



GOVERNMENT OF THE REPUBLIC OF SLOVENIA

DRAFT BUDGETARY PLAN 2016

Ljubljana, 15 October 2015

Legal Basis

According to the Regulation (EU) No 473/2013 of the European Parliament and of the Council on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area all euro area Member states are required to submit their draft budgetary plans to the Commission and the Eurogroup no later than 15 October.

Key Guidelines

The objectives of Slovenia's fiscal policy for 2015 and 2016 follow the requirements and recommendations of the European Council within the framework of commitments under the Stability and Growth Pact, and are in compliance with the excessive deficit procedure¹. Achieving this scenario in the medium term provides for a mix of, fiscal responsibility and structural measures translated into material laws, support to carefully selected investment and measures to increase competitiveness

Slovenia will pursue its fiscal target of achieving a general government deficit of 2.9% of GDP in 2015 and 2.2% of GDP in 2016, the headline deficit which insures path toward balanced structural deficit, as it is stated in constitution. Under this assessment, the general government structural balance is to be achieved in 2020. The Draft Budgetary Plan contains the policies and measures to achieve the aforementioned goals, which will be followed by further fiscal consolidation towards a permanent balanced structural position.

Independence of macroeconomic forecasts

Macroeconomic forecasts are produced by the Institute of Macroeconomic Analysis and Development (IMAD), an independent government office.² According to the Resolution on the Organisation and Work of IMAD: »The Institute is professionally independent regarding the expert and methodological issues relating to the use of analytical and forecasting tools and the interpretation of results«.

¹ Slovenia has been formally under the excessive deficit procedure since 2 December 2009. In line with the EU Council recommendations from June 2013, Slovenia has to bring down the general government deficit below 3% of GDP by the end of 2015.

² Establishing acts and the field of work of IMAD are: (1) Resolution on the Organisation and Work of the Institute of Macroeconomic Analysis and Development of the Republic of Slovenia; (2) Government of the Republic of Slovenia Act; (3) Decree on the Documents of Development Planning Bases and Procedures for the Preparation of the Central and Local Government Budgets.

1. Macroeconomic forecasts.

Table 0.i) Basic assumptions

	Year 2014	Year 2015	Year 2016
Short-term interest rate ¹ (annual average)	0.2	0.0	0.0
Long-term interest rate (annual average)	2.0	1.3	1.6
USD/€ exchange rate (annual average)	1.329	1.109	1.102
Nominal effective exchange rate	0.3	-2.9	0.1
World excluding EU, GDP growth			
EU GDP growth	1.3	1.9	2.0
Growth of relevant foreign markets	3.0	3.4	5.0
World import volumes, excluding EU	n.a.	n.a.	n.a.
Oil prices (Brent, USD/barrel)	98.9	55.0	55.0

1/technical assumptions.

Table 0.ii) Main assumptions

	Year 2014	Year 2015	Year 2016
<i>1. External environment</i>			
a. Prices of commodities ¹	-4.0	-14.9 (Jan-Aug.)	
b. Spreads over the German bond	2.08	1.16 (Jan-Sept)	
<i>2. Fiscal policy²</i>			
a. General government net lending / net borrowing	-1.8	-1.1	-0.9
b. General government gross debt	30.1 (level)	84.0	80.8
<i>3. Monetary policy / Financial sector / interest rates assumptions</i>			
a. Interest rates:			
i. Euribor (3 month)	0.2	0.0 (Jan-Aug.)	0.0
ii. Deposit rates (up to 1 year)	1.0	0.4 (Jan-Jul)	
iii. Interest rates for loans (enterprises, over 1 mio EUR)	4.1	3.0 (Jan-Jul)	
iv. Yields to maturity of 10 year government bonds	3.2	1.7 (Jan-25.Sept)	
b. Evolution of deposits (YoY nominal change in %)	9.0	4 - 6	3 - 5
c. Evolution of loans to enterprises and NFCs (YoY nominal change in %)	-21.1	-5 to -6	-3 to 3
d. NPL trends (% of total banking sector exposure)	11.9	11.1 (Jul.)	
<i>4. Demographic trends</i>			
a. Evolution of working-age population ³	-0.6	-0.7	-0.7
b. Dependency ratios ⁴	51.3	52.8	54.2
<i>5. Structural policies</i>			

1/ Non-energy commodities in USD, change in %

2/ Ministry of Finance

3/20-64, growth rate, 1.1.

4/ Old-age dependency ratio: (65+)/(20-64); age dependency ratio: (0-14)+(65+)/(20-64)

Table 1.a. Macroeconomic prospects

	ESA Code	Year 2014 Level	Year 2014 rate of change	Year 2015 rate of change	Year 2016 rate of change
1. Real GDP	B1*g	37,303.2	3.0	2.7	2.3
2. Potential GDP		37,648.4	0.6	1.1	1.3
contributions:					
- labour			0.3	0.1	0.2
- capital			0.1	0.1	0.2
- total factor productivity			0.2	0.9	0.9
3. Nominal GDP	B1*g	37,303.2	3.9	3.3	3.6
Components of real GDP					
4. Private final consumption expenditure	P.3	19,876.6	0.7	2.0	2.6
5. Government final consumption expenditure	P.3	7,116.5	-0.1	-0.1	-0.4
6. Gross fixed capital formation	P.51g	7,323.9	3.2	2.0	-1.8
7. Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53	49.9	0.1	0.8	0.7
8. Exports of goods and services	P.6	28,546.9	5.8	5.0	5.2
9. Imports of goods and services	P.7	25,610.6	4.0	4.9	3.8
Contributions to real GDP growth					
10. Final domestic demand (excl. inventories)		34,317.0	1.0	1.5	1.0
11. Changes in inventories and net acquisition of valuables	P.52 + P.53	49.9	0.5	0.7	-0.1
12. External balance of goods and services	B.11	2,936.3	1.6	0.5	1.4

Table 1.b. Price developments

	ESA Code	Year 2014 Level	Year 2014 rate of change	Year 2015 rate of change	Year 2016 rate of change
1. GDP deflator			0.8	0.6	1.3
2. Private consumption deflator			0.0	-0.7	0.5
3. HICP			0.2	-0.4	0.8
4. Public consumption deflator			0.1	0.5	3.6
5. Investment deflator			0.4	1.5	1.7
6. Export price deflator (goods and services)			-0.1	0.4	0.5
7. Import price deflator (goods and services)			-1.1	-0.3	0.5

Table 1.c. Labour market developments

	ESA Code	Year 2014 Level	Year 2014 rate of change	Year 2015 rate of change	Year 2016 rate of change
1. Employment, persons		929.6	0.6	1.5	1.1
2. Employment, hours worked		1,558,409.4	1.9	1.2	1.2
3. Unemployment rate (%)		9.7	-0.4	-0.3	-0.4
4. Labour productivity, persons			2.5	1.2	1.2
5. Labour productivity, hours worked			1.2	1.5	1.1
6. Compensation of employees	D.1	18.4	1.8	2.2	3.9
7. Compensation per employee		19.8	1.2	0.7	2.8

1/ Occupied population, domestic concept national accounts definition. Level in thousands.

2/ Harmonised definition, Eurostat; levels.

3/ Real GDP per person employed.

4,5/ Nominal rate of change.

Table 1.d. Sectoral balances

	ESA Code	Year 2014 % GDP	Year 2015 % GDP	Year 2016 % GDP
1. Net lending/net borrowing vis à-vis the rest of the world		6.5		
<i>of which:</i>				
- Balance on goods and services		7.9	8.7	9.8
- Balance of primary incomes and transfers		-0.9	-2.5	-2.6
- Capital account		-0.5		
2. Net lending/net borrowing of the private sector	B.9	n.a.	n.a.	n.a.
3. Net lending/net borrowing of general government	EDP B.9	-4.96	-2.92	-2.17
4. Statistical discrepancy				

2. Budgetary Targets.

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

	ESA Code	Year 2015 % GDP	Year 2016 % GDP
Net lending (+) / net borrowing (-) (B.9) by sub-sector			
1. General government	S.13	-2.92	-2.17
2. Central government	S.1311	-2.94	-2.12
3. State government ¹	S.1312	n.a.	n.a.
4. Local government	S.1313	0.00	0.00
5. Social security funds	S.1314	0.02	-0.05
6. Interest expenditure	EDP D.41	2.95	2.89
7. Primary balance ²		0.04	0.72
8. One-off and other temporary measures ³		0.02	0.33
9. Real GDP growth (%) (=1. in Table 1a)		2.69	2.35
10. Potential GDP growth (%) (=2 in Table 1.a)		1.13	1.28
contributions:			
- labour		0.14	0.24
- capital		0.12	0.15
- total factor productivity		0.87	0.89
11. Output gap (% of potential GDP)		-2.20	-1.21
12. Cyclical budgetary component (% of potential GDP)		-1.07	-0.56
13. Cyclically-adjusted balance (1 - 12) (% of potential GDP)		-1.84	-1.60
14. Cyclically-adjusted primary balance (13 + 6) (% of potential GDP) ⁴		1.11	1.29
15. Structural balance (13 - 8) (% of potential GDP)		-1.82	-1.27

1/Not relevant for Slovenia.

2/ The primary balance is calculated as (B.9) plus (D.41).

3/ A plus sign means deficit-reducing one-off measures.

4/ Cyclically-adjusted primary balance calculated as CAB minus interest expenditures

Table 2.b. General government debt developments

	ESA Code	Year 2015 % GDP	Year 2016 % GDP
1. Gross debt ¹		84.05	80.76
2. Change in gross debt ratio		3.27	-3.28
Contributions to changes in gross debt			
3. Primary balance (= item 10 in Table 2.a.i)		0.04	0.72
4. Interest expenditure (= item 9 in Table 2.a.i)	EDP D.41	2.95	2.89
5. Stock-flow adjustment ¹		2.90	-2.51
<i>of which:</i>			
- Differences between cash and accruals			
- Net accumulation of financial assets			
<i>of which:</i>			
- <i>privatisation proceeds</i>			
- Valuation effects and other			
p.m.: Implicit interest rate on debt		3.77%	3.56%
Other relevant variables			
6. Liquid financial assets		17.07	13.73
7. Net financial debt (7=1-6)		66.97	67.03
8. Debt amortization (existing bonds) since the end of the previous year ²	mio EUR	2.85	6.15
9. Percentage of debt denominated in foreign currency ³		0.12%	0.12%
10. Average maturity ²		6.40	6.79

1/ As defined in Regulation 479/200.

2/ Projections Ministry of Finance, Treasury.

3/ Source State Budget before swap.

Table 2.c Contingent liabilities

	Year 2015 % of GDP	Year 2016 % of GDP
Public guarantees	19.95	16.82
Of which: linked to the financial sector ¹	2.66	1.92

1/In accordance with the Classification of Institutional Sectors (SKIS) data "Of which: linked to the financial sector" contains the data of outstanding guarantees for S.12, Financial corporations

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

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

	ESA Code	Year 2015 % GDP	Year 2016 % GDP
General government (S13)			
1. Total revenue at unchanged policies	TR	44.39	42.36
Of which			
1.1. Taxes on production and imports	D.2	14.53	13.77
1.2. Current taxes on income, wealth, etc	D.5	7.07	7.15
1.3. Capital taxes	D.91	0.02	0.02
1.4. Social contributions	D.61	14.68	17.74
1.5. Property income	D.4	1.02	0.71
1.6. Other		7.09	5.99
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)		36.3	38.68
2. Total expenditure at unchanged policies	TE	48.49	46.68
Of which			
2.1. Compensation of employees	D.1	11.61	11.73
2.2. Intermediate consumption	P.2	6.77	6.56
2.3. Social payments	D.62,D.63 ¹	17.98	17.92
Of which Unemployment benefits ¹		0.48	0.45
2.4. Interest expenditure	EDP D.41	2.95	2.89
2.5. Subsidies	D.3	1.03	1.16
2.6. Gross fixed capital formation	P.51g	5.52	3.64
2.7. Capital transfers	D.9	0.19	0.62
2.8. Other			

1/ Including benefits in cash (D.621 in D.624) and in kind (D.631, in ESA2010 D.632) related to unemployment.

4. Expenditure and Revenue targets.

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

	ESA Code	Year 2015 % GDP	Year 2016 % GDP
General government (S13)			
1. Total revenue target	TR	44.78	43.35
Of which			
1.1. Taxes on production and imports	D.2	14.88	14.76
1.2. Current taxes on income, wealth, etc.	D.5	7.12	7.15
1.3. Capital taxes	D.91	0.02	0.02
1.4. Social contributions	D.61	14.68	14.74
1.5. Property income	D.4	1.02	0.71
1.6. Other ¹		7.09	5.99
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995) ²		36.7	36.67
2. Total expenditure target	TE³	47.7	45.51
Of which			
2.1. Compensation of employees	D.1	11.08	11.07
2.2. Intermediate consumption	P.2	6.52	6.39
2.3. Social payments	D.62,D.63	17.98	17.58
Of which Unemployment benefits ⁴		0.48	0.45
2.4.= Table 2.a.9. Interest expenditure	EDP D.41	2.95	2.89
2.5. Subsidies	D.3	1.03	1.16
2.6. Gross fixed capital formation	P.51g	5.52	3.64
2.7. Capital transfers	D.9	0.19	0.62
2.8. Other ⁵			

1/ P.11+P.12+P.131+D.39D.7+D.9(other than D.91

2/ Including those collected by the EU and including an adjustment for uncollected taxes and social contributions D.995), if appropriate.

3/ TR-TE = B.9.

4/ Includes cash benefits (D.621 and D.624) and in kind benefits (D.631, under ESA2010 D.632) related to unemployment benefits.

5/ D.29pay + D.4pay (other than D.41pay) +D.5pay +D.7pay +P.52+P.53+K.2+D.8.

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

	ESA Code	Year 2014	Year 2014	Year 2015	Year 2016
		Level	% GDP	% GDP	% GDP
1. Expenditure on EU programmes fully matched by EU funds revenue		1.036,239	2.78	2.19	2.32
2. Cyclical unemployment benefit expenditure		209,170	0.56	0.48	0.45
3. Effect of discretionary revenue measures		n.a.	0.51	0.52	0.94
4. Revenue increases mandated by law ¹		n. a.	0.0	0.0	0.0

1/not applicable.

Table 4.c General government expenditure by function**4.c.i) General government expenditure on education, healthcare and employment**

	Year 2015		Year 2016	
	% GDP	% general government expenditure	% GDP	% general government expenditure
Education	n. a.	n. a.	n. a.	n. a.
Health	n. a.	n. a.	n. a.	n. a.
Employment	n. a.	n. a.	n. a.	n. a.

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

Functions of the Government	COFOG Code	2013	Year 2014 ¹	Year 2015 ¹
		% GDP	% GDP	% GDP
1. General public services	1	6.74		
2. Defense	2	0.97		
3. Public order and safety	3	2.16		
4. Economic affairs	4	14.45		
4. Environmental protection	5	0.74		
6. Housing and community amenities	6	0.72		
7. Health	7	6.90		
8. Recreation, culture and religion	8	1.78		
9. Education	9	6.49		
10. Social protection	10	18.74		
11. Total Expenditure	TE	59.70		

1/Statistical office data on COFOG are available only for year 2013.

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

Table 5.a Discretionary measures taken by General Government

List of measures	Detailed description	Target (Expenditure / Revenue component) ESA Code	Accounting principle	Adoption Status	Budgetary impact			
					Year t	Year t+1	Year t+2	Year t+...
					% GDP	% GDP	% GDP	% GDP
Restrictive wage policy in public sector	Further measures in preparation	D.1	ESA 2010	For 2015 valid, for 2016 negotiation	0.54	0.66		
Measures in the area of social care and family and pensions	Family and social allowances; pensions (prolongation of restrictions, tied to anchor)	D.62	ESA 2010	In procedure	0.21	0.23		
Intermediate consumption	Centralised public procurement; Lower costs of municipalities	P.2	ESA 2010	Adopted	0.26	0.17		
VAT	Increased VAT rates; efficiency of tax collection (tax registers)	D.211	ESA 2010	In procedure	0.20	0.94		
TOTAL					1.21	1.99		

Table 5.b Discretionary measures taken by Central Government

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

Table 5.c Discretionary measures taken by sub-sectors of the General Government¹.

List of measures	Detailed description	Target (Expenditure / Revenue component) ESA Code	Accounting principle	Adoption Status	Budgetary impact			
					Year t	Year t+1	Year t+2	Year t+...
					% GDP	% GDP	% GDP	% GDP
Intermediate consumption	Lower costs of municipalities	P.2	ESA2010	adopted	0.05	0.05		
TOTAL					0.05	0.05		

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

Table 6.a Country specific recommendations

CSR		Measures	Description of direct relevance
CSR 1	Fiscal consolidation	<ul style="list-style-type: none"> • Ensure a durable correction of the excessive deficit in 2015, and achieve a fiscal adjustment of 0.6 % of GDP towards the medium-term budgetary objective in 2016. • Adopt the Fiscal Rule Act and revise the Public Finance Act. • Advance long-term reform of the pension system. • By end of 2015, adopt a healthcare and long-term care reform. 	<ul style="list-style-type: none"> • Budgets 2016 and 2017 have been adopted by the Government, and sent to the Parliament at the end of September 2015. Target deficit for 2016 is 2.2% and for 2017 1.7% of GDP. Structural measures have been adopted to permanently lower the expenditures and increase some revenues (social transfers, VAT, tax registers...). • Fiscal Rule Act has been adopted in July 2015, introducing fiscal council to be appointed (procedure is ongoing). • Revision of Public Finance Act is under preparation and is envisaged to be adopted by the government in February 2016. • The White book on Pension reform after 2020 is under preparation and will be finalised by end 2015. White book will be the basis for the consultation process that will follow. • The activities for the preparation of health care and long term care reform, including expenditure review, are in progress. Resolution on National Health Care Plan 2015 - 2025 is foreseen to be adopted until end 2015. The resolution is the basis for the reform. • The proposal of the long term care act is planned to be adopted by government until end of 2015.
CSR 2	Labour market and wages	<ul style="list-style-type: none"> • Review, in consultation with the social partners and in accordance with national practices, the mechanism for setting the minimum wage, and in particular the role of allowances, in light of the impact on in-work poverty, job creation and competitiveness. • Increase the employability of low skilled and older workers. • Take measures to address long-term unemployment and provide adequate incentives to extend working lives. 	<ul style="list-style-type: none"> • The comprehensive analysis of the economic and social effects of the minimum wage is in preparation. The analysis will be the basis for the possible changes of the minimum wage as a part of evidence based policy making. • The proposal to exclude some allowances from the minimum wage in particular cases is in the Parliament discussion. • Preparation of the tax shift from labour cost burden to other taxes, further decrease of difference in tax burden among various forms of work, more focused tax reliefs and incentives. • Further monitoring of the impact of the labour market reform, with focus on the "juridical impact of the changes". • Empowerment of the Labour inspectorate. • Implementation of more target oriented active employment policy measures. • OECD review of activation measures in Slovenia will be carried out with the aim to increase efficiency of the measures. • Slovenia will participate in OECD project New National skills strategy in particular for more efficient anticipation of future competences needed in labour market. • New Apprenticeship law and National Qualification framework act will be adopted in 2016.

CSR 3	Banking sector	<ul style="list-style-type: none"> • Bring down the level of non-performing loans in banks by introducing specific targets. • Improve credit risk monitoring capacity in banks. • Continue corporate restructuring and maintain strong corporate governance in the Bank Asset Management Company. • Take measures to improve access to finance for SMEs and micro companies. • Adopt a strategy for the Slovenian Sovereign Holding with a clear classification of assets, implement an annual asset management plan and apply performance criteria. 	<ul style="list-style-type: none"> • In general credit portfolio of banks has been improving. Decrease of non-performing loans slowed down to 11.1% in mid-2015. • Revival of the lending activity to households, stagnation at NFC (non-financial corporations); loan to deposit ratio levelling off at 82% in July 2015 • To improve credit risk monitoring the upgrade of the regulation on credit losses, long credit registry, guidelines of BoS for EWS (early warning systems) and Restructuring processes for non-perform claims in banks have been prepared (Banks must bring down their activities in line with the guidelines by the end of 2015), • Corporate restructuring is dealt on two levels, institutional set up between MF, BoS, BAMC and SSH and expert group level. Cluster of 59 restructuring MFAs reached. More attention will be given to the valuable firms; • Special private SPV for non-perform claims is envisaged. • A range of financial instruments are offered by Slovenian Enterprise Fund (SEF) and SID bank to improve access to finance for SME's; grants for start-ups, seed capital, guarantees with subsidies and interest rate and direct and indirect loans. Programme of financial mechanisms 2015-2020 has been adopted, which is the basis for state aid and de minimis schemes. The ex-ante assessment of the programme will show the financial gap and propose the management structure for the implementation and monitoring of financial instruments. • In July 2015 Strategy for managing State capital investments was adopted, which identifies the management objectives and classification of state owned companies to strategic, important and portfolio. Annual asset management plan will be adopted by end of November. • In addition to the Strategy, the National Assembly also appointed five members of the Supervisory Board of Slovenian Sovereign Holding. With this Slovenia is finalizing the establishment of a modern corporate governance system that complies with the OECD Guidelines on Corporate Governance of State-owned Enterprises.
CSR 4	Judiciary system	<ul style="list-style-type: none"> • Ensure that the reforms adopted to improve the efficiency of civil justice help reduce the length of proceedings. 	<ul style="list-style-type: none"> • Modification of judicial legislation by establishing a single first instance court judge will optimise the operations of the judicial network and ultimately lead to a reduction in court backlogs. • Modification of judicial legislation, especially procedural legislation (e.g. Criminal Procedure Act) will ensure that the proceedings are not unduly delayed due to absenteeism on dubious medical grounds or due to other factors which are not serious enough to justify absence from court proceedings - this should lead to a reduction in the length of the procedures. The novellas of the Criminal Procedure Act and the Civil Procedure Act are under preparation, first draft is expected to be finished by the end of 2015.

			<ul style="list-style-type: none">• Adoption of a Long-Term Strategy for the Development of the Judicial System is planned by the end of 2015 or early 2016. 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.• An alternative conflict resolution system analysis via mediation was prepared and is being studied for an upgrade to be adopted on this basis.• First elements of the so-called "judicial supervisor" will be established, this project is aimed at 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. The normative basis was drafted and a memorandum of cooperation was signed with the Jožef Stefan Institute.
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Table 6.b Goals and Targets set in Strategy for growth and jobs

National 2020 headline targets			Measures	Description of direct relevance to address the target
Employment goals				
EU 2020 goals	National goals 2020	Current situation	Implementation of active employment policy measures	Active employment policy measures will be targeted on most vulnerable groups (elderly, long term unemployed, youth and with lower skills) on labour market that need support for efficient entrance to the labour market despite more favourable trends. The measures as employment incentives and employment creation projects will have positive impact on the outflow from unemployment to employment.
75% of the population aged 20-64 should be employed	75 %	68,3 % (2012) 67,2% (2013) 67,8% (2014)		
			Implementation of youth guarantee scheme	The implementation of the measures under the scheme has positive impact on better transit of youth from education to labour market and reduction of youth unemployment.
			Measures related to investment in human resources, various training to increase competences and better responsiveness to the needs (measures for the quality and promotion of the vocational and professional education and training, introduction of new flexible learning methods, on the job training, institutional training etc)	The aim of the measures is to increase skills, key competences and enhance availability of lifelong learning for target groups' higher employability and higher probability for staying on the labour market.
			Gradual introduction of apprenticeship models	The measure will increase employability of the participants.
R&D target				
EU 2020 goals	National goals 2020	Current situation	Further promotion of incentives for connecting of research, innovation and private sector	Implementation of R&D projects for cooperation with private sector and for researchers and their mobility. The key challenges are the efficiency and structure of these investments, and the transfer of research achievements to the economy. Adoption of the of Smart specialization strategy.
3% of the EU's GDP should be invested in R&D	3 %	2,8% (2012 EUROSTAT) or 2,63 % (2012 Slovene statistical office) 2,58 % (2012) 2,59% (2013)		
			Promotion of international research projects	Promotion of cooperation in international projects for scientific infrastructure and cooperation for establishment of European research infrastructure, active cooperation in construction and operation of the Facility for Antiproton and Ion Research in Europe. In 2016 attention will be paid to connecting and seeking synergies between structural and investments funds, and Horizon 2020.
GHG emission goal				
EU 2020 goal	Slovenia 2020 goal	Current situation in Slovenia	Top government priorities with an important contribution to meeting GHG emissions reduction	First report on implementation of the Operational programme for reduction of GHG emissions to 2020 show that all ESD sectors (transport, energy use in households, services, non-ETS industry, agriculture, waste
Greenhouse gas emissions should be reduced by 20%	Greenhouse gas emissions can increase	Emissions in ESD sector (Decision 406/2009/ES) were		

compared to 1990	up to 4% compared to 2005 in ESD sectors (Decision 406/2009/ES)	lower in 2013 than the annual target by as much as 12.5%, first estimates indicate that in 2014 emissions have decreased again (the annual target exceeded by 13.8%); the first indication of emission trends in 2015 shows continuation of the favorable trend	targets: - Environmental Fiscal Reform; with the long term goal of eliminating EHS - Complete renovation of private and public buildings, including energy refurbishment and inclusion of RES	management) have reduced emissions in 2013 and 2014 and projections show that the targets will be met in the long run. However, since emissions in the transport sector show high volatility and can resume with the growth of GDP, some uncertainties with respect to meeting the annual ESD targets remain. Biggest contributions to meeting the targets are measures agreed at the EU level (emissions standards for cars, taxation of energy, etc.) Climate change fund, replenished by the revenues from ETS auctioning, is being fully earmarked for climate measures (yearly up to 20 mio), currently mainly dedicated to energy efficiency measures in the buildings sector. There are many other measures in specific sectors underway or planned, with a special effort dedicated to aligning fiscal, energy and climate policies.
			Implementation of NREAP, NEEAP, OP GHG 2020, Transport Development Strategy, Smart Specialization Strategy, ...	

Renewable energy goal

EU 2020 goal	Slovenia 2020 goal	Current situation in Slovenia	Ongoing measures	Further promoting the use of potentials of renewable energy sources, particularly biomass and any other sources for the production of heat and electricity.
Share of renewable energy in gross final energy consumption (20 %)	25 % share of renewable energy in gross final energy consumption	21,5 % (2013)		A new regulation to promote self-sufficiency with electric energy from renewable energy sources is in preparation.
National goal on energy efficiency				
EU 2020 goal	Slovenia 2020 goal	Current situation in Slovenia	Enforcement of measures and projects for achieving energy efficiency.	The measures relate to the promotion of energy renovation of public buildings, mass efficiency and energy efficiency.
Energy efficiency should improve by 20%	-	The goal of the National Action Plan for Energy Efficiency for 2008 – 2016 is 9 % of final energy savings or 4,261 GWh. The average annual savings of final energy consumption in the nine-year period is 473 GWh, an intermediate target savings of final energy consumption in the period 2008-2012 is 2,367 GWh. By 2012, the achieved savings amounted to 2,727 GWh, or 5.7%.		
			Action Plan for Energy Efficiency for 2014-2020 (NEEAP 2020)	The Action Plan for Energy Efficiency for 2014-2020 (NEEAP 2020) raises the national objective of improving the energy efficiency of energy use, in accordance with the requirements of Directive 2012/27 / EU on the energy performance, by 20% by 2020. This goal is that the use of primary

				energy consumption in 2020 will not exceed 7.125 million. toe, which means that compared to the year 2012 should not increase by more than 2%.
			Long-term strategy to stimulate investment in energy renovation of buildings in public debate	The strategic objective of this document is to achieve carbon-free energy in the building sector by 2050. This will be achieved by significantly improving energy efficiency and increasing the use of renewable energy in buildings. This will significantly reduce emissions of other pollutants in the air. In addition, the aim is also for Slovenia to become visible in the field of sustainable construction.
Early school leaving goal				
EU 2020 goal	Slovenia 2020 goal	Current situation in Slovenia	Model of quality, evaluation and self-evaluation for the pre-university education system	Implementation of the model will maintain a low share of early school leaving.
The share of early school leavers should be under 10%	5 %	4,4 % (2012) 3,9 % (2013) 4,4% (2014)	Project learning for young adults (ongoing)	Measure is implemented with a goal to encourage young unemployed to return to educational system or employment.

Tertiary education goal

EU 2020 goal	Slovenia 2020 goal	Current situation in Slovenia	Implementation of incentive for cooperation between higher education and the social and economic environment at the micro level	Of particular importance is the monitoring of outcome of higher education in the form of graduate employability. The measures that link the implementation of programs in conjunction with the economy and the environment (direct partnership between student and business: practical competences, innovation, creativity ...) increase employability and effectiveness of higher education. Consequently, this affects the first target of increasing the employability of 2020.
At least 40% of 30-34 years old should have completed a tertiary or equivalent education	40 %	39,2 % (2012) 40,1 % (2013) 41,0% (2014)		
			Established e-VS (Electronic higher education), the information system	In order to avoid the fictional university enrollment, in July 2013 started to operate e-application for entry. In 2015 module for university selection procedure for entry is in force. The system is a web-based application available to all accredited higher education institutions. One stop shop for students about all programmes, social benefits etc. Newly created mobile application.
			Career centers and counselling	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 (new approaches in next year).

Prevention of poverty and social inclusion goals

EU 2020 goals	National goals 2020	Current situation	The changes of the Social Security Act (2013)	Amendments entered into force in 2014. The first data show that the number of beneficiaries of financial assistance has grown since the introduction of the act.
Poverty should be reduced by lifting at least 20 million people out of the risk of poverty or social exclusion	Decreasing of the number for 40.000 persons relative to the base year 2010 - 366.000	392.000 (2012) 410.000 (2013) 410.000 (2014)		
			Adjustment of the basis	Positive impact on the prevention of poverty.

	for minimum income from 270 to 288 EUR	
	Social activation measures	The aim is to activate the social transfer recipients.

7. Divergence from latest SP.

Table 7. Divergence from latest SP.

	ESA Code	Year 2014	Year 2015	Year 2016
		% GDP	% GDP	% GDP
Target general government net lending/ net borrowing	B.9			
Stability Programme		-4.96	-2.91	-2.25
Draft Budgetary Plan			-2.92	-2.17
Difference			0.01	-0.08
General government net lending projection at unchanged policies	B.9			
Stability Programme		n.a.	n.a.	-4.24
Draft Budgetary Plan			n.a.	-4.26
Difference ¹				0.02

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

Table 8. Methodological aspects

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