of forming measures and in addressing issues regarding the implementation of measures is established.

The possibilities of reducing greenhouse gas emissions from agriculture are most evident in the field of vegetable production in the use of energy efficient technologies and effective nitrogen management, which observes the types, quantities, time and manner of applying fertilisers, the optimisation of fertilisation on the basis of soil analysis, fertilisation plans, appropriate methods of soil processing, the selection of suitable crop rotation with a sufficient share of papilionaceous plants and soil greening.

#### **4.4. Increasing the use of renewable energy sources and efficient use of energy**

Despite current investments in the energy rehabilitation of buildings, renewable energy sources (RES) and efficient use of energy (EUE), the needs to continue such investments are quite considerable. With extensive investments in restoring the housing stock, the stimulation of economic growth, creation of new jobs and reduction of Slovenia's dependence on imported energy sources are expected.

Four pilot projects began in 2017 regarding the energy rehabilitation of buildings, one of which is completed, while the remaining three are in different phases of implementation. The operation of an energy contracting system, which serves as a model for implementing regular annual energy rehabilitation, was established and verified by implementing pilot projects. It involves a model of public-private partnership, enabling the attainment of objectives for the public and private partner which they would not be able to attain alone. In addition to pilot projects, a public procurement for co-financing energy rehabilitation of buildings owned and occupied by municipalities was published in 2017, and two invitations to submit an application to provide proposals for operations for the energy rehabilitation of buildings in the narrow and broader public sectors owned by the state. The publication of a new public procurement and invitations is anticipated in 2018.

To meet the objective of increasing the share of renewable energy sources (RES) in gross energy end-use to 25% by 2020, incentives to increase the production of heat and power from renewable energy sources play a key role. To increase heat generation from RES, investment incentives in 2018 will aim at the construction of new, and reconstruction of existing district heating systems, and the connection of new users to existing capacities. To increase power generation from RES, the incentives will focus on the construction of new small-scale facilities for power generation from RES.

The adoption of the Energy Concept of Slovenia (ECS) is anticipated in 2018, which is the basic development document in the field of energetics. On the basis of projections of the economic, environmental and social development of the state and on the basis of adopted international commitments, the ECS will determine the objectives of a reliable, sustainable and competitive energy supply for the next 20 years, and indicative for 40 years. The headline targets of the ECS are to reduce greenhouse gas emissions relating to the use of energy by at least 40% by 2035 as per the 1990 level, and to reduce greenhouse gas emissions relating to the use of energy by at least 80% by 2055 as per the 1990 level.

In the field of rural development, investments are being promoted which explicitly encourage the transition to renewable energy sources by supporting investments in the production of renewable energy sources for own needs or agricultural holdings or food- processing plants or sale, the production of biogas from organic waste for own use or sale, support for processing agricultural biomass for the acquisition of renewable energy from entities which are not agricultural holdings, and the development of an energy supply by supporting installations and infrastructure for the distribution of energy from renewable sources to or from agricultural holdings.

#### **4.5. Objective of tertiary education**

In 2017, 46.8% of citizens aged between 30 and 34 in Slovenia had completed higher education. Thus, the objective of the Europe 2020 Strategy (40%) has already been accomplished. The share of graduates who found employment 1 to 3 years after graduating was 80.2% in 2016; it has been growing since 2012, when the share was 78.6%. We are slowly nearing the level before the crisis, but we are still below the EU average (82.8 %).

Changes already applied in 2017, which were the result of the amended Higher Education Act, affect particularly the system of financing and managing higher education institutions. These were granted more flexibility and responsiveness regarding the needs of the labour market, and simultaneous optimisation of their operations. Annual budgetary resources for study activity are gradually being increased until 1% of GDP is reached, i.e. no later than in 15 years from the entry into force of the Act. In comparison to 2015, resources increased by as much as 5.9% in 2016, and in 2017, they were 2.5% higher compared to the year before.

A proposal of solutions for a completely new method of defining public service in the field of higher education, granting (and withdrawal) of concessions and changes in work and pedagogical obligations has been prepared.

With the help of structural funds, Slovenia is implementing numerous measures also in higher education. Public procurements were completed in higher education, particularly with the aim of internationalising higher education (visits of students abroad, project hosting at Slovenian higher education institutions, hosting of foreign experts and higher education professors at Slovenian higher education institutions). This field will also be topical in the coming years, since resources for the mobility of higher education professors and experts will be again awarded through procurements.

The training of higher education professors to introduce innovative flexible forms of learning and teaching, to improve the quality of higher education and to enhance the transfer of skills and knowledge to students and also the knowledge of didactic use of ICT will be promoted. The mobility of students from socially disadvantaged environments will be further encouraged. The purpose of this activity is to enhance the international mobility of Slovenian students from socially disadvantaged environments in exchanges abroad, with complementary financing of mobility through the Erasmus+ programme. A system for monitoring the employability or employment of higher education graduates will be established. Projects of cooperation with the business and non-business sectors in the local and regional environments will be supported, including students' projects for examining various creative and innovative solutions for the challenges of the non-business and non-profit sectors. Career centres have fully come to life at higher education institution.

#### **4.6. Early school leaving**

Regarding early school leaving, Slovenia has already reached the objective of the Europe 2020 Strategy (less than 10%). According to Eurostat, 4.6% of young people aged between 18 and 24 in Slovenia in 2017 left school before they obtained a secondary education, which is lower than the EU average (10.7%). Slovenia thus ranks among the three most successful countries, where the share is below 5%.

To prevent early school leaving, Slovenia introduced preventive measures, which enable the identification of students at risk of leaving school, the provision of expert and learning assistance and inclusion in the consulting process at school. Furthermore, Slovenia dedicates a lot of attention to measures to provide safe and stimulating learning environments, which encompasses the enhancement of social skills, tolerance and respect for diversity, and also enables the development and attainment of the highest possible level of creativity.

Several measures are aimed at establishing a stimulating school environment for students with migrant backgrounds, who leave school early more frequently than their peers in Slovenia and the

EU. In 2016, as many as 15.6% of children born abroad left school early in Slovenia; however, this share was reduced in 3 years by almost 1%.

Measures to successfully integrate migrant children from other linguistic and cultural environments in education include Slovenian language lessons as a second language, lessons in native languages, the training of teachers in multiculturalism as a new form of co-existence etc. A literacy programme in Slovenian for foreign speakers was adopted, with a special programme for adults aged between 15 and 18, which enables their integration into primary education. A website was also set up with information for managements of schools, teachers, parents and the interested public on various aspects of the integration of migrants.

Amendments to the *Gimnazije* Act and the Vocational Education Act were passed in 2017, which particularly focus on facilitated and suitable integration of migrant secondary school students into education.

Materials on teaching and learning Slovenian as a second language, which are available online, were produced with the help of the European Social Fund. The public procurement, 'Enhancing social and civic competences of expert workers (2016–2021)', was also published, which will focus on empowering expert workers to successfully integrate migrant children, primary school pupils, secondary school students and university students and majority-culture children through programmes of professional training. In addition to promoting intercultural dialogue and acceptance of diversity, one of the project's objectives is the preparation of a proposal for a programme of work with migrant children which will include a justified and recommended number of Slovenian language lessons for a migrant child, i.e. in pre-school education, primary education by educational periods and secondary education. The programme will be prepared by June 2018. The development projects which are underway are aimed at drafting a proposal for a programme of work with migrant children in regular education and enhancing teachers' competences when integrating migrant children. Special attention is dedicated to children with international protection and unaccompanied minors, since line ministries cooperate in their accommodation in residence halls, their care and their integration into the education system.

#### **4.7. Reducing poverty**

Slovenia was one of the countries affected heavily by the economic crisis, which was also seen in the rise in indicators used to assess poverty and social exclusion. The negative trends stopped in 2014, and since then, a reduction in the risk of poverty and indicators of social exclusion (which are below the EU average) has been recorded every year. As per the recent statistical data published in 2017, the level of poverty decreased again, and stood at 13.9%. Likewise, the effect of social transfers in 2016 increased by 0.5 percentage points to 42.3%, which may be attributed to changes in social legislation adopted in the previous period. A positive trend was also recorded in regard to the standard of living of households, since the risk of poverty of households with dependent children dropped more than in the entire population. A positive trend was also noted regarding the decline in the level of child poverty, which has been the lowest in the last six years and significantly lower than the level of poverty in the entire population.

The data from 2017 reveal that indicators of poverty and social exclusion are highest for households with low work intensity and elderly people. In this regard, an increase in the minimum income was adopted in 2017, which amounted to EUR 297.53, affecting the amount of cash social assistance and income support received by individuals or families. Furthermore, the amended Social Assistance Benefits Act also entered into force, which abolished the notice of pending action on real property and the return of received income support or cash social assistance if an individual or a family owned an apartment or a house worth up to EUR 120,000. This measure has had a positive effect on the accessibility of income support in particular, which is a benefit intended for the most vulnerable categories of people.

The amendments to the Exercise of Rights from Public Funds Act in 2017 reintroduced the seventh and eighth income classes for child benefit (from 64% to 99% of average net wage per family member). It is anticipated that about 50,000 children will be additionally entitled to child benefit. The amended Parental Protection and Family Benefits Act adopted in 2018 abolishes the austerity



measure of linking the right to childbirth allowance to the threshold, and reinstates this right as universal, which means that it will no longer be means tested.

Last year's amendment to the Pension and Disability Insurance Act introduced a new instrument of a guaranteed amount of the lowest old-age or disability pension in the amount of EUR 500, i.e. if the old-age or disability pension for legally prescribed full pensionable service as per current regulations fails to reach the relevant amount. According to the Pension and Disability Insurance Institute of the Republic of Slovenia, 52,622 pensioners will be entitled to a higher pension in the above amount, whereby the average increase in pensions amounts to EUR 26. As per the act governing the implementation of the budget, pension indexation in 2016 was 1.1%, and 1.15% in 2017. Pension indexation will be implemented twice in 2018, i.e. in addition to regular indexation as per the systemic act by 2.2% in January, and extraordinary indexation by 1.1% in April. Both actions will have a positive effect on reducing the risk of poverty of the elderly, particularly single elderly women, who are among the most exposed to the risk of poverty.

Regarding the prevention of growing poverty among working people, and considering the relatively favourable economic situation and measures to stimulate competitiveness in previous years, minimum wage indexation by 4.7% was implemented in 2018, whereby the gross amount of EUR 842.79 was determined, which means that the net income of a single person with no children working on the basis of a full-time employment contract rises above the poverty threshold, which was EUR 616 in 2016.

A survey of the minimum cost of living was conducted in 2017, which found that the minimum cost of living of a single working person who temporarily receives cash social assistance is EUR 441.67. The legislation prescribes that if the difference between the amount of the applicable basic minimum income and the amount of newly determined minimum costs of living exceeds 20%, a new amount of basic minimum income must be determined. The examination of the suitability of the applicable equivalent scale for cash social assistance and income support is anticipated in 2018 in order to promote work activity and prevent poverty traps. A microsimulation model will be introduced for the implementation of thorough analyses, on the basis of which the possibility of changing the order of exercising rights from public funds in a way that child benefit would not count as income will be examined.

To improve efficiency, quality and accessibility, the reorganisation of social work centres is also underway. The reorganisation includes a change in organisational structure, indicative calculation and a social activation project (see recommendation 2). Sixteen new regional social work centres will be established with the reorganisation, which will emerge by combining the existing 62 social work centres. The reorganisation is anticipated to take place in October 2018 as per the amendments to the Social Assistance Act adopted in 2017. The increase in efficiency and targeting of social transfers will be enabled with the so-called (automatic) indicative calculation, which is supposed to simplify and rationalise decision-making procedures on social rights. The indicative calculations are possible on the basis of amendments to the Exercise of Rights from Public Funds Act adopted in 2017. The gradual implementation of calculations will commence in 2019, and mass automatic indicative calculations (once a year) will begin in September 2019. An important part of the reorganisation is a comprehensive approach to the social activation of those people (usually long-term beneficiaries of social transfers) who are faced with complex social issues and most distant from the labour market. The programme of social activation will continue in 2018, and is part of the reorganisation of social work centres. The objective of participation in the programme is to raise the social, functional and work competences with which the programme user approaches the labour market. Social activation programmes link the array of social inclusion programmes with programmes of the active employment policy. The work of social work centres is thus connected with labour offices, and cooperation with other relevant stakeholders is encouraged. The project is partly co-financed by the European Social Fund.

## 5. EU FUNDS

In the 2014–2020 period, Slovenia is eligible for approximately EUR 4.174 billion of EU funds (CF, ESF, ERDF, EAFRD, EMFF, YEI, FEAD, CEF, ETC). The resources of the ESI funds in this financial framework are allocated to realise Member States' national objectives in the context of the EU 2020 Strategy objectives.

In the 2014–2020 period, Slovenia is eligible for approximately EUR 3.312 billion from EU cohesion policy funds, of which EUR 159.8 million are allocated from the instrument of the Connecting Europe Facility – CEF (for transport), EUR 9.2 million from the Youth Employment Initiative (YEI), EUR 21 million from the Fund for European Aid to the Most Deprived and EUR 64 million for programmes from the European Territorial Cooperation (ETC).

The ETC funds are allocated at the EU level to Member States in relation to programmes in which Member States are participating and with regard to the size of their respective populations, and are not included in the breakdown of funds as per individual thematic objective. Each Member State then distributes the funds according to individual programmes. In addition to the Slovenian contribution to EU funds (European Regional Development Fund – ERDF), the overall amount per individual ETC programme also includes the contribution to EU funding (ERDF) of the participating Member States and the obligatory part of national co-financing.

The funds from the European Regional Development Fund (ERDF) and the European Social Fund (ESF) are broken down for each cohesion region on the basis of the common EU methodology. The basic break-down of the ERDF and ESF takes into account the development disparities of the regions, and the needs and situation in the labour market, including the forecast of an increase in the risk of poverty.

Some EUR 849 million are earmarked for the cohesion region of Western Slovenia from structural funds, of which 40% of funds are from the European Social Fund (ESF) and 60% from the European Regional Development Fund (ERDF). The cohesion region of Eastern Slovenia will receive EUR 1.296 billion, of which 70% are from the ERDF and 34% from the ESF. The cohesion region of Western Slovenia will thus be eligible for approximately EUR 849 million, and the cohesion region of Eastern Slovenia for EUR 1.296 billion.

The Cohesion Fund (CF) is not divided between the cohesion regions, and is available for the whole of Slovenia in the amount of EUR 914 million.

The OP ECP 2014–2020 also includes a specific objective within the priority axis of 'Promoting sustainable and quality employment and transnational labour mobility' intended for a youth employment initiative in the cohesion region of Eastern Slovenia (EUR 9.2 million).

To attain the objectives of the Europe 2020 Strategy, cohesion policy funds for the 2014–2020 period are allocated to the following focus areas: investment in research, development and innovation (RDI), competitiveness, employment and training (ERDF and ESF), infrastructure to achieve a better environmental status, sustainable energy use, sustainable mobility and the efficient management of resources (CF and ERDF). Focusing on these areas is justified by the need for short-term actions to improve access to finance for enterprises, research and incentives, and to improve employment and employability by also establishing a long-term stable environment, which will stimulate the development of good-quality jobs with a changed economic structure, while observing demographic trends.

Let us repeat that Slovenia is eligible for EUR 3.312 billion from the European cohesion policy in the 2014–2020 period. More than EUR 1 billion will be earmarked for stimulating entrepreneurship, start-ups, internationalisation and the development of new business models for small and medium-sized enterprises. Almost EUR 500 million will be earmarked for investments in employment, strengthening and developing human resources and mobility, and investments in the education and training systems for a quicker transition to the labour market. Some EUR 150 million will be earmarked for increasing social inclusion and reducing the risk of poverty. EUR 34 million are earmarked for active ageing. EUR 914 million from the Cohesion Fund will be invested in the construction of environmental and transport infrastructure, as well as the sustainable use of energy.

Within the framework of the Rural Development Programme of the Republic of Slovenia 2014–2020, Slovenia disposes of EUR 837.8 million from the EAFRD resources, or EUR 1.107 billion from public funds. Some 21% of funds are earmarked for improving competitiveness (some EUR 266 million of public funds for investment measures of investing in physical assets and for investments in forest technologies, processing, mobilising and marketing of agricultural products, and some EUR 80.6 million for supporting business start-ups for young farmers and business start-ups for the development of small agricultural holdings).

## **6. PREPARATION PROCESS**

The 2018 National Reform Programme was prepared in cooperation with all relevant ministries. The Government included social partners in the early stage of preparation in order to enhance dialogue. Before drafting the document, representatives of the European Commission presented to social partners the entire European Semester package of documents, and the Government presented the starting points for preparing the National Reform Programme. The Government then decided that relevant ministries should coordinate bilaterally with social partners measures proposed for inclusion in the National Reform Programme. On the basis of contributions from relevant ministries and social partners, the first draft of the document was prepared and discussed at the session of the Economic and Social Council on 5 March 2018. Based on additional comments, the Government of the Republic of Slovenia discussed the first draft at its session on 22 March 2018, and then submitted it to the Economic and Social Council and the National Assembly of the Republic of Slovenia. Social partners discussed the second draft at their session on 30 March 2018. The committees of the National Assembly decided not to discuss the National Reform Programme, because elections will be held this year. The Government adopted the final document on 12 April 2018.