



THE GOVERNMENT OF THE REPUBLIC OF SLOVENIA

NATIONAL REFORM PROGRAMME 2017–2018

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1. INTRODUCTION

The National Reform Programme is the annual document of each EU Member State, which consists of priorities for the next two years. In addition to the Stability Programme, the National Reform Programme presents the key obligation of the country in the European Semester process.

On 16 November 2016, the European Commission adopted the Annual Growth Survey, which marks the beginning of the European Semester for the harmonisation of economic policies for 2017. In the relevant survey, the Commission asks EU Member States to enhance their efforts in three priority fields of economic policy: promotion of investments, implementation of structural reforms and provision of responsible fiscal policies, whereby Member States should focus on increasing social justice in order to ensure more inclusive growth. The Commission simultaneously published the Alert Mechanism Report, which initiates the sixth annual round of the macroeconomic imbalance procedure. The 2017 Alert Mechanism Report states that an in-depth review must be carried out for the Slovenian economy, which the Commission adopted on 22 February 2017.

In addition to the guidelines from the Country Report and the in-depth review, the National Reform Programme pursues the recommendations of the European Commission from June 2016 and the adopted national objectives of the Europe 2020 Strategy.

2. MACROECONOMIC FRAMEWORK

In 2017, the Slovenian economic growth will be 3.6%, the highest it has been in the last 10 years, while in 2018 and 2019, it will remain at about 3%. The growth factors in 2017 will be similar to those in 2016; the acceleration of growth will be the result of investment recovery stimulated by public funds. Exports will remain the main factor of economic growth in the entire 2017–2019 period. In addition to further growth in foreign demand, maintaining the beneficial competitive position of the tradable sector will also contribute to its growth, which has improved significantly in the last four years. Economic growth will be broadly based in the entire period, since the contribution of domestic consumption will grow.

Export growth in 2017 will somewhat improve compared to 2016; import growth will be higher than export growth for the second consecutive year, as the result of rising private consumption and increase in investments. Household consumption growth will further increase in 2017, with growth in all key components of disposable income and high consumer confidence. Positive trends will continue in the next two years, while growth will be somewhat less obvious particularly due to the expected reduction in employment growth.

Growth in demand and favourable investment conditions (profit growth of companies, low interest rates, low indebtedness, high utilisation of production capacities) will accelerate further investment growth in equipment and machinery. During the recovery of the housing market, growth in disposable household income and favourable financing conditions, a revitalisation of residential investment is expected. In connection with the government plan for drawing European funds, government investments will increase again after last year's

significant drop, which will also contribute¹ to the rise in total investment activity, which declined in 2016. Government spending will continue to rise, but will be lower than in the previous two years, particularly due to the expected reduction in employment growth.

The rise in consumer prices will accelerate in 2017, which for the most part will be the result of higher energy prices (oil). Core inflation will also rise. The core inflation trends in 2016 and forecasts for the ensuing years clearly show that Slovenia has overcome deflationary conditions and is in a situation in which the price rises would have to stabilise in the medium term at a level compliant with the ECB's objective.

Favourable results in the labour market, which to a certain extent are the result of past reforms, will continue in 2017. This year will mark one of the highest rises in employment in the country in history. As a result, unemployment will decrease significantly for the second consecutive year (by 1 percentage point).

In 2018, economic growth will slow down and remain at about 2.5% in the medium-term. Growth in domestic demand, which will be a balanced combination of investment and consumption growth, will contribute more to growth than rising exports. The rise in private consumption will be limited, particularly as the result of lower employment growth. Rising investments will contribute to the growth in GDP similarly as in 2017, and the rise in government spending will be reduced due to the lower growth of expenditure on wages. In general, nominal wage dynamics in the economy will remain stable until 2020, when a lack of a suitable work force will start to occur. The rapid reduction of unemployment, whose forecasts have been behind the actual reduction in unemployment since 2014, will be slowed down in the mid-term. The influence of demographic factors will come to the fore in the labour market, i.e. through the reduction in the working-age population (aged between 20 and 64) and higher participation in age groups with a currently low level of participation in the labour market.

The production gap will be positive in this period, but will not exceed 1.5% of potential output. That is mainly the result of changes in institutional arrangements after the crisis, including improved corporate bank management, which is to prevent a repetition of unsustainable lending by banks in the future. Irrespective of the significant institutional changes in the banking system, the risk of realising the forecast is in the sudden increase of loans stimulated by the demand of the corporate sector. For the mid-term risk of overheating the economy, it is essential that wage growth remain sustainable.

3. KEY PRIORITIES OF ECONOMIC POLICY AND ACTION PLAN

3.1. Key objectives for the 2017–2018 period

The National Reform Programme provides new basic guidelines and objectives for 2017 and 2018 to be pursued by the Government, while observing EU rules and limitations in trends in public finance and the broader macroeconomic environment. The document pursues the

¹ Spring Forecast of Economic Trends, IMAD, March 2017.

objectives of the Europe 2020 Strategy and the findings of the European Commission in the Country Report on Slovenia².

In 2016, Slovenia recorded 2.5% growth in GDP, which is more than was anticipated in the Spring Forecast for 2016, when growth was forecasted at 1.7%. The continuing economic recovery in the last four years seems sustainable and is reflected in stable employment, with 2% growth in employment in 2016, which is more than anticipated in the previous year's documents.

Higher economic growth is to an extent also the result of past reforms and measures. Trust in the economy, triggered by the recapitalisation of banks, reforms and sustainable fiscal consolidation, have contributed to strengthening domestic demand. Likewise, most of the established macroeconomic imbalances also improved. The indebtedness of the corporate sector was reduced significantly. The improvement of the economic climate is also the result of changes in institutional arrangements after the crisis, including improved corporate bank management, which is to prevent the repetition of unsustainable lending by banks.

The key measures included the recapitalisation of banks and the transfer of non-performing bank assets to the Bank Asset Management Company, which enabled the restructuring of companies' debts, significantly improved domestic and foreign trust in the Slovenian economy and changed the direction of gloomy GDP and employment forecasts. Sustainable and gradual fiscal consolidation also had an important impact on enhancing trust in the economy. Among the structural reforms, Slovenia also made major changes in the labour market, pensions and business environment. These reforms directly address the needs of the labour market, and their effects are visible over a longer period.

The key objectives for the next medium-term period will be further directed towards enhancing economic growth, and pursuing the objective of stable public finances and their sustainability in the long term. The measures are divided into three groups:

- **Long-term structural measures to provide sustainable public finance**
- **Measures with a short-term structural effect**
- **Measures to enhance growth potential**

Following the adoption of the Fiscal Rule Act, Slovenia is taking further measures to achieve the stability and long-term sustainability of public finance. In March 2017, the National Assembly confirmed the Fiscal Council, which as an independent and autonomous state authority will prepare and publish assessments regarding the compliance of public finance policy with fiscal rules, regulations governing public finances, and EU regulations relating to economic governance in Member States.

The new Public Finance Act will define in more detail the responsibilities when planning the budget as per the EU requirements. Slovenia will incorporate a medium-term fiscal framework into its legislation, which will determine the route for attaining fiscal targets and enable better stability and predictability when planning economic policy measures.

² Country Report – Slovenia 2017, February 2017.

Key structural reforms, such as the health reform and the long-term care system, are also being continued. On the basis of the White Book on the pension system, a document will be prepared which will include a selection of policies for further developing the pension system and will serve as the basis for drafting statutory amendments in the field of pension and disability insurance in Slovenia. A demographic fund will be established in this field.

Efficient debt management measures will have medium-term effects, which will contribute to reducing the costs of interest repayments. The measures include measures to limit the increase of expenses, adoption of at least a two-year agreement on wages in the public sector, amended system of financing municipalities etc.

The orientation of Slovenia's economic and development policy is to further ensure a favourable environment for growth, for which additional tax measures and measures in the labour market will be adopted. Administrative or legislative burdens will be reduced; the financing of companies will be facilitated; building and spatial legislation will be recast; the financing of education, science and sports will be enhanced; courts and social work centres will be reorganised; further measures in the field of public procurement, the centralisation of the government IT system and real estate owned by the state will be adopted.

To strengthen growth potential in the medium-term period, Slovenia will implement certain key investments and enhance investment activity from public resources. Priority tasks include investments with a high multiplicative effect on economic growth, while observing the efficient drawing of EU funds. The anticipated investments include the national road network, railway infrastructure, sustainable mobility, education, research and development, and energy renovation of buildings.

3.2. Measures for attaining economic policy objectives

3.2.1. Structural measures for the long-term stability of public finance

3.2.1.1. Health reform

The implementation of health reform remains the Government's priority also in 2017 and 2018. As per the findings of the analysis and the anticipated measures in the Resolution on the National Health-Care Plan 2016–2025, the activities for the adoption of the new *Health Care and Health Insurance Act*³, which will result in structural changes in the management system of health care and health insurance, are continuing. The Act is being formed within the framework of social and civil dialogue, whereby it is important to obtain consent from social partners regarding key issues affecting the functioning and stability of the health system and the scope of rights arising from health insurance.

Among other things, the amendments anticipate the **transformation of supplementary health insurance**; legally regulated rights and obligations arising from compulsory health insurance, whereby the basket of rights and the standard of rights provided by compulsory

³ The ZZVZZ-1 was submitted for public discussion on 1 February 2017; its adoption by the Government is anticipated in July 2017, as per the timeline.

health insurance will not be reduced; the status of the Health Insurance Institute of Slovenia (hereinafter: ZZZS); new manner of agreement with providers, and arrangement of supervision of the implementation of compulsory health insurance and the ZZZS. A significant part of the amendments refers to the **manner and sources of financing**, where the aspect of effective allocating of public funds representing state aid will have to be observed. The current form of supplementary health insurance will be transformed into a compulsory health allowance within the ZZZS, which is a more solidary method of financing. Some expenses that are currently being paid by the ZZZS (specialisations, apprenticeships, part of tertiary I that refers to learning and training) will be transferred to the state budget, since they do not refer to compulsory health insurance rights.

The Act clearly determines the **competence and responsibility for the preparation, introduction and updating of accounting models**. The amendments require that the accounting models stimulate providers to provide efficient, high-quality and successful health services. The obligation of providers to report and thus collect necessary data for the implementation of changes for stimulating better performance and the pursuit of better quality and the long-term introduction of pay-for-performance methodology will be introduced.

In 2017 and 2018, we will continue introducing IT solutions in health care which have been developed within the scope of the eHealth project. By collecting accurate data on waiting times, eAppointments will enable the planning of measures to **shorten waiting times**, and above all, accurate and ongoing monitoring of their effects. The single portal for making appointments will save patients time, due to a considerably simplified procedure. Furthermore, the number of patients who fail to inform in advance that they cannot attend an appointment will be reduced at the systemic level by means of a notification before the scheduled appointment. The adoption of amendments to the *Patient Rights Act* is anticipated in 2017. With the introduction of the zVem portal, patients will be able to access their data in eHealth databases in a secure way via the Internet. The option to access a summary of patients' data and their documents (discharge letter, out-patient report) will improve the flow of information between system levels, which will result in safer and better quality health care.

Further activities to establish a comprehensive quality system in health care with restored quality indicators and reports that will be accessible to the providers of health-care services, users and the payer are underway. A contact point for patient information will be established, and high-quality and secure content on health care will be integrated into the education system. A **comprehensive health technologies assessment system** (HTA) will be introduced to further improve efficiency and ensure structural support, as well as defined professional and decision-making functions for introducing new treatment technologies and, at the same time, for abandoning obsolete forms of treatment⁴. The adoption of a new *Law on Quality and Safety in Health Care* is anticipated.

⁴ With technical assistance organised by the European Commission to support structural reforms, we intend to update the system for monitoring and implementing measures for sentinel events and other adverse events in the 2017–2018 period, and prepare tools and establish mechanisms for monitoring patient-reported experience and patient-reported outcomes after certain operations (PREMs & PROMs).

The Structural Reform Support Service of the European Commission will help us in preparing tools and establishing mechanisms for managing the **public health-care service network** from the viewpoint of fair access, the changing needs of the population, high-quality and safe health care and the rational use of resources. In order to improve planning and management of the health system, we intend to develop and establish a strategic and systematic method of evaluating the functioning of the health system and attaining strategic objectives, which are defined in the Resolution on the National Health Care Plan 2016–2025. Activities for amending legislation in the field of **administration and management** of health institutions, impacting business autonomy, powers of managing authorities, professional responsibility and the creativity of providers of health-care services and programmes will be conducted in 2017 as part of the social dialogue.

The amendments to the *Health Services Act* passed by the Government of the Republic of Slovenia in April 2017 regulate concessions, the uniform arrangement of work permits, the supervision of health-care providers, the work of health-care professionals at other health-care providers and advertising in health care in order to enable better transparency and access to health services.

3.2.1.2. Long-term care

The ageing of the population is one of Slovenia's key long-term challenges, within which long-term care is being arranged comprehensively. The drafting of the *Act on term care* is one of the priority tasks in 2017 and is closely linked to health reform. As many as 48% of all public expenditure for long-term care in Slovenia is financed from compulsory health insurance fund (ZZZS)⁵, so changes in financing also depend on the health reform. Long-term health care services will remain the subject of compulsory health insurance and will be financed through the ZZZS. The subject of the basket of long-term care services will include services of personal care (Activities of Daily Living – ADL) and services of support care (Instrumental Activities of Daily Living – IADL), which will be a subject of the social dialogue.

The objective of rearranging the long-term care system is to establish a comprehensive **system of assistance for persons who are permanently or long-term unable** to do basic daily and instrumental activities, also regarding their social inclusion, and to efficiently use funds earmarked for long-term care. The new arrangement is intended to:

- introduce a uniform assessment of needs and eligibility for long-term care services;
- enhance the segment of providing long-term care service at home (medical and social), including coordination of their implementation;
- ensure efficient prevention and early rehabilitation;
- suitably adjust the living environment to the elderly;
- effectively apply information and communication technologies;
- promote the development of an integrated network of long-term care providers;
- increase the support for including informal care providers and volunteers in the system;
- control the rapid increase of direct household costs for long-term care, and

⁵ The remaining part will be financed from the Pension and Disability Insurance Institute of the Republic of Slovenia (ZPIZ), the budget of the Republic of Slovenia and budgets of local communities.

- reduce pressure on the family and the individual requiring long-term care.

The proposed act is to be prepared and submitted for public discussion after its harmonisation with social partners by the end of July 2017.

In order to link this field with changes in the health system, a partial transfer of content in the field of long-term care was carried out from the Ministry of Labour, Family, Social Affairs and Equal Opportunities to the Ministry of Health, where a new Long-term Care Directorate was established in January 2017.

3.2.1.3. Changes in the pension system

The data of the Pension and Disability Insurance Institute of the Republic of Slovenia reveal that the effects of the pension reform from 2013 are very positive. The increase in the number of new old-age pensioners and the total increase in 2016 was considerably lower than in the previous years. The annual rise in the average number of old-age pensioners thus amounted to only 0.7% in 2016 in comparison to 4.1% in 2013, 2% in 2014 and 1.3% in 2015. The rise in the number of all pensioners was only 0.3% (2.9% in 2013, 1.1% in 2014 and 0.5% in 2015).

In April 2016, the White Paper on Pensions was submitted for public discussion. In May 2016, it was presented at the meeting of the Economic and Social Council, which formed a tripartite expert working group for further discussion of this topic, which meets regularly and discusses the content according to individual substantive sets in order to prepare a selection of joint solutions that would be acceptable to all social partners. The working group will conclude the discussion of individual measures included in the White Paper on Pensions. On the basis of the working group's discussion, a document was drafted, which will be discussed at the meeting of the Economic and Social Council in May 2017, and will provide a selection of policies for the further development of the pension system. On the basis of the policies from the document, statutory amendments in the field of pension and disability insurance in Slovenia effective after 2020 will be prepared on time and will be adopted according to a standard procedure in cooperation with social partners.

To ensure the long-term and balanced sustainability of the pension fund budget and public finance, Slovenia will establish a **demographic fund** defined by the *Demographic Reserve Fund Act*, which in compliance with the provisions of the *Slovenian Sovereign Holding Act* determines the operations of the Demographic Reserve Fund and its additional permanent sources of financing. The Act will be adopted by the end of 2017. The purpose of the Act is to transform Kapitalaska družba, d.d., into the Demographic Reserve Fund and achieve the financing of compulsory pension and disability insurance based on intergenerational solidarity, i.e. by managing own assets, the assets of pension funds and additional financial funds provided for this purpose by the Republic of Slovenia.

3.2.1.4. Enhanced fiscal planning and surveillance

The adopted *Fiscal Rule Act* and the elected Fiscal Council, including all changes to the **progress of the public finance system**, served as the guideline for amending the *Public Finance Act*. The proposed act emphasises medium-term planning and the programme based budget. It determines a uniform arrangement of financing indirect users from the budget, the mandatory preparation of annual budgets for two years at the local level and

mandatory preparation of annual financial plans for two years for all budget users. It limits the borrowing of indirect budget users, and expands management operations of funds on the treasury single account (TSA) at the state and municipal levels. The provisions referring to the borrowing of municipalities are transposed from the act governing the financing of municipalities, and partial centralisation of the public internal financial control is also defined, which is thus being improved. The emphasis is also on the more efficient allocation of public funds that are considered state aid.

In the past, weaknesses/disadvantages and advantages of planning, implementing and monitoring the state budget and other institutional units (particularly indirect budget users) were revealed. To attain the objectives of enforced fiscal control, it is necessary to change the manner of financing indirect budget users in a way that also enables control of the use of general government revenue. Indirect budget users whose founder is the state, and indirect budget users whose founder is a municipality and whose financing is provided from the state budget in over 50% must draft proposals for financial plans and work programmes for the next year and the year after that on the basis of instructions for drawing up the state budget. With the drawing up of the state budget, financial plans of indirect users are also being planned, particularly of those that are for the most part financed from the state budget. Only the simultaneous preparation of financial plans of the founder as the fund provider and the indirect user ensures accurate and realistic determination of the scope of expenditure in both financial plans, which is the basis for the normal implementation of the indirect user's financial plan.

An additional novelty is that competent ministries must request information necessary for the preparation of financial plans of ministries from indirect users being financed from the state budget.

The definition of "public funds" is also new, and in addition to general government revenue and expenditure includes all revenue and expenditure of budget users and assets of public finance budgets and budget users.

3.2.2. Measures with a short-term and medium-term effect

3.2.2.1. Reducing costs of debt management

The Republic of Slovenia is part of the Euro-area (EA-19), which has seen low interest rates in the recent period due to the expansionary monetary policy of the euro system. On the other hand, the development of events in the USA and various speeds of economic recovery in the EU and the USA, which are reflected in the divergent monetary policies of the ECB and the American Federal Reserve System (FED), have a significant impact on decisions in debt management. Such an environment presents advantages, but also risks. The borrowing strategy also observes two important facts and limitations. General government debt reached 83.1% of GDP in 2015. While observing the fact that the Slovenian debt capital market is exceptionally small, the optimum management of the ownership structure that would be resistant to possible unfavourable shocks in debt capital market would be demanding. Due to the amount of debt and the fact that the majority of the government's creditors are not domestic, the efficient implementation of the strategy is unavoidably

conditioned by further government measures and thus the development of a credit rating for the Republic of Slovenia.

The strategic objectives of managing government debt in the 2017–2020 period are:

- provision of timely financing to execute the state budget within the necessary scope;
- minimisation of long-term financial costs, with acceptable risks of refinancing, and acceptable currency, interest rate and other market risks;
- expansion of investment backing and provision of ongoing and reliable access to sources of finance;
- increase in liquidity of government securities and development of a secondary market for government securities;
- further centralisation and consolidation of resources from the state's single treasury account system;
- adoption and implementation of investment policy regarding cash resources from the state's single treasury account system, and
- provision of efficiency of the existing database regarding public sector debt at the state level.

3.2.2.2. Amended financing of municipalities

The *Financing of Municipalities Act* will be amended in the section referring to the **calculation of fiscal equalisation** and the formula for **calculating the suitable expenditure of municipalities**. The purpose of the amendments is to eliminate indexation, increase transparency and update or correct the formula for calculating the suitable expenditure of municipalities due to a changed demographic structure. Indexation (with inflation) is thus eliminated when determining income tax as a source of finance for the suitable expenditure of municipalities and when calculating the suitable expenditure of municipalities, where the indexation (with inflation) of the base (realised current expenditure and transfers in the past four years) is being eliminated for the calculation of lump-sum payments as one of the elements for calculating the suitable expenditure of municipalities. Furthermore, the base will be reduced due to co-financing the tasks of municipalities from the state budget and from the public service users. When determining the base, the framework for drafting the general government budget is also observed on the basis of the act governing the fiscal rule. The weights for calculating the suitable expenditure of municipalities will be also modified in the formula, since we want to eliminate discrepancies between the structure of costs and the value of weights important for establishing suitable expenditure due to the demographic characteristics of municipalities. This means that the weights referring to the age structure of the population are incorporated in a way that gives more emphasis in the formula to people under 6 or those above 75 years of age.

The financial consequences of the new formula will be seen first in 2018, when the Act with this calculation will become applicable. On the assumption that the lump-sum payment for 2018 is determined in the amount as per the applicable *Implementation of the Republic of Slovenia's Budget for 2017 and 2018 Act* and increased due to the Agreement on increasing funds for wages for 2017 and 2018 from December 2016 and income tax paid in 2016 (while not observing inflation), the financial consequences for the state budget and the budgets of all municipalities combined would be neutral, if compared to the applicable system of

financing municipalities in 2018 and onwards. The suitable expenditure of municipalities would on the one hand not be financed only by means of income tax, but also by fiscal equalisation from the state budget, and on the other hand, income tax revenue would increase in the state budget. The impact of increased suitable expenditure due to the modified formula for the calculation of suitable expenditure and income tax paid in 2016 (while not observing inflation) would vary between individual municipalities.

3.2.2.3. Wage and employee system in the public sector

In 2016, the Government attempted in the negotiations with the public sector unions to conclude a multiannual agreement on “the gradual abandonment of remaining measures and the framework for the increase of the mass of labour costs in the public sector from 2017 to 2019”. The Government proposed two-stage negotiations to the unions; first, the scope of annual nominal growth of funds for labour costs in the public sector with regard to the general government framework (upper threshold) should be determined; subsequently, measures which would be enforced (released) every year relating to the set general government framework would be negotiated. The Government also proposed that the method of establishing the highest possible growth of wage funds be determined for a period up to, and including, 2020. This would ensure greater stability and predictability of wage policy and other labour costs in the public sector, including more transparent and predictable planning of labour costs and other elements directly or indirectly affected by the costs. The agreement, which would include the multiannual framework, was not realised; however, representative public sector unions and the government concluded the *Agreement on measures for labour costs and other measures in the public sector* in December 2016 within the framework of sustainable public finance. The measures refer to wages and other labour costs and some other measures in the public sector for 2017, partly also for 2018. The agreed measures were enforced by means of the Act Regulating Measures Relating to Salaries and Other Labour Costs for 2017 and Other Measures in the Public Sector, and by concluding the Annex to the Collective Agreement for Non-Commercial Activities in the Republic of Slovenia, which extended the majority of measures applying in the field of cost management in 2016 to 2017. The government’s and the union’s negotiators also adopted a commitment in the relevant agreement on the deadlines and methods of eliminating anomalies, or they agreed on suitable classifications in salary grades as per the evaluation of workplaces or titles in the public sector, because it has been obvious that certain workplaces and titles were not evaluated accordingly since the introduction of the new wage system in 2008.

If consent with representative public sector unions is attained on the fundamental issues of the wage system in the public sector and the Civil Servants Act, the Government of the Republic of Slovenia will prepare a *proposal for an amendment to the Public Sector Salary System Act and the Civil Servants Act*. As per the wage system in the public sector, the Government of the Republic of Slovenia will insist on preserving the concept of a uniform public sector wage system for all budget users and the elimination of its deficiencies. The proposed amendments to the Civil Servants Act will follow the principles and standards of the public employee system and pursue **better efficiency, the simplification of operations and faster adjustment to the needs of the work process**. The proposed legal solutions will be the subject of harmonisation with the representative unions.

3.2.2.4. Measures in the field of transfers to individuals and households and improving the efficiency of use of public funds

In the field the education system, including higher education, science and sports, the following measures with short- and medium-term effects are anticipated :

- amendment to the Collective agreement on education and the arrangement of teachers' working hours, which will enable better quality organisation and opportunity savings;
- the proposed Act amending the Vocational Education Act limits fictitious enrolment in full-time secondary education, including the number of years in full-time education, and determines the procedure to verify learning places and establishes a uniform register of learning places at the national level;
- review of granting, maintaining and withdrawal of concessions contributes to more transparent use of public funds: a working group has been established for this purpose, and their findings will also be included in the sectoral legislation for more efficiently granting concessions.

Managing the costs of sickness benefits defined as a limiting sum of the benefit as per the ratio to the average wage in the Slovenia.

Provision of minimum pension; In April, the National Assembly passed statutory amendments anticipating that all insured persons who obtained the right to an old-age or disability pension as per the provisions of the applicable Act or according to the previously applicable regulations if meeting the "full conditions" will be entitled to a pension in the amount of EUR 500.

Measures to enhance the efficient use of public funds and attaining better results.

3.2.3. Measures to enhance growth potential

3.2.3.1. Tax measures to stimulate the business environment

Within the framework of public finance capacities after the completed first step in the past year, the Government's priorities regarding taxes are to seek solutions in the second step which would derive from the principle of an equal and fair distribution of the public finance burden set in the following directions.

In order to **restructure tax burdens**, the activities will focus on an analysis of existing tax expenditures for the further renovation of the tax system with the objective of distributing the tax burden more evenly as per the actual income of taxable persons (the emphasis is on the field of flat-rate taxation and the suitability of tax treatment of labour-related income, particularly from the viewpoint of international mobility). An important step in the direction of tax restructuring and approximation of the tax burden structure to comparable countries will be the **reform of the property tax system**; the Real Property Mass Valuation Act will be prepared in 2017 and will thus enable a new cycle of real estate valuation in 2018.

In the light of restructuring tax burdens, activities aimed at reviewing the applicable measures that promote the **attainment of environmental objectives** will be implemented, and the definition of the selection of possible measures in order to ensure better efficiency of the applicable measures and thus also the rational use of public funds (the Green Budget Reform project). A recast of the *Motor Vehicles Tax Act* is anticipated in this field as an example of good practice, with an additional emphasis on the environmental component in the taxation of vehicles, and the amendment to the *Rules on the implementation of the Value Added Tax Act*, whose objective is to provide favourable tax treatment of food donated as per the agricultural regulations aimed at reducing the scope of wasted food.

Further measures in this year will also be directed at **improving the efficiency of collecting public taxes** and will be directed at continuing activities to shorten deadlines for resolving complaints, which will enhance trust in the fairness of the tax system. A great challenge and also a significant step forward will be suitable measures, which are the result of new and improved forms of international exchange of data and projects, when increasing transparency at the level of the EU and the OECD. A modern tax system will thus be established, which will be able to support growth and fairness between companies. Measures to combat tax abuse will also be introduced, i.e. improving the transparency of tax rulings and data from multinational companies on taxes, the provision of joint measures to prevent abuse and combat the most widespread tax evasion schemes.

The active participation of Slovenia internationally plays an important role in **reducing the erosion of tax bases**. The implementation of the BEPS (Base Erosion and Profit Shifting) project prepared by the OECD is vital. In this regard, intensive preparations are underway to conclude a multilateral convention on the enforcement of measures in tax conventions for the prevention of base erosion and profit shifting, by means of which it will be easier for countries to transpose into existing bilateral conventions on the avoidance of double taxation of income and property the agreed solutions in the BEPS project, which deal with the subjects of these conventions. All mandatory procedures for concluding multilateral conventions will have to be implemented, which will take place during the ministerial meeting on 7 June 2017. Slovenia's participation is also important in the preparation of the new OECD Model Tax Convention to be published in the autumn of 2017, which means that preparations for incorporating minimum standards and new solutions from the relevant field in the model convention, which Slovenia is using when negotiating with other countries, will be taking place. In addition to the aforesaid, the implementation of other minimum BEPS standards will also be intensive, including the verification of the OECD Secretariat on the implementation of solutions. Preparation of bases for implementing the Directive laying down rules against tax avoidance practices that directly affect the functioning of the internal market.

3.2.3.2. Measures in the labour market

The situation in the labour market improved significantly in 2016 and 2017; however, structural challenges remain. The legal bases for **further improvement of the labour market** will be adopted in 2017 and 2018, especially in the field of atypical forms of work, the effective activation of unemployed people, stimulation of quality jobs and optimisation of a suitable relationship between flexibility and security. Measures related to employability of the long-term unemployed, the elderly, persons with a low level of education and youth will continue by considering the latest analyses (OECD) and the analysis in its final phase

(EASI). All proposals for actions referring to the labour market and pensions will be subject to harmonisation between social partners within the scope of the Economic and Social Council.

In spite of more favourable conditions in the labour market, a high share of the long-term unemployed participating in the active employment policy measures (58.5% in 2016) and enhanced activities of the Employment Service of Slovenia, the share of long-term unemployed people remains high. This share was highest in 2014 (54.5%), and began to drop in 2015 (52.3% in 2015), but is still moving above the EU average (48.1% in 2015). In contrast, long-term unemployment in 2016 was lower than the EU average (8.5%), amounting to 7.9%. The highest share among the long-term unemployed is comprised of people above 50 years of age (44.6% in November 2016) and those with a low education (33.2% in November 2016). In order to improve the employment of the long-term unemployed and to implement the Council Recommendation on the integration of the long-term unemployed into the labour market⁶, a special *action plan for implementing Council recommendations relating to the long-term unemployed* and the *Strategy for working with the long-term unemployed* were adopted (in addition to the active employment policy measures).

In order to **provide qualitative jobs** giving the employed suitable levels of legal, economic and social security and thus contributing to the further elimination of segmentation, measures will be adopted on the basis of the document, *For Decent Work*, in the first half of 2017 in cooperation with social partners, which will enable:

- more effective action of the supervisory authority and greater legal security of employees when working under civil law contracts with elements of an employment relationship, and
- elimination of barriers when concluding employment contracts for indefinite periods and reducing differences in comparison with other legal forms of work, while providing better social security for employees upon the termination of their employment relationships.

As per the document on decent work, we will also examine new types of work resulting from digitalisation from the viewpoint of the impact on the labour market and on the social security systems, including the rights and obligations of all parties involved.

The measures of the active employment policy are directed mainly towards the **long-term unemployed, the elderly**, persons with a low level of education and youth. The Plan for the Implementation of Active Labour Market Policy for 2016 and 2017 earmarked EUR 100 million for measures in 2016, which is 35% more than in 2015 (public works, employment incentives, employment subsidies, training at the workplace, informal education and training, local employment projects). Some EUR 100 million will also be earmarked for the active employment policy in 2017. The majority of participants in the active employment policy measures in 2016 included the long-term unemployed (58.5%), young people under the age of 29 (30.5%), people over the age of 50 (23%) and people with a low education (18.8%). A further increase in the share of participants from the groups of people with a low education

⁶<http://eur-lex.europa.eu/legal-content/SL/TXT/PDF/?uri=CELEX:32016H0220%2801%29&from=EN>

and elderly unemployed people is planned in 2017 and 2018 in the active employment policy measures; moreover, we will also strive for greater target-orientation of individual measures. Although, the funds for implementing the active employment policy measures are increasing, Slovenia earmarked 0.25% of GDP for them in 2016, which still places us below the average among EU and OECD countries.

The implementation plan of the **Youth Guarantee Scheme** for the 2016–2020 period was adopted in the first half of 2016; its measures focus on the most vulnerable people, who are not competitive in the labour market despite the better economic situation. The programme also involves measures in the field of the economy, employment possibilities in culture and incentives for employing young farmers. Programmes, On-the-job training/young people and Non-formal learning and training, were also introduced in 2016. Special emphasis will be on monitoring the implementation and establishing the efficiency of measures, which will serve as the basis for the further development of policies in this field.

The Government of the Republic of Slovenia approached the work activity of the elderly comprehensively by adopting the document, **The Elderly and the Labour Market in Slovenia**, and an accompanying action plan. Certain measures were already implemented at the end of 2016, which will contribute to better employability, employment and maintaining the employment of the elderly. Special attention is also dedicated to adjusting the working environment to their needs and abilities and to the promotion of obtaining new knowledge and skills. In addition to adapting the work of the Employment Service of Slovenia to the long-term unemployed and the elderly, cooperation with the Employment Service of Slovenia and social work centres was enhanced when working with the long-term unemployed. A new Strategy on health and safety at work is in its last phase of preparation. It dedicates special attention to improving the possibilities for longer work activity and will also be considered by the Economic and Social Council. The Rules on occupational diseases will be passed in 2017, which will define the list of occupational diseases, occupations where occupational diseases occur, conditions which define occupational diseases and the procedure for determining occupational diseases. Furthermore, certain other measures provided below are being prepared or are already being implemented.

The programme, *Comprehensive enterprise support for active ageing of workforce*, co-financed by the ESF, has already been initiated and is to be implemented until the end of October 2022. The programme will contribute to the establishment of the efficient and qualitative **management of older employees** in Slovenia and improving the status of the elderly in the labour market. It is anticipated that 12,500 older employees (aged over 45, particularly above 50 years of age) will have attended various training and motivational programmes by 2022. Suitable bases for the programme were prepared in 2016, which will actively commence in 2017.

In order to increase the employment of the elderly, the *Intervention Measures for the Labour Market Act* will further apply in 2017, stipulating the temporary incentive for employers (who are relieved of paying social security contributions) for employing elderly unemployed people. Some 1,035 people were employed in the first ten months of 2016 in this way. Within the framework of the policy for employing the elderly, special attention will be dedicated to preserving jobs for older employees, adjusting working conditions to their needs and abilities and promoting the acquisition of new knowledge and skills.

The objective of the amended *Pension and Disability Insurance Act* passed in December 2015 was to stimulate all insured people to continue in permanent employment, also those who are 65 years old and who meet the conditions for old-age or early pension. In this way, they will remain active and additionally receive 20% of their pension; there were 5,760 such persons in December 2016.

The central focus in the field of **lifelong learning** is on the programme, *Competence centres for human resources development (CoC)*. The programme is one of the active labour market policy measures and is intended to improve the competences, productivity, creativity and innovation of employees and to enhance competitiveness. It promotes the integration and networking of companies and the transfer of good practice in the field of HR development and awareness of employees and employers of the need for lifelong learning. The objective of the programme is to establish at least ten competence centres for HR development in 2017 and 2018, and involve 12,600 people in the training. The goal of lifelong learning is also attained through the programme of primary school for adults, which incorporates informal programmes for improving the occupational capacities of the unemployed. Furthermore, programmes of general non-formal education with an emphasis on vulnerable target groups, the implementation of consulting activities for adults, informing, advising, and determining and evaluating informally obtained knowledge of employees are also being implemented.

The financing of the programmes for obtaining **basic and vocational competences 2016–2019** aims at improving basic and vocational competences of employees, particularly targeting employees above 45 years of age, those with a low education (less than a four-year secondary school) and those with fewer skills. The co-financing of educational programmes for enhancing basic and vocational competences of over 17,000 people is anticipated within the measure, of whom 70% or 11,900 are less educated (incomplete primary school, primary school, lower vocational school), less skilled and older than 45 years of age.

To improve the **employability of unemployed persons with a low education**, the action plan of the document, *The Elderly and the Labour Market*, also anticipates amendments to the act governing the labour market in 2017. The introduction of an incentive to employ recipients of cash benefits with a low education is proposed, who in the event of employment will be entitled to a wage supplement in the amount of 20% of the last paid net cash benefit. This would additionally motivate unemployed persons with a low education to find employment as soon as possible and compensate the negative effect of the tax and contribution burden and the reduction of social transfers when transitioning from unemployment to employment involving lower paid jobs.

The proposal to amend the legislation in the field of labour market, which is currently being harmonised between social partners and will be passed in 2017, is also aimed at a prompt transition **into new employment**. Among others, it makes it obligatory to enter the register of job seekers already during the notice period after the termination of the employment relationship for business reasons or reasons of incompetence. If the employee fails to observe this obligation, cash benefits for the first three months of unemployment will be reduced accordingly.

For the faster **integration of young people into the labour market**, the implementation of the apprenticeship system is vital, and is also intended to ensure the prompt vocational socialisation of the young. The introduction of the apprenticeship model is aimed at seeking new possibilities and opportunities in the light of employing young people, while educating and training them close to the labour market and the needs of employers.

The measure, “On creative path to knowledge 2015–2020,” will implement models for an open and flexible **transition from education to the labour market** or the local environment, thus enabling young people to obtain concrete and practical experience already during their education, development for direct participation in the realisation of ideas and obtaining experience for increasing employability possibilities, the development of entrepreneurship, innovativeness, creative thinking, creativity etc. *Career centres* support the further development and implementation of career centres’ activities at higher education institutions, which will ensure better-quality career orientation of young people while still involved in the learning process. The target groups will expand; in addition to students in regular study, future students and graduates will also be involved. There is also a greater emphasis on concluding studies and transitioning to employment.

The measure, “Employment of first-time job seekers in education and schooling,” will enable young people up to and including the age of 29 access to faster and qualitative employment in the field of education and schooling and will thus increase the share of employed young people. The objective of the project is for people leaving the learning process to remain employed at least six months. While promoting the employment and employability of young people under the age of 29, additional measures amounting to approximately EUR 5 million will be implemented until the end of 2018. Some 630 young people will participate in various projects relating to the employment and capacity building of the young, i.e. active citizenship (youth organisations), the promotion of activities of NGOs working with children with special needs, including the employability and competence of pre-school teacher assistants and assistants working with children with special needs). The purpose of the programme, “Young people for young people,” in sports is to provide high-quality measures and services for reducing unemployment of young people up to and including the age of 29, particularly first-job seekers, by implementing an innovative approach when employing graduates studying sports by means of incentives, and to develop suitable competences for enhancing their long-term employability by obtaining practical work experience.

3.2.3.3. Reducing administrative or legislative burdens

The constant pursuit of the needs of business entities and the introduction of changes through the permanent implementation of the STOP bureaucracy project, the placement of measures in the Single set of measures focusing on their realisation and consistent assessment of results of the measures when adopting legislation is necessary for a stable legislative and business environment.

Since June 2016, the application support for the **preparation of a regulation impact assessment on the economy – SME test** is available to regulatory authorities, which in a systematic and structured manner guides them through key questions or definitions that need to be addressed when implementing impact assessments of regulations on the

economy, particularly on small and medium-sized enterprises. The drafting of the SME test has been mandatory since January 2017 for all acts adopted according to an ordinary or summary procedure. An integration of the SME test with the e-democracy portal will be made in 2017 and 2018, which will enable public access and the possibility of applying the SME test by the broader public. With the application of the EMMS methodology, the effects of realised measures from the viewpoint of reducing legislative burdens will be established, which pursues the objective of at least EUR 10 million of additional unburdening of business entities or citizens per year. The starting points for introducing the evaluation system of existing regulations and determining the key indicators will also be prepared within a year.

The point of single contact, **eVEM – single business point**, will be upgraded. The aim of the measure is to simplify and approximate business entities' operations when dealing with the state. A transition to a new system of managing web content for business entities and access to one's own personal data for new resources will be implemented in 2017 and 2018, including a list of all conditions for operating, the establishment of new electronic services supporting the remote filing of applications for obtaining permits and licences, the establishment of a central service for e-Authorisation used by independent applications, in order to achieve broader use of electronic services.

The applications of the **information and communication infrastructure of e-culture** will be enhanced in order to attain better transparency and efficiency during spatial planning, constructing facilities and managing real estate (*Comprehensive information support for immovable cultural heritage protection processes*). The introduction of the information and communication infrastructure is planned with the use of services of the national computing cloud and joint infrastructure for spatial information established in the programme of eProstor projects. This involves comprehensive information support for administrative and thus related expert processes of immovable cultural heritage protection connected particularly with spatial heritage protection (upgrade of the register of cultural heritage, definition of heritage protection areas, establishment of a register of archaeological consents and research) – phase 1 in 2017 and 2018, completion in 2020.

The project, *Development of the Slovenian public electronic archives, e-ARH.si*, is a systemic measure and refers to Slovenia as a whole. The development of new software tools for the preparation, delivery, control and takeover of archival e-material from authors to the national e-archives and further development of software tools for storing and managing the material (e-repository), including the tools for supervision, the establishment of infrastructure, suitable communication network, and technical integration of two separate databases – phase 1 in 2017 and 2018, completion in 2020.

3.2.3.4. Restructuring of companies and financing

The procedures for rehabilitating the banking system have been completed. They have stabilised the banking sector and regained the country's credibility in international financial markets. The implemented measures include asset quality reviews, stress tests, the general recapitalisation of banks in state ownership and the transfer of bad loans to the Bank Asset Management Company (BAMC) and the **consolidation of the banking system**. The final step in this procedure was the merger of Abanka and Banka Celje in 2015; in 2016, the banking licences of Probanka and Factor banka were withdrawn, and the company shells were transferred to the BAMC. The Republic of Slovenia has already sold its 100% equity

investment in one of the banks, subject to measures for enhancing its stability, while privatisation procedures in other banks that received state aid are taking place as per the commitments made to the European Union and determined in the Ordinance on state asset management.

Further **improvement of the non-performing assets management of banks**, particularly of banks that received state aid, and the reduction of their share will remain the key task in 2017. The banks have actively approached the planned and fast reduction of the scope of bad assets and made the management of non-performing assets a strategic goal. They prepared strategies to resolve non-performing assets, established an organisational structure and increased the number of staff. At the same time, they approached the Slovenian principles of the financial restructuring of corporate debt and establishing systems for the early detection of increased credit risk. The activity of the Bank of Slovenia also contributed to reducing the share of non-performing assets, because it formed the guidelines for the gradual elimination of impairments for investments, for which banks signed a master restructuring agreement (MRA), recast reporting to the Bank of Slovenia, prepared guidelines for the Early Warning Systems in banks (i.e. EWS) and for optimising processes in banks (restructuring of non-performing assets). According to data from the Bank of Slovenia for November 2016, the share of claims in default for more than 90 days amounted to 6.5% of distributed bad assets; as per the definition of the European Banking Authority, the share of non-performing exposure amounted to 9.1% in September 2016⁷. The amount of defaults in November 2016 marks an improvement in the quality of the credit portfolio as per the end of 2015, i.e. by 3.4 percentage points. The transfer of risk items to the BAMC also contributed to the gradual reduction of the share of bad assets. The latest amendments to the *Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks* of 2015 also enabled more efficient restructuring of companies whose company member or creditor became the BAMC due to the implementation of measures to improve bank stability, which had a beneficial effect on improving the quality of the credit portfolio of Slovenian banks. All of the above has made a positive contribution to improving financing conditions for creditworthy companies. The changes in the legal arrangements of banking are also vital for improving the management of non-performing assets as a result of the comprehensive reform of the regulatory framework of financial services at the level of the European Union. On the basis of European banking regulations and directives, Slovenia adopted the new *Banking Act*, *Deposit Guarantee Scheme Act* and the *Resolution and Compulsory Dissolution of Credit Institutions Act*. The reform of the regulatory framework of financial services has not been completed, since the European Commission presented additional measures for reducing risks in the banking sector in November 2016, which are essential for strengthening the resilience of banks, according to the European Commission. These measures and amended banking legislation will have further beneficial effects on the improvement of banks' performance in 2017 and 2018, particularly regarding the efficient management of non-performing assets.

⁷ This definition is broader, because, in addition to the exposure with a significant default payment of over 90 days, it also includes forbore exposures, i.e. exposures, which no longer result in defaults by more than 90 days due to the changed repayment schedule (as a result of the inability to repay as per the conditions before the change), and at which a significant debt relief of the debtor occurred or is likely to occur upon the relevant change. The aforementioned means that the share of claims in default for more than 90 days reduced significantly in 2016.

In December 2016, the *BAMC Business Strategy 2016–2022* was adopted, i.e. applicable until its termination. The financial objective of the BAMC is to ensure the highest possible return, to pay off bonds with government guarantees that were issued in payment for transferred funds and to create the required return on the initially paid-in capital by the Republic of Slovenia. As per the above, one of the objectives is to restructure companies if this is economically justifiable, and to contribute to the re-definition of the sustainable operation of the real estate and other markets in Slovenia. Another objective is to intensively manage assets, and additionally invest in these assets to optimise their business potential and increase their realisable value. In the Guidelines on the operations of the BAMC of December 2016, the Government of the Republic of Slovenia also determined anew the **criteria for establishing the economy, efficiency and performance of the BAMC**. The performance indicators in the aforementioned guidelines are determined for the operations of the BAMC at the annual level and will thus also be monitored regularly. The guidelines also include enforced regular reporting of the BAMC to the Ministry of Finance, which supervises the BAMC.

As part of the restructuring taking place on the basis of state aids to companies in difficulties, a new *Act Governing Rescue and Restructuring Aid for Companies and Cooperatives in Difficulty* was adopted in January 2017, which will enable the efficient implementation of measures to restructure companies in difficulties aligned with EU guidelines. By May 2017, a new Decree laying down restructuring programme issues, insurance, methods of control and record keeping for state aid granted to companies and cooperative societies in difficulties will have been passed, which will actualise certain legal provisions in order to improve the efficiency of restructuring, particularly the necessary content of the restructuring programme, which enables long-term market viability for a company or cooperative in difficulty. Simultaneously, an expert committee consisting of representatives of ministries and external experts with experience in business and financial restructuring will be established on the basis of legal provisions until May 2017. The committee will assess the long-term financial sustainability of restructuring programmes of companies applying for state aid for rescue and restructuring.

3.2.3.5. State asset management

The Slovenian Sovereign Holding (SSH), as the manager of state-owned companies, will continue to ensure the conditions for the **active management of investments** in accordance with a multiannual management plan (Capital Assets Management Strategy and the Annual Assets Management Plan) and for the achievement of expected returns on capital. The key objective of state asset management is to create a return on capital assets in the amount of 8% per book value of capital in 2020. In 2015 financial year, the SSH significantly improved the profit and loss of the state-owned companies. The return on investment of the Republic of Slovenia increased by 3.1 percentage points to 4.2%, and the total return of the SSH portfolio increased by 2.9 percentage points to 4.7%. Dividend growth was also positive, since the sum of received dividends in 2016 of the Republic of Slovenia for the 2015 financial year increased by 8.7%, i.e. to EUR 142.2 million, and the sum of the SSH's dividends increased by 3.3%, i.e. to EUR 43.8 million. The growth of profitability of equity points to the good management of companies, which is also reflected in the greater capacity of the companies to pay dividends and earmark part of their profits for growth and development.

The 2017 strategy also envisages the continuation of **privatisation procedures** for three companies on the list drafted in 2013, and the initiation of sales procedures for 30 capital assets of the state that are determined as portfolio assets in the strategy. The most important procedure is the sale of the share in Nova Ljubljanska banka, d.d., i.e. in the amount of 75%-1 share. In connection with asset management, the SSH and BAMC, especially in cases where the state is withdrawing from ownership, will pursue the objectives related to ensuring company development, the preservation of jobs, retaining the company head office in Slovenia, respecting collective agreements and the standard of employees, respect for the Slovenian language and timely inclusion of employees' representatives in these procedures.

3.2.3.6. Strengthening the competitiveness and financing of the business sector

The proposals for measures and their implementation have been prepared for 2017–2018, and the decision on the management structure of **financial instruments** has been adopted. The key elements of financial instruments in the programming period 2014–2020 will contribute to attaining the objectives of the Operational Programme for the Implementation of the EU Cohesion Policy in the period 2014–2020 in all fields for raising the competitiveness of the Slovenian economy. The substantive basis for the preparation of key elements of financial instruments is the Preliminary assessment of financial instruments in Slovenia and the opinion of the European Investment Bank, which revealed a **funding gap in SME, RDI, energy efficiency and urban development**. The financial instruments will be implemented as per the principle of the fund of funds, which will manage and implement instruments of debt and equity financing through financial intermediaries and, exceptionally, directly. An investment strategy has been prepared and the planning of financial instruments with the management structure of financial instruments through the fund of funds, financial intermediaries, planned financial products and target groups according to individual fields. Furthermore, guidelines on monitoring implementation and reporting have been prepared. An expenditure programme has been drafted, which anticipates the payment of funds in tranches in the eligibility period.

Public calls of the Slovene Enterprise Fund for small and medium-sized companies in the form of subsidies for starting up companies, guarantees for bank loans with interest rate subsidies, micro loans and seed capital will continue in 2017. Slovene Enterprise Fund anticipates the implementation of various calls in 2017 in a total amount of EUR 116 million, which will support approximately 1,200 of micro, small and medium-sized companies. In 2017, the Slovene Enterprise Fund also plans to reactivate support for fast-growing SMEs with venture capital within the cross-border fund of funds of venture capital (CeFOF). On the basis of the aforementioned and planned measures of the Slovene Enterprise Fund, companies receiving support in 2017 are anticipated to generate over 2,300 new jobs, preserve over 24,100 jobs and increase added value per employee by about 12% in three years.

The Public Fund of the Republic of Slovenia for Regional and Rural Development will also publish public calls for resources from its dedicated funds for favourable loans to various target groups (entrepreneurs, municipalities, farmers, development institutions); it will also publish public calls for resources from the state budget and European cohesion funds on the basis of agreements with contracting authorities. SID Bank will further allocate incentives from loan funds within the four existing lines (microfinancing and financing of SME

operations, investment financing, employment and promotion of investment in operations, and capital strengthening of SMEs, so-called “patient loans”), which will support at least 100 development projects of companies, ensure the business operations of at least 1,000 SMEs and preserve up to 30,000 jobs. By the end of 2018, at least 100 SMEs will be supported by patient loans, and underfunded companies, which usually cannot access commercial bank resources, will be enabled access to long-term financial resources. In addition to the measures of the Slovene Enterprise Fund, the Public Fund of the Republic of Slovenia for Regional and Rural Development and SID Bank, the provision of funds for promoting RDI through the Ministry of Economic Development and Technology and SPIRIT is also anticipated in 2017.

3.2.3.7. Promoting investments

To strengthen growth potential, Slovenia will implement certain key investments and enhance investment activity from public resources. The priorities include investments with a high multiplicative effect on economic growth, while observing the efficient drawing of EU funds.

Transport infrastructure is one of the conditions for Slovenia’s steady development and enables a suitable supply for the business sector and mobility of citizens. After large investments in the modern motorway network, Slovenia has now turned towards urgently upgrading and modernising railway infrastructure and road connections, ensuring steady regional development.

The development of railway infrastructure pursues the objective of establishing high-capacity infrastructure that will enable high-quality passenger and goods transportation services. Priority projects include investments in the TEN-T network, including the construction of the second track on the Divača–Koper railway line, the upgrade of the Zidani most–Celje and Maribor–Šentilj lines, the renovation of the Karavanke railway tunnel and others. In addition to efficient public railway infrastructure, the purchase of new train compositions for the better implementation of the mandatory public utility service of transporting passengers is also an important measure, for which the Government of the Republic of Slovenia concluded a 15-year agreement enabling the purchase of 25 new rolling stock items. Thus the modernised railway infrastructure will be utilised better and the foundations for the more efficient integration of public passenger transport will be laid.

Some EUR 220 million will be earmarked annually for measures on the **national road network**, which is substantially more than in previous years. Most of this will be for investment maintenance, arrangements, overlaying, road and crossroads rehabilitation, the reconstruction and modernisation of roads, geotechnical projects, new roads and the construction of bypasses, arrangement of cycling surfaces and rehabilitation of embankments, walls and landslides. The modern motorway network, which connects all Slovenian regions, will be further upgraded with development axes projects. The construction of the Draženci–Gruškovje motorway section is continuing, including the full Šmarje Sap connection, activities for preparing the documentation for starting the construction of the second tube of the Karavanke motorway tunnel, preparatory activities for constructing the state road from the Šentrupert connection to the Velenje – south connection (3rd development axis – north) and establishment of an electronic tolling system for haulage vehicles, which will enable tolling according to the actual number of kilometres travelled.

Systemic solutions for **sustainable mobility** will be implemented on the basis of prepared integrated transport strategies. Cities will have to guarantee sensible connections between integrated transport strategies and sustainable urban strategies. As per the specific needs of individual areas, suitable infrastructural projects (co-financing of measures in pedestrian and cycling transport and reduction in the number of vehicles in town centres due to the construction of P+R and their connections with town centres and public passenger transport) will be supported. Investments in other measures and the forming of intelligent information systems, traffic management systems and promotion of mobility management will also play an important role. On the basis of integrated transport strategies, investments in infrastructure for alternative fuel vehicles will be possible if these are cost effective. In this way, Slovenia will also contribute to attaining the objective of 10% use of RES in transport and the utilisation of development potential offered by this field. As per the Strategy for the development of infrastructure for alternative energy sources, the measures are directed towards providing incentives and subsidies for recharging infrastructure and the increase in the number of electric vehicles. A demonstration project will be prepared for filling stations and hydrogen-powered vehicles. The introduction of integrated public passenger transport contributes to the efficiency of the system. The establishment of the IPPT authority, which will manage the transport of passengers in rail transport and interurban line bus transport and harmonise these with urban transport, is planned in 2017.

Investment in the further **development of airport and port infrastructure** will continue. National spatial plans are being prepared for public airports engaged in international air transport, while activities for developing the freight port of Koper are aimed at increasing the capacities of the container terminal and upgrading the remaining infrastructure and equipment.

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

Three pilot projects will be executed in 2017 regarding **the energy renovation of buildings**; their implementation will establish and verify the functioning of the system according to the energy contracting model, which will continue after the completion of the last project in 2018, and will serve as the model for implementing regular annual energy rehabilitation. It involves a model of public-private partnership, enabling the attainment of objectives for the public and private partner which they would not be able to reach on their own. In the Operational Programme for the implementation of the EU Cohesion Policy (OP ECP), Slovenia undertook to rehabilitate 1.8 million m² of surfaces in buildings in the entire public sector by 2023 and to rehabilitate 3% of building stock used by the narrow public sector per year.

To meet the objective of **increasing the share of renewable energy sources (RES)** in gross energy end-use to 25% by 2020, the incentives for increasing the production of heat and power from renewable energy sources play a key role. To increase heat generation from RES, investment incentives in 2017 will aim at the construction of new, and reconstruction of existing, district heating systems, and the connection of new users to existing capacities. To

increase power generation from RES, the incentives will focus on the construction of new small facilities for power generation from RES.

The adoption of the **Energy Concept of Slovenia (ECS)** is anticipated in 2017, which is the basic development document in the field of energetics. On the basis of projections of the economic, environmental and social development of the state and on the basis of adopted international commitments, the ECS will determine the objectives of a reliable, sustainable and competitive energy supply for the next 20 years and indicative for 40 years. The headline targets of the ECS are to reduce greenhouse gas emissions relating to the use of energy by at least 40% by 2035 as per the 1990 level and to reduce greenhouse gas emissions relating to the use of energy by at least 80% by 2055 as per the 1990 level.

The construction of the Mokrice hydroelectric power plant will complete the construction of the **chain of hydroelectric power plants on the Lower Sava River**. The construction will provide the arrangement of water, state and local infrastructure in the area of the Lower Sava and part of the Sotla River. The combined construction of water and energy infrastructure facilities will also enable effective construction of other water and energy infrastructure arrangements, which must be implemented due to protection against flooding, but which are not defined in the Governmental Decree on Detailed Plan of national importance for the HPP Mokrice area. The construction of the energy section will contribute to attaining the objectives of the use of renewable energy sources. The possibility of water abstraction to irrigate agricultural land is also planned within the construction, which will increase the development potential of this area, in addition to new potential for tourist and economic use.

The **establishment of a production zone** in the Municipality of Hoče–Slivnica is part of the programme aimed at boosting the competitiveness of Maribor and its wider surroundings, which will support activities for establishing a production zone in this problematic area with high unemployment. The project envisages the acquisition of land on which to establishing a production zone and a suitable spatial arrangement to attract investors or the preparation of municipal spatial implementing acts, and the establishment and full functioning of the zone in later years. The strategic investment is thus of exceptional significance for Slovenia for reducing unemployment in a problematic area and for economic and regional development. It pursues the acceleration of economic growth, stimulation of employment and harmonious regional development. The implementation of the strategic investment will create at least 1,000 jobs, and ensure the long-term preservation of the investment project, production and jobs.

In the field of culture, the continuation of investments whose basic objective is to promote **investing in the preservation and revival of cultural heritage** and public cultural infrastructure is anticipated and thus the attainment of economic and sustainable development, including the enabling of high-quality sustainable tourism, longer stays of visitors and improved international recognisability of Slovenia. The adoption of the Provision of Funds for Certain Vital Cultural Programmes of the Republic of Slovenia Act is envisaged for urgent investments in public cultural infrastructure and to prevent the deterioration of the most important and most endangered cultural monuments in Slovenia (in state, municipal and private ownership).

The investments also contribute to enhanced development of the **health system**. Investments in advanced technologies improve the quality of treatment and also the efficiency of treatment; therefore, the existing financial plan earmarks more funds for continuing the investment cycle or investments in spatial and equipment conditions for executing health-care activity. Two new dispatch centres in health care will start operating in 2017. The establishment of the centre in Maribor is almost complete, and the commencement of the Ljubljana centre is also prepared. Simultaneously, staff training and the provision of suitable legal bases also started in 2016; this section will conclude in 2017. The dispatch centres will increase the efficiency of the emergency medical aid system and medical transport of patients.

Measures to improve the **business environment for investors** are being prepared in the regulatory field. In order to regulate support for investors and unify the treatment of local and foreign investors, a new act is being drafted which will govern the stimulation of initial investments. The aim of the act is to make new incentives available to investors and arrange the field of promoting investments in Slovenia.

The act will also not differentiate between local and foreign investors. The purpose of the act is to accelerate investment activity in Slovenia, create a transparent, simple and investor-friendly system for allocating incentives and finally, to ensure the predictability of the system for granting incentives. This approach is of strategic importance for Slovenia, and may also lead to a greater inflow of investors, the reduction of unemployment by creating new jobs, and have a significant impact on economic, and particularly, harmonious regional development.

3.2.3.8. The centralisation of the government IT system and real estate owned by the state

As per the recommendation of the European Commission, we established and ensured the operation of various new organisational, financial, human resources and technological solutions or processes at all levels of information and communication technology in 2016 within the measure to establish or **operate efficient informatics**, improving the use of e-services and interoperable information solutions in state administration. All activities are also directed at attaining the strategic objective of the project, the revised structure of costs for informatics in state administration, which amount to some EUR 100 million, of which as much as 83% was intended to maintain current solutions and infrastructure before the start of the project. The structural reform refers to a radical change in the structure of costs, i.e. the costs of investment maintenance and costs of investments and development.

In 2017 and 2018, the consolidation of human resources and information and communication infrastructure will continue with the migration of information systems to the national computing cloud, the establishment of a system for data management (business analytics and data warehouse), the technical and semantic consolidation of basic data registers for establishing uniform methodologies, standards and processes, the upgrade of the renovated e-Administration and e-Vem portals and the renovation of the information system for documentary material management.

The second phase of the **real estate centralisation project** is continuing in 2017. The project is aimed at more economic management of real estate owned by the state so as to achieve a radical change in the structure of costs between the costs of investment

maintenance and costs of investments and development. The key priority in 2017 will be the relocation of state authorities to their own premises. The funds for realisation are ensured from revenue arising from real estate management and an integral part of the budget. The average rent per square metre for premises will be reduced by 15% by means of leasing, purchases of real estate and negotiations in the 2017–2018 period. In addition to the aforementioned, the *Physical Assets of the State and Local Government Act* will be recast in 2017, and an application for real estate management will be launched.

The rehabilitation of buildings and relocation of authorities to joint premises will continue. Administrative centres will be formed at the territorial level, while further pursuing the objective of rationalising operations. Income from the sale and lease of real estate will remain at the same level as in 2016. Activities for **establishing a web portal for the sale and lease of real estate** will commence, thus establishing a central market of real estate for the internal market, which will be partly also available to the interested public.

3.2.3.9. Digital society

Digitalisation has great growth potential, since it is assessed that digitally proactive companies can operate better than companies of the same type which do not use digital technologies. **Digitalisation** is thus particularly necessary in the business sector in order to maintain and increase competitiveness, to create new digital jobs and for so-called digital economic growth. Activities in 2017 will be aimed at preparing and implementing a public call for co-financing broadband access to the Internet from public funds. The construction of broadband infrastructure with public funds will be co-financed in rural areas, where the goal by 2020 is to ensure at least 100 Mb/s broadband Internet access to all households. The co-financing of projects to construct broadband infrastructure in rural areas where no market interest exists will enable the rural population access to modern communication infrastructure. Equal possibilities for integration in the modern digital society will thus be provided, including the conditions for revitalising the countryside and further steady development.

In the field of cybersecurity, activities for establishing a national authority for **cybersecurity** at the strategic level of the system and activities for the reinforcement of the bodies at the operational level of the system ensuring cybersecurity have commenced. In 2017, activities to modernise legislation regarding electronic communication will continue, also in all fields affected by the transposition of European legislation to the national legal framework (e-identities, cybersecurity, access to websites).

3.2.3.10. Public procurement

In 2017 and 2018, we will focus on the **comprehensive informatisation of public procurement** (completion of the e-Oddaja, e-Dosje and e-Katalog modules) and completion of the Statist solution. We will systematically approach the improvement of databases for systematic data collection. In addition to joint procurements in health care, we expect that the contracting authorities will be able to access approximately 10,000 items in the e-Katalog in 2017. We will continue to introduce information tools in public procurement. The e-Dražba

application, which is already mandatory for state administration bodies, will be introduced to a broader public sector.

The **renovation of the legal protection system will be completed** in 2017; its objective is to improve the efficiency of legal protection, increase legal protection and predictability in public procurement procedures, computerise the integrated legal protection process and maintain fast procedures. The *Decree on green public procurement* will also be amended in 2017, thus reducing the carbon footprint in 21 public procurement items. The project for **joint public procurement in health care**, i.e. of medicinal products, medical devices and equipment will continue in 2017 and 2018, which is the basis for achieving the lowest possible purchase prices for the same quality and for establishing greater transparency for providers and hospitals.

The professionalisation of public procurement will be addressed in 2017 and 2018 from the economic, commercial, legal, social and technical aspects and will include educational processes, the raising of public employees' competences, formation of guidelines and recommendations, provision of assistance to contracting authorities (and providers), standardisation in joint procurement, preparation of sample tender documentation, organisation of regular meetings of state authorities in the field of supervision, legal protection and the public procurement system, and the promotion of good practice. A network for exchanging good practices will be established in the field of **innovative public procurement** in 2017 and 2018, and we will also systematically promote innovative public procurement.

3.2.3.11. Reorganisation of the judiciary

Further changes will be introduced in the judiciary in 2017 and 2018, focusing on increasing the **efficiency and quality of operations of judicial authorities** and other sub-systems linked to the judiciary. The legal bases needed for a comprehensive reform of the court network are to be prepared by the end of 2017, including the introduction of a single court judge and a centralised specialised department or court for decision-making in the most challenging criminal cases involving commercial and organised crime. To this end, amendments to the *Courts Act*, the *Judicial Service Act* and the *Criminal Procedure Act* will be drafted. The purpose of reforming the court network is to establish a modern, well-functioning network of courts that will enable more unification of case law, provide the conditions for the specialisation of judges, and ensure equal access to courts to all citizens irrespective of their place of residence. An important element of the reform is to provide conditions for a more balanced burdening of judges and support for new and efficient management instruments of court presidents when organising work at courts.

Slovenia is the only EU Member State without a **uniform probation service**. By the end of 2017, the *Probation Service Act* will have been prepared, including other legal bases for its functioning, which is anticipated to commence at the beginning of 2018. Slovenia will thus obtain a uniform national service which, as a specialised expert institution, will implement all tasks currently being implemented by various bodies. The probation service will ensure and promote alternative methods of executing penal sanctions which, according to the experience of other countries, have a positive impact on reducing recidivism and the number of prisoners in general.

In this context, we may also add that a decision on support for the “Effective judicial system” operation was issued by the Government Office for Development and European Cohesion Policy in September 2016 to the Ministry of Justice which, as per the confirmed Operational Programme for the Implementation of the EU Cohesion Policy in the period 2014–2020, is part of Priority Axis 11 “The rule of law, enhanced institutional capacity, efficient public administration, support the development of NGOs, and the strengthening the capacity of social partners.” The activities intended to promote and ensure higher quality in the judiciary will be financed with the help of funds obtained. The renovation of business processes will continue and activities to ensure sustainable and systematic training of staff in the judiciary will be supported. In addition to the Ministry of Justice, the operation’s activities will also be implemented by the Constitutional Court of the Republic of Slovenia and the Supreme Court of the Republic of Slovenia. The implementation will also involve other judicial authorities, such as the State Attorney’s Office of the Republic of Slovenia, the Supreme State Prosecutor’s Office of the Republic of Slovenia, the Chamber of Notaries of Slovenia, the Chamber of Insolvency Administrators of Slovenia and the Chamber of Executory Officers of Slovenia.

In 2016, the Ministry of Justice and the Prison Administration of the Republic of Slovenia obtained European funds for the field of penal sanctions and implementation of the operation, “Development of working competences of prisoners,” which is intended primarily to educate and train prisoners and for the integrated energy rehabilitation of court buildings in Celje, Murska Sobota, Slovenj Gradec and Šmarje pri Jelšah, which were pilot projects of energy rehabilitation and will be implemented by means of a public-private partnership.

Extensive modernisation of computer equipment and information system of the State Prosecutor’s Office and the State Attorney’s Office will be implemented in 2017 with funds from the new European financial framework, which will ensure better transparency and efficiency of functioning of judicial authorities.

3.2.3.12. Reorganisation of social work centres

In the current system, social work centres function as a single entry point for enforcing various material rights which depend on the income status of recipients, and are the main provider of services intended to eliminate and prevent social distress and problems of different population groups. Thus far, the centres focused primarily on providing passive forms of support and assistance to persons and groups in social distress. The planned reorganisation of social work centres is now aimed at improving the organisation and efficiency of their operations, including different substantive emphases. The reorganisation project will thus include organisational changes for social work centres – the formation of 16 regional units of social work centres. The increase in efficiency and target-orientation of social transfers will be enabled particularly with the so-called provisional calculation, which is aimed at simplifying and rationalising decision-making procedures on periodical annual rights as per the Exercise of Rights from Public Funds Act, which will relieve staff at social work centres (conducting special fact-finding procedures) and clients (re-filing applications for exercising rights to public funds). The reorganisation will substantively provide conditions for better quality work with clients, particularly through their empowerment and social activation (new approach to working with social transfer recipients from the viewpoint of development and placement of the system and from the aspect of the development of

accessible and high-quality programmes of social activation), whose objective is to particularly raise social and employment competences and possibilities for integration in the labour market.

The anticipated changes would also have a positive impact on unburdening the staff of social work centres and the reorganisation of work at the centres, providing more time for social work and clients and less time for administrative work (issuing large numbers of decisions). On the other hand, citizens would also be relieved when filing applications to extend rights, since they would no longer file applications every year for individual rights. A client would be informed about the amount of income per family member with a provisional calculation, but not about the recognition of the right. The re-organisational changes involve the rationalisation of the centres' operations, which will result in positive financial effects, better flexibility of staff between units, development of work methods with groups and better efficiency of staff working directly with clients.

3.2.3.13. Promoting quality and excellence, stable and enhanced financing of education and science, and stable financing of sports

When improving the financing of education and science and stable financing of sports, it is vital to ensure and develop quality and to maintain excellence for the empowerment and quality employment of Slovenian citizens. As an additional element in development, we integrate the education and science system with the business sector, as an upgrade of enhancing the financing of education, science and sports.

The apprenticeship system will link the education process with the direct needs of the business sector. The implementation of the system also envisages the use of cohesion funds. Another purpose is to establish the prompt vocational socialisation of the young, since the introduction of the apprenticeship model is intended to seek new possibilities and opportunities in the light of employing young people, while educating and training them close to the labour market and the needs of employers. By the end of 2021, some EUR 2.7 million are earmarked for the renovation of the vocational education and training system, which also anticipates the pilot implementation of apprenticeship, of which European funds amount to EUR 2.1 million. Some EUR 28.4 million (of which EUR 22.7 million is European funds) are earmarked to implement practical training by working through which incentives for employers will be provided to implement practical training and apprenticeship programmes. The effectiveness of the pilot project's implementation will also be ensured by equal treatment of social partners in the phase of implementing apprenticeship in order to prevent possible anomalies in the labour market, abuse of legislation, and above all, to ensure conditions which will enable the sustainable implementation of apprenticeship after the completion of the pilot project.

Greater **flexibility and responsiveness of study programmes** will be enabled with the *Higher Education Act* amended in 2016 in the field of higher education. More flexible financing of higher education activity (arising from the amended Higher Education Act) enables incentive financing on the basis of output indicators (scientific excellence, employability, funds obtained from the business sector), which would stimulate higher education institutions to optimise their operations and increase the quality of studies and research work.

In cooperation with stakeholders, the starting points of the new *Higher Education Act* and the *Research and Development Act* are being prepared, which will further improve quality when implementing educational, artistic and expert work, enable the faster development of science and research work, better integration in the European and global academic sphere, more efficient knowledge transfer and integration with the business sector. The essential content of starting points includes the content of the public service, defined obligations and rights of employees in higher education and science, rights of students and users of higher education and systemic, more stable, financing of research activities, which is also closely linked to higher education. With the gradual introduction of **institutional financing** (financing based on the success of research organisations, so-called *performance based funding*), it will be easier for institutions to respond to changes in the environment and autonomously form the direction of their development and institutional specialisation.

The efficiency and structure of investing and the **transfer of research achievements to the business sector** remain important challenges. To this end, the measure of promoting technology transfer offices will be supported in 2017. Their main purpose is to enhance integration and new synergies in the innovation system, to promote cooperation between the business sector and research organisations, to support the commercialisation of developed solutions, to promote demand and to enhance development competences.

Special attention is paid to the **transfer of technologies** from research/higher education to the business sector, which is reflected in the structure and targets of public calls, including a special instrument for technology transfer to be procured in 2017. Cooperation between the knowledge triangle, the financing of public (and private) research infrastructure and the needs of the business sector (also in accordance with smart specialisation) will be continued. After revising the Research Infrastructure Roadmap, the state will increase investments in research infrastructure, which is one of the prerequisites for raising the quality of research and the foundation for better competitiveness in the research sphere. At the end of 2016, Slovenia signed the Association agreement on associate membership in CERN, which will offer new opportunities for the Slovenian business sector, particularly for high-tech companies. Furthermore, cooperation in education will be expanded.

As part of the project to **increase skills**, Slovenia implemented the “Skills Strategy” study in cooperation with the OECD in 2015 and 2016, which concluded the first (diagnostic) phase of identifying measures needed to increase skills required for effective integration in the labour market and optimum utilisation of the individual’s potential. Nine line ministries are included in the project, which is being coordinated by the Ministry of Education, Science and Sport. The first phase resulted in an important overview of the situation and proposed possible measures. The activities anticipate the coordination of measures by all participating line ministries. The continuation of the second phase of the project is envisaged, which will contribute to improving development, and the maintenance and application of current and future knowledge and skills, which will have to be developed in Slovenia through the education system as lifelong learning. The competences and skills of the individual and society play an important role in ensuring inclusive economic growth and are the main driving forces of innovation, productivity and attaining competitiveness. Suitable systemic policies orientated towards the knowledge and skills of the present and future are needed for this, including their interoperability with the objectives of Slovenia’s development. The efforts to increase skills through sports, i.e. through a healthy lifestyle programme, which combines

over 187 experts, are also topical. In addition to physical activity, the programme is an important means of socialising pupils.

While supporting processes of digitalisation and knowledge transfer to companies, we financially supported (EUR 1.8 million) three demonstration projects, i.e. **learning fabrication laboratories** in order to promote the use of digital technologies in the learning process and to draw these technologies closer particularly to young people and to transfer knowledge to companies (particularly SMEs) that are connected with school centres/sharing of modern digital tools, which can contribute to the optimisation of business processes, better planning for material and energy consumption, efficient use of resources, energy efficiency, and finally, to the objectives of the circular economy. A public call in the amount of EUR 1.1 million is planned in 2017 for public and private institutions which operate also as support in the development of small and medium-sized companies.

3.2.3.14. Renewal of building and spatial legislation

The Spatial Planning Act will **renew the system of spatial acts**, enabling suitable strategic management of Slovenian territory, with an emphasis on the regional level, which will become the central level for defining spatial development and determining the design of national and local spatial arrangements. At the implementation level, the Act introduces more flexible mechanisms for carrying out activities affecting physical space, whereby it also relies on contractual mechanisms between investors and municipalities. In the field of spatial arrangements of national importance, the Act anticipates an integrated procedure for spatial planning, building permission and issuing of environment protection consents arising from the Regulation on guidelines for trans-European energy infrastructure (Regulation (EU) No 347/2013). Great emphasis is given to the management of physical space, particularly of building land as the generator of spatial and economic development. The Act anticipates the establishment of a record of built-up and non-built-up building plots and the recording of their development phases for the latter group of land plots. In this segment, the Act is linked to legislation being drafted on evaluating real estate and real property tax.

The Construction Act introduces an amended **system for obtaining building permits**, highlighting the reduction of investment risk for the investor, while also ensuring the public interest. The Act facilitates the conditions for certain types of construction (deregulation of requirements regarding obtaining a building permit for certain types of construction). It enacts the obligation of a non-binding provision of information, consulting and assistance to an investor and enables an optional acquisition of a pre-decision that is binding in an additional process of obtaining a building permit, and provides better investment and legal security for the investor. It is anticipated that a building permit would be obtained on the basis of more summary and indirectly formally less demanding documentation. The enactment of a summary procedure for issuing a building permit is also proposed. One of more visible solutions aimed at conducting procedures according to the one-stop-shop principle is the integration of issuing a building permit and environmental protection consent, so that the environmental impact assessment is implemented in the procedure of issuing the building permit. The procedures will be combined in such a way that a uniform building permit will be issued with a justification satisfying the environmental and building regulations. The Act addresses problems in procedures for obtaining consent by re-qualifying the current consent as an opinion and thus indirectly enabling a balance between protection and

development interests in the process of authorisation and giving a more active role to the administrative authority competent for issuing building permits. A greater role and responsibility of the parties involved is expected, also of the building inspectorate and other relevant inspection bodies, particularly in terms of decision-making based on statements when issuing building and operating permits. The automatic recording of buildings following the issue of an operating permit is anticipated on the basis of the documentation need to acquire an operating permit. The legalisation of unproblematic illegal constructions (older buildings, possibility of obtaining temporary permits and legalisation in a transitional period of 5 years with the possibility of rehabilitation) and allowing minor deviations from the building permit during construction without the risk of non-compliance of the building are proposed.

The construction and the spatial acts rely on e-government and procedural mechanisms already being integrated in electronic operations and recording; a suitable transitional period is anticipated for the full transfer to the projects of e-construction and e-planning. Both acts implement modern standards of public cooperation and legal protection; as far as procedures are concerned, the solutions are aimed at computerisation and web services (e-space). The deadline for passing the legislation is 15 July 2017.

3.2.3.15. Management and governance in the public sector

Relating to improving the efficiency of the public sector, the Government adopted the Public Administration Development Strategy 2015–2020 in 2015 and also confirmed the “Modern public administration progress and quality policy”.

In order to realise the objectives of the Strategy, we initiated the operation, “Effective staff governance” which will include the following projects:

- the introduction of an information system for staff governance and development (IS for HR growth); introduction of processes involving competences, target management, annual interviews, career development and assessment of staff's work performance.
- the establishment of a competency model; determining competences, establishing a competence verification/assessment system and a system for obtaining competences that are lacking or upgrading necessary competences of the staff.
- the training of public employees; public employee training in key fields identified, such as management skills, strategic planning, including measurable goals and indicators, integrity and limitation of corruption risks, digital competences, better legislation, quality management, project management.

The results of the implemented projects will enable better integration and transparency of staff governance processes, faster adjustment to changes, the establishment of a basis for comprehensive staffing analyses and simulations as support for the strategic planning of staffing policy and planning and monitoring of staff's careers, which will be reflected in more efficient work and a higher quality of public services.

In 2017, the preparation of substantive and technical specifications for implementing an open public procurement for introducing an information system for staff governance and development and a competency model has been underway. In the first phase of the

competency model, the definition of general and leadership competences is anticipated. On the basis of determined competences, the methodology for assessing competences will be drafted with development proposals in the event that gaps are established between the required and actual competences of the staff. In the second phase in 2018, work-specific competences with behavioural requirements and levels of complexity of an individual competence will be determined, and collected in a competence catalogue. On the basis of certain competences, a methodology for assessing competences will be drafted, with development proposals in the event that gaps are established between the required and actual competences of the staff.

The further implementation of activities to ensure the transparent operation of the public sector (emphasising measures for proactive transparency) and implementation of other measures to enhance the integrity of institutions, public employees and officials anticipated in the Public Administration Development Strategy 2015–2020, particularly awareness-raising and intensive training, is also envisaged. During training, special emphasis will be placed on the personal integrity of public employees and the field of public procurements. In order to limit corruption risks, joint public procurements will be further implemented, particularly in health care. Measures to raise integrity in the judiciary will also be continued. The activities will be implemented in cooperation with the Commission for the Prevention of Corruption and non-governmental organisations active in the field of integrity.

4. EU FUNDS

In the 2014–2020 period, Slovenia is eligible for approximately **EUR 4.118 billion of EU funds** (CF, ESF, ERDF, EAFRD, EMFF, YEI, FEAD, CEF, ETC). The resources under the ESI funds in this financial framework are allocated to realise Member States' national objectives in the context of the EU 2020 Strategy objectives.

In the 2014–2020 period, Slovenia is eligible for approximately **EUR 3.255 billion** from EU cohesion policy funds, of which EUR 159.8 million is allocated from the instrument of the Connecting Europe Facility – CEF (for transport), EUR 9.2 million from the Youth Employment Initiative (YEI), EUR 21 million from the Fund for European Aid to the Most Deprived and EUR 64 million for programmes under the European Territorial Cooperation (ETC). The ETC funds are allocated at EU level to Member States in relation to the programmes in which Member States are participating and with regard to the size of their respective populations, and are not included in the breakdown of funds as per individual thematic objective. Each Member State then distributes the funds according to individual programmes. In addition to the Slovenian contribution to EU funds (European Regional Development Fund – ERDF), the overall amount per individual ETC programme also includes the contribution to EU funding (ERDF) of the participating Member States and the obligatory part of national co-financing. The funds under the European Regional Development Fund (ERDF) and the European Social Fund (ESF) are broken down for each cohesion region on the basis of the common EU methodology. The basic break-down of the ERDF and ESF takes into account the development disparities of the regions, the needs and situation in the labour market, including the forecast of an increase in the risk of poverty. In the cohesion region of Western Slovenia, 40% of the funds will be allocated from the ESF

and 60% will be allocated from the ERDF. In the cohesion region of Eastern Slovenia, 70% of the funds will be allocated from the ERDF and 34% from the ESF. **The cohesion region of Western Slovenia will thus be eligible for approximately EUR 847 million and the cohesion region of Eastern Slovenia for EUR 1.260 billion. The resources from the Cohesion Fund are not divided and are available for the whole of Slovenia.**

The OP ECP 2014–2020 also includes a specific objective within the priority axis of ‘Promoting sustainable and quality employment and transnational labour mobility’ intended for a **youth employment initiative in the cohesion region of Eastern Slovenia (EUR 20.7 million).**

To attain the objectives of the Europe 2020 Strategy, cohesion policy funds for the 2014–2020 period are allocated to the following **focus areas**:

- investing in research, development and innovation (RDI), competitiveness, employment and training (ERDF and ESF),
- infrastructure to achieve a better environmental status, sustainable energy use and sustainable mobility, as well as the efficient management of resources (CF and ERDF).

Focusing on these areas is justified by the need for short-term actions to improve access to finance for enterprises, research and incentives, and to improve employment and employability by also establishing a long-term stable environment, which will stimulate the development of good-quality jobs with a changed economic structure, while observing demographic trends.

Let us repeat that Slovenia is eligible for EUR 3.2 billion from the European cohesion policy in the 2014–2020 period. More than EUR 1 billion will be earmarked for stimulating entrepreneurship, start-ups, internationalisation and the development of new business models for small and medium-sized enterprises. Almost EUR 500 million will be earmarked for investments in employment, strengthening and developing human resources and mobility, and investments in the education and training systems for a quicker transition to the labour market. Some EUR 150 million will be earmarked for increasing social inclusion and reducing the risk of poverty. EUR 34 million are earmarked for active ageing. EUR 895 million from the Cohesion Fund will be invested in the construction of environmental and transport infrastructure as well as the sustainable use of energy.

The Government of the Republic of Slovenia is harmonising the starting points for amending the Operational Programme for the Implementation of the EU Cohesion Policy in the period 2014–2020 (OP) and the anticipated re-arrangement of funds between the contents. The amended Operational Programme is the result of a technical correction and the allocation of an additional EUR 56 million.

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

ups for young farmers and business start-ups for the development of small agricultural holdings).

5. PREPARATION PROCESS

The dialogue with social partners has intensified significantly in the process of preparing the National Reform Programme 2017–2018. Before drafting the document, representatives of the European Commission presented the entire package of documents of the European Semester to social partners. The first draft of this document was submitted to social partners and was discussed at the session of the Economic and Social Council on 24 February 2017. On the basis of an agreement at the session, the Government decided that relevant ministries would harmonise bilaterally with social partners regarding the proposed measures. The National Reform Programme was discussed for the second time at the session of the Economic and Social Council on 17 March 2017 and was again harmonised in writing with the members of the Economic and Social Council on 25 April 2017. The harmonised measures were observed in the final document.

The National Reform Programme was also presented to the members of the National Council. It was also discussed by the following committees of the National Assembly: Committee on Finance and Monetary Policy, Committee on the Economy, Committee on Labour, Family, Social Policy and Disability, Committee on Education, Science, Sport and Youth and the Committee on EU Affairs.

The discussions at the Economic and Social Council and the committees of the National Assembly have been taken into account *mutatis mutandis* in the final version of the National Reform Programme, which was finally confirmed at a session of the Government of the Republic of Slovenia on 26 April 2016.

6. ANNEX 1: PROGRESS IN ACHIEVING THE EU2020 OBJECTIVES

National EU 2020 Strategy objectives			Measures	Description of measures
EU 2020 objective	National objective by 2020	Last available data		
Employment rate (ages 20–64)	75 %	68.3% (2012) 67.2% (2013) 67.7% (2014) 69.1% (2015)	Active labour market policy	As the percentage of the involvement in the measures of active labour market policies was high (58.5% of all unemployed persons in 2016) and the activities of the Employment Service of Slovenia enhanced, the number of long-term unemployed persons decreased by 10.8% in 2016 compared to the year before. Despite this, in December 2016,

				<p>the proportion of long-term unemployed persons accounted for 52.1% of all registered unemployed persons. For precisely this reason, the measures for 2016 and 2017 are mainly directed at long-term unemployed persons, the elderly, the less educated, and young people, pursuant to the 2016–2020 AEP Guidelines. The Plan for the Implementation of the Active Employment Policy for 2016 and 2017 earmarked EUR 100 million for measures in 2016, which is 35% more than in 2015 (public works, employment incentives, employment subsidies, workplace training, informal education and training, Project Learning for Young Adults (PUM-O), competence centres, local employment projects). Some EUR 100 million will also be earmarked for the Active Employment Policy in 2017.</p>
			Youth Guarantee	<p>The implementation plan of the Youth Guarantee Scheme for the 2016–2020 period was adopted in the first half of 2016; its measures focus on the most vulnerable people, who are not competitive in the labour market despite the improved economic situation.</p>
			Measures focused on encouraging the employment of elderly	<p>In December 2016, the Government of the Republic of Slovenia adopted a document titled <i>The Elderly and the Labour Market in Slovenia</i>, together with an Action Plan. The key objectives that we wish to meet by means of a substantively broad set of possible measures include increasing the employment rate of the elderly, staying employed longer, and improving the employability and the health of elderly people.</p> <p>The programme, <i>Comprehensive enterprise support for the active ageing of the workforce</i>, co-financed by the ESF, has already been initiated within the aforementioned measures and is to be implemented until 31 October 2022. The programme will contribute to the establishment of the efficient and</p>

		high-quality management of older employees in Slovenia and improving the status of the elderly in the labour market. The new Health and Safety at Work Strategy is also currently under preparation.
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3% GDP allocated to R&D	3 %	2.8% (2012) 2.58 % (2012) 2.59% (2013) 2.39 % (2014) 2.21 % (2015)	Measures in science	<p>After a number of years, the funds intended for science have been increased, namely by 5%. At the end of 2016, Slovenia signed the Association agreement on associate membership of CERN, which will offer new opportunities for the Slovenian business sector, particularly for high-tech companies. Furthermore, cooperation in education will be expanded.</p> <p>In 2016, support was initiated for major research programmes, the purpose of which is to promote the implementation of research and development programmes of partnerships linking the academic sphere and the economic sector and combining know-how and competences for the purpose of developing new products, services, and processes, and for the purpose of using new technologies. The programmes show potential in the international context, they directly support the development potential of the economy, and have long-term potential to enter foreign markets in order to be globally integrated in an efficient and comprehensive manner.</p> <p>Pursuant to the planned measures, support allocated to 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, has also increased.</p>
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<p>GHG emissions must decrease by 20% compared to 1990</p>	<p>GHG emissions in Slovenia in 2020 may not be more than 4% higher than in 2005 in sectors with objectives under the Decision 406/2009/EC</p>	<p>12% (2013)* 16% (2014)* 14% (2015)*</p> <p>*Depending on the allocated annual target values</p>	<p>The implementation of the measures arising from the Operational Programme for Reducing Greenhouse Gas Emissions by 2020 with a vision by 2030.</p>	<p>The Operational Programme for Reducing Greenhouse Gas Emissions by 2020 is an implementation plan with measures for achieving Slovenia's legally binding objective to reduce GHG emissions by 2020 arising from the climate and energy package pursuant to Decision No 406/2009/EC. The programme is limited to the sectors referred to in this Decision, so it does not lay down measures in the sectors included in the EU-ETS scheme nor measures for reducing the direct emissions resulting from the use of electrical power and measures for increasing emission sinks.</p>
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<p>20% of energy from renewables in final energy consumption</p>	<p>25% proportion of energy from renewables in final energy consumption</p>	<p>20.8% (2012) 22.4% (2013) 21.5% (2014) 22.0% (2015)</p>	<p>In 2015, a 22.0% proportion was achieved (which exceeds the planned annual target of 21.2% arising from AP-RES).</p>	<ul style="list-style-type: none"> - the comprehensive assessment of environmental impacts (CPVO) procedure for an updated AP RES with objectives until 2030 - Regulation on self-supply with electricity under renewable energy sources (RES) - Construction of 26 rapid-charging stations for electric cars - Restoration of the scheme for operating support for the production of electric power from RES - a call for applications for the co-funding of remote systems driven by RES in 2016 was carried out within the OP ECP 2014–2020. - Incentives for households via the Eco Fund - Construction of Brežice Hydro Power Plant including the infrastructural part
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<p>20% increase in energy efficiency</p>	<p>In 2020, primary energy consumption will be a maximum of 7.125 million tonnes.</p>	<p>Pursuant to Article 3 of the Energy Efficiency Directive, Slovenia set the goal within NEE AP 2020 to improve energy efficiency by 2020, namely by not allowing primary energy consumption to exceed 7.125 million tonnes (82.86 TWh) by 2020. In 2014, when primary energy consumption was 76.7 TWh, Slovenia remained within the acceptable limits of the objective for 2020. Final energy consumption also decreased; in 2014, it was 54.3 TWh, which accounted for 4.4% less than in 2013.</p>	<p>Measures to improve energy efficiency</p>	<ul style="list-style-type: none"> - the action plan (NEE AP) by 2020 adopted in 2015 - the Long-Term Strategy for the Energy Rehabilitation of Buildings adopted in 2015 - the Initial Report for the Implementation of the P1 Government Development Project: Energy Rehabilitation of Buildings Owned by the State and Municipalities, adopted in 2016 - in 2016, OP ECP 2014–2020 funds began being used in the field of the energy rehabilitation of public sector buildings (a call for applications by municipalities, two calls for state-owned buildings, and the selection and commencement of 3 pilot projects related to the energy rehabilitation of public buildings)
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<p>Reducing the rates of early school leaving to below 10%</p>	<p>5%</p>	<p>4.4% (2012) 3.9% (2013) 4.4% (2014) 5.0 % (2015)</p>	<p>Apprenticeship system</p>	<p>From the perspective of the Ministry of Education, Science and Sport, the implementation of an apprenticeship system, which would concretely connect the educational process with the direct needs of the economy, is of key importance in 2017. The implementation of the system also envisages the use of cohesion funds. Another purpose of the Act is to establish the prompt vocational socialisation of young people, since the introduction of the apprenticeship model is intended to seek new possibilities and opportunities in the light of employing young people, while educating and training them close to the labour market and meeting the needs of employers.</p>
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				<p>Apprenticeship will undergo a trial period in the 2017/2018 school year. The inclusion of apprentices into four secondary vocational education programmes is planned for the first year, namely for toolmakers, stonecutters, carpenters, and food expert/hotelier. This form of education that includes apprenticeship is introduced gradually, and trial periods will be carried out in a limited number of programmes, for a limited number of apprentices, schools, and employers.</p> <p>Despite the growth evidenced in recent years – Slovenia reached 5% in 2015 – the above objective is still being fulfilled.</p>
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<p>At least 40% of 30-34-year-olds completing tertiary education</p>	40%	<p>39.2% (2012) 40.1% (2013) 41.0% (2014) 43.4% (2015)</p>	<p>Slovenia is fulfilling this objective, as the proportion of people with higher education degrees in 2015 was 43.4%.</p>	<p>Greater flexibility and responsiveness of programmes in the market will be enabled with the <i>Higher Education Act</i> amended in 2016. More flexible financing of higher education activity (arising from the amended Higher Education Act) enables incentive financing on the basis of output indicators (scientific excellence, employability, funds obtained from the business sector), which will stimulate higher education institutions to optimise their operations. In 2017, career centres at higher education institutions and projects for partnership between students and the economic sector will fully come to life. Special attention is paid to the transfer of technologies from research/higher education to the business sector, which is reflected in the structure and goals of public calls, including a special instrument for technology transfer to be procured in 2017.</p>
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<p>20 million less people at risk of poverty and social exclusion</p>	<p>40,000 fewer people are poor and socially excluded compared to 2008, when there were</p>	<p>392,000 (2012) 410,000 (2013) 410,000 (2014) 385,000 (2015)</p>	<p>Social Security Act</p>	<p>The amended Social Security Act was adopted in 2016, allowing the pilot social activation project to be implemented. The project includes the establishment of a comprehensive model, the development of social activation programmes, and the development of a computer application for supporting the implementation of social activation programmes.</p>
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	360,000 such people.		Social activation	<p>The comprehensive model will enable the recognition, treatment, and orientation of people on the one hand, and the development of social activation programmes on the other, while the cooperation between the Social Work Centre and the Employment Service of the Republic of Slovenia with regard to the in-depth treatment of these people is also of key importance. The target groups are mostly frequent and long-term recipients of social assistance benefits in cash and long-term unemployed persons. The basic purpose of social activation programmes is to increase the social and employment competences of the users and their prompt inclusion in the labour market (into active employment policy programmes, subsidised employment, and adapted workplaces, etc.).</p>
			State scholarships	<p>The austerity measure in the field of state scholarships has been abolished – a part of the fifth income bracket is now eligible, i.e. those with an average monthly income of up to 56% per family member are now also eligible to receive a state scholarship.</p>
			Change in the basic amount of the minimum wage	<p>As of 1 January 2016, the basic minimum wage in the amount of EUR 288.81 was introduced, which means that the amount of social benefits in cash, extraordinary social benefits in cash, and funeral and death grants have also increased, while the census for minimum pension support for a single person increased to EUR 476.87 FROM EUR 470.76 as of 1 August 2016. As of 1 August 2016, the minimum wage has been adjusted and it currently amounts to EUR 292.56.</p>
			Change in the lunch subsidy amount	<p>The lunch subsidy amount for primary school pupils was modified in 2016. As of 1 February 2017, a 100% subsidy for all those (pupils) eligible to a lunch subsidy has been provided.</p>
			Change in	<p>The unconstitutionality of subsidised market rent has been eliminated –</p>

			<p>subsidised market rent</p> <p>Changes in repaying the received social assistance benefit in cash and income support</p> <p>Ensuring pensions in the amount of EUR 500, provided that “full conditions” are met</p>	<p>those eligible to receive subsidised market rent are once again also eligible to receive a subsidy for the “non-profit part” of the market rent.</p> <p>As of 1 February 2017, changes in the repayment of received social assistance benefits in cash and pension support entered into force – inheritance restriction (notices on real estate properties) for all cases of entered notices and for all new beneficiaries with a flat or a house with a value of up to EUR 120,000, and the repayment of received social benefit assistance in cash and pension support in the event that an individual or a family owns a flat or a residential house with a value of up to EUR 120,000 have been abolished.</p> <p>In April, the National Assembly passed statutory amendments anticipating that all insured persons who obtained the right to an old-age or disability pension as per the provisions of the applicable Act or according to the previously applicable regulations if meeting the “full conditions” will be entitled to a pension in the amount of EUR 500.</p>
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7. ANNEX 2: PROGRESS IN ACHIEVING COUNTRY SPECIFIC RECOMMENDATIONS FOR 2016

	Recommendation	Present situation
1.	<i>After eliminating excessive deficit, the annual fiscal adjustment in the amount of 0.6% of GDP is obtained in 2016 and 2017 for attaining the medium-term budgetary objective. The medium-term budgetary objective is determined observing the requirements from the Stability and Growth Pact.</i>	<p>On the basis of April EDP reporting⁸ on the main aggregates of general government for 2016, Slovenia records general government deficit of 1.5% of GDP. The budgets for 2017 and 2018 were passed in November 2016. According to forecasts, the general government deficit for 2017 will amount to 0.8% of GDP and 0.2% of GDP in 2018, which is based on the amended and supplemented general government framework adopted by Parliament in April 2017 and also determines the highest levels of expenditure for the state budget.</p> <p>In the medium term, Slovenia is planning to gradually reduce the government balance and cyclically adjusted balance. Therefore, when planning public finance, we focus on structural measures that will have a permanent impact on the structure and efficiency of public finance.</p>
	<i>By appointing members to the independent Fiscal Council and amending the Public Finance Act, the fiscal framework will be enhanced.</i>	<p>In March 2016, the National Assembly confirmed the Fiscal Council as an independent authority.</p> <p>The new Public Finance Act will define in more detail the responsibilities when planning the budget as per the EU requirements.⁹ Slovenia will incorporate a medium-term budgetary framework into its legislation, which will determine the route for attaining fiscal targets and enable better stability and predictability when planning measures. Its preparation is underway and the draft act is undergoing inter-ministerial coordination.</p>
	<i>Final preparation and implementation of the health care and long-term care system reform in order to ensure better cost efficiency and long-term sustainability of accessible and high-quality care.</i>	<p>It is anticipated that the Act on long duration treatment and insurance for long duration treatment will be prepared by mid-2017. Several solutions were drafted for the future arrangement and management of this field, which are still being harmonised. Both ministries agreed that the drafting of new legislation is transferred to the Ministry of Health as of the beginning of 2017, which will also be responsible for implementing the new legislation. Necessary administrative capacity will also be observed. Tools and content to be implemented in the pilot project (with the support of financial resources from the ESF) are being prepared. In cooperation with the European Commission, both ministries organised an event at the end of October 2016 intended for political decision-makers and experts working in the field of long-term care.</p>

⁸ First data by SORS: <http://www.stat.si/StatWeb/News/Index/6594>

⁹ Council Directive 2011/85/EU on requirements for budgetary frameworks of Member States.

The health reform is still underway. The draft Health Care and Health Insurance Act is being discussed, which anticipates structural changes for future financial stability and sustainability of a high-quality health system with a comprehensive basket/package of benefits for citizens within the health care system. The new Act will replace the applicable Act from 1992. The Act also anticipates gradual implementation of measures in the coming years.

As per the Resolution on the National Health Care Plan 2016–2025, several legislative and non-legislative measures to support the health reform are being implemented:

On 15 December 2016, the National Assembly passed the Pharmacy Practice Act. New solutions also include a network of pharmacies at primary level provided by municipalities and defined on the basis of demographic and geographic criteria. The network is composed of public pharmacies owned by municipalities and private pharmacies with concessions for implementing public service, whose majority owners must be pharmacists by profession. Private pharmacies with concessions will be able to open additional business units if they meet the conditions and needs of citizens in the relevant region. Clinical pharmacy and seamless care are being introduced in hospital dispensaries with the Act. The Act limits vertical integration in both directions: producer–wholesaler–pharmacy and vice versa in order to ensure professional independence of pharmacists. The leading principles remain the protection of public health and care for health of individuals. The Act also introduces licences for pharmacists in the pharmacy service.

The national project, eHealth, establishes a uniform health information system, which enables mutual connectivity and exchange of information by integrating information systems of various health care providers. By amending the Healthcare Databases Act in 2015, a legal basis was provided for the eHealth databases (Central Register of Patient Data, ePrescription, eReferral, eAppointment, Telekap, Register of teleradiological mapping etc.) and connecting them. Significant progress was made in the last year when integrating solutions developed within the eHealth project.

Electronic prescription and the issuing of medicinal products are in full use and over 90% of prescriptions are issued in a digital form (over 85% share was attained in less than ten months following its nationwide introduction). The majority of activities in 2016 referred to the introduction of electronic appointment making for health-care services, i.e. eAppointment, whereby the efficiency of making appointments by providing correct information about available times for health-care services collected on the national level was to improve. By obtaining accurate data on waiting times at the national level, it will be easier to plan measures for improving the situation in this area. The mandatory “opening” of schedules and the waiting list for making appointments electronically for health-care services began in October 2016; eReferral will soon almost entirely substitute paper referrals.

The collection of the data summary on patients in the Central Register of Patient Data began, which will enable more efficient and safer health care of patients at all levels of the health care system (only 6% of citizens disposes of the summary at the moment, but the number is growing). The results are better regarding the number of those Slovenian citizens who have at least one document (discharge letter, out-patient report) in the Central Register of

Patient Data, whereby over 620,000 (approximately 30%) citizens have their health documentation stored in the Central Register of Patient Data for other doctors to examine. With the introduction of the zVEM portal, the patients will be able to safely access their data in the eHealth databases; its introduction began in January 2017. Additional eHealth tools are: "Telekap" – a network of locations with video conferencing equipment and an application enabling video conferencing between the central point where a neurologist is always available and twelve local general hospitals, which may use the network when admitting a patient assumed to be suffering from stroke; a video conference and an exchange of data and image material is possible; "Teleradiologija" – enables safe exchange of radiological images for consulting with a radiologist and safe exchange of images between medical institutions; "eTriaža" – provides a uniform manner of triaging patients with the application of the Manchester triage system in emergency departments, and "Kazalniki kakovosti" – a centralised application collecting over 35 quality indicators from the information systems of reference family medicine outpatient clinics.

in 2016, joint public procurement was expanded in health care to the most frequently used medical equipment, such as needles, gloves, dippers, infusion and transfusion systems, catheters and material for respiratory therapy. Following the recent media disclosure in December 2016 of differences in prices paid by hospitals when purchasing medical materials, all hospitals had to submit data on the purchase and prices of the medicinal products and devices, which they had purchased in recent years. The data were published at the end of February 2017, and will be used as the basis for arranging the situation in this field.

The activities and measures to improve primary health care are being implemented. The national strategy for primary health care development by 2025 is being prepared. Gradual introduction of reference family medicine outpatient clinics aimed at improving the treatment of chronic patients with an expanded team of medical staff at the primary level is being continued as well as the optimisation of service provision. These outpatient clinics help to enhance the prevention and early detection of risk factors at the primary level.

The Restriction on the Use of Tobacco and Related Products Act was passed. As per the Resolution on the National Health Care Plan 2016–2025, Slovenia plans to reduce smoking among its citizens by 30% by 2025. The Act includes a comprehensive prohibition of advertising, promoting and sponsoring of all tobacco and related products, including the prohibition to display tobacco and similar products at sales points, prohibition of cross-border distance or domestic sale of tobacco and related products (also via the Internet), introduction of licensing for sellers of tobacco and other retail products, prohibition of broadcasting or using tobacco and related products on television, prohibition of selling tobacco and related products to minors (under the age of 18), prohibition of using electronic cigarettes and other tobacco-related products in enclosed public places or business premises, and uniform packaging (applicable as of 1 January 2020).

	<p><i>By the end of 2017, the necessary measures for providing long-term sustainability and adequacy of the pension system will have been adopted.</i></p>	<p>The White Paper on Pensions was prepared and submitted for public discussion. In the consultation procedure, a working group was established within the framework of the Economic and Social Council. The working group will prepare a document, which will include a selection of policies for further development of the pension system in the Republic of Slovenia harmonised between the social partners and will serve as the basis for drafting statutory amendments in the field of pension and disability insurance in Slovenia.</p>
<p>2.</p>	<p><i>The employability of low-skilled and older workers is being increased while also consulting social partners, by means of targeted measures in the field of lifelong learning and activation measures.</i></p>	<p>The measures of the active employment policy (as per the Guidelines for the implementation of active employment policy measures for the period 2016–2020) are being implemented, which focus on low-skilled and older workers (and the long-term unemployed) with the aim of improving their employability (on-the-job training, informal education and training, project learning for young adults (PUM-O), competence centres etc.). The majority of participants in the active employment policy measures in 2016 included the long-term unemployed (58.5%), young people under the age of 29 (30.5%), people over the age of 50 (23%) and people with a low education (18.8%). If compared to 2015, an obvious emphasis on the long-term unemployed may be detected in 2016 since their participation in the active employment policy programmes increased from 47.6% to 58.5%. The participation of people over the age of 50 also increased, i.e. from 13.9% to 23.1%. The number of long-term unemployed amounted to 51,916 in December 2016, while it was 58,178 in December 2015.</p> <p>The Employment Service of Slovenia is upgrading its work by aiming to work more efficiently with long-term unemployed and older people. In order to improve the employment of the long-term unemployed and to implement the Council Recommendation on the integration of the long-term unemployed into the labour market¹⁰, a special action plan for implementing Council recommendations relating to the long-term unemployed and the Strategy for working with the long-term unemployed were adopted by the Employment Service of Slovenia (in addition to the active employment policy measures).</p> <p>Special emphasis will be placed on monitoring the implementation and establishing the efficiency of measures, which will serve as the basis for the further development of policies in this field.</p> <p>An important supplementary measure to the activities taking place on the basis of the White Paper on Pensions is the document, “The Elderly and the Labour Market in Slovenia”. After analysing the position of older workers in the labour market, the document encompasses 50 proposed measures, which will contribute to increasing the employment rate, extending working life and improving the employability of older people. In December 2016, the Government of the Republic of Slovenia adopted the document together with the action plan for implementing measures, some of which are being already executed or are in preparation. The measures focus on various substantive fields: establishing a healthy working environment for all generations, enhancing education and lifelong</p>

¹⁰<http://eur-lex.europa.eu/legal-content/SL/TXT/PDF/?uri=CELEX:32016H0220%2801%29&from=EN>

learning, maintaining older people in the labour market, transitioning of older people to/from unemployment, including older people in measures of the labour market and active employment policy, social situation of older people, institutional framework of the labour market functioning, and awareness-raising and informing of all stakeholders in the labour market. Although the document for the most part discusses older people, it also observes the fact that the implementation of measures for extending the working activity of an individual must begin at the start of one's career path. From this viewpoint, much attention will be paid to the measures in the field of health and safety at work, training and lifelong learning throughout an individual's entire career.

The Ministry of Labour, Family, Social Affairs and Equal Opportunities in cooperation with the Occupational Safety and Work Council is intensively preparing the Health and Safety at Work Strategy, which will comply with the EU Strategic Framework on Health and Safety at Work 2014–2020, and whose guideline will be to provide healthy jobs for all generations in accordance with the sustainable work concept, enabling workers to work longer and retire in good health.

Several programmes are being implemented within the cohesion policy of the European Social Fund for the period 2014–2020, which are also intended for older and low-skilled workers in the field of employment and lifelong learning (on-the-job training, informal education and training, Employ.me programme, project learning for young adults). Furthermore, the programme, Comprehensive enterprise support for active ageing of workforce, i.e. support to organisations for better management of older workers started at the end of 2016 and will continue until 2022.

Financial incentives, such as tax relief (determined in the Corporate Income Tax Act and the Personal Income Tax Act) and the exemption from paying social security contributions (the Intervention Measures for the Labour Market Act) for employers who employ older workers (above the age of 55 and unemployed) still apply for older workers (above the age of 55). Within the intervention measure, the employer is exempt from paying social security contributions for 24 months if employing an older worker. This measure is in force from 1 January 2016 until 31 December 2017. In 2016, 1,092 older workers were recorded who were employed within this measure.

The total number of newly employed older workers grew significantly in 2016; the number of unemployed people above the age of 50 who found employment increased by 17.3% in the first ten months of 2016 if compared to the same period in 2015. On the basis of the amended Pension and Disability Insurance Act from 2015, whose purpose was to encourage all insured persons to remain fully employed, including those who have already turned 65 and meet the conditions for old-age or early retirement, there were 5,760 people who received 20% of their pension in December 2016.

The proposal to amend the legislation in the labour market, which is currently being harmonised between social partners and will be passed in 2017, is also aimed at a prompt transition into new employment. To increase the employability of unemployed persons with a low level of education, the introduction of an incentive is proposed to employ recipients of cash benefits with a low education, who in the event of employment will be entitled to a wage supplement in the amount of 20% of the cash benefit. This would additionally motivate unemployed persons with a

		<p>low education to find employment as soon as possible and compensate the negative effect of the tax and contribution burden and the reduction of social transfers when transitioning from unemployment to employment involving lower paid jobs. The changes also anticipate the obligation to enter the register of job seekers already during the notice period after the termination of the employment relationship for business reasons or for reasons of incompetence (no later than three days after being served the dismissal notice). If the employee fails to observe this obligation, cash benefits for the first three months of unemployment will amount to only 60% of the base (which otherwise amounts to 80% of the base).</p> <p>The Slovenian Qualifications Framework Act which entered into force in July integrates the education system and the labour market, since it enables the overview of various types of qualifications and thus enables employers in Slovenia and the EU a transparent system of understanding an individual's qualifications.</p> <p>The Skills Strategy, a joint project of the OECD and the Slovenian Government, is underway, whose main objective is to provide a strategic assessment of the national qualifications system in Slovenia and the method of obtaining and using skills. The project serves as the basis for more efficient policies and strategies in the field of skills in order to meet the needs for skills in Slovenia in the future. This is a joint project of the Ministry of Labour, Family, Social Affairs and Equal Opportunities and the Ministry of Education, Science and Sport.</p>
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<p>3.</p>	<p><i>The financing conditions for creditworthy companies are improved, including the stimulation of sustainable resolution of non-performing loans and access to alternative funding sources</i></p>	<p>In cooperation with the Ministry of Agriculture, Forestry and Food, the Government Office for Development and European Cohesion Policy implemented the Preliminary assessment for implementation of financial instruments (FI) within the thematic objectives. The proposed Investment Strategy is composed of five investment funds incorporating several financial products and an instrument of technical assistance, which ensures non-refundable funds to financial intermediaries and end beneficiaries. In this phase, a two-stage structure with the fund of funds seems most appropriate for Slovenia. The proposed structure with a single fund of funds and thematic sub-funds is compliant with regulations and has many advantages, such as a uniform management structure and single counterparty, higher critical mass, economy of scale, cost efficiency and the possibility of utilising synergies between sub-funds. The agreement on financing will be concluded with the fund of funds manager by the end of this year.</p> <p>The Programme for Implementing Financial Incentives 2015–2020 of the Ministry of Economic Development and Technology was adopted, and the Ministry of Finance approved the state aid schemes, which include non-refundable funds and financial instruments. The Ministry of Economic Development and Technology and its implementing (financial) institutions, the Public Fund of the Republic of Slovenia for Entrepreneurship (SPS) and the SID Bank, and the SPIRIT implementing agency, executed several measures to improve access to financing for small, medium-sized and micro enterprises:</p> <p>non-refundable funds for startup companies: innovative startup companies, startup companies in the field of wood processing and startup companies in less developed regions with high unemployment rates (SPS);</p> <ul style="list-style-type: none"> • non-refundable funds for research, development and innovation, social enterprises, trade fairs, investing in problematic regions etc.; • microloans for micro companies and microloans for social enterprises (SPS); • loan fund for small and medium-sized enterprises (SID Bank); • bank loan guarantees with interest rate subsidies (SPS); • initial capital (convertible loans and capital investments). Initial capital is combined with mentorship schemes. <p>In addition to direct measures, the line ministry also prepared a proposal to amend the Supportive Environment for Entrepreneurship Act, which includes proposals for improving access to financing. The material is currently undergoing interministerial coordination.</p> <p>The Central Credit Register Act was passed in November 2016. This Act defines the legal framework governing the establishment and functioning of the central credit register and the electronic system for data exchange at the Bank of Slovenia. The credit register will be a centralised database on loan operations with natural persons and business entities and on the credit risk and other exposures to business entities.</p>
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<p><i>Suitable implementation of the strategy of the Bank Asset Management Company (BAMC) is ensured.</i></p>	<p>Transfer of bad loans to the BAMC. In February 2016, the Government merged Factor banka and Probanka with the BAMC after both banks settled their existing liabilities, with the exception of liabilities towards the state, which were transferred to the BAMC. The BAMC assumed EUR 196 million from Factor banka and EUR 228 million from Probanka. The majority of thus obtained assets were loans, which were subject to financial due diligence. With the merger, the state was given the opportunity to wait for a suitable time to dispose of the assets of Factor banka and Probanka. With efficient restructuring procedures and transparent sales procedures with equal treatment of bidders, the BAMC will ensure better results for taxpayers as in the case of completed liquidation procedures for both institutions by the end of the year. The merger results in no changes for clients of the three institutions since all agreements between the clients and Factor banka or Probanka remain valid.</p> <p>The BAMC established a subsidiary (NPL Port), which will provide support services when managing the loan portfolio of the BAMC; its services will be offered on the market to banks (managing their non-performing loans) and buyers of non-performing loans. If possible, the BAMC plans to sell the NPL Port this year.</p> <p>Defined indicators. In March 2016 and as part of the document, "Guidelines on the operations of the BAMC", the Government determined a set of key performance indicators in the period 2016–2018. These indicators are: (1) "minimum generated inflows" must amount to EUR 161 million a year; (2) "generated inflows divided by initial transfer value of assets" must amount to 10% a year; (3) "economic return on equity" (EROE) must amount to 8% a year; (4) "cost efficiency" (operating costs divided by average assets under management) must amount to 1.6% in 2016, 1.8% in 2017 and 1.9% in 2018. In June 2016, the Government determined that the BAMC currently realises these indicators. The BAMC particularly calls up the assets as per the provisions of the ZUKSB and it generated EUR 615.5 million of inflows from the beginning of its operations until 31 July 2016. The complexity of the portfolio of the BAMC increased significantly with the merger of Factor banka and Probanka.</p>
<p>4. <i>Measures for modernising public administration and reducing the administrative burden for companies are adopted.</i></p>	<p>An updated single set of measures is published on the Internet, which provides a clear plan of progress with activities, responsibilities and deadlines for individual measures. The objective of these activities is to create a transparent tool for managing key strategic objectives at the national and operational levels, which will also present the work of individual ministries and the Government as a whole.</p> <p>The web-based tool, "Single set of measures for better legislative and business environment", was updated in 2016, which enables interested parties an additional insight into the realisation of amended regulations for the achievement of savings by municipalities and an insight into the realisation of measures considered a priority by the Government of the Republic of Slovenia. At the end of 2016, 57% of measures or 181 of 318 adopted measures in the single set were realised. From the viewpoint of preventing the occurrence of new administrative barriers, 700 regulation proposals were reviewed in 2016, of which 20% of regulations were improved from the aspect of the occurrence of new administrative barriers:</p> <p>a uniform method of managing information and communication systems of state administration was established by</p>

		<p>consolidating human resources and information communications infrastructure for 2016 (project of reorganising informatics in state administration) and functioning of the of IT Development Council in state administration. We also increased the level of trust (security);</p> <ul style="list-style-type: none"> • a new method of joint planning of financial resources was established, which contributed to the optimisation of processes, lowering of public procurement costs and standardisation of the equipment; • a new method of implementing joint public procurements was introduced, which increased the effects of economies of scale, homogeneity of the equipment, improved supervision and more efficient use of hardware and software; • a new method of implementing the support system for managing the Service Centre was established for fast and efficient monitoring of business processes. Communication with users has improved, the time needed to resolve problems has shortened, while providing efficient monitoring of user requests, ordering and status of computer equipment etc.; • the SI-CAS, central authentication service, was introduced enabling verification of electronic identity in one place; • a pilot project for establishing a data storage and a business analytics system was implemented, whereby a prototype with control panels, inquiries and business reports on data sources for wages in the public sector, data on employees in state administration and data on paid fees from the cash registers of administrative units were prepared; • a pilot project for implementing big data analytics was executed; the experience obtained will be used for the establishment of the platform for big data business analytics. <p>On 1 January 2016, electronic notification of registering, de-registering or changes to compulsory social insurance became mandatory for all business entities registered in the Slovenian Business Register via the eVEM business portal, whereby the estimated savings amount to EUR 6.4 million on the annual level.</p> <p>Furthermore, the eVEM portal has enabled the electronic submission of requests for reimbursement of wage compensation for all employers since 1 October 2016.</p> <p>The last anticipated executive acts to the Residence Registration Act and the Hospitality Industry Act were adopted in 2016 enabling single reporting in one place and submitting data according to the once only principle. The register of accommodation facilities is being implemented, including an application to support single reporting in one place for submitting data on overnight stays of tourists. Its completion is anticipated at the end of 2017. The estimated savings amount to over EUR 0.5 million annually.</p> <p>Financial resources for investments totalling EUR 2.5 million were provided for centralisation and real estate management from savings in the first year of implementation, i.e. in 2016. From savings and centralised management, further rationalisation is planned due to relocating bodies to (renovated) own premises, reducing the costs of leasing (due to repeated negotiations and standardised recognised costs) and more rational centralised</p>
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		<p>maintenance, security and supervision of facilities.</p> <p>The implementation of assessments of regulation effects on the economy has been mandatory for new acts with the use of application support since June 2016. In the coming months, the MOPED system (modular environment for electronic document production) of the Government Office for Legislation will start operating, which is the only application for the preparation of regulations.</p> <p>Deregulation of activities and professions in Slovenia: The renewal of regulation of the following professions and activities is taking place: construction, land surveying activities and tourism. The renovation of cemetery and funeral activities, chimney sweeping activities, driving schools, veterinary and social services took place in 2016.</p> <p>Digital transformation. The national computing cloud was completed in December 2015; completely interoperable governmental information infrastructure in a cloud is planned for 2020 with a hybrid and innovative cloud. All new information projects are now implemented as cloud services; they are standardised and have a common infrastructure, which greatly affects the quality of services and generates savings. The renovated eUprava portal was introduced in November 2015 and provides complete mutual connectivity of 30 back offices, registers and databases with assessed savings for the public administration amounting to EUR 0.5 million per year, while total savings amount to almost twice as much.</p> <p>Public procurement. The system of public procurement was completely renovated in 2016 with a new framework act, the Public Procurement Act (ZJN-3), which entered into force on 1 April 2016. When adopting the Act, the Government undertook to improve the public procurement system with secondary measures. Three recommendations for more qualitative public procurement were harmonised and adopted in 2016 with various stakeholders, particularly state authorities and chambers:</p> <ul style="list-style-type: none"> - Guidelines for public procurement of engineering and architectural services; - Guidelines for public works procurement; - Guidelines for public procurement of IT solutions. <p>The following important activities were also implemented in the field of public procurement:</p> <ul style="list-style-type: none"> - the implementation of joint procurement in health care commenced, where five joint procurements were published; the total value of all joint procurements exceeded EUR 250 million; - electronic auctions are now used intensively in public procurement by the majority of state administration bodies, where average savings of 17.3% were achieved; - the Statist web solution was prepared, which enables access to data on all awarded procurements in the
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		<p>Republic of Slovenia in the last four years;</p> <ul style="list-style-type: none"> - a new Decree on green public procurement was submitted for public discussion, which from the viewpoint of efficiency and attaining higher environmental criteria would denote a systematic renewal of sustainable public procurement.
	<p><i>Management and performance of state-owned companies are improved.</i></p>	<p>For the SSH, the annual plan is the basic tool for managing, obtaining (e.g. recapitalisation) and selling assets. The annual plan is composed of a general section, which is publicly accessible, and a special section marked as business secret, which is not publicly accessible. Regarding the general section, the SSH initiated the privatisation of 31 state-owned companies in 2016 from among 46 investments included in the portfolio as per the strategy, and continued privatisation procedures in companies on the list of 15 companies (Paloma and Unior). The SSH began selling certain minority and also majority shares in 16 companies (see Annex 1), including NLB, the largest bank in Slovenia. As per its commitments, the Republic of Slovenia must reduce its share in NLB by 25% + 1 by the end of 2017. In cases of Telekom Slovenije and Cinkarne Celje, new privatisation procedures will commence after business restructuring and preparing of companies by increasing their value.</p> <p>The decision on possible amending of the strategy has not been made yet. The strategy determined that the document would be revised by the Government one year after its adoption, and that in the case of changed economic and other circumstances, a new strategy would be submitted to the National Assembly for adoption. Our objectives are (1) to further reduce the number of strategic and important investments, and (2) to eliminate the prohibition of ownership concentration and dispersed ownership by private owners in certain important investments.</p>