



GOVERNMENT OF THE REPUBLIC OF SLOVENIA

NATIONAL REFORM PROGRAMME 2015-2016

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INTRODUCTION

In 2014, Slovenia achieved sound economic growth, which according to forecasts will continue in 2015 and 2016. Recovery is mostly linked to export potential and the success of the economy, with the responsible preservation of international competitiveness and rational expenditure of public funds. Despite a large drop in GDP during the global financial crisis, Slovenia maintained one of the highest levels of income equality in terms of international comparisons.

Under favorable global conditions, economic policy makers will act counter-cyclically and help the economy operate on the markets by taking advantage of as many opportunities as possible.

Slovenia should exploit the more favourable macroeconomic conditions to continue and strengthen structural reforms. This is the only way to ensure a reduction in the public finance deficit and the conditions for the gradual reduction of high public debt. The extensive funds invested in the recovery of the banking system should ensure the restoration of business financing and investments that have multiplicative effects on the entire economy, thus gradually strengthening domestic consumption and prosperity. Strengthening the responsibility of individuals and institutions is of key importance here.

The National Reform Programme provides basic guidelines and objectives for 2015 and 2016 that follow the EU 2020 Strategy for achieving smart, inclusive and sustainable growth. This framework also comprises the European semester process that simultaneously monitors whether Member States are respecting the objectives and specific recommendations of the EU Council with regard to measures and reforms in public finance, banking, corporate governance, the labour market, in the business environment and also in the wider context of preventing macroeconomic imbalances. As an EU and EMU member, Slovenia is committed to respecting the common rules on restrictions in trends in public finance and on the wider macroeconomic area.

1. MAIN OBJECTIVES AND ECONOMIC POLICY GUIDELINES 2015-2016

The main economic policy objectives include stimulating economic growth and public finance consolidation. The conditions for economic growth will be provided by improving competitiveness factors and increasing the productivity of the economy, as well as with measures to increase employment by considering demographic and environmental limitations or opportunities. Slovenia has determined measures in key areas to achieve long-term economic growth and create good-quality jobs with the purpose of increasing productivity and efficiency, as well as to ensure an appropriate level of social inclusion and justice. At the start of 2015, the Government and social partners concluded the Social Agreement for the 2015–2016 period, which determines the key work areas and measures to be implemented on the basis of collaboration with social partners.

The main objectives and guidelines are categorised with regard to priority areas as determined in the EU Council's Annual Growth Survey, while the measures in the continuation are categorised with regard to their contribution to the realisation of specific recommendations of the EU Council and the achievement of EU 2020 objectives. The guidelines and measures consider the tasks and commitments from valid national documents to the maximum possible extent.

1.1. Promoting investments

- Investments with multiplier effects. Investments in transport and environment infrastructure, information society projects and health care will be implemented in 2015 and 2016, also by utilising European funds.
- Long-term balanced share of total fixed capital formation in GDP over 20%. Investments in innovation, research and development in accordance with the Smart Specialisation Strategy.
- Utilisation of the Investment plan for Europe (Appendix 1).

- Promotion of the export competitiveness of companies and development of SMEs. Internationalisation of operations and inclusion in global value chains.
- Development of financial instruments, improvement of loan conditions, measures to attract private investors.
- Exploiting the potential of creative industries, including the revitalisation of cultural heritage and social entrepreneurship, as well as the transition to a green economy and sustainable resource management.

1.2. Structural reforms

- Stable, competitive business environment and simplification of business activities:
 - Reduction of administrative burdens: (i) simplification of tax procedures, (ii) key changes in spatial planning, construction and integration in the environment, (iii) promoting the use of ICT operations.
 - Increasing competitiveness in the field of taxes by restructuring them in the framework of public finance revenues.
 - Functioning of product and services markets with thoughtful (de)regulation of activities and vocations.
 - Renovation of research and innovation systems, increasing the quality of public investments in research and innovation.
 - Effective state asset management and reduction of involvement of the state in the economy by means of careful privatisation.
- Preparation and implementation of comprehensive structural changes in health care. Simultaneous arrangement of long-term supply and personal assistance.
- Increase the efficiency, quality and internationalization in higher education.
- Study of potential disincentives and existing incentives to prolonging working life of the elderly.
- Modernisation of the public administration, fight against corruption, tax evasion, undeclared work and employment.
- Strengthening efficiency and transparency of the functioning of the justice system and its elements¹.
- Adapting labour market measures for youth, the elderly, persons lower level education and the long-term unemployed.

1.3. Fiscal responsibility

- Strengthening the fiscal framework and responsibility.
- The preparation of starting points for a long-term change in the structure of public expenditure.
- Structural balance achieved in 2020.
- Supplementation of effects of short-term saving measures with the effects of long-term structural measures.

¹ This measure contributes to improving the business environment as stated under the first item of this paragraph.

2. MEASURES TO ACHIEVE ECONOMIC POLICY OBJECTIVES AND EU COUNCIL RECOMMENDATIONS

2.1 Recommendation 1: REINFORCEMENT OF THE BUDGETARY STRATEGY: CORRECTION OF THE EXCESSIVE DEFICIT AND LIMITATION OF DEBT GROWTH

OBJECTIVES:

- Correction of the excessive deficit in 2015.
- Reinforcement of the budgetary strategy.
- Increased efficiency of public expenditure.
- Debt stabilisation.

Reduction of general government deficit below 3% of GDP in 2015

Since November 2009, Slovenia has been in the procedure of excessive deficit, meaning that it should manage its fiscal policy in order to ensure a permanent and sustainable reduction in the general government deficit to below 3% of GDP. The first deadline for this objective was 2013. The Commission extended the deadline until 2015 due to unexpected unfavourable economic trends².

Although in the short-term most of the main macroeconomic indicators have been improving, it is expected that economic growth in 2015 will be lower than in 2014; despite the improvement, the risks of increasing macroeconomic imbalances still exist, according to the assessment of the European Commission. To ensure the stability of public finance and wider economy as a whole, Slovenia adopted a revised budget for 2015 which foresees a reduction in the general government deficit to 2.9% of GDP.

The most important measure with regard to expenses in 2015 is the austerity policy in the public sector, which in dialogue with the unions limits the growth of expenses for salaries in the public sector. With regard to budget expenditure, the Government also counts on savings in the centralisation of public procurement and state informatics as well as the establishment of the state computer cloud, centralisation of state asset management in the field of municipality co-financing, in changes in the student work system, rationalisation in public utility services, improvement of the functioning of the judicial system and optimisation of business processes of the judicial system; in the field of education, research and sport activities, and by substituting some non-refundable subsidies with refundable funds.

With regard to revenue, more measures to balance public finance were taken for 2015; the preservation of the fourth income tax class, increase in tax rate for financial services, increase in tax rate for insurance trades, increase in price per environment burden unit load with carbon dioxide emissions of 20% and increase in the efficiency of collecting public taxes.

Strengthening the fiscal framework and increasing the effectiveness of public expenditure

To strengthen fiscal responsibility, Slovenia will adopt the Fiscal Rule Act, which will enforce the constitutional commitment to balance budgets adopted in May 2013. The act is being considered in the National Assembly and a two-thirds majority vote is required to pass it.

This Act will stipulate the manner and timeframe for implementing the principle of a medium-term balance between the revenue and expenditure of state budgets, the criteria for determining exceptional circumstances in which a deviation from the aforementioned principle is possible, and what to do if such circumstances occur and

² Audited recommendation to the EU Council as of 29 May 2013 in accordance with Regulation (EU) 117/2011,

how to end them. This act will also establish the Fiscal Council as an independent body and regulate its operations. This partially transfers the Directive of the Council on requirements for budgetary frameworks of the Member States (2011/85).

Within six months of the adoption of the Fiscal Rule Act, amendments to the Public Finance Act will be prepared to further determine budgetary planning in accordance with the requirements of the Directive of the Council on requirements for budgetary frameworks of the Member States (2011/85). Thus, Slovenia will integrate the medium-term public finance framework into its legal order and determine the path to achieve the objectives in public finance and ensure greater stability and predictability in planning measures.

Gradually, reports on effectiveness will also be introduced into the public finance system. Together with the inter-ministerial working group, a benchmark and review of procedures for social protection and education will be implemented, which will be used together with other domestic and foreign comparative analysis to design improvements to the system. An individual review will also be performed for the health-care sector, and methods of modernisation provided. The programme based budget will be gradually introduced throughout the entire general government sector; objectives and indicators will be changed, and information analysis will be initiated.

Debt stabilisation

The general government debt in 2014 amounted to 80.9% of GDP, so economic policy measures will be intended for stabilisation and gradual debt reduction. In the medium term, this will be possible with:

- Use of revenue from privatisation to reduce debt.
- Improving the credit rating of the Republic of Slovenia and implementing the financing of the state budget under more favourable conditions.

Improving the general government structural balance by 0.5% of GDP per year.

In the medium term, Slovenia plans to gradually reduce the general government structural balance in accordance with the fiscal rule, or at least by 0.5% of GDP per year. Therefore, when planning public finance, Slovenia will have to focus on structural measures that have a permanent impact on the structure and efficiency of public finance. The key structural measures for achieving public finance objectives will comprise the transfer of appropriate short-term measures that were, among others, determined in the Act on Balancing Public finance (ZUJF), the Act on execution of the State Budget (ZIPRS) and the Agreement on measures in the field of salaries and other labour costs in the public sector for the year 2015 in systemic legislation; others will be substituted with other systemic measures which will be used to achieve comparable financial effects. VAT rates as enforced in 2013 (22% and 9.5%) will be preserved. The objective of achieving a medium-term structural balance, together with the objective of ensuring an appropriate socio-economic situation of individuals and guaranteeing domestic consumption, will also be considered in the harmonisation of pensions, salaries and social transfers.

In 2015 and 2016, the effects of short-term saving measures will be replaced with the effects of appropriate long-term structural measures in legislation framework of different policy areas. Short-term measures which will be impossible to systemically appropriately regulate will be replaced with other measures with comparable financial effects.

The key measures in 2015 and 2016 will be adopted in the following areas:

Salaries and transfers

- Salaries in public sector policy

In the field of salaries and other labour costs in the public sector, measures will be adopted in collaboration with public sector unions which will ensure that the amount of funds for covering labour costs in the public sector in 2016 (integral expenditure) will be maintained at the level of expenditure to cover labour costs in the public sector (integral expenditure) in 2015, increased by the realisation costs under Item III of Paragraph 1 of the Agreement on measures in the field of salaries and other labour

costs in the public sector aiming to balance public finances for the year 2015, and decreased by the scope of the payment of salary differences in order to eliminate the second quarter of disparities of basic salaries in 2015.

It will basically be ensured that the growth of salaries in the public sector do not exceed the growth of salaries in the private sector, where the salaries follow productivity. The measures will comprise the comprehensive management of labour costs in the public sector; therefore, social dialogue will be required to achieve changes in the Salary System in the Public Sector Act and collective agreements.

The variable part that depends on work results will gradually be increased within the scope of the amount of funds for salaries and other labour costs. Considering the rationalisation of the public sector, the implementation of the basic functions of the state must be optimised and models of public-private partnership for ensuring public functions must be studied.

- **Pension system**

Measures will be adopted in the field of financing pension and disability insurance which will ensure that the scope of transfer from the state budget in Pension fund in 2016 does not increase with consideration of realisation compared to 2015; in the future, gradual reduction of this transfer in accordance with the adopted pension reform will be ensured.

- **Social transfers**

In the area of transfers to individuals and households, measures will be adopted which, with a consideration of the medium-term structural balance goals (prolonging the validity of individual savings measures) will ensure appropriate socio-economic situations for individuals and enhance domestic spending.

The medium-term budgetary framework until 2020, which will be determined in greater detail in the Stability Programme, stipulates the achievements of the structural balance expected in 2020.

Accelerated rationalisation and enhanced effectiveness of general government expenditure

The general government consolidation includes structural measures and the rationalisation of expenditure that must become permanent. These measures will be achieved by combining improved management, centralisation and lean public administration:

- **Renovation of the public procurement system**

The system's renovation will be implemented in accordance with European directives in the sense of improving, simplifying and shortening procedures and making savings; social elements will be added to verifying bidders in public procurement procedures and in the implementation of public contracts. Publication of public contracts on the Public Procurement Portal is envisaged as an important way of preventing corruption, as well as for enhancing the transparency of public procurement procedures. The government has obliged ministries, bodies within ministries and government services as of 1 February 2015 to use the e-auction system, which was also recommended to other public contracting authorities. A unified electronic system for public tenders will be introduced in the area of electronic public tenders to ensure more transparent use of public funds in financing individual programmes financed from the budget; this will also enable transparency in the allocation of funds and in the use of the mentioned funds or easier control of the intended use of funds for the implementation of an individual programme. In the field of public procurement in health care, an information solution for joint public procurement of drugs, medical devices and equipment is being prepared, since it will ensure a greater level of transparency. The obligatory exchange of e-invoices has been in force since 1 January 2015 pursuant to the Act on the Provision of Payment Services to Budget Users. This system is implemented for budget users via the Public Payments of Administration of the

Republic of Slovenia. In future, the Supervisor online programme of the Commission for the Prevention of Corruption will also be upgraded with data on e-invoices.

- **Centralisation of the state's real property management**

To ensure transparent and unified management of the state's real property, a project to centralise the state's real property management will be initiated in 2015. The goal of the project is to reduce operating costs, investment and current maintenance, and reduce the costs of rent. An action plan will be prepared for the project implementation, and will be confirmed by the Government of the Republic of Slovenia. Changes to sector legislation will be implemented, especially the *Physical Assets of the State and Local Government Act*. This will be followed by necessary content and organisational changes to comprehensively regulate the field of real property management and establish active, transparent and long-term cost-sustainable management of the state's real property, also with the purpose of stimulating investments, domestic and foreign, and to optimise the use of space.

- **Adoption of the Strategy for Slovenian Public Administration Development 2015–2020 for effectiveness purposes**

The preparation of the umbrella document of the public administration development strategy for the period from 2015 to 2020 is the basis for increasing the effectiveness of public administration and for preparing harmonised sectoral strategies, policies and executive line ministries' documents. The tasks and activities for the implementation of measures included in the strategy will be concretely determined in two-year action plans, including holders who will be responsible for the realisation, with participating parties and an accurate time frame. The effectiveness of public administration affects the success rate of many other areas, and users must make it easy to comply with obligations, improve communication and inclusion in the state's decisions. This contributes to the development of a simple and competitive business environment in Slovenia, as well as guaranteeing stable conditions for the functioning of other public administration bodies. The key task is to implement an organisational and functional analysis of the public administration which aims to identify anomalies and design proposals for measures to optimise and rationalise the functioning of the public administration and to implement indicators for measuring the effectiveness of the general public sector, as well as to implement activities in relation to the elimination of anomalies in the assessment of jobs in the public sector, and the preparation of system improvements to the wage system in the public sector.

- **Further reduction of court backlogs and further IT development of the judicial system**

The modification of judicial legislation by establishing a single first instance court judge that optimises the operations of the judicial network and reduces court backlogs. Changes will be prepared for this purpose which limit the possibilities of misuses of institutes of health and other justifications and opinions connected with ensuring the presence of parties in court proceedings and other procedural acts. The adoption of a Long-Term Judicial System Strategy is also envisaged by the end of 2015. The strategy will encompass material, investment and organisational objectives with the purpose of maintaining an effective and sustainable judicial system, state prosecution and state attorney's office. This process will continue in projects such as triage, which represent best practices cases in reducing the duration of resolving matters in courts. An alternative conflict resolution system analysis via mediation is also in preparation. The aim is to conclude the analysis in 2015 or 2016 and for the measures for an upgrade to be adopted on its basis. The first elements of the so-called "judicial supervisor" will be established, thus increasing the transparency of the operations of the judiciary and enabling the publication of most of the judgements and the decisions of courts of all instances on the internet.

- **Centralisation of the state information system**

The IT system modernisation in the state administration mainly focuses on improving the cost efficiency of IT in state administration, and simultaneously ensuring development and functional coverage with the possibility of further activities for consolidating the IT system of the public sector. The reorganisation will enable the use of new business and organisational models and unified management in such a way that the state will uniformly implement the necessary measures and manage the development, regulation and maintenance of

common IT systems of the state administration in the long term. The Government of the Republic of Slovenia confirmed the measures for modernisation in this area and the operational programme by determining the priorities and the possibility of introducing modern business models and solutions. The amount of funds that the state spends on these purposes will be lowered by combining different, mutually dependant measures and with the simultaneous guaranteeing of development and functional coverage of state administration IT systems.

Restructuring the public tax burden, including the modernisation of immovable property taxation

The distribution of the tax burden in Slovenia is not optimal and can be an obstacle to growth. An agreement has been achieved with social partners, i.e. to study the scope of financial burdens and restructure it to make the structure of tax burdens support economic growth. Along with general orientation when the scope of the burden of the economy is not increased, it must be verified whether it is possible to determine anew the distribution of the tax burden between consumption, income and property, and achieve a favourable structure of taxes with the objective of increasing the competitiveness of the Slovenian business environment and lowering income-related taxes. Here special attention will be put on ensuring a positive impact on labour market functioning. This year, most activities will be dedicated to studying the scope and effects of existing tax relief and potential substitution of ineffective tax relief with other measures. Thus, the study of the efficiency of tax relief with negative environmental impacts is also important. The enforcement of solutions is envisaged for 2017 at the latest.

Legal modifications will be prepared for the introduction of a property tax, whereby the constitutional framework will be consistently followed. The introduction of property tax will not represent an additional fiscal source for the state budget, but this is an income that will entirely cover municipal budgets and will replace the current tax on property. The new property taxation system will be founded on increasing the revenue of municipalities only due to the greater inclusion of real property in taxation. An additional source for the state will be ensured only by restructuring the system of financing municipalities in a way that increase the responsibility of municipalities to finance their tasks. The possibilities and risks for the first levying of property in 2016 or 2017 are being studied. As the revenue of municipalities, the tax will be a so-called spatial policy instrument, used by municipalities to manage spatial development by stimulating the rational use of space and activating land for construction or other productive purposes in accordance with the objectives of the municipality. Hereby, the tax will – as opposed to the current compensation for the use of building land (NUSZ) – enable more equal consideration of taxable persons between municipalities.

Increasing the efficiency of collecting public taxes

The measures refer to continuing the fight against the grey economy and other forms of tax evasion, consequently meaning that more taxes will be recovered without increasing the nominal tax rates. The measures are intended to increase the general tax culture, which also enhances the legitimacy of the tax system and follows the principle of equal taxation. By increasing efficiency in payments and recovery, the probability that tax debts will be repaid will also be enhanced.

The project to introduce certified cash registers foresees that statutory and technical conditions for the initiation of the use of cash registers will be established by autumn 2015. The proposed act on the regulation of the introduction of certified tax registers has positive effects for general government revenue due to increasing the registered supplies of goods and services and on increasing the bases for calculating other revenue (corporate income tax, personal income tax, prepayment of tax on income from self-employment etc.). The increase in tax revenue from confirming invoices in the year when the tax is introduced is estimated at EUR 50 to 100 million. The final deadline for introducing certified cash registers is January 2016; the actual date for starting the use of certified cash registers is still being harmonised between the government and the interested public, whereby the decision will depend on the legislative procedure and the implementation of technical preparations on the introduction of registers.

2.2 Recommendation no. 2: LONG-TERM SUSTAINABILITY OF PUBLIC FINANCES AND LIMITING THE COSTS OF AGEING

OBJECTIVES:

- Further measures to manage expenditure due to population ageing.
- To study the potential disincentives and existing incentives for prolonging work among the elderly.
- To establish a long-term care and personal assistance system simultaneously with the preparation and implementation of comprehensive structural changes in health care.
- To acquire the basis for the optimal organisation of the health system and adjustment to modern guidelines and macroeconomic conditions.
- To identify the key deficiencies of the health care system.
- To achieve a rationalisation of the funds and time necessary for purchases of drugs and medical devices.

Pension system

Monitoring the effects of pension reform shows the positive effects of the last reform. The average retirement age is rising. The average age of women at retirement has risen in one year by 5 months; the retirement age for men has remained stable, which means that the lowering of the average retirement age which we witnessed in the previous years has stagnated. Data on retired people who retired in accordance with the new legislation (ZPIZ-2) show that the average retirement age for men in 2014 rose by 3 months, while the average completed pension qualifying period was extended by 7 months. Data for women show that the average age at retirement in 2014 also rose by 3 months, while the average completed pension qualifying period was extended by 9 months.

The rise in the number of new old-age pensioners and the total rise in the number of pensioners are decreasing, since the annual levels in 2014 reached 2% in comparison with 4% in the previous years, while the growth rate for all pensioners was 1.1% (it had been around 3%). The reform has positively impacted the completed pension qualifying period. Data show that the average completed pension qualifying period in one year grew by 2 months for women and 2 months for men. Data on pensioners who retired in accordance with the new legislation (ZPIZ-2) show that more than 90% of men reached 40 years or more of the pension qualifying period without any purchase of years.

Data also show the stabilisation of the average pension amount, which has remained at almost the same level as in 2012 and 2013. The ratio between the average net pension and net salary remained almost the same, i.e. 56.5% (for old-age pensions between 61.5 and 62%). New projections indicate the long-term effects of the reform on future expenditure on pensions. Until 2060, expenditure on pensions will increase to approx. 15.3% of GDP, while the calculations during the pension reform envisaged an increase of expenditure on pensions (in 2060) to approx. 17.2% of GDP). Besides the reform effect, new projects also consider new data on fertility and migration.

The reform has contributed to the short-term stabilisation of expenditure on pensions. While expenditure on pensions in 2013 amounted 11.77% of GDP, according to estimates, expenditure in 2014 reduced to 11.61% of GDP. In 2015, a further decrease in expenditure on pensions is envisaged, i.e. to 11.45% of GDP.

Establishment of a financially sustainable long-term care system

Slovenia (still) has no comprehensive long-term care system. The range of services and benefits are provided within the health care system, pension and disability insurance and welfare systems, and special care systems for people with disabilities. The introduction of a long-term care system is to be closely linked to modifications and adjustments to the health care and pension systems.

According to the available data, expenses for long-term care in 2012 were in comparison with 2011 higher in nominal value and percentage of GDP. Almost three quarters of expenses were financed from public sources; however, the share of expenses for long-term care from public sources slightly decreased in comparison with

2011. We should emphasise that expenditure on the health care part of long-term care comprises the greatest share in the entire structure of expenditure (68.32 ratio between health care and social share in 2012). Recipients of long-term care in institutions in 2012 accounted for a 35.5% share of all recipients of long-term care; therefore, the competent ministry in 2014 strengthened activities for the development of integrated community services of long-term care and connected deinstitutionalisation processes, where the emphasis was put on the preparation of documents to enable effective drawing of European funds for this purpose. In 2014, an important political consensus was achieved on the clear connection between reform of long-term care and health care reform. A working group was established comprising representatives of competent ministries, services providers and users of services, which in collaboration with social partners will prepare legislation which primarily focuses on establishing sustainable financing for long-term care and ensuring quality integrated services in the local environment as well as strengthening the role of the user in the selection and planning of the most appropriate services.

Health care policy

The Slovenian health care system in the past few years has faced many problems due to the ageing of the population, increased needs for health care services, especially due to the increase of non-contagious chronic diseases, progress in health care technologies and reduced amounts of financing. These problems require measures that need to be implemented in order to achieve greater value for invested funds in the system and to ensure the long-term sustainability of health care. Activities to analyse Slovenia's health care system have been initiated. The review will provide a detailed assessment on current sources of financing, their amount and trends as well as provide information on the success, efficiency and quality of the health care system. Based on the analysis, the adoption of reliable strategic guidelines for further measures to optimise the implementation of public health care activities and establish the fiscal sustainability of the system and responsiveness to the population's needs, considering demographic factors, epidemiology and the trend of increasing health care costs, is expected. Strengthening basic health care and investing in health strengthening programmes and disease prevention programmes remain the key priorities to guarantee access to quality services, eliminate inequalities in health, and reduce referrals to specialists and hospitalisation as well as financial sustainability. Besides the preparation of comprehensive reform proposals, the Resolution on National Health Care Plan 2016 - 2025, the Resolution on the National Programme on Nutrition and Physical Activity for Health 2015–2025 as well as the new Health Care and Health Insurance Act, amendments to the Health Care Services Act, the new Restriction of the Use of Tobacco Products Act and amendments to the Pharmacies Act will be adopted in 2015 and 2016. The existing prevention programmes within the scope of basic health care will be upgraded; the network of basic health care in family medicine, community nurse services, paediatrics, community care for mental health and dentistry will be expanded. In this period, the further expansion of model practices in basic health care that enable the comprehensive treatment of chronic patients at the primary level and release the burden on the specialist level, as well as the initiation of emergency centres and dispatcher centres are planned.

Joint public procurement in health care in the field of medicines will be continued by expanding the scope of procurement to medical devices and medical equipment. We will intensively start optimising the operations of hospitals to reduce waiting times, improve liquidity and improve new health care services.

Key tasks for the 2015-2016 period:

- Further monitoring of the effects of the pension reform and further development of analytical infrastructure.
- To study the potential disincentives and existing incentives for prolonging work among the elderly.
- Strengthening the role of voluntary supplementary pension insurance while ensuring appropriate income for the majority of future pensioners.
- The preparation of expert starting points for the pension and disability insurance reform after 2020, which will aim to present the range of possible solutions that will ensure the fiscal sustainability of the pension system and decent pensions (until the end of 2015).
- Public discussion and adoption of an act that comprehensively regulates long-term care and personal assistance.
- Creating the conditions for the development of integrated community services of long-term care and deinstitutionalisation process.
- Comprehensive analysis of health care expenses and comparison with other European countries.

- Optimisation of operations and improving the liquidity of hospitals.
- Continuing the joint public procurement project by expanding the system to medical devices and medical equipment.
- The preparation of comprehensive reform proposals that include structural changes in health care in order to improve the use of sources and ensure greater quality, safety and accessibility, as well as changes in the management and financing of health care.
- In 2015, legal bases for establishing the Demographic Fund will be prepared.

2.3 Recommendation 3: LABOUR MARKET AND SALARIES

OBJECTIVES:

- To improve the situation of younger generations in the labour market, including those that are unemployed and not in education.
- To increase the employment rate among the elderly (55–64).
- To implement effective and adapted measures for the long-term unemployed, where emphasis is put on the elderly and persons with lower level of education.

Active employment policy

The situation in the labour market is gradually improving. 13.7% more jobs were recorded in 2014 among all unemployed persons who are registered as unemployed than in 2013. Unemployment fell (by 0.3% in comparison with 2013); the strong increase in unemployment among the young stagnated; employment of the elderly slightly increased³.

The AEP measures in 2014 included almost 42,000 people, which is almost by 10,000 people more than in 2012. The inclusion of unemployed and employed people in training and education programmes mostly increased in 2014.

Young people as one of the most exposed groups in the labour market were appropriately participating in the AEP measures in 2014, since young people to 29 years of age represent 37% of inclusions in the programmes, first employment seekers represented 22.5% of inclusions in programmes in 2014. Young people are still among the most endangered groups in the labour market, although their situation is improving also due to the implementation of the Youth Guarantee. Due to the increased activities for the target group of young people, efforts to reach those young people who are not registered in the unemployment register and who are not in education or training (NEET) expanded also due to the implementation of the Youth Guarantee. A new guarantee programme document for the period after 2015 that will supplement the existing document is planned to further tackle the unemployment problems of young people.

Long-term unemployment is increasing, and at the end of 2014 stood at 50.3% of the total unemployment rate. The share of the elderly from 50 to 64 years (57.9% in 2012, 61% in 2013), who are often low educated, is increasing in the structure of the long-term unemployed. The share of persons with lower level of education among the unemployed is slowly decreasing; however, in the future, attention will still be dedicated to this group, since the percentage is still quite high. The AEP measures in 2014 focused on the target group of long-term unemployed, which encompasses 41.3% of all those people included in the AEP programmes. In future, special attention will be dedicated within the AEP to the long-term unemployed, over 50 years of age, and persons with lower level of education, i.e. with the aim ensuring the quickest and best quality employment possible with regard to their specific needs.

³ The employment rate in the age group 55–64 increased from 32.9% in 2013 to 33.5% in 2014, which is still the lowest in the EU.

Within the scope of active employment policy implementation for the purpose of activation and training, special attention is dedicated to benefits recipients. In 2014, the share of these people was 29% of all people who are included in AEP programmes.

Improving the labour market functioning

The labour market situation is showing the positive effects of the last reform, which had the following main goals: to reduce segmentation, increase flexibility, improve labour legislation and prevent abuses and increase the role of collective bargaining. The key effects of the reform are:

- lowering the employment protection index (EPL index according to OECD methodology);
- quicker increase in the number of new long-term employment contracts in comparison with fixed term contracts, especially among the young generations, showing a reduction in age segmentation;
- the share of long-term employment contracts in total contracts is higher than in the period prior to the reform,
- participation of elderly workers (50+) in the labour market is increasing,
- regulation of individual institutions in collective contracts at the level of activities, permitted by labour legislation enables the reduction of employer's costs and greater flexibility of work organisation. This possibility has been applied so far⁴ by considering the needs and situation of individual activities.

Labour market reform is supplemented by legal amendments (mostly the regulation of student work and prevention of undeclared work and employment), adopted in 2014. The new regulation of student work, adopted in December 2014, eliminates certain negative effects from the aspect of the inadequate social and economic safety of pupils and students performing this type of work and causing segmentation in the labour market. With the new regulation, the costs of such work have become more comparable with those under employment contracts and other forms of work; temporary and occasional work of pupils and students is now included in pension and disability insurance as well as health insurance – based on paid contributions, pupils and students will be entitled to a proportional scope of rights under pension and disability insurance, e.g. the pension qualifying period.

Harmonising qualifications with the needs of the labour market

The measures concerning occupations with a shortage of workers were strengthened in 2014, and will be further strengthened in 2015. The policy of scholarships for the 2015–2019 period, which is based on the analysis of data from different sources and forms a list of occupations with a shortage of workers for which scholarships will be available in the future, is prepared. Measures to regulate traineeships that address the existing inappropriate practice of voluntary traineeships will also be adopted. Collaboration with employers for the purpose of better harmonisation of employers' needs is strengthening, also via offices for employers at the Employment Service of Slovenia, joint presentations of free jobs, small employment or career fairs and via the Slovene Human Resources Development and Scholarship Fund. Training for the unemployed is adapted to the demand of employers, and is intended to harmonise demand and supply.

Measures to adapt the working environment to extended working periods

The measures to increase the employment of the elderly in 2014 and 2015 were supplemented by the measures within the scope of health at workplace promotion (reducing stress, ergonomic measures and other measures for mitigating reduced physical functional abilities) that also contribute to adapting the working environment to extended working periods. These activities will continue in 2015 and 2016; Slovenia will enforce different activities to cooperate in the Agency for Safety and Health at Work campaign (EU-OSHA), which in this period will especially focus on adapting work and working environment to ageing workers. In the Operational Programme 2014–2020, EUR 43 million or more than 10 projects are planned within the scope of active ageing policy. Among

these projects, we should mention activities for adapting jobs, raising the awareness of employers and workers, training employees, measures to reduce absenteeism and measures to promote health and safety at work.

Prevention of undeclared work and employment

With the objective of enhancing and improving supervision over the implementation of legislation, new legislation in the field of inspection of work and prevention of undeclared work and employment was adopted in 2014. As the powers regarding undeclared work and employment have been transferred from the Labour Inspectorate of the Republic of Slovenia (IRDS) to the Financial Administration (FURS), the Labour Inspectorate can focus on the implementation of the labour legislation, while the FURS can supervise undeclared work and employment more effectively with its presence on the ground. The supervisory authorities have lately paid special attention to supervision of illegal use of other forms of work or business cooperation in cases when an employment contract should have been concluded; this will be continued in the next year in order to ensure consistent and adequate protection of labour rights and, consequently, quality jobs.

Wage policy and quality management in the public administration

The wage policy is regulated with collective bargaining agreements separately for the public sector and for the private sector under the sector principle. Labour legislation (ZDR-1) allows for regulation of individual institutes that have an influence on the costs upon employers in collective bargaining agreements. Social partners signed in January 2015 the Social Agreement for the 2015–2016 period, which is the basis for social dialogue and whose purpose is to establish a consensus between the government, trade unions and employers on the basic objectives and systemic changes in the country. An important agreement between social partners in the chapter on wages is that inflation and the growth of productivity in an individual branch is considered in bipartite negotiations on wages and that growth of wages in the public sector must not be faster than growth of wages in the private sector. What is important for systemic measures is to tie the wage policy to the restructuring of the burden of public taxes, whose objective is among other things to reduce taxation of labour-related income.

The system of project-oriented manner of work will be gradually introduced in the public sector, first for large strategic projects and then also for other inter-sector and intra-sector tasks (in accordance with the Public Administration Development Strategy). The objective of introducing a comprehensive quality management system in the public administration is to create capacities for further improvement of supervision of the quality and effectiveness of public expenditure and services to attain the set objectives, along with the optimum use of financial and human resources, and strong support for senior management in public administration. Such measures are linked with the introduction of a competence model in the public administration.

Key tasks in the 2015-2016 period:

- Further monitoring of the effects of the labour market reform and the legislation adopted in 2013 and 2014.
- A comprehensive analysis of the success and effectiveness of active employment policy measures.
- Targeted measures for increasing the work activity of the older population (aged between 55 and 64).
- Targeted measures for the long-term unemployed, primarily for the older population and those with a low education level.
- Implementation of the Youth Guarantee scheme, preparation of the implementation plan for 2016-2020. Conceptualising and starting to implement a competence model in the public administration which will enable the assessment, strengthening and acquisition of the necessary competences of public servants. An increase in the competence level of public servants would consequently increase operating efficiency.

2.4 Recommendation 4: BANKS AND BANKING SYSTEM

OBJECTIVES:

- Ensuring that the banking sector performs its function within the national economy – namely that of financial intermediation in a long-term sustainable manner – i.e. being able to survive in the market without state aid.
- Increasing the efficiency of the operation of banks – i.e. their profitability.
- Privatising banks – i.e. getting the highest possible level of proceeds from the sale of stakes owned by the Republic of Slovenia.
- Providing a systemic framework for the operation of banks that will support financial stability and protect the assets of taxpayers in the future.

Slovenia carried out extensive measures in 2013 and 2014 to strengthen bank stability, which has stabilised the banking sector and regained the country's credibility on the international financial markets. The measures included asset quality reviews, stress tests, recapitalisation of banks in state ownership and transfer of bad loans to the Bank Asset Management Company (BAMC).

On the basis of the results of due asset quality reviews and stress tests, the Republic of Slovenia carried out at the end of 2013 and in 2014 recapitalisation of six banks (NLB, NKBM, Factor banka, Probanka, Abanka and Banka Celje) in the total amount of EUR 3.6 billion. Claims with gross exposure of EUR 4.9 billion from four banks were transferred to the BAMC at the transfer value of EUR 1.6 billion.

The Single Supervisor Mechanism (SSM) became operable in November 2014. A comprehensive assessment of the operation of banks was made before the SSM took over full supervisory powers. Three Slovenian banks - NLB, NKBM and SID banka – were included on the basis of the three largest banks of a member state criterion. Under the basic scenario of the stress test, none of the three banks would report a capital shortfall at the end of 2016. Capital surplus of all three banks under the basic scenario would amount to a total of EUR 754.7 million. Under the adverse scenario, two banks (NLB and NKBM) would report a minor capital shortfall in the total amount of EUR 65 million at the end of 2016. SID banka would meanwhile report a capital surplus also under the adverse scenario. The effects of the restructuring in 2014 improved the profitability of both banks that would report minor shortfalls, and they were able to cover the identified capital shortfall with retained profits.

Banking sector strategy

The purpose of the strategy is to (i) increase trust in banks, (ii) enable efficient management of banks so that powers of individual institutions are clearly distributed, and (iii) enable sustainable economic, social and environmental development.

The objective of the strategy is that banks operate safely and stably, without stability strengthening measures from the state. By performing their basic banking activities, focusing on strategic markets, maintaining market share, achieving sustainable profitability and with good corporate management, banks shall become an interesting proposition for investors and the value of the investment of the Republic of Slovenia shall thereby be optimised. Corporate management follows professional and ethical standards, manages risks and strengthens internal control activities.

In the first part, the banking sector strategy deals with short-term and long-term measures for the stabilisation of the financial environment that were already implemented or being planned, and it relates to all banks operating in the Republic of Slovenia. In the second part, the strategy focuses on banks in which stability-strengthening measures were implemented and in which the state holds ownership stakes. In this part the strategy supplements the Asset Management Strategy of the Republic of Slovenia as determined in the Slovenian Sovereign Holding Act.

Management of non-performing assets

Banks actively embarked on a methodical and rapid reduction of the volume of non-performing assets. In cooperation with the Slovenian Sovereign Holding (SSH), the Ministry of Finance ordered the banks that received state aid to prepare plans and action programmes for the reduction of non-performing assets, both by size and share in total assets or investments. The banks:

- placed the management of non-performing assets among strategic goals;
- produced strategies for resolution of non-performing assets;
- established an organisational structure with units for the management of non-performing assets;
- reinforced the staff with external advisers, reassignments and training;
- adopted internal rules for granting of loans and upgraded concepts for restructuring of companies;
- adopted the principles of voluntary financial restructuring of companies;
- started establishing systems for early detection of increased credit risks.

Bank restructuring

The banks that received state aid have committed to implementing comprehensive restructuring programmes based on the objective of reaching profitability and increased resistance in the event of possible future shocks. Attaining the said goals will partially depend on the external environment, and will be to a large extent conditional on greater bank efficiency, focus on key activities, good management and attaining economies of scale. A further increase in the profitability of banks after 2015 will be limited primarily to cost-cutting, which is a key strategic guideline for banks if they want to improve profitability and their capacities for establishing a sustainable capital basis through retained profits.

In order to make their operation sustainable, banks will need to reduce the share of non-performing assets. They will look to ensure this with measures such as restructuring of debtors and subsequent pre-qualification of claims from non-performing to performing, executions, sale of claims and conversion of claims into equity. The BAMC has assumed the leading role in restructuring of companies and organising banks for restructuring bad exposure. Banks negotiate with private investors and the BAMC on the establishment of special purpose entities to which non-performing assets would be transferred, while the Republic of Slovenia is examining whether it is reasonable to make further transfers to the BAMC. Consistent implementation of restructuring plans is of key importance with regard to the withdrawal of the state from the ownership structure of banks, as this will ensure a higher real value and, consequently, the possibility of better return of the invested public funds. With this purpose a pro-active, cooperative and comprehensive approach to restructuring of companies (see Recommendation 7) is being applied. What is especially important is that commercial banks will start reducing more actively the share of non-performing assets and their exposures outside Slovenia, primarily in the Balkans, which have not been transferred to the BAMC as part of the bank recapitalisation procedures.

Establishment of a bank resolution fund

The Bank Resolution Authority and Fund Act (ZOSRB) determines that the central bank Banka Slovenije is the body that executes the powers of the resolution authority. Banka Slovenije established in 2015 the Bank Resolution Fund, which is financed with contributions from the banking sector and which will provide financing of possible measures for rescuing banks in trouble (including recapitalisations). Funds that will be transferred from an individual bank to the fund will be considered as an investment of an individual bank, which means that banks' assets will not be reduced considerably. The amount of all payments into the fund is limited to 1.3% of the amount of all guaranteed deposits. Banka Slovenije can additionally request that banks make extra payments into the fund, which must not exceed 1% of the amount of all guaranteed deposits. The fund will considerably reduce risks of extraordinary burden on public finance in relation to the financial rescue of banks.

Consolidation of banks and sale of state stakes in banks

The banking sector is too large in terms of the volume of operation and sub-optimal in terms of distribution of risks and the amount of interest margin. A total of 17 banks, of which 7 are in majority foreign ownership, and 3 savings banks and 3 subsidiaries operate in Slovenia. Two of these banks are in supervised liquidation, while

Abanka and Banka Celje are in a merger procedure, which will, in accordance the commitments given in the procedure of the granting of state aid, be finalised by 1 January 2016. There are additional possibilities for consolidation on the market (for example, a merger of Poštna Banka Slovenije with NKBM). Cost synergies could be utilised in further mergers, especially among small domestic banks. All banks that received state aid are obliged to considerably reduce their total assets.

In managing stakes in banks Slovenia looks to maximise value and it needs to withdraw from these investments immediately after appropriate conditions are reached, but no later than determined in the commitments given to the European Commission in the procedure of state aid approval. Conditions for withdrawal will be met when restructuring and mergers of banks are implemented to the extent when investors will recognise the positive effects of restructuring and synergy effects of mergers. The manner and method of privatisation will be determined separately for each bank with consideration of the situation on the market, while the SSH as the manager will consolidate certain banks and take into account the possibilities for sale on the organised securities market. The SSH will try to attract investors whose entry into the ownership structure would ensure effective financial intermediation, long-term existence and the undisturbed operation of banks while also securing adequate yield. The SSH will carry out the sale of stakes owned by the Republic of Slovenia transparently, in a well advertised bid collection procedure. In doing so, it will encourage the greatest possible range of domestic and foreign institutional investors and international institutions to join the bidding process. Public calls for bids will be aimed at maximising possible proceeds and gaining trust in the integrity of the sale.

Establishing a systemic framework for bank operation

A new Banking Act has been adopted, whose main solutions stem from the transposition of Directive 2013/36/EU and Directive 2014/59/EU and adjustment of the national legislation to Regulation (EU) No 1024/2013, Regulation (EU) No 575/2013 and Regulation (EU) No 806/2014. The following pieces of legislation are being prepared:

- an act that will regulate liquidation of banks, resolution procedures and measures and guarantee system for deposits in banks with the introduction of a special fund, with which Directive 2014/59/EU and Directive 2014/49/EU would be fully transposed in the national legislation.
- amendments to the Act Defining the Measures of the Republic of Slovenia to Strengthen Bank Stability, whose main objective is to enable effective restructuring of companies where the BAMC has become a partner or creditor due to the implementation of measures to strengthen bank stability. The activities of the BAMC, permitted legal transitions, management of assets of the BAMC and the rights of the BAMC related to restructuring of companies will be precisely defined for this purpose. In line with this objective, requirements regarding membership in the management board, supervision of the BAMC and an extension of the period of its functioning will also be regulated in more detail in this act.

Key tasks for the 2015-2016 period:

- Continuing the restructuring process and implementing the banking sector strategy.

2.5 Recommendation 5: CONTINUING WITH MEASURES FROM THE FIELD OF STATE ASSET MANAGEMENT

OBJECTIVES:

- adoption of the state asset management strategy.
- appointment of new members of the supervisory board of the Slovenian Sovereign Holding.
- carrying out transparent privatisation of the companies from the 2013 list.
- drafting annual reports for asset management and privatisation for 2015 and 2016.

Capital asset management

The Republic of Slovenia adopted in 2014 a new Slovenian Sovereign Holding Act (ZSDH-1) with which it supplemented the legislation in the field of state capital asset management. The essence of the new act is (i) to separate the function of the state as the owner of capital assets from other functions of the state, (ii) concentrated management of investments owned by the SSH, KAD and assets of the Republic of Slovenia managed by the SSH, (iii) to establish a transparent asset management system and to manage assets in compliance with Slovenian and international guidelines of good practice of management of state-owned assets and corporate governance in general.

The act defines the principle of independence under which the SSH and its bodies are not bound by the instructions of state authorities or third parties, and when implementing tasks they must function independently and autonomously. The SSH freely disposes of the capital assets in its management and is not bound to any approvals or restrictions. The decision of the National Assembly on the sale of 15 companies gave the SSH the legal basis to manage the procedures of sale of these companies independently and autonomously. Procedures are carried out in accordance with the set timetable. In 2014, the following procedures were implemented: adoption of the SSH statute, incorporation of the SOD fund in the SSH, transfer of the capital assets of the DSU management and consultancy company and the PDP special corporate advisory company to the SSH, hiring of compliance officer, signing of the contract on the management of capital assets of the Republic of Slovenia, adoption of the corporate governance code and management policy, quarterly and annual reporting to the National Assembly, appointment of members of the Economic and Social Expert Committee, adoption of the policy on remuneration of new members of the supervisory board.

Capital asset management strategy

In the field of capital asset management, the government is facing two key processes, namely the adoption of a comprehensive state capital asset management strategy and a transparent appointment procedure for a new supervisory board of the SSH. The purpose of the strategy is to clearly define the general objectives of state ownership related to individual capital assets, which would eliminate the need for government intervention in the current operation of the SSH and companies in which the state holds capital assets, as the management performance is measured on the basis of the attainment of objectives set in advance. In addition to respecting the binding directives and rules on the awarding of state aid, also to be included in the implementation of privatisation will be the conditions for the withdrawal of the state from ownership that will ensure development of a company, preservation of jobs and retention of its headquarters in Slovenia, respect of collective bargaining agreements and workers' standards, respect of the Slovenian language and timely involvement of representatives of workers in these procedures.

The strategy contains concepts of management of individual state assets, financial indicators for individual companies and management objectives. The objectives that the Republic of Slovenia is pursuing in capital state asset management are to increase asset value, ensure the highest possible yield rates for the owners and attaining other possible strategic objectives for assets defined as strategic. The strategy treats all capital assets individually and from the aspect of industry sectors, such as the energy sector, public utility services, post and

telecommunications, general business sector, transport and infrastructure. The strategy contains a strategy for the Slovenian banking sector and a strategy for the insurance sector. The strategy determines the criteria on whose basis companies will be divided into strategic, important and portfolio assets (indicators used: (i.) strategic development, (ii.) sector-entrepreneurial, (iii.) network (iv.) and public finance indicators).

Appointment of members of a new supervisory board of the SSH as the other essential element in accordance with ZSDH-1 and the guidelines of then OECD will be based on a well conceived and transparent procedure of selection of candidates, which is managed by an expert commission appointed by the minister of finance, which comprises experts in corporate management, human resources management and functioning of supervisory systems. This ensures independence, professionalism and transparent implementation of tasks of supervisory board members. Both the strategy and the new line-up of the supervisory board of the SSH is prepared by the government, and confirmed by the National Assembly, both of which will be carried out in the first half of 2015. On the basis of the adopted strategy, the SSH will prepare the first annual programme for state capital asset management, which will include a list of assets for sale determined among the assets defined in the strategy as portfolio assets.

Key tasks for the 2015-2016 period:

- Efficient operation of the Slovenia Sovereign Holding (SSH) and implementation of the capital asset management strategy, with a special emphasis on measures for improving the return on state-owned capital investments.

2.6 Recommendation 6: RESTRUCTURING OF COMPANIES

OBJECTIVES:

- systemic restructuring of companies under uniform principles.
- establishing an effective unit for coordination of restructuring of companies.
- evaluation of insolvency legislation.
- reduction of court backlogs.

Restructuring and deleveraging of companies

With the changes of the Act amending the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act, banks and the BAMC were given additional powers in restructuring of non-performing assets, for example, changing restructuring plans, proposing compulsory debt settlement and proposing new management of companies. The principle of absolute advantage enables banks to carry out restructuring and become sole owners of restructured companies. Banks have adopted the principles of financial restructuring, which are not binding and which define the approach to financial restructuring of companies with multiple creditors. The basic premise is to preserve the economic activity, if there is a reasonable chance of surviving on the market. The principles will also be respected by the BAMC, which was recapitalised in the amount of EUR 200 million at the end of 2013, which enabled it to restructure companies in a pro-active, cooperative and comprehensive manner. The BAMC must manage assets under the principle of due care and diligence and the principles of international corporate governance standards. The BAMC enters a restructuring procedure if it assesses that a company would be capable to operate on its own after the financial and business restructuring procedure is finalised. As part of restructuring, it can: (i) reduce the principal value of claims, (ii) defer the maturity of claims, (iii) reduce interest rates of claims, (iv) convert claims into stakes in companies, (v) acquire claims and stakes of banks in a company with new in-cash or in-kind contributions or increase the share capital of a company, (vi) carry out or demand business restructuring and (vii) improve credit standing or insurance of claims. Since the BAMC is fully state-owned, it must carry out restructuring of companies in accordance with the EU rules on state aid. It can acquire stakes and claims of a company only at the market price and under market conditions.

The government has established an inter-ministerial task force for restructuring and deleveraging of companies, which is comprised of representatives of ministries (Ministry of Finance, Ministry of Economic Development and Technology and Ministry of Justice) and the central bank Banka Slovenije, and whose tasks are the following:

- analysing the use of available legal mechanisms and best international practices for all stakeholders in the restructuring process;
- monitoring procedures of restructuring and deleveraging of companies;
- preparing a framework plan for restructuring and deleveraging of companies;
- coordinating stakeholders as part of procedures of restructuring and deleveraging of companies;
- making proposals for systemic measures for increasing the efficiency of procedures of restructuring and deleveraging of companies;
- making proposals for measures for restoring lending activity of banks and ensuring economic growth.

The task force reports quarterly on the results of its work to the Government, which adopts on the basis of its proposals additional measures for the facilitation of efficient and comprehensive (financial, business and ownership) restructuring of the economy.

Strategy of the Bank Asset Management Company (BAMC)

The Strategy or the Business and Financial Plan was confirmed by the management board of the BAMC in accordance with the requirements of the Guidelines and the Decree. The Strategy will duly be established in its final form after the BAMC DUTB actually takes over the entire package of non-performing assets from all banks that were involved in the measures under the ZUKSB. The BAMC namely took over non-performing assets in phases, first from NLB and NKBM at the end of 2013, then from Abanka in 2014 and recently from Banka Celje. Transfer of assets from the banks that are in the procedure of supervised liquidation is also possible.

Long-term ownership is not the purpose of the BAMC when it comes to management of assets, which is why a strategy of sale of assets is a part of the management strategy. In the business strategy, assets are divided into claims, capital assets and real estate. A further division can be made within these categories considering the nature of assets (for example, claims to companies in receivership, claims secured with residential real estate, claims to financial holdings, claims (or investments) to companies in restructuring). The management board must adopt a five-year business plan in which the BAMC must define a target return on capital, return on assets as a whole and return by individual segments. A plan of the same of assets of the BAMC is a part of the business plan. The management board must also adopt a financial plan, which should consist of a plan for all revenue and expenditure of the BAMC in the business year with a timetable and a plan for the use of available funds. The business strategy and financial plan must be prepared so as to maintain capital adequacy and the ability of the BAMC to pay its obligations (liquidity).

In March 2015, the government adopted measures for a more efficient operation of the BAMC and more adequate remuneration policy. Also being prepared are changes to the Act Defining the Measures of the Republic of Slovenia to Strengthen Bank Stability, which will enable a more efficient operation of the BAMC in procedures of restructuring of debtors and financing of companies with the objective of increasing the economic value of claims. The working draft of the changes envisages the operation of the BAMC to be extended until 2022, it contains provisions for improving management and supervision of the BAMC, and also aims at ensuring higher integrity in the operation of the BAMC and prevention of conflict of interest. The draft changes retain the legislative provision that the BAMC must sell at least 10% of the assessed value of acquired assets each year.

Evaluation of insolvency legislation

In order to ensure that the reform legislation takes effect, a specialised inter-institutional implementation group has been operable since the adoption of the test changes on insolvency legislation (ZFPPPP-F), which in addition to dealing with topical issues related to the implementation of legislative provisions, also monitors the effects of the implementation of the renewed legislation in the field of procedures of preventive restructuring and receivership proceedings by updating the data on a monthly basis. The government will continue examining whether an additional set of measures for improving the implementation framework is necessary in order to

provide the economy with the widest possible set of measures for comprehensive and more effective deleveraging as an important element of restructuring. Possibilities for better repayment of claims by employees in companies in receivership will also be examined as part of the analysis of the implementation of insolvency legislation reform.

The measures for the thorough monitoring of statistical data on restructuring and receivership procedures and for the analysis of concrete measures applied on individual debtors that successfully restructured in a compulsory debt settlement procedure or in a procedure of simplified compulsory debt settlement, show that the supplemented regulation of (court-mandated) restructuring procedures undoubtedly contributes to improving the possibility of restructuring of business entities and raising awareness of all participants in procedures regarding the actual effects of the new regulation in practice. Both the number of new procedures of (court-mandated) restructuring and the number of successfully concluded procedures of court-mandated restructuring increased in 2014. While only 41 procedures of court-mandated restructuring of companies were lodged in 2013, including 28 compulsory debt settlement procedures and 13 procedures of simplified compulsory debt settlement, a 158-percent increase was recorded in 2014, when 9 procedures of preventive restructuring, 36 debt settlement procedures and 108 procedures of simplified compulsory debt settlement were lodged, or a total of 153 procedures of court-mandated restructuring of companies. The statistics regarding successfully concluded (court-mandated) restructuring procedures are also encouraging. With the introduction of a wider set of possibilities for restructuring, 6 procedures of preventive restructuring, 20 debt settlement procedures and 59 procedures of simplified compulsory debt settlement, or a total of 85 court-mandated company restructuring procedures were concluded in 2014 with the confirmation of agreement, which represents a 240-percent increase.

What also contributed significantly to deleveraging of the Slovenian economy is the positive trend of procedures of simplified compulsory debt settlement in small and micro companies, which until the normative regulation of the procedure of simplified debt settlement actually did not have the possibility to carry out restructuring in a court procedure because of disproportionate costs of initiation of a regular compulsory debt settlement procedure. Regulation of compulsory debt settlement, especially with the new rules for systemically important companies (medium-sized and large companies), also enables the use of a wide set of restructuring measures and all combinations of these measures. It also provides creditors with a sufficient set of possibilities to actively influence the course and result of these procedures. No procedure that has been concluded or is still ongoing thus resulted in a position that was impossible to be solved appropriately by applying the existing regulation.

The change of regulations related to advance payments and free legal aid has noticeably shortened the duration of preliminary procedures of personal bankruptcy (from an average of 45 days in 2013 to an average of 18 days in 2014). Despite the increased number of receivership procedures, especially personal bankruptcies, the duration of procedures has not increased. This means that courts have effectively adjusted (rationalised) their work to the increased number of cases of this kind. What also partially contributed to this is the regulation under which judicial assistants can decide on simple cases.

Key tasks for the 2015-2016 period:

- Continuing the process of restructuring and deleveraging of companies.
- Efficient operation of the BAMC.

2.7 Recommendation no. 7: REDUCTION OF BUSINESS BARRIERS

OBJECTIVES:

- Improving the business environment and institutional and administrative capacity.
- Increasing domestic and foreign investments with a clear link to specialisation at the national and regional level.
- Providing the harmonisation between smart specialisation, industrial policy, research and development as well as setting of priorities.
- Preparation of a comprehensive and transparent multi-annual selection of measures for stimulating the growth and development.
- Integral implementation of the Slovenia Business Point and introduction of the single document.
- Renewal of regulated professions and activities

Reducing administrative burdens in paying public duties

Regulated Rule of Law, infrastructure, predictable business and political environment, market access, qualified labour force and complexity of administrative procedures are the factors which provide the realisation of business objectives and profit making in the first phase. Taxation policy is one of the more important indicators of the attractiveness of business environment and could be only one of the tools to stimulate the economy. Changes in the recent years mean that the nominal rate of taxation applicable to the income of legal entities dropped by eight percentage points or more than 30% between 2006 and 2013. According to the data from account of the corporate income tax, the effective rate of taxation (measured as a tax in the tax base) was around 12% in 2013 and dropped by almost six percentage points compared to 2006.

In 2015, Slovenia will address the issues of reducing the administrative burdens in paying public duties and increasing the horizontal equity of the public fees system which will reduce the scope of activities on which the compulsory duties are not paid or are detected earlier and thus having also a quicker imposition of payment.

With the purpose to reduce administrative burdens and simplify tax procedures, a change is planned in the Tax Procedure Act with the objective to increase the tax system equity by preventing the avoidance of payment of duties and delay in collecting and to stimulate taxable persons to voluntarily fulfil tax liabilities. The latter reduces the administrative costs of a taxable person and tax authority which enables a more efficient use of time to implement control tasks as well as a quicker implementation of the decision-making processes related to tax matters. In this year, the resolution of complaints is foreseen to be stimulated at the 2nd level and thus the legal security will also be increased for taxable persons. This set of measures also includes the measures reducing the scope of the active tax debt. These measures relate to the organisational changes as well as legislative changes, particularly in the field of repayment of tax debt in insolvency proceedings. Since the state is one of the larger creditors towards the companies in insolvency proceedings in terms of tax debt, the options of financial reconstruction of companies in debt and thus also the repayment of debt related to the public duties must be increased through the enhancement of performance in these proceedings.

Single document for a better legislative and business environment

A precondition for an effective stimulation of investments, domestic and foreign, is also an attractive business environment. Therefore, the special attention will be paid to the elimination of obstacles and improvement of business environment. The elimination of obstacles is addressed with the single document for a better legislative and business environment and the boost of competition which after the conducted renewal and last report for the period from 1 May 2014 to 31 January 2015 includes 233 measures divided by areas and departments

responsible for their implementation. The common situation of carrying out the 233^[1]foreseen measures is as follows: (i) 111 measures are carried out (48%), (ii) 71 measures are in the implementation phase (30%), (iii) 51 measures are unrealised (22%). The document is updated and the list of priority measures is set for 2015. Some 47 measures are additionally carried out in the reporting period concerned. In the continuation, the special attention will be paid to the most urgent measures (e.g. reducing the number of days for issuing a building permit, reducing the costs for implementing e-Business - paperless operation of the national administration).

The preparation of the Act Amending the Construction Act is planned (enactment of the construction committees or qualified experts, criterion for maximum tolerances, amendments to the inspection supervision, regulation of abridged procedure for the issuing of building permit), the Act Amending the Spatial Planning Act (digital graphics, new arrangement of dispersed settlements and construction, integration of comprehensive environmental impact assessment, possibilities of the building land modification) and the Act Amending the Act regarding the siting of spatial arrangements of national significance in physical space. The adoption or enforcement of laws is planned for the beginning of 2016. The Location for Investments project is prepared which will offer the potential investors a quicker access to data on the potential locations and also support them their search for the most suitable locations.

The progress in the "Minus 25%" Action programme is in accordance with the forecasts and the set up programme (reduction of administrative burdens by 25% by the end of 2015⁴ (approx. 360 million)), while the further reduction of burdens by 5% per year by the end of 2020 is also planned. From 2009 to January 2015 (reform of the single document) 384 measures were included in the action programme by individual areas and a total of 310 measures were realised (81%) and 44 are in the realisation phase (11%), altogether 92% under the "Minus 25%" Action programme in accordance with the last report on the realisation of the single document (April 2015).

Internationalisation Programme

The 2015-2020 Internationalisation Programme foresees an active, dynamic, effective and modern approach to attracting FDI:

- The programme anticipates ensuring comprehensive support for companies (especially SMEs) in launching international businesses. Here, the companies must be appropriately developed, especially with reference to internationalisation, since measures must be adapted to the level of company internationalisation to implement effective support,
- Through specific messages to potential foreign investors in the form of comparative advantages in specific groups, sub-sectors and more innovative economic elements,
- Target identification of the missing links in the economic chain of domestic system of companies. The implemented privatisation of the state-owned assets by the foreign investors will present the largest flow of FDI in Slovenia, but the foregoing programme does not focus on the course of privatisation, but rather on other aspects of attracting FDI. In particular, Slovenia will endeavour to bring the so called "greenfield" investments through different activities (foreign investor identification programme, promotion of Slovenia, provision of information and advisory service before, during and after the investment period, organisation of B2B meetings with potential investors, investment conferences, fair presentations and other promotional events, analytic tools and studies for monitoring of FDI, allocation of stimulations).

Concrete activities/measures for companies must be implemented to achieve the goals of the programme, as well as ensuring a comprehensive approach by all stakeholders. These activities will be determined in greater detail in the "International Challenges 2015–2016" action plan.

^[1] The Ministry of Public Administration established the application for reporting with the purpose to increase transparency and efficient monitoring of implementation of measures under the single document which provides a simplified reporting of departments on the implementation of the outlined measures.

⁴In 2010, the administrative burdens were detected in the amount of 1.5 billion EUR.

Single point of contact

The project of single point of contact (SPOC) (2010 -2015) is developing towards a user. SPOC is an important simplification of the business environment (elimination of unnecessary obstacles, simplification of procedures) and the increase of transparency which simultaneously leads to the elimination of duplications at the level of physical, telephone and electronic support to stakeholders in the business environment. In 2015, the eProstor (eSpace) project will intensively progress and with the common information infrastructure foresees the content and information renewal of the real estate records, development of electronic commerce in the field of construction and spatial planning, establishment of spatial information system (access to the most important spatial data and services) which will enable foreign and domestic investors an effective spatial planning of the investment. The eOkolje (eEnvironment) data base (in addition to the already operating eVode (eWaters) portal) will also be established in 2015 with the purpose to familiarise the users with quality and precise information (investors, administrative units and municipalities and other interested stakeholders) at one spot.

The incorporation of the e-VEM and Eugo web sites will continue in 2015 and will be finished when, apart from the content and design structure, the technological platform of both web sites will also be uniform. The One Stop Shop will be established for foreign and domestic investors. The intensive promotional activities for the Eugo web site will commence as well as the promotional activities directed to key stakeholders of the project development. The system of editing national business portals is established and in operation, but it has to be upgraded and introduced with the editing process in 2015 which will serve as a quality standard for the maintenance and development of the content of national web sites. Within the scope of the project the work will continue on central building elements for the services of trusting the e-signature, e-authentication, e-service launched in 2013. The requirement for cross-border interoperability will be taken into account in the development as well as the requirements which are brought by the new EU Regulation eIDAS.

Renewal of the system of regulated professions and activities

The project of renewal of regulated professions and activities is one of the key strategic projects of the Govern Project Office. The number of regulated professions reduced from 323 to 242 as did the number of regulations (deregulation) related to the acquisition of the existing permits. Regarding the regulated professions it has to be emphasised that there are some professions which were not deregulated but removed from the national register of regulated professions due to different reasons, namely:

- commerce: exclusion of the salesman and dealer professions from the register of regulated professions according to the explanation of the Commission;
- public services: the professions municipal warden, head of the municipal warden service and environmental supervisor are excluded;
- craft: 40 craft activities are completely deregulated;
- culture: 4 professions completely deregulated;
- health services: renewed list of professions, excluded professions already regulated by other legislation; number of regulated professions is reduced by 24;
- care and education: the list of regulated professions is reduced by 32.

Currently there is only the registered number for regulated professions, while the regulated activities in terms of entry conditions are not completely registered (the completed register is foreseen in May 2015). At the same time, the analysis of the simplifications and selection of measures take place within the scope of the deliberate deregulation. The complete register will be a basis for the preparation of further measures in the field of regulated activities and professions (in the field of tourism, commerce, cemetery and funeral activities, construction, chimney sweeping services, detective services, driving school activities, legal professions, veterinary medicine and social services by 31 December 2015 and for geodesy service and estate agency services by 31 December 2016) along with the long-term objective to reduce the number of regulated activities and professions to the average of the European Union or to the minimum of 20% of the registered professions or activities.

Consistent implementation of the assessment of regulation impacts on the economy - the SME test

In the future, Slovenia will pay even more attention to the adoption of better regulations. The increase of the quality of regulation preparation is to be achieved through the implementation of consistent consideration and preparation of the consequences of the regulation impacts on different areas. The objective is to improve the process of adopting regulations, mitigate the assessment and familiarise the regulation-making authorities and interested public with this assessment. In 2015, the module to assess the effects on the economy (SME test) will be developed and then introduced for all types of regulations in the first half of 2016. The supervisory authority for assessing impacts on the economy will be the Ministry of Economic Development and Technology.

Coherence of strategies

The Research and Innovation Strategy of Slovenia (RISS) from 2010 and Industrial Strategy Policy (SIP) from 2013 are mutually harmonised, while their objectives (introduction of excellence and competition at the international level) are completely included in the Smart Specialisation Strategy (S3) which is in the phase in preparation. In the current version of smart specialisation, Slovenia defined the technological and innovative orientation and four priority areas on which it will focus its knowledge, competences and industrial potentials and exploit its natural and spatial potentials. S3 will also pursue the objectives to attain quantified objectives of SIP and RISS, such as the increase of productivity, strengthening of scientific excellence, etc. Thus, the mechanism of monitoring will be established to include responsible stakeholders, S3 implementation management and indicators together with the concrete activities. Considering that the smart specialisation is an open and experimental process, the document will remain open for potential subsequent changes in the case that the S3 implementation shows a need for change. The S3 implementation will be thus carefully and constantly evaluated with the purpose to acquire an immediate and adequate response.

The Transport Development Strategy is still in the process of preparation, but the draft already addresses challenges in the field of sustainable mobility which is in accordance with SIP which highlights the technologies for efficient use of energy, renewables and alternative sources, etc. The measures within the Transport Development Strategy will be based on the National Transport Model and the needs of economy and sustainable mobility of the population. With a search of synergies between different public policies the renewal of the spatial strategy will also be focused on the strengthening the attraction of Slovenia for economic development and higher quality of life as a support to its development. It will lean upon the provision of adequate integration and creating of synergies in a broader macro-regional area on the one hand, and on the other hand on the strengthening of centres of national importance with an adequate critical mass of jobs, economic activities and residential facilities which may together with their hinterlands contribute to the sustainable development of Slovenia. It is important that the strategy also encompasses the modernisation and maintenance of road and railway infrastructure.

Key tasks for the 2015-2016 period:

- Reducing the administrative burdens in tax procedures.
- Improving the business environment.
- Harmonisation of strategic documents.

2.8 Recommendation no. 8: MEASURES TO FIGHT CORRUPTION

OBJECTIVES:

- Efficient fight against corruption and thus increase of transparency and responsibility.
- Establishment of legal and institutional framework for a more efficient execution of audits of large investment projects.
- Adoption of statutory and institutional measures for a greater efficiency of investigation and confiscation of assets of unlawful origin.
- Increase of penalty for acts of corruption and transfer of all jurisdictions for making decision on acts of corruption to the district courts.

Slovenia places its commitment related to the fight against corruption between key basic outlines of operation to regain confidence in the state. The stated guidelines and objectives are followed by the renewed 2015-2016 Programme of the Government of the Republic of Slovenia on the prevention of corruption which was confirmed by the government at the regular session on 8 January 2015. The Programme includes concrete measures to fight corruption, holders of implementation of these measures which are the competent ministries in cooperation with independent state authorities (such as the Commission for the Prevention of Corruption) and non-governmental organisations, and which are determined also by deadlines for the implementation of measures, whereby the preparation of interim reports is foreseen in terms of activities and implementation of measures, on the basis of which the level of execution of implemented activity will be assessed. Among the measures, included in the renewed Programme, there are also the preparation of ethics code for governmental and ministry officials and arrangement of legal basis for the dismissal of an individual from the public function and banning the performance of public function and also an efficient and transparent supervision over the operation of chambers. The measures are also planned in the field of restricting the corruption risks in the public administration (additional trainings of employees in public administration) in the field of integrity, establishment of a single national register of risks and measures in the field of public procurements. Prevention of corruption and strengthening the integrity will also have to be reflected in an adequate update of systems, formation of employee profiles for the exposed jobs and recruitment procedures. Following the example of other European Union Member States and the OECD recommendations, an option of introducing the system of mandatory "circulation" of public officials will be studied at the critical jobs with a high risk assessment. A better transparency of inspection reviews and supervisions with the concrete information on the contents of reviews will be established (predominantly system contents) at the web pages of inspection services. Additional trainings related to the integrity of employees in the public sector will be organised and executed for the needs of providing a consistent implementation of statutory provisions in the field of reporting the lobbyist connections. Along with the 2015-2016 Programme, the Government also adopted the decision, with which it recommended the entities in majority ownership or under the predominant impact of the state to approach to Slovenian guidelines of corporative integrity.

The following measures are planned in the field of justice:

- **Adoption and enactment of the Act on the Investigatory Revision of Great State Investment Projects**

In 2015, the adopted act will have positive impact on the stability and efficiency of the operation of the state financial system or the implementation of the national budget (e.g. in the construction of Unit 6 at Šoštanj HPP, the emergence of the hole in the banking system, etc.). The major solution of the proposal is to provide a legal basis for a harmonised operation of the existing supervisory and investigation bodies with a possibility to establish a special commission of inquiry, the competences of which will be determined by the statutory provisions. The results of such inquiries will provide the Government of the Republic of Slovenia with the necessary and credible information for making the decision on the further implementation, funding, participation or investment or undertaking the obligations of the state arising from the investment, while the results will also be useful for establishing the responsibility of legal and physical entities participating in these projects.

- **Changes of criminal and organisational legislation**

In 2015, the Amendment to the Criminal Code will be prepared which among its major solutions includes also the increase of sentences for the basic as well as the privileged forms of criminal corruption offences in the chapter of criminal offences against the economy and against the official duty, public powers and public means. The material jurisdiction over these very complex and very harmful criminal offences for the society will be transferred to the district courts. A more determined and efficient response of the state in this field will be also provided with the preparation of measures for a more efficient storage and management of sequestered property pursuant to the Criminal Procedure Act and the Confiscation of Proceeds of Crime Act.

In 2015, the "Civil Finance Department" will be established within the scope of the Specialised State Prosecutor's Office on the basis of the Amendment to the State Prosecutor Act adopted this year. The enforcement of this Act will provide an easier distribution of experts in the field of Civil Law to this department.

The new Act will be prepared in 2015 and enforced in 2016 which will establish the so called AMO (Assets Management Office) with the purpose to increase the harmonisation and efficiency of performance of different state authorities, including the prosecution services and courts, in managing the objects and property which are sequestered during the investigations or confiscated after the judicial proceedings.

- **Strengthening the efficiency of performance of independent regulatory authorities in the field of financial system and competition protection**

The Act on Regulatory Offences will be prepared in 2015 and presumably enacted in 2016 which will more adequately regulate the sentencing procedures of independent state authorities (e.g. Banka Slovenije, the Securities Market Agency, the Insurance Supervision Agency, the Competition Protection Agency). The fundamental objective is to establish a system which will enable, in terms of sentencing as well as judicial procedure, a quicker, more transparent and more efficient examination of such infringements; including the institutes such as determination of special jurisdiction for the judicial protection with short time periods for decision making, possibility of agreements regarding settlements or admissions of guilt, etc.

Key tasks for the 2015-2016 period:

- Strengthening of legal and institutional framework for preventing and sanctioning the corruption.
- Consistent implementing of measures under the 2015-2016 Programme of the Government of the Republic of Slovenia on the prevention of corruption.

3 PROGRESS IN ATTAINING THE MAIN OBJECTIVES OF THE EUROPE 2020 STRATEGY

3.1 Employment objectives by 2020

The data on the employment level in the 20–64 age group for the past few years (the latest data is for 2013) show a growing distance from the national target for employment (75% unemployment rate in the 20–64 age group by 2020). However, employment grew in 2014 for the first time since the beginning of the crisis with the increase in the economic activity⁵. According to the forecast by IMAD, employment should grow by 0.8% in 2015 and by 0.6% in 2016.

The following measures are planned for 2015 and 2016:

- **From university directly to practice (Youth Guarantee)**
The programme facilitates tertiary educated young unemployed persons under 29 years of age and at the same time first time job seekers to undergo specific on-the-job training for at least a year. Employers receive

⁵ In December 2014, the labour force participation rate was 1.6% higher than in December 2013 (IMAD).

EUR 6,000 as an incentive for giving first employment to young unemployed people by training them for a specific job. EUR 5 million are allocated for this programme in 2015 and 820 jobs are anticipated.

Within the new financial perspective, the Traineeship programme – the promotion of first employment for young people within the scope of paid traineeship – will be carried out as a commitment to the Youth Guarantee and to the Government's decision to prepare an employment programme or to facilitate traineeship for first time job seekers using funds from the OP 2014–2020.

- **Work test for young people 2015**

The work test is intended to test a person at a specific job, which enables unemployed people to test their knowledge, skills and habits, on the basis of which their employment plan will be supplemented, or additional education or employment will be entered. Using the work test, employers can test and get to know their future employee prior to concluding an employment relationship. The measure is intended for all unemployed people under 29 years of age. EUR 1.0 million are available from the integral budget. Some 1,250 young people are expected to be included.

- **On-the-job training 2015**

The purpose of this activity is to improve job opportunities and their competitiveness in the labour market for the included young people, as well as to acquire and strengthen competences, knowledge and skills. EUR 8.0 million (from the previous financial perspective) are available in 2015. Some 4,250 young people are expected to be included.

- **Public works 2015**

The Employment Service of Slovenia published a public invitation to select public works programmes for 2015. A total of EUR 33.66 million is available for public works programmes in 2015, of which EUR 1.3 million are available for social entrepreneurship development programmes. The target group to be included in public works are long-term unemployed people. Some 6,000 long-term unemployed people are expected to be included in these programmes in 2015.

- **Concessions granted – lifelong career orientation services**

Through a public tender, the Ministry of Labour, Family, Social Affairs and Equal Opportunities granted 13 concessions for the provision of services for the labour market determined by the Labour Market Regulation Act. Concessionaires provide services for the labour market, i.e. lifelong career orientation services – they carry out various workshops whose purpose is to acquire skills to learn about an individual's interests and competences, opportunities in their environment, decision-making, and the realisation of employment and career objectives. Concessions were granted for the period from March 2013 to the end of 2014, and then extended to the end of 2015.

- **Focused activities of the Employment Service of Slovenia in 2015**

The priority tasks of the Employment Service of Slovenia will be: cooperation with employers and their associations, and other partners in the labour market; focus on clients and recognition of their needs; active preparation of training programmes and establishment of partner relationships with training providers; development of new forms of lifelong career orientation for long-term unemployed people, elderly people and people with low education, etc.

- **Gradual introduction of apprenticeship models**

In 2015 and 2016, pilot apprenticeship models will be established, which will facilitate closer connections and eliminate inconsistencies between the economy and education. The introduction of the model will increase the motivation of students to enrol in vocational education and reduce drop outs.

- **Investments in human resources**

In 2015 and 2016, measures to enhance the availability of lifelong learning and to improve the key competences of young people and adults will be carried out. Measures to be carried out will include the promotion of secondary vocational education, the introduction of flexible learning methods at all education levels, and the promotion of training in occupations with a shortage of workers. Projects connecting young

people with the environment, the economy, and culture and traditional arts and crafts will be promoted to enhance the creativity and entrepreneurial drive of young people.

- **Promotion of employment in the field of rural development in 2015.** Special attention will be paid to the employment of young farmers. With a new job on their farms and suitable business plans, recipients will be entitled to monetary incentives in the amount of EUR 45,000.

3.2 Research and development targets 2020

Slovenia is approaching the investment target of 3% of GDP in this field. The amount reached in 2013 was 2.59% of GDP. The key challenges are the efficiency and structure of these investments, and the transfer of research achievements to the economy.

In the coming years, cooperation between the knowledge triangle, the financing of public (and private) research infrastructure and the needs of the economy (and in accordance with smart specialisation) will have to be suitably modernised.

In 2015 and 2016, attention will be paid to connecting and seeking synergies between structural and investments funds, and Horizon 2020. The focus will be on projects that show potential in the international context, directly support the development potential of the economy, and cover fields with long-term potential to enter foreign markets, and be globally integrated in an efficient and comprehensive manner.

The emphasis will be on support for various forms of knowledge transfer between the academic sphere and the economy, and on strengthening the research potential in knowledge institutions and development-oriented business entities. This is also the leading principle in the preparation of a new Research and Development Act which will facilitate open access to public research data and public research infrastructure. This will connect various sources and instruments for the financing of research.

Further progress will be made with the support of FAIR, which is the transfer of Slovenian high-tech knowledge to the large international FAIR infrastructure via products made by Slovenian companies. Support will be allocated to projects of young researchers who, with their knowledge, will significantly contribute to the RDI activities of companies or to the creation of new knowledge and its use within research projects. Also planned is further cooperation on the construction of the European Research Area in fields which comply with priority areas of the Smart Specialisation Strategy. In this way, Slovenia's research potential will be most efficiently integrated into the EU context.

The measures will also be focused on information technology, which may provide a global competitive advantage for Slovenian (development and promotion of companies operating in this field).

3.3 Targets for reducing greenhouse gas emissions

The EU climate and energy package adopted at the end of 2008 defined legally binding targets for reducing greenhouse gas emissions (GHG) by 2020.⁶ The sectors not included in the greenhouse gas emission allowance trading scheme are transport, agriculture, energy use in service activities and households, and waste management.

In accordance with the Effort Sharing Decision (Decision No 406/2009/EC), Slovenia has set a national target for greenhouse gas emissions in these sectors not to increase by more than 4% in comparison with 2005 by 2020. At the same time, Slovenia has set annual targets whose attainment is being verified on the basis of emission records with a two-year delay (in 2015 for 2013). According to the first GHG emission records for 2013, GHG emissions are below the target level defined by Decision No 405/2009/EC by approximately 12%.

⁶ The national targets refer to emissions from sectors not included in the greenhouse gas emission allowance trading scheme, in accordance with Directive 2009/29/EC (EU ETS which determines the obligations of larger providers in industry and the energy sector to reduce GHG emissions at the EU level).

The implementation plan of measures which will help Slovenia attain targets to reduce greenhouse gas emissions is the Operational Programme for Reducing Greenhouse Gas Emissions by 2020 with a vision by 2030 (OP GHG 2020) approved by the Government in December 2014. Therefore, the measures anticipated by this programme will be carried out in 2015 and 2016.

The measures determined by the OP GHG 2020 form a crucial part of the programme to turn Slovenia into a resource-efficient, green and competitive low-carbon society. Investment measures will increase domestic demand for green solutions and are a great opportunity for the economy. To promote new, stable and internationally competitive green jobs with high added value, special attention is being paid to incentives aimed at early phases in solution development “for green economic growth”, i.e. incentives for research and technological development, eco-innovation and support for entering the market. These measures are long term, but will show significant effects by 2020. The measures determined by the OP GHG 2020 facilitate the transition to a low-carbon society, which entirely separates economic growth from greenhouse gas emissions: enhances efficiency of resource usage, reduces greenhouse gas emissions, and promotes competitiveness, growth and employment with efficiency and innovation. The Slovenian economy is characterised by its explicit decoupling of GDP growth and greenhouse gas emissions, but not by the decoupling of growth and total use of material resources, which will be crucial for reducing greenhouse gas emissions and long-term competitiveness.

Pursuing the target for reducing GHG emissions in comparison with the level in 1990 within the Rural Development Programme 2014–2020 is directly addressed by the supported activities of investments to improve the storage of manure, and to reconstruct and construct stables with new efficient technologies for reducing GHG emissions.

3.4 Renewable energy sources targets

The target is to increase the share of renewable energy sources (RES) in energy end-use to 25% by 2020 – official data for 2013 (data for 2014 are not available yet) show the fulfilment of the interim annual target for 2013. The share of total energy end-use from RES amounted to 21.5%, which is 2 percentage points away from the target.

Sectoral targets are also being met: the share of gross energy end-use from RES for electricity amounted to 32.8% (97% attainment of the interim target); the share of gross energy end-use from RES for heating and cooling amounted to 31.7% (125% attainment of the target) and the share of gross energy end-use from RES for transport amounted to 3.4% (97% attainment of the interim target) .

Within the support scheme promoting electricity generation from RES, the target values for solar power plants were exceeded, while the potential of biomass, water energy, wind energy, gas from wastewater treatment plants and geothermal energy are insufficiently utilised. A total of 1,694 MW rated power for production devices running on RES and CHP had been issued by the end of 2014, of which 21.4 MW for new devices in 2014 (7.2 MW for RES and 14.2 MW for CHP).

With the adoption of the new Energy Act EZ-1, new entries in the scheme will be determined on the basis of auctions, and the Government will be responsible for determining the scope and technologies. The implementation of the new scheme will be determined within the updated AP RES, for which an environmental report is being drafted. The documents will be submitted for public discussion in the second half of 2015. Regulatory bases to introduce a mechanism for promoting self-sufficiency of households in electricity from RES (so-called net-metering) are also being drafted.

Three NSP for the construction of power plants for renewable energy sources (a pumped-storage hydroelectric power plant in Kozjak, the Brežice hydroelectric power plant on the lower section of the Sava River and the Mokrice hydroelectric power plant on the lower section of the Sava River) have also been adopted, but not yet realised. Four NSP for power plants for renewable energy sources (the Senožeška brda wind farm, the Renke, Suhadol and Trbovlje hydroelectric power plants on the medium section of the Sava River, hydroelectric power plants in Ljubljana and Litija on the medium section of the Sava River, and the Hrastje–Mota na Muri hydroelectric power plant).

3.5 National target to increase energy efficiency

In accordance with Directive 2006/32/EC on energy end-use efficiency and energy services, a target to attain a 9% saving in energy end-use by 2016 has been set. The strategic operational document is the National action plan for energy efficiency for the 2008–2016 period (EE AP) which contains a strategy for the implementation of the planned instruments comprising measures for efficient energy use, energy services, and the development of energy efficient technology and products. The target saving in energy end-use by 2016 is 4,261 GWh.

The interim target for 2014 is not yet known. In the period leading up to 2012, a saving in energy end-use of 2,727 GWh was achieved, which is 15% more than the target saving for 2012. The saving in 2012 amounted to 5.8%.

As a priority project, Slovenia stimulates investments in the energy efficiency of public buildings that consider the criteria of sustainable construction to the greatest possible extent. The energy renovation of buildings is a measure with several benefits, as the efficient use of energy facilitates savings in energy consumption and reduces costs. The energy renovation of buildings will also create new jobs (employment-intensive investments in which most products used are made in Slovenia; therefore, the added value per investment unit is among the highest). Also from the aspect of public finance, the energy renovation of buildings has positive effects, since the public funds that are invested have a multiplier effect.

In 2015, the key mechanism for the attainment of 2020 targets, i.e. the obligation of energy suppliers to save energy, was renewed. This obligation has been imposed in Slovenia since 2010. From 2015 on, suppliers will have to save on their own account and no longer use funds from the contribution for efficient use of energy. However, their obligation is therefore much lower, but will gradually increase by 2020. In accordance with the requirements in Directive 2012/27/EU 1.5% of energy will have to be saved annually. Therefore, the second part of the obligation will be fulfilled by promoting measures for the efficient use of energy through the Eco Fund, especially in households, for which over 25% more funds than so far have been collected through the contribution for the efficient use of energy.

The National Energy Concept is being drafted, which will be a strategic document determining the long-term orientations of energy policy. The long-term energy balance will be prepared by 2055 as expert groundwork for drafting the document. A draft for a discussion in the national Assembly in 2016 will have been prepared by the end of 2015.

3.6 Tertiary education national target

In 2013, Slovenia attained the EU target for at least 40% of people aged between 30 and 40 to have tertiary education. The main challenges that remain are especially to reduce the number of students who do not conclude their studies or to increase the level of studies concluded, and to strengthen the connection between higher education and the economy.

Measures intended to develop a high-quality, fair (anyone meeting enrolment conditions is allowed to study free once) and efficient higher education system, and improve the internationalisation of higher education will be carried out. Special attention will be paid to ensuring innovative open learning environments for the implementation of various flexible higher education organisations and forms of study, and incentives to prepare interdisciplinary study programmes. The financing of higher education, the autonomy of higher education institutions and institutional accreditation will be systemically regulated, which may restore stability and responsibility for the attainment of the targets. In 2015 and 2016, the following measures will be carried out:

- **Modernisation of eVŠ**

The establishment of the system called eVŠ to monitor the employability of higher education graduates. The record and analytical higher education information system includes a record of higher education institutions, study programmes, students, graduates and an enrolment application. Almost all public institutions have been

acquiring information on the status of students for the needs of exercising social and other rights related to the student status through a web service. The system will be upgraded by capturing the data anew with an analytical tool for monitoring the employability of graduates. This will provide the basis for better monitoring of events in the labour market and possibility to establish long-term needs.

- **Career centres and counselling**

Emphasis will be put on the implementation of user-adjusted approaches to career counselling and the introduction of new forms of counselling, which will facilitate efficient career planning for students from enrolment to employment, and more comprehensive information for employers about the programmes of higher education institutions, and about the competences students and graduates acquire to simplify their integration into the labour market.

- **Cooperation between higher education, and the social and economic environment at the micro level**

Co-financing will promote student integration in projects which will be carried out in a direct partnership of higher education students with the business sector and promote: knowledge transfer, use of an innovative, problem-based and group approach to solving the practical problems of companies and local communities and the social environment, the development of practical competences, and the acquisition of general knowledge and experience for students. The projects will also promote creativity, innovation and entrepreneurial drive, i.e. competences that, in addition to the acquired knowledge, will be crucial for simple and successful integration in the labour market.

- They will also promote flexible forms of study, and the establishment of open learning environments for the efficient acquisition of learning sources and cooperation in the international expert community through investments in student exchange and through joint academic and research programmes.

- A higher quality of higher education will be achieved by forming a model of quality, self-evaluation and external evaluation and promoting the professional development of workers in higher education, and through connections with research and increased internationalisation of higher education.

3.7 Reduce the school drop-out rate

The target for the school drop-out rate was exceeded. Nevertheless, a model of quality, evaluation and self-evaluation for the pre-university education system will be established to ensure a low share.

Amending the Organisation and Financing of Education Act in 2015 will provide conditions for most schools and institutions to assist in creating a more inclusive environment for children with special needs (Article 20 of the Placement of Children with Special Needs Act) and provide a safe school environment.

3.8 National targets for combating poverty and social exclusion

Slovenia is not approaching the national target Slovenia 2020, since the number of poor and socially excluded people has been constantly growing since 2009 (2008: 361,000 people or 18.5% of the entire population, in 2013: 410,000 people or 20.4% of the population). The findings of the analysis by the Social Protection Institute of the Republic of Slovenia of 2014 entitled "Social Situation in Slovenia 2013–2014" show a deterioration in the situation according to numerous indicators of the standard of living since 2009. Especially noticeable is the deterioration in 2013. The social situation of single-parent families, children, long-term unemployed people and young unemployed people, elderly people, especially women, individuals and families from the lower middle class and tenants especially deteriorated. Nevertheless, Slovenia is a country within the OECD with the lowest level of income inequality measured by the Gini coefficient, making it a country with the highest social inclusion rate of the population worldwide.

Following the analysis of the impacts of the reform in 2012, social legislation was amended in terms of improving the availability of social transfers and target orientation. Amendments entered into force in 2014. The first data show that the number of beneficiaries of financial assistance has grown since the introduction (1 September

2014: 73,151 beneficiaries, on 1 March 2015: 81,312 beneficiaries). If the number of recipients continues to grow (according to the applicable regulation), this will affect the structure of expenditure, which must be taken into account when planning all further measures in this field.

The implementation of social activation measures to activate social transfer recipients and to develop integrated community services of long-term care and deinstitutionalisation processes will be strengthened by drawing EU funds.

In the next period, the reorganisation of social work centres is anticipated to strengthen direct work with users or recipients, emphasising the active elimination of the need for social transfers, especially through comprehensive treatment, and active and preventive social activation measures. The purpose of the measures is to ensure better connections between social work centres and all relevant actors, especially the Employment Service of Slovenia, local communities and employers.

The first phase of the reorganisation of social work centres anticipates the introduction of an informative calculation for potential transfer and subsidy recipients. This will reduce administrative burdens on centres and facilitate a simpler insight into the scope of rights which may be acquired by individuals and families, and eliminate certain deficiencies from the aspect of the availability of rights. The informative calculation system is anticipated to be introduced by the end of 2016.

The measures will include the adjustment of the basis for the minimum income to EUR 288.81 which is anticipated in the social agreement and will raise expenditure on financial assistance and pension support.

Social entrepreneurship

Activities to promote social entrepreneurship will focus on:

- supporting the establishment, development, and growth of social enterprises, and the development of their support environment;
- promoting innovative partnerships in social entrepreneurship;
- engaging enterprises in social responsibility activities;
- including cooperatives and developing the cooperative model in places where financing is ensured;
- developing economic democracy, which corresponds to the model of entrepreneurial drive development and incentives in public administration (in accordance with the model for the renewal of the public sector).

Local approach to greater social inclusion

The implementation of community-led local development is an important instrument to ensure social inclusion and reduce the risk of poverty for certain groups of people living in various local rural and urban environments, and small towns. It is intended to address development challenges, such as high unemployment, lack of jobs and insufficient provision of basic services. This instrument is also used to address areas facing social exclusion and to plan activities that contribute to better social inclusion. Special attention is paid to environmental protection and nature conservation.

ANNEX 1

(appendix to Chapter 1.1)

A set of large investment projects of Slovenia within the “Juncker's investment plan”

In the wider context of strengthening economic growth and creating jobs, the President of the European Commission Juncker announced the mobilisation of additional private and public funds to finance investment projects of European importance in EU Member States. The approximate amount of the investment initiative known as “Juncker's investment plan” is EUR 300 billion.

A special project basis was established under the leadership of the European Commission and the European Investment Bank, which is expected to identify projects in individual Member States. Based on the mandate of the project working group at the EU level, the Ministry of Finance invited all line ministries covering the defined fields of knowledge, innovation and digital economy, energy union, transport, social infrastructure, and resources and the environment) to submit their sets of projects corresponding to the set criteria and fields.

The criteria set by the project group at the EU level determine that projects:

1. are of European importance, and promote growth and employment as much as possible;
2. are potentially ready for prompt implementation; and
3. are economically viable, but cannot be realised due to financial, administrative or other reasons.

22 projects were identified, with a total estimated investment value of EUR 9.2 billion. Investments in the amount of EUR 2.3 billion are anticipated between 2015 and 2017. The indicative set of projects was sent to the EU project group with a note that the set did not include projects at the regional level, i.e the list was merely approximate and of an informative nature, and that other projects might be proposed in the course of the process.

Table 1: Indicative set of projects in Slovenia (sent to the EC on 5 December 2014)

Sector	Project	Estimated investment value	Investments 2015–2017 (in EUR million)
Entrepreneurship	Financing development projects of small and medium-sized enterprises	400	400
Entrepreneurship	Promoting cultural and creative sectors	22	7
Environment	Energy renovation of buildings	1,300	300
Environment	Flood control	1,030	150
Energy	400/110 kV overhead power line Cirkovce–Pince with a new distribution station in Cirkovce	115	80
Energy	Evacuation pipeline towards Hungary and Italy within the scope of the construction of the terminal for liquefied natural gas LNG Krk	600	35
Energy	Hydroelectric power plants on the middle section of the Sava River	400	15
Transport	Northern Adriatic–the Alps railway connection (including the second track)	1,524	433
Transport	Expansion and modernisation of the port of Koper	187	93
Transport	TEN-T corridors: Draženci–Gruškovje, Jagodje–Lucija and Hrušica–Austria motorways; second tube of the Karavanke Tunnel	594	230
Transport	Third development axis – north–south expressway	1,661	75

Transport	Ljubljana Intermodal Logistics Centre	208	70
Health	4 projects: emergency medical service; e-health; modernisation of health-care institutions (construction of hospitals and a rehabilitation centre)	206	138
Research and innovation	Teaming for excellence	250	100
Research and innovation	ESFRI* infrastructure projects based on the National Research Programme	290	50
Research and innovation	Centres of knowledge (excellence)	100	30
Research and innovation	Research centres	150	70
Research and innovation	Improvement of infrastructure for research and innovation in culture	19	6
Cultural infrastructure	Revitalisation and reconstruction of cultural heritage and public cultural infrastructure	140	6
TOTAL		9,196	2,288

* European Strategy Forum on Research Infrastructures